

Fourth quarter and year-end report – 31 December 2020

Fourth quarter 2020 (third quarter 2020)

- Production from Blocks 3&4, Oman, at 11,072 barrels per day (10,651 barrels per day)
- Revenue and other income of MUSD 22.3 (MUSD 20.4)
- EBITDA of MUSD 10.2 (MUSD 9.5)
- Earnings per share amounted to USD -0.09 (USD -0.06)
- Free cash flow MUSD 9.0 (MUSD -11.7)
- Blocks 3&4: Exploration well Anan-1 successfully drilled with good oil flow rates
- Block 49: Exploration well Thameen-1 spudded
- Block 49: Tethys Oil in farm out to EOG Resources of 50%, subject to government approval
- Block 56: Tethys Oil has entered into an agreement to acquire a further 45 percent interest, and assume operatorship of Block 56 in the Sultanate of Oman, subject to government approval
- Investment guidance 2021: MUSD 47

Reserves and Contingent Resources

- 2P internal reserve replacement ratio of 120 percent
- Year-end 2020 2P Reserves of 26,922 mbo and 2C Contingent Resources of 13,904 mbo

Dividend & Distribution

- The board of directors proposes an ordinary dividend of SEK 2.00 per share (2020: SEK 2.00), to be paid after the 2021 AGM
- The board of directors proposes an extraordinary distribution of SEK 2.00 by way of a mandatory share redemption programme following the 2021 AGM (2020: SEK 3.00)

MUSD (unless specifically stated)	Fourth quarter 2020	Third quarter 2020	Fourth quarter 2019	Full year 2020	Full year 2019
Net daily production from Oman, Blocks 3&4 before government take (barrels per day)	11,072	10,651	13,475	11,336	12,832
Net entitlement barrels (bbl)	529,699	509,559	592,164	2,157,385	2,383,086
Net entitlement as share of production (percent)	52%	52%	48%	52%	51%
Achieved selling price per barrel, USD	42.3	42.8	61.4	47.7	64.2
Revenue and other income	22.3	20.4	36.2	101.1	150.8
EBITDA	10.2	9.5	21.3	50.4	92.9
Operating result	-0.7	-1.0	0.7	5.8	37.1
Net result for the period	-2.9	-2.1	-0.3	3.3	38.3
Earnings per share (after dilution), USD	-0.09	-0.06	-0.01	0.10	1.12
Net cash	55.1	48.0	75.1	55.1	75.1
Free cash flow	9.0	-11.7	4.9	6.7	31.4
Investments in oil and gas properties	11.0	8.6	26.2	45.4	65.2

Tethys Oil AB (publ)

Tethys Oil is a Swedish oil company with focus on onshore areas with known oil discoveries. The company's core area is the Sultanate of Oman, where it holds interests in Blocks 3&4, Block 49, Block 56 and Block 58. Tethys Oil has net working interest 2P reserves of 26.9 mmbbl and net working interest 2C Contingent Resources of 13.9 mmbbl and had an average oil production of 11,336 barrels per day from Blocks 3&4 during 2020. The company's shares are listed on Nasdaq Stockholm (TETY). Website: www.tethysoil.com

Letter to shareholders

Dear Friends and Investors,

We have made it five weeks into the year 2021 but the pandemic has not let go. Masked faces are the order of the day and the social restrictions we had to adopt in 2020 are still with us. Focus remains on keeping everyone healthy and maintaining operations as close to normal as possible. The buzzwords from 2020 continue to rule the day. Perseverance, caution, resilience and patience. But the financial markets present us with an outlook that is reassuringly rosy as economic growth seems to pick up again and oil prices have come back.

And the fourth quarter of 2020 was not at all a bad quarter for Tethys Oil. We persevered through hard work, focused action and a cautious attitude by all our co-workers. Block 3&4 operations showed remarkable resilience and the robustness of the Blocks are demonstrated clearly through high production, lower opex and positive cash flow.

Backed by a production of 11,072 barrels of oil per day - four percent higher than in the third quarter - we report revenues and other income of MUSD 22.3, up nine percent from the third quarter 2020. Our EBITDA amounted to MUSD 10.2, up seven percent compared with the third quarter 2020. During the quarter, free cash flow was MUSD 9.0 and investments in oil and gas amounted to MUSD 11.0. And we end the year with a strong net cash position of MUSD 55.1.

The fourth quarter also saw some very significant developments for the future growth of Tethys Oil. We have agreed to increase our interest in Block 56 to 65 percent and to take over operatorship of this potentially very prolific block. Analysis of additional data over our operated Block 58 continues to strengthen our hopes for this strategic Block in south-western Oman. And in Block 49, as we neared the drilling of the Thameen-1 exploration well, we have agreed to partner with EOG Resources.

The Thameen-1 well started drilling on the last day of the fourth quarter and we should have results before the end of February. The well is designed to primarily evaluate two potentially hydrocarbon bearing structures but also to give data to assess the overall potential for Block 49 both for conventional and unconventional hydrocarbons.

So, for all the challenges and absurdities of 2020, Tethys Oil came through the fourth quarter and the full year very well. Our asset mix improved and adding one new block while negotiating one farm in and one farm out is indeed an excellent outcome for the year. But the performance of Blocks 3&4 continues to be the source of cash flow to enable the continued growth of Tethys Oil.

Average production from Blocks 3&4 came in at more than 11,300 barrels of oil per day in 2020. Our net production for the year amounted to 4.1 million barrels and in August we passed a very significant milestone when gross production from the Blocks passed the 100 million barrel mark. When production started in 2010 I would have considered that number to be unreachable. But it was not and more importantly for the future: On block reserves have never been higher than at the end of 2020. For the ninth year in a row Tethys Oil's Reserve Replacement Ratio exceeds 100 percent! This despite deferred investments and minimal exploration efforts during the year. At the end of 2020, 2P reserves stood at 26.9 million barrels, with the 2P reserves replacement ratio reaching 120 percent.

We have had a good year and we stand strong with ample cash reserves and the highest reserve number in Tethys Oil's history. From this position of strength, we are able to continue our cash distribution to shareholders without holding back on our plans for growth. In 2020 we distributed SEK 5 per share and together with buy backs distributions totalled MUSD 26. Given the continued likelihood of price and production volatility facing 2021 we propose a slightly smaller but still significant cash distribution of SEK 4 per share or MUSD 15, before any buybacks.

We will remain vigilant in 2021, but for the longer run we remain unreservedly optimistic. We believe there will be a market for our product for numerous years yet and we aim to be better than many in supplying that product. That is why we will increase our exploration efforts in 2021 and fund significant work programmes on our operated Blocks 56 and 58. Blocks 3&4 should see some significant exploration wells drilled in 2021 and our focus on Block 56 will be to evaluate the production potential of the Al Jalmud trend into production while assessing and firming up the significant exploration potential of the central parts of Block 56. But first and certainly not least we look forward to the result of the Thameen well on Block 49 expected before the end of February!

So stay with us. As the world will emerge from the shadows of Covid-19 Tethys Oil will stand ready to meet the demand for oil and natural gas in the most efficient and environmentally friendly way we can. We expect Blocks 3&4 to continue to provide the backbone of our production and cash flow for the coming years and we are getting into a position to be ready to grow by an order of magnitude should some, let alone should all, of our exploration efforts be successful!

Stockholm, February 2021

Magnus Nordin,
Managing Director

Production & Operations¹

Tethys Oil's core area is onshore the Sultanate of Oman ("Oman"), where the Group holds a 30 percent non-operated interest in the exploration and production licence for Blocks 3&4 ("Blocks 3&4"), a 100 percent operated interest in the exploration licence for Block 49 ("Block 49"), a non-operated 20 percent interest in the exploration licence for Block 56 ("Block 56") and a 100 percent operated interest in the exploration licence for Block 58 ("Block 58"). In October 2020, Tethys Oil entered into an agreement with Medco Arabia Limited ("Medco") to acquire a further 45 percent interest in the exploration licence for Block 56. In November 2020 Tethys Oil entered into a farmout agreement with EOG Resources, Inc. (EOG), whereby EOG acquired 50 percent interest in the exploration and production sharing agreement covering Block 49. Both transactions are subject to government approval. Once the transactions with Medco and EOG are concluded Tethys Oil will have a 50 percent working interest in Block 49 and a 65 percent working interest in Block 56 and assume operatorship of Block 56. Tethys Oil also has a non-operated interest onshore Lithuania via an associated company.

Reserves and Contingent Resources

Oman, Blocks 3&4

Tethys Oil's net working interest Reserves in Blocks 3&4 Oman as per 31 December 2020 amount to 26,922 thousand barrels of oil ("mbo") of proven and probable Reserves (2P). The 2P reserve replacement ratio amounts to 120 percent. In addition, Tethys Oil's net working interest resources oil base in Oman amounts to 13,904 mbo of 2C Contingent Resources. The Company's 2020 and 2019 year-end Reserves reports were audited by ERC Equipoise Limited ("ERCE") as independent qualified Reserves evaluator.

Development of Reserves, Blocks 3&4 (audited)			
mbo	1P	2P	3P
Total 31 December 2019	17,336	26,112	36,919
Production 2020	-4,149	-4,149	-4,149
Additions and revisions	4,761	4,959	5,104
Total 31 December 2020	17,948	26,922	37,874
Reserve replacement ratio, %	115%	120%	123%

Additions and revisions include maturation of Contingent Resources to Reserves from the ongoing appraisal program of Ulfa and Erfan fields as well as upside revisions of the Reserves on the Farha South and Shahd fields.

Based on ERCE's model and current oil price assumptions, Tethys Oil's net entitlement Reserves (Reserves after government take) amount to 8,940 mbo of 1P, 12,176 mbo of 2P and 15,321 mbo of 3P.

In addition to Reserves, Tethys Oil also announces net working interest Contingent Resources. The bulk of the estimated Contingent Resources are contained in the Ulfa, Samha and Erfan fields with a small contribution from the Anan-1 exploration well, a new discovery at the end of the 2020 Development of the Contingent Resources in the discoveries is continued contingent upon the on-going appraisal programme, a committed work programme as well as budget to access these resources.

Contingent Resources, Blocks 3&4 (audited)			
mbo	1C	2C	3C
Total 31 December 2020	5,022	13,904	27,911

The audit of the Reserves in Oman has been conducted using 2018 Petroleum Resources Management System (PRMS2018), sponsored by the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE).

¹ The consolidated financial statements of the Tethys Oil Group (hereafter referred to as "Tethys Oil", "Tethys" or the "Group"), in which group Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the fourth quarter 2020. Segments of the Group are geographical markets.

Production

At the end of the first quarter 2020 government authorities in the Sultanate of Oman implemented measures in response to the global Covid-19 pandemic. The aim of the measures has been to minimise the risk of contagion while still allowing operations to proceed safely. During the fourth quarter, production and drilling operations, as well as oil exports have continued undisrupted.

Blocks 3&4

Tethys Oil's share of production from Blocks 3&4 during the fourth quarter 2020, before government take, was 1,018,653 barrels of oil, corresponding to 11,072 barrels of oil per day. Fourth quarter 2020 average daily production was higher than the production in the third quarter 2020 as Blocks 3&4 was permitted to continue to produce at a level somewhat higher than the previously communicated production quotas, following the OPEC+ production limitations.

Production Limitations

As announced in April 2020, the Sultanate of Oman is party to the OPEC+ agreement on production limitations. Tethys Oil was subsequently informed by the operator that Blocks 3&4 was to be subject to production limitations from May and the remainder of 2020. The OPEC+ agreement is still in force and Blocks 3&4 is subject to production limitations. The production from Blocks 3&4 has been permitted to deviate from the quotas on a monthly basis, and can also do so going forward. There is readiness to continue to produce above quotas if permitted.

Production	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Blocks 3&4					
Production, before Government take, bbl	1,018,653	979,922	964,299	1,185,945	1,239,673
Average daily production, barrels per day	11,072	10,651	10,597	13,032	13,475

In April 2020, and as a response to the sharp drop in oil prices and increased uncertainty resulting from the effects of the global Covid-19 pandemic and production limitations, plans were put in place to significantly reduce or defer expenditure on Blocks 3&4 for the remainder of 2020. The aim of the reductions was to ensure the operations on Blocks 3&4 remained, at minimum, cash flow neutral for the full year at the prevailing market conditions. The revised plans include a reduction of development activities, such as production drilling. Operations on Blocks 3&4 were cash flow positive in the fourth quarter and for the full year 2020.

In the fourth quarter of 2020, operations on Blocks 3&4 continued according to the reduced plans set out in the second quarter. Focus has primarily been on projects critical for safety and asset integrity and on completion of de-bottlenecking projects. The flexible planning has allowed the fields to produce at higher levels than anticipated by the communicated quota, when permitted.

During the quarter, the rigorous testing and quarantining procedures to mitigate the spread of the coronavirus at operating facilities have been in place. Operations has proceeded unaffected by the pandemic during fourth quarter 2020.

During the quarter one drilling rig and one workover rig were active on the blocks after two drilling rigs were put on standby in June. Three new wells were completed during the quarter, one production well, one water injection well and one exploration well. Both the production and the injection well were drilled on the Shahd field. The number of workovers increased somewhat in the quarter with ten in the fourth quarter compared to eight the third quarter 2020.

Wells completed Q4 2020 (primary purpose)	Ufa, Samha and Erfan Fields	Farha South Field	Shahd and Saiwan East Fields	Near and far field exploration	Total
Appraisal/Production	-	-	1	-	1
Water injection	-	-	1	-	1
Water source	-	-	-	-	-
Exploration	-	-	-	1	1
Total	0	0	2	1	3

Exploration activities

More than 4,000 km² of new 3D seismic was collected in late 2019 and early 2020 in the entire license area to the north of the Farha South field in Block 3. Multiple leads have been identified within this area, including leads in previously untested oil plays. The data has been processed and the final set of processed data was handed over to the partner group for continued interpretation.

The Anan-1 well, an Erfan analogue well, was drilled about 9 km west of the Erfan field in Block 4. The well had good oil flow rates from target formation Khufai. The well will be completed as a producer from the Khufai formation and will be connected to the EPF production system at Shahd F in the first quarter 2021 for a long-term production test as part of the appraisal of the discovery.

Block 49

Drilling operations of exploration well Thameen-1 commenced at 31 December 2020. The well is planned to be drilled to a depth of about 4,000 meters and drilling operations are expected to last about 45 days. Primary target is the Late Ordovician Hasirah Sandstone layer at a depth of 3,500 metres (TVD). A secondary target is the Mid-Ordovician Saih Nihayda Sandstone at a depth of 3,700 metres (TVD). In addition, the well will also investigate the shallower Gharif Sandstone as well as collect data to further enable an assessment of the hydrocarbon potential of the block, both conventional and unconventional. Drilling of the Thameen-1 well continues according to plan and Tethys Oil expects to finish drilling operations and evaluation of the well before the end of February.

The drill site is located within the northern part of Block 49 at Marsudad village in the Wilayat of Muqhsin in the South West of the Sultanate of Oman within the Governate of Dhofar. Tethys Oil, through its wholly owned subsidiary Tethys Oil Montasar Ltd, has signed a contract with Abraj Energy Services for the provision of the Abraj-204 drilling rig. The majority of the capital spending related to the well is expected to be incurred in 2021.

Tethys Oil entered in November 2020 into an agreement with EOG Resources Oman Block 49 Limited (“EOG”), a wholly owned subsidiary of EOG Resources, Inc., for EOG to obtain a 50 percent interest in the EPSA covering Block 49. As consideration for both the 50 percent interest and access to data, EOG will refund all costs incurred on the Block and fund the Thameen-1 exploration well, up to a combined amount of MUSD 15. Under the agreement, EOG will also have the option to assume operatorship of the Block and increase its interest to 85 percent for any operation relating to unconventional hydrocarbon resources. The agreement is subject to government approval.

Block 56

In the fourth quarter 2020, Tethys Oil, entered into an agreement with Medco Arabia Ltd whereby Tethys will acquire a 45 percent interest in the exploration and production license covering Block 56 onshore Oman. The transaction will increase Tethys’ interest in Block 56 from 20 to 65 percent. Upon closing, Tethys Oil will assume operatorship of the block from Medco, who will retain a 5 percent interest in the license. The transaction is still subject to government approval.

In consideration for the 45 per cent interest acquired, Tethys Oil will pay MUSD 5 to Medco and will also carry Medco up to MUSD 2 of future expenditure. The agreement further includes additional consideration in the case of a declaration of commerciality under the terms of the license.

Tethys Oil acquired its initial 20 percent interest in the block in the fourth quarter 2019. Block 56 covers an area of 5,808 km² in the south-eastern part of Oman approximately 200 km south of Blocks 3&4. Testing operations of three previously drilled wells were successfully completed in the first quarter 2020. One of the wells confirmed

the presence of an active petroleum system with a crude oil quality of 20-25 degrees API and medium viscosity, although the commercial viability is yet to be determined.

The license for Block 56 is governed by an Exploration and Production Sharing Agreement signed in November 2014. Its initial three-year exploration ends in December 2020. The partners have elected to enter into the second exploration phase ending in December 2023. During the fourth quarter 2020, the work with assessing the potential of the block continued and the work programme for 2021 was prepared.

Block 58

Tethys Oil was, as operator holding 100 percent licence, awarded Block 58 onshore Oman in early July 2020. A total of 7,600 km of 2D seismic and 1,100 km² of 3D seismic data acquired by previous operators has been made available to Tethys Oil as well as raw logs and well reports from two wells drilled within the block boundaries. Both wells encountered hydrocarbon shows. Multiple play concepts are believed to exist within the block boundaries, including plays familiar to Tethys, with several leads identified.

A review of legacy seismic 3D data was conducted in the fourth quarter, along with preparation of the work programme for 2021.

Investments and work program 2021

Tethys Oil expects total investments in oil and gas properties for 2021 of MUSD 47, of which investments on Blocks 3&4 is expected to amount to MUSD 32. The focus of the work program on Blocks 3&4 is continued development drilling, upgrading infrastructure with focus on asset integrity and debottlenecking, continue the gas utilisation project and the drilling of exploration wells. The work programme on Block 49 is expected to amount to MUSD 5 with the main target to complete drilling, testing and evaluation of Thameen-1 exploration well. The work programme on Block 56 is expected to amount to MUSD 5 and is centred on evaluating the Al Jalmud area by drilling of up to three wells and planning of a 3D seismic acquisition in the central area of the block. The work programme on Block 58 is expected to amount to MUSD 5 with focus on reprocessing of legacy 3D seismic data and conducting a new 3D seismic acquisition.

Financial and Production Guidance

Tethys expects production to continue to fluctuate on a monthly basis. The OPEC+ production limitation agreement is still in place and oil demand could remain volatile as the Covid-19 pandemic is not over. For the time being, Tethys elects to not issue any guidance regarding production, operating expenses and net entitlement but will continue to publish monthly production updates.

Financial Review

Income Statement

Production entitlement and sales

Tethys Oil's revenue derives from its 30 percent interest in Blocks 3&4. The basis for the revenue is its share of the joint operation's entitlement production, which is the oil net of the government's take. The production entitlement ("Net Entitlement") is made up of Cost Oil and Profit Oil. The Cost Oil is determined by the availability of recoverable costs spent in the period and the balance of unrecovered historical cost ("the Cost Pool") and capped to a fixed share of total production in the period. What remains after the deduction of Cost Oil is Profit Oil, the majority of which is the government's take according to a fixed percentage.

During the fourth quarter, the level of production, value of recoverable costs incurred, and achieved oil price resulted in a Net Entitlement of 52 percent in line with the third quarter 2020. At the end of the fourth quarter 2020, Tethys Oil has been unable to recover all the costs incurred on Blocks 3&4 leaving a balance of unrecovered cost in the Cost Pool of MUSD 1.8.

Production entitlement and sales	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Blocks 3&4					
Production, before Government take, bbl	1,018,653	979,922	964,299	1,185,945	1,239,673
Net Entitlement barrels, bbl	529,699	509,559	532,325	585,801	592,164
Net Entitlement share of production, percent	52%	52%	55%	49%	48%
Oil sales bbl	547,338	416,162	545,986	808,389	449,073
Underlift (+) / overlift (-), movement, bbl	-17,638	93,397	-13,661	-222,588	143,091
Underlift (+) / overlift (-), closing position, bbl	-3,169	14,469	-78,928	-65,267	157,321

During the fourth quarter 2020, Tethys Oil sold 547,338 barrels of oil from Blocks 3&4 compared to 416,162 barrels of oil sold during the third quarter 2020, an increase of 32 percent. The increase in sales was a result of increased production and a rebalancing of the underlift position at the end of the third quarter.

Oil sale volumes are nominated two to three months in advance and are not based upon the actual production in a month; as a result, the Group's oil sales volumes can be above or below production entitlement volumes. Where the oil sales volume exceeds the volume of entitlement barrels produced, an overlift position occurs and where it is less, an underlift position occurs. Tethys Oil is contractually obliged to maintain a neutral under-/overlift position over time. Tethys Oil's lifting position changed during the fourth quarter to an overlift position at 31 December 2020 of 3,169 barrels from an underlift position of 14,469 barrels at 30 September 2020.

Tethys Oil sells all of its oil from Blocks 3&4 on a monthly basis to Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. Tethys Oil's monthly sales are priced using Oman's Official Selling Price (OSP) which is calculated using the monthly average price of the front month futures contract of Oman blend (with 2 months to delivery) as traded on the Dubai Mercantile Exchange, including trading and quality adjustments.

Revenue and other income

Tethys Oil's Revenue and other income is comprised of revenue from oil sold in the period and an underlift/overlift adjustment.

The achieved selling price during the fourth quarter 2020 amounted to USD 42.3 per barrel, a decrease of USD 0.5 per barrel, or 1 percent, from USD 42.8 per barrel during the third quarter 2020.

Revenue and Other income	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Achieved Oil Price, USD/bbl	42.3	42.8	34.3	63.1	61.4
Revenue, MUSD	23.1	17.9	18.7	51.0	27.6
Underlift (+) / overlift (-), adjustment, MUSD	-0.8	2.5	2.4	-13.7	8.6
Revenue and other income, MUSD	22.3	20.4	21.1	37.3	36.2

Revenue in the fourth quarter 2020 was MUSD 23.1 compared to MUSD 17.9 in the third quarter 2020 an increase of 29 percent compared to the third quarter. The increase is a result of the 32 percent higher oil sales that was somewhat offset by 1 percent lower achieved oil price. The underlift/overlift adjustment in the fourth quarter amounted to MUSD -0,8 (MUSD 2.5) as result of the movement from an underlift to an overlift position. Revenue and other income in the fourth quarter 2020 amounted to MUSD 22.3 compared to MUSD 20.4 in the third quarter 2020. The increase of nine percent is due to higher volumes of oil produced.

Operating expenses

Production costs relate to oil production on Blocks 3&4, and comprise expenses for throughput fees, energy, consumables, equipment rental, field staff and maintenance, as well as administration, including operator overhead.

Operating expenses	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Production costs, MUSD	9.1	8.8	9.6	12.7	12.3
Well workovers, MUSD	0.9	0.5	0.8	1.0	0.9
Total operating expenses, MUSD	10.0	9.3	10.4	13.7	13.2
Operating expenses per barrel, USD	9.8	9.5	10.8	11.6	10.7

Operating expenses, including costs for well workovers and interventions, for the fourth quarter 2020 amounted to MUSD 10.0 and were higher than the third quarter 2020 when operating expenditure amounted to MUSD 9.3. The increase in operating expenditures is due to the effect of higher production as well as increased well workovers necessary following the opening up of more wells to achieve the increased production. In reducing production, priority has been given to shut-in higher cost wells resulting in lower per barrel operating expenses in the second half of 2020.

Depletion, depreciation and amortisation

DD&A	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
DD&A, MUSD	10.8	10.5	10.4	12.7	12.6
DD&A per barrel, USD	10.6	10.7	10.7	10.6	10.1

Depletion, depreciation and amortisation ("DD&A") during the fourth quarter 2020 amounted to MUSD 10.8, compared to MUSD 10.5 in the third quarter 2020. DD&A per barrel excludes the depreciation cost relating to leases under IFRS 16.

Administrative expenses

Administrative expenses for the fourth quarter 2020 amounted to MUSD 2.1 compared to MUSD 1.6 in the third quarter 2020. Administrative expenses mainly relate to staff, rents, listing costs and external services. Administrative expenses were higher in the fourth quarter compared to the third quarter mainly due to staff costs including a shift in timing for recognition of variable compensation.

Operating result and EBITDA

The operating result in the fourth quarter 2020 amounted to MUSD -0.7 compared to MUSD -1.0 in the third quarter 2020. The increased revenue and other income more than offset the increased operating and administrative expenses resulting in a reduced loss compared to the third quarter 2020. Earnings before interest and depreciation and amortisation (EBITDA) amounted to MUSD 10.2 in the fourth quarter 2020 (MUSD 9.5).

Net financial result

The net financial result during the fourth quarter 2020 amounted to MUSD -2.2 compared to MUSD -1.0 during the third quarter 2020. The net financial result for the fourth quarter 2020 primarily related to currency exchange effects and in particular the appreciation of the SEK to the USD. Currency exchange differences recorded on loans between the parent company and subsidiaries are non-cash items.

Tax

Tethys Oil's oil and gas operations in Oman are governed by an Exploration and Production Sharing Agreement for each licence ("EPSA") whereby Tethys Oil receives its share of oil after government take. Under the terms of each EPSA, Tethys Oil is subject to Omani income taxes, which are paid in full, on behalf of Tethys Oil, from the government share of oil. The effect of these taxes is netted against revenue and other income in the income statement.

Result

Tethys Oil reports a net result after tax for the fourth quarter 2020 of MUSD -2.9, representing earnings per share (after dilution) of USD -0.09. The result for the fourth quarter 2020 was slightly lower compared to the third quarter 2020 when the net result amounted to MUSD -2.1, with earnings per share (after dilution) of USD -0.06

Netback

Netback, USD per barrel	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Oil price achieved (sales barrels)	42.3	42.8	34.3	63.1	61.4
Net revenue (after government take)	22.0	22.3	18.9	31.2	29.3
Operating expenses	9.8	9.5	10.8	11.6	10.7
Netback	12.2	12.8	8.1	19.6	18.6

Netback per barrel decreased in the fourth quarter 2020 compared to the third quarter 2020 due to the lower achieved oil price and higher operating expenses.

Financial position and cash flow

Assets and equity

The Group's total assets at 31 December 2020 amounted to MUSD 280.3 (MUSD 275.2) of which MUSD 215.3 were oil and gas assets (MUSD 212.9). Shareholder's equity at 31 December 2020 was MUSD 257.7 compared to MUSD 260.1 at 30 September 2020.

Balance Sheet	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19
Non-current assets					
Oil & Gas Properties	215.3	212.9	214.8	214.7	211.7
Other fixed assets	0.3	0.4	0.4	0.4	0.6
Current Assets					
Other current assets	9.3	13.6	5.8	14.7	12.3
Cash & Equivalents	55.4	48.3	60.1	78.2	75.6
Total assets	280.3	275.2	281.1	308.0	300.2
Shareholders' equity	257.7	260.1	261.3	279.8	276.3
Non-current liabilities	12.8	10.6	10.7	10.7	11.0
Current liabilities	9.8	4.5	9.1	17.5	12.9
Total Equity & Liabilities	280.3	275.2	281.1	308.0	300.2

Liquidity and financing

Cash in bank as at 31 December 2020 amounted to MUSD 55.4 compared to MUSD 48.3 as at 30 September 2020. Net cash at 31 December 2020 was MUSD 55.1 compared to MUSD 48.0 at 30 September 2020. See page 18 for reconciliation between cash and net cash.

Cash flow and investments

Cash flow	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Cash Flow from Operations	19.6	-3.1	10.8	24.7	27.1
Cash flow from Investments	-10.6	-8.6	-10.6	-15.5	-22.2
Free Cash flow	9.0	-11.7	0.2	9.2	4.9
Cash flow from Financing Activities	-1.8	-	-18.2	-5.8	-1.3
Period Cash Flow	7.2	-11.7	-18.0	3.4	3.6

During the fourth quarter 2020, cash flow from operations amounted to MUSD 19.6 (MUSD -3.1) with working capital contributing with MUSD 9.7. Investments increased to MUSD -10.6 (MUSD -8.6). Cash flow from financing activities was MUSD -1.8 in fourth quarter from the share buyback programme. Investments on Blocks 3&4 during the fourth quarter 2020 were higher than the third quarter 2020 due to increased drilling cost and facilities investments. Free cash flow (cash flow after investments) was MUSD 9.0 (MUSD -11.7).

Total investments

Investments, MUSD	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Drilling	3.9	3.5	5.4	6.6	6.0
G&G	1.3	1.4	1.7	4.8	4.0
Facilities	2.6	1.6	2.6	3.4	6.0
Total investments Blocks 3&4	7.8	6.5	9.7	14.8	16.0
Block 49	2.9	0.5	0.7	0.4	1.6
Block 56	0.2	-	-	0.0	8.6
Block 58	0.2	1.6	-	-	-
Total investments in Oil & Gas properties	11.0	8.6	10.4	15.1	26.2
Other	-0.4	-	0.2	0.1	-4.0
Total investments	10.6	8.6	10.6	15.2	22.2

Parent Company, Dividend & Share data

Parent company

The parent company reports a net result after tax for the fourth quarter 2020 amounting to MSEK 22.7 compared to MSEK -9.4 for the third quarter 2020. Administrative expenses during the fourth quarter 2020 amounted to MSEK 12.7 compared to MSEK 9.6 for the third quarter 2020. The higher costs in the fourth quarter relates to personnel expenses.

The Net financial result amounted to MSEK 42.9 during the fourth quarter 2020 compared to MSEK -5.1 for the third quarter 2020. Net financial result consists of net currency exchange losses related to intercompany loans, bank account and account payable of MSEK -18.2 compared to MSEK -9.0 for the third quarter 2020, interest income MSEK 3.7 compared to MSEK 3.9 for the third quarter 2020 and a dividend from a group company of MSEK 57.3 in the fourth quarter 2020.

Share data

As at 31 December 2020, the number of issued shares in Tethys Oil amounted to 33,056,608, with a quota value of SEK 0.18 (SEK 0.18). All shares represent one vote each.

The Board of Directors decided on 11 December 2020, based on the authorization from the AGM 2020, to initiate a share buy-back programme. Purchases may be made at one or several occasions up to and including 8 February 2021, and by a maximum of so many shares that the company's holding of own shares after the purchase amounts to a maximum of one-tenth of all the shares in the company. The maximum amount for which shares may be acquired may not exceed SEK 42 million (approximately MUSD 5). The buy-back programme is being conducted in accordance with the EU Market Abuse Regulation No 596/2014 and the Commission Delegated Regulation No 2016/1052 and is managed independently by an investment bank. The key objective with the buy-back programme is to give the company equity flexibility and thereby optimize its capital structure. For the complete repurchase authorization resolved by the shareholders at the AGM 2020, please refer to Tethys Oil's website, www.tethysoil.com.

During the fourth quarter Tethys Oil repurchased 315,552 shares. As per 31 December 2020 Tethys Oil held 315,552 shares in treasury. From 31 December 2020 and to the date of publication of this report, Tethys Oil has acquired another 120,088 shares and holds 435,640 shares in treasury.

Tethys Oil currently has three active warrant-based incentive programmes for employees, (for further information please see Note 10) which, if exercised can result in the issuance of up to 1,141,000 shares (up to 3.5 percent dilution of current shares in issue). As the share price was below the subscription price of the three tranches of the incentive programme throughout the fourth quarter 2020, there was no potential dilution effect of the warrants included in the weighted average number of shares after dilution. As a result, in the fourth quarter 2020, the weighted average number of shares outstanding before dilution and after dilution was 33,037,764.

Dividend and Distribution

The board of directors proposes a dividend of SEK 2.00 per share (AGM 2020: SEK 2.00).

The board of directors proposes an extraordinary distribution to shareholders of SEK 2.00 per share by way of a mandatory share redemption programme following the AGM 2021 (AGM 2020: SEK 3.00). Further details are to follow in the proposal to the 2021 AGM.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

MUSD	Note	Fourth quarter 2020	Fourth quarter 2019	Full year 2020	Full year 2019
Revenue and other income	3	22.3	36.2	101.1	150.8
Operating expenses		-10.0	-13.2	-43.4	-51.6
Gross profit		12.3	23.0	57.7	99.2
Depletion, depreciation and amortisation	2, 5	-10.9	-12.6	-44.5	-47.6
Exploration costs		-0.0	-8.0	-0.0	-8.2
Share of net profit/loss from associates		-	-	-	0.7
Administrative expenses		-2.1	-1.7	-7.3	-7.0
Operating result		-0.7	0.7	5.8	37.1
Net financial result	4	-2.2	-1.0	-2.5	1.2
Result before tax		-2.9	-0.3	3.3	38.3
Income tax		-0.0	-	-0.0	-
Net Result		-2.9	-0.3	3.3	38.3
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences		2.2	1.2	3.7	-1.6
Other comprehensive income		2.2	1.2	3.7	-1.6
Total comprehensive result		-0.7	0.9	7.0	36.7
Attributable to:					
Shareholders in the parent company		-0.7	0.9	7.0	36.7
Non-controlling interest		-	-	-	-
Number of shares at period end		33,056,608	36,294,960	33,056,608	36,294,960
Weighted average number of shares (before dilution)		33,037,764	34,343,964	33,321,353	34,222,908
Weighted average number of shares (after dilution)		33,037,764	34,374,526	33,328,099	34,302,768
Earnings per share (before dilution), USD		-0.09	-0.01	0.10	1.12
Earnings per share (after dilution), USD		-0.09	-0.01	0.10	1.12

CONSOLIDATED BALANCE SHEET IN SUMMARY

MUSD	Note	31-Dec 2020	31-Dec 2019
ASSETS			
Non-current assets			
Oil and gas properties	5	215.3	211.7
Other fixed assets		0.3	0.6
		215.6	212.3
Current assets			
Other receivables	6	9.1	12.0
Prepaid expenses		0.2	0.3
Cash and cash equivalents	7	55.4	75.6
		64.7	87.9
TOTAL ASSETS		280.3	300.2
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		0.8	0.8
Additional paid in capital		76.3	76.3
Reserves		1.8	-1.9
Retained earnings		178.8	201.1
Total shareholders' equity		257.7	276.3
Non-current liabilities			
Non-current provisions	8	12.5	9.6
Other non-current liabilities	9	0.3	1.4
		12.8	11.0
Current liabilities			
Accounts payable and other current liabilities	10	9.8	12.9
		9.8	12.9
Total liabilities		22.6	23.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		280.3	300.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

Attributable to shareholders of the parent company					
MUSD	Share capital	Paid in capital	Reserves	Retained earnings	Total equity
Opening balance 1 January 2019	0.8	74.0	-0.3	193.1	267.6
Net result for twelve months 2019	-	-	-	38.3	38.3
Currency exchange differences twelve months 2019	-	-	-1.6	-	-1.6
Total comprehensive income	-	-	-1.6	38.3	36.7
Transactions with owners					
Share issue	-	2.3	-	-	2.3
Purchase of own shares	-	-	-	-2.1	-2.1
Dividend	-	-	-	-7.1	-7.1
Share redemption	-	-	-	-21.4	-21.4
Incentive programme	-	-	-	0.3	0.3
Total transactions with owners	-	2.3	-	-30.3	-28.0
Closing balance 31 December 2019	0.8	76.3	-1.9	201.1	276.3
Opening balance 1 January 2020	0.8	76.3	-1.9	201.1	276.3
Net result for twelve months 2020	-	-	-	3.3	3.3
Currency exchange differences twelve months 2020	-	-	3.7	-	3.7
Total comprehensive income	-	-	3.7	3.3	7.0
Transactions with owners					
Share issue	-	-	-	-	-
Purchase of own shares	-	-	-	-8.3	-8.3
Dividend	-	-	-	-7.0	-7.0
Share redemption	-	-	-	-10.6	-10.6
Incentive programme	-	-	-	0.3	0.3
Total transactions with owners	-	-	-	-25.6	-25.6
Closing balance 31 December 2020	0.8	76.3	1.8	178.8	257.7

CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY

	Note	Fourth quarter 2020	Fourth quarter 2019	Full year 2020	Full year 2019
Cash flow from operations					
Operating result		-0.7	0.7	5.8	37.1
Interest received	4	0.1	0.8	0.1	0.8
Interest paid		-	0.0	-	0.0
Adjustment for exploration costs		0.0	8.0	0.0	8.2
Adjustment for depletion, depreciation and other non-cash related items		10.6	15.9	46.2	46.0
Total cash flow from operations before change in working capital		10.0	25.4	52.2	92.1
Change in receivables		4.3	3.1	3.0	5.9
Change in liabilities		5.3	-1.4	-3.1	-2.0
Cash flow from operations		19.6	27.1	52.1	96.0
Investment activity					
Investment in oil and gas properties	5	-11.0	-26.2	-45.4	-65.2
Investment in other fixed assets		0.4	-	-	-0.1
Other		-	4.0	-	-
Cash from associated companies, net		-	-	-	0.7
Cash flow from investment activity		-10.6	-22.2	-45.4	-64.6
Financing activity					
Share issue		-	2.3	-	2.3
Purchase of own shares		-1.8	-	-8.3	-2.1
Dividend		-	-3.6	-7.0	-7.1
Share redemption		-	-	-10.6	-21.4
Cash flow from financing activity		-1.8	-1.3	-25.9	-28.3
Period cash flow		7.2	3.6	-19.2	3.1
Cash and cash equivalents at the beginning of the period		48.3	72.4	75.6	73.1
Exchange gains/losses on cash and cash equivalents		-0.1	-0.4	-1.0	-0.6
Cash and cash equivalents at the end of the period		55.4	75.6	55.4	75.6

KEY RATIOS*For definitions of key ratios, please refer to the 2019 Annual Report.*

Group	Fourth quarter 2020	Fourth quarter 2019	Full year 2020	Full year 2019
Operational items				
Production before government take, Oman Blocks 3&4, bbl	1,018,653	1,239,673	4,148,818	4,683,754
Production per day, Oman Blocks 3&4, bbl	11,072	13,475	11,336	12,832
Oil sales, bbl	547,338	449,073	2,317,875	2,259,849
Achieved oil price, USD/bbl	42.3	61.4	47.7	64.2
Income statement and balance sheet				
Revenue and other income, MUSD	22.3	36.2	101.1	150.8
EBITDA, MUSD	10.2	21.3	50.4	92.9
EBITDA-margin	46%	59%	50%	62%
Operating result, MUSD	-0.7	0.7	5.9	37.1
Operating margin	-3%	2%	6%	25%
Net result, MUSD	-2.9	-0.3	3.3	38.3
Net margin	-13%	1%	3%	25%
Cash and cash equivalents, MUSD	55.4	75.6	55.4	75.6
Shareholders' equity, MUSD	257.7	276.3	257.7	276.3
Balance sheet total, MUSD	280.3	300.2	280.3	300.2
Capital structure				
Equity ratio	92%	92%	92%	92%
Leverage ratio	neg.	neg.	neg.	neg.
Investments in oil and gas properties, MUSD	11.0	26.2	45.4	65.2
Net cash, MUSD	55.1	75.1	55.1	75.1
Profitability				
Return on shareholders' equity			1.23%	14.10%
Return on capital employed			4.87%	14.70%
Other				
Average number of full-time employees	22	23	22	23
Distribution per share, SEK	-	1	5	8
Cash flow from operations per share, USD	0.59	0.75	1.58	2.64
Number of shares at period end, '000	33,057	36,295	33,057	36,295
Shareholders' equity per share, USD	7.79	7.61	7.87	7.61
Weighted average number of shares (before dilution), '000	33,038	34,344	33,321	34,223
Weighted average number of shares (after dilution), '000	33,038	34,375	33,328	34,303
Earnings per share before dilution, USD	-0.09	-0.01	0.10	1.12
Earnings per share after dilution, USD	-0.09	-0.01	0.10	1.12

Key quarterly data

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net daily production before government take, Blocks 3&4, bbl	11,072	10,651	10,597	13,032	13,475	13,053	12,881	11,901
Oil sales, bbl	547,338	416,162	545,986	808,389	449,073	635,947	561,077	613,752
Revenue and other income, MUSD	22.3	20.4	21.1	37.3	36.2	40.7	41.3	32.7
EBITDA, MUSD	10.2	9.5	8.7	21.9	21.3	26.6	27.9	17.2
Cash flow from operations, MUSD	19.6	-3.1	10.8	24.7	27.1	28.9	18.4	21.7
Earnings per share after dilution, USD	-0.09	-0.06	-0.12	0.35	-0.01	0.44	0.51	0.19
Share price end of period, SEK	49.2	43.1	45.7	47.7	84.4	78.3	74.5	75.8

For definitions of key ratios, please refer to the 2019 Annual Report.

Relevant reconciliations of alternative performance measures

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by executive management and the Board of Directors to measure Tethys Oil's financial performance. Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement. Besides the definitions below, definitions of alternative performance measures can be found in the 2019 Annual Report.

MUSD	Fourth quarter 2020	Fourth quarter 2019	Full year 2020	Full year 2019
Operating result	-0.7	0.7	5.8	37.1
Add: Depreciation, depletion and amortization	10.9	12.6	44.5	47.6
Add: Exploration costs	0.0	8.0	0.0	8.2
EBITDA	10.2	21.3	50.3	92.9
Cash and cash equivalents	55.4	75.6	55.4	75.6
Less: Interest bearing debt	-0.3	-0.5	-0.3	-0.5
Net cash	55.1	75.1	55.1	75.1

PARENT COMPANY INCOME STATEMENT IN SUMMARY

* As there are no items in the parent company's other comprehensive income, no separate report on total comprehensive income is presented.

MSEK	Note	Fourth quarter 2020	Fourth quarter 2019	Full year 2020	Full year 2019
Other income		1.4	3.1	12.8	10.7
Share of net profit/loss from associates		-	-	-	6.4
Administrative expenses	11	-12.7	-13.1	-48.2	-43.1
Operating result		-11.3	-10.0	-35.4	-26.0
Net financial result	4	42.9	214.3	58.1	303.6
Result before tax		31.6	204.3	22.7	277.6
Income tax		-	-	-	-
Net Result*		31.6	204.3	22.7	277.6

PARENT COMPANY BALANCE SHEET IN SUMMARY

MSEK	Note	31-Dec 2020	31-Dec 2019
ASSETS			
Total non current assets		338.9	445.7
Total current assets		39.1	26.3
TOTAL ASSETS		378.0	472.0
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted shareholders' equity		77.1	77.1
Unrestricted shareholders' equity		162.7	382.4
Total current liabilities		138.1	12.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		378.0	472.0

NOTES

General information

Tethys Oil AB (publ) (the “Company”), corporate identity number 556615-8266, and its subsidiaries (together the “Group” or “Tethys Oil”) are focused on exploration for and production of oil and natural gas. The Group has interests in exploration and production licences in Oman and Lithuania. The Company is a limited liability company incorporated and domiciled in Stockholm, Sweden. The Company is listed on Nasdaq Stockholm.

Accounting principles

The fourth quarter 2020 report of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The fourth quarter 2020 report of the Company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2 “Accounting for legal entities”, issued by the Swedish Financial Accounting Standards Council.

The accounting principles as described in the 2019 Annual Report have been used in the preparation of this report.

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Tethys Oil applies the ESMA’s (European Securities and Markets Authority) guidelines for alternative performance measures. Definitions of performance measures are provided in the 2019 Annual Report and the relevant reconciliations can be found on 18 of this report.

Exchange rates

For the preparation of the financial statements for the reporting period, the following exchange rates have been used.

Currency	31 December 2020		31 December 2019	
	Average	Period end	Average	Period end
SEK/USD	9.19	8.19	9.51	9.48
SEK/EUR	10.49	10.04	10.66	10.55

The Group is exposed to fluctuations in the foreign exchange markets as fluctuations in exchange rates can negatively affect the result, cash flow and equity. The major proportion of the Group’s assets relate to international oil and gas discoveries valued in USD and which generate revenues in USD. During the fourth quarter 2020, all of Tethys Oil’s oil sales and operating expenditures were denominated in USD.

Fair value

The nominal value of Accounts payables and other current liabilities, Cash and bank and Other receivables is a fair approximation of those line items as they are short term in nature.

IFRS 9 valuation categories and related balance sheet items

MUSD	31-Dec 2020			31-Dec 2019		
	Financial assets and liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets and liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
Other receivables	-	9.1	-	-	12.0	-
Cash and bank	-	55.4	-	-	75.6	-
Other non current liabilities	-	-	0.3	-	-	1.4
Accounts payables and other current liabilities	-	-	9.8	-	-	12.9

Note 1) Risks and uncertainties

The Group's activities expose it to a number of risks and uncertainties, which are continuously monitored and reviewed. The main risks and uncertainties are the operational and financial risks described below.

Operational risk

At its current stage of development, Tethys Oil is commercially producing oil and also exploring for and appraising undeveloped known oil and/or natural gas accumulations. The operational risk is different in these parts of Tethys Oil's operations. The main operational risk in exploration and appraisal activities is that the activities and investments made by Tethys Oil will not evolve into commercial reserves of oil and gas. The oil price is of significant importance to Tethys Oil in all parts of operations as income and profitability is and will be dependent on prevailing prices. Significantly lower oil prices will reduce current and expected cash flows and profitability in projects and can make projects sub economic. Lower oil prices could also decrease the industry interest in Tethys Oil's projects regarding farm-out or sale of assets. There are no oil price hedges in place as at 31 December 2020.

In recent years OPEC and associated countries have, from time to time, agreed to voluntary production limitations. Oman has in the past participated in such agreements. As of May 2020 oil production in Oman is subject to production limitations under the OPEC+ agreement. As a consequence of the OPEC+ agreement Tethys Oil's production on Blocks 3&4 is subject to production limitations until December 2020. Going forward Tethys Oil cannot rule out the risk of prolonged or new such limitations impacting its oil and gas production and sales.

Another operational risk factor is access to equipment in Tethys Oil's projects. In the drilling/development phase of a project the Group is dependent on advanced equipment such as rigs, casing, pipes etc. A shortage of these supplies can present difficulties for Tethys Oil to complete projects. Through its operations, Tethys Oil is also subject to political risk, environmental risk and the risk of not being able to retain key personnel.

Financial risk

The Group's activities expose it to a variety of financial risks, mainly categorised as exchange rate and liquidity risk. The Group's risks are continuously monitored and analysed by the management and board of directors. The aim is to minimise potential adverse effects on the Group's financial performance.

Covid-19 Risks

A global pandemic such as the novel coronavirus (Covid-19) can have a severe negative impact on the group and its ability to conduct operations. Given that Tethys Oil is run by a small specialised staff there is limited redundancy if key staff was to fall ill as a result of a viral infection. The group has aimed to mitigate the risk by encouraging staff to work from home, the implementation of virtual meetings and minimise any non-critical meetings and interactions as well as limit exposure from travel on public transport.

The travel restrictions and lockdown measures implemented by governments across the world can impact supply chains, movement of key personnel and ability to utilise external contractors and consultants.

The impact of the Covid-19 pandemic and the restrictions on movement and travel that have been implemented has had a significant effect on global economic activity and demand for oil during 2020. Oil producers were in the beginning of the pandemic unable to reduce output at the same pace as demand fell resulting in a significant imbalance in supply and demand for oil. As a result of the supply/demand imbalance, oil prices fell significantly during the first six months of the year and certain crude oil qualities traded at negative prices, albeit for short periods of time. Following the production limitations imposed by OPEC+, the oil price has gradually strengthened since early June 2020. Since the start of 2021, oil prices have traded above USD 50 per barrel.

The Covid-19 outbreak's impact on the economy and energy prices, and the risk to Tethys Oil's ability to conduct its operations profitably and without disruption is currently subject to significant uncertainty. The lower oil prices impacted Tethys Oil's profitability and cash flows in 2020. Given the uncertainty surrounding how long the current negative conditions will prevail it cannot be ruled out that oil prices will fall below the current levels and thus have a longer-term impact on the group's profitability and financial standing. Should oil prices decline from current levels and remain lower, the risk of a future impairment of the Group's oil and gas assets cannot be ruled out.

A more detailed analysis of the Group's risks and uncertainties, and how the Group addresses these risks, are detailed in the 2019 Annual Report.

Note 2) Segment reporting

The Group's accounting principle for segments describes that operating segments are based on geographic perspective. The operating result for each segment is presented below.

Group income statement Jan-Dec 2020					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue and other income	101.1	-	-	-	101.1
Operating expenses	-43.4	-	-	-	-43.4
Depreciation, depletion and amortisation	-44.3	-	-0.2	-	-44.5
Exploration costs	-	-	-0.0	-	-0.0
Share of net profit/loss from associates	-	-	-	-	-
Administrative expenses	-2.5	-	-3.9	-0.9	-7.3
Operating result	10.8	-	-4.1	-0.9	5.8
Total financial items					-2.5
Result before tax	10.8	-	-4.1	-0.9	3.3
Income tax				-0.0	-0.0
Result for the period	10.8	-	-4.1	-0.9	3.3

Group income statement Jan-Dec 2019					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue and other income	150.8	-	-	-	150.8
Operating expenses	-51.6	-	-	-	-51.6
Depreciation, depletion and amortisation	-47.4	-	-0.2	-	-47.6
Exploration costs	-7.9	-	-0.3	-	-8.2
Share of net profit/loss from associates	-	0.7	-	-	0.7
Administrative expenses	-3.0	-	-3.4	-0.6	-7.0
Operating result	40.9	0.7	-3.9	-0.6	37.1
Total financial items					1.2
Result before tax	40.9	0.7	-3.9	-0.6	38.3
Income tax					-
Net Result	40.9	0.7	-3.9	-0.6	38.3

Note 3) Revenue and other income

MUSD	Fourth quarter 2020	Fourth quarter 2019	Full year 2020	Full year 2019
Revenue	23.1	27.6	110.7	145.0
Underlift (+) / overlift (-), adjustments	-0.8	8.6	-9.6	5.8
Revenue and other income	22.3	36.2	101.1	150.8

Note 4) Net financial result

Group	Fourth quarter	Fourth quarter	Full year	Full year
MUSD	2020	2019	2020	2019
Financial income:				
Interest income	-	0.1	0.1	0.8
Currency exchange gain	1.7	-	7.7	0.9
Financial costs:				
Currency exchange loss	-3.6	-1.0	-9.7	-
Other financial costs	-0.2	-0.1	-0.6	-0.5
Net financial result	-2.2	-1.0	-2.5	1.2

Parent company	Fourth quarter	Fourth quarter	Full year	Full year
MSEK	2020	2019	2020	2019
Financial income:				
Interest income	3.7	5.0	18.8	18.3
Currency exchange gain	14.0	1.9	70.7	29.4
Dividend group companies	57.3	218.6	57.3	276.8
Financial costs:				
Interest costs	-	-	-	-0.2
Currency exchange loss	-32.2	-11.2	-88.7	-20.7
Net financial result	42.9	214.3	58.1	303.6

Note 5) Oil and gas properties

MUSD			Tethys Oil's share	31-Dec 2020	Investments	DD&A	Site restoration	31-Dec 2019
Country	Licence	Phase						
Oman	Blocks 3&4	Prod.	30%	191.9	38.8	-44.0	2.3	194.8
Oman	Block 49	Expl.	100%	12.6	4.6	-	-	8.0
Oman	Block 56	Expl.	20%	8.8	0.2	-	-	8.6
Oman	Block 58	Expl.	100%	1.8	1.8	-	-	-
New ventures				0.3	-	-	-	0.3
Total				215.3	45.4	-44.0	2.3	211.7

Note 6) Other receivables

MUSD	31 Dec 2020	31 Dec 2019
VAT	0.2	-
Receivables Oil sales	8.9	2.5
Underlift position	-	9.5
Total	9.1	12.0

Note 7) Cash and cash equivalents

MUSD 5 of the cash is restricted in conjunction with a bank guarantee issued to Medco Arabia Ltd related to the pending farm-in transaction of 45 percent interest on Block 56 in Oman.

Note 8) Provisions

The net present value of Tethys Oil's share of estimated site restoration costs for Blocks 3&4 amounts to MUSD 12.5 (2019: MUSD 9.6). The increase in provision for site restoration reflects changes in cost estimates and the effect of annual unwinding of the net present value.

Note 9) Other non-current liabilities

MUSD	31 Dec 2020	31 Dec 2019
Export Reporting Error	-	1.0
Leasing	0.3	0.4
Total	0.3	1.4

Note 10) Accounts payable and other current liabilities

MUSD	31-Dec 2020	31-Dec 2019
Accounts payable	0.6	0.4
Operator balance. Oman Blocks 3&4	5.3	10.8
Overlift position	0.1	-
Other current liabilities	3.8	1.7
Total	9.8	12.9

Note 11) Incentive programme

Tethys Oil has an incentive programme as part of the remuneration package to employees. Warrants have been issued annually since 2015, following a decision by the respective AGM. The number of issued warrants during the second quarter 2020 was 350,000. Issued but not allocated warrants are held by the company. No warrants were exercised during 2020. During the fourth quarter 2020 the 2017 incentive programme expired without exercise.

Warrant incentive programme	Exercise period	Subscription price, SEK	Shares per warrant	1 Jan 2020	Number of warrants			31 Dec 2020
					Issued 2020	Exercised 2020	Expired 2020	
2017 incentive programme	30 May – 2 Oct 2020	69.30	1.24	350,000	-	-	350,000	-
2018 incentive programme	1 Jun – 2 Oct 2021	75.40	1.18	350,000	-	-	-	350,000
2019 incentive programme	1 Jun – 7 Oct 2022	72.80	1.08	350,000	-	-	-	350,000
2020 incentive programme	13 Jun – 6 Oct 2023	54.00	1.00	-	350,000	-	-	350,000
Total				1,050,000	350,000	-	350,000	1,050,000

As the share price was below the subscription price for all the active tranches of the incentive programme during the fourth quarter 2020, there was no dilution effect of the warrants included in the weighted average number of shares (after dilution). The weighted average number of shares outstanding (after dilution) was 33,037,764 during the fourth quarter 2020.

Note 12) Pledged assets

Pledged assets in the parent company amounts to MSEK 0.5 (MSEK 0.5) and relate to a pledge in relation to office rental.

Note 13) Contingent liabilities

There are no outstanding contingent liabilities as at 31 December 2020, nor for the comparative period.

Note 14) Related party transactions

In the Tethys Oil Group. Tethys Oil AB (publ) with organisational number 556615-8266 is the parent company. Material subsidiaries include Tethys Oil Oman Limited, Tethys Oil Block 3&4 Limited, Tethys Oil Montasar

Limited, Tethys Oil Oman Onshore Limited, Tethys Oil Qatbeet Limited, Tethys Oil France AB and Tethys Oil Exploration AB.

During the period, the Company has not had any transactions with related parties outside the group.

Note 15) Subsequent events

There are no subsequent events to report.

FINANCIAL CALENDAR:

- Report for first quarter 2021 (January – March 2021) on 11 May 2021
- Annual general meeting 2021 is planned to be held in Stockholm on 19 May 2021 at CET 15:00
- Report for second quarter 2021 (January – June 2021) on 10 August 2021
- Report for third quarter 2021 (January – September 2021) on 9 November 2021
- Report for fourth quarter/year-end report 2021 (January – December 2021) on 8 February 2022

Stockholm, 9 February 2021

Tethys Oil AB (publ)
Org. No. 556615-8266

Magnus Nordin
Managing Director

This report has not been subject to review by the auditors of the company

For further information, please contact:

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This information is information that Tethys Oil AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on 9 February 2021.

CONFERENCE CALL

Date: 9 February 2021

Time: 10.00 CET

To participate in the conference call, you may choose one of the following options:

Link to webcast: <https://edge.media-server.com/mmc/p/jpwbxcfd>

To participate via phone, please call:

Sweden: +46 8 566 426 51

Switzerland: +41 225 809 034

UK: +44 333 300 0804

United States (Toll-Free): +1 855 857 0686

PIN: 81110949#