

## Second quarter and half year report – 30 June 2021

### Second quarter 2021 (first quarter 2021)

- Analysis of the Tethys Oil operated Thameen-1 well on Block 49, drilled in Q1 2021, confirm a decent porosity but a low permeability. Stimulation will most probably be needed in order to try and flow the well
- Safi-1 exploration well on Blocks 3&4 reached final depth – production test ongoing
- Achieved oil price increased to USD 59.7 per barrel, up 28 percent from first quarter 2021
- Netback increased to USD 15.2 per barrel, up 29 percent from first quarter 2021
- Net entitlement in second quarter 2021 of 42 percent following higher oil prices and lower recoverable cost (Q1 2021: 50%)
- Following the close of the quarter Tethys Oil has received payment from EOG of MUSD 8.2 which included the final consideration for the farmout transaction on Block 49
- Tethys Oil is hopeful that average daily production for the second half of the year will be higher than the 11,306 BOPD the Company produced during the first half of 2021

MUSD (unless specifically stated)	Second quarter 2021	First quarter 2021	Second quarter 2020	First half 2021	First half 2020	Full year 2020
Net daily production from Oman, Blocks 3&4 before government take (barrels per day)	11,030	11,585	10,597	11,306	11,815	11,336
Net entitlement barrels (bbl)	420,655	518,895	532,325	939,550	1,118,127	2,157,385
Net entitlement as share of production (percent)	42%	50%	55%	46%	52%	52%
Achieved oil price, USD/bbl	59.7	46.7	34.3	54.1	51.5	47.7
Revenue and other income	26.1	25.4	21.1	51.6	58.4	101.1
EBITDA	14.5	12.3	8.7	26.9	30.6	50.4
Operating result	4.3	1.7	-1.7	6.1	7.5	5.8
Net result for the period	3.4	3.0	-3.9	6.5	8.2	3.3
Earnings per share (after dilution), USD	0.10	0.09	-0.12	0.20	0.24	0.10
Investments in oil and gas properties	8.4	0.5	10.4	8.9	25.8	45.4
Free cash flow	4.9	2.3	0.6	7.2	9.8	6.7
Net cash	45.5	57.0	59.8	45.5	59.8	55.1

### ***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](http://www.tethysoil.com)*

## Letter to shareholders

### Dear friends and investors

I trust you are safe and sound despite continued effects of the coronavirus pandemic that persists throughout the world. In the field the testing protocols continue to be in force and occasional cases have occurred, but thankfully all cases have been contained and led to recoveries. Delays have occurred and there is no doubt that we would very much wish for the coronavirus to go away completely!

That said, we can look back at yet another solid quarter. Oil prices are well managed by OPEC+, with production limitations still in place, and the new incarnation of fiscally disciplined shale producers in the United States. Brent above USD 70 per barrel may be a bit overextended for the long run but the lows of last year seem very far away and are not likely to return for the foreseeable future.

As oil consumption returns to levels not seen since before the pandemic-induced shutdowns, with prices much higher than before the virus set in it will be very interesting to see how the demand for oil evolves over the next couple of years. Tethys Oil will continue to be active in the upstream oil market as long as we see a need for our product, bearing in mind that we will maintain a strong focus on environmental and other ESG related areas. And with consumption rapidly returning we will position ourselves accordingly.

Production from Blocks 3&4 for the quarter amounted to 11,030 BOPD and above the original quotas set in April of last year. Various work has been carried out on the fields aiming at improving and upgrading transportation systems and certain facilities. The work programme for the remainder of 2021 will continue to be focused on long term improvements and we are hopeful that average daily production for the second half of the year will be higher than the 11,306 BOPD we had during the first half of 2021. With three rigs now back in operation we also expect an increase in the number of exploration wells to be drilled during the year.

The achieved oil price amounted to USD 59.7 per barrel, up 28 percent compared with first quarter 2021. The higher oil price, combined with operating expenses per barrel decreasing to USD 9.9, down 13 percent from USD 11.4 per barrel in first quarter, resulted in a significantly higher netback per barrel. Netback per barrel for the second quarter amounted to USD 15.2, compared to USD 11.8 in the first quarter, an increase by 29 percent. The higher achieved oil price offset the lower net entitlement to give a higher net revenue in the second quarter. EBITDA and operating result increased to MUSD 14.5 and 4.3 respectively, an increase compared with the first quarter 2021 of 18 and 153 percent. Even after a distribution of over MUSD 15.5 to our shareholders during the quarter, our balance sheet remains strong with a net cash position of MUSD 45.5.

Work on our operated Block 58 is moving ahead slightly faster than expected in that the design and tender for seismic acquisition is nearing completion and collection expected to start in the third quarter. The planning of a 2021 drilling campaign consisting of up to three wells to further evaluate the Al Jumud area in Block 56 continues with first well planned to be drilled in the fourth quarter 2021. This appraisal could lead to long term production test on the Al Jumud complex before the end of the year. In addition, the planning of a seismic campaign in the central area on Block 56 is also ongoing.

And last but not least we are about to get our head around the results of the Thameen-1 exploration well on Block 49 that we successfully drilled during the first quarter. With logs having indicated a gross hydrocarbon column of close to 40 metres, we were naturally disappointed when no flows were recorded. As analysis nears completion data suggests a reservoir section with very good porosity but very limited permeability. How to take the project forward in the best way will be the focus on Block 49 for the third quarter.

So please stay with us - as usual no lack of interesting activities in all our ongoing projects.

Stockholm, August 2021

Magnus Nordin,  
*Managing Director*

# Production & Operations<sup>1</sup>

## Licences

Tethys Oil's core area is onshore in the Sultanate of Oman ("Oman"), where the Group holds interest in four exploration and production sharing agreements ("EPSA") per 30 June 2021:

License Block	Area (km <sup>2</sup> )	Interest %	Phase	Expiry date	Partners (operator in bold)
Blocks 3&4	29,130	30	Production phase	December 2040*	<b>CCED</b> , Mitsui, Tethys Oil
Block 49	15,439	50	Initial exploration phase	December 2021	<b>Tethys Oil</b> , EOG
Block 56	5,808	65	Second exploration phase	December 2023	<b>Tethys Oil</b> , Medco, Biyaq, Intaj
Block 58	5,809	100	Initial exploration phase	July 2023	<b>Tethys Oil</b>

\* In the report for the first quarter 2021, the expiry date for Blocks 3&4 was wrongly stated as December 2024.

The model Omani EPSA has two three-year exploration phases followed by a production phase. The production phase can only be entered into following a declaration of commerciality. The duration of the production phase is dependent upon the EPSA and in the case of Tethys Oil's agreements lasts between 15-30 years.

## Production

### Blocks 3&4

Tethys Oil's share of production from Blocks 3&4 during the second quarter 2021, before government take, was 1,003,750 barrels of oil, corresponding to 11,030 barrels of oil per day. Second quarter 2021 average daily production was five percent lower than the production in the first quarter 2021. The production in April 2021 was adversely affected by operational issues and amounted to 10,480 barrels of oil per day. The April production has been revised up to 314,414 barrels, 7,405 barrels higher than previously announced. Blocks 3&4 was permitted to continue to produce at a level higher than the previously communicated production quotas, as a result of OPEC+ production limitations. The OPEC+ agreement is still in force and Blocks 3&4 remains subject to production limitations. The production from Blocks 3&4 has been permitted to deviate from the quotas on a monthly basis and may do so going forward. Tethys Oil is hopeful that average daily production for the second half of the year will be higher than the 11,306 BOPD the Company produced during the first half of 2021, albeit with monthly fluctuations.

Production	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
<b>Blocks 3&amp;4</b>					
Production, before Government take, bbl	<b>1,003,750</b>	1,042,686	1,018,653	979,922	964,299
Average daily production, barrels per day	<b>11,030</b>	11,585	11,072	10,651	10,597

### Production and development activities

The stepwise increase in production related activities on Blocks 3&4 has continued in the second quarter. The aim is to return to the activity level before the mid-2020 cutbacks. One of the drilling rigs that was put on standby mid-2020 was reactivated in early April and after a further rig was reactivated in early July 2021, three drilling rigs and one work over rig are operating on the blocks.

Operational focus during the second quarter 2021 has continued to be primarily on projects critical for safety and asset integrity and on completion of de-bottlenecking initiatives with a current focus on water handling following increased water cut in old wells.

Two new production wells were completed during the quarter, and both wells have been connected to production facilities. Both wells were drilled at the I-structure at the Shahd field.

<sup>1</sup> 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 second quarter 2021.

Since the outbreak of the coronavirus pandemic, rigorous testing and quarantining procedures to mitigate the spread of the virus at operating facilities have been in place. Cases of infection have been recorded in the field with minor disruptions to operations as a result.

#### *Exploration activities*

The exploration well Safi-1 was spudded and reached its final depth in the second quarter 2021. The drill site is located about 7.5 km north of Shahd H. The Safi-1 is a near field exploration well with the Khufai layer as main target. Khufai is the producer in neighbouring Shahd H structure. The well is currently being production tested.

The exploration well Suhail-1, located between the Erfan and Anan discovery, will be spudded in August 2021. Suhail-1 is targeting the producing Khufai and Buah layers, but will also investigate a new possible stratigraphic trap in the Buah layer.

The process of maturing leads into prospects north of the Farha South field in Block 3 continues. Following the completion of the 4,000 km<sup>2</sup> 3D seismic survey in 2020 the entire area to the north of the Farha South field in Block 3 is now covered. Multiple leads have been identified within the area, including leads in previously untested oil plays.

#### **Block 49**

The Thameen-1 exploration well reached its final depth in the first quarter 2021. Logs indicated a gross hydrocarbon column of close to forty metres in the primary target, the Hasirah Sandstone, but no flows were recorded at surface. Sidewall cores, fluid samples and pressure data has been further analysed together with an extensive log analysis. The results confirm a decent porosity but a low permeability. Stimulation will most probably be needed in order to try and flow the well, and an unconventional approach could be considered.

During the first quarter 2021 government approval was received for the 50 percent farmout transaction with a subsidiary of EOG Resources Inc. (“EOG”). See page 7 for financial effects of the farmout transaction.

#### **Block 56**

The planning of a 2021 drilling campaign consisting of up to three wells to further evaluate the Al Jumud area in the north western part of the Block continues. Work on maturing leads to prospects in the Al Jumud area (which includes the Al Jumud discovery) has been completed. Procurement of equipment and services for drilling campaign is on-going. Drilling will aim to establish the commerciality of the Al Jumud discovery as well as confirm the overall prospectivity of the area. The first well is planned to be drilled in the fourth quarter 2021.

In addition, planning and tendering of a 3D seismic survey in the central area of the Block is also well underway. Final negotiation with a seismic contractor is ongoing. The central area holds a number of attractive leads identified on legacy 2D seismic that warrant further investigation and require more detailed data.

#### **Block 58**

The procurement process for a new seismic survey on Block 58 is ongoing including final negotiation with a seismic contractor. The seismic acquisition is planned to be launched in the second half of 2021. In addition, 3D image quality enhancement is planned to be performed on legacy 3D seismic.

#### **Investments and work program 2021**

Tethys Oil expects total investments in oil and gas properties for 2021 of MUS\$ 47, of which investments on Blocks 3&4 is expected to amount to MUS\$ 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 less than MUS\$ 5 (following the closing of the EOG farmout) 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 MUS\$ 5 (on 65 percent basis including carried interest following completion of the farmin) and is centred on evaluating the Al Jumud area by drilling 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 MUS\$ 5 with focus on reprocessing of legacy 3D seismic data and acquiring new 3D seismic.

#### **Production Guidance**

The OPEC+ production limitation agreement is still in place, but Tethys Oil is hopeful that average daily production for the second half of the year will be higher than the 11,306 BOPD the Company produced during the first half of 2021, albeit with monthly fluctuations.

## 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 second quarter 2021, the level of production, value of recoverable costs incurred, and achieved oil price resulted in a Net Entitlement of 42 percent, lower than in the first quarter 2021 (50 percent). The lower Net Entitlement in the second quarter compared to the first quarter is a result of the higher oil price achieved and the absence of unrecovered cost in the cost pool. During the first quarter 2021 the cost pool for Blocks 3&4 was fully recovered, and the balance remains MUSD - at the end of the second quarter 2021 (MUSD -).

Production entitlement and sales	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
<b>Blocks 3&amp;4</b>					
Production, before Government take, bbl	<b>1,003,750</b>	1,042,686	1,018,653	979,922	964,299
Net Entitlement barrels, bbl	<b>420,655</b>	518,895	529,699	509,559	532,325
Net Entitlement share of production, percent	<b>42%</b>	50%	52%	52%	55%
Oil sales, bbl	<b>477,708</b>	367,726	547,338	416,162	545,986
Underlift (+) / overlift (-), movement, bbl	<b>-57,053</b>	151,169	-17,638	93,397	-13,661
Underlift (+) / overlift (-), closing position, bbl	<b>90,947</b>	148,000	-3,169	14,469	-78,928

During the second quarter 2021, Tethys Oil sold 477,708 barrels of oil from Blocks 3&4 compared to 367,726 barrels of oil in the first quarter 2021, an increase of 30 percent. The increase in oil sales is a result of the inclusion of the March oil nomination of 189,871 barrels being lifted in April due to logistical reasons. For similar reasons the June oil nomination of 167,264 barrels was lifted in July and not included in the sales volumes in the second quarter 2021. As a consequence, the resulting revenue from the delayed June lifting will be recognised in the third quarter 2021.

Oil sales 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. At the end of the second quarter 2021 Tethys Oil had reduced its underlift position from 148,000 barrels at 31 March 2021 to 90,947 barrels at 30 June 2021.

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 oil price in the second quarter 2021 amounted to USD 59.7 per barrel, an increase of USD 13 per barrel, or 28 percent, from USD 46.7 per barrel in the first quarter 2021. The achieved oil price in the second quarter reflects the pricing of the March, April and May liftings and is therefore USD 3.3 per barrel lower than if the June nomination had been included and March lifting excluded.

Revenue and other income	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Achieved oil price, USD/bbl	59.7	46.7	42.3	42.8	34.3
Revenue, MUSD	28.5	17.2	23.1	17.9	18.7
Underlift (+) / Overlift (-) adjustment, MUSD	-2.4	8.2	-0.8	2.5	2.4
<b>Revenue and other income, MUSD</b>	<b>26.1</b>	<b>25.4</b>	<b>22.3</b>	<b>20.4</b>	<b>21.1</b>

Revenue in the second quarter 2021 was MUSD 28.5 compared to MUSD 17.2 in the first quarter 2021, an increase of 66 percent. The increase is a result of the recognition of revenue from three liftings (only two liftings in the first quarter 2021) and an increase in achieved oil price in the second quarter. The resulting overlift, and reduction of the underlift position by the end of the second quarter, gives rise to an underlift adjustment of MUSD -2.4 (MUSD 8.2). Revenue and other income in the second quarter 2021 amounted to MUSD 26.1 compared to MUSD 25.4 in the first quarter 2021. The increase of 3 percent is a result of the higher achieved oil price offsetting a lower net entitlement.

## 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	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Production costs, MUSD	9.5	10.7	9.1	8.8	9.6
Well workovers, MUSD	0.4	1.2	0.9	0.5	0.8
<b>Total operating expenses, MUSD</b>	<b>9.9</b>	<b>11.9</b>	<b>10.0</b>	<b>9.3</b>	<b>10.4</b>
Operating expenses per barrel, USD	9.9	11.4	9.8	9.5	10.8

Operating expenses, including costs for well workovers and interventions, for the second quarter 2021 amounted to MUSD 9.9 and were lower than the first quarter 2021, when operating expenditure amounted to MUSD 11.9. A decrease in expenses related to workovers and interventions as well as lower variable costs as follows from lower production resulted in lower expenses in the second quarter. Production costs also decreased sequentially because of the first quarter expenses including the yearly bonus and benefit payments within the joint operations.

## Depletion, depreciation and amortisation

DD&A	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
DD&A, MUSD	10.2	10.6	10.8	10.5	10.4
DD&A per barrel, USD	10.2	10.2	10.6	10.7	10.7

Depletion, depreciation and amortisation ("DD&A") during the second quarter 2021 amounted to MUSD 10.2, compared to MUSD 10.6 in the first quarter 2021. The lower DD&A in the second quarter is a result of lower production volumes. DD&A includes depreciation of MUSD 0.1 relating to leases under IFRS 16.

## Administrative expenses

Administrative expenses for the second quarter 2021 amounted to MUSD 1.7 compared to MUSD 1.2 in the first quarter 2021. Administrative expenses mainly comprise of staff costs, rents, listing costs and external services.

Administrative expenses in the first quarter 2021 were positively impacted by MUSD 0.4 of reversals of accruals relating to variable compensation to management and staff.

### Operating result and EBITDA

The operating result in the second quarter 2021 amounted to MUSD 4.3 compared to MUSD 1.7 in the first quarter 2021. Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to MUSD 14.5 (MUSD 12.3) in the second quarter 2021, an increase of 18 percent compared to the first quarter 2021.

### Net financial result

The net financial result in the second quarter 2021 amounted to MUSD -0.9 compared to MUSD 1.3 in the first quarter 2021. The net financial result for the second quarter 2021 mainly comprises of currency exchange loss resulting from 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 block ("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's net result after tax for the second quarter 2021 was MUSD 3.4, representing earnings per share (after dilution) of USD 0.10. The result for the second quarter 2021 was higher compared to the first quarter 2021 when the net result amounted to MUSD 3.0, with earnings per share (after dilution) of USD 0.09.

### Netback

Netback, USD/bbl	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Achieved oil price	59.7	46.7	42.3	42.8	34.3
Net revenue (after government take)	25.1	23.2	22.0	22.3	18.9
Operating expenses	9.9	11.4	9.8	9.5	10.8
<b>Netback</b>	<b>15.2</b>	<b>11.8</b>	<b>12.2</b>	<b>12.8</b>	<b>8.1</b>

Netback per barrel increased in the second quarter 2021 compared to the first quarter 2021 due to higher achieved price and lower operating expenses. The higher achieved oil price offset the lower net entitlement to give a higher Net revenue in the second quarter.

### Financial treatment and effects of farmin and farmout transactions

The farmout agreement with EOG for 50 percent interest in the EPSA for Block 49 was concluded in the first quarter 2021 following the receipt of government approval. Following completion, the initial cash consideration (relating to reimbursement of historically incurred cost under the EPSA) of MUSD 8.8 was received which reduced oil and gas properties with the corresponding amount. Under the terms of the farmout, EOG agreed to carry the total cost of the Thameen-1 well up to a cap of MUSD 15.0 (net of the initial consideration amount). Subsequent expenditure is split according to interest between the partners unless agreed otherwise. The amounts carried by EOG as well as its net share of subsequent expenditure in excess of the consideration cap has been booked as a receivable and amounted to MUSD 8.8 per 30 June 2021. Following the end of the quarter Tethys Oil received payment of MUSD 8.2 which included the final consideration under the farmout transaction.

The farmin agreement with Medco for a further 45 percent interest in the EPSA for Block 56 was concluded in the first quarter 2021 following the receipt of government approval. Upon completion Tethys Oil paid the MUSD 5.0 initial consideration which has been recorded as oil and gas properties. As a part of the consideration Tethys Oil will carry Medco's 5 percent interest up to a value of MUSD 2.0. The agreement includes additional, contingent, consideration in the case of a declaration of commerciality.



## Financial position and cash flow

### Assets and equity

The Group's total assets at 30 June 2021 amounted to MUSD 266.0 (MUSD 279.6) of which MUSD 203.5 was Oil and Gas properties (MUSD 205.3). Shareholder's equity at 30 June 2021 was MUSD 247.2 compared to MUSD 258.3 at 31 March 2021.

Balance Sheet, MUSD	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
<b>Non-current assets</b>					
Oil and gas properties	203.5	205.3	215.3	212.9	214.8
Other fixed assets	0.9	0.2	0.3	0.4	0.4
<b>Current Assets</b>					
Other current assets	15.4	17.1	9.3	13.6	5.8
Cash and cash equivalents	46.2	57.0	55.4	48.3	60.1
<b>Total assets</b>	<b>266.0</b>	<b>279.6</b>	<b>280.3</b>	<b>275.2</b>	<b>281.1</b>
<b>Shareholders' equity</b>	<b>247.2</b>	<b>258.3</b>	<b>257.7</b>	<b>260.1</b>	<b>261.3</b>
Non-current liabilities	13.5	12.7	12.8	10.6	10.7
Current liabilities	5.3	8.6	9.8	4.5	9.1
<b>Total Equity &amp; Liabilities</b>	<b>266.0</b>	<b>279.6</b>	<b>280.3</b>	<b>275.2</b>	<b>281.1</b>

### Liquidity and financing

Cash and cash equivalents as at 30 June 2021 amounted to MUSD 46.2 compared to MUSD 57.0 as at 31 March 2021. Net cash at 30 June 2021 was MUSD 45.5 compared to MUSD 57.0 at 31 March 2021. The Cash and cash equivalents decreased following distributions to shareholders of MUSD 15.5 in May and June 2021. For more information, see Dividend and Distribution on page 10. See page 16 for reconciliation between cash and net cash.

### Cash flow and investments

Cash flow, MUSD	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
<b>Cash Flow from Operations</b>	<b>13.3</b>	2.8	19.6	-3.1	11.2
Cash flow from Investments	-8.4	-0.5	-10.6	-8.6	-10.6
<b>Free Cash flow</b>	<b>4.9</b>	2.3	9.0	-11.7	0.6
Cash flow from Financing Activities	-15.5	-0.7	-1.8	-	-18.6
<b>Period Cash Flow</b>	<b>-10.6</b>	1.6	7.2	-11.7	-18.0

During the second quarter 2021, cash flow from operations amounted to MUSD 13.3 (MUSD 2.8) impacted by a negative change in working capital of MUSD -1.7 (MUSD -9.0).

Investments, MUSD	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Drilling	4.0	2.5	3.9	3.5	5.4
G&G	0.9	1.0	1.3	1.4	1.7
Facilities	2.1	1.4	2.6	1.6	2.6
<b>Total investments Blocks 3&amp;4</b>	<b>7.0</b>	<b>4.9</b>	<b>7.8</b>	<b>6.5</b>	<b>9.7</b>
Block 49	0.3	-9.4	2.9	0.5	0.7
Block 56	1.1	5.0	0.2	-	-
Block 58	0.0	0.0	0.2	1.6	-
<b>Total investments in Oil &amp; Gas properties</b>	<b>8.4</b>	<b>0.5</b>	<b>11.0</b>	<b>8.6</b>	<b>10.4</b>
Other	0.0	0.0	-0.4	-	0.2
<b>Total investments</b>	<b>8.4</b>	<b>0.5</b>	<b>10.6</b>	<b>8.6</b>	<b>10.6</b>



In the second quarter total investments increased to MUS\$ 8.4 (MUS\$ 0.5). Capital investments on Blocks 3&4 increased in the second quarter compared to the first quarter 2021. Capital investments on Block 49 was MUS\$ 0.3 (MUS\$ -9.4 following completion of exploration operations related to the Thameen 1 well). Investments on Block 56 were MUS\$ 1.1 (MUS\$ 5.0).

Cash flow from financing activities in the second quarter was MUS\$ -15.5 (MUS\$ -0.7) which relates to the cash dividend and mandatory share redemption programme. Free cash flow (cash flow after investments) was MUS\$ 4.9 (MUS\$ 2.3) and cash flow for the period was MUS\$ -10.6 (MUS\$ 1.6).

## Parent Company, Dividend & Share data

### Parent company

The parent company net result after tax for the second quarter 2021 was MSEK -6.3 compared to MSEK 15.5 in the first quarter 2021. Administrative expenses in the second quarter 2021 amounted to MSEK 8.9 compared to MSEK 6.1 for the first quarter 2021, an increase in the second quarter as the first quarter 2021 included a positive impact from the reversal of accruals related to variable compensation to management booked in 2020.

The Net financial result in the second quarter 2021 amounted to MSEK 0.1 (MSEK 17.6). The Net financial result consisted primarily of currency exchange loss on intercompany loans, cash and payables of MSEK -6.4 (MSEK 12.5) and interest income of MSEK 6.5 compared to MSEK 5.1 for the first quarter 2021.

### Share data

As at 30 June 2021, the total number of issued shares in Tethys Oil AB was 33,056,608, with a quota value of SEK 0.18 (SEK 0.18). All shares represent one vote each.

On 11 December 2020, the Board of Directors decided, based on the authorisation from the AGM 2020, to initiate a share buy-back programme. According to the guidelines for the programme, purchases could be made at one or several occasions up to and including 8 February 2021 and up to a total value of MSEK 42. During the first quarter 2021 Tethys Oil repurchased 120,088 shares. The total volume of Tethys Oil shares which have been repurchased within the scope of the programme from 11 December 2020 up to 8 February 2021 amounts to 435,640 shares, which is also the number of shares held in treasury by Tethys Oil as at 30 June 2021. There has been no active share buy-back programme after 8 February 2021. For the complete repurchase authorisation, please refer to Tethys Oil's website, [www.tethysoil.com](http://www.tethysoil.com).

In the second quarter 2021, Tethys Oil, in accordance with a resolution on the AGM on 19 May 2021, launched a mandatory share redemption procedure whereby every share in Tethys Oil was split into one ordinary share and one redemption share. As a result, the number of shares and votes in Tethys Oil increased to 66,113,216, of which 33,056,608 were ordinary shares and 33,056,608 were redemption shares. The redemption shares were traded from 28 May 2021 up to and including 10 June 2021 on Nasdaq Stockholm. The redemption shares were automatically redeemed and SEK 2.00 in cash consideration for each redemption share was paid with record date of 14 June 2021. After the redemption, the outstanding number of shares and votes returned to 33,056,608.

Tethys Oil currently has four 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 1,393,500 new shares (a potential 4.2 percent increase of current shares in issue). During the second quarter 2021 the Tethys Oil share price was above the subscription price of one of the four programmes, thus resulting in a calculated potential dilution effect on the average number of shares outstanding.

### Dividend and Distribution

As resolved by the 2021 AGM Tethys Oil paid a cash dividend of SEK 2.00 per share (AGM 2020: SEK 2.00) immediately following the AGM.

In addition to the dividend, the AGM approved board of directors' proposal of an extraordinary distribution to shareholders of SEK 2.00 per share by way of a mandatory share redemption programme following the 2021 AGM (AGM 2020: SEK 3.00), as described above, which was completed in June 2021.

On 8 April 2021 Tethys Oil's established a new dividend policy for the group.

“Tethys Oil aims to provide a long-term sustainable and growing ordinary dividend funded by cash flow from its producing assets. Distributions to the shareholders must always be aligned with the Company's long term operational and financial commitments, market conditions and access to external funding. In order to enable the company to optimise its capital structure, further shareholder distribution may be carried out by various methods such as redemption shares or share repurchases.”

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY**

MUSD	Note	Second quarter 2021	Second quarter 2020	First half 2021	First half 2020	Full year 2020
<b>Revenue and other income</b>	3	<b>26.1</b>	<b>21.1</b>	<b>51.6</b>	<b>58.4</b>	<b>101.1</b>
Operating expenses		-9.9	-10.4	-21.8	-24.1	-43.4
<b>Gross profit</b>		<b>16.2</b>	<b>10.7</b>	<b>29.8</b>	<b>34.3</b>	<b>57.7</b>
Depletion, depreciation and amortisation	2, 5	-10.2	-10.4	-20.8	-23.1	-44.5
Exploration costs		-	-0.0	-	-0.0	-0.0
Share of net profit/loss from associates		-	-	-	-	-
Administrative expenses	2	-1.7	-2.0	-2.9	-3.7	-7.3
<b>Operating result</b>		<b>4.3</b>	<b>-1.7</b>	<b>6.1</b>	<b>7.5</b>	<b>5.8</b>
<b>Net financial result</b>	4	<b>-0.9</b>	<b>-2.2</b>	<b>0.4</b>	<b>0.7</b>	<b>-2.5</b>
<b>Result before tax</b>		<b>3.4</b>	<b>-3.9</b>	<b>6.5</b>	<b>8.2</b>	<b>3.3</b>
Income tax		-	-	-	-	0.0
<b>Net Result</b>		<b>3.4</b>	<b>-3.9</b>	<b>6.5</b>	<b>8.2</b>	<b>3.3</b>
<b>Other comprehensive income</b>						
Items that may be subsequently reclassified to profit or loss:						
Exchange differences		1.0	4.0	-0.7	1.0	3.7
<b>Other comprehensive income</b>		<b>1.0</b>	<b>4.0</b>	<b>-0.7</b>	<b>1.0</b>	<b>3.7</b>
<b>Total comprehensive income</b>		<b>4.4</b>	<b>0.1</b>	<b>5.8</b>	<b>9.2</b>	<b>7.0</b>
<b>Attributable to:</b>						
Shareholders in the parent company		4.4	0.1	5.8	9.2	7.0
Non-controlling interest		-	-	-	-	-
Number of shares at period end		33,056,608	33,056,608	33,056,608	33,056,068	33,056,608
Weighted average number of shares (before dilution)		32,620,968	33,059,234	32,627,999	33,599,594	33,321,353
Weighted average number of shares (after dilution)		32,666,215	33,059,234	32,668,933	33,613,196	33,328,099
Earnings per share (before dilution), USD		0.10	-0.12	0.20	0.24	0.10
Earnings per share (after dilution), USD		0.10	-0.12	0.20	0.24	0.10

**CONSOLIDATED BALANCE SHEET IN SUMMARY**

MUSD	Note	30 Jun 2021	31 Dec 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Oil and gas properties	5	203.5	215.3
Other fixed assets		0.9	0.3
		<b>204.4</b>	<b>215.6</b>
<b>Current assets</b>			
Trade and other receivables	6	14.9	9.1
Prepaid expenses	6	0.5	0.2
Cash and cash equivalents		46.2	55.4
		<b>61.6</b>	<b>64.7</b>
<b>TOTAL ASSETS</b>		<b>266.0</b>	<b>280.3</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		0.8	0.8
Additional paid in capital		76.3	76.3
Reserves		1.1	1.8
Retained earnings		169.0	178.8
<b>Total shareholders' equity</b>		<b>247.2</b>	<b>257.7</b>
<b>Non-current liabilities</b>			
Non-current provisions	7	12.8	12.5
Other non-current liabilities	8	0.7	0.3
		<b>13.5</b>	<b>12.8</b>
<b>Current liabilities</b>			
Accounts payable and other current liabilities	9	5.3	9.8
		<b>5.3</b>	<b>9.8</b>
<b>Total liabilities</b>		<b>18.8</b>	<b>22.6</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>266.0</b>	<b>280.3</b>

**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
<b>Opening balance 1 January 2020</b>	<b>0.8</b>	<b>76.3</b>	<b>-1.9</b>	<b>201.1</b>	<b>276.3</b>
Net result 2020	-	-	-	3.3	3.3
Other comprehensive income	-	-	3.7	-	3.7
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>3.7</b>	<b>3.3</b>	<b>7.0</b>
<b>Transactions with owners</b>					
Repurchase of shares	-	-	-	-8.3	-8.3
Dividend	-	-	-	-7.0	-7.0
Share redemption	-	-	-	-10.6	-10.6
Incentive programme	-	-	-	0.3	0.3
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-25.6</b>	<b>-25.6</b>
<b>Closing balance 31 December 2020</b>	<b>0.8</b>	<b>76.3</b>	<b>1.8</b>	<b>178.8</b>	<b>257.7</b>
<b>Opening balance 1 January 2021</b>	<b>0.8</b>	<b>76.3</b>	<b>1.8</b>	<b>178.8</b>	<b>257.7</b>
Net result for six months 2021	-	-	-	6.5	6.5
Other comprehensive income for six months	-	-	-0.7	-	-0.7
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-0.7</b>	<b>6.5</b>	<b>5.8</b>
<b>Transactions with owners</b>					
Repurchase of shares	-	-	-	-0.7	-0.7
Dividend	-	-	-	-7.8	-7.8
Share redemption	-	-	-	-7.7	-7.7
Incentive programme	-	-	-	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-16.2</b>	<b>-16.2</b>
<b>Closing balance 30 June 2021</b>	<b>0.8</b>	<b>76.3</b>	<b>1.1</b>	<b>169.0</b>	<b>247.2</b>

**CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY**

MUSD	Note	Second quarter 2021	Second quarter 2020	First half 2021	First half 2020	Full year 2020
<b>Cash flow from operations</b>						
Operating result		4.3	-1.7	6.1	7.5	5.8
Interest received	4	-	-	-	-	0.1
Interest paid		-	-	-	-	-
Adjustment for exploration costs		-	-	-	-	-
Adjustment for depletion, depreciation and other non-cash related items		10.7	12.4	20.6	25.9	46.2
<b>Total cash flow from operations before change in working capital</b>		<b>15.0</b>	<b>10.7</b>	<b>26.7</b>	<b>33.4</b>	<b>52.2</b>
Change in receivables		1.7	8.9	-6.1	6.4	3.0
Change in liabilities		-3.4	-8.4	-4.5	-3.8	-3.1
<b>Cash flow from operations</b>		<b>13.3</b>	<b>11.2</b>	<b>16.1</b>	<b>36.0</b>	<b>52.1</b>
<b>Investment activity</b>						
Investment in oil and gas properties	5	-8.4	-10.4	-8.9	-25.8	-45.4
Investment in other fixed assets		-	-0.2	-	-0.3	-0.0
<b>Cash flow from investment activity</b>		<b>-8.4</b>	<b>-10.6</b>	<b>-8.9</b>	<b>-26.1</b>	<b>-45.4</b>
<b>Financing activity</b>						
Repurchase of shares		-	-1.0	-0.7	-6.9	-8.3
Dividend		-7.8	-7.0	-7.8	-7.0	-7.0
Share redemption		-7.7	-10.6	-7.7	-10.6	-10.6
<b>Cash flow from financing activity</b>		<b>-15.5</b>	<b>-18.6</b>	<b>-16.2</b>	<b>-24.5</b>	<b>-25.9</b>
<b>Period cash flow</b>		<b>-10.6</b>	<b>-18.0</b>	<b>-9.0</b>	<b>-14.6</b>	<b>-19.2</b>
Cash and cash equivalents at the beginning of the period						
		57.0	78.2	55.4	75.6	75.6
Exchange gains/losses on cash and cash equivalents						
		-0.2	-0.1	-0.2	-0.9	-1.0
<b>Cash and cash equivalents at the end of the period</b>		<b>46.2</b>	<b>60.1</b>	<b>46.2</b>	<b>60.1</b>	<b>55.4</b>

**KEY RATIOS**

*For definitions of key ratios, please refer to the 2020 Annual Report.*

Group	Second quarter 2021	Second quarter 2020	First half 2021	First half 2020	Full year 2020
<b>Operational items</b>					
Production before government take, Oman Blocks 3&4, bbl	1,003,750	964,299	2,046,436	2,150,244	4,148,818
Production per day, Oman Blocks 3&4, bbl	11,030	10,597	11,306	11,815	11,336
Oil sales, bbl	477,708	545,986	845,434	1,354,375	2,317,875
Achieved oil price, USD/bbl	59.7	34.3	54.1	51.5	47.7
<b>Income statement and balance sheet</b>					
Revenue and other income, MUSD	26.1	21.1	51.6	58.4	101.1
EBITDA, MUSD	14.5	8.7	26.9	30.6	50.4
EBITDA-margin	56%	41%	52%	52%	50%
Operating result, MUSD	4.3	-1.7	6.1	7.5	5.8
Operating margin	16%	-8%	12%	13%	6%
Cash and cash equivalents, MUSD	46.2	60.1	46.2	60.1	55.4
Shareholders' equity, MUSD	247.2	261.3	247.2	261.3	257.7
Balance sheet total, MUSD	266.0	281.1	266.0	281.1	280.3
<b>Capital structure</b>					
Equity ratio	93%	93%	93%	93%	92%
Leverage ratio	neg.	neg.	neg.	neg.	neg.
Investments in oil and gas properties, MUSD	-8.4	-10.6	-8.9	-26.1	45.4
Net cash, MUSD	45.5	59.8	45.5	59.8	55.1
<b>Profitability</b>					
Return on shareholders' equity					1.23%
Return on capital employed					4.87%
<b>Other</b>					
Average number of full-time employees	24	23	24	23	23
Distribution per share, SEK	4.00	5.00	4.00	5.00	5.00
Cash flow from operations per share, USD	0.40	0.34	0.49	1.09	1.59
Number of shares at period end, '000	33,057	33,057	33,057	33,057	33,057
Shareholders' equity per share, USD	7.58	7.90	7.58	7.90	7.87
Weighted average number of shares (before dilution), '000	32,621	33,059	33,628	33,600	33,321
Weighted average number of shares (after dilution), '000	32,666	33,059	33,669	33,613	33,328
Earnings per share before dilution, USD	0.10	-0.12	0.20	0.24	0.10
Earnings per share after dilution, USD	0.10	-0.12	0.20	0.24	0.10



**Key quarterly data**

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Net daily production before government take, Blocks 3&4, bbl	11,030	11,585	11,072	10,651	10,597
Net entitlement barrels, bbl	420,655	518,895	529,699	509,559	532,325
Net entitlement share of production, percent	42%	50%	52%	52%	55%
Oil sales, bbl	477,708	367,726	547,338	416,162	545,986
Achieved oil price, USD/bbl	59.7	46.7	42.3	42.8	34.3
Revenue and other income, MUSD	26.1	25.4	22.3	20.4	21.1
EBITDA, MUSD	14.5	12.3	10.2	9.5	8.7
Operating result, MUSD	4.3	1.7	-0.7	-1.0	-1.7
Earnings per share after dilution, USD	0.10	0.09	-0.09	-0.06	-0.12
Cash flow from operations, MUSD	13.3	2.8	19.6	-3.1	10.8
Investment in oil and gas properties, MUSD	-8.4	-0.5	-11.0	-8.6	-10.4
Free cash flow, MUSD	4.9	2.3	9.0	-11.7	0.2
Net cash, MUSD	45.5	57.0	55.1	48.0	59.8
Share price end of period, SEK	58.4	64.9	49.2	43.1	45.7

For definitions of key ratios, please refer to the 2020 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 2020 Annual Report.

MUSD	Second quarter 2021	Second quarter 2020	First half 2021	First half 2020	Full year 2020
Operating result	4.3	-1.7	6.1	7.5	5.8
Add: Depreciation, depletion and amortisation	10.2	10.4	20.8	23.1	44.5
Add: Exploration costs	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>14.5</b>	<b>8.7</b>	<b>26.9</b>	<b>30.6</b>	<b>50.3</b>
Cash and cash equivalents	46.2	60.1	46.2	60.1	55.4
Less: Interest bearing debt	-0.7	-0.3	-0.7	-0.3	-0.3
<b>Net cash</b>	<b>45.5</b>	<b>59.8</b>	<b>45.5</b>	<b>59.8</b>	<b>55.1</b>

**PARENT COMPANY INCOME STATEMENT IN SUMMARY**

MSEK	Note	Second quarter 2021	Second quarter 2020	First half 2021	First half 2020	Full year 2020
Other income		2.5	1.9	6.5	6.1	12.8
Administrative expenses	10	-8.9	-13.3	-15.0	-25.9	-48.2
<b>Operating result</b>		<b>-6.4</b>	<b>-11.4</b>	<b>-8.5</b>	<b>-19.8</b>	<b>-35.4</b>
Net financial result	4	0.1	-14.3	17.6	20.3	58.1
<b>Result before tax</b>		<b>-6.3</b>	<b>-25.7</b>	<b>9.1</b>	<b>0.5</b>	<b>22.7</b>
Income tax		-	-	-	-	-
<b>Result for the period<sup>1</sup></b>		<b>-6.3</b>	<b>-25.7</b>	<b>9.1</b>	<b>0.5</b>	<b>22.7</b>

1. As the parent company does not recognise any Other comprehensive income, no such report is presented.

**PARENT COMPANY BALANCE SHEET IN SUMMARY**

MSEK	Note	30 Jun 2021	31 Dec 2020
<b>ASSETS</b>			
Total non current assets		479.2	339.0
Total current assets		68.6	39.0
<b>TOTAL ASSETS</b>		<b>547.8</b>	<b>378.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Restricted shareholders' equity		77.1	77.1
Unrestricted shareholders' equity		35.0	162.8
Total current liabilities		435.7	138.1
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>547.8</b>	<b>378.0</b>

## 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 an associated equity interest in a producing company in Lithuania. The Company is a limited liability company incorporated and domiciled in Stockholm, Sweden. The Company is listed on Nasdaq Stockholm.

### Accounting principles

The second quarter 2021 report of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The second quarter 2021 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 2020 Annual Report have been used in the preparation of this report with the exception of operating segments. As of the first quarter 2021 Tethys Oil reports operating segments split between Producing assets, Non-producing asset and Other in accordance with how internal reporting to management is conducted. Previously operating segments were split geographically.

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 2020 Annual Report and the relevant reconciliations can be found on 16 of this report.

### Exchange rates

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

Currency	30 June 2021		31 December 2020	
	Average	Period end	Average	Period end
SEK/USD	8.40	8.51	9.19	8.19
SEK/EUR	10.13	10.13	10.49	10.04

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 second quarter 2021, 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	30 June 2021			31 December 2020		
	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	-	14.9	-	-	9.1	-
Cash and bank	-	46.2	-	-	55.4	-
Other non current liabilities	-	-	0.7	-	-	0.3
Accounts payables and other current liabilities	-	-	5.3	-	-	9.8

## 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 farmout or sale of assets. There are no oil price hedges in place as at 30 June 2021.

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. 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 physical 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 and continues to do so in 2021. At the beginning of the pandemic, in 2020, oil producers were 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 risen from USD 50 to over USD 70 per barrel.

The Covid-19 pandemic'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 2020 Annual Report.

**Note 2) Segment reporting**

As of the first quarter 2021 the Group's Operating segments is reported based on a split between Producing assets, Non-producing assets and Other. The operating result for each segment is presented below. Producing assets includes the Company's non-operated interest in Blocks 3&4 while the Non-producing assets includes the operated exploration interests in Block 49, Block 56 and Block 58. The segment Other includes the head office and other central functions across the Group as well as the Company's indirect 25 percent holding in its Lithuanian associated company Minijos Nafta UAB. For the split of carrying values within Oil & Gas properties see note 5.

Group income statement Jan-Jun 2021				MUSD
Total	Producing assets <sup>2</sup>	Non-producing assets	Other	Total
Revenue and other income <sup>1</sup>	51.6	-	-	51.6
Operating expenses	-21.8	-	-	-21.8
Depreciation, depletion and amortisation	-20.7	-	-0.1	-20.8
Exploration costs	-	-	-	-
Administrative expenses	-1.5	-	-1.4	-2.9
<b>Operating result</b>	<b>7.6</b>	<b>-</b>	<b>-1.5</b>	<b>6.1</b>

Revenue and other income by country <sup>1</sup>	Producing assets <sup>2</sup>	Non-producing assets	Other	Total
Oman	51.6	-	-	51.6
Other	-	-	-	-

Group income statement Jan-Jun 2020				MUSD
Total	Producing assets <sup>2</sup>	Non-producing assets	Other	Total
Revenue and other income <sup>1</sup>	58.4	-	-	58.4
Operating expenses	-24.1	-	-	-24.1
Depreciation, depletion, and amortisation	-23.0	-	-0.1	-23.1
Exploration costs	-	-	-	-
Administrative expenses	-0.7	-	-3.0	-3.7
<b>Operating result</b>	<b>10.6</b>	<b>-</b>	<b>-3.1</b>	<b>7.5</b>

Revenue and other income by country <sup>1</sup>	Producing assets <sup>2</sup>	Non-producing assets	Other	Total
Oman	58.4	-	-	58.4
Other	-	-	-	-

1. Revenue and other income relate only to external transactions.

2. Revenue and other income from oil and gas refer to external customers. Revenue and other income is attributable to the country of sale.

**Note 3) Revenue and other income**

<b>MUSD</b>	<b>Second quarter 2021</b>	Second quarter 2020	First half 2021	First half 2020	Full year 2020
Revenue	28.5	18.7	45.7	69.8	110.7
Underlift (+) /overlift (-), adjustments	-2.4	2.4	5.9	-11.4	-9.6
<b>Revenue and other income</b>	<b>26.1</b>	<b>21.1</b>	<b>51.6</b>	<b>58.4</b>	<b>101.1</b>

**Note 4) Net financial result**

<b>Group</b>	<b>Second quarter 2021</b>	Second quarter 2020	First half 2021	First half 2020	Full year 2020
<b>MUSD</b>					
Financial income:					
Interest income	-	-	-	0.1	0.1
Currency exchange gain, net	-	-	0.7	0.9	0.0
Other financial income	-	-	-	-	0.0
Financial costs:					
Interest costs	-	0.0	0.0	0.0	0.0
Currency exchange loss, net	-0.7	-2.0	-	-	-2.0
Other financial costs	-0.2	-0.2	-0.3	-0.3	-0.6
<b>Net financial result</b>	<b>-0.9</b>	<b>-2.2</b>	<b>0.4</b>	<b>0.7</b>	<b>-2.5</b>

<b>Parent company</b>	<b>Second quarter 2021</b>	Second quarter 2020	First half 2021	First half 2020	Full year 2020
<b>MSEK</b>					
Financial income:					
Interest income	6.5	5.4	11.5	11.2	18.8
Currency exchange gain, net	-	-	6.1	9.2	-
Dividend group companies	-	-	-	-	57.3
Financial costs:					
Interest costs	-	-	-	-	0.0
Currency exchange loss, net	-6.4	-19.6	-	-	-18.0
Other financial costs	-	-0.1	-	-0.1	0.0
<b>Net financial result</b>	<b>0.1</b>	<b>-14.3</b>	<b>17.6</b>	<b>20.3</b>	<b>58.1</b>

**Note 5) Oil and gas properties**

MUSD				30 Jun 21	Investments	DD&A	Other	31 Dec 20
Country	Licence	Phase	Tethys Oil's share					
Oman	Blocks 3&4	Prod.	30%	183.1	11.9	-20.7	-	191.9
Oman	Block 49	Expl.	50%	3.5	-9.1	-	-	12.6
Oman	Block 56	Expl.	65%	14.9	6.1	-	-	8.8
Oman	Block 58	Expl.	100%	1.8	0.0	-	-	1.8
New ventures				0.3	-	-	-	0.3
<b>Total</b>				<b>203.5</b>	<b>8.9</b>	<b>-20.7</b>	<b>0.0</b>	<b>215.3</b>

*The investments in oil and gas properties for Block 49 are net of the consideration recorded from EOG as part of the farmout transaction.*

**Note 6) Other receivables and prepaid expenses**

MUSD	30 Jun 2021	31 Dec 2020
VAT	0.2	0.2
Joint operations debtors	0.1	-
Trade receivables oil sale	-	8.9
Receivable on EOG	8.8	-
Prepaid expenses	0.5	0.2
Underlift position	5.8	0.0
<b>Total</b>	<b>15.4</b>	<b>9.3</b>

**Note 7) Provisions**

The net present value of Tethys Oil's share of estimated site restoration costs for Blocks 3&4 amounts to MUSD 12.8 (2020: MUSD 12.5). The increase in provision for site restoration reflects changes in cost estimates and the effect of annual unwinding of the net present value.

**Note 8) Other non-current liabilities**

MUSD	30 Jun 2021	31 Dec 2020
Long term leasing	0.7	0.3
<b>Total</b>	<b>0.7</b>	<b>0.3</b>

**Note 9) Accounts payable and other current liabilities**

MUSD	30 Jun 2021	31 Dec 2020
Accounts payable	0.2	0.6
Operator balance. Oman Blocks 3&4	3.5	5.3
Overlift position	-	0.1
Short term leasing	0.2	-
Other current liabilities	1.4	3.8
<b>Total</b>	<b>5.3</b>	<b>9.8</b>



**Note 10) 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. 200,000 warrants were issued to management in the second quarter 2021.

Warrant incentive programme	Exercise period	Subscription price, SEK	Shares per warrant	01 Jan 2021	Number of warrants			30 Jun 2021
					Issued 2021	Exercised 2021	Expired 2021	
2018 incentive programme	1 Jun – 2 Oct 2021	72.0	1.24	350,000	-	-	-	350,000
2019 incentive programme	1 Jun – 7 Oct 2022	69.7	1.13	350,000	-	-	-	350,000
2020 incentive programme	13 Jun – 6 Oct 2023	51.7	1.04	350,000	-	-	-	350,000
2021 incentive programme	12 Jun – 4 Oct 2024	76,0	1.00	-	200,000	-	-	200,000
<b>Total</b>				<b>1,050,000</b>	<b>200,000</b>	-	-	<b>1,250,000</b>

**Note 11) 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 12) Contingent liabilities**

As part of the farmin transaction with Medco for Block 56 (see page 7) there is further potential consideration contingent upon a declaration of commerciality.

**Note 13) 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 14) Subsequent events**

Following the close of the second quarter 2021 Tethys Oil received payment of MUSD 8.2 from EOG, which included the final consideration for the farmout transaction on Block 49.

**FINANCIAL CALENDAR:**

- 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
- Report for first quarter 2022 (January – March 2022) on 10 May 2022
- Report for second quarter 2022 (January – June 2022) on 9 August 2022

Stockholm, 10 August 2021

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

**Board assurance**

The Board of Directors and the Managing Director certify that the half-year report gives a fair review of the performance of the business, position and profit or loss of the Company and the Group and describes the principal risks and uncertainties that the company and the companies in the Group face.

Per Seime  
*Chairman*

Robert Anderson  
*Director*

Klas Brand  
*Director*

Alexandra Herger  
*Director*

Magnus Nordin  
*Managing Director*

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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 and the Securities Market Act. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on 10 August 2021.*

## Auditor's report

Tethys Oil AB (publ), 556615-8266

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### Introduction

We have reviewed the condensed interim financial information (interim report) of Tethys Oil AB (publ) as of 30 June 2021 and the six-month period then ended. The board of directors and the managing director are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Gothenburg, 10 August 2021

PricewaterhouseCoopers AB

Johan Malmqvist  
Authorized Public Accountant  
Auditor in charge

Sophie Damborg  
Authorized Public Accountant

**CONFERENCE CALL**

**Date:** 10 August 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/7mi5mveo>

**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: 85747068#