



# FOURTH QUARTER 2023

Magnus Nordin, Managing Director  
Petter Hjertstedt, CFO  
6 February 2024





# Q4 2023 Highlights

## Fourth quarter an upbeat end to a frustrating year

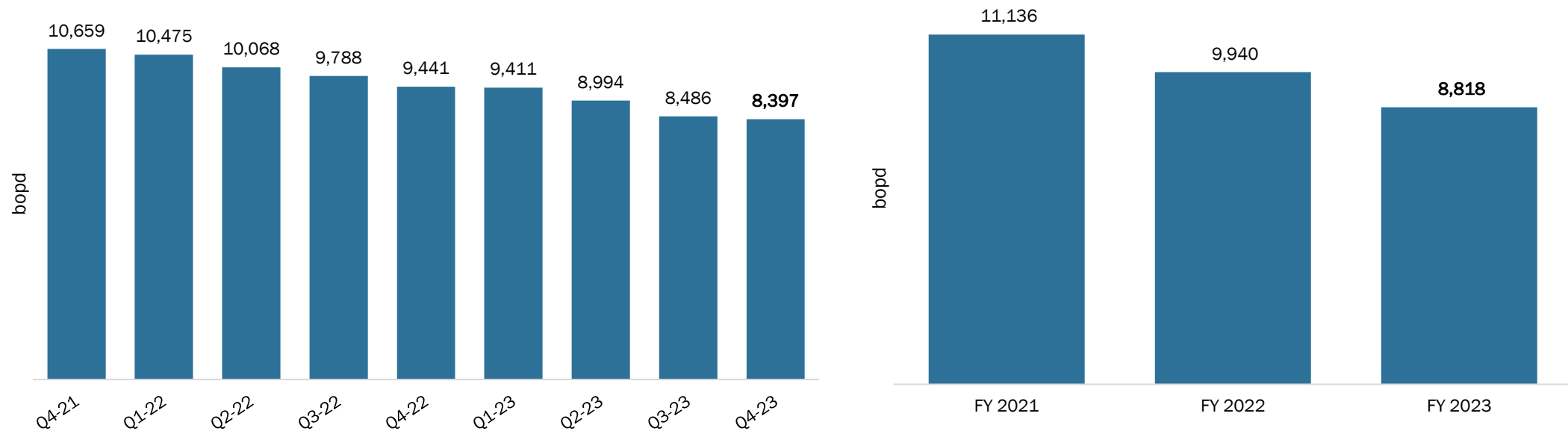
- Q4-23 production from Blocks 3&4 in the quarter amounted to 8,397 barrels of oil per day (8,486),
- FY-23 Production of **8,818 bopd** (2022: 9,940)
- Q4-23 Revenue and other income: **MUSD 36.4** (31.8) and EBITDA: **MUSD 21.5** (16.4)
- Q4-23 Cash flow from operations was MUSD 21.9 (14.8) and Free cash flow MUSD 2.5 (-6.1).
- Q4-23 An impairment charge of MUSD 36.9 (-) of the value of Oil and gas properties related to Blocks 3&4 following disappointing near-term results from significant investments in 2023.
- Q4-23 Exploration well Menna-1 on Block 56 drilled in December with well logs indicating hydrocarbons in three formations. Testing to commence in the first quarter 2024
- The first phase of the Gas-to-Power project, which aims to reduce emissions and operating cost on Blocks 3&4, was commissioned at the end of the year

## The Board of Directors has decided to initiate a strategic review of the Group's portfolio of Oil and Gas interests

- The board of directors has elected to defer its dividend proposal until the assessment of capital requirements and the strategic portfolio review have been completed.

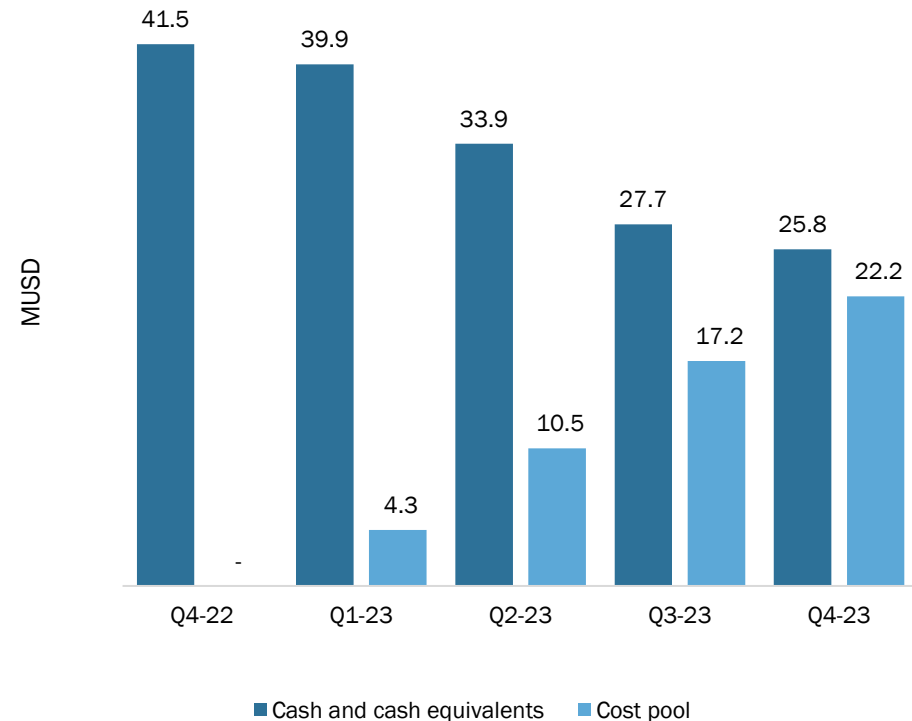
# Production on Blocks 3&4 stabilising

- Q4-23 production of **8,397** bopd, ~1% lower than in Q3-23,
- FY-23 production of **8,818** bopd, 11% lower than in FY-22
- Production stabilised in Q4-23, December 2023 average production **8,540** bopd
- FY-24 production guidance of 8,200 ± 400 barrels of oil per day



# Cash Flow & Cost Pool

- With increasing investments and declining production during 2023 there has been a build-up of unrecovered costs – cost pool
  - MUSD 22 by 31 December 2023
- 2023 Free cash flow MUSD 0.8 (2022: MUSD -2.3)
- The cost pool should be considered to be deferred cash flow
  - Repaid once expenditures on Blocks 3&4 are below the cost oil allowance
- The operator of Blocks 3&4 has indicated lower capex and opex in 2025 and beyond
  - Finalisation of 3D seismic campaign and second phase of Gas-to-Power project in 2024



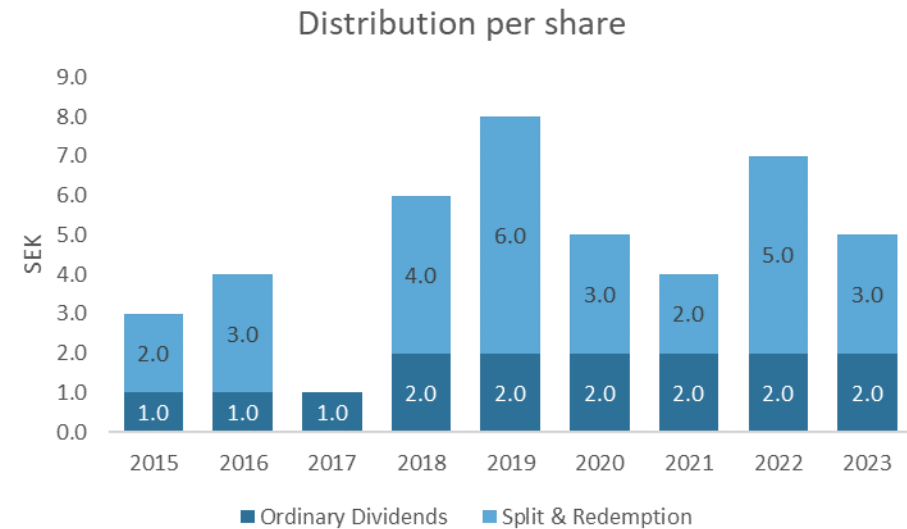
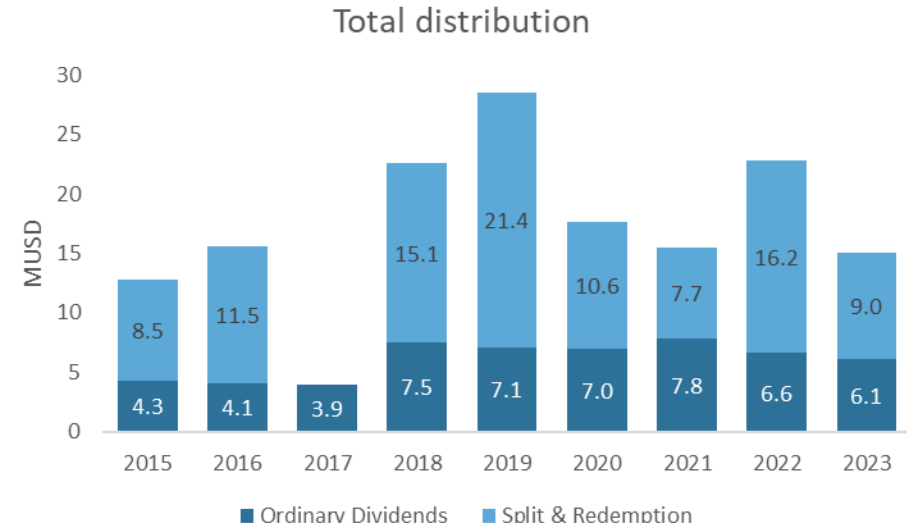
# Dividends and redemptions in 2023 and deferred dividend proposal

- The board of directors has elected to defer its dividend proposal until the assessment of capital requirements and the strategic portfolio review have been completed
- Tethys Oil remains committed to its stated dividend policy

## Dividend Policy

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.

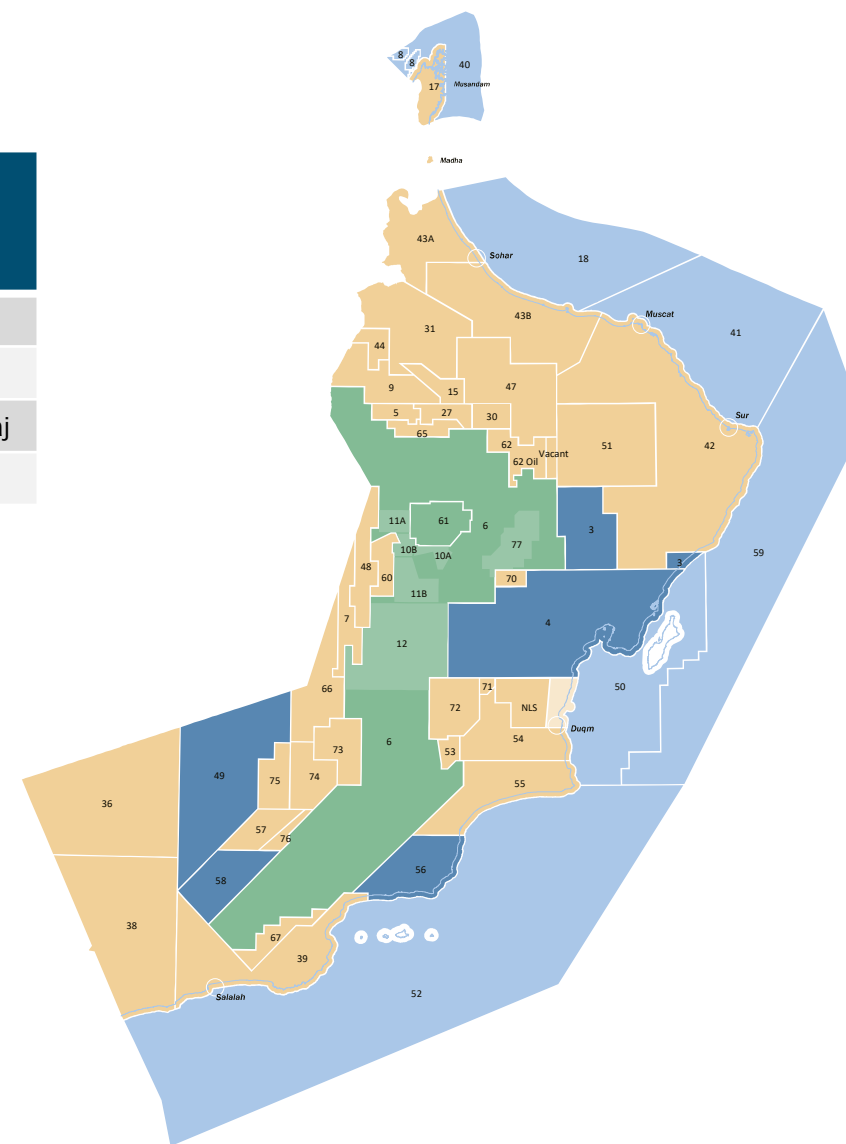
- Total distribution in 2023 was MUSD 15.1 (2022: 22.8)



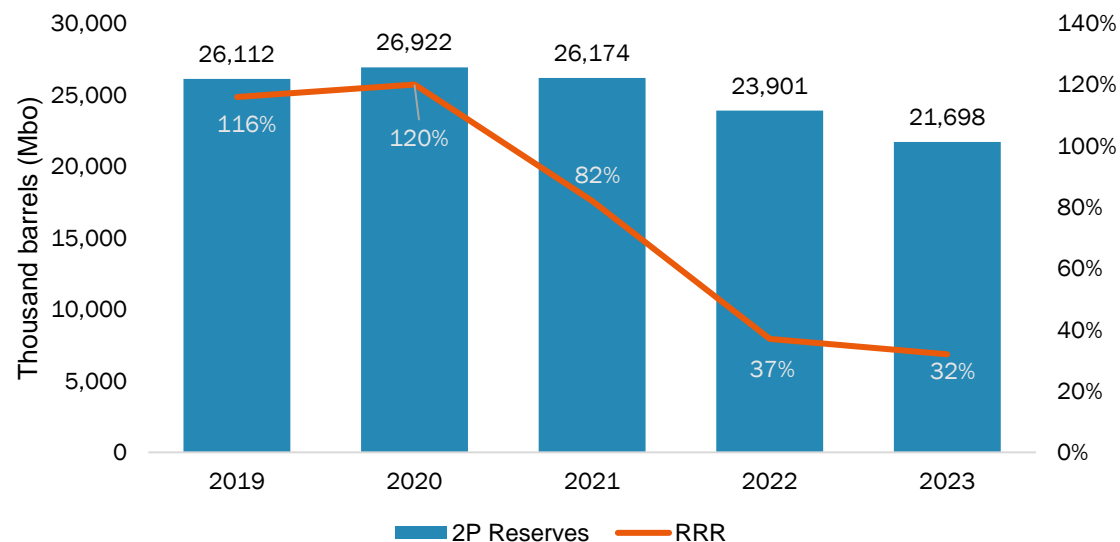
# Strategic Portfolio Review

EPSA/Licences (operated Blocks in bold)	Working Interest %	Award/ Acquisition	Phase	Expiry	Partners (operator in bold)
Blocks 3&4	30%	2007	Production	2040	CCED, Tethys Oil, Mitsui
<b>Block 49</b>	100%	2017	1st exploration	2023	<b>Tethys Oil</b>
<b>Block 56</b>	65%	2019	2nd exploration	2024	<b>Tethys Oil</b> , Medco, Biyaq, Intaj
<b>Block 58</b>	100%	2020	1st exploration	2024	<b>Tethys Oil</b>

Tethys Oil's Board of Directors has decided to initiate a strategic review of the Group's portfolio of Oil and Gas interests. The review will explore the possibility of rebalancing the portfolio's mix of assets in different stages of the lifecycle and increasing the visibility of the assets' fair market value



# Reserves and resources year-end 2023



The reserve replacement ratio (RRR) is a reflection of the robust production and increasing recovery factors of the Farha South field.

These positive revisions more than offset the negative revisions that stem from the underperforming fields that have impacted production output during 2023.

The disappointing results of the exploration drilling and certain appraisal wells during the year limited the RRR to 32 percent.

During 2023 there was movements both to and from 2C Contingent resources to 2P reserves resulting in a net growth of 0.9 mmbop

## Development of Reserves, Blocks 3&4 Oman (audited)

<i>mbo</i>	1P	2P	3P
Total 31 December 2022	14,040	23,901	36,211
Production 2023	-3,219	-3,219	-3,219
Additions and revisions	1,523	1,016	3,357
<b>Total 31 December 2023</b>	<b>12,344</b>	<b>21,698</b>	<b>36,349</b>
Reserve replacement ratio, %	47%	32%	104%

## Contingent Resources Blocks 3&4 Oman (audited) 31 Dec 2023

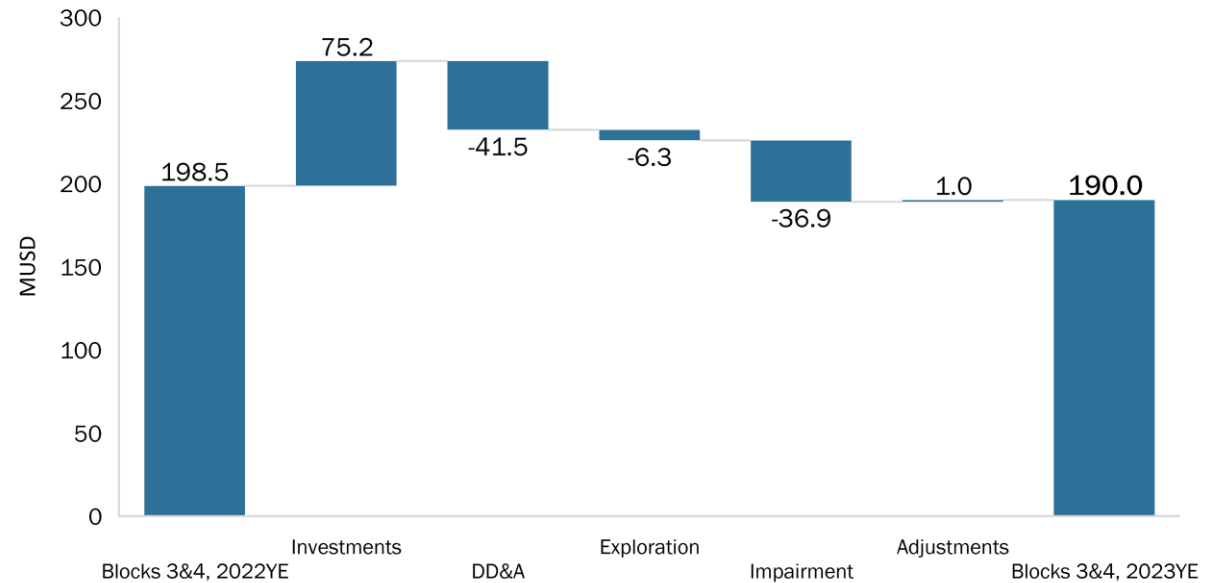
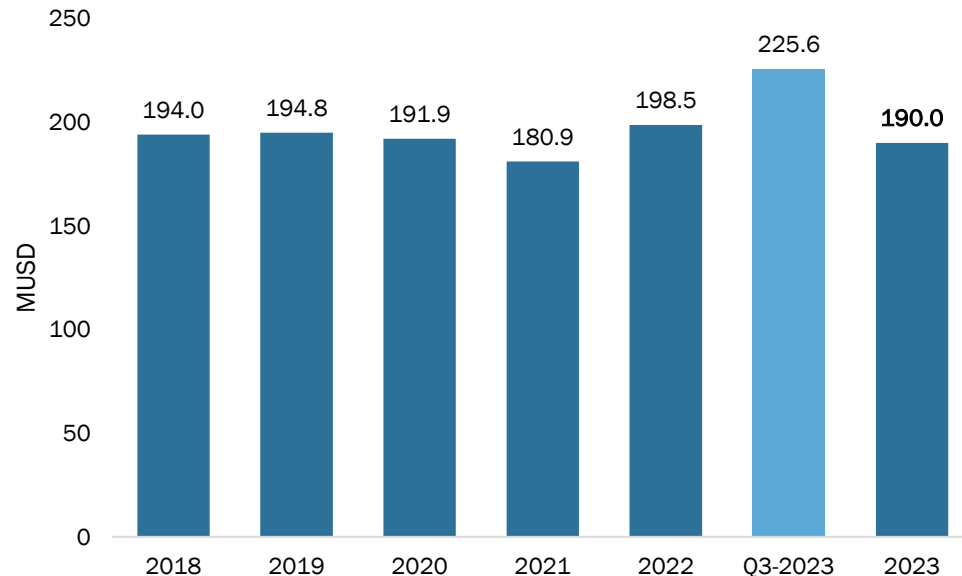
<i>mbo</i>	1C	2C	3C
<b>Total</b>	<b>5,356</b>	<b>15,529</b>	<b>32,994</b>

# Blocks 3&4 Impairment test and exploration costs

- Impairment of Blocks 3&4 value of Oil & gas properties of MUSD 36.9 recognised in Q4-23 following impairment test
  - 2023 exploration and development investments not yielding expected production output and reserve additions
- Exploration costs of MUSD 6.3 relating to four exploration wells drilled in 2023 – Jari-1, Elaf-1, Ragbah-1, and Raghad-1

## Key impairment parameters

- YE2023 2P & 2C reserves and resources
- Operator long term expenditure plans
- ERC Equipoise base case Brent price deck (January 2024)
- Average cost inflation of 2.5% (2025-2040)
- Discount factor of 14.5% (weighted average cost of capital)
- New carrying value of **MUSD 190**



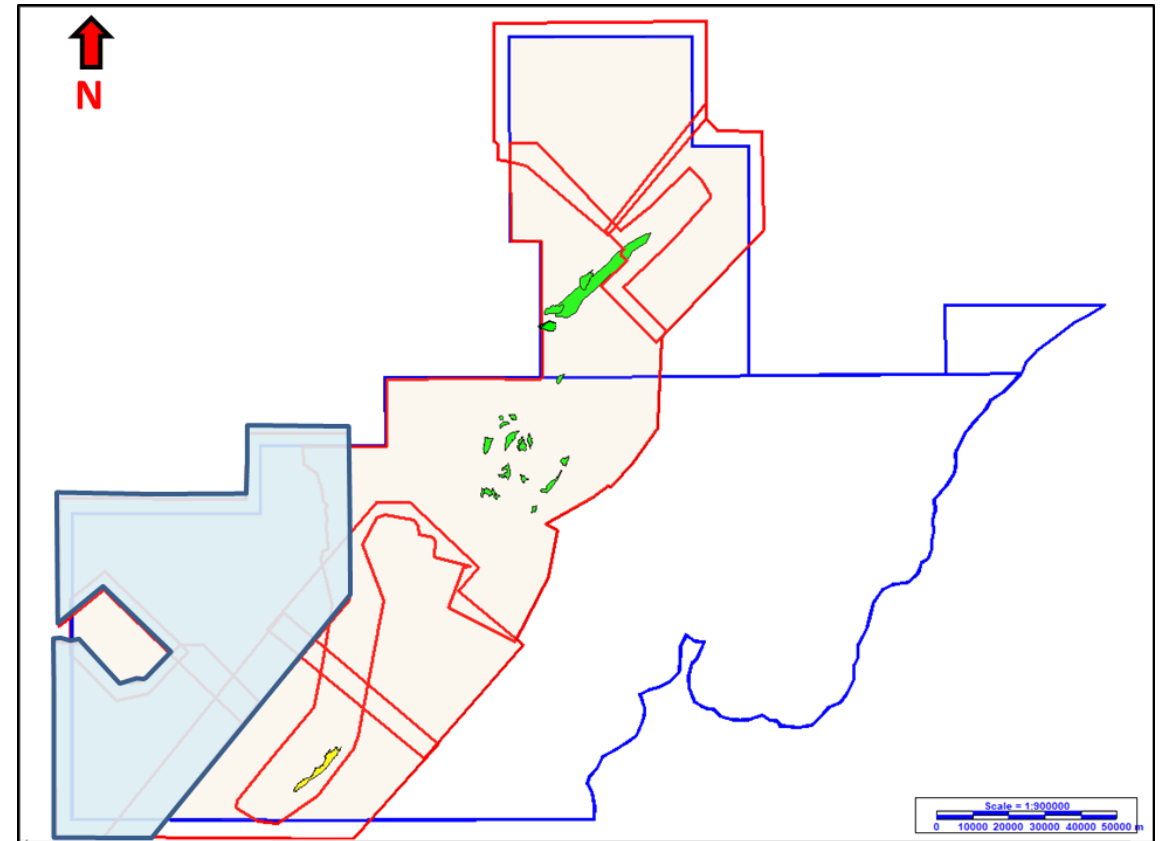
Fourth quarter 2023 – 6 February 2024





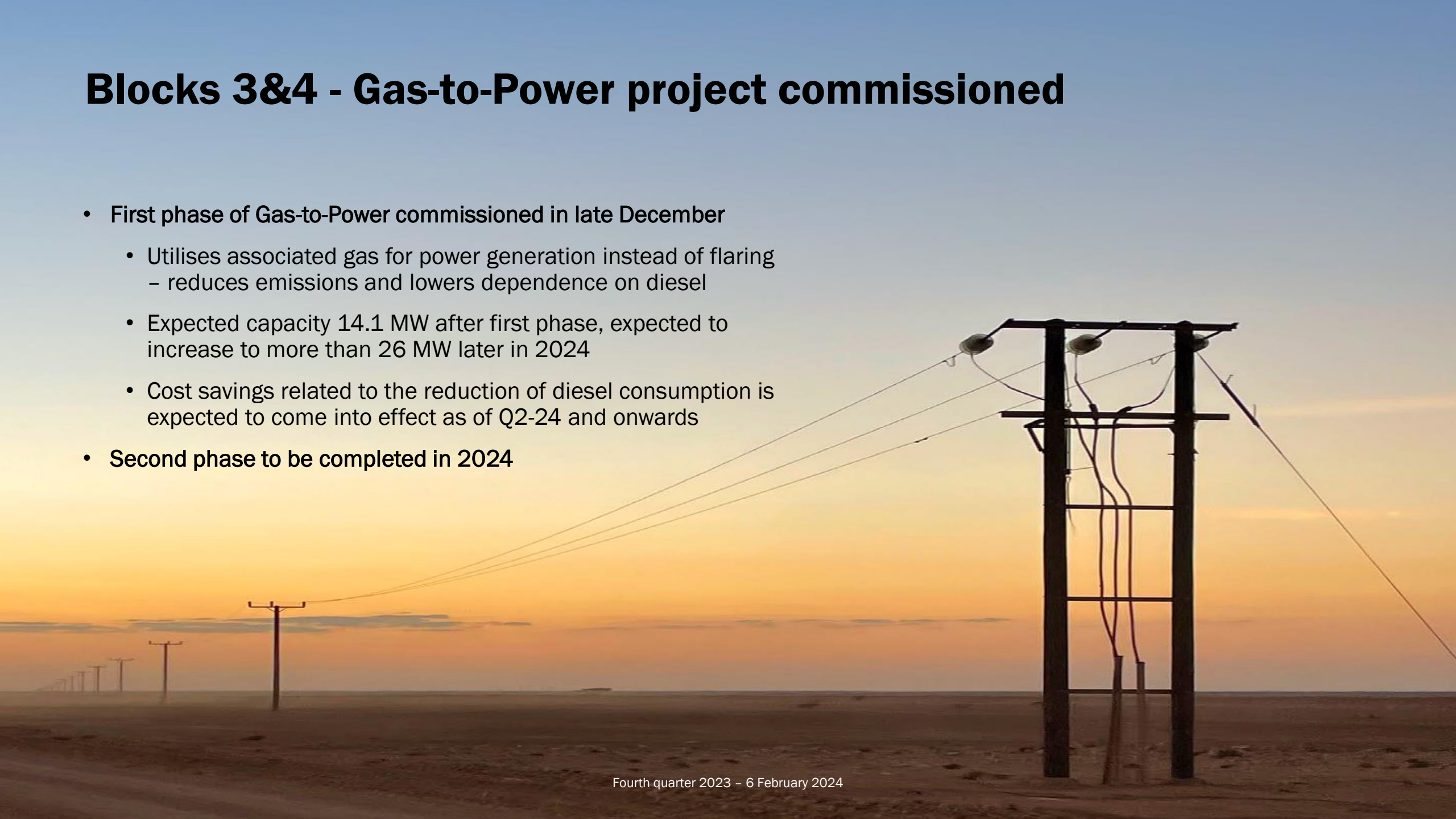
# Blocks 3&4 – 2023 could have been better

- Significant activity and investments during 2023
  - 47 wells drilled in 2023
  - Six development, four appraisal, and one exploration well drilled in Q4.
  - Seismic acquisition programme covering 6,200 km<sup>2</sup> in the southern part of Block 4 ongoing and is expected to conclude in the middle of 2024
- Four explorations wells drilled in 2023
  - Raghad-1 drilled in Q4-23 which was dry
  - Jari-1, Elaf-1 and Raghbah-1, drilled earlier in 2023 were all deemed non-commercial
  - Exploration costs of MUSD 6.3 was recognised in the fourth quarter
- 2024 Work programme
  - Over 40 wells to be drilled
  - 3 exploration and 19 appraisal wells



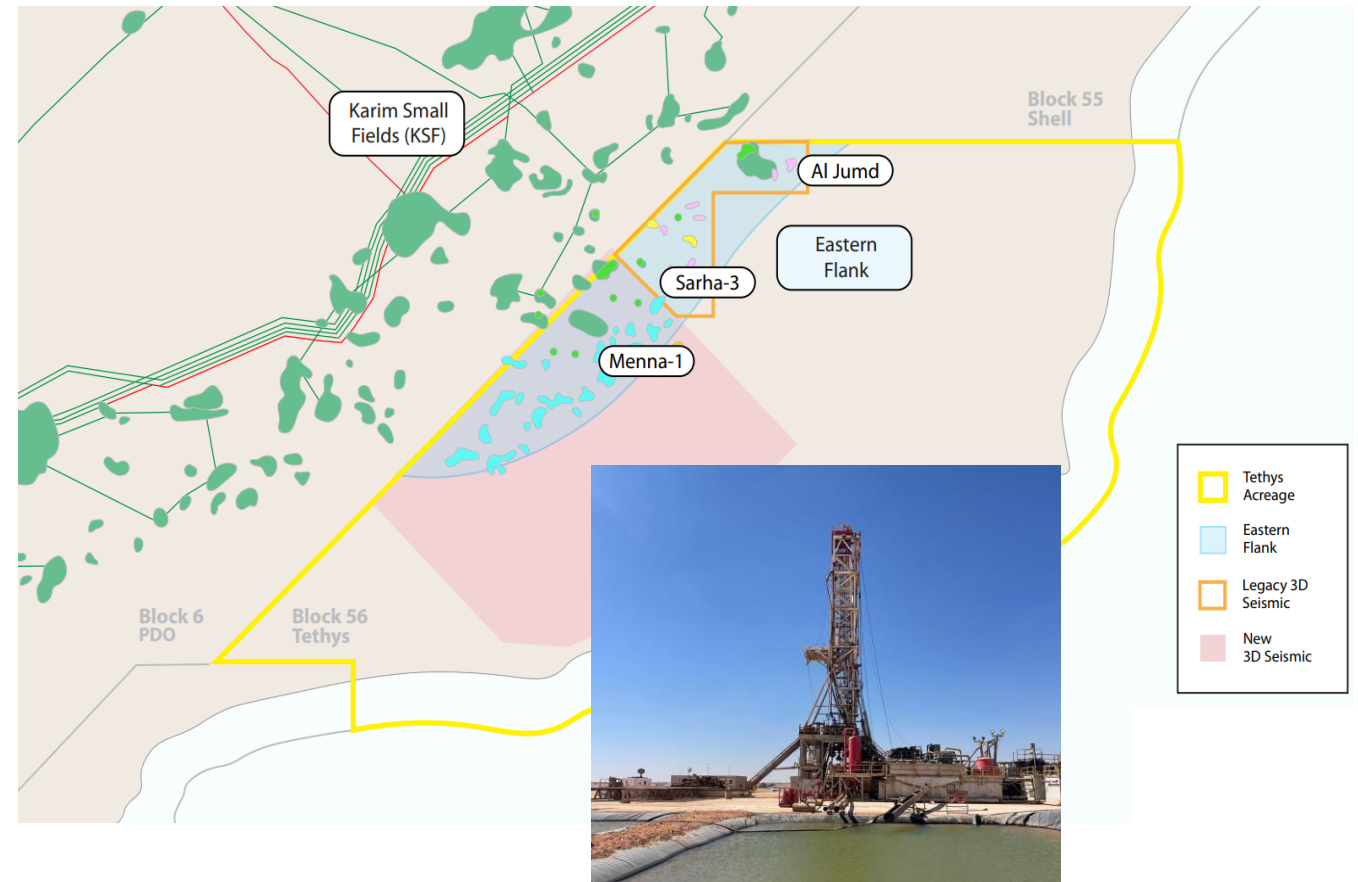
# Blocks 3&4 - Gas-to-Power project commissioned

- **First phase of Gas-to-Power commissioned in late December**
  - Utilises associated gas for power generation instead of flaring – reduces emissions and lowers dependence on diesel
  - Expected capacity 14.1 MW after first phase, expected to increase to more than 26 MW later in 2024
  - Cost savings related to the reduction of diesel consumption is expected to come into effect as of Q2-24 and onwards
- **Second phase to be completed in 2024**



# Block 56 – Menna and field development plan

- **Menna-1 drilled in December 2023**
  - Well logs indicating hydrocarbons in three formations
  - Testing to commence in Q1-24
- **The road to commercialisation and production**
  - Sarha-3 testing operations to resume in Q1-24
  - Preparation of field development plan covering development of entire eastern flank trend
  - Continued work on maturing Central Area prospects
- **Targeting declaration of commerciality during 2024**



# Block 58 - High-potential exploration drilling in 2024

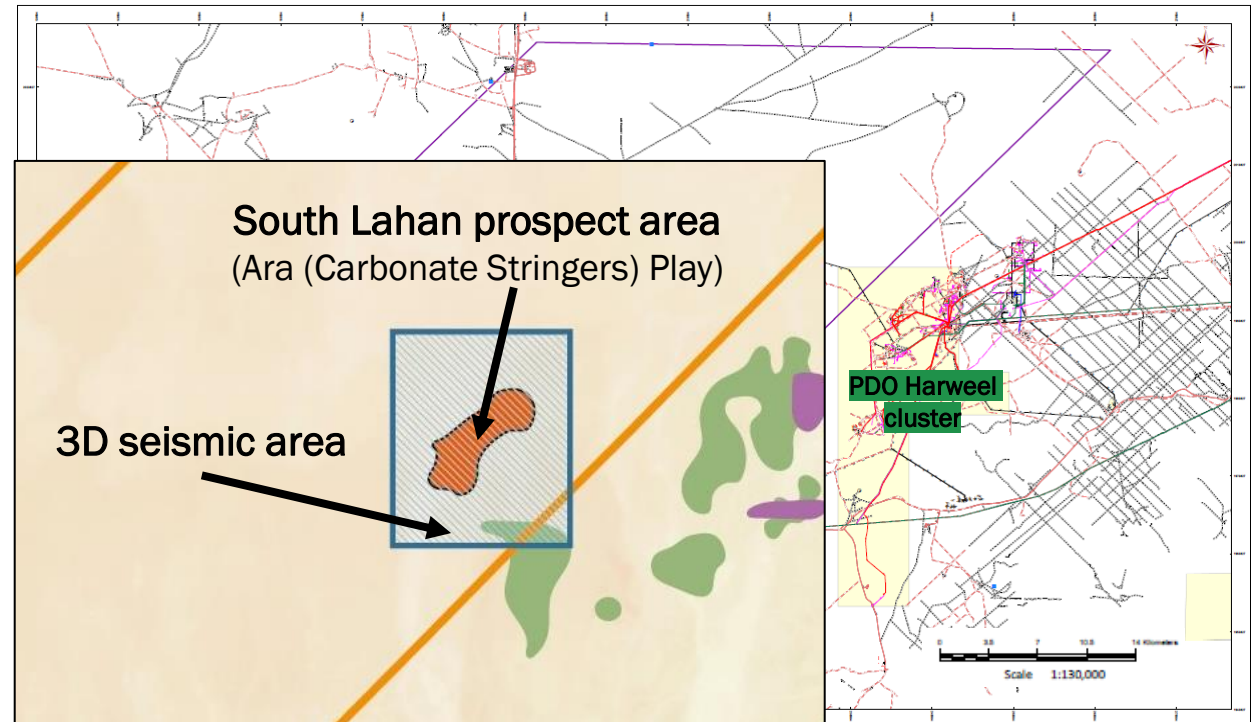
## Fahd area

- Kunooz-1 first exploration drilling
  - 123 mmbo Unrisked prospective resource potential of (Pmean)
  - Drilling preparation ongoing with spud expected before end of Q1-24

## South Lahan

- Prospect maturation of the 450 km<sup>2</sup> 3D seismic completed
  - Several prospects identified
  - Finalisation of the peer reviews is expected to be concluded in Q1-24

Farmout discussion ongoing with a select group of companies





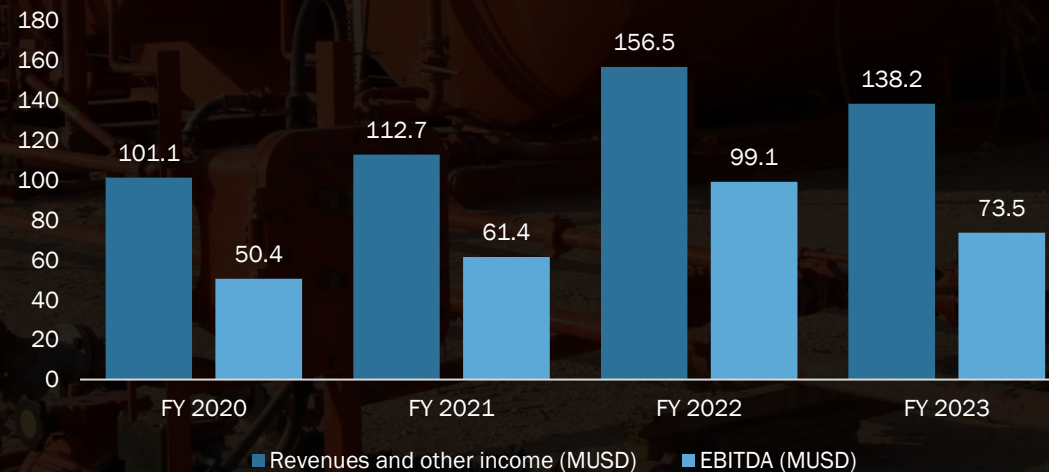
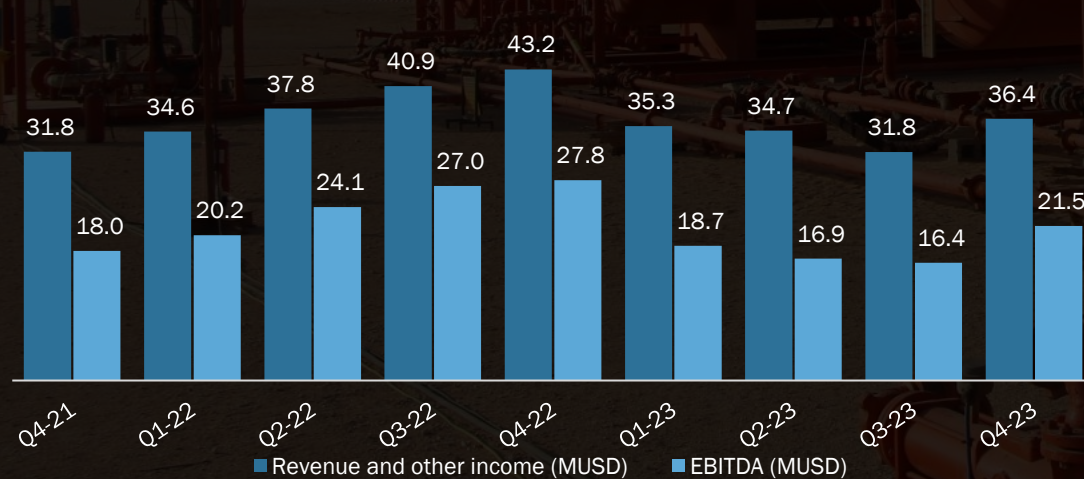
# Financial highlights for Q4 and FY 2022

## Q4-23

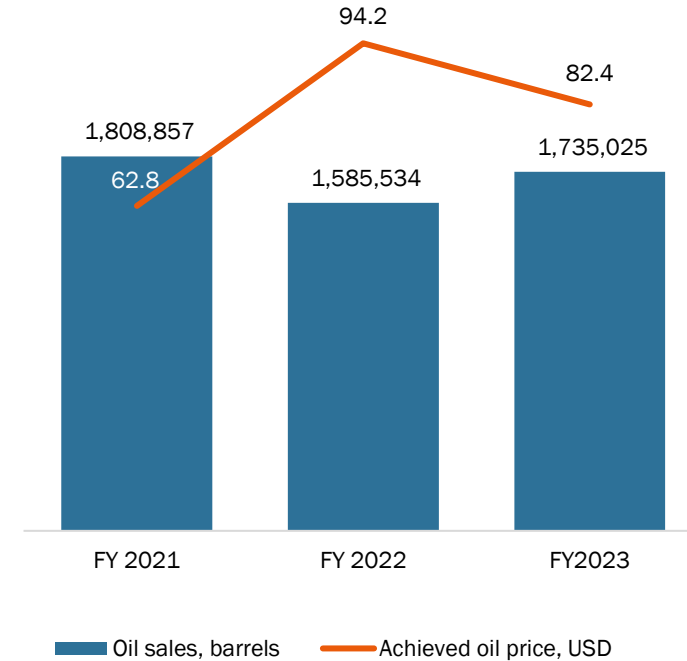
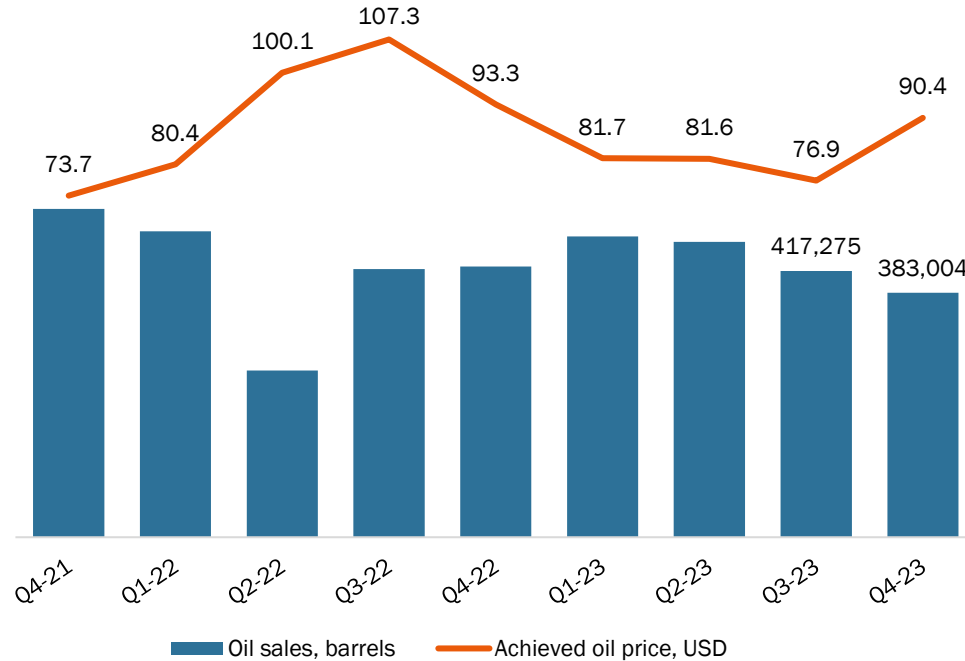
- Achieved Oil Price USD 90.4 (76.9) per barrel
- Revenue and other income: MUSD 36.4 (31.8)
- EBITDA: MUSD 21.5 (16.4)
- Investments in oil & gas properties: 19.2 (21.1)
- Free Cash Flow MUSD: 2.5 (6.1)

## FY 2023

- Achieved Oil Price USD 82.4 (94.2) per barrel
- Revenue and other income: MUSD 138.2 (156.5)
- EBITDA: MUSD 73.5 (99.1)
- Investments in oil & gas properties: 81.7 (89.1)
- Free Cash Flow: MUSD 0.8 (-2.3)
- Net Cash: MUSD 25.8 (41.5)



# Higher Achieved oil price in Q4-23

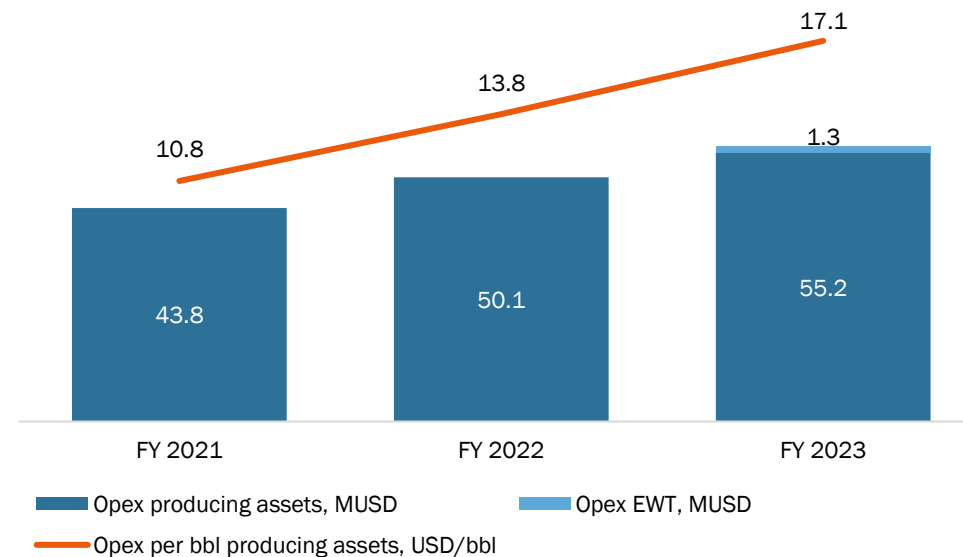
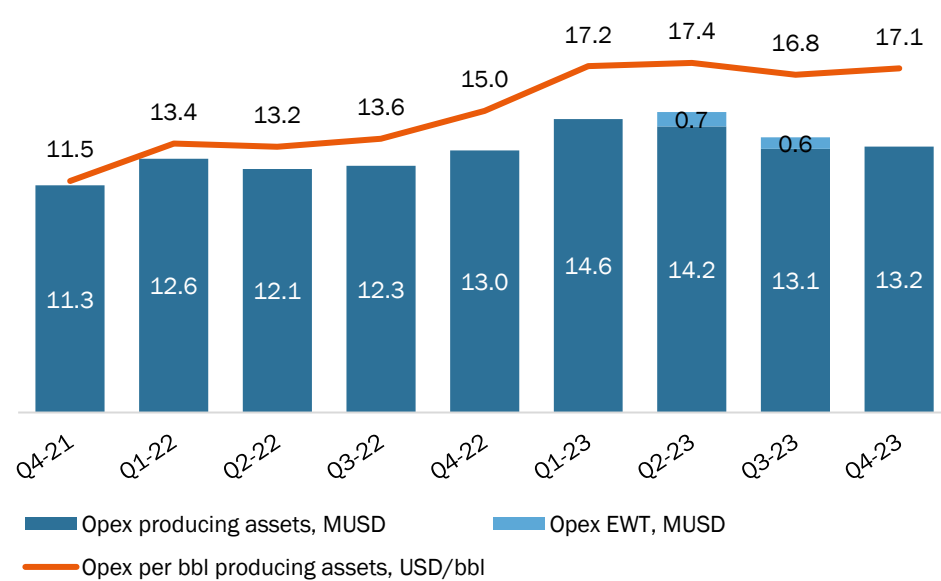


- Achieved oil price in Q4-23 was USD 90.4 per barrel vs USD 76.9 in Q3-23
- Revenue from oil sales was MUSD 34.6, up 8% as a result of a higher Achieved oil price
- Underlift of 18,704 barrels compared to entitlement in Q4-23
- Net Entitlement barrels decreased due to lower production vs Q3-23. Net entitlement share unchanged at 52% of production
- Recoverable cost in the quarter exceeding the cost oil allowance resulting in a Cost Pool of MUSD 22.2 (17.2)



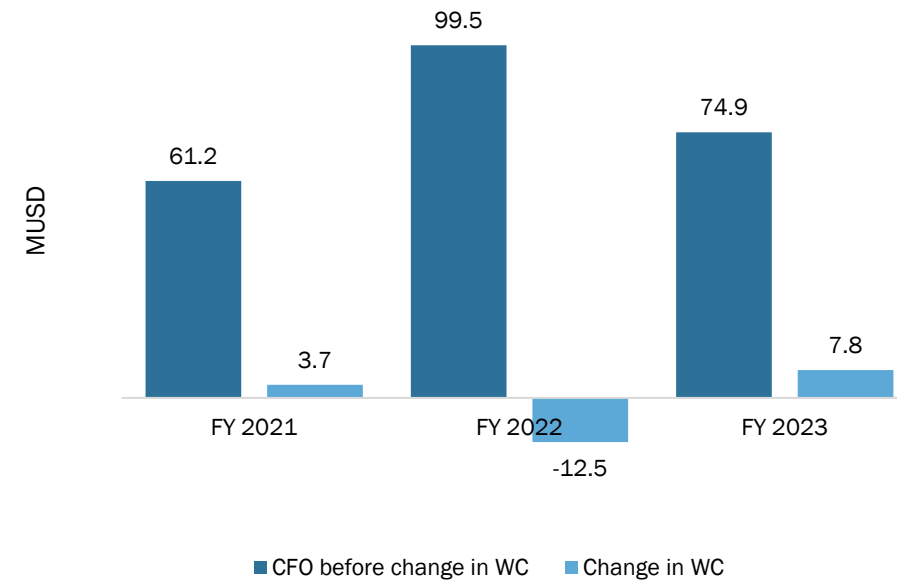
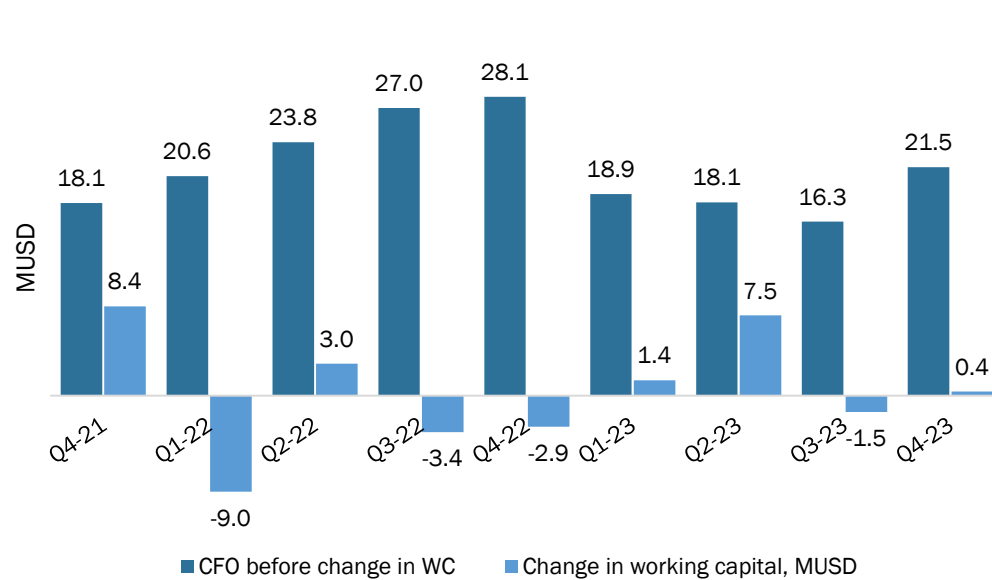
# Q4-24 Slight increase in Opex

- Q4-23 total operating expenditure decreased to MUSD 13.2 (13.7) as no further costs for the extended well test were incurred. In Q3-23 the operating expenditure included MUSD 0.6 of costs related to the extended well test
- Opex per barrel amounted to USD 17.1 (16.8) due to an increase in operating expenses producing assets and a reduction in production



# Cash flow reflecting higher Achieved oil price

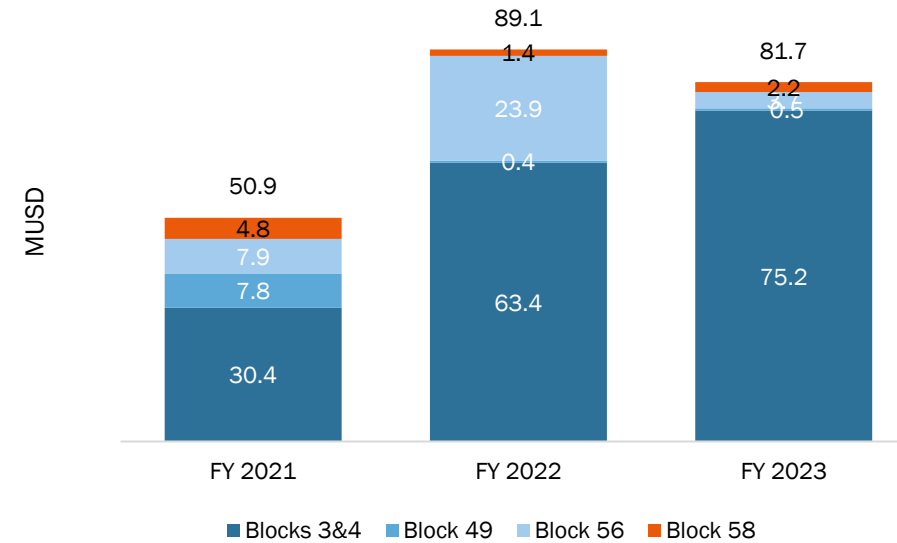
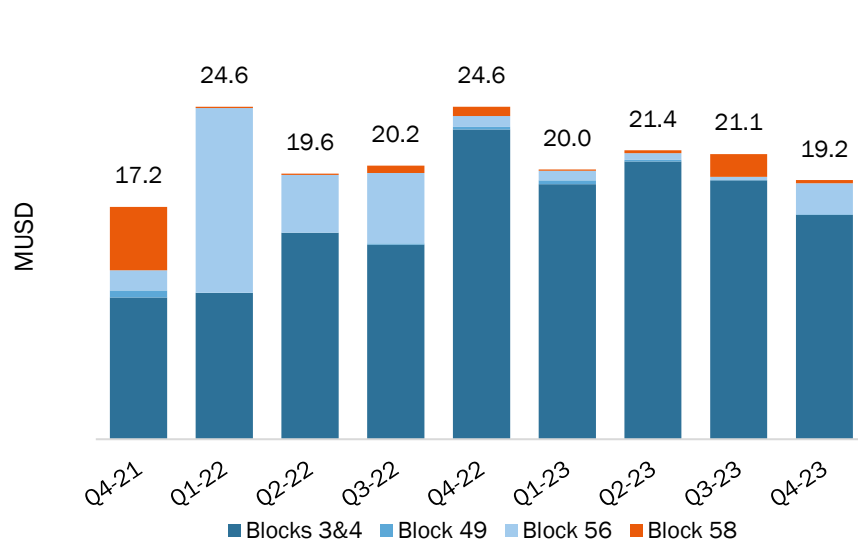
- Cash flow from operations increasing Q4-23 compared to Q3-23 on higher Achieved oil price and lower cost
- Neutral impact from working capital MUSD 0.4 (MUSD -1.5)





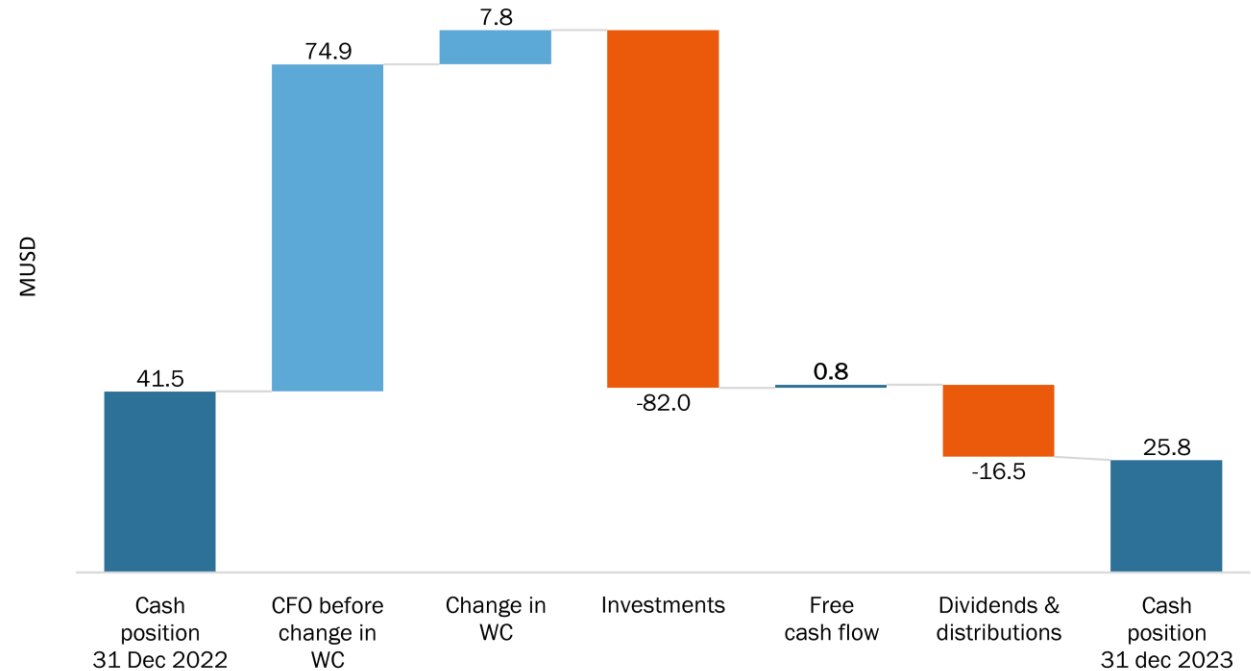
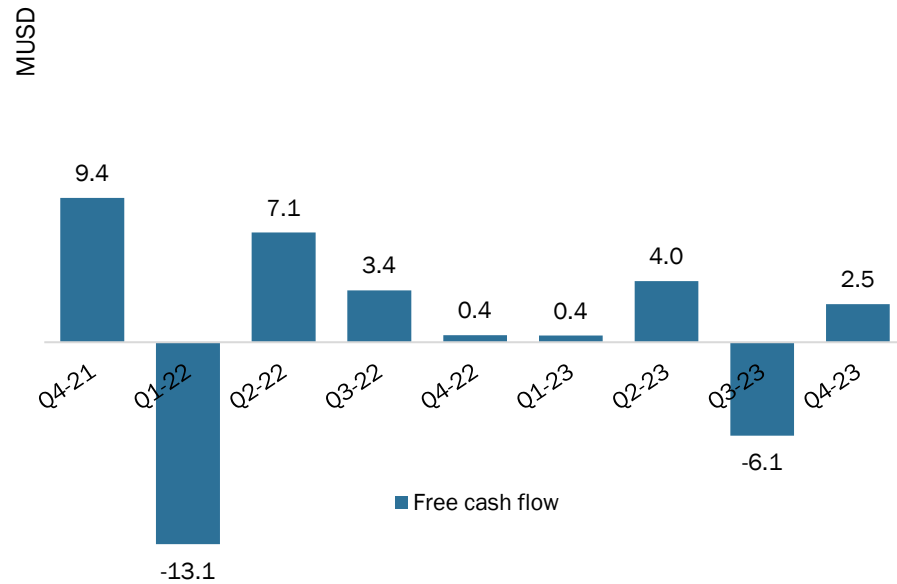
# Slowing investments on Blocks 3&4

- Total investments in Oil & Gas properties in Q4-23 amounted to MUSD 19.2 (21.1)
- The decrease mainly driven by a reduction in the investment on Blocks 3&4 MUSD 16.6 (19.1) due to lower spend on both drilling and seismic
- Increase in investments on Block 56 in Q4, MUSD 2.3 (0.2) related to drilling of exploration well Menna-1



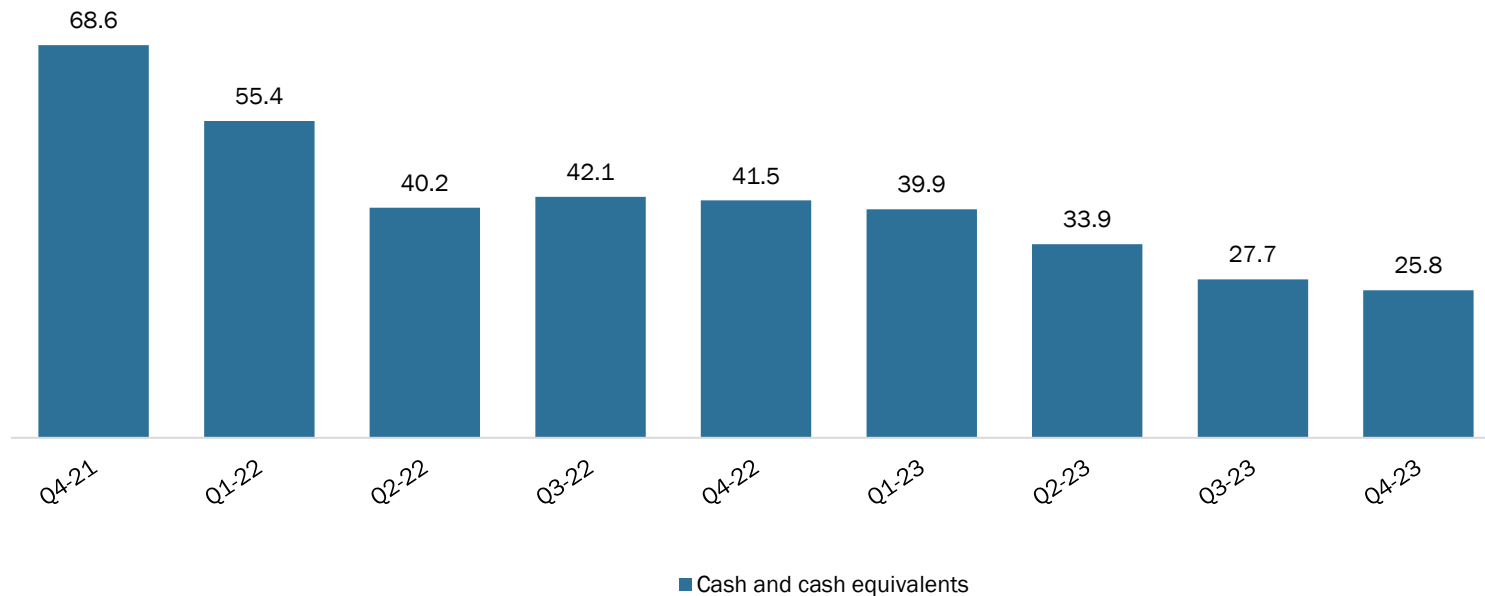
# Ending 2023 Free cash flow positive

- Free cash flow of MUSD 2.5 (-6.1) in Q4-23 due to higher cash flow from operations driven by a higher achieved oil price and lower capex
- Free cash flow MUSD 0.8 in FY-23 (MUSD -2.3) despite large investments



# Liquidity and Financing

- Net Cash at end of Q4-23 was MUSD 25.8 (MUSD 27.7)
- Tethys Oil has received a credit commitment for a MUSD 60 amortising term loan facility from one of the leading banks of the United Arab Emirates (UAE). The loan agreement is expected to be finalised by the end of the first quarter.



# FY 2024 - Production & Financial guidance

- Production expected to be 8,200 ± 400 barrels of oil per day for FY-24
  - February-24 production, expected lower than January-24 due to planned maintenance
- Operating expenditures expected to be USD 17.5 per barrel
- Investments in oil & gas assets to be in the range of MUSD 90-94
- Administrative expenses to be in the range of MUSD 6-8
- Investments will be financed by cash flow, cash on hand, and external debt

	Investments, MUSD	Comments
Block 3&4	63-67	Includes completion of 3D seismic campaign and second phase of Gas-to-Power project
Block 49	0.5	
Block 56	8.0	Drilling of one exploration well and FDP preparations
Block 58	18.5	Drilling of two exploration wells including Kunooz-1
<b>Total</b>	<b>90-94</b>	



# Outlook

- Result of strategic portfolio review
- Shareholder distribution proposal
- Block 56 – Test results Menna-1 and Sarha-3
- Block 56 – Eastern Flank resource evaluation
- Block 56 – FDP and development concept
- Block 58 – Spud of Kunooz-1



# Thank you for your time!

## Financial Calendar 2024

- The Annual Report 2023 is expected to be published on the week starting on 25 March 2024
- Report for the first quarter 2024 (January – March 2024) on 7 May 2024
- AGM on May 15 2024
- Report for the second quarter 2024 (January – June 2024) on 6 August 2024
- Report for the third quarter 2024 (January – September) on 5 November 2024

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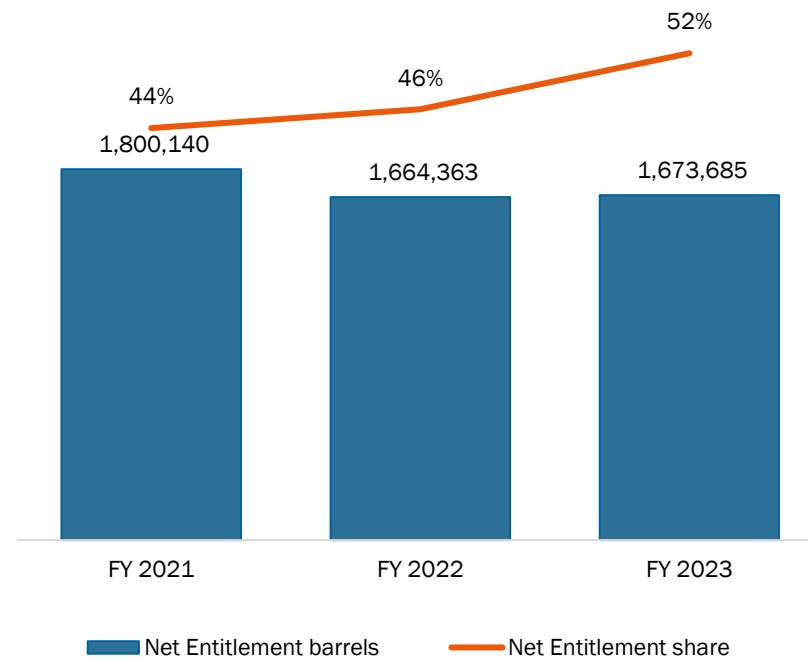
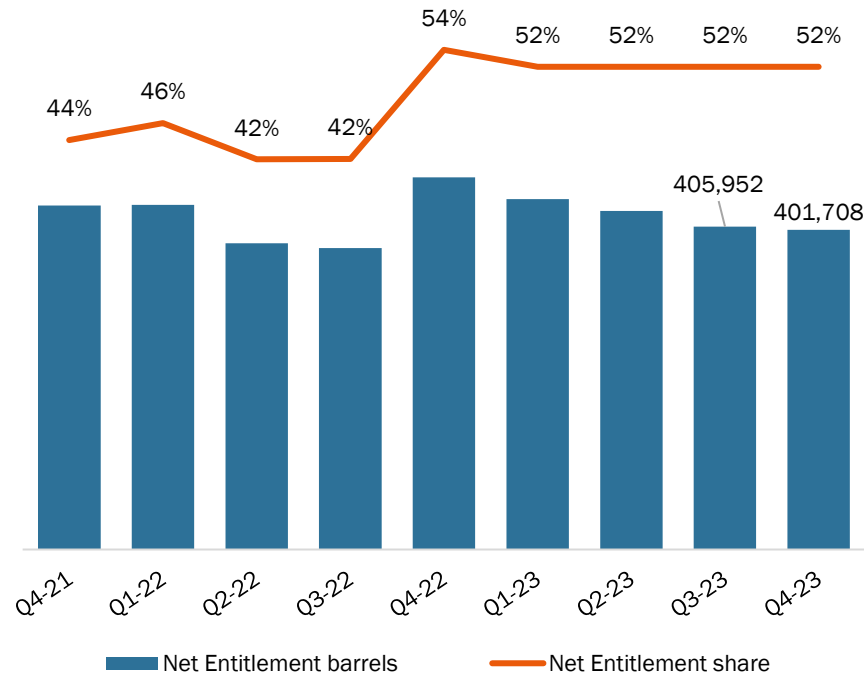


# Supporting slides



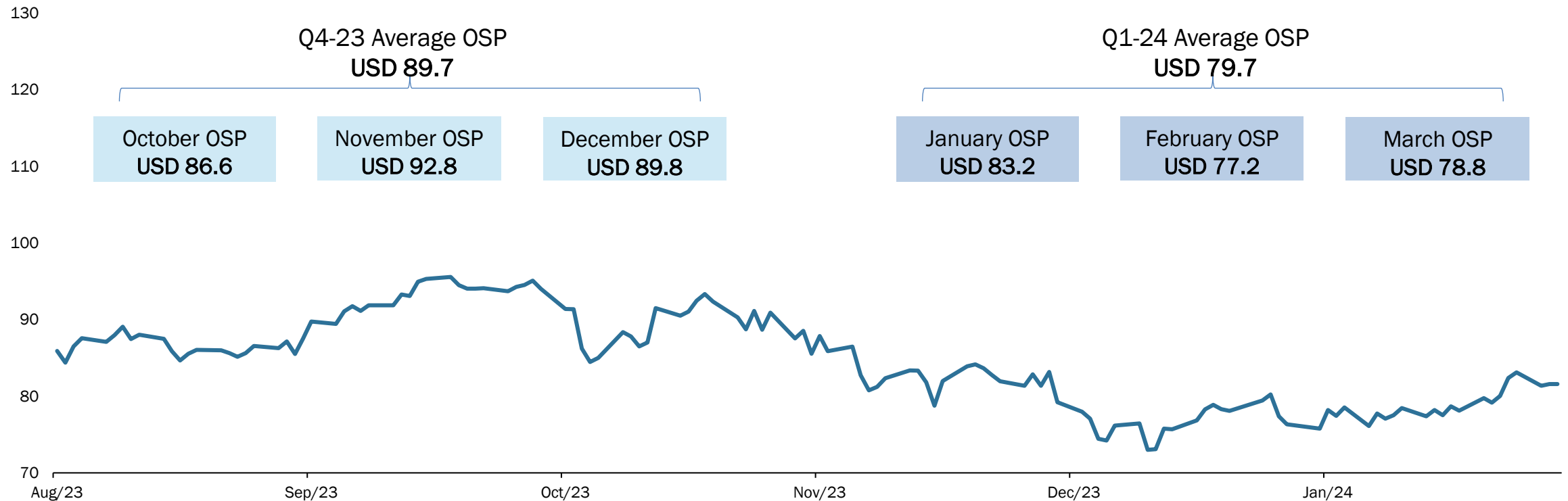
# Net Entitlement

- Net entitlement barrels decreased in Q4-23 vs previous quarter due to lower production
- Net entitlement barrels almost unchanged in 2023 from 2022 due to higher incurred costs



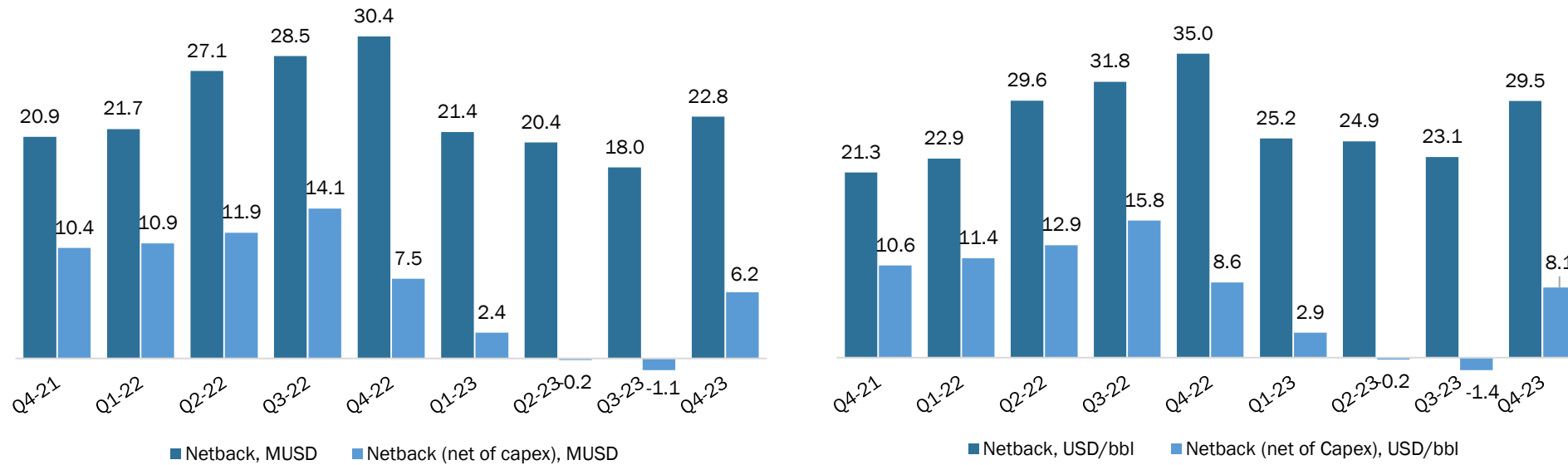
# OSPs in Q4-23 and Q1-24

- Stronger OSP in Q4-23 (USD/bbl 89.7) vs. Q3-23 (USD/bbl 76.8) due to the oil price recovery in September
- Relatively lower OSP for Q1-24 due to correction in November, with average OSP landing at USD/bbl 79.7



# Netback trend impacted by higher oil prices

- The higher oil price in the quarter resulted in increased Netback
- Netback (net of capex) increased further as the Capex decreased



# Evolution of Cash Balance Q4

- Cash Balance of MUSD 25.8 as of December 2023
- MUSD 6.1 distributed in dividends in Q4-23

