Tethys Oil Annual Report 2020

Annual General Meeting

Due to the coronavirus (Covid-19) and the restrictions that have been introduced to limit the spread of infection, the Board of Directors has decided that the Annual General Meeting on 19 May 2021 shall be conducted without the physical presence of shareholders, proxies or third parties and that the shareholders shall have the opportunity to exercise their voting rights only by postal voting in advance. For more information, please visit www.tethysoil.com.

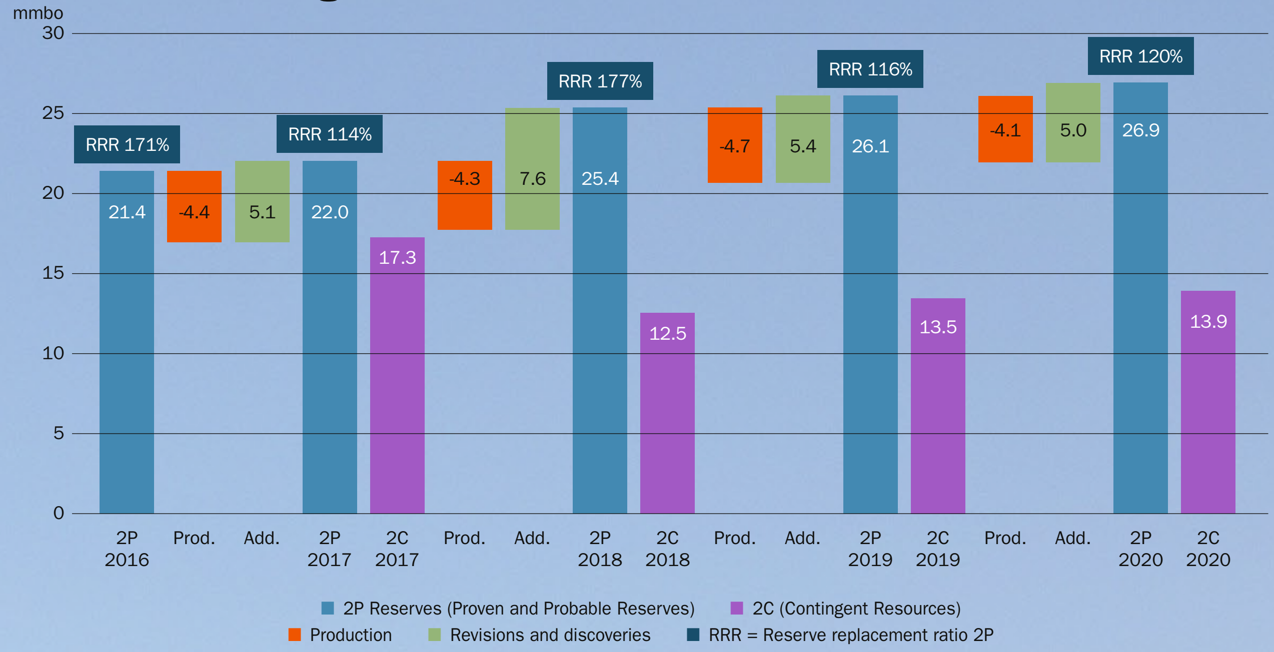
Contents

The Sustainability Report is a separate document, available on www.tethysoil.com.

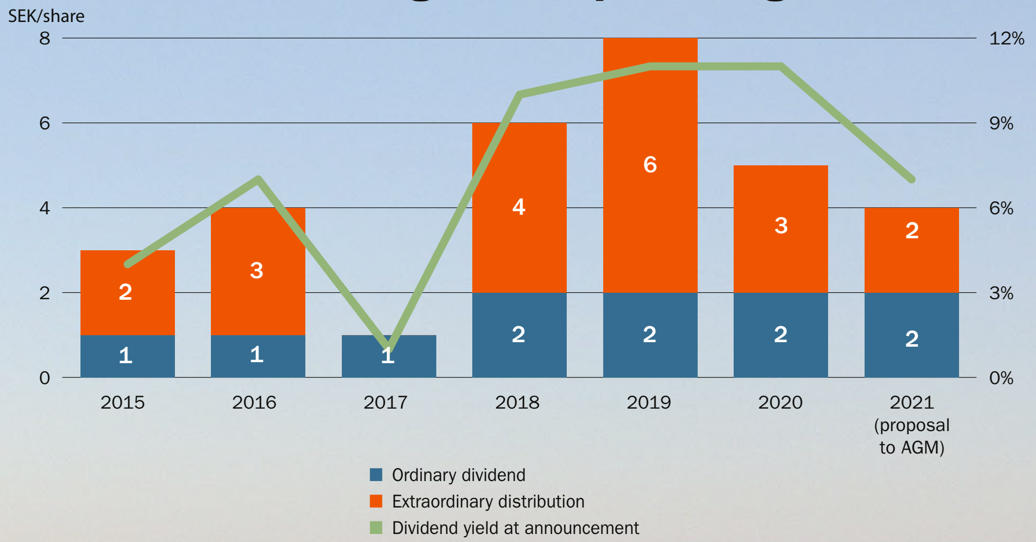
Strong operational results despite a turbulent year

Tethys Oil increases and optimises its portfolio of Omani assets through farm-in, farm-out and a new licence

Highest 2P reserves ever at 26.9 mmbo



Proposal: Continued distribution to shareholders without holding back on plans for growth



Letter to shareholders

Dear friends and investors,

When I addressed you a year ago the pandemic had just started to sweep the world and we faced unprecedented measures to try to contain it. The year before us was fraught with uncertainty as individuals, businesses and governments tried to cope with the situation. But a year later we can conclude that cope we did; and through hard work, dedication and good fortune Tethys Oil came through the year in much better shape than we could have hoped for. The pandemic, and the extraordinary situation it has caused, is by no means over and we must and will continue to abide by the coronavirus protocols put in place. But there are vaccines being rolled out, the world economy is picking up and oil prices have rebounded so even if the light at the end of the tunnel is faint, there is light!!

But let us now turn to the year in question, 2020, in more detail. Our portfolio developed with one new block added, and both a farm-in and a farm-out agreement announced. Operations on our flagship asset, Blocks 3&4, showed both resilience and robustness. I am extremely pleased and grateful to report that our main targets, to ensure the safety and wellbeing of all our co-workers and partners while maintaining an operational momentum as close to normal as possible, were successfully reached.

In July we increased our Omani exploration portfolio when we as operator were awarded 100 percent interest in the exploration and production sharing agreement covering Block 58, onshore Oman. This block borders our other operated block, Block 49, and holds some very interesting geological features that we hopefully can upgrade to drillable prospects in the not-too-distant future. We will, in due time, drill at least two exploration wells, but first we will start with reprocessing of legacy 3D seismic data and later in 2021 conduct a new 3D seismic acquisition.

On Block 49, in November 2020 we entered into a farm-out agreement with EOG Resources Inc, whereby EOG acquired 50 percent interest in the licence in exchange for refunding all historic costs and the Thameen-1 exploration well, up to a combined amount of MUSD 15. The Thameen-1 well, the culmination of three years of preparatory exploration work, started drilling on the last day of the year. In the first quarter 2021, the Thameen-1 well was drilled to its final total depth and a well testing programme was conducted. No flows were recorded at surface, but logs indicated a gross hydrocarbon column of close to 40 metres. That was a slightly smaller step forward then we were hoping for, but the well results so far substantially upgrade the hydrocarbon potential of Block 49. When all the data from the Thameen well has been compiled we will plan the next steps for the well and for Block 49 in general.

The work conducted in 2020 on Block 56 confirmed our enthusiasm for this potentially very prolific block. In the autumn 2020 we took the opportunity to increase our stake in the licence from 20 to 65 percent and also assume operatorship. That Tethys Oil will be operating three blocks onshore the Sultanate of Oman is a great honour and one that comes with a lot of responsibility. But being operator also offers some great opportunities. The strong technical team we have built in Oman over our ten years in the Sultanate will now have a chance to really prove its mettle in leading the partner group in the work of bringing oil out of Block 56.

While we worked hard on increasing and optimizing our portfolio of Omani exploration assets in 2020, the work on Block 3&4 had to be shifted during the spring. In April 2020, and as a response to the sharp drop in oil prices, 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. And these goals were met! We managed to reach a healthy production of 11,336 barrels of oil per day at the same time as investments and operating expenses came down, resulting in a positive cash flow of MUSD 6.7. We report revenues and other income of MUSD 101.1 and our EBITDA amounted to MUSD 50.4, and we ended the year with a strong net cash position of MUSD 55.1.

The reserves on Blocks 3&4 have never been higher than at the end of 2020. For the ninth year in a row Tethys Oil's Reserve Replacement Ratio exceeded 100 percent, and this despite deferred investments and reduced 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.

So, despite all the challenges, Tethys Oil managed, through hard work, focused action and a cautious attitude by all our co-workers, to turn 2020 into quite a good year. Reflecting the strong operational and financial position of Tethys Oil, the board of directors is proposing an ordinary dividend of SEK 2.00 per share and a further SEK 2.00 through an extraordinary distribution, in total MUSD 15.

So stay with us as we continue on the path of growth from our enhanced asset portfolio of promising growth opportunities in the Sultanate of Oman. 2021 should see five exploration/appraisal wells and new seismic studies conducted across our asset portfolio all funded by our profitable production asset while leaving room to continue to fund our growth and our distributions to shareholders.

Stockholm, 9 April 2021

Magnus Nordin
Managing Director

Tethys Oil

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 mmbo and net working interest 2C Contingent Resources of 13.9 mmbo and had an average oil production of 11,336 barrels per day from Blocks 3&4 during 2020 (Tethys Oil's share of gross production, before government take). The head office is located in Stockholm and the Company's shares are listed on Nasdaq Stockholm (TETY).

Oman	Area (km²)	Interest	Phase	2P Reserves (mmbo)	2C Contingent Resources (mmbo)	Average daily production 2020 (bbl)
Blocks 3&4	29,130	30%	Production/ exploration	26.9	13.9	11,336
Block 49	15,439	50%*	Exploration	–	–	–
Block 56	5,808	65%*	Exploration	–	–	–
Block 58	4,557	100%	Exploration	–	–	–

* Interest percentage reflects changes that occurred after year end 2020 through a farm-in on Block 56 and a farm-out on block 49. The agreements were announced in 2020 and received final government approval in the first quarter 2021.

Operational and financial summary

MUSD (unless specifically stated)	2020	2019	2018	2017	2016
Average daily production Blocks 3&4, before government take, bbl	**11,336**	12,832	11,767	12,162	12,121
Average selling price per barrel, USD	**47.7**	64.2	70.5	51.8	40.5
Revenue and other income	**101.1**	150.8	157.3	119.3	87.1
EBITDA	**50.4**	92.9	106.6	78.2	44.0
Net cash	**55.1**	75.1	73.1	42.0	39.0
Investments in oil and gas properties	**45.4**	65.2	55.8	40.4	48.5
Dividend, SEK per share	**2.00**	2.00	2.00	1.00	1.00
Extraordinary distribution to shareholders, SEK per share	**3.00**	6.00	4.00	–	3.00
Market capitalisation at the end of the period, MSEK	**1,626**	3,063	2,325	2,337	2,799
2P Reserves in Oman (million barrels of oil)	**26.9**	26.1	25.4	22.0	21.4
2C Contingent Resources in Oman (million barrels of oil)	**13.9**	13.5	12.5	17.3	–

The Blocks 3&4 success story

Tethys Oil acquired an interest in Blocks 3&4 in 2007 and, together with the other partners in the licence, initiated oil production on the Blocks three years later. In August 2020 a very significant milestone was passed when accumulated gross production from the Blocks exceeded the 100 million barrel mark, while annually increasing reserves. The oil produced on Blocks 3&4 has created significant value for the shareholders of Tethys Oil, its partners in the licence, and, not least, the people of Oman in the form of tax revenue and local employment.

First exploration well on Block 49

In late 2017, Tethys Oil expanded its operations in Oman when it was awarded the exploration licence and operatorship of Block 49. In 2018, Tethys Oil conducted a seismic campaign in the north-eastern part of the licence area. In 2019, interpretation and mapping of the new seismic resulted in one drillable prospect being defined. And on the very last day of 2020, the Thameen-1 well was spudded. In the first quarter 2021, the Thameen-1 well was drilled to its final total depth and a well testing programme was conducted. No flows were recorded at surface, but logs indicated a gross hydrocarbon column of close to forty metres.

Increased interest in Block 56 and Tethys Oil assumes operatorship

In 2019, Tethys Oil announced the 20 percent interest farm in on Block 56 onshore in the Sultanate of Oman. The farm-in to Block 56 is both a strategic and technical fit for Tethys Oil and was the result of an intensive review of available opportunities. The work conducted in 2020 confirmed the enthusiasm for the Block, and in October 2020 Tethys Oil agreed to acquire another 45 percent interest and assume operatorship of the block. The transaction was finalised in 2021. During the second three years exploration phase of Block 56, Tethys Oil will be in the driver's seat as the operator of the Block.

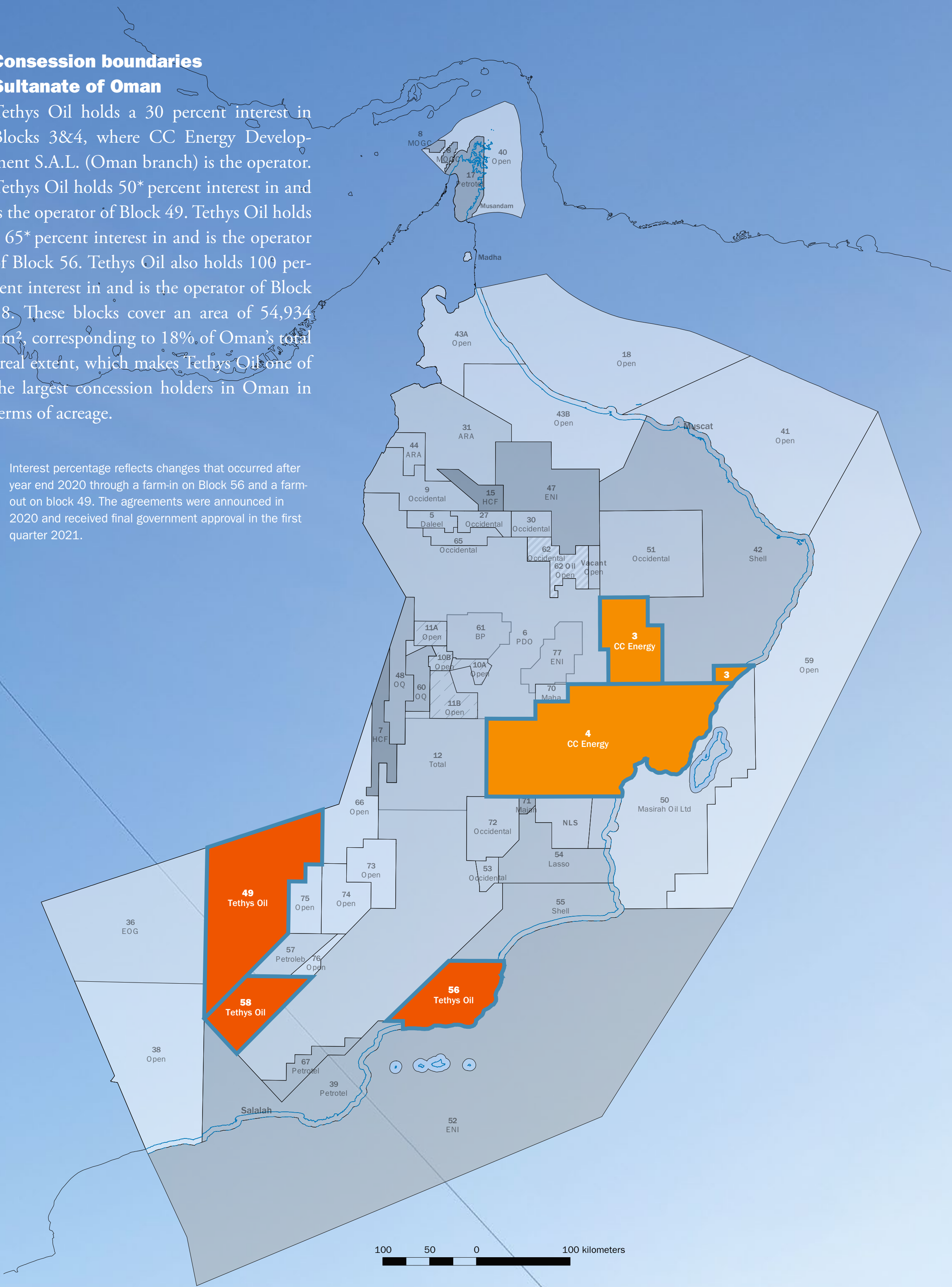
Block 58 – new exciting exploration licence

The new exploration licence, Block 58, was awarded to Tethys Oil in July 2020. The Block borders Tethys Oil's other operated block, Block 49 and holds some very interesting geological features that hopefully will be upgraded to drillable prospects in the not-too-distant future. The work with reprocessing, integrating and further interpreting existing seismic data was initiated immediately in order to increase the understanding of the Block in general, but also aim to firm up the promising leads already identified.

Consession boundaries
Sultanate of Oman

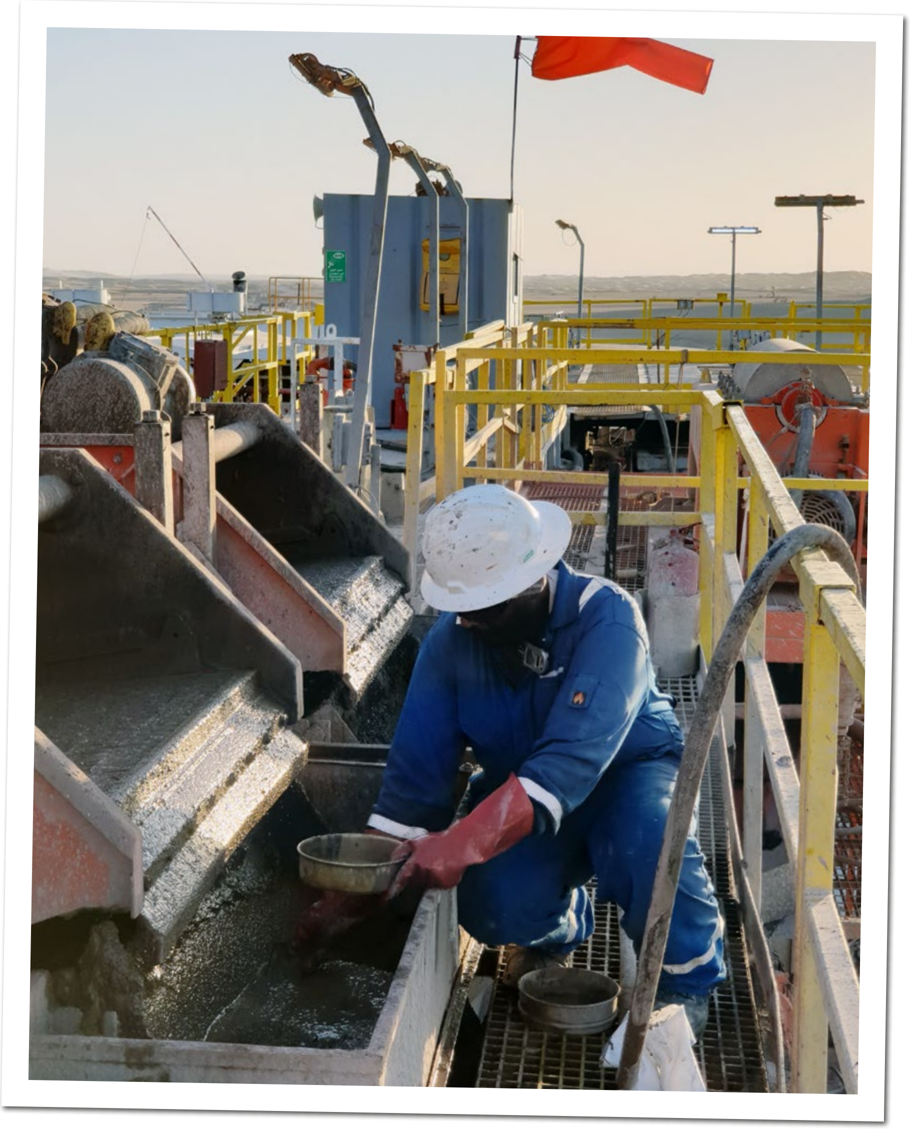
Tethys Oil holds a 30 percent interest in Blocks 3&4, where CC Energy Development S.A.L. (Oman branch) is the operator. Tethys Oil holds 50* percent interest in and is the operator of Block 49. Tethys Oil holds a 65* percent interest in and is the operator of Block 56. Tethys Oil also holds 100 percent interest in and is the operator of Block 58. These blocks cover an area of 54,934 km², corresponding to 18% of Oman's total areal extent, which makes Tethys Oil one of the largest concession holders in Oman in terms of acreage.

* Interest percentage reflects changes that occurred after year end 2020 through a farm-in on Block 56 and a farm-out on block 49. The agreements were announced in 2020 and received final government approval in the first quarter 2021.



Source: Sultanate of Oman Ministry of Energy and Minerals

Mission, Vision and Values



Mission

Tethys Oil is an oil and gas exploration and production company with a primary objective of creating shareholder value working across the whole upstream industry lifecycle of exploration, appraisal, development and production. A central belief in Tethys Oil's business model is to explore for and produce oil and gas in an economically, socially, and environmentally responsible way. The Group applies the same standards to its activities worldwide to satisfy both its commercial and ethical requirements as per Tethys Oil's Code of Conduct.

Tethys Oil seeks to be a sustainable and profitable business long-term. Sustainability means running a business that is not only profitable but is aligned with the requirements and expectations of stakeholders both within and outside the Group.

Vision

Tethys Oil's vision is that growth continues through the Group's exploration success. Tethys Oil seeks to build, maintain and expand a well-balanced and self-financed portfolio of oil assets, offering a measured exposure to onshore production, development, appraisal and exploration potential. The focus today and tomorrow is on geographies with proven petroleum systems, existing infrastructure, established institutional frameworks and low political risk. In all its activities, Tethys Oil seeks a balanced approach to risk.

Values

Tethys Oil's corporate culture emanates from the Company's Scandinavian roots. It is the responsibility of Tethys Oil's management to foster a corporate culture that promotes the values and principles outlined in Tethys Oil's Code of Conduct. Tethys Oil aims to act in all respects in a responsible, fair, accountable and ethical manner towards all aspects of the environment and to all individuals and entities that the Group encounters in its course of doing business. Tethys Oil aims to apply the same standards to all its activities wherever they are carried out.

It is of vital importance to Tethys Oil that the Group maintains and further builds on its reputation as a responsible and forward-looking corporate citizen in all countries where Tethys Oil has a presence and in relation to all stakeholders, may they be shareholders, employees, contractors, partners or someone else.

Reserve and resource base continue to expand – nine consecutive years with growing reserves

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 programme 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 15,321mbo of 3P.

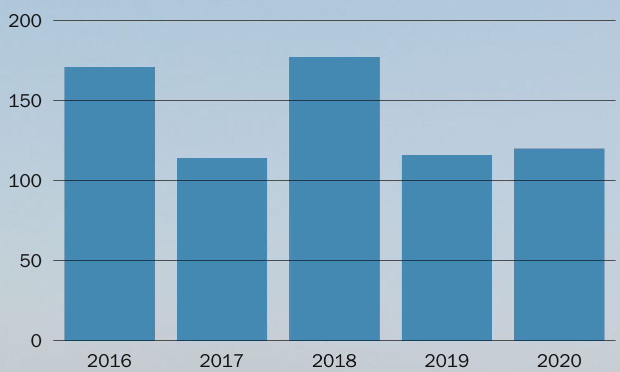
In addition to Reserves, Tethys Oil also announces net working interest Contingent Resources. The bulk of the estimated Contingent Resources are contained in the Ulfa, Samha and Erfan fields with a small contribution from the Anan-1 exploration well, a new discovery at the end of the 2020. Development of the Contingent Resources in the discoveries is continued contingent upon the ongoing 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**

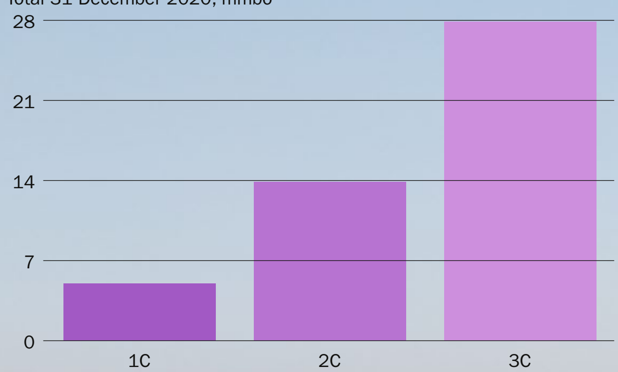
The audit of the Reserves in Oman has been conducted using 2018 Petroleum Resources Management System (PRMS2018), sponsored by the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE).

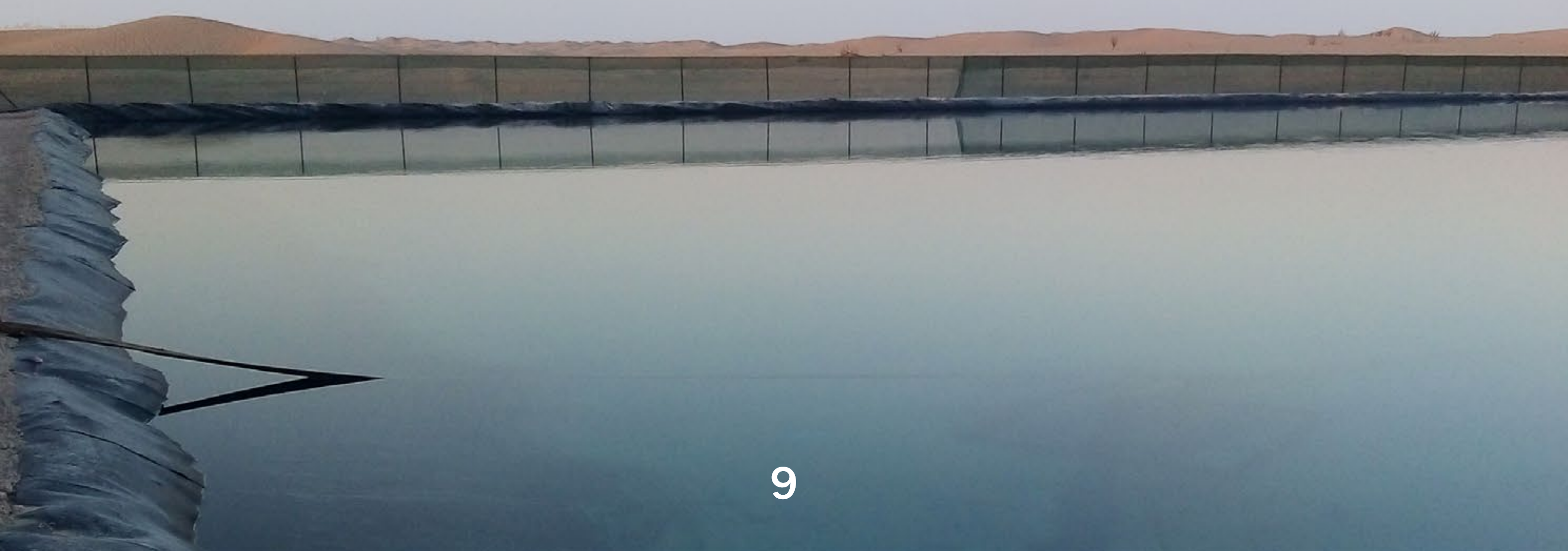
Reserve replacement ratio, %



Contingent resources

Total 31 December 2020, mmbo





Operations

Tethys Oil's core area Oman

Oman – part of an oil-rich region

The Sultanate of Oman, located in the south-eastern part of the Arabian Peninsula, overlooks the Arabian Sea, the Sea of Oman and the Arabian Gulf. It also overlooks the strategic Strait of Hormuz at the point of entry to the Arabian Gulf. Oman's neighbours include United Arab Emirates, Saudi Arabia and Yemen.

Oman is a beautiful country, combining white sand beaches, rolling desert dunes and expansive mountain ranges. Oman is also the oldest independent state in the Arab world with a long and exciting history over thousands of years. Modern archaeological discoveries suggest that humans settled in Oman during the Stone Age, ie more than 10,000 years ago.

Oman, a prolific oil region

Most importantly for Tethys Oil, Oman is also a major oil nation, the largest in the Middle East that is not a member of OPEC. Oman has about five billion barrels of estimated proven oil reserves, ranking Oman as the seventh largest proved oil reserve holder in the Middle East and the 21 largest in the world (BP Statistical Review of World Energy, June 2020). Oman's crude oil and condensate production amounted in 2019 to 971,000 barrels per day.

The largest producer in Oman is Petroleum Development Oman ("PDO"), which holds Block 6. Block 6 covers an area of 75,119 km² in north, central and south Oman. PDO produces in excess of 600,000 barrels of oil per day, corresponding to 60 percent of the total production in Oman. PDO is owned by the Omani government (60 percent), Shell (34 percent), Total (4 percent), and PTTEP (2 percent). Occidental Petroleum (Oxy), is the second-largest producer in Oman, with a production of some 245,000 bopd. Oxy is producing from Blocks 9, 27 and 62 in northern Oman and the Mukhaizna field in Block 53 in the south.

The total exports of oil and condensates during 2019 amounted to 310 million barrels. People's Republic of China topped the list of the countries importing crude oil from Oman, with 78 percent, followed by Japan with 8 percent. The rest of the countries represented 14 percent of the total exports of crude oil and condensates in 2019.

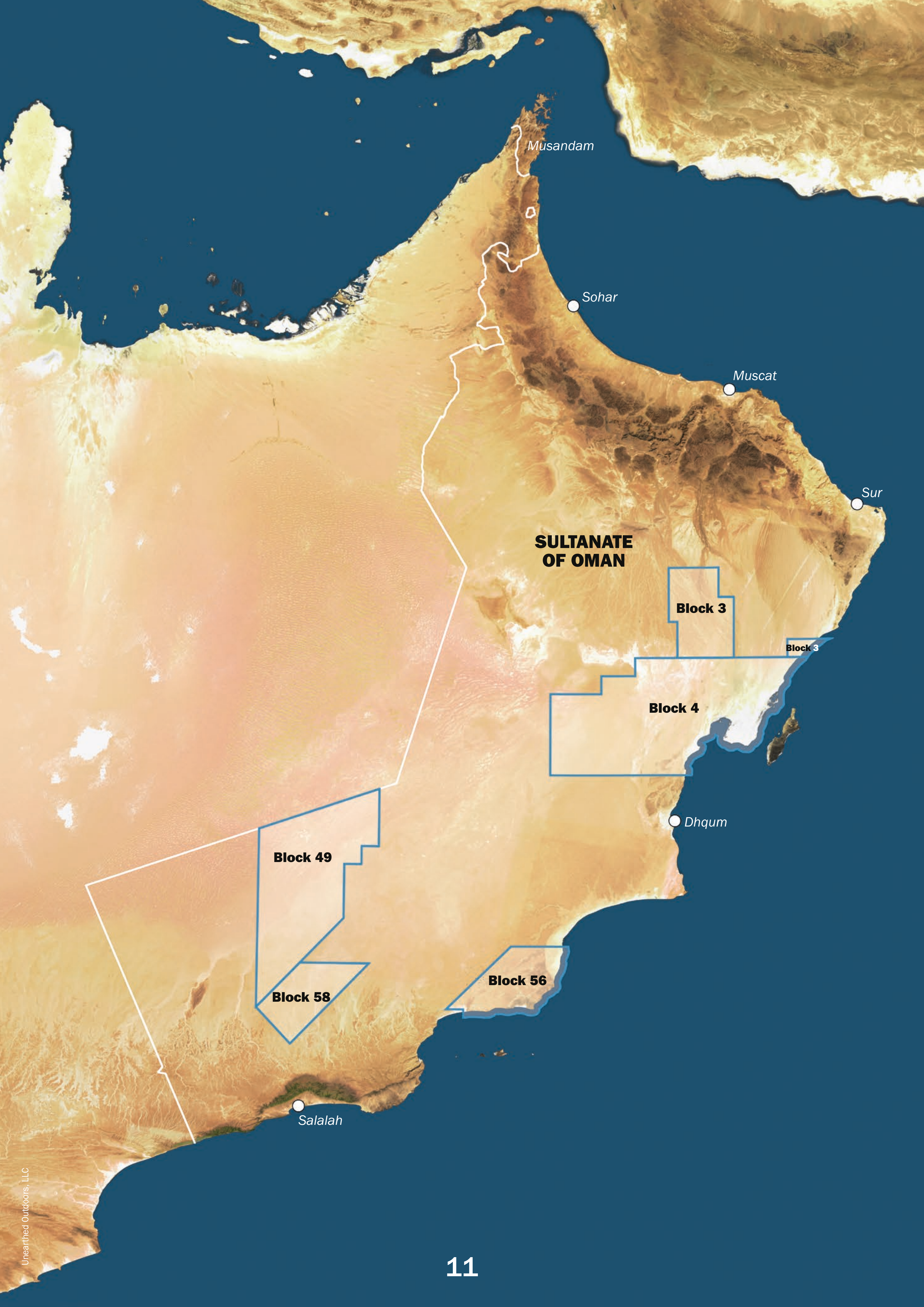
Tethys Oil in Oman

With the desire and ambition to become a dedicated and successful player in the Omani oil and gas industry, Tethys Oil acquired an interest in the licence for Blocks 3&4 in 2007. 14 years later, Tethys has grown a strong presence in the country holding interests in five blocks, three of which are since 2021 operated. With a skilled technical team in Muscat, Tethys is looking to capitalise on its long exploration and production experience in the Sultanate of Oman.

Blocks 3&4 cover an area of 29,130 km² in the central-eastern part of Oman. Tethys Oil has a 30 percent interest in Blocks 3&4. Its partners are Mitsui E&P Middle East B.V. with 20 percent and the operator CC Energy Development S.A.L. (Oman branch) holding the remaining 50 percent.

In 2017, Tethys Oil's operations expanded with the award of the exploration licence for Block 49. Block 49 covers an area of 15,439 km² in the south-western part of Oman, bordering Saudi Arabia. In November 2020, Tethys Oil entered into an agreement with EOG Resources Inc.

Photo by Russell Scott


Musandam
Sohar
Muscat
Sur
SULTANATE OF OMAN
Block 3
Block 3
Block 4
Dhqum
Block 49
Block 58
Block 56
Salalah
Unearthed Outdoors, LLC

("EOG") for EOG to obtain a 50 percent interest in Block 49. After the agreement was finalized in 2021, Tethys Oil holds 50 percent of Block 49 and is the operator of the Block.

In October 2019, Tethys Oil's operations in Oman expanded even further with the 20 percent farm-in to the exploration licence Block 56. In 2020, Tethys Oil entered into an agreement to increase its stake to 65 percent through another farm-in and also assume operatorship of the block. Block 56 covers an area of 5,808 km² in the south-eastern part of Oman some 200 km south of Blocks 3&4. Partners are Medco (5 percent), Biyaq (25 percent) and Intaj (5 percent).

In July 2020, Tethys Oil was awarded the exploration licence for Block 58. The block covers an area of 4,557 km² in the southern part of Oman adjacent to Tethys Oil's Block 49. Tethys holds 100 percent interest in the licence and is the operator.

The combined area of Blocks 3&4, Block 49, Block 56 and Block 58 amounts to over 54,934 km², corresponding to 18% of Oman's total area. That makes Tethys Oil one of the largest concession holders in Oman in terms of acreage.

The partner group on Blocks 3&4 produced 37,800 bopd in 2020, corresponding to about four percent of Oman's total production. The produced oil is lifted at the Mina Al Fahal Terminal in Muscat, on the Sea of Oman, and it therefore never needs to pass through the Strait of Hormuz.

Blocks 3&4 – robust and reliable production with exploration potential

In August 2020, a decade after the production was launched at Blocks 3&4, a very significant milestone was passed when gross production from the Blocks passed the 100 million barrel mark. When production started in 2010, that number would have been considered to be unreachable. But it was not, and just before all the global turmoil resulting from the pandemic started in 2020, the production reached a new all-time high. And more importantly for the future: on-block reserves have never been higher than at the end of 2020 and the future prospectivity of the licence remains high.

First oil at Farha South

The drilling of the Farha South-3 well on Block 3 in early 2009 was the starting point for the successful exploration and development of Blocks 3&4. Through this well, the Farha South oil field was discovered, which has been the star performer on the Blocks ever since.

The oil of the Farha South is not trapped in one large continuous reservoir. It is instead trapped in a large number of smaller, usually adjacent fault blocks. The main producing layer at the Farha South field is the Barik sandstone, at an average depth of 1,600 metres. The low content of gas combined with the absence of a water drive in the Barik reservoir makes water injection necessary. Water is injected into the reservoir via injection wells in order to maintain the pressure and thereby stimulate production. About 30 fault blocks have been drilled and put in production, and the majority has been developed with water injection. The oil from the Barik reservoir is of high quality, more than 40 degrees API, and contains limited sulphur.

Saiwan East – the second early discovery

Shortly after the Farha South oil field was discovered, the SE-2 well resulted in the discovery of the Saiwan East oil field, the second commercial discovery on the blocks. At the Saiwan East oil field, the oil is produced from the Khufai carbonate at depths ranging from 1,700 to 2,400 metres. This reservoir was previously unknown as an oil producer in Oman. The oil from the Khufai layer holds a quality of approximately 32 degrees API.

The Shahd field

The Shahd field was discovered in 2013 in a previously unexplored area on the Blocks. In the Shahd oil field, oil is extracted from the Lower Buah and the Khufai carbonates at a depth of 2,000–2,400 metres.

The oil from the Shahd field holds a quality of 35–38 degrees API. Like the Farha South field, this area is also highly faulted and is not one large continuous reservoir. The oil is instead trapped in separate structures. Eight structures have been put into production. Water injection is also required on the Shahd oil field in order to reach good recovery rates.

Ulfa, Samha and Erfan fields

After some years with focus on development activities aiming at increasing production, a number of exploration wells were drilled in 2017, which resulted in the discovery of the Ulfa, Samha and Erfan oil fields.

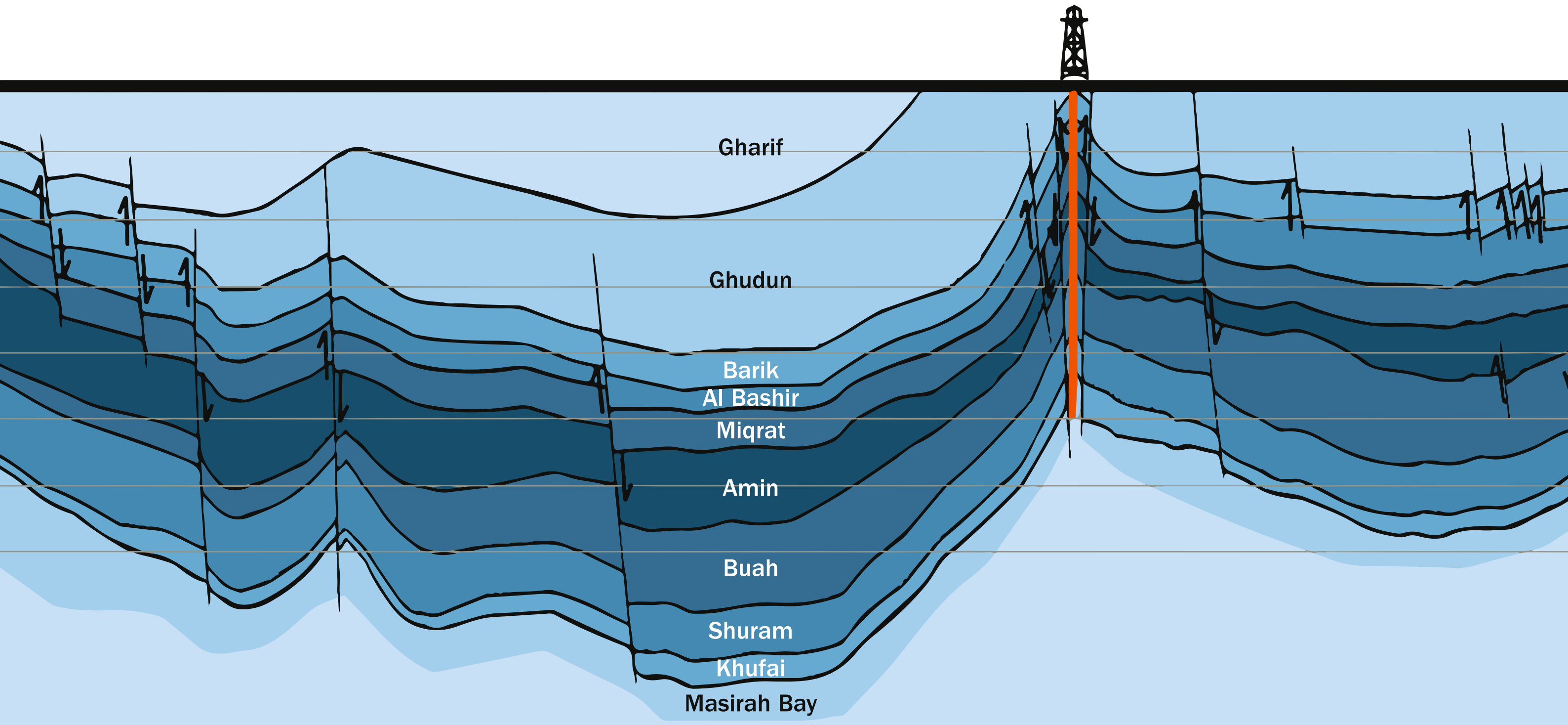
The Erfan oil field is a single structure producing from the Khufai carbonate formation, at depths ranging from 1,700 to 2,400 metres, in the same producing formation as in neighbouring Saiwan East field.

The Ulfa oil field is also a single structure. It is located on trend with the Farha South field. The majority of the production in the field comes from the Khufai carbonate formation, but also the Buah is on production. The Samha oil field is located adjacent to the Ulfa field and produces from the same formations. The oil from both Ulfa and Samha is of high quality, about 45 degrees API, and contains a high proportion of associated gas.

Infrastructure development

Full production facilities have been constructed both on the Farha South field and on Saiwan East field. At these facilities, reservoir fluids are processed in separators and heater treaters to remove water, gas and impurities in order to make the oil ready for export. The facilities also include large storage tanks, pumps and other necessary infrastructure, including field camps for the oil field workers.

In addition, Early Production Facilities (EPF) have been constructed on Shahd and on Ulfa fields. An EPF is a smaller production facility, which, to some extent, relies on the infrastructure at the Saiwan East field to process the oil to be ready for export.



Formations

Geological formations are natural formations and structures in the rock and ground which have occurred as a result of usually very slow geological processes of different kinds and ages.

A formation is a rock unit that is distinctive enough in appearance that a geologic mapper can tell it apart from the surrounding rock layers. The thickness of formations may range from less than a metre to several thousand metres. The term "formation" is often used informally to refer to a specific grouping of rocks, such as those encountered within a certain depth range in an oil well.

On Blocks 3&4, reservoirs in formations like Khufai, Barik, Lower Al Bashir, Buah and Masirah Bay have been explored. Tethys Oil has reserves and production in reservoirs in the Khufai, Barik, Lower Al Bashir and Buah formations.

All production is transported through pipelines to the main exporting point at the Saiwan East facility. From Saiwan East, the oil is pumped through an 83 km long 16-inch pipeline to Alam Station just west of Blocks 3&4, for further transportation through the national pipeline system to the export port in Muscat, the Mina Al Fahal Terminal.

Future exploration on Blocks 3&4

In hindsight it might seem like the exploration, development and production initiation of crude oil on Blocks 3&4 has been a straightforward and understandable process. However, numerous companies explored for oil and gas for 40 years and drilled some 30 exploration wells in these two Blocks. Most of the wells encountered oil, but none were deemed commercially viable. There is no question about it – vast amounts of oil have been formed on the Blocks. The trick is to find the traps, where oil could have accumulated.

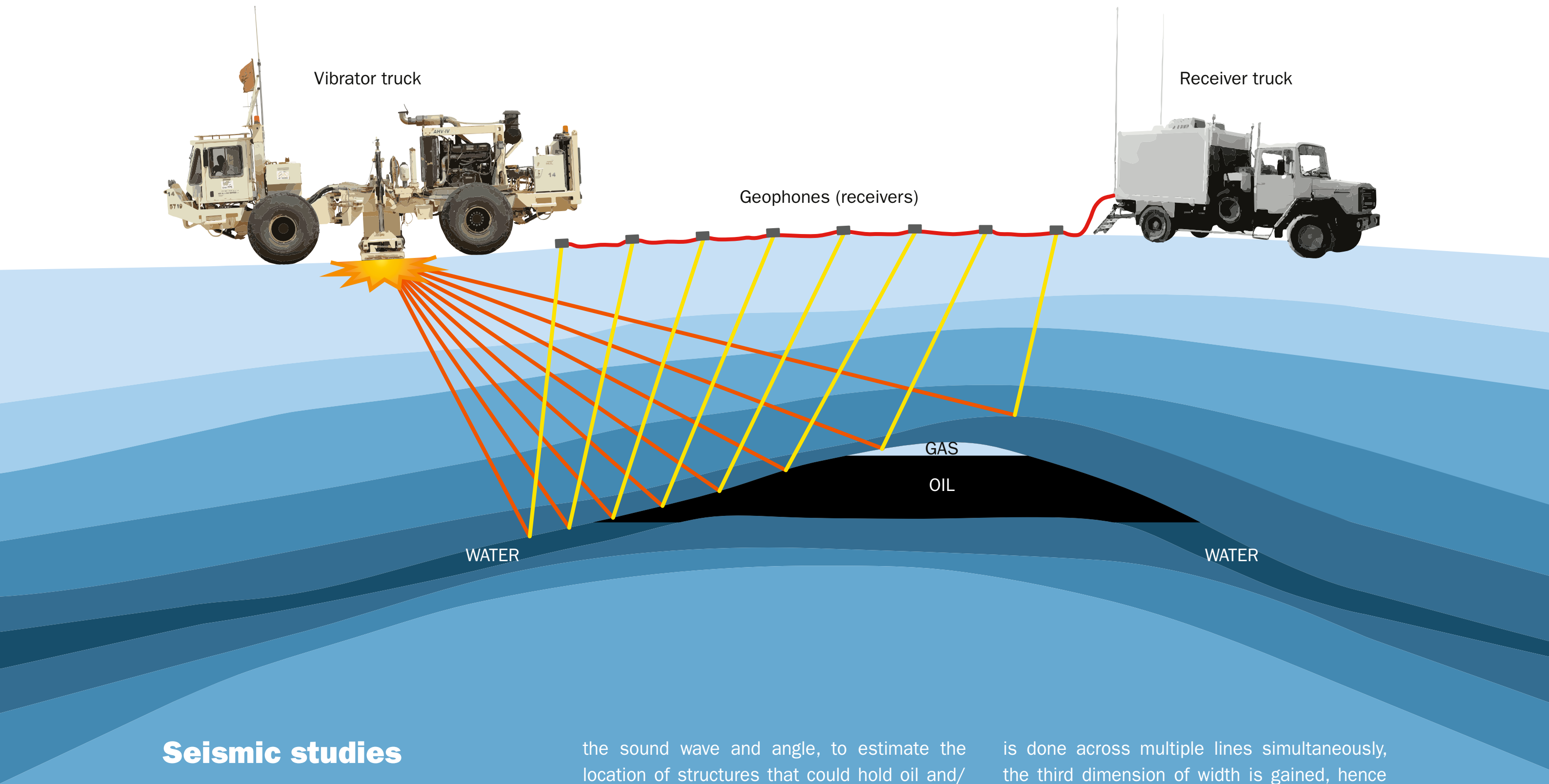
3D seismic surveys have been a key factor to the development of the blocks. Seismic data have revealed that many of the non-commercial wells drilled by previous operators would not have been drilled if 3D data had been available prior to drilling.

Despite intense exploration and development activity for over ten years, large areas on the Blocks have yet to be explored by the drill bit. But with annual seismic programmes, the latest one of more than 4,000 km² of new 3D seismic in late 2019 and early 2020, an overwhelming majority of the most prospective areas of Blocks 3&4 are covered by high resolution 3D seismic. Tethys Oil believes that there is significant remaining exploration potential on Blocks 3&4.

In 2020, a full rig year was planned to drilling exploration and appraisal wells. But 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, expenditures were significantly reduced or deferred. Two of the three drilling rigs were put on standby in June 2020, resulting in postponement of much of the exploratory drilling. However, in the fourth quarter 2020, the Anan-1 exploration well was successful drilled. In 2021, the work programme again includes drilling of exploration wells.

Work programme 2021

The focus of the 2021 work programme on Blocks 3&4 is continued development drilling, upgrading infrastructure with focus on asset integrity and debottlenecking, continuing the gas utilisation project and the drilling of exploration wells.

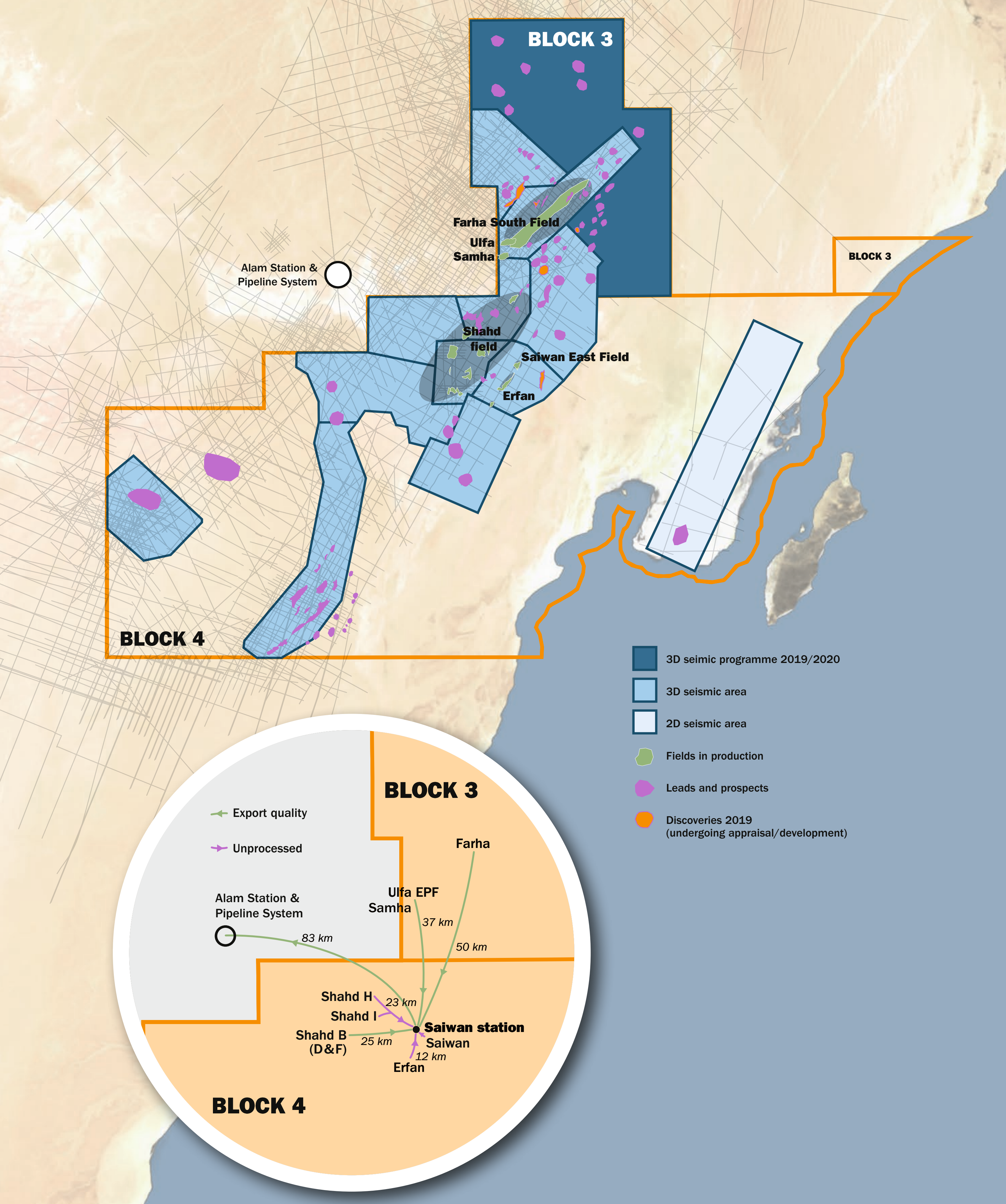


Seismic studies

A key exploration activity is the use of geophysical seismic. The principle behind seismic is that sound waves travel at different speeds in different materials and that the sound waves, at the transition between different materials, partly bend and reflect back to the surface. Since rocks have different compositions, it is possible, based on variations in the speed of the sound wave and angle, to estimate the location of structures that could hold oil and/or natural gas reserves in an exploration area.

Single linear lines of seismic provide information about the subsurface rocks directly beneath the seismic equipment. This type of seismic data is referred to as two-dimensional or 2D seismic, because it provides data along two axes, length and depth. If seismic acquisition is done across multiple lines simultaneously, the third dimension of width is gained, hence referred to as three-dimensional seismic, or 3D seismic. 3D seismic offers much greater density of information about the subsurface but is much more costly and covers a smaller area. Since the oil at Blocks 3&4 is trapped in smaller fault blocks or structures, 3D seismic has been essential in the mapping of possible oil-bearing structures.

Seismic mapping, prospects and leads, Blocks 3&4, Oman



The spud of the Thameen-1 well on Block 49

Three years after Block 49 was awarded to Tethys Oil in 2017, the Thameen-1 well spudded on 31 December 2020. The well location and design were the result of two years of seismic work, including reprocessing of vintage seismic data, and processing and interpretation of seismic data from a new campaign.

The Block 49 licence covers an area of 15,439 km². Nine wells have been drilled by previous operators within the Block boundaries, several of which are reported to have encountered oil shows. Among the legacy wells, Dauka-1 was the first well ever drilled in Oman in 1955.

One of the first steps to be taken after the award of the licence, was the reprocessing of some 1,464 km of the over 11,000 km of 2D seismic data acquired by previous operators that had been made available to Tethys Oil. Through this reprocessing, a number of seismic anomalies were identified, which could be possible – primarily stratigraphic – oil traps. The anomalies have been identified within the deeper formations in the block at depths of 2,500 metres or below.

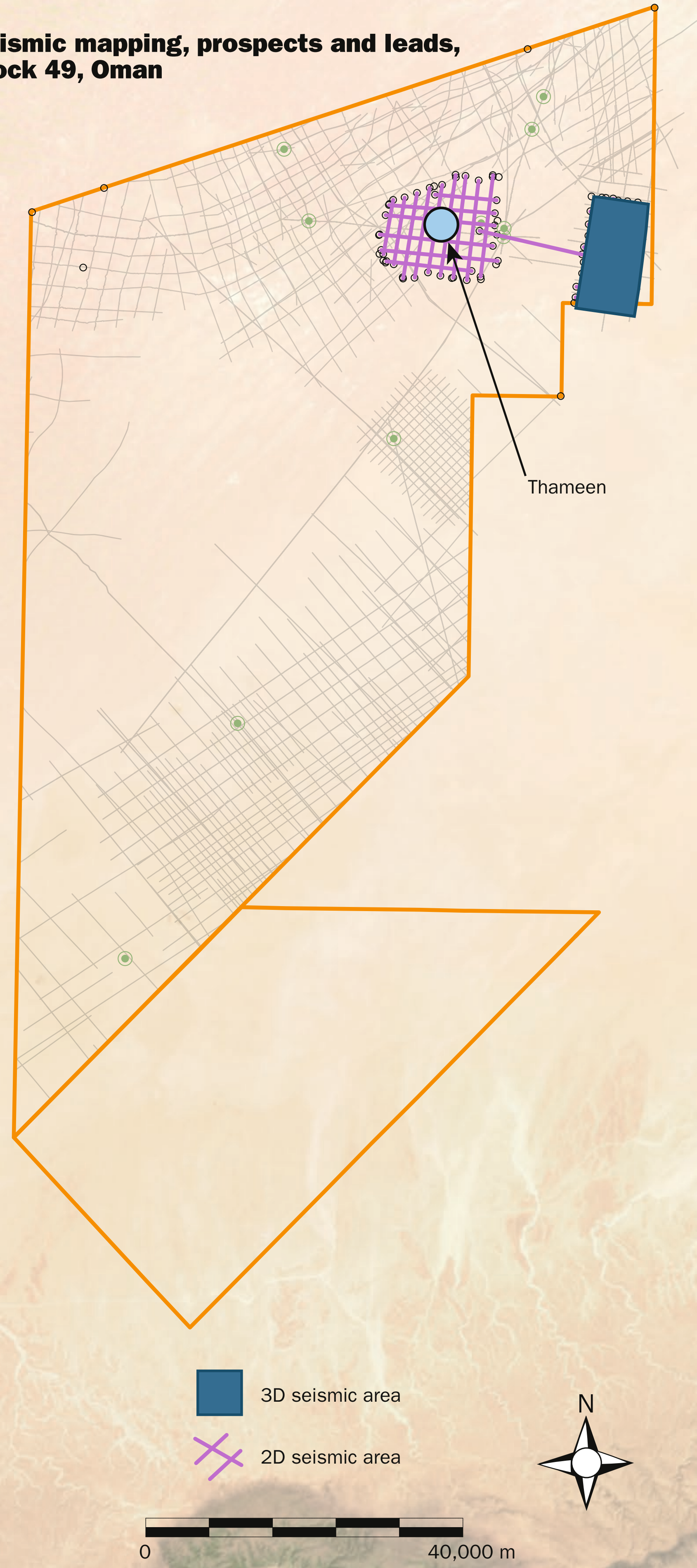
In 2018, Tethys Oil launched a seismic campaign on Block 49, whereby 253 km² of 3D and 299 km of 2D seismic data was acquired in the north-eastern part of the licence area. The purpose of the seismic campaign was to further define possible oil traps and to enhance the understanding of the deeper parts of the Block in general.

After processing and completion of the first phase of the seismic interpretation in the second half of 2019, the prospect Thameen ("Precious") was identified in the north eastern part of the Block. The Thameen-1 spudded on 31 December 2020. The well is planned to be drilled to a depth of about 4,000 metres below ground. 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 is also designed to investigate the shallower Gharif Sandstone.

In the first quarter 2021, the Thameen-1 well was drilled to its final total depth and a well testing programme was conducted. No flows were recorded at surface, but logs indicated a gross hydrocarbon column of close to forty metres.

The Exploration and Production Sharing Agreement ("EPSA") for Block 49 covers an initial exploration period that has been extended one year until December 2021 with an optional extension period of another three years. In November 2020, Tethys Oil reached an agreement with EOG Resources Inc ("EOG") to farm out 50 percent of the working interest in the EPSA. As consideration, EOG agreed to refund all costs incurred on the Block and fund the Thameen-1 exploration well, up to a combined amount of MUSD 15. EOG also have the option to take over operations of the Block and increase its interest to 85 percent for any operation relating to unconventional hydrocarbon resources. The transaction was finalised and completed in March 2021.

Seismic mapping, prospects and leads, Block 49, Oman



Block 56, a smorgasbord of possibilities

In 2019, Tethys Oil farmed into Block 56 with a 20 percent interest in the Exploration and Production licence ("EPSA") covering the Block. After a successful work programme in 2020, which strengthened the significant exploration potential of the Block, Tethys Oil entered an agreement to increase its share to 65 percent through an additional farm-in and assume operatorship of the Block.

Tethys Oil entered the Block when the present partner group was already far advanced into the first exploration phase of the EPSA. Three new wells had already been successfully drilled. After Tethys Oil's entry, the well tests commenced. One of the wells confirmed the presence of an active petroleum system with a crude quality of 20–25 degrees API and medium viscosity, although commerciality is yet to be determined. The results would suggest that a proven and producing play in the Karim Small Fields in adjacent Block 6 extends into the Al Jumd area in Block 56. Karim Small Fields produces approximately 13,000 BOPD from a number of fields. Several of undrilled leads within this oil play have been identified on Block 56 and will be subject to further work. In addition, evaluation of the existing seismic data on the Block suggests the presence of numerous leads in several different play concepts, particularly in the central parts of the Block.

Encouraged by the positive results, Tethys Oil agreed to acquire an additional 45 percent interest in the EPSA for Block 56. Through this transaction, Tethys Oil's interest in the Block increases from 20 to 65 percent and includes assuming operatorship of the Block. The transaction was finalised in February 2021.

Block 56 covers an area of 5,808 km² in the south-eastern part of Oman some 200 km south of Blocks 3&4. To date 11 wells have been drilled on the Block and all but one has encountered oil or oil shows, although, none has yet been determined to be a commercial discovery.

The Block lies at the intersection of different geological provinces including the prolific South Oman Salt Basin. It offers exploration potential in multiple play concepts, both proven and unproven, many of which are familiar to Tethys Oil from its other operations in the country.

The partners elected in 2020 to enter into the second exploration phase ending in December 2023. The 2021 work programme on Block 56 is centred on evaluating the Al Jumd area by drilling of up to three wells and planning of a 3D seismic acquisition in the central area of the Block.

Omani exploration portfolio expanded with Block 58

Tethys Oil announced in July 2020 that the Company had been awarded Block 58, a new exploration licence onshore Oman. Tethys Oil is through its wholly owned subsidiary Tethys Oil Qatbeet Limited the operator of the Block and holds a 100% licence interest. This Block borders Tethys Oil's other operated Block 49 and holds some very interesting geological features that hopefully will be upgraded to drillable prospects in the not-too-distant future.

Block 58 is located in the Dhofar Governorate in the southern part of Oman. It covers an area of 4,557 km2. Block 58 straddles the western flank of the South Oman Salt Basin and the Western Deformation Front. 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 Oil, with several leads identified.

The EPSA for Block 58 covers an initial exploration period of three years with an optional extension period of another three years. The 2021 work programme on Block 58 is focused on reprocessing of legacy 3D seismic data and conducting a new 3D seismic acquisition.

Transportation and sales (Blocks 3&4)

All oil produced at the fields is transported through a pipeline to the Qarn Alam metering station, to the west of the Blocks. At the metering station, the oil volumes are recorded and the quality is measured. From Qarn Alam, the oil is transported through the national pipeline system to the Mina Al Fahal terminal in Muscat. At this terminal, the oil is lifted and loaded into oil tankers. From Muscat, the oil is shipped to different destinations, primarily in Asia.

Licences in Oman are held through Exploration and Production Sharing Agreements (EPSA). The EPSA allows the joint operations partners to recover their costs from a predetermined percentage of the value of total oil production, referred to as cost oil. After deducting any allowance for cost oil, the remaining oil production is split, also according to a predetermined percentage, between the government and the partners. The exact percentages differ from licence to licence. Until oil has been found and produced on a licence, no costs can be recovered. If no commercial oil discovery is made on an exploration licence, the exploring oil company bears all the risk.

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 selling price is based on the monthly average price of the front-month future contract of Oman export blend as traded on the Dubai Mercantile Exchange, including trading and quality adjustments.

Office and staff

During 2020, Tethys Oil had an average of 23 full-time employees of several different nationalities, in a broad age range, of which 39 percent were female and 61 percent male. A majority of the staff have graduated from universities and colleges, primarily with geosciences, engineering or business administration.

Muscat Office

A team of highly trained engineers and subsurface specialists are based at Tethys Oil's office in Muscat together with finance and administration staff. As per the Omani government directive related to employment, preference is given to Omani nationals in recruiting new staff. The Muscat office is the base for Tethys Oil's Chief Technical Officer (CTO).

Stockholm Office

Tethys Oil head office is located in Stockholm, Sweden. The Stockholm office is the base for the Managing Director and the Chief Financial Officer (CFO), along with Tethys Oil's finance, legal, business development and communications staff.

Corporate Governance Report 2020

Corporate Governance practices refer to the decision-making systems through which owners, directly or indirectly, control a company. Tethys Oil is a publicly traded company listed on Nasdaq Stockholm, Mid Cap. Tethys Oil adheres to the Swedish Code of Corporate Governance ("the Code"). The Code is published on www.bolagsstyrning.se, where a description of the Swedish Corporate Governance model can be found. This Corporate Governance Report 2020 is submitted in accordance with the Swedish Annual Accounts Act and the Code. It explains how Tethys Oil has conducted its corporate governance activities during 2020. Tethys Oil does not report any deviations from the Code, Nasdaq Stockholm's rule book for issuers, recommendations from the Swedish Securities Council, decisions from Disciplinary Committee at Nasdaq Stockholm or statements from the Swedish Securities Council. The report has been examined by the Company's auditors, please see page 28.

External and internal framework for governance in Tethys Oil

External:

- Swedish Companies Act
- Accounting legislation (eg Swedish Book-keeping Act, Swedish Annual Accounts Act and IFRS)
- Nasdaq Stockholm's rule book for issuers
- Swedish Code of Corporate Governance

Internal:

- Articles of Association
- Board instructions, rules of procedure
- Internal control framework with Code of Conduct, polices etc.

Shareholders

Tethys Oil's shares are traded on Nasdaq Stockholm. At year-end 2020 the share capital amounted to SEK 6,050,862, represented by 33,056,608 shares, each with a par value of SEK 0.18. All shares represent one vote each. At 31 December 2020, the number of shareholders was 9,666 (7,044). Of the total number of shares, foreign shareholders accounted for approximately 57 percent. Lansdowne Partners Austria is the only shareholder with a holding in excess of 10 percent of shares and votes, with a holding of 3,633,699 shares representing 11.0 percent of shares and votes.

In June, and as resolved by the AGM on 13 May 2020, Tethys Oil cancelled its entire holding of treasury shares (3,238,352) previously acquired by the Company under its share repurchase programme. Tethys Oil's holding of its own shares, acquired in December 2020, amounted to 315,552 shares (1.0 percent) as at 31 December 2020.

For further information on share, share capital development and shareholders, see pages 32–35 and Tethys Oil's website.

Annual General Meeting

The Annual General Meeting ("AGM") must be held within six months of the close of the fiscal year. All shareholders who are listed in the share register on the record date and who have notified the Company of their participation in due time are entitled to participate in the AGM. The AGM was held in Stockholm on 13 May 2020. 114 shareholders were represented at the AGM, representing 35 percent of the votes and share capital in the Company. In order to safeguard the health of shareholders and personnel, the AGM was conducted with precautionary measures in accordance with the special implementing regulations due to Covid-19 which were introduced in the Code during the year 2020. The resolutions passed by the meeting included the following:

- Adoption of the income statements and balance sheets for 2019 and discharge of liability for the Board of Directors and the Managing Director;
- Re-election of Robert Anderson, Alexandra Herger, Magnus Nordin, Per Seime and Geoffrey Turbott, with Geoffrey Turbott re-elected as chairman of the Board. Klas Brand was also elected to join the Board of Directors;
- Remuneration of the members of the Board of Directors and the chairman of the Board of Directors, including Board committee membership, to be as follows: (i) annual fees of the members of the Board of Directors of SEK 330,000 (excluding the Managing Director); (ii) annual fees of the chairman of the Board of Directors of SEK 700,000; (iii) annual fees to committee members of SEK 35,000 per committee assignment, annual fees for the chairmen of the Remuneration Committee and the Technical Committee of SEK 65,000 each, annual fee for the chairman of the Audit Committee of SEK 90,000, unless the committee is chaired by the chairman of the Board of Directors in which case the annual fee is SEK 65,000. The total fees for committee work, including committee chairmen fees, shall not exceed SEK 360,000;
- Re-election of PricewaterhouseCoopers AB as auditors with authorised public accountant Ulrika Ramsvik as the auditor in charge. Auditors will be paid as invoices are approved;
- Guidelines for compensation of senior executives;
- Payment of a dividend of SEK 2.00 per share to the Company's shareholders to be paid in May 2020 with record date 15 May 2020;
- An extraordinary distribution of SEK three (3.00) per outstanding share through a share split, a reduction of the share capital with redemption of shares from the share split and an increase of the share capital by way of a bonus issue. The record date for the share split is 22 May 2020;
- To effect a reduction of the share capital with redemption of shares held by the company and an increase of the share capital by way of a bonus issue equalling the amount of the reduced share capital.
- Approval of an incentive programme as part of the remuneration package to employees. Issuance of 350,000 warrants where each warrant is entitled to subscription to one new share in Tethys Oil during the period 13 June 2023 up to and including 6 October 2023. Subscription price for the warrants is SEK 54.00 per share;
- Authorisation for the Board to resolve on repurchasing own shares, up until the AGM 2021, up to but not more than one-tenth of all outstanding shares and to resolve on transfer of own shares;
- Rules for the appointment and work of the nomination committee;
- Authorisation for the Board to resolve to issue new shares or convertibles with

consideration in cash and, in kind or by set-off and with the right to deviate from the shareholders' preferential rights up to but not more than one-tenth of all outstanding shares, to enable the Company to facilitate the raising of capital for acquisitions and the Company's operations;
- Amendment of the Articles of Association to reduce the minimum and maximum number of shares and make certain other formal changes;

The minutes recorded at the AGM can be found at Tethys Oil's website, www.tethysoil.com.

The Annual General Meeting 2021 is planned to be held in Stockholm on 19 May 2021 at CEST 15:00. The meeting will be held without the physical presence of shareholders, representatives or third parties. Shareholders will before the meeting be able to exercise their voting rights only by post.

Nomination process

In accordance with the Nomination Committee process approved by the AGM 2020, the Nomination Committee for the AGM 2021 consists of members appointed by three of the largest shareholders of the Company based on shareholdings as per 30 September 2020 and the chairman of the Board. The names of the members of the Nomination Committee were announced and posted on the Company's website on 19 November 2020.

The Nomination Committee for the AGM 2021 has held four meetings during its mandate and informal contacts have taken place between such meetings. Viktor Modigh was at the first meeting appointed chairman of the nomination committee. The Nomination Committee report, including the final proposals to the AGM 2021, will be published on the Company's website together with the notice of the AGM.

The Nomination Committee's assignment is to produce proposals for the following matters, which will be presented to the AGM for resolution:

- Number of directors of the board;
- Remuneration to the chairman of the board of directors, the other directors of the board and the auditors respectively;
- Remuneration, if any, for committee work;
- Composition of the board of directors;
- Chairman of the board of directors;
- Resolution regarding the process of the Nomination Committee 2022;
- Chairman at the annual general meeting; and
- Election of auditors.

The work of the Nomination Committee included evaluation of the Board's work, competence and composition, as well as the independence of the members. The Nomination Committee also considered other criteria such as the background and experience and has also taken part in the Board evaluation. Further, the Nomination Committee has considered the Company's Board diversity policy in its proposal for Board members. The Board diversity policy is available on the Company's website.

The Nomination Committee for the AGM 2021 consisted of the following members:

- Viktor Modigh, chairman of the nomination committee, representing Magnus Nordin;
- Mikael Petersson, representing Lansdowne Partners Austria GmbH;
- Jan Risberg, representing himself; and
- Geoffrey Turbott, chairman of Tethys Oil

Shareholders who wish to present a motion to the Nomination Committee can do so to the chairman of the nomination committee: nomcom@tethysoil.com or by letter to Tethys Oil AB, Nomination Committee, Hovslagargatan 5B, SE-111 48 Stockholm.

The Board and its work

Board composition

The Articles of Association stipulate that the Board of Directors of Tethys Oil shall consist of no less than three and no more than ten Board members with no more than three deputy Board members. Board members and chairman of the Board are elected for a maximum of one year at a time. The Board of Directors of Tethys Oil since the AGM 2020 has consisted of six members and no deputies. Geoffrey Turbott has been chairman of the Board. Four Board members are independent from the Company and the Company's management, and six Board members are independent from larger shareholders. For further information on the Board members, please see pages 29–30.

Board of Directors elected at the AGM 2020

Member	Elected	Position	Year of birth	Nationality	Independent in relation to the Company	Independent in relation to the Company's larger shareholders
Geoffrey Turbott	2015	Chairman	1963	New Zealand	Yes	Yes
Robert Anderson	2017	Member	1953	United Kingdom	Yes	Yes
Klas Brand	2020	Member	1956	Sweden	No*	Yes
Alexandra Herger	2017	Member	1957	United States	Yes	Yes
Magnus Nordin	2001	Member	1956	Sweden	No	Yes
Per Seime	2017	Member	1946	Norway	Yes	Yes

* Klas Brand assisted Tethys Oil in specific questions in relation to both internal controls and external reporting prior to being elected as board director in May 2020.

Rules of procedure

The Board of Directors at Tethys Oil establishes the overall goals and strategy of the Company and resolves on larger investments, acquisitions and disposals of business activities or assets. The Board ensures that there is an appropriate system for follow-up and control of the Company's operations, including evaluating the risks associated with its operations and that there is a satisfactory process for monitoring the Company's compliance with applicable laws, other regulations and internal guidelines. The board identifies how sustainability issues impact risks to and business opportunities for the Company and also defines appropriate guidelines to govern the Company's conduct in society, with the aim of ensuring its long-term value creation capability. It appoints and evaluates the Managing Director and determines the Managing Director's salary and other compensation. The Board further ensures that the Company's external communications are characterised by openness, and that they are accurate, reliable and relevant.

The Board of Directors' work is governed by annually adopted rules of procedure. The chairman of the Board of Directors supervises the work and is responsible for it being well organised and efficient. This entails, among other things, continually following the Company's operations in contact with the Managing Director and being responsible for other Board members receiving the information and documentation needed to ensure high-quality discussions and well-founded decisions by the Board of Directors. The chairman is responsible for the evaluation of the Board of Directors' and the Managing Director's work and represents the Board of Directors in ownership matters.

According to the current rules of procedure the Board of Directors shall, after the constituent Board meeting following the AGM, hold a minimum of five ordinary meetings during a calendar year.

Timing and main items for ordinary meetings following AGM	
May	Constituting meeting
August	Second quarter report
September–November	Strategy and discussion investment plan/budget
December	Investment plan and budget, liquidity and forecast
January–February	Fourth quarter and year-end report, allocation of profit, review auditors' report
March–April	Annual report and AGM

Assessment of the board's work

The chairman of the Board is responsible for assessing the Board's work including the performance of individual Board members. This is done on an annual basis through a questionnaire which is anonymous for the Board members. The assessment focuses on such factors as the Board's way of working, number of meetings and effectiveness, time for preparation, available competence and individual Board members influence of the Board's work. The Nomination Committee takes part in assessing the results, and it is a component in the nomination committee's work to submit a proposal to the AGM concerning Board members.

The Board's work in 2020

During 2020, the Board held 13 meetings of which five were ordinary and eight extraordinary, in person, via telephone and per capsulam meetings. Attendance at the meetings is shown in the table below. Board secretary was the Company's CFO Petter Hjertstedt. Prior to each meeting, Board members were provided with an agenda and written information on the matters to be covered. Each meeting has included the possibility to discuss without management representatives being present.

Board of Directors and committee attendance in 2020

Board member	Board	Member Audit Committee	Member Remuneration Committee	Member of Technical Committee	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Technical Committee meetings
Geoffrey Turbott	Chairman	Yes	–	–	13/13	5/5	–	–
Robert Andersson	Member	–	–	Yes (Chairman)	13/13	–	–	6/6
Klas Brand*	Member	Yes (Chairman)	–	–	9/10	3/3	–	–
Alexandra Herger	Member	–	Yes	Yes	12/13	–	2/2	6/6
Magnus Nordin	Member	–	–	–	13/13	–	–	–
Per Seime	Member	Yes	Yes (Chairman)	–	13/13	5/5	2/2	–

* Klas Brand was elected as board director in May 2020.

Board committees

In order to increase the efficiency of its work and enable a more detailed analysis of certain matters, the Board has formed committees: Audit, Remuneration and Technical. Committee members are appointed within the Board for the period until the next AGM. The committee's duties and authorities are regulated in the annually approved rules of procedure for each committee. The committees perform monitoring and evaluations, resulting in recommendations to the Board of Directors, where all decision-making takes place.

Audit Committee

The Board has established an Audit Committee for the period up to and including the AGM 2021, consisting of Klas Brand as chairman, Geoffrey Turbott and Per Seime as members of the committee. Members of the committee during 2020 prior to AGM 2020 consisted of Geoffrey Turbott (chairman) and Per Seime. The Audit Committee convened five times in 2020. The work has mainly focused on supervising the Company's financial reporting and assessing the efficiency of the Company's financial internal controls, with the primary objective being providing support to the Board in the decision-making processes regarding such matters. The Audit Committee also regularly liaises with the Group's statutory auditors as part of the annual audit process and reviews the audit fees and the auditors' independence and impartiality. The Audit Committee also assists the Nomination Committee with proposals for resolutions on the election and remuneration of the auditor. The Audit Committee reports to the Board, normally in conjunction with the following Board meeting.

Remuneration Committee

The Board has established a Remuneration Committee for the period up to and including the AGM 2021, consisting of Per Seime as chairman and Alexandra Herger as a member of the committee. The committee remained unchanged throughout the year. The Remuneration Committee convened two times in 2020. The work has mainly focused on preparing the Board's decisions on principles for remuneration to management, establishing key performance indicators, to monitor and evaluate variable remuneration and the application of the guidelines for remuneration as well as to construct and propose the share-based incentive programme to the AGM. The Remuneration Committee reports to the Board, normally in conjunction with the following Board meeting.

Technical Committee

The Board has established a Technical Committee for the period up to and including the AGM 2021, consisting of Robert Anderson as chairman and Alexandra Herger as a member of the committee. Members of the committee during 2020 prior to AGM 2020 consisted of Robert Anderson (chairman), Alexandra Herger and Gavin Graham. The Technical Committee convened six times in 2020. The work has mainly focused on following up on work programs, budgets and investment proposals, evaluation of and recommendation on appointment of independent qualified reserve auditor, oversight of the reserves audit process, review of operations management systems and technical review of new ventures projects. The Technical Committee reports to the Board, normally in conjunction with the following Board meeting.

External auditors of the Company

Statutory auditors

Pursuant to its Articles of Association, Tethys Oil must have one or two auditors, and no more than two deputies. A registered firm of auditors may be appointed as the Company's auditor. Tethys Oil's auditor is PricewaterhouseCoopers AB with Ulrika Ramsvik as lead partner and Sophie Damborg as co-signing auditor. PricewaterhouseCoopers AB was elected as the Company's auditor at the AGM 2020. At least once a year, the Board meets the Company's auditor without the Managing Director or any other member of the executive management present. Tethys Oil's auditors reviewed the Company's second quarter and six months report 2020.

Tethys Oil's auditor: PricewaterhouseCoopers AB

	Ulrika Ramsvik	Sophie Damborg
Role	Lead partner	Co-signing Auditor
Company auditor since	2014	2020

The audit firm has, besides the audit, conducted a limited number of other assignments on behalf of Tethys Oil. These assignments mainly consisted of services associated with auditing, such as in-depth reviews during the audit. Remuneration to the auditors of Tethys Oil is paid in accordance with approved current accounts. In 2020, remuneration to PricewaterhouseCoopers AB amounted to MUSD 0.2 (MUSD 0.1). For details on remuneration to auditors, see note 10, Auditor's fees. During 2020 the auditor's advisory business was engaged to provide consultancy services within process efficiency and internal controls within Tethys Oil's finance function.

Independent qualified reserves auditor

Tethys Oil's independent qualified reserves auditor annually certifies Tethys Oil's oil reserves and resources, although such assets are not included in the Company's balance sheet. The independent qualified reserves auditor for the 2020 report was ERC Equipoise Limited ("ERCE"), the same that also audited the 2019 report. For further information, see Reserves on page 9.

Managing Director and executive management

The executive management in Tethys Oil throughout 2020 has consisted of the Managing Director (Magnus Nordin), CFO (William Holland until 8 January 2020 followed by Petter Hjertstedt) and the CTO (Fredrik Robelius). The Board of Directors has adopted an instruction for the Managing Director which clarifies the responsibilities and authority of the Managing Director. According to the instruction, the Managing Director shall provide the Board of Directors with decision data in order to enable the Board to make well-founded decisions and with documents to enable it to continually monitor the activities for the year. The Managing Director is responsible for the day-to-day business of the Company and shall take the decisions needed for developing the business – within the legal framework, the business plan, the budget and the instruction for the Managing Director adopted by the Board of Directors as well as in accordance with other guidelines and instructions communicated by the Board of Directors. The Board evaluates the work of the Managing Director. The Board examines this issue formally at least once a year, and without any member of the executive management present during this evaluation process.

Guidelines for remuneration to senior executives

The guidelines for remuneration to senior executives were approved by the Annual General Meeting 2020. It is the Boards opinion that there exists no need for any significant changes to the remuneration guidelines to be proposed for the AGM in 2021.

Application of guidelines

These guidelines apply to remuneration to senior executives and to members of the Board of Directors if remuneration is paid for work performed outside the scope of the ordinary board work (eg pursuant to an employment or consultancy agreement). For the purposes of these guidelines, senior executives include the Managing Director, the Deputy Managing Director (if applicable) and certain other executives who, from time to time, are members of the Group Executive Management.

These guidelines do not apply to any remuneration resolved upon or approved by the General Meeting and are only applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of these guidelines by the Annual General Meeting 2020.

These guidelines constitute a framework within which remuneration to senior executives may be decided on by the Board of Directors.

General remuneration principles

In short, the Group's business strategy is to create shareholder value working across the whole upstream oil and gas industry lifecycle of exploration, appraisal, development and production. A central objective in the Group's business model is to explore for and produce oil and gas in an economically, socially, and environmentally responsible way.

The Company's remuneration principles are to ensure responsible and sustainable remuneration decisions that support the Company's strategy, long-term interests and sustainable business practices and further enhance the Group's market position as well as increase the shareholder value. To this end, salaries and other employment terms shall enable the Group to retain and recruit skilled senior executives at a reasonable cost. Remuneration shall be on market terms and based on the principles of performance, competitiveness and fairness.

When evaluating whether these guidelines and the limitations set out herein are reasonable, the Board of Directors (including the Remuneration Committee) has considered the total income of all employees of the Company, including the various components of their remuneration as well as the increase and growth rate over time.

In order to comply with mandatory rules or established local practice, remuneration which is subject to rules outside Sweden may be adjusted to comply with such local rules, taking into account, to the extent possible, the overall purpose of these guidelines.

Elements of remuneration

The remuneration covered by these guidelines may consist of basic salary, variable cash salary, pension, non-financial benefits and severance pay. In addition hereto, the General Meeting may decide on, inter alia, long-term incentive programs in which senior executives can participate.

Principles for basic salary

The basic salary shall be in line with market conditions, be competitive, and shall take into account the scope and responsibility associated with the position, as well as the skills, experience and performance of each senior executive.

On the assumption of payment of full variable cash salary, pension benefits and other benefits, the basic salary is expected to amount to no more than 45 percent of the total remuneration. If there is no variable cash salary, pension benefits or other benefits, the basic salary will constitute the entire remuneration.

Principles for variable cash salary

Variable cash salary, ie cash bonuses, shall be based on a set of predetermined and measurable performance criteria that reflect the key drivers for pursuing the Company's strategy, long-term interests and sustainable business practices. Such performance criteria include (but are not limited to) HSE, production, reserves replacement, business development and financial performance as well as individual performance.

To which extent the criteria for awarding variable cash salary have been satisfied shall be determined annually in connection with the preparation of the year-end report for the respective financial year based on an evaluation of the senior executive's achievement of the performance indicators as described in the agreed individual performance targets.

Payment of variable cash salary shall be conditional upon the senior executive remaining employed for the duration of the qualification period. The Board of Directors is entitled to adjust the incentive programme during the term of the programme in the case of, for example, extraordinary increases or decreases in the Group's earnings.

Variable cash remuneration shall qualify for pension benefits only to the extent it is required pursuant to mandatory provisions of applicable collective bargaining agreements.

The annual variable cash salary may not amount to more than 12 months' basic salary, and is therefore expected to amount to no more than 50 percent of the total remuneration.

Principles for pension benefits

Pension benefits shall comprise a defined contribution scheme with premiums calculated on the full basic salary and be set on an individual basis, however, provided that mandatory provisions of applicable collective bargaining agreements do not require otherwise.

Pension benefits may not amount to more than 30 percent of the basic salary, and is therefore expected to amount to no more than 25 percent of total remuneration.

Principles for non-financial benefits

Non-financial benefits shall be based on market terms and shall facilitate the duties of senior executives. Non-financial benefits may include, inter alia, life insurance, medical insurance etc.

Premiums and other costs relating to non-financial benefits may not amount to more than five percent of the basic salary, and is therefore expected to amount to no more than five percent of the total remuneration.

Remuneration during notice period and severance pay

The notice period for termination of the Managing Director shall not exceed 12 months and the notice period for termination of other senior executives shall not exceed nine months.

A mutual termination period of 12 months applies between the Company and the Managing Director and of up to nine months between the Company and other senior executives.

Severance pay to the Managing Director and other senior executives shall not exceed 12 months' basic salary, provided that the employment is terminated by the Company. In the event the senior executive terminates his or her employment, no severance shall be payable.

Principles for certain remuneration to members of the Board of Directors

To the extent members of the Board of Directors perform work for the Company outside the scope of the ordinary board work, consultancy fees on market terms may be paid in addition to any board fees resolved upon by the General Meeting. The Nomination Committee is tasked with proposing a frame, if any, for such remuneration, to be approved by the Annual General Meeting.

Long-term incentive programs

Any remuneration resolved upon by the General Meeting is not covered by these guidelines. Accordingly, these guidelines do not apply to the Company's long-term incentive programs resolved upon by the General Meeting.

The Company's existing long-term incentive programs are directed to certain key employees of the Group and designed to create conditions for retaining and recruiting competent and committed personnel to the Group. More information on the Company's existing and proposed incentive programs from time to time is available on the Company's website, www.tethysoil.com.

The role of the Remuneration Committee

The Board of Directors has established a Remuneration Committee to deal with matters of executive compensation and wider Group remuneration. Specifically, it is tasked to:

- Recommend and review remuneration guidelines for the Managing Director, the executive management and other employees in the Group to the Board of Directors;
- Recommend Company Performance Targets for each year to the Board of Directors;
- Recommend Managing Director Performance Targets for each year to the Board of Directors, and inform the Board of Directors of the Performance Targets agreed between the Managing Director and the executive management;
- Recommend remuneration (salary and benefits) for the Managing Director to the Board of Directors and inform the Board of Directors of the remuneration (salaries and benefits) for the executive management;
- Recommend allocation of bonus and warrants to the Managing Director to the Board of Directors and inform the Board of Directors of allocation of bonus and warrants to the executive management; and
- Recommend incentive programme guidance relating to employees to the Board of Directors.

Preparation and review of the compliance of these guidelines

These guidelines have been prepared by the Remuneration Committee of the Board of Directors and the Board of Directors. The Remuneration Committee is responsible for preparation of updated proposals in respect of guidelines for remuneration to the senior executives. A proposal for amended guidelines is to be prepared by the Board of Directors when the need for material amendments arises, but at least every four years.

The guidelines may also be amended by way of a resolution by other General Meetings than Annual General Meetings.

Within the scope and on the basis of these guidelines, the Board of Directors shall, based on the Remuneration Committee's preparation and recommendations, annually decide on the specific revised remuneration terms for each senior executive and make such other decisions in respect of remuneration for senior executives that may be required.

The members of the Remuneration Committee are independent in relation to the Company and the senior executives. The Managing Director and the other senior executives do not participate in the Board of Directors' handling of, or resolutions regarding, remuneration-related matters if they are affected by such matters.

Principles for derogations from these guidelines

The Board of Directors may temporarily resolve to derogate from these guidelines, in whole or in part, if in a specific case there is special cause for such derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability.

Remuneration to executive management 2020
(MSEK)

	Basic salary	Pension arrangements	Variable salary	Share-based long-term incentive*	Other benefits	Total 2020	Total 2019
Managing director	3.494	0.436	2.057	1.045	0.029	7.061	6.217
Other executive management	8.985	0.632	1.833	1.245	0.016	12.711	10.868
Total	**12.479**	**1.067**	**3.890**	**2.291**	**0.045**	**19.772**	**17.085**

Remuneration to the Board 2020

Remuneration to be paid to the Board of Directors for the period between the AGMs of 2020 and 2021 amounts to a total of TSEK 2,380, allocated among the Board members in the way shown in the below table. The Annual General Meeting 2020 resolved that remuneration of the chairman of the Board of Directors shall be TSEK 700 per annum and of the other members TSEK 330 per member per annum. Remuneration is not paid for service of the Boards or directors of subsidiaries. Magnus Nordin, who is employed by Tethys Oil, does not receive any remuneration for his service on the Board of Directors.

Annual fee for committee members is TSEK 35 per committee assignment and annual fees for the chairman of the Remuneration and Technical Committees are TSEK 65. The annual fee for the chairman of the Audit Committee is TSEK 90, unless the committee is chaired by the Chairman of the Board in which case the annual fee is TSEK 65.

Remuneration to board and committee members for the period between the AGMs of 2020 and 2021 (in their capacity as board members)
(TSEK)

Member	Board of directors	Audit Committee	Technical Committee	Remuneration Committee	Total
Geoffrey Turbott	700	35	–	–	735
Robert Andersson	330	–	65	–	395
Klas Brand*	330	90	–	–	420
Alexandra Herger	330	–	35	35	400
Magnus Nordin	–	–	–	–	–
Per Seime	330	35	–	65	430
Total	**2,020**	**160**	**100**	**100**	**2,380**

* Klas Brand was remunerated in 2020 for assisting Tethys Oil in specific questions in relation to both internal controls and external reporting prior to being elected as board director in May 2020.

Financial reporting and control

The Board of Directors has the ultimate responsibility of the internal control for the financial reporting. Tethys Oil's system of internal control, with regard to financial reporting, is designed to minimise risks involved in the financial reporting process and ensure a high level of reliability in financial reporting. Furthermore, the system of internal control ensures compliance with applicable accounting and other requirements that Tethys Oil must meet as a listed company.

Tethys Oil's main assets are owned in partnership. The focus of internal control is therefore to ensure reliability and accuracy of the operator's financial information. The control is conducted by monthly and quarterly cost controls, quarterly budget reviews and interviews with operators to understand and explain deviations.

Internal control

Tethys Oil continually works on improving financial reporting through evaluating the risk of errors in the financial reporting and related control activities. Control activities include following up on instructions and the application of accounting principles. The Board of Directors is responsible for and monitors the control activities, which involve all levels of the organisation. The activities limit the identified risks and ensure correct and reliable financial reporting. The Company's financial department analyses and follows up on budget deviations, draws up forecasts, follows up on significant variations between periods and reports to the Board of Directors, which minimises the risks for errors in the financial reporting. The control activities also include following up on the authorisation manual and accounting principles. These control activities also include the operators in partnerships. The Board of Directors further decides on specific control activities and auditing of operators in partnerships. The financial department regularly follows up on deviations and irregularities and reports to the Audit Committee. This structure is considered sufficient and suitable given the size and nature of the Company's business. At the current size of the Company and the fact that the Company's interests in producing assets are non-operated, it is not considered necessary to have for a dedicated internal auditor function.

Information and communication

The Board has adopted an information policy for the purpose of ensuring that the external information is correct and complete. There are also instructions regarding information security and how to communicate financial information.

Monitoring

Both the Board and the management follow up on the compliance and effectiveness of the Company's internal controls to ensure the quality of internal processes. The Board receives detailed monthly reports on the financial situation and development of the business to this end. The Audit Committee ensures and monitors that control activities are in place for important areas of risk related to financial reporting.

Stockholm, 9 April 2021

Tethys Oil AB (publ)
The Board of Directors

Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in Tethys Oil AB (publ), corporate identity number 556615-8266.

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2020 on pages 21–28 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, 9 April 2021
PricewaterhouseCoopers AB

Ulrika Ramsvik
Authorized Public Accountant
Lead Partner

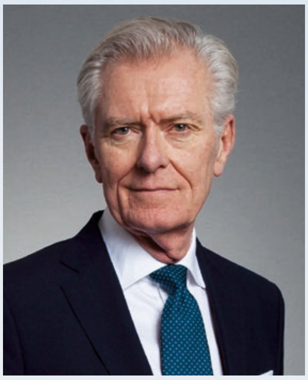
Sophie Damborg
Authorized Public Accountant

Board of Directors

Member	**Geoffrey Turbott**	**Rob Anderson**	**Klas Brand**
Function	Chairman of the Board and member of the Audit Committee	Board member and chairman of the Technical Committee	Board member and chairman of the Audit Committee
Elected	2015	2017	2020
Year of birth	1963	1953	1956
Nationality	New Zealand	United Kingdom	Sweden
Education/background	Former member of New Zealand's Institute of Chartered Accountants	MA Engineering, Christ's College, Cambridge University. Chartered Engineer & Fellow of the Institution of Mechanical Engineers	Bachelor's Degree in Business Administration and Economics, Gothenburg University
Experience	Worked with public companies in which the Lundin family holds a major shareholding from 1995 to 2013, whereof as Chief Financial Officer and Vice President of Finance at Lundin Petroleum AB from 2002 to 2013	VP Projects & Engineering at TNK-BP, Head of Projects at BP. Engineer with deep experience in oil installations and major oil and gas field developments	Former Authorized Public Accountant and partner at PwC's Assurance practice in Gothenburg, Sweden. Consultant to listed and private companies within e.g. internal controls and financial reporting. Senior adviser to and member of the advisory board at Corptrade.
Other board duties	Board member: Tetbury Forestry Ltd. and Progress Land Ltd.	–	Board member and responsible for the property and finances of Göta Par Bricole, Gothenburg, Board member of 1BC3 Brand AB
Shares in Tethys Oil (per 31 December 2020)[1]	35,400	–	6,000
Warrants in Tethys Oil (per 31 December 2020)[1]	–	–	–
Board and committe remuneration (TSEK)[2]	735	395	420
Independent in relation to the Company	Yes	Yes	No[3]
Independent in relation to the Company's larger shareholders	Yes	Yes	Yes

1 Privately or via company
2 Resolved upon at the AGM 2020
3 Klas Brand assisted Tethys Oil in specific questions in relation to both internal controls and external reporting prior to being elected as board member in 2020

Member	Alexandra Herger	Magnus Nordin	Per Seime
Function	Board member and member of the Remuneration and Technical Committees	Board member and Managing Director	Board member, chairman of the Remuneration Committee and member of the Audit Committee
Elected	2017	2001	2017
Year of birth	1957	1956	1946
Nationality	United States	Sweden	Norway
Education/background	BA Geology, Ohio Wesleyan University and Master studies Geology, University of Houston	Bachelor of Arts, University of Lund and Master of Arts, University of California, Los Angeles	Master of Law, University of Oslo. Master of Comparative Law, University of Chicago Law School (Oil & Gas). Norwegian School of Economic (NHH) Executive Board Program.
Experience	VP Global Exploration at Marathon Oil, executive positions at Shell and Enterprise Oil	Several executive positions in different oil companies	Oil and gas lawyer with more than 30 years' experience. Lawyer for Mobil Oil (Norway, USA and Indonesia) and legal advisor to oil companies. Previously chair of board for Premier Oil Norge and Nexen Exploration Norge.
Other board duties	Board member: Panoro Energy ASA and Tortoise Capital Advisors Member: Women's Leadership Committee, Oil Council and Leadership Texas, Foundation for women's resources, member of the PGS ASA's Nomination Committee	Board member: Minotaurus AB, including subsidiaries, and Minotaurus Energi AS	
Shares in Tethys Oil (per 31 December 2020)[1]	–	1,550,427	5,000
Warrants in Tethys Oil (per 31 December 2020)[1]	–	2018/21: 75,000 2019/22: 60,000 2020/23: 60,000	–
Board and committe remuneration (TSEK)[2]	400	–	430
Independent in relation to the Company	Yes	No	Yes
Independent in relation to the Company's larger shareholders	Yes	Yes	Yes

1 Privately or via company
2 Resolved upon at the AGM 2020

Executive management



	Magnus Nordin	Petter Hjertstedt	Fredrik Robelius
Function	Board member and Managing Director	Chief Financial Officer	Chief Technical Officer
Employed since	2004	2016	2011
Education/background	Bachelor of Arts, University of Lund and Master of Arts, University of California, Los Angeles	Finance and accounting at Linköping University, Sweden	Education: PhD Engineering Physics, Uppsala University; Postgraduate Diploma Petroleum Engineering, Heriot-Watt University
Year of birth	1956	1979	1973
Nationality	Sweden	Sweden	Sweden
Experience	Several executive positions in different oil companies	Equity research analyst at SEB, Pareto Securities and Carnegie Investment Bank. Finance and Investor Relations at PA Resources	Energy engineering positions in Fortum, petroleum engineering related positions in Tanganyika Oil and Sinopec
Shares in Tethys Oil (per 31 December 2020)*	1,550,427	5,400	12,368
Warrants in Tethys Oil (per 31 December 2020)	2018/21: 75,000 2019/22: 60,000 2020/23: 60,000	2018/21: 20,000 2019/22: 25,000 2020/23: 50,000	2018/21: 48,000 2019/22: 50,000 2020/23: 50,000

* Privately, via company and insurance policy

The Tethys Oil share

Tethys Oil's shares are traded on Nasdaq Stockholm. With the purpose of improving liquidity and reducing the spread between buyers and sellers of Tethys Oil shares, the Company has contracted Pareto Securities AB to act as a liquidity provider for the shares of the Company.

Shares outstanding

Tethys Oil's registered share capital at 31 December 2020 amounts to SEK 6,050,862 represented by 33,056,608 shares with a quota value of SEK 0.18. All shares in Tethys Oil represent one vote each. All outstanding shares are common shares and carry equal rights to participation in Tethys Oil's assets and earnings. As per 31 December 2020, the Board of Directors had remaining outstanding authorisation from the AGM to issue up to 10 percent of the shares up until the next AGM. As per 31 December 2020, Tethys Oil held 315,552 (1.0 percent) of its own shares which were purchased from 14 to 30 December 2020 at an average price of SEK 48.92. In June, and as resolved by the AGM 2020, Tethys Oil cancelled its entire holding of treasury shares (3,238,352) which were purchased from 2014 to April 2020 at an average price of SEK 55.48. As a result of the cancellation of treasury shares, the total number of shares and votes decreased from 36,294,960 shares and votes to 33,056,608 shares and votes. The share repurchase programme is based on a mandate from the respective AGM.

Tethys Oil has a warrant programme as part of the remuneration package to employees. Warrants currently outstanding have been issued following the AGMs in 2018, 2019 and 2020. The terms for each warrant series have been recalculated as a consequence of recalculation events, according to the terms and conditions for the warrants approved by the AGMs. The current terms are:

Warrant programme	Issued	Allotted	Strike price, SEK	No of shares each warrant entitle to
2018/21	350,000	324,000	75.40	1.18
2019/22	350,000	350,000	72.80	1.08
2020/23	350,000	349,000	54.00	1.00

Share capital development

Since the company's inception in September 2001 and up to 31 December 2020, the parent company's share capital has developed as shown below:

Year	Share capital development	Quota value, SEK	Change in number of shares	Total number of shares	Change in total share capital, SEK	Total share capital, SEK
2001	Formation of the company	100.00	1,000	1,000	100,000	100,000
2001	Share issue	100.00	4,000	5,000	400,000	500,000
2001	Share split 100:1	1.00	495,000	500,000	0	500,000
2003	Share issue	1.00	250,000	750,000	250,000	750,000
2004	Share split 2:1	0.50	750,000	1,500,000	0	750,000
2004	Share issue	0.50	2,884,800	4,384,800	1,442,400	2,192,400
2006	Non-cash issue	0.50	400,000	4,784,800	200,000	2,392,400
2006	Share issues	0.50	956,960	5,741,760	478,480	2,870,880
2007	Share issue	0.50	300,000	6,041,760	150,000	3,020,880
2007	Exercise of warrants	0.50	2	6,041,762	1	3,020,881
2007	Share issue	0.50	125,000	6,166,762	62,500	3,083,381
2007	Set-off issue	0.50	226,000	6,392,762	113,000	3,196,381
2008	Share split 3:1	0.17	12,785,524	19,178,286	0	3,196,381
2008	Share issue	0.17	4,800,000	23,978,286	800,000	3,996,381
2008	Exercise of warrants	0.17	1,800	23,980,086	300	3,996,681
2009	Share issues	0.17	3,300,000	27,280,086	550,000	4,546,681
2009	Exercise of warrants	0.17	769,005	28,049,091	128,167	4,674,848
2010	Exercise of warrants	0.17	1,144,451	29,193,542	190,742	4,865,590
2010	Share issue	0.17	500,000	29,693,542	83,334	4,948,924
2010	Exercise of warrants	0.17	2,810,947	32,504,489	468,491	5,417,415
2011	Non-cash issue	0.17	39,261	32,543,750	6,544	5,423,958
2012	Share issue	0.17	3,000,000	35,543,750	501,667	5,925,625
2015	Share split 1:2 (redemption shares)	0.08	35,543,750	71,087,500	0	5,925,625
2015	Redemption	0.08	-35,543,750	35,543,750	-2,962,813	2,962,813
2015	Bonus issue	0.17	0	35,543,750	2,962,813	5,925,625
2016	Share split 1:2 (redemption shares)	0.08	35,543,750	71,087,500	0	5,925,625
2016	Redemption	0.08	-35,543,750	35,543,750	-2,962,813	2,962,813
2016	Bonus issue	0.17	0	35,543,750	2,962,813	5,925,625
2018	Share split 1:2 (redemption shares)	0.08	35,543,750	71,087,500	0	5,925,625
2018	Redemption	0.08	-35,543,750	35,543,750	-2,962,813	2,962,813
2018	Bonus issue	0.17	0	35,543,750	2,962,813	5,925,625
2018	Exercise of warrants	0.17	352,560	35,896,310	58,777	5,984,402
2019	Share split 1:2 (redemption shares)	0.08	35,896,310	71,792,620	0	5,984,402
2019	Redemption	0.08	-35,896,310	35,896,310	-2,992,201	2,992,201
2019	Bonus issue	0.17	0	35,896,310	2,992,201	5,984,402
2019	Exercise of warrants	0.17	398,650	36,294,960	66,460	6,050,862
2020	Share split 1:2 (redemption shares)	0.08	36,294,960	72,589,920	0	6,050,862
2020	Redemption	0.08	-36,294,960	36,294,960	-3,025,431	3,025,431
2020	Bonus issue	0.17	0	36,294,960	3,025,431	6,050,862
2020	Redemption of treasury shares	0.17	-3,238,352	33,056,608	-539,877	5,510,985
2020	Bonus issue	0.18	0	33,056,608	539,877	6,050,862

Dividend policy

Tethys Oil has in 2021 adopted a new dividend policy. The new policy replaces the prior "Capital structure target and dividend policy". The new policy reads:

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.

Dividend

For the financial year 2020, the Board of Directors proposes to the AGM 2021 a total distribution of SEK 4.00 per share, corresponding to MSEK 130.5 in total. The distribution, subject to approval by the AGM, is proposed to be made by a cash dividend of SEK 2.00 per share and SEK 2.00 per share by a mandatory share redemption programme. (The AGM 2020 resolved on a total distribution of SEK 5.00 per share, of which SEK 2.00 per share as cash dividend and SEK 3.00 per share by a mandatory share redemption programme, equal to MSEK 165.3).

Share ownership structure

The 15 largest shareholders in Tethys Oil as per 28 February 2021.

Name	Number of shares	Share of capital and votes
Lansdowne Partners Austria	3,633,699	11.0%
Magnus Nordin	1,550,427	4.7%
Avanza Pension	1,240,294	3.8%
Adage Capital Management	1,050,000	3.2%
Liontrust	749,532	2.3%
Carl Erik Norman	685,000	2.1%
Nordnet Pension Insurance	657,217	2.0%
Jan Risberg	625,000	1.9%
Schroders	467,714	1.4%
Russell Investments	400,277	1.2%
AXA	348,200	1.1%
RAM Active Investments SA	337,784	1.0%
Daniel Hägerlöf	332,060	1.0%
New York City Employees Retirement System (NYCERS)	315,697	1.0%
Goldman Sachs Asset Management	299,046	0.9%
Total, 15 largest shareholders	**12,691,947**	**38.4%**
Summary, others appr 9,300 shareholders	19,929,021	60.3%
Outstanding shares	**32,620,968**	**98.7%**
Tethys Oil AB	435,640	1.3%
Total number of shares (incl. Treasury shares)	**33,056,608**	**100.0%**

Source: Monitor by Modular Finance as per 28 February 2021. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen). The verification date may vary for certain shareholders.

Distribution of shareholdings

Distribution of shareholdings per 28 February 2021.

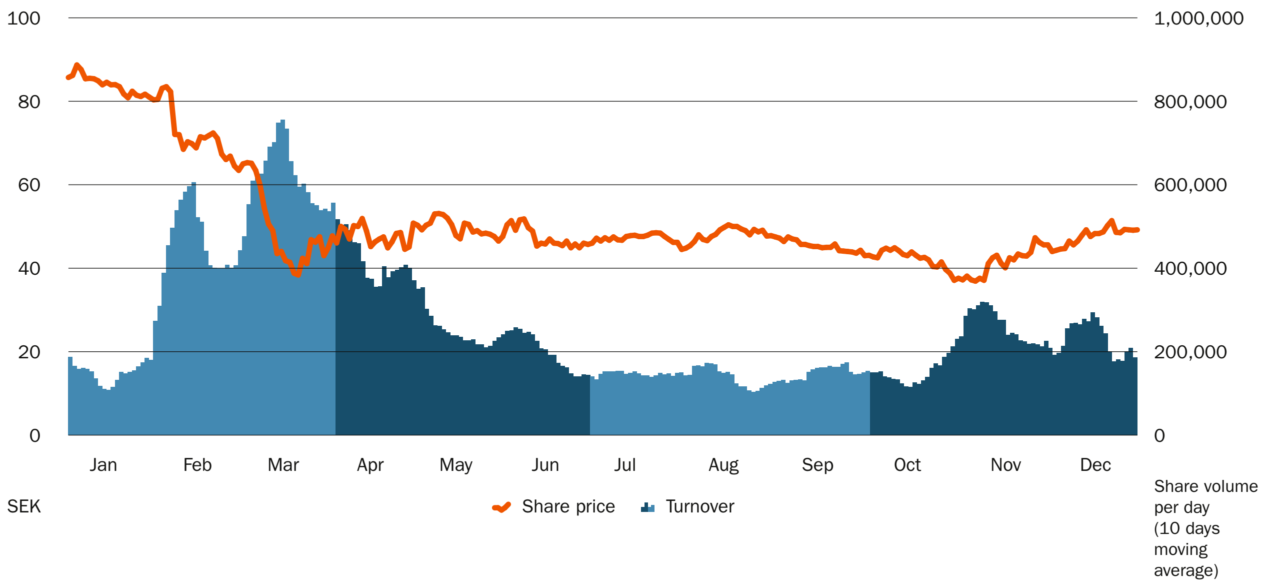
Owner distribution by holdings	Number of shares	Capital and votes	Number of owners	Part of owners
1 – 500	829,488	2.5%	6,805	73.2%
501 – 1,000	910,763	2.8%	1,103	11.9%
1,001 – 5,000	2,459,443	7.4%	1,054	11.3%
5,001 – 10,000	1,028,637	3.1%	145	1.6%
10,001 – 20,000	1,044,882	3.2%	69	0.7%
20,001 – 50,000	1,977,853	6.0%	60	0.6%
50,001 – 100,000	1,432,442	4.3%	21	0.2%
100,001 – 200,000	2,834,032	8.6%	19	0.2%
200,001 –	13,609,568	41.2%	18	0.2%

Source: Monitor by Modular Finance

Share statistics 2020

The final transaction price in 2020 was SEK 49.2 corresponding to a total market capitalization of MSEK 1,626. During the year the price of Tethys Oil's share decreased by 42 percent (including cash distribution a decrease of 36 percent). Based on data from NASDAQ Stockholm, the highest transaction price in 2020 was SEK 90.6 on 7 January and the lowest was SEK 36.16 on 19 March. The turnover velocity (annual turnover/ outstanding shares) was 192 percent on Nasdaq Stockholm.

Share price development and turnover 2020



Payments to authorities 2020

This report has been prepared in accordance with the law SFS 2015:812 (Lag 2015:812 om rapportering av betalningar till myndigheter) regarding payments to authorities. The reported amounts refer to direct payments in excess of the threshold amount of SEK 860,000 and production sharing for the fiscal year 2020 for the group in which Tethys Oil AB (publ) ("Tethys Oil") is the parent company.

Per project

Project	Production sharing		License costs	Total
	Barrels ('000)	USD ('000)	USD ('000)	USD ('000)
Oman				
Blocks 3&4	1,991	96,143	–	96,143
Block 49	–	–	250	250
Block 58	–	–	1,600	1,600
Total Oman	**1,991**	**96,143**	**1,850**	**97,993**
Total Tethys Oil	**1,991**	**96,143**	**1,850**	**97,993**

Per Authority

	Production sharing		License costs	Total
	Barrels ('000)	USD ('000)	USD ('000)	USD ('000)
Sultanate of Oman – Ministry of Energy and Minerals	1,991	96,143	200	96,343
Sultanate of Oman – Ministry of Finance	–	–	1,650	1,650
Total Oman	**1,991**	**96,143**	**1,850**	**97,993**
Total Tethys Oil	**1,991**	**96,143**	**1,850**	**97,993**

Production sharing

The category includes non-cash taxes and compensation to receiving state/authority in barrels of oil from Tethys Oil's working interest share of production. The presented amounts are based on net entitlement and have been valued using the reported average price for the period.

Licence costs

This pertains to costs for maintaining the exploration licences for Oman Block 49 and Block 58 where payment was made to Oman's Ministry of Oil and Gas and Oman's Ministry of Finance.

Key financial data

Group	2020	2019	2018	2017	2016
Operational items					
Production before government take, Oman Blocks 3&4, bbl	4,148,818	4,683,754	4,294,852	4,439,119	4,436,438
Production per day, Oman Blocks 3&4, bbl	11,336	12,832	11,767	12,162	12,121
Oil sales, bbl	2,317,875	2,259,849	2,163,148	2,316,404	2,357,701
Achieved oil price, USD/bbl	47.7	64.2	70.5	51.8	40.5
Income statement and balance sheet					
Revenue and other income, MUSD	101.1	150.8	157.3	119.3	87.1
EBITDA, MUSD	50.4	92.9	106.6	78.2	44.0
EBITDA-margin	50%	62%	68%	66%	51%
Operating result, MUSD	5.8	37.1	60.7	38.4	-0.5
Operating margin	6%	25%	39%	32%	-1%
Net result, MUSD	3.3	38.3	62.2	33.1	2.7
Net margin	3%	25%	40%	28%	3%
Cash and cash equivalents, MUSD	55.4	75.6	73.1	42.0	39.0
Shareholders' equity, MUSD	257.7	276.3	267.6	228.5	196.9
Balance sheet total, MUSD	280.3	300.2	291.4	244.7	239.0
Capital structure					
Equity ratio	92%	92%	92%	93%	82%
Leverage ratio	neg.	neg.	neg.	neg.	neg.
Investments in oil and gas properties, MUSD	45.4	65.2	55.8	40.4	48.5
Net cash, MUSD	55.1	75.1	73.1	42.0	39.0
Profitability					
Return on shareholders' equity	1.23%	14.10%	25.09%	15.56%	1.29%
Return on capital employed	4.87%	14.66%	26.66%	18.97%	4.20%
Other					
Average number of full-time employees	23	23	20	19	19
Distribution per share, SEK	5.0	8.0	6.0	1.0	4.0
Cash flow from operations per share, USD	1.59	2.64	2.97	1.46	1.53
Number of shares at period end, thousands	33,057	36,295	35,896	35,544	35,544
Of which repurchased shares at period end, thousands	316	1,954	1,644	1,644	1,329
Number of shares at year end (excluding repurchased shares), thousands	32,741	34,341	34,252	33,900	34,215
Shareholders' equity per share, USD	7.87	7.61	7.45	6.43	5.54
Weighted average number of shares (before dilution), thousands	33,321	34,223	34,011	34,170	34,324
Weighted average number of shares (after dilution), thousands	33,328	34,303	34,140	34,385	34,372
Earnings per share before dilution, USD	0.10	1.12	1.83	0.97	0.08
Earnings per share after dilution, USD	0.10	1.12	1.82	0.96	0.08

Tethys Oil discloses alternative performance measures as part of its financial statements prepared in accordance with ESMA's (European Securities and Markets Authority) guidelines. Tethys Oil believes that the alternative performance measures provide useful supplemental information to management, investors, security analysts and other stakeholders. They are meant to provide an enhanced insight into the financial development of Tethys Oil's business operations and improve comparability between periods. Alternative performance measures are not defined under IFRS and should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement. Reconciliations of relevant alternative performance measures are provided on the following page. Definitions of the performance measures are provided under the key ratio definitions below.

Definitions of key ratios

Relevant reconciliations of alternative performance measures

MUSD	2020	2019	2018	2017	2016
Operating result	5.8	37.1	60.7	38.4	-0.5
Add: Depreciation, depletion and amortization	44.5	47.6	45.9	39.5	44.4
Add: Exploration costs	0.0	8.2	–	0.3	0.1
EBITDA	**50.4**	**92.9**	**106.6**	**78.2**	**44.0**
Cash and bank	55.4	75.6	73.1	42.0	39.0
Less: Interest bearing debt	-0.3	-0.5	–	–	–
Net cash	**55.1**	**75.1**	**73.1**	**42.0**	**39.0**

Margins

EBITDA-margin
EBITDA as a percentage of yearly revenue and other income.

Operating margin
Operating result as a percentage of yearly revenue and other income.

Net margin
Net result as a percentage of yearly revenue and other income.

Capital structure

Equity ratio
Shareholders' equity as a percentage of total assets.

Leverage ratio
Net interest bearing debt as a percentage of shareholders' equity.

Investments
Total investments during the year.

Net cash
Cash and equivalents less interest bearing debt.

Profitability

Return on shareholders' equity
Net result as percentage of average shareholders' equity.

Return on capital employed
Net result plus financial costs as a percentage of average capital employed (total assets less non interests-bearing liabilities).

Other

Number of employees
Average number of employees fulltime.

Shareholders' equity per share
Shareholders' equity divided by the number of outstanding shares.

Weighted average number of shares
Number of shares at the beginning of the year with newly issued shares time weighted for the period on issue.

Earnings per share
Net result divided by the weighted number of shares.

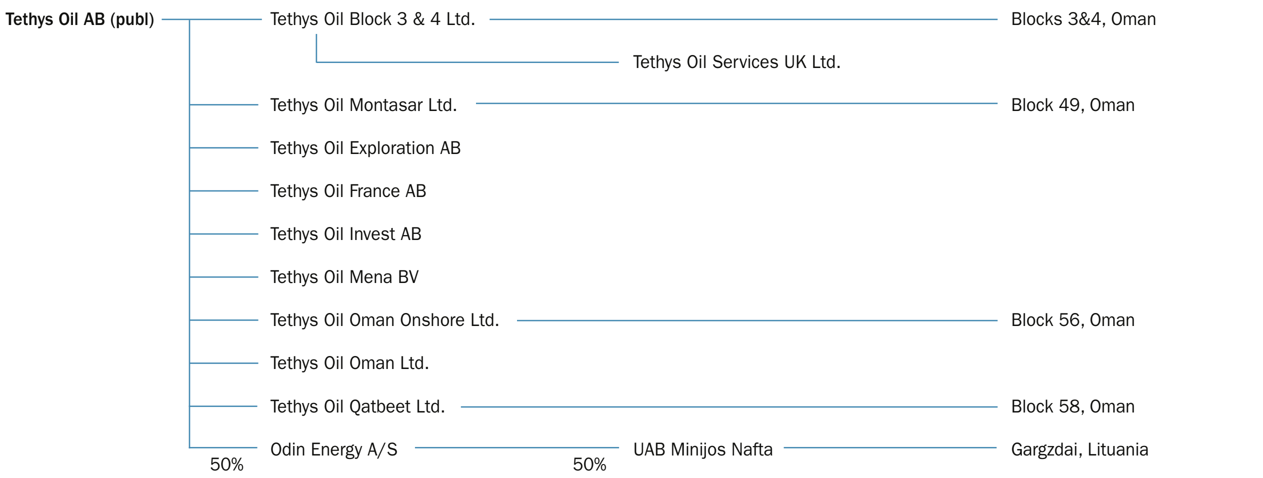
Definitions and abbreviations

SEK	Swedish krona
TSEK	Thousands of Swedish kronor
MSEK	Millions of Swedish kronor
USD	US dollar
TUSD	Thousands of US dollars
MUSD	Million US dollars

bbl	One barrel of oil = 159 litres, 0.159 cubic meters
bopd	Oil production is often given in numbers of Barrels of Oil per Day
mbo	Thousand Barrels
mmbo	Million Barrels
EPSA	Exploration and Production Sharing Agreement

Administration report

(This is an English translation of the Swedish original)



Ownership in subsidiary companies is 100% unless otherwise stated.

The consolidated financial statements of the Tethys Oil Group (hereafter referred to as "Tethys Oil" or the "Group"), where Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the twelve-month period ended on 31 December 2020. The amounts relating to the comparative period (equivalent period of last year) are shown in parenthesis after the amount for the current period. Segments of the Group are geographical markets.

OPERATIONS

Tethys Oil is a Swedish oil company with focus on onshore areas with known oil discoveries. Tethys Oil's core area is the Sultanate of Oman, where the Group holds interests in the licenses for Blocks 3&4, Block49, Block 56 and Block 58. The Company holds a 30 percent non-operated interest in the exploration and production licence for Blocks 3&4, a 100 percent operated interest in the exploration licence for Block 49 and Block 58 as well as a 20 percent non-operated interest in the exploration license for Block 56.

In October 2020 Tethys Oil entered into an agreement with Medco Arabia Ltd regarding a farm-in of 45 percent interest in Block 56. Upon closing Tethys Oil will have 65 percent interest and assume operatorship of the license. In November 2020 Tethys Oil concluded an agreement to farm-out 50 percent of its interest in the licence for Block 49 to EOG Resources Inc. ("EOG"). The agreement includes an option for EOG to acquire the rights to 85% interest in unconventional exploration on the block. Both of the transactions received final government approval in the first quarter 2021. For further information, see Note 26 Subsequent events.

Tethys Oil also has an indirect interest in a minor producing asset in Lithuania. The company is actively seeking to expand its operations in Oman, and the surrounding region. Tethys Oil's operational approach is to explore, appraise and develop its assets concurrently allowing for continued operations to be funded from cash flow from production. This has resulted in continuous growth in both production and reserves over time.

Production

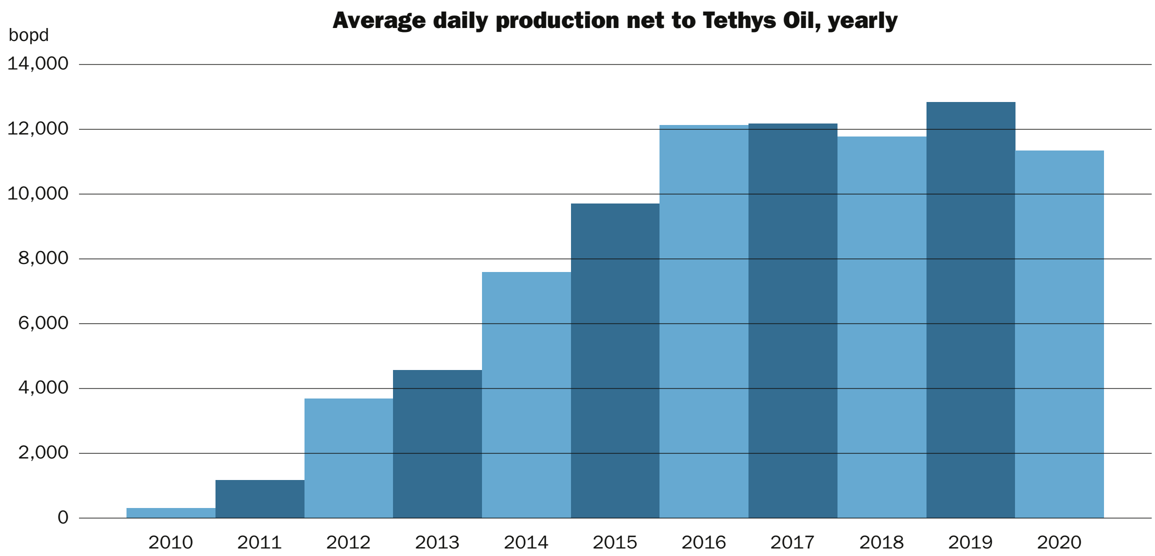
The Group's reported production comes from Blocks 3&4 in Oman which averaged 11,336 barrels per day in 2020 compared to 12,832 barrels per day in 2019. The Group's reported production declined by 11 percent in 2020 compared to the year before and amounted to 4.1 million barrels (4.7 million barrels). The decline in production is a result of the imposition of production limitations on Blocks 3&4 starting May 2020 following the Sultanate of Oman's participation in the OPEC+ agreement.

Production Entitlement

The terms of the Exploration and Production Sharing Agreement ("EPSA") for Blocks 3&4 allows the joint operations partners to recover their costs from up to 40 percent of the value of total oil production on an annual basis, this is referred to as 'cost oil'. After deducting any allowance for cost oil, the remaining production is split 80/20 between the government ("government take") and the joint operations partners. If the costs incurred during the period exceeds the maximum 40 percent of production, it is carried forward to be recovered in future periods and is referred to as the 'Cost Pool'. If there are no costs to be recovered, the joint operations partners receive 20 percent of the oil produced. The terms of the EPSA thus dictates that the joint operations partners' share of production after government take to be in the range 20–52 percent, depending on available recoverable cost.

As per 31 December 2019 there was no unrecovered cost in the Blocks 3&4 cost pool. During 2020 as oil prices declined not all cost incurred could be recovered resulting in a build-up of a cost pool in Blocks 3&4. Net entitlement for 2020 was 52 percent (2019: 51 percent) of production. As per 31 December 2020 Tethys Oil's net share of the cost pool balance was MUSD 1.8 (MUSD –).

Tethys Oil's share of volumes, before government take	2020	2019	2018	2017	2016
Tethys Oil's share of annual production, bbl					
Oman, Blocks 3&4					
Production, bbl	4,148,818	4,683,754	4,294,852	4,439,118	4,436,438
Average daily production, bopd	11,336	12,832	11,767	12,162	12,121



Reserves and contingent resources

Oman, Blocks 3&4

Tethys Oil's net working interest Reserves in Blocks 3&4 Oman as at 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 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 programme 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 ongoing 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).

During 2020, Tethys Oil sold 2,317,875 barrels of oil from Blocks 3&4, representing a 3 percent increase compared to 2019 when 2,259,849 barrels of oil were sold. The increase in oil sold was offset by the 26 percent decrease in achieved oil price resulting in a revenue of MUSD 110.7 (MUSD 145.0), a 24 percent decline. In addition to revenue, there has been an adjustment for an increased overlift position amounting to MUSD -9.6 (MUSD 5.8) which together with revenue adds up to revenue and other income of MUSD 101.1, a 33 percent decline in 2020 compared to MUSD 150.8 in 2019.

Revenue and other income

	2020	2019	2018	2017	2016
Oil sold, bbl	**2,317,875**	2,259,849	2,163,148	2,316,404	2,357,701
Underlift (overlift) movement, bbl	**-160,490**	123,238	70,174	-8,062	-50,754
Net barrels produced, after government take, bbl	**2,157,385**	**2,383,086**	**2,233,322**	**2,308,342**	**2,306,947**
Achieved oil price, USD/bbl	**47.7**	64.2	70.5	51.8	40.5
Revenue, MUSD	**110.7**	145.0	152.6	119.9	95.4
Underlift (overlift) adjustments, MUSD	**-9.6**	5.8	4.7	(0.6)	(2.4)
Overlift adjustment reporting error, MUSD	**–**	–	–	–	(5.9)
Revenue and other income, MUSD	**101.1**	**150.8**	**157.3**	**119.3**	**87.1**

The achieved oil price (also known as the average selling price) in 2020 was USD 47.7 (USD 64.2) per barrel.

Volumes for oil sales are nominated two to three months in advance and are not based upon the actual production in a month; as a result, sales volumes can be above or below production volumes. Where the sales volume exceeds the quantity of barrels produced, an overlift position occurs and where it is less, an underlift position occurs. During the year, the group went from an underlift position of 157,321 barrels at the end of 2019 to an overlift position of 3,169 barrels at the 31 December 2020. The valuation of both over- and underlift is based on market price at the balance sheet date.

Tethys Oil sells all of its oil through Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. All oil sales originate from Blocks 3&4 and are made on a monthly basis. Tethys Oil's selling price is based on the Official Selling Price (OSP) as set by the Sultanate of Oman's Ministry of Oil and Gas, in addition to trading and quality adjustments. The OSP is calculated using the monthly average price of the front month future contract of Oman Export blend (with 2 months to delivery) as traded on the Dubai Mercantile Exchange.

Operating expenses

	2020	2019	2018	2017	2016
Production costs, MUSD	**40.3**	47.2	42.6	32.6	33.5
Well workovers, MUSD	**3.1**	4.4	3.4	2.3	3.1
Total operating expenses, MUSD	**43.4**	**51.6**	**45.9**	**34.9**	**36.5**
Operating expenses per barrel, USD	**10.5**	11.0	10.7	7.9	8.2

Production costs relate to oil production on Blocks 3&4, and comprise expenses for throughput fees, energy, consumables, field staff, maintenance, as well as administration, including operator overhead. Well workovers and interventions relate to downhole work and replacing of electric submersible pumps enabling shut-in wells to restart production. The work programme for well workovers and interventions was reduced resulting in a lower expenditure compared to 2019.

Production costs, well workovers and interventions together comprise operating expenses, amounting to MUSD 43.4 in 2020 (MUSD 51.6), a decrease of 16 percent compared to 2019. The decrease in costs was primarily a result of shutting in high cost wells, lower fuels costs and general cost savings in response to lower oil prices and the production limitations.

Depletion, depreciation and amortisation

	2020	2019	2018	2017	2016
DD&A, MUSD	**44.5**	47.6	45.9	39.5	44.4
DD&A per barrel, USD	**10.7**	10.2	10.7	8.9	10.0

Depletion, depreciation and amortisation ("DD&A") for 2020 amounted to MUSD 44.5 (MUSD 47.6), which is lower than 2019 and is attributable to lower production offset by a somewhat higher DD&A rate per barrel. The DD&A charge relates mainly to Blocks 3&4.

Netback

USD/bbl	2020	2019	2018	2017	2016
Achieved oil price	**47.7**	64.2	70.5	51.8	40.5
Revenue (after government take)	**24.8**	31.1	36.7	27.0	21.0
Operating expenses	**10.5**	11.1	10.7	7.9	8.2
Netback	**14.4**	**22.3**	**26.0**	**19.1**	**12.8**

The decrease in netback per barrel during 2020 is a result of the lower achieved oil price.

Exploration Costs

The exploration costs recorded in 2020 was MUSD 0.0 (2019: MUSD 8.2) and are related to write-offs of minor, early stage exploration and new ventures activities. Exploration and appraisal costs are capitalised as they are incurred and subject to regular review. Dry or uneconomic wells are expensed when the recoverability of the costs is deemed highly unlikely.

Administrative expenses

Administrative expenses amounted to MUSD 7.3 for 2020 compared to MUSD 7.0 during 2019 with the increase driven by an increase in staff and consultancy costs. Administrative expenses are mainly salaries, rents, listing costs and external services.

Net financial result

The net financial result for 2020 of MUSD -2.5 (MUSD 1.2) has been impacted by net losses due to changes in foreign exchange rates resulting from the appreciation of SEK against USD. Currency translation differences recorded on loans between the parent company and subsidiaries are non-cash related 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 and royalties, 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 2020 of MUSD 3.3 (MUSD 38.3), representing earnings per share of USD 0.10 (USD 1.12). The result for 2020 was down compared to 2019 mainly due to lower oil prices and lower production.

Investments and work programme

Country/Asset, MUSD	Book value 31 Dec 2020	Investments Jan–Dec 2020	Book value 31 Dec 2019	Investments Jan–Dec 2019
Oman Blocks 3&4	191.9	38.8	194.8	54.0
Oman Block 49	12.6	4.6	8.0	2.3
Oman Block 56	8.8	0.2	8.6	8.6
Oman Block 58	1.8	1.8	–	–
Lithuania	–	–	–	–
New ventures	0.3	–	0.3	0.3
Total	**215.3**	**45.4**	**211.7**	**65.2**

During 2020, total investments in oil and gas properties amounted to MUSD 45.4 compared to MUSD 65.2 in 2019. In 2020, investments of MUSD 38.8 related to Blocks 3&4, MUSD 4.6 to Block 49, MUSD 0.2 to Block 56 and MUSD 1.8 to Block 58.

Blocks 3&4

Investments Blocks 3&4, MUSD	2020	2019	2018	2017	2016
Drilling	**19.4**	25.0	25.5	26.6	30.3
G&G	**9.2**	10.1	11.2	4.2	4.5
Facilities	**10.2**	18.9	13.7	9.1	13.4
Total investments Blocks 3&4	**38.8**	**54.0**	**50.4**	**39.9**	**48.2**

Operations

Blocks 3&4

Tethys Oil's share of production from Blocks 3&4 during 2020, before government take, was 4,148,818 barrels of oil, corresponding to 11,336 barrels of oil per day. The 2020 average daily production was 12 percent lower than in 2019 due to the OPEC+ production limitations.

Production Limitations

In April 2020 it was announced, that the Sultanate of Oman was 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 2020. Tethys Oil's net share of the production quota, before government take, for May-June 2020 was set to be 8,700 barrels per day and for the period July to December 2020, 9,300 barrels per day. The OPEC+ agreement is still in force in 2021 and Blocks 3&4 are subject to production limitations. The production from Blocks 3&4 has been permitted to deviate from the quotas on a monthly basis in 2020, and can also do so going forward. There is readiness to continue to produce above quotas if permitted.

The main objective of the 2020 work programme was to continue the development of the fields through development drilling, maintenance and upgrading of production facilities and infrastructure in addition to continued exploration drilling and seismic acquisition. The focus in the first quarter 2020 was particularly on development drilling and production optimisation.

In April 2020, and as a response to the sharp drop in oil prices in March 2020, 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 target was to ensure the operations on Blocks 3&4 would remain, at minimum, cash flow neutral for the full year at current market conditions. The plans included a reduction of development activities, such as production drilling.

In the second quarter of 2020 and for the remainder of the year, operations on Blocks 3&4 shifted from the original 2020 work program to a new, reduced scope work programme and budget. Aside for completion of already committed upgrades and debottlenecking investments, the reduced scope included reduced production drilling and facility upgrades, with focus primarily on projects critical for safety and asset integrity. Two rigs were put on standby in June and for the rest of the year while one drilling rig and one workover rig remained operational.

Since the outbreak of the Covid-19 pandemic, rigorous testing and quarantining procedures were put in place to mitigate the spread of the coronavirus at operating facilities. This resulted in the detection of a small number of infected employees and contractors on Blocks 3&4. In accordance with the routines, all infected personnel were quarantined, successfully preventing a general spread of the infection and enabling operations to proceed unaffected.

A total of 25 wells were completed during the year, 20 of which were production and appraisal wells and 4 were water injection wells. In addition, one exploration well was drilled. Two rigs were put on standby in June 2020 while one drilling rig and one workover rig remained operational throughout the year.

Exploration activities

The acquisition of the final seismic in the 2019/2020 survey was completed in the beginning of 2020. More than 4,000 km² of new seismic has been collected through the survey. The new seismic covers 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 has been handed over to the partner group for continued interpretation.

The Anan-1 well, an Erfan analogue well, was drilled in the fourth quarter 2020 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, Oman

The work programme on Block 49 was focused on the preparations for the drilling of the Thameen ("Precious") prospect in the north eastern part of the block. In parallel seismic interpretations and overall geological modelling of Block 49 continued.

Construction at the drill site started during the autumn 2020, including construction of roads, drill pad, and camp. 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.

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 was finalized in 2021 after government approval.

In addition, Tethys Oil has been granted a one-year extension of the first exploration phase of the Block. Following the extension, the first phase will end in December 2021.

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 was approved by the government in February 2021.

In consideration for the 45 percent 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.

Block 58

Tethys Oil announced in early July 2020 that the Government of the Sultanate of Oman and Tethys Oil had entered into an Exploration and Production Sharing Agreement (EPSA) for Block 58 onshore Oman, a royal decree was received shortly after the announcement. Tethys Oil will through its wholly owned subsidiary Tethys Oil Qatbeet Limited be the operator of the block and hold a 100% license interest.

Block 58 is located in the Dhofar Governorate in the southern part of Oman, adjacent to Tethys Oil's operated exploration licence Block 49. It covers an area of 4,557 km². Block 58 straddles the western flank of the South Oman Salt Basin and the Western Deformation Front. 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.

The EPSA for Block 58 covers an initial exploration period of three years with an optional extension period of another three years. In case of a commercial oil or gas discovery, the EPSA will be transformed in to a 15 year production license which can be extended for another five years. In case of a commercial discovery, an Oman Government Company has a right to acquire up to a 30% interest in Block 58 against refunding of past expenditure. The initial work commitments during the first period include a 3D seismic campaign and drilling of two exploration wells.

A review of legacy seismic 3D data was conducted in 2020, along with preparation of the work programme for 2021.

Financial and Production Guidance 2020
Following the announcement in April 2020 of the introduction of production limitations in Oman, Tethys Oil suspended its previously announced financial guidance for 2020 regarding production (previously 12,600–13,400 bopd before government take), investments (previously MUSD 50–64) and operating expenses (previously USD 11.5 per barrel).

Investments and work programme 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 programme 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 Jumd 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 2021
Tethys Oil 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 Oil elects to not issue any guidance regarding production, operating expenses and net entitlement but will continue to publish monthly production updates.

Associated companies
Lithuania
Tethys Oil's interest in the production licence Garzdai is held indirectly through a Danish limited liability company which holds shares in the Lithuanian operating company which holds 100 percent of the licence. Consequently Tethys Oil has an effective 25% interest in the Gargzdai licence. The holding in Gargzdai is consolidated through a one-line consolidation in Tethys Oil's financial statements and is presented in the balance sheet under "Investments in associates" and in the income statement as "Share of net profit/loss from associates".

As at 31 December 2020, the value of the shareholding in the associated Danish company holding the interests in the Lithuanian Gargzdai licences, amounted to MUSD 0.0 compared to MUSD 0.0 at the end of 2019. Share of net profit/loss from associated companies amounted to MUSD 0.0 as no dividends were received in 2020 (2019: MUSD: 0.7). The book value related to Minijos Nafta (Gargzdai) is zero, and as there are no formal or informal obligations related to Minijos Nafta, Tethys Oil does not recognize any negative net result from Minijos Nafta.

Liquidity and financing
Cash and bank as per 31 December 2020 amounted to MUSD 55.4 compared to MUSD 75.6 as per 31 December 2019.

In May 2020, a dividend of SEK 2.00 per share was paid to shareholders, which in total amounted to MUSD 7.0. Furthermore, an extra ordinary distribution of 3.00 SEK per share, MUSD 10.6 was distributed to shareholders through a mandatory share redemption programme.

For the twelve months ended 31 December 2020, the cash flow from operations amounted to MUSD 52.1 (MUSD 96.0) and cash flow used in investments in oil and gas amounted to MUSD 45.4 (MUSD 65.2). For the twelve months of 2020, free cash flow (cash flow from operations less investments) amounted to MUSD 6.7 (MUSD 31.4).

Tethys Oil's ongoing operations on Blocks 3&4, Block 49, Block 56, and Block 58 in Oman, including investment programme, and elsewhere are expected to be funded from cash flow from operations and from available funds.

Parent company
The parent company reports a net result after tax for 2020 amounting to MSEK 22.7 compared to MSEK 277.6 for 2019. Administrative expenses amounted to MSEK 48.2 for 2020 compared to MSEK 43.1 for 2019. Net financial result amounted to MSEK 58.1 during 2020 compared to MSEK 303.6 for 2019. Dividends from subsidiaries amounting to MSEK 57.3 and currency exchange losses related to intercompany loans were the main reason for the net financial result.

Significant agreements and commitments
In Tethys Oil's oil and gas operations, there are two main categories of agreements: one that governs the relationship with the host country, and one that governs the relationship with partners.

The agreements that govern the relationship with host countries are referred to as licences or Exploration and Production Sharing Agreements (EPSA or PSA). Tethys Oil holds its interests directly through aforementioned agreements in Oman. The agreements with host countries have a time limit and are normally divided into periods. Financial commitments and/or work commitments normally relate to the different periods. Tethys Oil has fulfilled its commitments on Blocks 3&4. On Block 49 and Block 58, the initial work commitments during the first period includes geological studies, seismic acquisition and processing and exploratory drilling. On Block 56, the second exploration period includes a 3D seismic commitment and the drilling of one exploration well.

The agreements that govern the relationship with partners are referred to as Joint Operating Agreements (JOA). In all areas of operation where Tethys Oil has partners, JOAs are in effect.

Other than the aforementioned agreements, there are no individual agreements or similar circumstances relating to the business which are of crucial significance for the group's operations or profitability.

Board of Directors
At the AGM of shareholders on 13 May 2020 Robert Anderson, Alexandra Herger, Magnus Nordin, Per Seime and Geoffrey Turbott were re-elected and Klas Brand was elected as members of the Board. No deputy directors were appointed. At the same meeting, Geoffrey Turbott was re-appointed chairman of the Board. The

work of the board is subject to an established work procedure that defines the distribution of work between the board and the managing director. The work procedure is evaluated each year and revised if deemed appropriate. The board had 13 meetings during 2020. The six members of the board have consisted of five non- executive directors and the managing director. The board has three committees – Audit Committee, Remuneration Committee and Technical Committee. Klas Brand is chairman of the audit committee, Per Seime is chairman of the remuneration committee and Rob Anderson is chairman of the technical committee.

Organisation

At the end of the year, Tethys Oil had an average number of full-time employees of 23 (23). Of these, 8 (8) were women. In addition, contractors and consultants are engaged in Tethys Oil's operations.

Remuneration policy

The guidelines for executive remuneration as agreed by the Annual General Meeting 2020 can be found in Note 12 and in the corporate governance report.

Sustainability report

In accordance with the Swedish Annual Accounts Act (ÅRL chapter 6, §11) Tethys Oil has opted to issue the sustainability report as a document separate from the annual report. The sustainability report is available on the corporate website, www.tethysoil.com.

Group structure

Tethys Oil AB (publ), with organizational number 556615-8266, is the parent company in the Tethys Oil Group. Material subsidiaries include Tethys Oil Block 3&4 Limited, Tethys Oil Montasar Limited, Tethys Oil Qatbeet Limited and Tethys Oil Oman Onshore Limited. The Tethys Oil Group was established on 1 October 2003. The Group has branch offices in Muscat, Oman and Dubai, the United Arab Emirates.

Share data

As at 31 December 2020, the number of issued shares in Tethys Oil AB amount to 33,056,608 with a quota value of SEK 0.18. All shares represent one vote each. The number of shares has decreased by 3,238,352 during 2020 following a cancellation of treasury shares as resolved by the 2020 AGM.

As at 31 December 2020, Tethys Oil held 315,552 of its own shares which were purchased since the commencement of the share repurchase programme in the fourth quarter 2020. The main purpose of the share repurchase programme is to give the company flexibility regarding its equity and thereby optimize the capital structure of the company. Repurchased shares may also be used as payment for, or financing of, acquisitions of companies or businesses or in connection with handling of incentive programs. A total 1,599,741 shares were purchased by the company in 2020 of which 1,284,189 were purchased before the 2020 AGM and subsequently cancelled. The repurchased shares are still included in the total number of shares, but are not included in the average number of shares outstanding. The weighted average number of shares outstanding during 2020 before dilution is 33,321,353 and after dilution 33,328,099. After 31 December 2020 and up to the date of publication for this report, Tethys Oil has acquired a further 120,088 shares.

Tethys Oil has a warrant-based incentive programme for employees which may increase the number of shares depending on the share price during the exercise periods, for further information please see note 22.

Seasonal effects

Tethys Oil has no significant seasonal variations.

Transactions with related parties

See note 25.

Risk and uncertainties

A statement of risks and uncertainties are presented in note 1.

Appropriation of profit

The Board of Directors proposes a dividend of SEK 2.00 per share (AGM 2020: SEK 2.00) equal to MSEK 65.2 (MSEK 66.1). The Board of Directors proposes an extraordinary distribution of SEK 2.00 per share (AGM 2020: SEK 3.00) by way of a mandatory share redemption programme following the AGM 2021 equal to MSEK 65.2 (MSEK 99.2). It is also proposed that the balance of retained earnings after the dividend be retained in the business as described below.

MSEK	2020	2019
Retained earnings	140.1	104.8
Profit for the year	22.7	277.6
	162.8	**382.4**
The Board of Directors proposes that these earnings be appropriated as follows:		
To the shareholders, a distribution of SEK 2.00 per share (AGM 2020: SEK 2.00)	65.2	66.1
To the shareholders, an extraordinary distribution of SEK 2.00 per share (AGM 2020: SEK 3.00)	65.2	99.2
To be retained in the business	32.4	217.1
	162.8	**382.4**

Cash dividend

Tethys Oil's board of directors has proposed a cash dividend of SEK 2.00 per share amounting to SEK 65,241,936 at the current number of shares outstanding (net of treasury shares) and an extraordinary distribution of SEK 2.00 per share amounting to SEK 65,241,936. The dividend and extraordinary distribution are subject to approval at the AGM 2021. This is a total distribution of SEK 130,483,872. The preliminary record date for the dividend is 21 May 2021.

The parent company has distributable earnings (unrestricted equity) of MSEK 162.8 at 31 December 2020. Since the start of 2021 Tethys has repurchased shares to a value of MSEK 6.5, leaving a balance of MSEK 156.2 in unrestricted equity in the parent company. After the dividend and cash distribution of MSEK 130.5 the parent company will have retained earnings of MSEK 25.7.

As per 31 December 2020, the Group's and the parent company's equity ratio amounted to 93.4 percent and 91.9 percent, respectively. After the dividend, distribution and buyback, the Group's and the parent company's equity ratio will amount to 85.9 percent and 91.4 percent, respectively.

Tethys Oil has generated significant cash flows in recent years and the Group's financial position is strong. The board has considered the parent company and the consolidated Group's needs through a comprehensive evaluation of the parent company's and the Group's financial position and the parent company's and the Group's possibilities to fulfil their commitments in the long term. The board of directors has concluded that despite uncertainties in the company's operating environment, the parent company's and the Group's financial position gives rise to the conclusion than that the parent company and the Group can continue its operations and meet its obligations in the short and long term and continue to make investments. The board believes that the size of the equity, even after the proposed dividend, is in reasonable proportion to the scale of the parent company's and the Group's business as well as the risks associated with conducting the business.

With reference to the above, and what has come to the board's attention, it is the board's assessment that the parent company's and the Group's financial position implies that the proposed dividend is justifiable pursuant to Chapter 17, Section 3 second and third paragraph of the Swedish Companies Act, i.e. with reference to the requirements that the nature, scope and risks of business put on the size of the parent company's and the Group's equity as well as the parent company's and the Group's need to strengthen its balance sheet, liquidity and financial position.

Impact of Covid-19 pandemic

The outbreak of the global coronavirus pandemic in the first quarter of 2020 has had a profound effect on societies and economies across the world. Both the first and second order effects of the outbreak including the attempts to contain the contagion have been dramatic in the swiftness and impact.

From Tethys Oil's perspective the primary objective has been, as always, to safeguard the health and safety of its staff while ensuring continued operational capacity. Throughout the year the Company, its partners and subcontractors have continually assessed the situation and its risks and implemented routines to ensure the wellbeing of the staff and maintained operations. Under challenging circumstances these routines have shown to been successful thus far.

The oil and gas industry saw the effects of the global pandemic very early in 2020 as increased travel restrictions, lockdowns and generally reduced economic activity impacted the demand for its oil and oil products. The International Energy Agency (IEA) estimated that oil demand in the second quarter 2020 declined by 16 percent compared to the same period in 2019, while overall demand in 2020 declined by almost 9 percent compared to the year before. The sector hardest hit was transportation and in particular, the demand for jet fuel as global air travel declined.

The impact of the drop in demand and shift to oversupply resulted in a significant drop in the oil price during the first half of 2020. Tethys Oil's achieved oil price of USD 47.7 per barrel was almost 26 percent below the 2019 level of USD 64.2 and in combination with more than 11 percent lower production resulted in a decline in revenue and other income of over 30 percent. Despite the reduced expenditure, the operating result declined by over 80 percent in 2020 as a consequence of the effects of the covid pandemic on the global demand for oil.

To mitigate the effects of reduced demand and potential oversupply the Organisation of Petroleum Exporting Countries (OPEC) and a group of other oil exporting nations formed a cooperation called OPEC+ which worked to reduce oil output and reduce inventory levels following the exceptional pandemic events. The OPEC+ included the Sultanate Oman, which resulted in production limitations to be imposed on Blocks 3&4 starting May 2020.

From a forward-looking perspective, IEA expects demand for oil to rebound in 2021 although it is not expected to return to pre-covid levels until the end of 2022. The longer lasting effects of the pandemic on the global travel patterns, energy usage and economic activity remain difficult to predict. Tethys Oil has continually re-evaluated and revised its long-term planning in light of the changing macroeconomic factors to ensure the sustainability and economic viability of its operations from a long-term perspective.

Financial statements

The result of the Group's and parent company's operations and the financial position at the end of the financial year is shown in the following income statements, balance sheets, cash flow statements, statements of changes in equity and related notes. Balance sheets and income statements will be resolved at the AGM, 19 May 2021.

Consolidated statement of comprehensive income

1 January – 31 December, MUSD	**Note**	**2020**	**2019**
Revenue	4	110.7	145.0
Underlift/overlift adjustments		-9.6	5.8
Revenue and other income	3	**101.1**	**150.8**
Operating expenses	9	-43.4	-51.6
Gross profit		**57.7**	**99.2**
Depletion. depreciation and amortisation	3,8	-44.5	-47.6
Exploration costs	8	-0.0	-8.2
Share of net profit/loss from associates	6	–	0.7
Administrative expenses	10–12,22	-7.3	-7.0
Operating result		**5.8**	**37.1**
Financial income and similar items	13	7.8	1.7
Financial expenses and similar items	14	-10.3	-0.5
Net financial result		**-2.5**	**1.2**
Result before tax		**3.3**	**38.3**
Income tax	15	-0.0	-0.0
Net result		**3.3**	**38.3**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Currency exchange differences		3.7	-1.6
Other comprehensive income		**3.7**	**-1.6**
Total comprehensive income		**7.0**	**36.7**
Attributable to:			
Shareholders in the parent company		7.0	36.7
Non controlling interest		–	–
Total number of shares at period end	18	33,056,608	36,294,960
Weighted average number of shares (before dilution)	18	33,321,353	34,222,908
Weighted average number of shares (after dilution)	18	33,328,099	34,302,921
Earnings per share (before dilution). USD	18	0.10	1.12
Earnings per share (after dilution). USD	18	0.10	1.12

Consolidated balance sheet

As at 31 December, MUSD	**Note**	**2020**	**2019**
ASSETS			
Non current assets			
Oil and gas properties	8	215.3	211.7
Other Fixed Assets	19	0.3	0.6
		215.6	**212.3**
Current assets			
Trade and other receivables	16	9.1	12.0
Prepaid expenses		0.2	0.3
Cash and cash equivalents	17	55.4	75.6
		64.7	**87.9**
TOTAL ASSETS		**280.3**	**300.2**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	18		
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	7	12.5	9.6
Other non-current liabilities	19	0.3	1.4
		12.8	**11.0**
Current liabilities			
Accounts payable and other current liabilities	20	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 2019	–	–	–	38.3	**38.3**
Other comprehensive income	–	–	-1.6	–	**-1.6**
Total comprehensive income	**–**	**–**	**-1.6**	**38.3**	**36.7**
Transactions with owners					
Share issue	–	2.3	–	–	**2.3**
Repurchase of 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 2020	–	–	–	3.3	**3.3**
Other comprehensive income	–	–	3.7	–	**3.7**
Total comprehensive income	**–**	**–**	**3.7**	**3.3**	**7.0**
Transactions with owners					
Repurchase of 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

1 January – 31 December, MUSD	Note	2020	2019
Cash flow from operations			
Operating result		5.8	37.1
Interest received	13	0.1	0.8
Interest paid	14	-0.0	-0.0
Adjustment for exploration costs	8	–	8.2
Adjustment for depletion, depreciation and other non-cash related items	8	46.2	46.0
Total cash flow from operations before change in working capital		**52.2**	**92.1**
Change in receivables		3.0	5.9
Change in liabilities		-3.1	-2.0
Cash flow from operations		**52.1**	**96.0**
Investment activity			
Investment in oil and gas properties		-45.4	-65.2
Investment in other fixed assets		–	-0.1
Cash from associated companies, net		–	0.7
Cash flow from investment activity		**-45.4**	**-64.6**
Financing activity			
Share issue	18	–	2.3
Repurchase of shares		-8.3	-2.1
Dividend		-7.0	-7.1
Share redemption		-10.6	-21.4
Cash flow from financing activity		**-25.9**	**-28.3**
Period cash flow		**-19.2**	**3.1**
Cash and cash equivalents at the beginning of the period		75.6	73.1
Exchange gains/losses on cash and cash equivalents		-1.0	-0.6
Cash and cash equivalents at the end of the period		**55.4**	**75.6**

Parent company income statement

1 January – 31 December, MSEK	**Note**	**2020**	**2019**
Revenue	5	12.8	10.7
Share of net profit/loss from associates	6	–	6.4
Administrative expenses	10–12, 22	-48.2	-43.1
Operating result		**-35.4**	**-26.0**
Financial income and similar items	13	146.8	303.8
Financial expenses and similar items	14	-88.7	-0.2
Net financial result		**58.1**	**303.6**
Result before tax		**22.7**	**277.6**
Income tax	15	–	–
Net result[1]		**22.7**	**277.6**

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

Parent company balance sheet

As at 31 December, MSEK	**Note**	**2020**	**2019**
ASSETS			
Non-current assets			
Shares in subsidiaries	21	1.0	1.0
Long term receivables from subsidiaries	25	338.0	446.2
Investment in associates	6	–	–
		339.0	**447.2**
Current assets			
Other receivables	16	2.1	0.1
Prepaid expenses		0.7	0.8
Cash and cash equivalents		36.2	25.4
		39.0	**26.3**
TOTAL ASSETS		**378.0**	**473.5**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	18		
Restricted equity:			
Share capital		6.0	6.0
Statutory reserve		71.1	71.1
Unrestricted equity:			
Share premium reserve		530.3	530.3
Retained earnings		-390.2	-425.5
Net result		22.7	277.6
Total shareholders' equity		**239.9**	**459.5**
Current liabilities			
Accounts payable and other current liabilities	20	9.8	5.4
Other current liabilities to group companies	25	128.3	8.6
Total liabilities		**138.1**	**14.0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**378.0**	**473.5**

Parent company statement of changes in equity

	Restricted equity		Unrestricted equity			
MSEK	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net result	Total equity
Opening balance 1 January 2019	**5.9**	**71.1**	**508.4**	**-379.5**	**244.4**	**450.3**
Transfer of prior year net result	–	–	–	244.4	-244.4	**0.0**
Net result 2019*	–	–	–	–	277.6	**277.6**
Net result	**–**	**–**	**–**	**–**	**277.6**	**277.6**
Transactions with owners						
Share issue	0.1	–	21.9	–	–	**22.0**
Repurchase of shares	–	–	–	-20.1	–	**-20.1**
Dividend	–	–	–	-68.5	–	**-68.5**
Share redemption	–	–	–	-205.5	–	**-205.5**
Incentive programme	–	–	–	3.7	–	**3.7**
Total transactions with owners	**0.1**	**–**	**21.9**	**-290.4**	**–**	**-268.4**
Closing balance 31 December 2019	**6.0**	**71.1**	**530.3**	**-425.5**	**277.6**	**459.5**
Opening balance 1 January 2020	**6.0**	**71.1**	**530.3**	**-425.5**	**277.6**	**459.5**
Transfer of prior year net result	–	–	–	277.6	-277.6	**0.0**
Net result 2020*	–	–	–	–	22.7	**22.7**
Net result	**–**	**–**	**–**	**–**	**22.7**	**22.7**
Transactions with owners						
Repurchase of shares	–	–	–	-79.6	–	**-79.6**
Dividend	–	–	–	-66.1	–	**-66.1**
Share redemption	–	–	–	-99.2	–	**-99.2**
Incentive programme	–	–	–	2.6	–	**2.6**
Total transactions with owners	**–**	**–**	**–**	**-242.3**	**–**	**-242.3**
Closing balance 31 December 2020	**6.0**	**71.1**	**530.3**	**-390.2**	**22.7**	**239.9**

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

Parent company cash flow statement

1 January – 31 December, MSEK	Note	2020	2019
Cash flow from operations			
Operating result		-35.4	-26.0
Interest received	13	–	0.7
Interest paid	14	–	-0.2
Adjustment for other non-cash related items		27.5	4.0
Total cash flow from operations before change in working capital		**-7.9**	**-21.5**
Change in receivables		-2.0	2.4
Change in liabilities		4.4	-3.7
Cash flow from operations		**-5.5**	**-22.8**
Investment activity			
Dividend from Group companies	13	–	87.1
Investment from long term receivables		271.6	-7.9
Cash flow from investment activity		**271.6**	**79.2**
Financing activity			
Share issue		–	22.0
Repurchased shares	18	-79.6	-20.2
Dividend payment		-66.1	-68.5
Share redemption		-99.2	-205.5
Cash flow from financing activity		**-244.9**	**-272.2**
Period cash flow		**21.2**	**-215.8**
Cash and cash equivalents at the beginning of the period		25.4	240.2
Exchange gains/losses on cash and cash equivalents		-10.4	1.0
Cash and cash equivalents at the end of the period		**36.2**	**25.4**

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 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.

These consolidated and parent company financial statements have been approved for issue by the Board of Directors on 9 April 2021.

Basis of preparation
The annual report of the Group and the parent company Tethys Oil AB has been prepared in accordance with prevailing International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations adopted by the EU Commission and the Swedish Annual Accounts Act (1995:1554). In addition, RFR 1 "Supplementary Rules for Groups" has been applied as issued by the Swedish Financial Reporting Board.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

The consolidated financial statements have been prepared under the historical cost basis unless disclosed in the accounting policies below.

Accounting principles
The accounting principles applied in the preparation of these consolidated financial statements are set out below. The same accounting principles were used in the 2019 annual report. The annual report of the Group has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Annual Accounts Act and RFR 1 "Supplementary rules for groups". The annual report for the parent company has been prepared in accordance with the Annual Accounts Act and Swedish Financial Accounting Standards Council's RFR 2 "Accounting for legal entities". RFR 2 means that the parent company in the annual report for the legal entity shall apply IFRS' rules and statements as adopted by the EU, so far this is possible within the framework of the Annual Accounts Act and with regard to the connection between accounting and taxation. The recommendation states which exceptions and additions that shall be or are allowed to be made from IFRS. The accounting principles of the parent company are the same as for the Group, except in the cases specified below in the section entitled "Parent company accounting principles".

New accounting principles for 2020 and 2021
IASB issued several amended accounting standards that were endorsed by EU, effective date 1 January 2020. None of these had a material effect on the Group financial statements 2020. New accounting principles 2021, issued by IASB with effective date 1 January 2021 will not have a material effect on the Group financial statements 2021.

Principles of consolidation
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from, its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquired asset either at fair value or at the non-controlling interest's proportionate share of the acquired net assets.

Inter-company transactions, balances and unrealized gains and losses on transactions between subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint arrangements
Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Tethys Oil has joint operations.

Joint operations
Tethys Oil recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. The Group conducts oil and gas operations as a joint operation that does not have a separate legal entity status through licences which are held jointly with other companies. The Groups financial statements reflect the Group's share of production, capital costs, operational costs, current assets and liabilities in the joint operations.

Associated companies
An investment in an associated company is an investment in an undertaking where the Group exercises significant influence but not control, generally accompanying a shareholding of at least 20 percent but not more than 50 percent of the voting rights. Such investments are accounted for in the consolidated financial statements in accordance with the equity method and are initially recognized at cost. The difference between the acquisition cost of shares in an associated company and the net fair value of the assets, liabilities and contingent liabilities of the associated company recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The Group's share in the post-acquisition results of the associated company is recognized in the income statement and the Group's share in post-acquisition movements in other comprehensive income of the associated company is recognized directly in other comprehensive income of the Group. When the Group's accumulated share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Dividends from associated companies are presented in the balance sheet under "Investments in associates" and in the income statement as "Share of net profit/loss from associates".

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's percentage in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currencies
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in US dollars (USD) which is the currency the Group has elected to use as the presentation currency.

Transactions and balances
Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date and foreign exchange currency differences are recognized in the income statement. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Exchange differences are included in financial income/expenses in the income statement, except for deferred

exchange differences relating to hedge accounting, which are accounted for in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the balance sheet rate of exchange.

Presentation currency

The balance sheets and income statements of foreign subsidiaries are translated for consolidation purposes using the current rate method. All assets and liabilities of the subsidiary companies are translated at the balance sheet date rates of exchange, whereas the income statements are translated at average rates of exchange for the year, except for transactions where it is more relevant to use the rate of the day of the transaction. The translation differences that arise are recorded directly in the foreign currency translation reserve within other comprehensive income. Upon disposal of a foreign operation, the translation differences relating to that operation will be transferred from equity to the income statement and included in the result on sale. Translation differences arising from net investments in subsidiaries, used for financing exploration activities, are recorded directly in other comprehensive income.

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

	31 December 2020		31 December 2019	
Currency	**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

Segment reporting

Operating segments are based on geographic perspective and reported in a manner consistent with the internal reporting provided to the Executive Management.

Classification of assets and liabilities

Non-current assets, long-term liabilities and provisions consist for the most part solely of amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current liabilities consist solely of amounts that are expected to be recovered or paid within twelve months after the balance sheet date.

Oil and gas properties

Oil and gas properties are initially recorded at historical cost, where it is probable that they will generate future economic benefits. All costs for acquiring concessions, licences or interests in production sharing contracts and for the survey, drilling and development of such interests are capitalised on a field area cost centre basis. This includes capitalisation of decommissioning and restoration costs associated with provisions for asset retirement (see “Provisions”). Oil and gas properties are subsequently carried at cost less accumulated depreciation, depletion and amortization (including any impairment). Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of assets sold and are recognised in income.

Routine maintenance and repair costs for producing assets are expensed to the income statement when they are incurred.

Proceeds from the sale or farm-out of oil and gas concessions in the exploration stage are offset against the related capitalised costs of each cost centre with any excess of net proceeds over all costs capitalised included in the income statement. In the event of a sale in the exploration stage any deficit is included in the income statement.

Oil and gas properties are categorised as either producing or non-producing.

Depreciation, depletion, and amortization

Producing oil and gas properties are depleted on a unit of production basis over the proved and probable reserves of the field concerned, except in the case of assets whose useful lives differ from the lifetime of the field, in which case the straight-line method is applied.

In accordance with the unit of production method, net capitalised costs to reporting date, together with anticipated future capital costs for the development of the proved and probable reserves determined at the balance sheet date price levels, are depleted based on the year’s production in relation to estimated total proved and probable reserves of oil and gas. Depletion of a field area is charged to the income statement once commercial production commences, under Depletion, depreciation and amortisation.

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorised as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimates.

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

Exploration costs

Exploration costs relate to non-producing oil and gas properties and are recognised in the income statement when a decision is made not to proceed with an oil and gas project, or when expected future economic benefits of an oil and gas project are less than capitalised costs. No depletion is charged to non-producing oil and gas properties.

Costs related to non-producing oil and gas properties and directly associated with an exploration well are capitalised until the determination of reserves is evaluated. If it is determined that a commercial discovery has not been achieved, these exploration costs are charged to the income statement as exploration costs.

The field will be transferred from the non-production cost pool to the production cost pool within oil and gas properties once commercial production commences and accounted for as a producing asset.

Impairment

Tethys Oil continuously assesses its producing oil and gas properties for any need for impairment. This is performed in conjunction with each balance sheet date or if there are events or changes in circumstances that indicate that carrying values of assets may not be recoverable. Such indicators include changes in the Group’s business plans, relinquished licences, changes in raw materials prices leading to lower revenues and, for oil and gas properties, downward revisions of estimated reserve quantities.

Testing for impairment losses is performed for each cash generating unit, which corresponds to licence right, production sharing agreement or equivalent owned by Tethys Oil. A cash generating unit thus usually corresponds to each acquired asset in each country in which Tethys Oil carries on oil and gas operations. Impairment testing means that the balance sheet item amount for each cash generating unit is compared to the recoverable amount for the assets, which is the higher of the fair value of the assets less sales expenses and the value in use. The value in use of the assets is based on the present value of future cash flows discounted by a discount rate; see also note 8 under the section Impairment testing. An impairment loss is recorded when an asset’s or a cash generating unit’s recorded value exceeds the recoverable amount. Impairment losses are charged to the income statement.

Interest

Interest on borrowings to finance the acquisition of producing oil and gas properties is charged to income as incurred. Interest on borrowings to finance fields under development is capitalised within oil and gas properties until production commences.

Valuation principles financial items

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and other liabilities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Tethys Oil reports a financial asset or a financial liability in the balance sheet when it becomes a party to the instrument’s contractual terms. Tethys Oil derecognises a financial liability or part thereof when the obligation stated in the relevant contract is fulfilled or otherwise terminated.

a) Financial assets and liabilities at fair value through profit or loss
Financial assets and liabilities at fair value through profit or loss are financial assets held for trading. Financial assets and liabilities are classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets and liabilities in this category are classified as current assets or liabilities if expected to be settled within 12 months; otherwise, they are classified as non-current. The Group did not have any financial assets held for trading during 2020.

b) Receivables and other receivables
Receivables and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's receivables comprise 'Trade and other receivables' in the balance sheet. Receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Assets are also measured less provision for impairment.

c) Other liabilities
Other liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities. Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

d) Impairment of financial assets
The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

Fixed assets other than oil and gas
Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is based on cost and is calculated on a straightline basis over the estimated economic life of 3 to 5 years for office equipment and other assets.

Additional costs to existing assets are included in the assets' net book value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The net book value of any replaced parts is written off. Other additional expenses are deemed to be repair and maintenance costs and are charged to the income statement when they are incurred. The net book value is written down immediately to its recoverable amount when the net book value is higher. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Leasing
Tethys Oil recognizes right of use assets and lease liabilities arising from all leases in the balance sheet, with some exceptions. This model reflects that, at the start of a lease, the lessee always obtains the right to use an asset for a period of time and has an obligation to pay for that right.

The right of use asset is initially measured at cost, which equals the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the rate implicit in the lease or if it cannot be determined at the incremental borrowing rate.

Under IFRS 16 Tethys Oil applies the exceptions for short-term leases and leases for which the underlying asset is of low value. The standard applies primarily to the accounting of the Group's operational leases. IFRS 16 Leases does not apply to joint operations unless operated by Tethys Oil. In the case of joint operations operated by Tethys Oil, the group recognises its interest share of the value of the underlying assets and corresponding liabilities of the leases in its consolidated group accounts. At present Tethys Oil does not have any leases under IFRS 16 from joint operations in its group accounts. The short-term leases and the leases for which the underlying asset is of low value are office leases and IT servers/programmes and other leases of shorter duration or lesser value.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand, short-term deposits, money market funds and commercial paper that have a maturity of three months or less at the date of acquisition.

Equity
Share capital consists of the registered share capital for the parent company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. Excess contribution in relation to the issuance of shares is accounted for in the item additional paid-in-capital.

Should any Group company purchase parent company shares (repurchase of own shares) the proceeds including any directly attributable transaction costs (net after tax) will reduce equity attributable to the shareholders of the parent company until the shares are annulled or realized. If the shares are realized, proceeds net after directly attributable issue costs and tax effects are shown in equity attributable to the shareholders of the parent company.

The currency translation reserve contains unrealised translation differences due to the conversion of the functional currencies into the presentation currency.

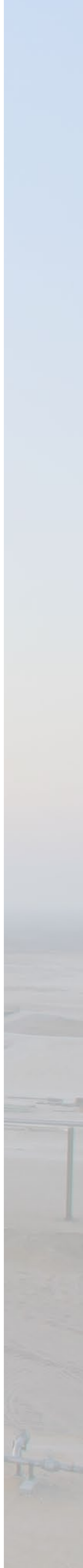
Retained earnings contain the accumulated results attributable to the shareholders of the parent company.

Provisions
A provision is reported when Tethys Oil has a legal or constructive obligation as a consequence of an event and when it is more likely than not that an outflow of resources is required to settle the obligation and a reliable estimate can be made of the amount. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as financial expense.

On fields where the Group is required to contribute to site restoration costs, a provision is recorded to recognise the future commitment. An asset is created, as part of the oil and gas properties, to represent the discounted value of the anticipated site restoration liability and depleted over the life of the field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognises the discounted value of the future liability. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to financial expenses. Changes in site restoration costs and reserves are treated prospectively and consistent with the treatment applied upon initial recognition.

Revenue
Revenue from the sale of oil and gas are recognised in the income statement net of royalties in kind or in cash (government take). Revenue associated with the sale of crude oil are recognised at the fair value of the consideration received or receivable when the significant risks and rewards of ownership have been transferred, which is when title passes from Tethys Oil to the customer. For Tethys Oil's operations, customers take title when the crude oil is loaded onto a tanker. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Underlift and overlift
Oil sale volumes are nominated in advance and are not based upon the actual production in a month; as a result, the Company'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. Underlift/overlift positions are taken into account for future oil sales nominations, aiming at balancing the position. Underlifts are recorded as Other receivables valued at market value, and overlifts are recorded in Other current liabilities and accrued at the market value. Underlifts are reversed from Other receivables when the crude oil is lifted and sold. Overlifts are reversed from Other current liabilities when sufficient volumes are produced to make up the overlifted volume.



Profit oil and cost recovery

Blocks 3&4, Tethys Oil's only producing oil and gas property, is governed by an Exploration and Production Sharing Contract (EPSA). Under the EPSA, revenues are derived from cost recovery oil and gas and profit oil and gas. Cost recovery oil and gas allows Tethys Oil to recover a majority of investments and operating expenses (CAPEX and OPEX) incurred. Profit oil and gas is split between the host government and join operations parties in accordance with a fixed percentage. The joint operations partners split the cost recovery oil and gas and profit oil and gas in accordance with their respective equity interests.

Other

Incidental revenues from the production of oil and gas are offset against capitalised costs of the related cost centre until quantities of proven and probable reserves are determined or commercial production has commenced. Service income, generated by providing technical and management services to joint operations, is recognised as other income.

Impact of Covid-19 pandemic

The outbreak of the global coronavirus pandemic in the first quarter of 2020 has had a profound effect on societies and economies across the world. Both the first and second order effects of the outbreak including the attempts to contain the contagion have been dramatic in the swiftness and impact.

From Tethys Oil's perspective the primary objective has been, as always, to safeguard the health and safety of its staff while ensuring continued operational capacity. Throughout the year the Company, its partners and subcontractors have continually assessed the situation and its risks and implemented routines to ensure the wellbeing of the staff and maintained operations. Under challenging circumstances these routines have shown to been successful thus far.

The oil and gas industry saw the effects of the global pandemic very early in 2020 as increased travel restrictions, lockdowns and generally reduced economic activity impacted the demand for its oil and oil products. The International Energy Agency (IEA) estimated that oil demand in the second quarter 2020 declined by 16 percent compared to the same period in 2019, while overall demand in 2020 declined by almost 9 percent compared to the year before. The sector hardest hit was transportation and in particular, the demand for jet fuel as global air travel declined.

The impact of the drop in demand and shift to oversupply resulted in a significant drop in the oil price during the first half of 2020. Tethys Oil's achieved oil price of USD 47.7 per barrel was almost 26 percent below the 2019 level of USD 64.2 and in combination with more than 11 percent lower production resulted in a decline in revenue and other income of over 30 percent. Despite the reduced expenditure, the operating result declined by over 80 percent in 2020 as a consequence of the effects of the covid pandemic on the global demand for oil.

To mitigate the effects of reduced demand and potential oversupply the Organisation of Petroleum Exporting Countries (OPEC) and a group of other oil exporting nations formed a cooperation called OPEC+ which worked to reduce oil output and reduce inventory levels following the exceptional pandemic events. The OPEC+ included the Sultanate Oman, which resulted in production limitations to be imposed on Blocks 3&4 starting May 2020.

From forward-looking perspective, IEA expects demand for oil to rebound in 2021 although it is not expected to return to pre-covid levels until the end of 2022. The longer lasting effects of the pandemic on the global travel patterns, energy usage and economic activity remain difficult to predict. Tethys Oil has continually re-evaluated and revised its long-term planning in light of the changing macroeconomic factors to ensure the sustainability and economic viability of its operations from a long-term perspective.

Income taxes

Presented income taxes include tax payable or tax receivable for the reporting period, adjustments in regard to previous year's taxes and changes in deferred tax.

Valuations of all tax liabilities/claims are in nominal amounts and are prepared in accordance with tax legislation and tax rates decided or announced and at which they are likely to be resolved.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Employee benefits

Short-term employee benefits such as salaries, social premiums and holiday pay, are expensed when incurred.

Pension obligations

The majority of the pension obligations of the Group are governed by legally required social costs. Additional pension schemes exist which are funded through payments to insurance companies. These are defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions should this legal entity not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

Share based incentive programme

Equity-settled share-based payments are recognized in the income statement as administrative expenses and as equity in the balance sheet. The option is recognised at fair value at the date of grant using the Black & Scholes options pricing model and is charged to the income statement.

Severance pay

Severance pay is payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for the severance pay. The Group recognises severance pay when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing severance pay as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Related party transactions

Tethys Oil recognises the following related parties: associated companies, jointly controlled entities, members or the family of the key management personnel or other parties that are partly, directly or indirectly, controlled by key management personnel or of its family or of any individual that controls, or has joint control or significant influence over the entity.

Parent company accounting principles

The parent company has prepared its annual report in compliance with the Swedish Annual Accounts Act, recommendation RFR 2, Accounting for Legal Entities of the Swedish Financial Reporting Board. IFRS 9 is not applied in the financial reporting. The accounting principles of the parent company deviate from the accounting principles of the group in respect of IFRS 16 Leasing, since the parent company accounts for leasing agreements as operating leases. The Parent company only has office leases and IT-servers/-programs and other leases concerning items of lesser value.

Financial instruments

Assets and liabilities are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost unless stated otherwise. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Subsidiaries

Holdings in subsidiaries are recognised in the parent company financial statements according to the cost method of accounting. The values of subsidiaries are tested for impairment when there is an indication of a decline in the value.

Group contributions

The parent company uses the alternative method in accounting for group contributions and records paid as well as received contributions as appropriations in the income statement.

Taxes

The parent company's financial statements recognise untaxed reserves including deferred tax. The consolidated financial statements, however, reclassify untaxed reserves to deferred tax liability and equity.

Note 1, Risk management

The Group's activities expose it to a number of risks and uncertainties which are continuously monitored and reviewed. Presented below are the main risks and uncertainties of the group as identified by the directors and how the group handles these risks.

Operational risk management

Technical and geological risk

Tethys Oil is producing and exploring for oil and appraising undeveloped known oil and/or natural gas accumulations. The operational risk is different in the different 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 and its partners will not evolve into commercial reserves of oil and gas.

Oil price

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 prices prevailing from time to time. Significantly lower oil prices will reduce current and expected 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 were no oil price hedges in place as at 31 December 2020.

Tethys Oil's has a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances Tethys Oil will assess the benefits of forward hedging sales contracts for the purpose of establishing a secured cash flow.

Net result in financial statements (MUSD)	3.3	3.3
Shift in oil price (USD/barrel)	5.0	-5.0
Total effect on net result (MUSD)	**11.6**	**-11.6**

Access to equipment

An operational risk factor is access to equipment in Tethys Oil's projects. Especially 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 fulfil projects. Limited access to drilling rigs has in the past led to cost increases and has in part been the cause of project delays.

Political risk

Tethys Oil has operations, alone or with partners, in several different countries and can therefore be subject to political risk. The political risks are monitored and factored in when evaluating possible projects. Asset diversification is again Tethys Oil's principal approach to deal with this risk. Specifically, Tethys Oil also deals with political risk by emphasising continuous close dialog with host country authorities and interest groups, nationally as well as locally. Tethys Oil holds its oil and gas interest through licences, directly or indirectly, which are granted by national governments. Tethys Oil's operations are often also subject to local permits. Therefore, Tethys Oil and the industry are subject to a wide range of political risks on different levels and the business is highly sensitive to political changes.

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 2021. Going forward Tethys Oil cannot rule out the risk of prolonged or new such limitations impacting its oil and gas production and sales.

Environment

Oil and gas operations can be environmentally sensitive. Tethys Oil devotes considerable effort and expense to identify and mitigate any perceived environmental risk. The operations are subject to extensive regulatory control with regard to environmental matters, both on national and international levels. Environmental legislation regulates inter alia the control of water and air contamination, waste material, licensing requirements, restrictions on carrying out operations in environmentally sensitive and littoral areas.

Key personnel

Tethys Oil is dependent on certain key personnel, one of whom has founded the Company at the same time as he is among the existing shareholders and a member of the Board of Directors of the Company. These people are important for the successful development of Tethys Oil. The Company actively tries to strike an optimal balance between its dependence of key personnel and its methods for retaining these.

Licences

Tethys Oil's direct interests are held through agreements with host countries, for example licences or production sharing agreements. These agreements are often limited in time and there are no guarantees that the agreements can be extended when a time limit is reached.

Financial risk management

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

Foreign currency risk

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 2020, all of Tethys Oil's oil sales and operative expenditures were denominated in USD with a share of general and administrative expenses being denominated in SEK. The exchange risk affects the Group by transaction risk and translation risk.

Transaction risk

Transaction exposure arises in the cash flow when invoicing or the costs of invoiced goods and services are not in the local currency. The Group only has limited costs in currencies other than USD, primarily relating to the SEK costs in the parent company. Presented below is the exposure to currencies with reference to items in the financial statements:

	2020	**2019**
Revenue	100% in USD	100% in USD
Investments	99.8% in USD	99.8% in USD
External financing at year end	None	None

Tethys Oil does not currently use derivative contracts to hedge exchange rates. The Group policy is that cash held in bank should be in USD, except for a short period in order to have sufficient amounts of SEK in the Parent company to pay dividend and share redemption. Furthermore, there are relatively minor amounts in SEK held in the Parent company, in order to reduce exchange rate exposure.

Translation risk

Exchange-rate changes affect the Group's operating profit in conjunction with the translation of the income statements of Group entities to USD. When net assets are translated into USD the translation can negatively affect the Group's statement of financial position. The parent company has issued loans to its subsidiaries denominated in USD and exchange rate changes impact the income statement of the parent company. The Group does not hedge its translation exposure and fluctuating currency rates might negatively affect the operating profit and financial position of the Group.

Liquidity risk and capital risk

By operating in several countries, Tethys Oil is exposed to currency fluctuations. Income is and will also most likely be denominated in foreign currencies, US dollars in particular. Furthermore, Tethys Oil has since inception been equity and debt financed through share and bond issues, bank loans and also financed by asset divestment. Additional capital could be needed to finance Tethys Oil's future operations and/or for acquisition of additional licences. The main risk is that this need could occur during less favourable market conditions. Tethys Oil continuously ensures that sufficient cash balances are maintained in order to cover day to day operations. Management relies on cash forecasting to assess Tethys Oil's cash position based on expected future cash flows.

Tethys Oil's financial liabilities	**31 December 2020**	**31 December 2019**
MUSD	**< 1 year**	**< 1 year**
Accounts payable and other liabilities	9.8	12.9
Total	**9.8**	**12.9**

Credit risk

Tethys Oil's policy is to limit credit risk by limiting the counterparties to major banks and oil trading companies. Tethys Oil is selling all of its oil through Mitsui Energy Trading Singapore which is part of Mitsui & Co. Ltd., with 30 days payment from bill of lading. As at 31 December 2020 the Group's receivables on oil sales amounted to MUSD 8.9 (MUSD 12.0), this also represents the maximum exposure on accounts receivable. There is no history of default and the Group does currently not anticipate future credit losses. Cash and cash equivalents are maintained with banks having strong long-term credit ratings. Maximal exposure regarding other financial assets is those presented in the balance sheet.

It is the responsibility of the Board of Directors to overview the Group's capital structure and financial management, approve certain business regarding acquisition, investments, possible lending as well as on-going monitoring exposure to financial risks.

IFRS 9 valuation categories and related balance sheet items

	31 December 2020			31 December 2019		
MUSD	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
Trade and 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

All financial assets and liabilities are current and the fair value of these are deemed to be the carrying amount as the discounting effects are not material.

Events after the balance sheet date

All events up to the date when the financial statements were authorised for issue and which have a material effect in the financial statements have been disclosed.

Note 2, Critical accounting estimates and judgements

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Estimates in oil and gas reserves and resources

The business of the Group is the exploration for, development of and production of oil and gas reserves. Estimates of oil and gas reserves and resources are used in the calculations for impairment tests, in-house modelling and accounting for depletion and site restoration. Changes in estimates in oil and gas reserves and resources, resulting in different future production profiles, will affect the discounted cash flows used in impairment testing, the anticipated date of site decommissioning and restoration and the depletion charges in accordance with the unit of production method. Estimates in oil and gas reserves and resources may change following for instance new wells, long term production data and changes in macroeconomic data.

Site restoration provision

Amounts used in recording a provision for site restoration are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to the site decommissioning and restoration can be different. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of site restoration provisions are reviewed on a regular basis. The effects of changes in estimates do not give rise to prior year adjustments and are treated prospectively over the estimated remaining commercial reserves of each field. While the Group uses its best estimates and judgement, actual results could differ from these estimates.

Impairment of oil and gas properties

Tethys Oil continuously assesses its producing oil and gas properties for any need for impairment testing. This is performed in conjunction with each balance sheet date or if there are events or changes in circumstances that indicate that carrying values of assets may not be recoverable. Such indicators include changes in the Group's business plans, relinquished licences, changes in oil prices leading to lower revenues and, for oil and gas properties, downward revisions of estimated reserve quantities.

Testing for impairment losses is performed when necessary for each cash generating unit, which corresponds to licence right, production sharing agreement or equivalent owned by Tethys Oil. A cash generating unit thus usually corresponds to each acquired asset in each country in which Tethys Oil carries on oil and gas operations. Impairment testing means that the balance sheet item amount for each cash generating unit is compared to the recoverable amount for the assets, which is the higher of the fair value of the assets less sales expenses and the value in use. The value in use of the assets is based on the present value of future cash flows discounted by a discount rate; see also note 8 under the section Impairment testing. An impairment loss is recorded when an asset's or a cash generating unit's recorded value exceeds the recoverable amount. Impairment losses are charged to the income statement.

Tax

Tethys Oil has not recorded a deferred tax asset in relation to the tax losses carried forward as there is uncertainty as to if the tax losses may be utilised note 15.

Note 3, Segment information

The Group accounting principle for segment describes that operating segments are based on geographic perspective and reported in a manner consistent with the internal reporting which is primarily based on income statement ratios and provided to the executive management, which is considered to be the chief operating decision maker. The operating result for each segment is presented below. Revenue and income relate to external (non-intra group) transactions.

	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**
Net result	**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**

Oman is Tethys Oil's only oil producing area from which revenue is recorded as at 31 December 2020 (and comparative periods). Revenue, depletion and operating expenses, which is presented in notes 4, 8 and 9, therefore only relate to Oman and Blocks 3&4 in particular. Regarding Oil and gas properties, segment reporting is provided in note 8. Please refer to note 1 regarding Credit risk exposure on accounts receivables.

Note 4, Revenue and other income

MUSD	2020	2019
Revenue	110.7	145.0
Underlift (+) / overlift (–), adjustments	-9.6	5.8
Revenue and other income	**101.1**	**150.8**

Tethys Oil sells all of its oil to Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. All oil sales come from Blocks 3&4 Oman and are made on a monthly basis. Tethys Oil's average selling price is based on the monthly average price of the two-month future contract of Oman blend as traded on the Dubai Mercantile Exchange, including trading and quality adjustments.

Note 5, Other income

Parts of the administrative expenses in Tethys Oil, such as overhead costs in the parent company, have been charged out to oil and gas projects within the group. Other income in the parent company during 2020 amounted to MSEK 12.8 (10.7). In case of Tethys Oil being the operator in joint operations, these administrative expenditures are, through the above, also funded by the partner if such partners exist. The charge out to joint operations projects where Tethys Oil is operator is presented in the consolidated income statement as other income to the extent it is related to interest not held by Tethys Oil. All other internal charge outs are eliminated in the consolidated financial statements. Tethys Oil is as at 31 December 2020 operators in Block 49 and Block 58 in Oman and hold 100% of the licenses interest.

Note 6, Associated companies

Tethys Oil AB holds an indirect interest in the Gargzdai license in Lithuania. No dividend was received from the holding company during 2020 compared to MUSD 0.7 in 2019.

	Group MUSD		**Parent** MSEK	
	2020	**2019**	**2020**	**2019**
Tethys Oil's share of net profit from associated companies	–	0.7	–	6.4

Note 7, Provisions

Tethys Oil estimates that Tethys Oil's share of site restoration regarding Blocks 3&4 at year end 2020 amounts to MUSD 12.5 (MUSD 9.6). As a consequence of the revised site restoration provision, oil and gas properties have increased by an equal amount. The change in provision follows an annual review of the site restoration calculation where the number of wells drilled is one of the main components that affect the provision's net present value. 2019 Tethys Oil had a non-current liability of MUSD 3.0 relating to the Export Reporting Error. Final settlement was agreed in the first quarter 2019 and outstanding amounts are treated as liabilities as opposed to provisions in previous year.

MUSD	Abandonment provision	Export reporting error	Total
1 January 2020	**9.6**	**–**	**9.6**
Changes in estimates	2.3	–	2.3
Unwinding of discount	0.6	–	0.6
31 December 2020	**12.5**	**–**	**12.5**
Current	–	–	–
Non-current	12.5	–	12.5
Total	**12.5**	**–**	**12.5**

MUSD	Abandonment provision	Export reporting error	Total
1 January 2019	**6.9**	**3.0**	**9.9**
Payments and transfer to liabilities	–	-3.0	-3.0
Changes in estimates	2.2	–	2.2
Unwinding of discount	0.5	–	0.5
31 December 2019	**9.6**	**0.0**	**9.6**
Current	–	–	–
Non-current	9.6	–	9.6
Total	**9.6**	**0.0**	**9.6**

Note 8, Oil and gas properties

The agreements that govern the relationship with host countries are referred to as licenses or Exploration and Production Sharing Agreements (EPSA or PSA). Tethys Oil holds its interest directly through a forementioned agreements in Oman. The agreements with host countries have a time limit and are normally divided into periods. Financial commitments and or work commitments normally relates to the different periods. Tethys Oil has fulfilled its commitments on Blocks 3&4. In Block 49, 56 and 58 the initial work commitments during the first period include geological studies, seismic acquisition and processing and exploratory drilling. In the other areas of operations, the commitments are either fulfilled or there are no commitments of which Tethys Oil can be held liable for. In some of Tethys Oil's areas of interest there are requirements of work to be done or minimum expenditures in order to retain the license, but no commitments of which Tethys Oil can be held liable for.

Country	Licence	Phase	Expiration date	Tethys Oil	Partners (operator in bold)
Oman	Blocks 3 & 4	Production/Exploration	July 2040	30%	**CCED,** Mitsui, Tethys Oil
Oman	Block 49[1]	Exploration	Dec 2021[1]	100%	**Tethys Oil**
Oman	Block 56[2]	Exploration	Dec 2023	20%	**Medco Arabia Ltd,** Intaj LLC, Tethys Oil and Biyaq Oil Field Services
Oman	Block 58[3]	Exploration	July 2023	100%	**Tethys Oil**
Lithuania	Gargzdai[4]	Production	No expiration date	25%	**Odin,** GeoNafta, Tethys Oil

1 The initial three-year exploration period for the exploration and production sharing agreement (EPSA) for Block 49 was, in 2020, extended by one year to December 2021. At expiration of the initial period Tethys Oil has the right to enter into a second three year exploration period. In case of a commercial oil or gas discovery, the EPSA will be transformed in to a 15 year production licence with the option of a further five year extension. In case of a commercial discovery Oman Government Company, has a right to acquire up to a 30% interest in Block 49 against refunding of past expenditure. The initial work commitments during the first period include geological studies, seismic acquisition and processing and exploratory drilling.

2 The initial exploration period for the EPSA for Block 56 expired in December 2020, whereby the partners elected to enter into the second exploration period, which expires in December 2023. In case of a commercial oil or gas discovery, the EPSA will be transformed in to a 20 year production licence with the option of a further five year extension. In case of a commercial discovery Oman Government Company, has a right to acquire up to a 25% interest in Block 56 against refunding of past expenditure. The work commitments during the second period include geological studies, seismic acquisition and processing and exploratory drilling.

3 Tethys Oil entered into the initial three year exploration period of the EPSA for Block 58 in July 2020. At expiration of the initial period in July 2023, Tethys Oil has the right to enter into a second three year exploration period. In case of a commercial oil or gas discovery, the EPSA will be transformed in to a 15 year production licence with the option of a further five year extension. In case of a commercial discovery Oman Government Company, has a right to acquire up to a 30% interest in Block 58 against refunding of past expenditure. The initial work commitments during the first period include geological studies, seismic acquisition and processing and exploratory drilling.

4 The interest in the Lithuanian Gargzdai licence is held indirectly through a 50 percent shareholding in a Danish private company, which in turn holds 50 percent of the shares in the Lithuanian company which holds 100 percent of the licence interest. The Danish company Odin Energi is not consolidated in Tethys Oils financial statements due to the ownership structure, which is why there is no oil and gas property related to the licence. The ownership of Odin Energi is presented in the balance sheet under Investment in associates

MUSD	31 December 2020	31 December 2019
Producing cost pools	191.9	194.8
Non-producing cost pools	23.4	16.9
Total oil and gas properties	**215.3**	**211.7**

MUSD Licence	Phase	Tethys Oil's share	Book value 31 Dec 2020	Investments	Other non-cash adjustments	DD&A	Exploration costs	Book value 1 Jan 2020
Blocks 3&4	Production/Exploration	30%	191.9	38.8	2.3	-44.0	–	194.8
Block 49	Exploration	100%	12.6	4.6	–	–	–	8.0
Block 56	Exploration	20%	8.8	0.2	–	–	–	8.6
Block 58	Exploration	100%	1.8	1.8	–	–	–	–
New ventures			0.3	–	0.0	–	-0.0	0.3
Total			**215.3**	**45.4**	**2.3**	**-44.0**	**-0.0**	**211.7**

MUSD Licence	Phase	Tethys Oil's share	Book value 31 Dec 2019	Investments	Other non-cash adjustments	DD&A	Exploration costs	Book value 1 Jan 2019
Blocks 3&4	Production/Exploration	30%	194.8	54.0	2.1	-47.4	-7.9	194.0
Block 49	Exploration	100%	8.0	2.3	–	–	–	5.7
Block 56	Exploration	20%	8.6	8.6	–	–	–	–
New ventures			0.3	0.3	–	–	-0.3	0.3
Total			**211.7**	**65.2**	**2.1**	**-47.4**	**-8.2**	**200.0**

MUSD Producing cost pools	Oman Blocks 3&4	Total
Cost 1 Jan 2020	466.6	466.6
Investments	38.8	38.8
Change in estimates	2.3	2.3
Cost 31 Dec 2020	**507.7**	**507.7**
Accumulated depreciation 1 jan 2020	-271.7	-271.7
Depletion charge for the year	-44.0	-44.0
Accumulated depreciation 31 Dec 2020	**-315.7**	**-315.7**
Net book value 31 Dec 2020	**191.9**	**191.9**

MUSD Producing cost pools	Oman Blocks 3&4	Total
Cost 1 Jan 2019	418.4	418.4
Investments	54.0	54.0
Change in estimates	2.1	2.1
Write offs	-7.9	-7.9
Cost 31 Dec 2019	**466.6**	**466.6**
Accumulated depreciation 1 jan 2019	-224.3	-224.3
Depletion charge for the year	-47.4	-47.4
Accumulated depreciation 31 Dec 2019	**-271.7**	**-271.7**
Net book value 31 Dec 2019	**194.8**	**194.8**

MUSD Investments Blocks 3&4 Categories	2020	2019
Drilling	19.4	25.0
G&G	9.2	10.1
Facilities	10.2	18.9
Total	**38.8**	**54.0**

MUSD Oil & gas properties Blocks 3&4 Categories	2020	2019
Drilling	98.9	100.7
G&G	29.4	28.3
Facilities	63.6	65.9
Total	**191.9**	**194.8**

Impairment testing

Tethys Oil assesses the need for an impairment test of its producing oil and gas properties through the performing of an impairment trigger test. In the impairment trigger test the Company uses its best efforts to estimate future production, operational costs and investments needs. In order to calculate estimated future cash flows various oil price scenarios have been used, including ERCE's year-end price forecast and the oil price forward curve. Following the drop of the oil price and the imposition of production limitations an impairment trigger test was performed per 30 June 2020 which resulted in a full impairment test. As a result of the test, it was determined that no impairment of the carrying value of Blocks 3&4's oil and gas properties had occurred.

An impairment trigger test was conducted as per 31 December 2020 it was concluded that no impairment test was necessary.

Exploration costs of MUSD 0.0 (MUSD 8.2) were recorded in 2020.

Note 9, Operating expenditures

	Group MUSD		**Parent** MSEK	
	2020	**2019**	**2020**	**2019**
Production costs	40.3	47.2	–	–
Well workovers	3.1	4.4	–	–
Total	**43.4**	**51.6**	**–**	**–**

Note 10, Remuneration to Company auditor

	Group MUSD		**Parent** MSEK	
	2020	**2019**	**2020**	**2019**
PwC:				
Audit fee	-0.1	-0.1	-1.2	-1.1
Audit-related fees	0.0	0.0	-0.1	-0.3
Other	-0.1	–	-0.6	
Total	**-0.2**	**-0.1**	**-1.9**	**-1.4**

Of the Group total during 2020, MUSD 0.2 (MUSD 0.1) has been in relation to PwC Sweden.

Note 11, Administrative expenses

	Group MUSD		**Parent** MSEK	
	2020	**2019**	**2020**	**2019**
Personnel costs	-5.1	-4.5	-22.1	-22.6
Rent	-0.4	-0.4	-2.5	-2.5
Other office costs	-0.1	-0.3	-0.6	-2.0
Listing costs	-0.1	-0.1	-0.7	-1.3
Costs of external relations	-0.1	-0.1	-1.1	-1.3
Other Costs	-1.5	-1.6	-21.1	-13.4
Total	**-7.3**	**-7.0**	**-48.2**	**-43.1**

Note 12, Employees

Average number of full time employees per country	2020		2019	
	Total	Total men	Total	Total men
Parent company				
Sweden	6	3	6	3
Total parent company	**6**	**3**	**6**	**3**
Subsidiary companies in Sweden	**0**	**0**	**0**	**0**
Subsidiary companies foreign				
Oman	15	10	15	11
United Arab Emirates	1	–	1	0
United Kingdom	1	1	1	1
Total subsidiary companies foreign	**17**	**11**	**17**	**12**
Total group	**23**	**14**	**23**	**15**

MUSD	2020		2019	
Salaries, other remuneration and social costs	**Salaries, other remune-ration**	**Social costs**	**Salaries, other remune-ration**	**Social costs**
Parent company				
Sweden	-1.8	-0.6	-1.6	-0.6
Total parent company	**-1.8**	**-0.6**	**-1.6**	**-0.6**
Subsidiary companies in Sweden	**–**	**–**	**–**	**–**
Subsidiary companies foreign				
Oman	-2.5	–	-2.1	–
United Arab Emirates	-0.1	–	-0.2	–
United Kingdom	-0.6	-0.1	-0.4	-0.0
Total subsidiary companies foreign	**-3.2**	**-0.1**	**-2.7**	**-0.0**
Total group	**-5.0**	**-0.7**	**-4.3**	**-0.6**

MUSD	2020		2019	
Salaries and other remuneration distributed between The Board and other employees	**Board and managing director**	**Other employees**	**Board and Managing director**	**Other employees**
Parent company				
Sweden	-0.7	-1.1	-0.7	-0.9
Total parent company	**-0.7**	**-1.1**	**-0.7**	**-0.9**
Subsidiary companies in Sweden	**–**	**–**	**–**	**–**
Subsidiary companies foreign				
Oman	–	-2.5	–	-2.1
United Arab Emirates	–	-0.1	–	-0.2
United Kingdom	–	-0.6	–	-0.4
Total subsidiary companies foreign	**–**	**-3.2**	**–**	**-2.7**
Total group	**-0.7**	**-4.3**	**-0.7**	**-3.6**

During 2020 one woman has been a member of the Board of Directors, compared to one in 2019. No women have been members of the executive management. At the AGM of shareholders on 13 May 2020 Klas Brand was newly elected and Robert Anderson, Alexandra Herger, Magnus Nordin, Per Seime and Geoffrey Turbott were re-elected members of the board. No deputy directors were appointed. At the same meeting, Geoffrey Turbott was appointed chairman of the board. There have not been any agreements on pensions for any of the directors of the board. For the executive management, the pension costs follow a defined contribution plan.

Salaries and other remuneration to executive management during 2020, MSEK	**Basic salary**	**Pension arrange-ments**	**Variable Salary**	**Share based long term incentive**	**Other benefits**	**Total 2020**
Managing director	3.494	0.436	2.057	1.045	0.029	7.061
Other executive manage-ment	8.985	0.632	1.833	1.245	0.016	12.711
Total	**12.479**	**1.067**	**3.890**	**2.291**	**0.045**	**19.772**

Salaries and other remuneration to executive management during 2019, MSEK	**Basic salary**	**Pension arrange-ments**	**Variable Salary**	**Share based long term incentive[1]**	**Other benefits**	**Total 2019**
Managing director	3.271	0.659	0.696	1.566	0.025	6.217
Other executive manage-ment	8.318	0.771	0.679	1.088	0.011	10.868
Total	**11.589**	**1.431**	**1.376**	**2.654**	**0.036**	**17.085**

Total remuneration to executive management increased in 2020 compared to 2019 due to a number of factors; increased basic salary for the managing director, severance pay for members of executive management terminated during the year and the recognition of 2 years of variable salary for all executive management. The recognition of 2 years of variable salary is the result of a change in practice regarding the timing of variable salary to executive management. Starting 2020, variable salary is recognised the same year as it is earned, previously it was recognised the following year. Because of this change, variable salary recognised in 2020 consists of both variable salary for the years 2019 and 2020. For the Managing Director the variable salary for 2019 was MSEK 1.114 and for 2020 MSEK 0.942. For Other executive management variable salary for 2019 was MSEK 0.706 and for 2020 MSEK 1.127. For executive management pension costs follow a defined contribution plan.

Remuneration to board members AGM 2020 to AGM 2021	MSEK
Geoffrey Turbott	0.735
Robert Anderson	0.395
Alexandra Herger	0.400
Magnus Nordin	–
Per Seime	0.430
Klas Brand	0.420
Total	**2.380**

Remuneration to board members AGM 2019 to AGM 2020	MSEK
Geoffrey Turbott	0.765
Robert Anderson	0.395
Alexandra Herger	0.400
Magnus Nordin	–
Per Seime	0.430
Gavin Graham	0.365
Total	**2.355**

Guidelines for remuneration to senior executives

The guidelines for remuneration to senior executives were approved by the Annual General Meeting 2020.

Application of guidelines

These guidelines apply to remuneration to senior executives and to members of the Board of Directors if remuneration is paid for work performed outside the scope of the ordinary board work (e.g. pursuant to an employment or consultancy agreement). For the purposes of these guidelines, senior executives include the Managing Director, the Deputy Managing Director (if applicable) and certain other executives who, from time to time, are members of the Group Executive Management.

These guidelines do not apply to any remuneration resolved upon or approved by the General Meeting and are only applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of these guidelines by the Annual General Meeting 2020.

These guidelines constitute a framework within which remuneration to senior executives may be decided on by the Board of Directors.

General remuneration principles
In short, the Group's business strategy is to create shareholder value working across the whole upstream oil and gas industry lifecycle of exploration, appraisal, development and production. A central objective in the Group's business model is to explore for and produce oil and gas in an economically, socially, and environmentally responsible way.

The Company's remuneration principles are to ensure responsible and sustainable remuneration decisions that support the Company's strategy, long-term interests and sustainable business practices and further enhance the Group's market position as well as increase the shareholder value. To this end, salaries and other employment terms shall enable the Group to retain and recruit skilled senior executives at a reasonable cost. Remuneration shall be on market terms and based on the principles of performance, competitiveness and fairness.

When evaluating whether these guidelines and the limitations set out herein are reasonable, the Board of Directors (including the Remuneration Committee) has considered the total income of all employees of the Company, including the various components of their remuneration as well as the increase and growth rate over time.

In order to comply with mandatory rules or established local practice, remuneration which is subject to rules outside Sweden may be adjusted to comply with such local rules, taking into account, to the extent possible, the overall purpose of these guidelines.

Elements of remuneration
The remuneration covered by these guidelines may consist of basic salary, variable cash salary, pension, non-financial benefits and severance pay. In addition hereto, the General Meeting may decide on, inter alia, long-term incentive programs in which senior executives can participate.

Principles for basic salary
The basic salary shall be in line with market conditions, be competitive, and shall take into account the scope and responsibility associated with the position, as well as the skills, experience and performance of each senior executive.

On the assumption of payment of full variable cash salary, pension benefits and other benefits, the basic salary is expected to amount to no more than 45 percent of the total remuneration. If there is no variable cash salary, pension benefits or other benefits, the basic salary will constitute the entire remuneration.

Principles for variable cash salary
Variable cash salary, i.e. cash bonuses, shall be based on a set of predetermined and measurable performance criteria that reflect the key drivers for pursuing the Company's strategy, long-term interests and sustainable business practices. Such performance criteria include (but are not limited to) HSE, production, reserves replacement, business development and financial performance as well as individual performance.

To which extent the criteria for awarding variable cash salary have been satisfied shall be determined annually in connection with the publication of the year-end report for the respective financial year based on an evaluation of the senior executive's achievement of the performance indicators as described in the agreed individual performance targets.

Payment of variable cash salary shall be conditional upon the senior executive remaining employed for the duration of the qualification period. The Board of Directors is entitled to adjust the incentive programme during the term of the programme in the case of, for example, extraordinary increases or decreases in the Group's earnings.

Variable cash remuneration shall qualify for pension benefits only to the extent it is required pursuant to mandatory provisions of applicable collective bargaining agreements.

The annual variable cash salary may not amount to more than 12 months' basic salary, and is therefore expected to amount to no more than 50 percent of the total remuneration.

Principles for pension benefits
Pension benefits shall comprise a defined contribution scheme with premiums calculated on the full basic salary and be set on an individual basis, however, provided that mandatory provisions of applicable collective bargaining agreements do not require otherwise.

Pension benefits may not amount to more than 30 percent of the basic salary, and is therefore expected to amount to no more than 25 percent of total remuneration.

Principles for non-financial benefits
Non-financial benefits shall be based on market terms and shall facilitate the duties of senior executives. Non-financial benefits may include, inter alia, life insurance, medical insurance etc.

Premiums and other costs relating to non-financial benefits may not amount to more than five percent of the basic salary, and is therefore expected to amount to no more than five percent of the total remuneration.

Remuneration during notice period and severance pay
The notice period for termination of the Managing Director shall not exceed twelve months and the notice period for termination of other senior executives shall not exceed nine months.

A mutual termination period of twelve months applies between the Company and the Managing Director and of up to nine months between the Company and other senior executives.

Severance pay to the Managing Director and other senior executives shall not exceed twelve months' basic salary, provided that the employment is terminated by the Company. In the event the senior executive terminates his or her employment, no severance shall be payable.

Principles for certain remuneration to members of the Board of Directors
To the extent members of the Board of Directors perform work for the Company outside the scope of the ordinary board work, consultancy fees on market terms may be paid in addition to any board fees resolved upon by the General Meeting. The Nomination Committee is tasked with proposing a frame, if any, for such remuneration, to be approved by the Annual General Meeting.

Long-term incentive programs
Any remuneration resolved upon by the General Meeting is not covered by these guidelines. Accordingly, these guidelines do not apply to the Company's long-term incentive programs resolved upon by the General Meeting.

The Company's existing long-term incentive programs are directed to certain key employees of the Group and designed to create conditions for retaining and recruiting competent and committed personnel to the Group. More information on the Company's existing and proposed incentive programs from time to time is available on the Company's website, www.tethysoil.com.

The role of the Remuneration Committee
The Board of Directors has established a Remuneration Committee to deal with matters of executive compensation and wider Group remuneration. Specifically, it is tasked to:

- Recommend and review remuneration guidelines for the Managing Director, the executive management and other employees in the Group to the Board of Directors;
- Recommend Company Performance Targets for each year to the Board of Directors;
- Recommend Managing Director Performance Targets for each year to the Board of Directors, and inform the Board of Directors of the Performance Targets agreed between the Managing Director and the executive management;
- Recommend remuneration (salary and benefits) for the Managing Director to the Board of Directors and inform the Board of Directors of the remuneration (salaries and benefits) for the executive management;
- Recommend allocation of bonus and warrants to the Managing Director to the Board of Directors and inform the Board of Directors of allocation of bonus and warrants to the executive management; and
- Recommend incentive programme guidance relating to employees to the Board of Directors.

Preparation and review of the compliance of these guidelines
These guidelines have been prepared by the Remuneration Committee of the Board of Directors and the Board of Directors. The Remuneration Committee is responsible for preparation of updated proposals in respect of guidelines for remuneration to the senior executives. A proposal for amended guidelines is to be prepared by the Board of Directors when the need for material amendments arises, but at least every four years.

The guidelines may also be amended by way of a resolution by other General Meetings than Annual General Meetings.

Within the scope and on the basis of these guidelines, the Board of Directors shall, based on the Remuneration Committee's preparation and recommendations, annually decide on the specific revised remuneration terms for each senior executive and make such other decisions in respect of remuneration for senior executives that may be required.

The members of the Remuneration Committee are independent in relation to the Company and the senior executives. The Managing Director and the other senior executives do not participate in the Board of Directors' handling of, or resolutions regarding, remuneration-related matters if they are affected by such matters.

Principles for derogations from these guidelines
The Board of Directors may temporarily resolve to derogate from these guidelines, in whole or in part, if in a specific case there is special cause for such derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability.

Note 13, Financial income and similar items

	Group MUSD		**Parent** MSEK	
	2020	**2019**	**2020**	**2019**
Interest income	0.1	0.8	18.8	18.3
Currency exchange gains, net	7.7	0.9	70.7	8.7
Dividend from group companies	–	–	57.3	276.8
Total	**7.8**	**1.7**	**146.8**	**303.8**

Note 14, Financial expenses and similar items

	Group MUSD		**Parent** MSEK	
	2020	**2019**	**2020**	**2019**
Interest expenses	-0.0	-0.0	–	-0.2
Currency exchange loss	-9.7	–	-88.6	–
Other financial expenses	-0.6	-0.5	-0.1	0.0
Total	**-10.3**	**-0.5**	**-88.7**	**-0.2**

Note 15, Tax

The Group's income tax charge amount to MUSD 0.0 (MUSD 0.0). Tethys Oil's oil and gas operations in Oman are governed by a separate Exploration and Production Sharing Agreement ("EPSA") for each licence. Under the terms of each EPSA, Tethys Oil is subject to Omani income taxes and royalties, 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. Tethys Oil has not recorded a deferred tax asset in relation to the tax losses carried forward since there is uncertainty as to if the tax losses may be utilised. The tax losses are in another jurisdiction than where main profits are generated. Tax losses carried forward amounted to MSEK 273.4 (MSEK 239.1). There are no time limits for the utilization of tax losses.

The tax losses on the parent company's result before tax differs from the theoretical amount that would arise using the Swedish tax rate as follows:

Parent (MSEK)	**2020**	**2019**
Result before tax	22.7	277.6
Tax at applicable tax rate 21.4% (2019: 21.4%)	-4.9	-59.4
Tax on non-deductible expenses	-0.1	-0.2
Reversal of tax on non-taxable income	12.3	60.6
Utilized (+) / Built up (–) tax loss carry forwards previously not recorded as deferred tax assets	-7.3	-1.0
Tax expense	**0.0**	**0.0**

Note 16, Trade and other receivables

	Group MUSD		**Parent** MSEK	
Trade and other receivables	**2020**	**2019**	**2020**	**2019**
VAT	0.2	0.0	2.0	0.0
Trade receivables oil sale	8.9	2.5	–	–
Underlift position	–	9.5	–	–
Other	–	–	0.1	0.1
Total	**9.1**	**12.0**	**2.1**	**0.1**

Note 17, Cash and cash equivalent

MUSD 5.0 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 on Block 56 in Oman.

Note 18, Shareholders' equity

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 0.17). All shares represent one vote each. During 2020, the number of shares in issue decreased by 3,238,352 shares, from 36,294,960 to 33,056,608. Tethys Oil has a warrant-based incentive programme for Employees. When the share price is above the exercise price of the warrants a potential dilution effect arises. During the most part of 2020 the share price was below the exercise price of the three tranches of the warrant programme, thus the weighted average number of shares outstanding after dilution was 33,328,099. For for further information please see note 22.

As at 31 December 2020, Tethys Oil held 315,552 of its own shares which were purchased since the commencement of the share repurchase programme in the fourth quarter 2020. The main purpose of the share repurchase programme is to give the company flexibility regarding its equity and thereby optimize the capital structure of the company. Repurchased shares may also be used as payment for, or financing of, acquisitions of companies or businesses or in connection with handling of incentive programs. A total 1,599,741 shares were purchased by the company in 2020 of which 1,284,189 were purchased before the 2020 AGM and subsequently cancelled. The repurchased shares are still included in the total number of shares, but are not included in the average number of shares outstanding. The weighted average number of shares outstanding during 2020 before dilution is 33,321,353 and after dilution 33,328,099.

After 31 December 2020 and up to the date of publication for this report, Tethys Oil has acquired a further 120,088 shares.

Earnings per share

Earnings per share before dilution is calculated by dividing profit for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Earnings per share after dilution is calculated by dividing the profit for the year attributable to ordinary shareholders of the parent company by weighted average number of ordinary shares outstanding during the year while also including the dilution effect of warrants where the subscription price is below the share price.

Appropriation of profit

The Board of Directors proposes a dividend of SEK 2.00 per share (AGM 2019: SEK 2.00). Proposed record date is 21 May 2021.

The Board of Directors proposes an extraordinary distribution 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 to follow in the proposal to the 2021 AGM.

Note 19, Leasing

	31 Dec 2019		1 Jan 2020		Jan–Dec 2020				31 Dec 2020	
MUSD	Right of use assets	Lease liabilities, interest bearing	Right of use assets	Lease liabilities, interest bearing	Adjustments of Right of use assets	Payment of leasing debt	Depre-ciation	Interest costs	Right of use assets	Lease liabilities, interest bearing
Fixed assets (incl. In other fixed assets)	0.5	–	0.5	–	0.1	–	-0.3	–	0.3	
Short term leasing debt (incl. Accounts payable and other current liabilities)	–	–	–	-0.2	-0.1	0.3	–	–	–	0.0
Long term leasing debt (incl. In other non-current liabilities)	–	-0.5	–	-0.3	–	–	–	–	–	-0.3
Interest costs	–	–	–	–	–	–	–	0.0	–	0.0
Total	**0.5**	**-0.5**	**0.5**	**-0.5**	**0.0**	**0.3**	**-0.3**	**0.0**	**0.3**	**-0.3**

Note 20, Accounts payable and other current liabilities

	Group MUSD		**Parent** MSEK	
Accounts payable and other current liabilities	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Accounts payable	0.6	0.4	1.9	1.5
Operator balance. Blocks 3&4 Oman	5.3	10.8	–	–
Overlift position	0.1	–	–	–
Other current liabilities	3.8	1.7	7.9	3.9
Total	**9.8**	**12.9**	**9.8**	**5.4**

Note 21, Shares in subsidiaries

Company	Reg. Number	Reg. office	Number of shares (thousands)	Percentage	Nominal value per share
Tethys Oil Invest AB	556658-1442	Sweden	1.0	100%	SEK 100
Tethys Oil Exploration AB	556658-1483	Sweden	1.0	100%	SEK 100
Tethys Oil France AB	556658-1491	Sweden	1.0	100%	SEK 100
Tethys Oil Middle East North Africa B.V.	27306813	Netherlands	18.0	100%	EUR 1
Tethys Oil Oman Ltd	95212	Gibraltar	0.1	100%	GBP 1
Tethys Oil Block 3&4 Ltd	101981	Gibraltar	1.0	100%	USD 1
Tethys Oil Montasar Ltd	115710	Gibraltar	1.0	100%	USD 1
Tethys Oil Oman Onshore Ltd	118203	Gibraltar	1.0	100%	USD 1
Tethys Oil Oman Qatbeet Ltd	119982	Gibraltar	1.0	100%	USD 1

Shares in subsidiaries, MSEK	Parent 2020	Parent 2019
1 January	1.0	1.0
Acquisitions/Relinquishments	0.0	0.0
31 December	**1.0**	**1.0**

Tethys Oil Services UK Ltd (TOSUL) is exempt from the requirements of the UK Companies Act 2006 relating to the audit of its individual accounts for the fiscal year 2020 by virtue of s479A of the Act. Tethys Oil AB, as the ultimate parent company, guarantees any and all outstanding liabilities of TOSUL existing at 31 December 2020 until they are discharged in full.

Note 22, Incentive programme

Tethys Oil has an incentive programme as part of the remuneration package to employees. The allocation is not guaranteed and the Board of Directors of the Company shall resolve on and implement the allocation. The warrants have no vesting period or other restrictions and have been transferred free of charge to the participants and the Group accounts for any income tax for the participants to the extent such tax is attributable to the programme. The market value of the warrants has been calculated in accordance with the Black & Scholes formula by an independent valuation institution. The subscription price is based on the volume-weighted average of the purchase price for the Company's share on Nasdaq Stockholm during approximately a two-week period prior to the date of allocation.

Warrants were issued 2020 and 2019 following a decision by the respective AGM. The number of issued warrants during 2020 was 350,000 (350,000) and the number of warrants allocated during 2020 was 349,000 (350,000). Issued but not allocated warrants are held by the Company. Warrants expired during the year were 350,000. During 2020 the 2017 incentive programme expired without exercise.

Warrant incentive programme	Exercise period	Subscription price, SEK	Shares per warrant	Number of warrants				
				1Jan 2020	Issued 2020	Exercised 2020	Expired 2020	31Dec 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**

Warrant incentive programme	Exercise period	Subscription price, SEK	Shares per warrant	Number of warrants				
				1 Jan 2019	Issued 2019	Exercised 2019	Expired 2019	31 Dec 2019
2016 incentive programme	28 May – 4 Oct. 2019	55.00	1.19	350,000	0	335,000	15,000	0
2017 incentive programme	30 May – 2 Oct. 2020	75.10	1.14	350,000	0	0	0	350,000
2018 incentive programme	1 Jun – 2 Oct. 2021	81.70	1.09	350,000	0	0	0	350,000
2019 incentive programme	1 Jun – 2 Oct. 2022	78.50	1.00	0	350,000	0	0	350,000
Total				**1,050,000**	**350,000**	**335,000**	**15,000**	**1,050,000**

	Group MUSD		**Parent** MSEK	
Warrant incentive programme	**2020**	**2019**	**2020**	**2019**
Incentive programme cost	0.5	0.7	3.3	3.9
Total	**0.5**	**0.7**	**3.3**	**3.9**

As the share price was below the subscription price for all the active tranches of the incentive programme for most of 2020, there was limited dilution effects of the warrants included in the weighted average number of shares after dilution, which amounted to 33,328,099 during 2020. The cost is calculated in accordance with the Black & Scholes formula where the main inputs are the factors in the above table, expected volatility, share price at valuation and an equity discount rate. The cost for the incentive programme is included as part of administrative expenses and includes tax and social charges where applicable.

Note 23, Pledged assets

As at 31 December 2020, pledged assets amounted to MSEK 0.5 related to a pledge in relation to office rental in the parent company (MSEK 0.5).

Note 24, Contingent liabilities

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

Note 25, Related party transactions

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

During the year, the Company entered into the following significant transactions with related parties.

Transactions with group companies, MSEK	**2020**	**2019**
Interest income	18.8	17.7
Other income	12.8	10.7
Dividend income	57.3	276.7
Total	**88.9**	**305.1**

Balance with related parties, MSEK	**2020**	**2019**
Receivable from group companies	338.0	446.2
Total	**338.0**	**446.2**

Balance with related parties, MSEK	**2020**	**2019**
Payable to group companies	128.3	8.6
Total	**128.3**	**8.6**

The receivables or payables from related parties arise from the net of purchased services and upstreamed or downstreamed funds between parent and subsidiaries. The interest rates on receivables are in the range of LIBOR +4–6% per annum. Receivables are long term in duration and unsecured in nature. Payables are short term in duration, unsecured in nature and bear no interest.

Note, 26 Subsequent events

On the 9 February 2021, HM the Sultan of Oman issued Royal Decree No. 16/2021 authorising the assignment of 45 percent of the rights and obligations of Medco Arabia Ltd in the Exploration and Production Sharing Agreement for Block 56 to Tethys Oil AB's wholly owned subsidiary Tethys Oil Oman Onshore Limited. The Royal Decree constitutes the final government approval of the transaction announced on 28 October 2020. Following the issuance of the Royal Decree, Tethys Oil paid MUSD 5 cash consideration and transaction was finalised.

On 1 March 2021, Tethys Oil announced that the Thameen-1 exploration well drilled on Block 49, onshore Sultanate of Oman had reached total depth and that the well had encountered hydrocarbon shows in the primary target, the Hasirah Sandstone, and that a well testing programme was to be initiated. On 23 March 2021, the completion of the well testing programme was announced. No flows were recorded at surface, but down hole fluid samples were collected. Logs indicate a gross hydrocarbon column of close to forty metres. Sidewall cores, fluid samples and pressure data will be further analysed together with an extensive log analysis. The well will be suspended to allow re-entry at a later date after further evaluation has been carried out.

On 9 March 2021, HM the Sultan of Oman issued Royal Decree No. 25/2021 authorising the assignment of 50% of the rights and Obligations of Tethys Oil Montasar Limited in the Exploration and Production Sharing Agreement for Block 49 to a wholly-owned subsidiary of EOG Resources Inc. ("EOG") The Royal Decree constitutes the final government approval of the transaction announced on 10 November 2020. Following the issuance of the Royal Decree, EOG paid the initial consideration of historic cost incurred until the date of signing of the agreement. The consideration will be recorded in the first quarter 2021 accounts and is not expected to have any effect on the group income statement.

Assurance

The Board of Directors and the managing director declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the parent company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the parent company's financial position and results of operations. The statutory Administration Report of the Group and the parent company provides a fair review of the development of the Group's and the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and the companies included in the Group.

Stockholm, 9 April 2021

Geoffrey Turbott
Chairman of the board

Rob Anderson
Director

Klas Brand
Director

Alexandra Herger
Director

Magnus Nordin
Managing Director

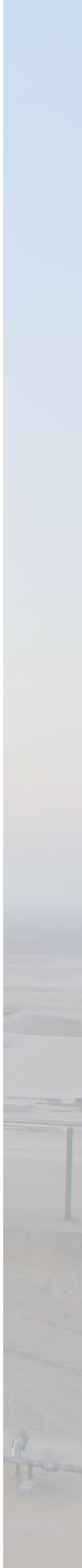
Per Seime
Director

Auditor's endorsement

Our audit report was submitted on 9 April 2021.
PricewaterhouseCoopers AB

Ulrika Ramsvik
Authorized Public Accountant
Lead Partner

Sophie Damborg
Authorized Public Accountant



Auditor's report

To the general meeting of the shareholders of Tethys Oil AB (publ), corporate identity number 556615-8266

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Tethys Oil AB (publ) for the year 2020.

The annual accounts and consolidated accounts of the company are included on pages 39–69 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act.

The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

Tethys Oil AB (publ) is a Swedish Oil and Gas company with its primary operations located in Oman. The operations in Oman represented 100% of the group's revenue for the financial year 2020 and 76% of the group's assets as per 31 December 2020. We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where the management and the Managing Director made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our planning of the audit included an assessment of the level of audit work to be performed at the group's headquarters and at local offices. Following the group's organisation certain processes for accounting and financial reporting are performed outside the group's headquarter which means that we as a group audit team performed our audit work at the group's headquarters but we also obtained reporting from specified procedures performed by our audit team in Oman.

We have reported the results from our procedures to management and the Audit Committee after the review of the Report for the six months period ended 30 June, 2020 and after the year-end audit of the financial year 2020.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole.

These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Recoverability of the carrying value of oil and gas properties

The carrying value of oil and gas properties amounted to MUSD 215.3 as per 31 December 2020 and the major part represented by the producing assets in Blocks 3&4 in Oman. The oil and gas properties relating to Blocks 3&4 in Oman amounted to MUSD 191.9 by 31 December 2020.

During the year management follows a process to identify potential indicators of impairment and to the extent that indicators are identified impairment tests are prepared.

The carrying value of oil and gas properties is supported by the higher of either value in use calculations or fair value less cost of disposal (recoverable amount).

The assessment to identify potential impairment indicators and to perform impairment tests requires management to exercise significant judgement where there is a risk that the valuation of oil and gas properties and any potential impairment charge or reversal of impairment may be incorrect.

Management's test requires consideration of a number of factors, including but not limited to, the Group's intention to proceed with a future work programme, the probability of success of future drilling, the size of proved, probable reserves as well as prospective resources, short and long term oil prices, future costs as well as the discount and inflation rates.

Following the analysis of potential impairment indicators for Blocks 3&4 in it was concluded that no impairment was recorded.

Refer to pages 42–43 in the Directors' report, page 56 in the Accounting Policies and note 2 and 8 in the financial statements for more information.

How our audit addressed the Key audit matter

We have audited management's assessment for determining the impairment indicators and concluded that there are no impairment indicators identified.

The assumptions that underpin management's assessment are inherently judgmental. Our audit work therefore assessed the reasonableness of management's key judgements of the recoverable amount of Blocks 3&4. Specifically our work included, but was not limited to, the following procedures:

- comparison of management's short-term oil price assumptions against external oil price forward curves;
- comparison of long-term oil price assumptions against views published by brokers, economists, consultancies and respected industry bodies, which provided a range of relevant third-party data points;
- reconciliation of hydrocarbon production profiles to the combination of proved and probable reserves and contingent resources from reserve reports from ERC Equipoise Limited;
- verification of estimated future costs by agreement to budgets and where applicable, third party data;
- benchmarking of inflation and discount rates applied;
- testing of the mathematical accuracy of the model

We have obtained the estimation of proven and probable reserves and contingent resources certified by the group's external reserves auditor. Our work included but was not limited to:

- determining that the group's process for collecting relevant reports were sufficiently robust;
- assessing competence and objectivity of reserves auditor ERC Equipoise Limited, to satisfy ourselves they were appropriately qualified to carry out the volumes estimation;
- validation of that the updated reserves and resources estimates were included appropriately in management's consideration of impairment and in accounting for depletion charges.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–20 and 29–38. Other information those not include the Financial statements, consolidated accounts and our audit report related to the Financial statements. The Board of Directors and the Managing Director are responsible for this other information. The information in the "Remuneration report 2020", which will be published on Tethys Oils webpage at the same time as this report is also considered other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Tethys Oil AB for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, 405 32 Göteborg, was appointed auditor of Tethys Oil AB by the general meeting of the shareholders on the 13 May 2020 and has been the company's auditor since the 2001. The company has been listed at NasdaqOMX since the 2 May 2013.

Gothenburg, 9 April 2021

PricewaterhouseCoopers AB

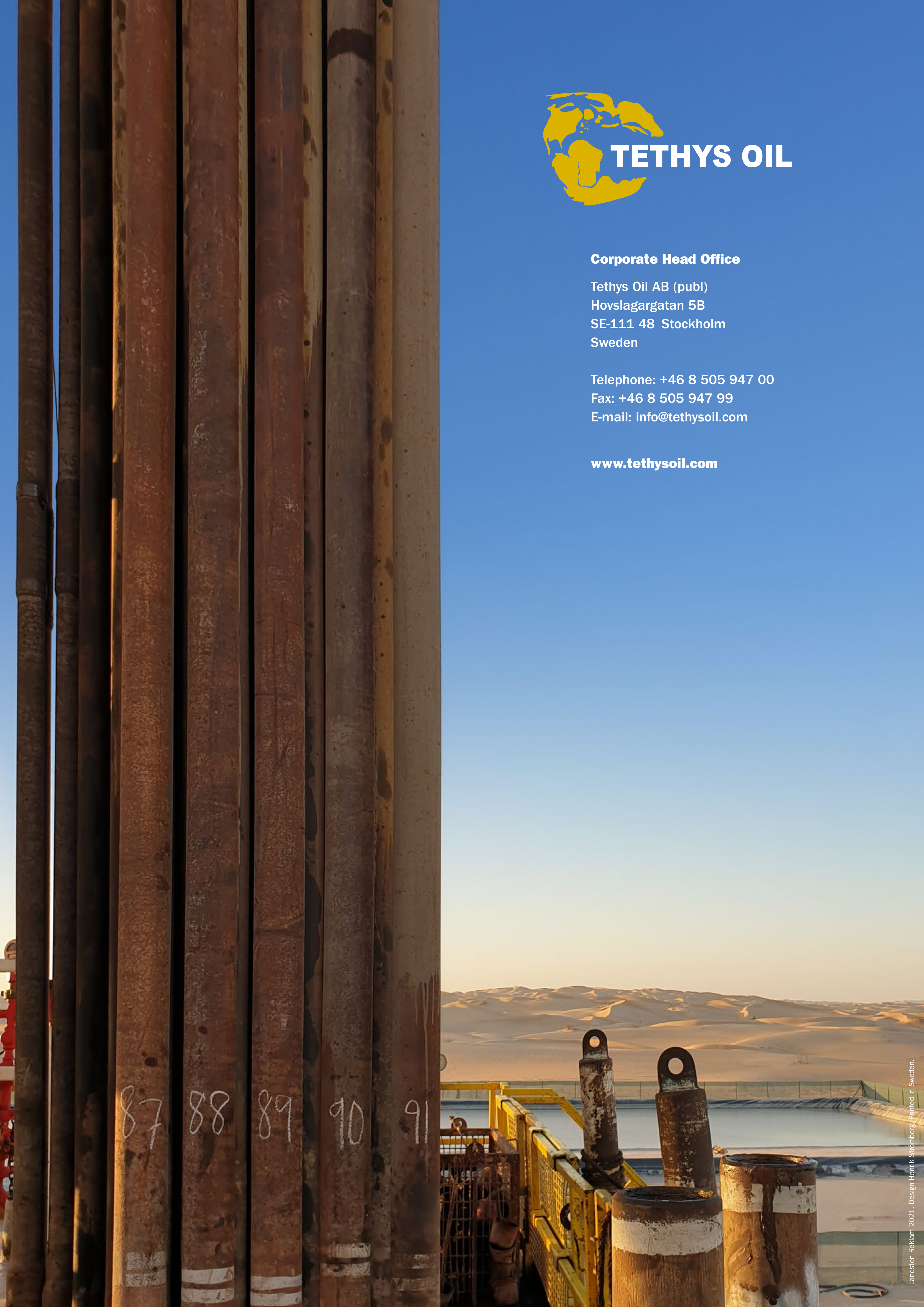
Ulrika Ramsvik
Authorized Public Accountant
Lead Partner

Sophie Damborg
Authorized Public Accountant

Financial information

The company plans to publish the following financial reports:

Report for first quarter 2021 (January – March 2021) on 11 May 2021
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



TETHYS OIL

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