Tethys Oil Annual Report 2021

Tethys Oil

Tethys Oil is an oil exploration and production company with focus on onshore areas with known oil discoveries. The company's core area is the Sultanate of Oman, where it has been present since 2006 and currently holds interests in Blocks 3&4, Block 49, Block 56 and Block 58. Tethys Oil has 2P reserves of 26.2 mmbo and 2C Contingent Resources of 15.6 mmbo and had an average oil production of 11,136 barrels per day during 2021. The company's shares are listed on Nasdaq Stockholm (TETY).

Licences, Oman	Area (km^2)	Interest	Phase	2P Reserves (mmbo)	2C Contingent Resources (mmbo)	Average daily production 2021 (bbl)
Blocks 3&4	29,130	30%	Production/ exploration	26.2	15.6	11,136
Block 49	15,439	100%*	Exploration	–	–	–
Block 56	5,808	65%	Exploration	–	–	–
Block 58	4,557	100%	Exploration	–	–	–

* Interest percentage reflects a change that occurred as EOG withdrew from Block 49. The withdrawal was announced in 2021 and Tethys Oil is currently in the formal process to receive final government approval to again have a 100 percent interest share in the Block.

This spread
Tethys Oil's Board of Directors visits the drill site of the Al Jumd-2 well at Block 56.

Front cover
In the mountain picture, black oil can be seen seeping out of the limestone. The geological formations reflect similar oil-bearing sediments, separated by rocks, in the shallow boreholes that Tethys has identified through 3D seismic on Block 56.

Back cover
Power lines along a desert road. The operator on Blocks 3&4 is working together with its partner, Tethys Oil, to electrify their joint production facilities. The goal is to reduce the flaring of the gas produced as a by-product of oil extraction and instead convert it into electricity in gas-powered generators directly in the fields.

Contents

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

Financial information

The company plans to publish the following financial reports:

Report for first quarter 2022 (January – March 2022) on 10 May 2022

Report for second quarter 2022 (January – June 2022) on 9 August 2022

Report for third quarter 2022 (January – September 2022) on 8 November 2022

Report for fourth quarter/year-end report 2022 (January – December 2022) on 7 February 2023

Annual General Meeting

The Annual General Meeting will be held on 18 May 2022, 15:00, at Grand Hotel, Södra Blasieholmshamnen 8, in Stockholm. Tethys Oil is closely monitoring the development around the Coronavirus, and precautionary measures related to the Annual General Meeting 2022 might be taken to ensure the health and safety of all shareholders, employees and other stakeholders. To attend the AGM, please visit Tethys Oil's website, www.tethysoil.com, for more information.

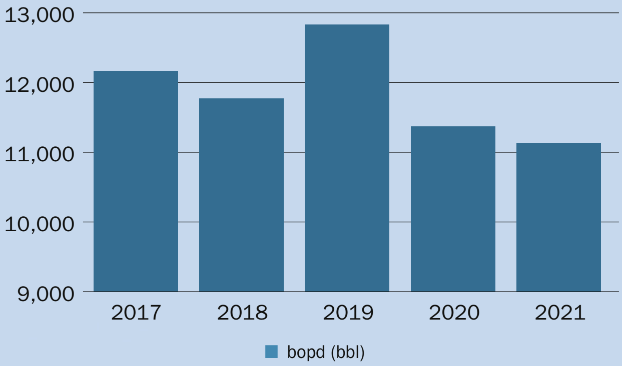
Operational and financial summary

MUSD (unless specifically stated)	2021	2020	2019	2018	2017
Average daily production Blocks 3&4, before government take, bbl	**11,136**	11,336	12,832	11,767	12,162
Achieved selling price per barrel, USD	**62.8**	47.7	64.2	70.5	51.8
Revenue and other income	**112.7**	101.1	150.8	157.3	119.3
EBITDA	**61.4**	50.4	92.9	106.6	78.2
Net cash	**67.8**	55.1	75.1	73.1	42.0
Investments in oil and gas properties	**35.2**	45.4	65.2	55.8	40.4
Dividend, SEK per share – proposed	**2.00**	2.00	2.00	2.00	1.00
Extraordinary distribution to shareholders, SEK per share – proposed	**5.00**	2.00	6.00	4.00	–
Market capitalisation at the end of the period, MSEK	**2,059**	1,626	3,063	2,325	2,337
2P Reserves in Oman (million barrels of oil)	**26.2**	26.9	26.1	25.4	22.0
2C Contingent Resources in Oman (million barrels of oil)	**15.6**	13.9	13.5	12.5	17.3

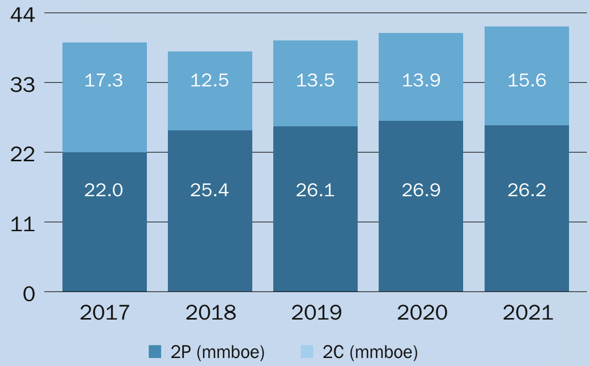
2021 in brief

- Improved financial performance as the oil prices reached their highest levels since 2014. The strong net cash position will be used to increase investments in 2022 and the Board has proposed that distribution to shareholders will be increased to a total of SEK 7.00 for 2021. The proposed distribution includes SEK 2.00 (SEK 2.00) of ordinary dividend and SEK 5.00 (SEK 2.00) by a mandatory share redemption programme.
- Production and reserve replacement was negatively impacted by the effects of reduced investments in 2020 and operational issues impacting ramp up in 2021. Over the course of the year activity levels increased again on Blocks 3&4, and by July all three drilling rigs were again operational after that two of them had been put on standby a year previous.
- The Tethys Oil operated Thameen-1 exploration well on Block 49 was successfully drilled during the first quarter of 2021. Logs and well-analysis showed a 40 metres gross hydrocarbon column and decent porosity but low permeability and no flows to surface. Tethys Oil has extended the first exploration phase on Block 49 by six months to June 2022, under which time further studies will determine on how to best move forward with the Block.
- The farmin transaction with Medco on Block 56 was concluded in the first quarter of 2021. With this Tethys Oil increased the Group's interest share to 65 percent and assumed the operatorship of the Block. As the year progressed, the preparations for the launch of the three-well exploration and appraisal drilling campaign in the Al Jumd trend intensified. The campaign commenced in early 2022. In parallel, a 3D seismic acquisition campaign covering more than 2,000 km² in the central part of the Block commenced in the fourth quarter of 2021.
- On Block 58 preparations for exploration progressed during the year. During the fourth quarter 450 km² of 3D seismic was acquired in the South Lahan area on the basis of which Tethys Oil expects to identify drillable prospects by early 2023. Legacy 3D seismic data over the Fahd area is being interpreted. Tethys Oil aims to drill an exploration well in the Fahd area of Block 58 by the end of 2022.
- In the fourth quarter of 2021, Tethys Oil's partner on Block 49 notified Tethys Oil of their intention to withdraw from the Block. The formal process of reassigning EOG's 50 percent interest share to Tethys Oil is currently ongoing.

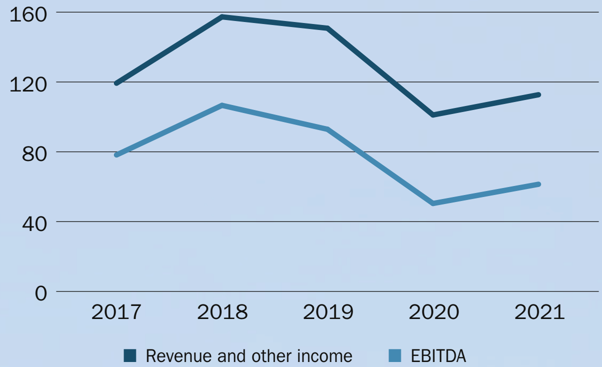
Production per day, barrels



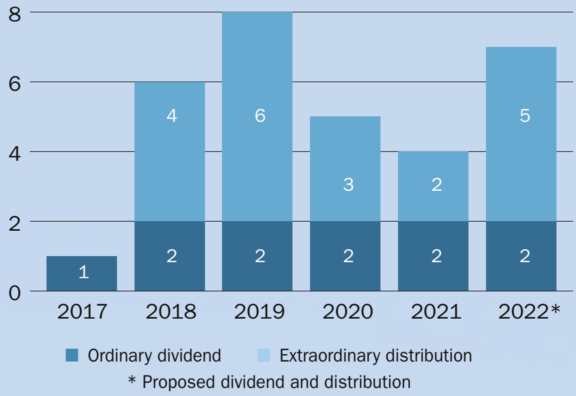
Total Net Reserves and Resource, million of barrels



Financials, MUSD



Dividend and distribution per share, SEK



Tethys Oil's Dividend Policy

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

Letter to shareholders

Dear friends and investors,

A year ago, we were still in the grip of the Covid pandemic. There were signs of optimism as vaccines started to be rolled out and understanding of the virus increased but uncertainty remained high. Our focus was to maintain the health and safety of our people and continue our operations as close to normal as possible while following the continued implementation of strenuous Covid protocols in the field and at the office. On all these counts we were thankfully successful.

Yet again however, events on the world stage have dramatically affected the wording of this letter to our shareholders.

We have always known that as an oil company, in the business of providing the global market with energy, we operate close to world affairs. Oil remains the world's most traded commodity and the price readily reflects political changes but what we saw two years ago with the outbreak of the Pandemic and what we see today in response to the political situation in Europe is extreme even in this arena.

The Pandemic forced us to adjust to contraction and falling prices, the current situation is the opposite.

However events play out, we have shown our readiness to respond to black swan events and while maintaining fiscal discipline we have, and will continue to, maintain our long term focus.

Resilient and adaptable social and environmental awareness as well as loyalty are central to implementing our growth strategy. Oil prices will fluctuate, and world events will ebb and flow, but Tethys will continue its journey, holding firm on this unruly sea.

Given the circumstances we also had quite an active year not least in our operated areas. In fact, we became operator of yet another Block, Block 56, after having concluded a farmin which took us to a 65 percent interest in the Block.

On our producing area Blocks 3&4 we continued to have a positive cash flow for the year and as oil prices picked up towards the end of the year our overall finances came out very well.

Blocks 3&4 started to show signs of 'corona fatigue' by the fourth quarter when return to full operations was achieved more slowly than planned for but again most importantly safety and security was maintained throughout the year.

Looking forward to 2022 I would like to summarise our outlook in a few points:

- We are well placed to see substantial growth in 2022.
- On our non-operated Blocks 3&4 the work programme calls for drilling almost double the number of wells drilled in 2021. This catch up investment aims to increase both production and reserves.
- On Tethys' operated Blocks 56, 58 and 49 we expect various levels of activity.
- Block 49 is in low spend study mode as we continue to evaluate the results of the Thameen well. We must decide the way forward during the second quarter.
- Block 58 will see the bulk of its activity towards the end of 2022 when we expect to have defined a number of drillable prospects of various sizes and chances of success.
- Block 56 will see quite a flurry of activity throughout the year with some very important milestones to be reached during the first and second quarters.
- First out is the three well programme to evaluate the Al Jumd-trend of prospects in the north-western part of the Block. Success here will establish a new source of reserves and production for Tethys in Oman.
- Second out, but potentially more important size wise, is the evaluation of the central parts of Block 56 where we have just completed a high visibility 3D seismic study. We have very high hopes for the mapping of this area where existing older seismic suggest the presence of potentially very significant future oil fields.

Which brings us to the question of – is it worth it? How much oil does the world need and for how long?

We believe we have a mission to do what we do best – to deliver this source of energy to an energy hungry world for as long as there will be a demand for this product.

And of course, we aim to do this in an as transparent and environmentally friendly way as possible, where Tethys contributes to development, education and social well-being wherever we operate.

As fossil fuels will eventually be phased out, we aim to provide a product that will be produced in such a fashion as to stay competitive until the end of the fossil era, whenever that occurs.

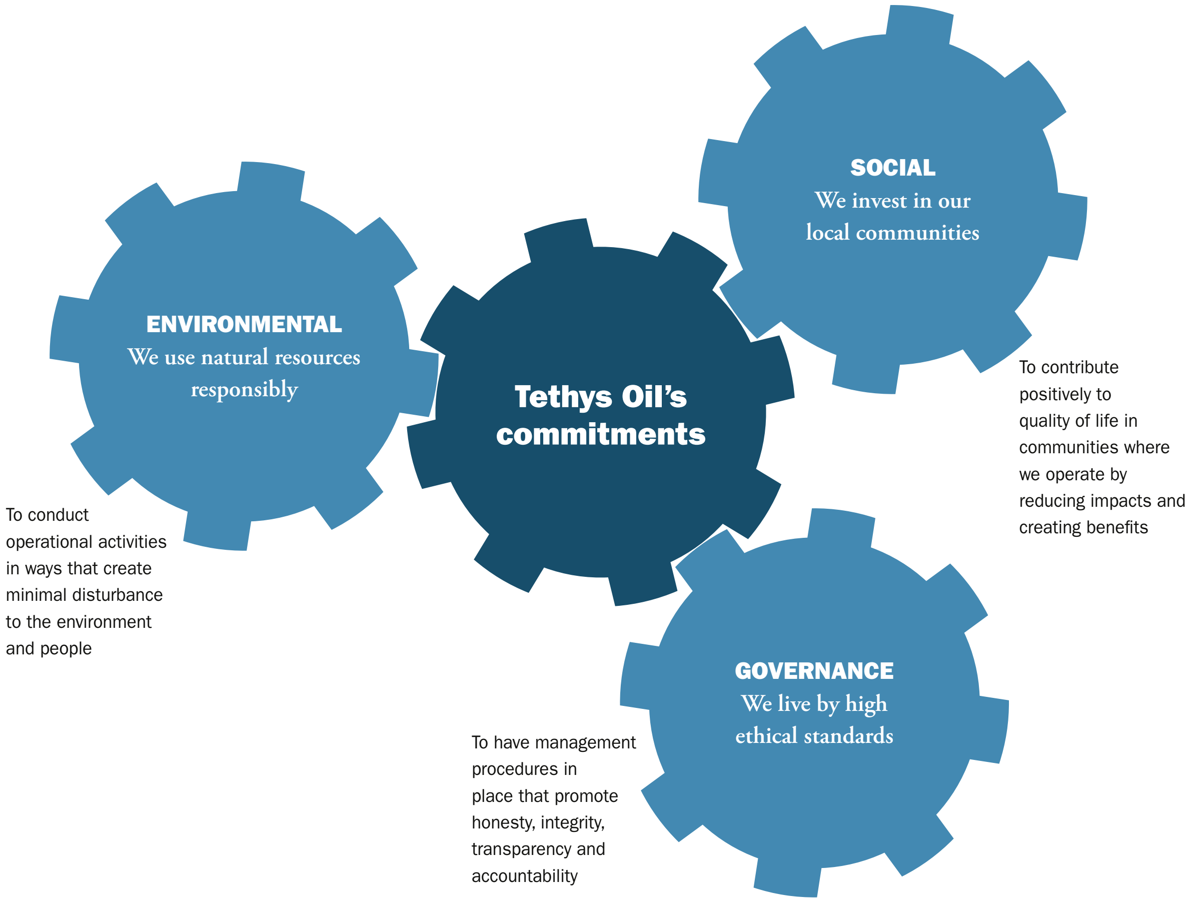
As we watch the world return from the shadow of Covid, we see oil demand rapidly return to pre pandemic levels. As we further watch with concern how investment into the upstream sector remain at a fraction of historical levels, we believe we will have an important role to play both for our investors and the users of our product for the foreseeable future.

So, stay with us, we believe we will have reasons to stay around for some time.

Stockholm, April 2022

Magnus Nordin
Managing Director

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 which 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.

Operations

Photo by Elena Tabasso

Tethys Oil's core area Oman

Oman – on the tip of the Arabian Peninsula

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 the 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, i.e. more than 10,000 years ago.

Oman – an oil nation

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 just below five and a half billion barrels of proved oil reserves, ranking Oman as the seventh largest proved oil reserve holder in the Middle East and the 21st largest in the world (BP Statistical Review of World Energy, July 2021). Oman's crude oil and condensate production amounted in 2020 to 951,000 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 over 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 2020 amounted to 287 million barrels. The People's Republic of China topped the list of the countries importing crude oil from Oman, with 86.4 percent, followed by India with 6.2 percent. Other countries combined represented 7.4 percent of the total exports of crude oil and condensates in 2020.

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. 15 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.

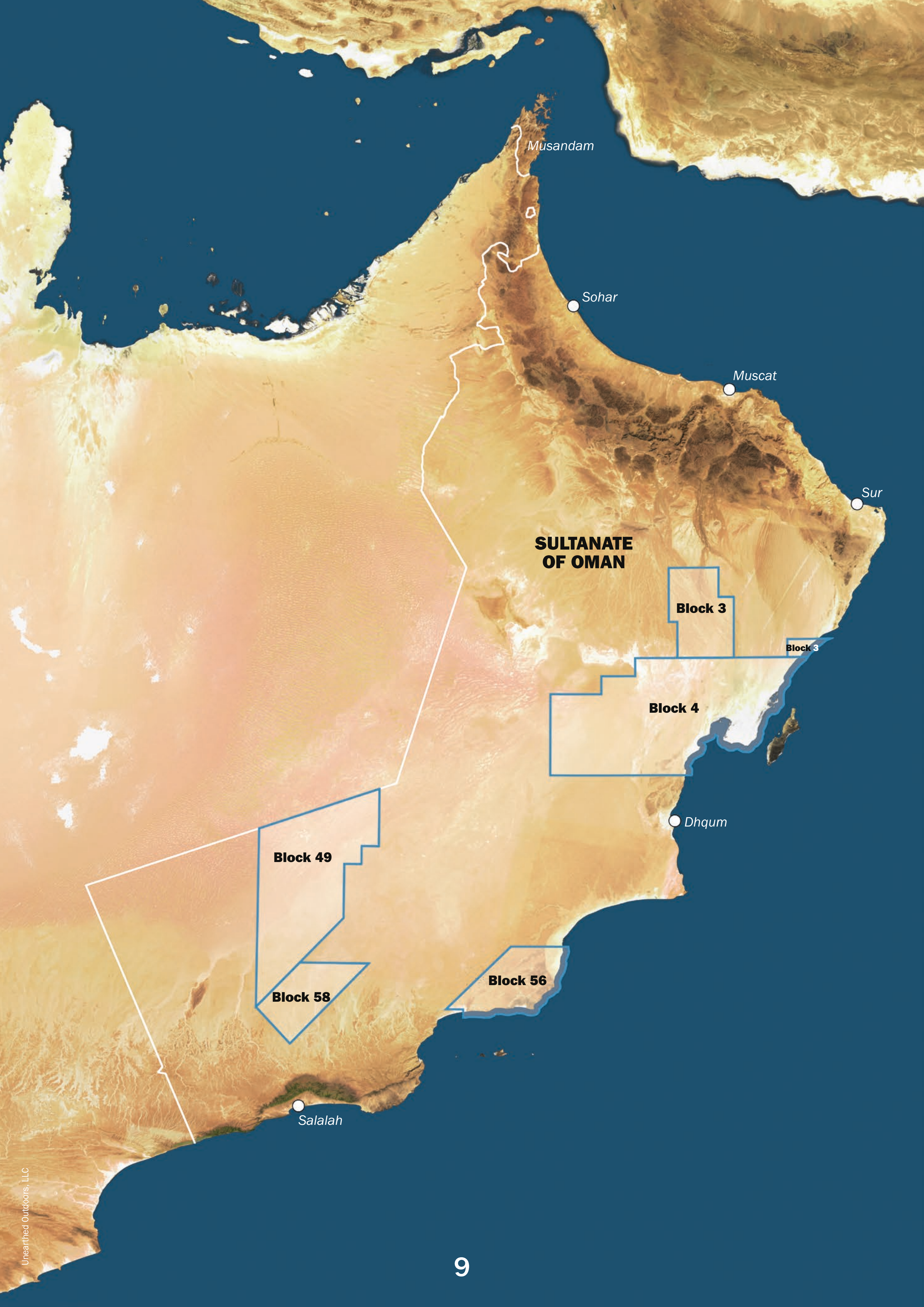
Blocks 3&4 cover an area of 29,130 km² in the central-eastern part of Oman. Tethys Oil has a 30 percent interest in Blocks 3&4. Its partners are Mitsui E&P Middle East B.V. with 20 percent and the operator CC Energy Development S.A.L. (Oman branch) holding the remaining 50 percent.

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. ("EOG") for EOG to obtain a 50 percent interest in Block 49. In December 2021, EOG decided to leave the Block and Tethys Oil will again hold a 100 percent interest in Block 49 going forward.

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 percent 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 around 37,121 bopd in 2021, corresponding to around 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.


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

Transportation and sales from 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. Throughout 2021, the export terminal experienced logistical difficulties which were later compounded by the effects of the cyclone Shaheen. These difficulties caused delays and affected sales figures between the quarters of the year. By year-end the issues were resolved, and full year sales were not affected.

Oil exploration and production in Oman is governed by 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 (with 2 months to delivery) as traded on the Dubai Mercantile Exchange, including trading and quality adjustments.

Office and staff

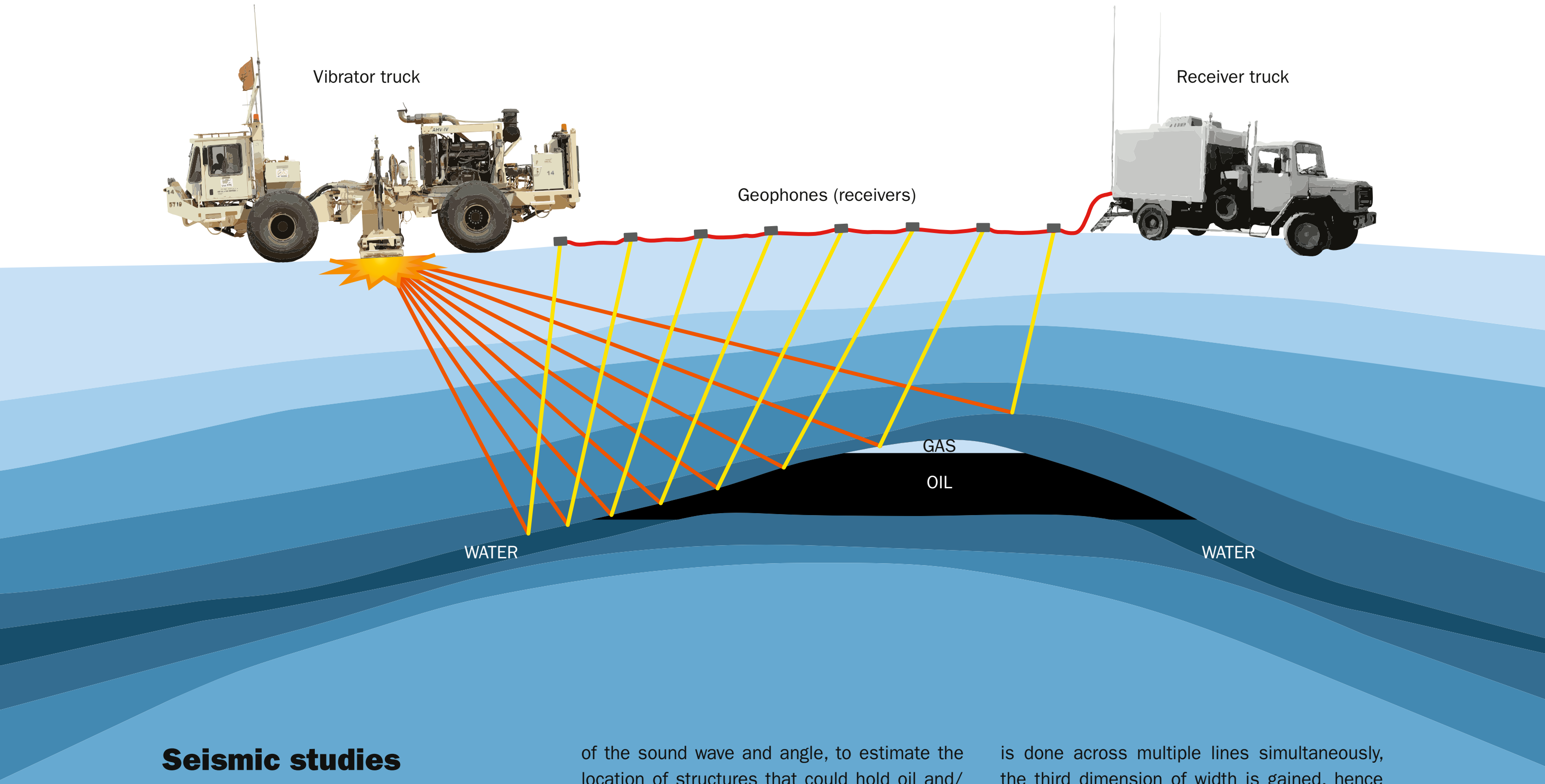
During 2021, Tethys Oil had an average of 26 full-time employees of several different nationalities, in a broad age range, of which 38 percent were female and 62 percent male. A majority of the staff have graduated from universities and colleges, primarily with geosciences, engineering or business administration.

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. Tethys Oil had an average of 19 employees based in Muscat in 2021, of which 37 percent were female and 63 percent male. As per the Omani government directive related to employment, preference is given to Omani nationals in recruiting new staff and per year-end, 80 percent of the employees at the Muscat office were Omani nationals. The Muscat office is the base for Tethys Oil's Chief Technical Officer (CTO).

Stockholm Office

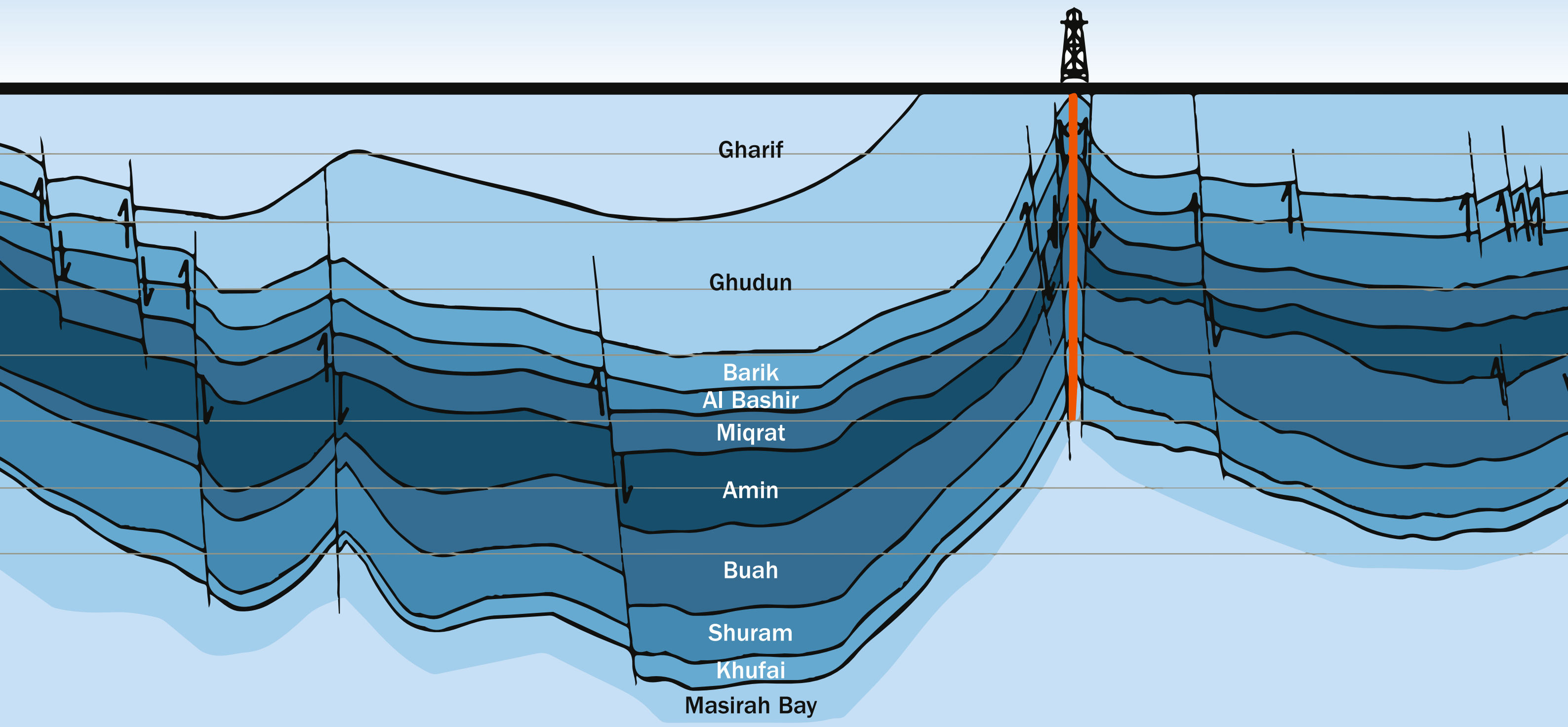
Tethys Oil's head office is located in Stockholm, Sweden. The Stockholm office is the base for the Managing Director and the Chief Financial Officer (CFO), along with Tethys Oil's finance, legal, business development and communications staff. In 2021, Tethys Oil had an average of 7 employees based in Stockholm, of which 43 percent were female and 57 percent male.



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. As 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. As 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.



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.

Emission reduction initiatives

On Blocks 3&4, the partner group has initiated a gas utilisation project. The aim of the project is to reduce the routine flaring of associated gas (produced as a by-product of the produced crude oil) and rather utilise it for local power generation with permanent facilities, thus reducing the use of diesel-powered generators. If the project is successful, it would lead to an overall reduction of emissions as well as a reduction of operating cost. While there will be some time before the full effect will be known, the project is well underway. A Front-End Engineering Design (FEED) study, including the hazard and operability study (HAZOP) is ongoing and is expected to be completed during the initial months of 2022, after which an Engineering, Procurement and Construction (EPC) contract can be procured.

More information about Tethys Oil's ESG activities can be found in Tethys Oil's Sustainability Report, available at www.tethysoil.com.

Reserves and contingent resources

Oman, Blocks 3&4

Tethys Oil's net working interest Reserves in Blocks 3&4 Oman as per 31 December 2021 amount to 26,174 thousand barrels of oil ("mbo") of proven and probable Reserves (2P). The 2P reserve replacement ratio amounts to 82 percent. In addition, Tethys Oil's net working interest resources oil base in Oman amounts to 15,600 mbo of 2C Contingent Resources. The Company's 2021 and 2020 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 2020	17,948	26,922	37,874
Production 2021	-4,064	-4,064	-4,064
Additions and revisions	2,761	3,316	4,639
Total 31 December 2021	**16,645**	**26,174**	**38,449**
Reserve replacement ratio, %*	68%	82%	114%

* The reserve replacement ratios for 1P and 3P have been updated since the year-end report 2021.

Additions and revisions include maturation of Contingent Resources to Reserves from the ongoing appraisal programme of Ulfa, Erfan and Anan 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 7,825 mbo of 1P, 10,786 mbo of 2P and 14,233 mbo of 3P.

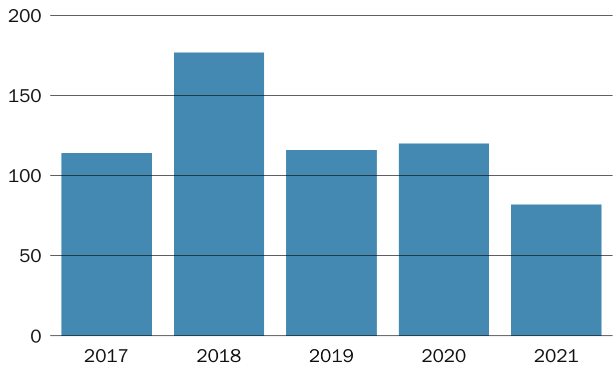
In addition to Reserves, Tethys Oil also announces net working interest Contingent Resources. The bulk of the estimated Contingent Resources are contained in the Ulfa, Samha and Erfan fields with a contribution from extensions in the Shahd fields. Development of the Contingent Resources in the discoveries is considered contingent upon the on-going appraisal programme, a committed work programme as well as budget to access these resources.

Contingent resources, Blocks 3&4 (Audited)

mbo	**1C**	**2C**	**3C**
Total 31 December 2021	**5,640**	**15,600**	**33,360**

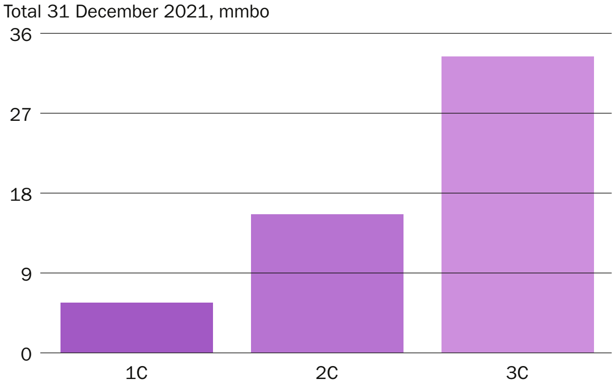
The audit of the Reserves in Oman has been conducted using 2018 Petroleum Resources Management System (PRMS2018), sponsored by the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE).

Reserve replacement ratio, %



Contingent resources

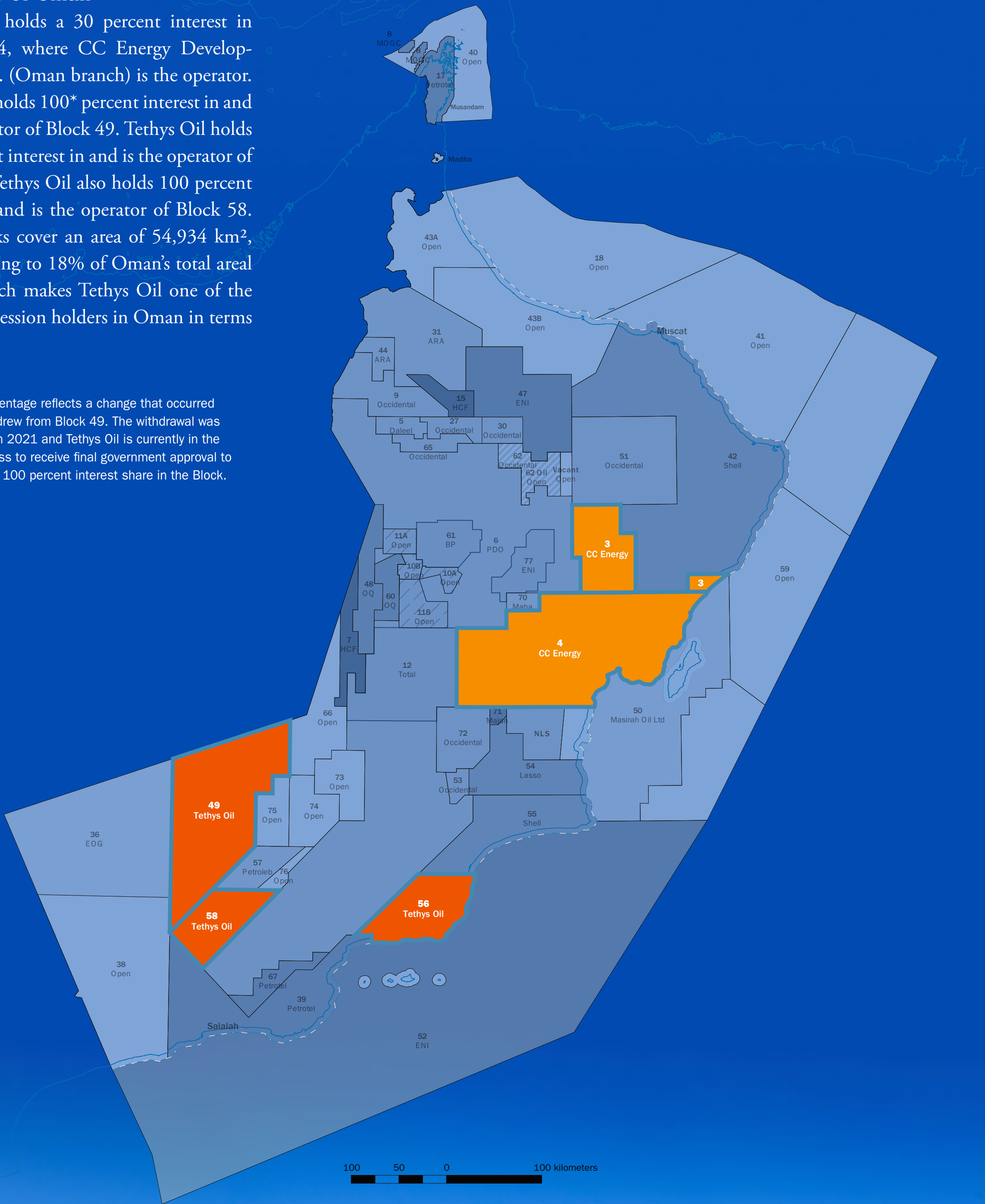
Total 31 December 2021, mmbo



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 100* 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 a change that occurred as EOG withdrew from Block 49. The withdrawal was announced in 2021 and Tethys Oil is currently in the formal process to receive final government approval to again have a 100 percent interest share in the Block.



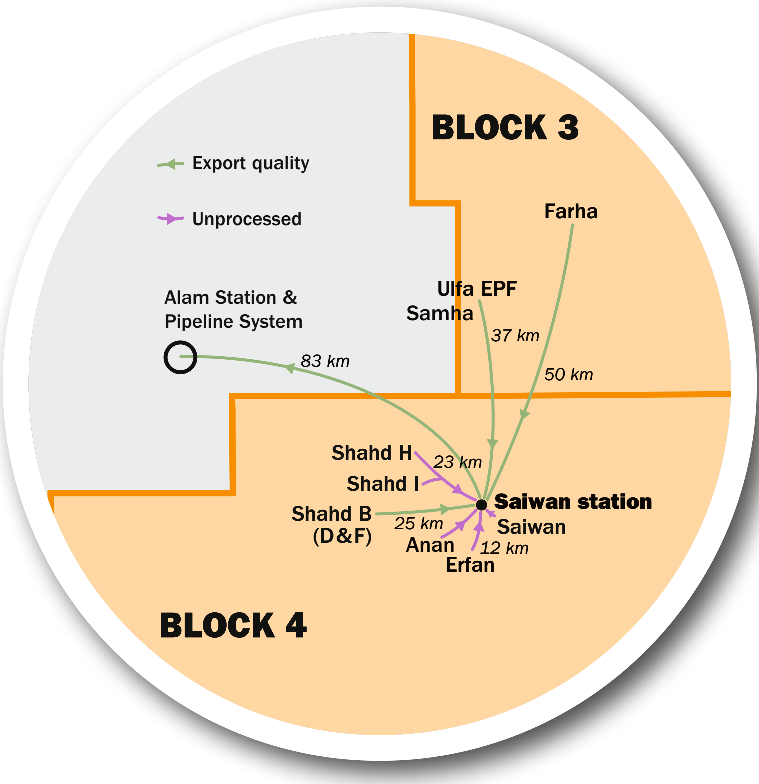
Source: Sultanate of Oman Ministry of Energy and Minerals

Photo by Patrick Thiaudiere

Blocks 3&4 – the backbone of Tethys Oil's operations

Blocks 3&4 continue to be the reliable key to Tethys Oil's operations, exploration and shareholder value creation. One of the main priorities over the course of 2021 was to bring the activity levels in the Blocks back to those before the Covid-19 related cutbacks of 2020. While these efforts progressed slower than anticipated, Tethys Oil's Net entitlement for 2021 from the Blocks was over 1.8 million barrels of oil.

Covering 29,130 km² in the eastern parts of Oman, Blocks 3&4 have been the backbone of Tethys Oil's operations since the spudding of the Farha South-3 well in early 2009. Since production started, Tethys Oil's share of production before government take has been over 34 million barrels of oil and the Reserves and Contingent Resources figures remain strong. Tethys Oil's licence for exploration and production is valid until 2040, and not only do the proceeds from the Blocks create shareholder values through dividend and further development of Blocks 3&4, they also allow Tethys Oil to explore and expand on the other Blocks, where the Company is the operator.



The fields

The Farha South field is located in the northern part of the dual-licence and it remains the star performer on the Blocks. Rather than in one large continuous reservoir, the oil is trapped in a series of smaller, usually adjacent, fault blocks of which about 30 have been drilled and put into production. To maintain pressure and stimulate production following a combination of a low content of gas and the absence of a water drive, most production wells are developed with water injected into the reservoir via injection wells. The majority of the oil is high-quality oil, more than 40 degrees API, produced in the Barik sandstone layer at an average depth of 1,600 metres, but some oil is also produced from the underlying Lower Al Bashir layer.

Shortly after the Farha South oil field was discovered, the second commercial discovery was drilled in the Saiwan East oil field in the central part of the Blocks. This reservoir was previously unknown as an oil producer in Oman and is producing oil from the Khufai carbonate at depths ranging from 1,700 to 2,400 metres of a quality of approximately 32 degrees API.

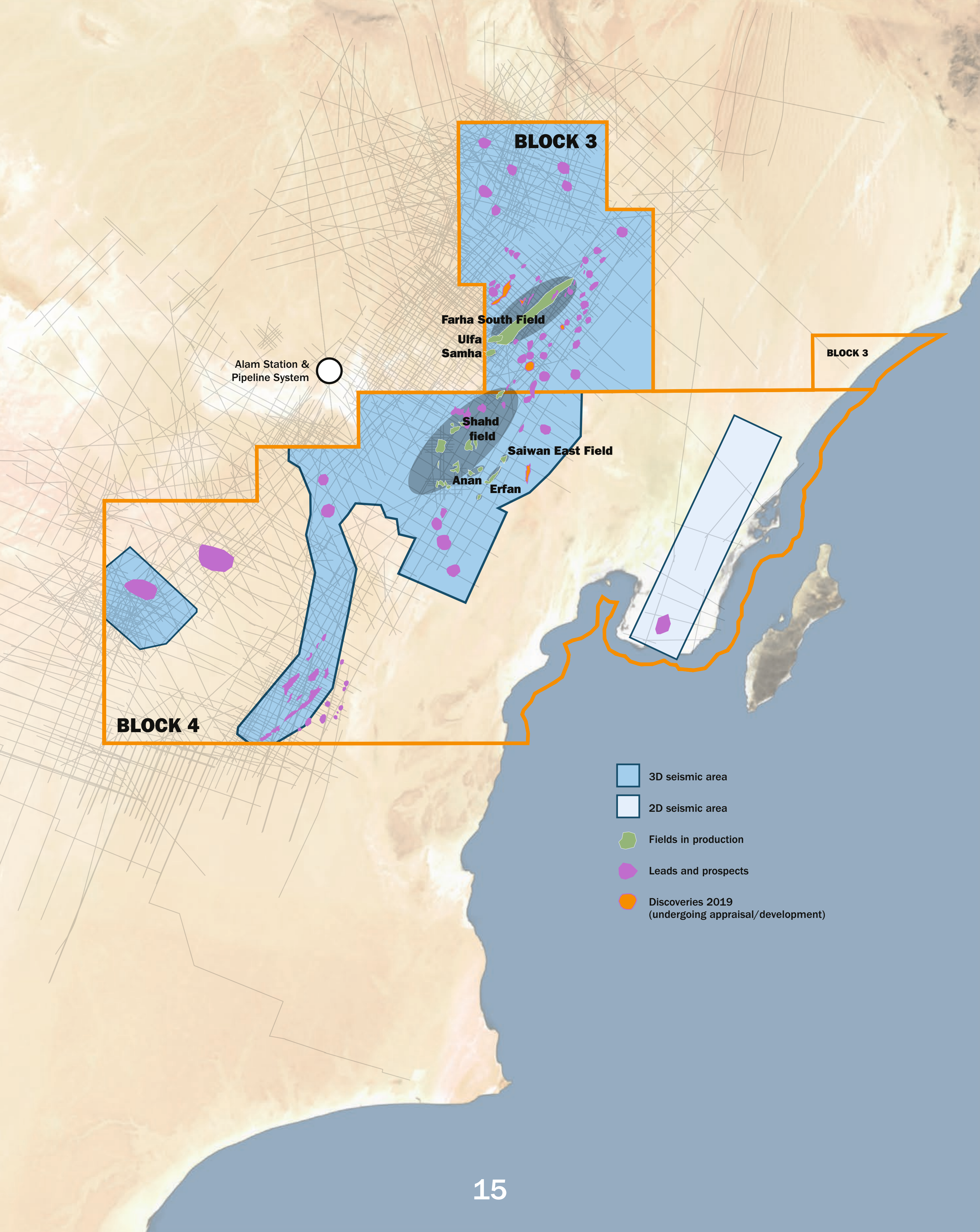
In 2013, the Shahd field was discovered in a previously unexplored area west of the Saiwan East field. As with the Farha South field, the area here is highly faulted and the oil is trapped in separate structures, of which eight have been put into production. The oil holds a quality of 35–38 degrees API and is extracted from the Lower Buah and the Khufai carbonates at a depth of 2,000–2,400 metres with the aid of water injections to reach good recovery rates.

Following a few years focused on development activities aiming at increasing production of the producing fields, a number of exploration wells were drilled in 2017. The exploration campaign 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, the same producing formation as in neighbouring Saiwan East field, at depths ranging from 1,700 to 2,400 metres. 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 in 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.

In 2020, the Anan field was discovered some 9 km west of the Erfan field. The first exploration well, Anan-1, was drilled during the fourth quarter of 2020 and was in 2021 followed by the Anan-2 appraisal well. Anan-2 was successfully tested with good flows from the Khufai layer and has subsequently been connected to the production system.

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



2021 and 2022

The primary operational focus of 2021 was to bring the production activity back to the levels of pre-Covid-19 related cutbacks and to perform long-term improvements on the oil production infrastructure. While these actions will continue over the course of 2022 and have so far been successful, production on the Blocks did not reach the levels predicted as 2021 began. The decreased production on the fields was primarily due to operational issues experienced earlier in 2021, which resulted in a lower than planned contribution of new production wells to offset the natural decline in the increasingly mature fields. The ongoing OPEC+ production limitations however had less of an impact in 2021 than in 2020 and are not expected to impact the production of 2022. A more important factor will instead be the performance and timing of new production wells. In all, Tethys Oil expects the 2022 average production to be in the range of 11,000–11,500 barrels of oil per day.

The decreased investments and exploration activities also had a negative effect on the reserve replacement ratio, which for 2P was 82 percent in 2021. The combined 2P reserves and 2C contingent resources, however, increased over the year and with the increasing activity levels, the replacement ratio will hopefully return to above 100 percent in 2022.

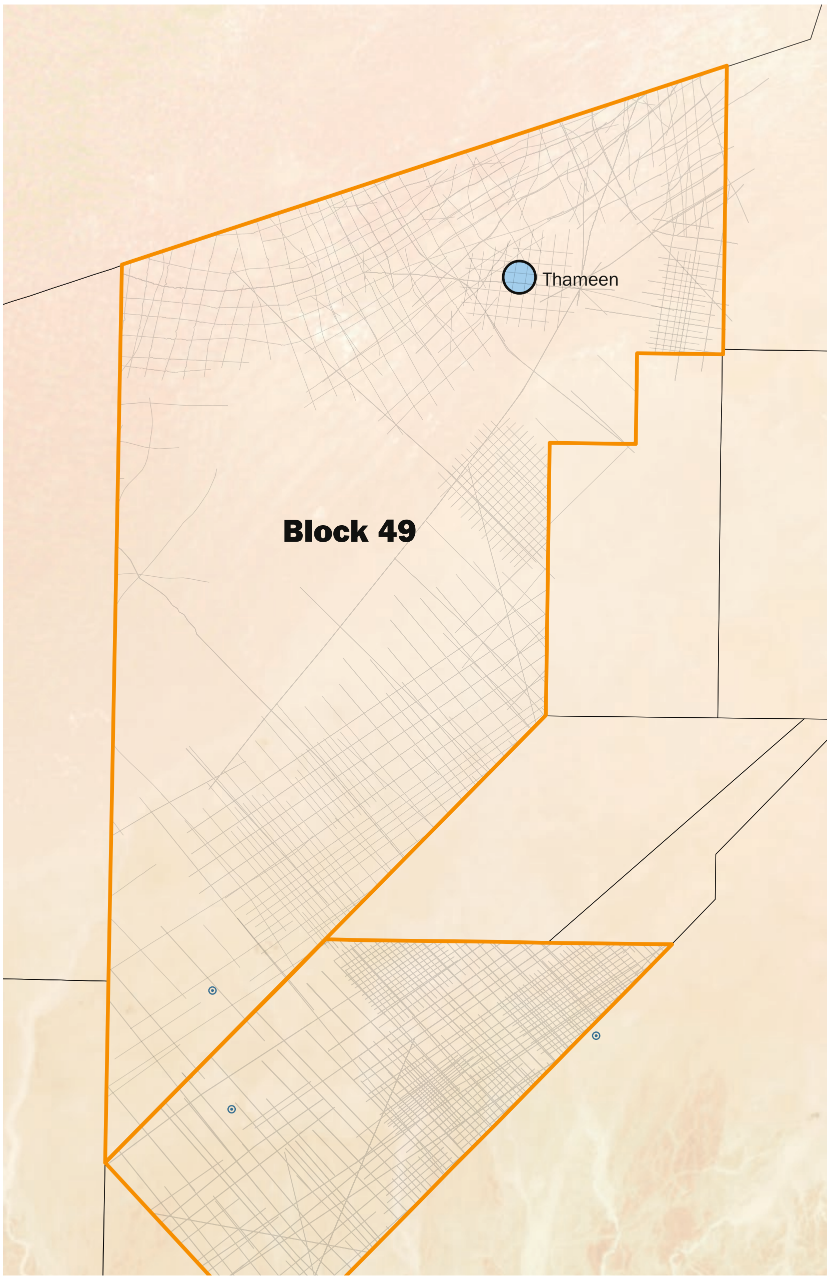
Drilling activities were increased as the two drilling rigs that were put on standby in June of 2020 were reactivated in April and July of 2021 respectively. By the end of the year all three drilling rigs were active and operated undisrupted. Operationally, priority has been given to production assurance initiatives such as improved water handling capabilities, increased well workovers and additional trunk lines to provide redundancy. Overall, it is expected that with all three drilling rigs active, the new well count should increase around 30 percent in 2022.

In December, the 2021/2022 seismic acquisition campaign commenced. The campaign will cover an area of up to 3,500 km² in the southern part of Block 4. The acquisition is expected to be completed in the third or fourth quarter of 2022 after which data processing can begin. The first exploration well of 2022, Hamdah-1, was also spudded during the first quarter of 2022, with the aim of proving a Khufai extension and opening a potential Abu Mahara play in the area.

In summary, 2021 was a challenging year following the 2020 cutbacks, with negative effects on production and reserves. As the year progressed however, activity picked up speed and Blocks 3&4 entered 2022 from a stronger position than they did 2021.

The drilling rig Schlumberger-279 during transport to the drilling of the Al Jumd-2 well, in the north western part of Block 56.

Block 49 and Thameen-1



2021 was a landmark year for Block 49, following four years of preparations the Thameen-1 exploration well was drilled!

The Block 49 licence covers an area of 15,439 km² and has a rich industry history, reaching back to 1955 when the first well in Oman, Dauka-1, was drilled here. Tethys Oil has, since the company was awarded the licence in 2017, reprocessed around 1,500 km² of 2D seismic data from previous operators and conducted seismic campaigns of over 250 km² for new 3D and almost 300 km of new 2D.

Based on these analyses, drilling operations commenced at Thameen-1 in the north eastern part of the Block on 31 December 2020 and reached its, over 4,000 meters, final depth in late February 2021. The drilling of Thameen-1 was the first solo-operated drilling of Tethys Oil in over a decade and its operational success included zero incidents and reaffirms Tethys Oil's capabilities as an upstream operator.

No flows were recorded at surface, but the logs indicated a gross hydrocarbon column of close to forty metres in the primary target, the Hasirah Sandstone. Further tests and analyses confirmed a decent porosity but a low permeability and during the later parts of 2021 the focus has been on determining how to best pursue the Block's unconventional potential.

Throughout the year, EOG Resources Oman had a 50 percent interest in the Block and their experience from adjacent Blocks was a great source of support to draw from. In line with the terms of the farmout agreement, EOG also carried the total cost of the Thameen-1 well.

While EOG in late 2021 decided to leave the EPSA and Tethys Oil is again the sole interest holder, Tethys Oil still sees potential in Block 49 and has extended the first exploration phase by six months to June 2022. During this time a feasibility study of the application of unconventional completion and production techniques on the Thameen-1 well will continue and the results from this study will determine the way forward.

Block 56 – a smorgasbord of exploration opportunities

In early 2021, Tethys Oil assumed a total of 65 percent interest and operatorship of this exciting Block, making Block 56 the third Block for which Tethys Oil is the operator. The Block includes several points of interest, primarily so in the central area and in the Al Jumd area to the north, where the first well of a three-well campaign was spudded in early 2022.

The Block 56 licence covers an area of 5,808 km² and is located in the southern part of Oman, some 200 km south of Blocks 3&4. Tethys Oil originally acquired a 20 percent interest in late 2019 and after being encouraged by the positive results from the 2020 work programme, the Company acquired an additional 45 percent from Medco Arabia Ltd and assumed operatorship of the field in the first quarter of 2021.

Under Tethys Oil's operatorship the partnership entered its first year in the second exploration phase. This first year focused on primarily two things; the continued preparations for seismic acquisition in the central area of the Block and preparing for the three-well drilling campaign in the Al Jumd area.

The central area holds several attractive leads identified on legacy 2D seismic that warranted further investigation and more detailed data. After planning and tendering during most of 2021, the 3D seismic acquisition campaign covering more than 2,000 km² of the central area of the Block commenced in the fourth quarter. The acquisition campaign is expected to be completed in mid-March and includes state-of-the-art 3D seismic data for three promising petroleum plays and more than a dozen leads. Following the acquisition, data processing will begin with the ambition of having drillable prospects available in 2023.

The preparations for the three-well drilling campaign in the Al Jumd area intensified over the year until drilling commenced in early 2022, when the Schlumberger-279 drilling rig was mobilised. The Al Jumd trend is a continuation of a trend of structures that constitutes the nearby oil producing Kareem small fields area in the adjacent Block 6 and Block 56's part was originally drilled in 2008 when a previous operator encountered oil shows in the Al Jumd-1 well. The trend covers a smaller area in Block 56 than in Block 6, but it has the potential to become an important future addition to Tethys Oil's production from Blocks 3&4. In all, the three wells have an unrisked gross prospective resource potential of 7 million barrels of oil and the trend has over 10 identified leads and prospects with modest volumes but potentially good development economics in generally shallow structural targets in proven plays. The campaign is designed to explore and appraise the prospectivity of the various plays in the Al Jumd area with focus on the Al Jumd discovery.

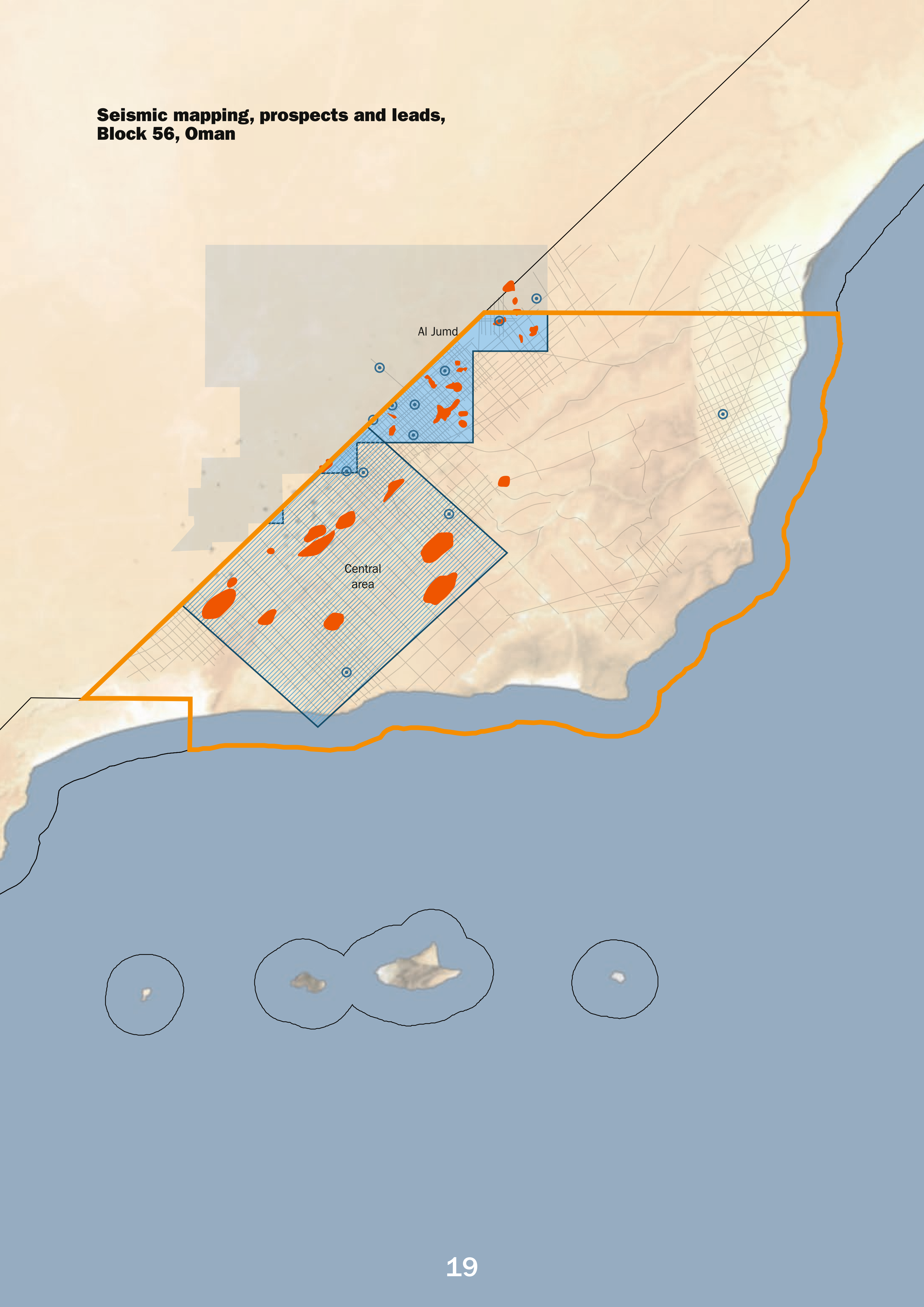
The first well spudded was the Al Jumd-2 appraisal well located in the northern part of the campaign area. The well targeted a horizontal section of over 200 metres in the Al Khalata sandstone layer at a depth of 1,300 metres. The Al Jumd-1 well tested at rates around 100 barrels of oil per day in early 2020 and the new well, with its horizontal section is expected to significantly improve on those previous rates. The final decision will await the outcome of the ongoing well-analysis, but the Al Jumd-2 well is expected to be put on a long-term production test later in 2022.

Al Jumd-2 was followed by Sahab-1, an exploration well in a previously undrilled structure within the Al Jumd trend about 28 km southwest of Al Jumd-2. Sahab was identified on existing 3D seismic, and the well is targeting Al Khalata and Kareem sandstones as well as the Huqf carbonates. The top of Huqf is estimated to be at a depth of 1,600 metres and is in production on other Blocks.

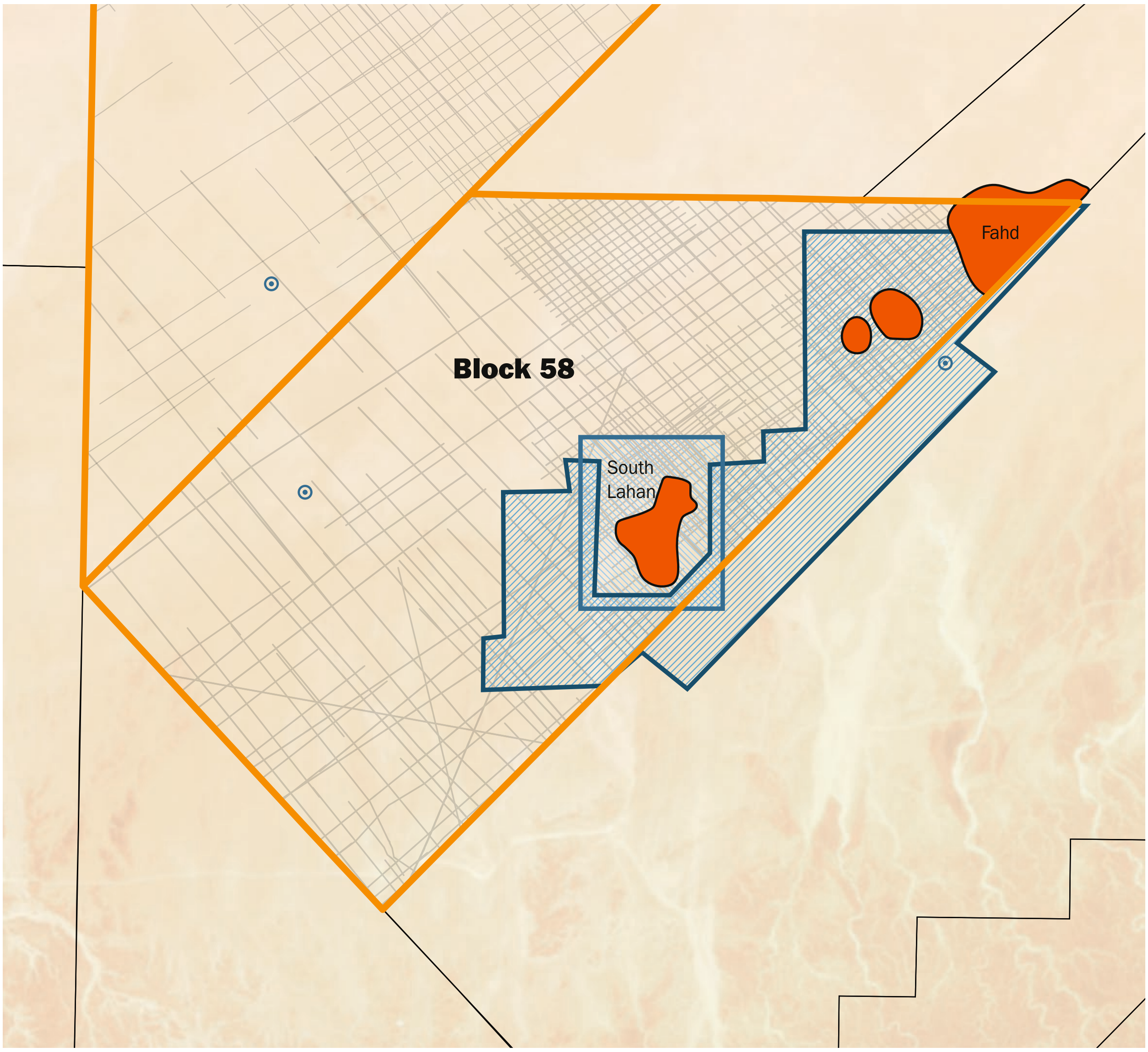
The third well, Sarha-3, is an appraisal/exploration well in the Sarha discovery 24 km southwest of Al Jumd. Sarha was discovered in 2007 by a previous operator and flowed close to 100 bopd on test from the Al Khalata layer. A secondary target for Sarha-3 will be the Kareem sandstone at a depth of 1,200 metres. Both the Al Khalata and Kareem layers are in production at the nearby Karim small fields in Block 6.

While Sahab-1 and Sarha-3 are interesting prospects that are expected to establish the reserve base in the area, the Al Jumd-2 production test remains the primary target of the campaign in the short term.

Seismic mapping, prospects and leads, Block 56, Oman



Block 58's promising exploration potential



Block 58 is Tethys Oil's latest addition to the exploration portfolio, for which the Company is the operator and has a 100 percent interest share. Tethys Oil's focus for the Block in 2021 have been on reviewing and processing legacy data and the acquisition of new seismic data. This will continue in 2022 with the aim of finding a suitable location for the Block's first exploration well and begin drilling by the end of the year.

The Block 58 licence covers an area of 4,557 km² and is located in the Dhofar Governorate in the south-western part of Oman, adjacent to the Tethys Oil operated Block 49. Upon being awarded the licence in July 2020, Tethys Oil was provided a data set covering 7,600 km of 2D seismic and 1,100 km² of 3D seismic data from previous operators as well as raw logs and well reports from two wells drilled within the Block. During the first year the focus was on reviewing, and to a certain extent reprocessing, this data. The Block has several promising aspects, including that both wells encountered hydrocarbon shows and that multiple play concepts are believed to exist with several leads identified.

In parallel, Tethys Oil procured a seismic survey that was conducted during the fourth quarter of 2021 in the South Lahan area, located in the central and eastern portion of the Block bordering with PDO's Block 6. Over 450 km² of 3D seismic was acquired in South Lahan where Tethys Oil had previously identified leads based on data from previous operators. The processing of the 3D data is expected to take several months and to be available in the third quarter of 2022. Following processing, interpretation and prospect maturation will start with the aim of having drillable prospects ready in early 2023.

Another interesting area is Fahd, in the north eastern corner of the Block. Here, seismic interpretation is ongoing, and a cluster of leads identified on legacy 3D seismic are being matured to prospects. The goal of these efforts is to by the end of 2022 drill Tethys Oil's first exploration well on Block 58.

Key financial data

Group	2021	2020	2019	2018	2017
Operational items					
Production before government take, Oman Blocks 3&4, bbl	4,064,803	4,148,818	4,683,754	4,294,852	4,439,119
Production per day, Oman Blocks 3&4, bbl	11,136	11,336	12,832	11,767	12,162
Oil sales, bbl	1,808,857	2,317,875	2,259,849	2,163,148	2,316,404
Achieved oil price, USD/bbl	62.8	47.7	64.2	70.5	51.8
Income statement and balance sheet					
Revenue and other income, MUSD	112.7	101.1	150.8	157.3	119.3
EBITDA, MUSD	61.4	50.4	92.9	106.6	78.2
EBITDA-margin	54%	50%	62%	68%	66%
Operating result, MUSD	16.1	5.8	37.1	60.7	38.4
Operating margin	14%	6%	25%	39%	32%
Net result, MUSD	16.7	3.3	38.3	62.2	33.1
Net margin	15%	3%	25%	40%	28%
Cash and cash equivalents, MUSD	68.6	55.4	75.6	73.1	42.0
Shareholders' equity, MUSD	256.6	257.7	276.3	267.6	228.5
Balance sheet total, MUSD	284.5	280.3	300.2	291.4	244.7
Capital structure					
Equity ratio	90%	92%	92%	92%	93%
Leverage ratio	neg.	neg.	neg.	neg.	neg.
Investments in oil and gas properties, MUSD	35.2	45.4	65.2	55.8	40.4
Net cash, MUSD	67.8	55.1	75.1	73.1	42.0
Profitability					
Return on shareholders' equity	6.46%	1.23%	14.10%	25.09%	15.56%
Return on capital employed	5.92%	2.12%	14.66%	26.66%	18.97%
Other					
Average number of full-time employees	26	23	23	20	19
Distribution per share, SEK	4.0	5.0	8.0	6.0	1.0
Cash flow from operations per share, USD	1.96	1.59	2.64	2.97	1.46
Number of shares at period end, thousands	33,057	33,057	36,295	35,896	35,544
Of which repurchased shares at period end, thousands	474	316	1,954	1,644	1,644
Number of shares at year end (excluding repurchased shares), thousands	32,583	32,741	34,341	34,252	33,900
Shareholders' equity per share, USD	7.76	7.87	7.61	7.45	6.43
Weighted average number of shares (before dilution), thousands	32,619	33,321	34,223	34,011	34,170
Weighted average number of shares (after dilution), thousands	32,661	33,328	34,303	34,140	34,385
Earnings per share before dilution, USD	0.51	0.10	1.12	1.83	0.97
Earnings per share after dilution, USD	0.51	0.10	1.12	1.82	0.96

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	2021	2020	2019	2018	2017
Operating result	16.1	5.8	37.1	60.7	38.4
Add: Depreciation, depletion and amortization	41.2	44.5	47.6	45.9	39.5
Add: Exploration costs	4.1	0.0	8.2	–	0.3
EBITDA	**61.4**	**50.4**	**92.9**	**106.6**	**78.2**
Cash and bank	68.6	55.4	75.6	73.1	42.0
Less: Interest bearing debt	-0.8	-0.3	-0.5	–	–
Net cash	**67.8**	**55.1**	**75.1**	**73.1**	**42.0**

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 net amount of 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 net result as a percentage of average capital employed (total assets less non-interest-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

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 2021 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 2021, 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 2021, Tethys Oil held 474,673 (1.4 percent) of its own shares which was purchased at an average price of SEK 50.82. In June 2020, and as resolved by the AGM 2020, Tethys Oil cancelled its entire then current 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 2019, 2020 and 2021. In October 2021 the exercise period for the 2018 incentive programme expired without any warrants having been exercised. 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
2019/22	350,000	350,000	69.70	1.13
2020/23	350,000	349,000	51.70	1.04
2021/24	200,000	160,000	76.00	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
2021	Share split 1:2 (redemption shares)	0.09	33,056,608	66,113,216	0	6,050,862
2021	Redemption	0.08	-33,056,608	33,056,608	-3,025,431	3,025,431
2021	Bonus issue	0.18	0	33,056,608	3,025,431	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 2021, the Board of Directors proposes to the AGM 2022 a total distribution of SEK 7.00 per share, corresponding to MSEK 228.1 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 5.00 per share by a mandatory share redemption programme. (The AGM 2021 resolved on a total distribution of SEK 4.00 per share, of which SEK 2.00 per share as cash dividend and SEK 2.00 per share by a mandatory share redemption programme, equal to MSEK 130.4).

Share ownership structure

The 15 largest shareholders in Tethys Oil as per 28 February 2022.

Name	Number of shares	Share of capital and votes
Lansdowne Partners Austria	3,633,699	11.0%
Magnus Nordin	1,555,427	4.7%
Avanza Pension	1,346,942	4.1%
Liontrust	1,093,100	3.3%
Adage Capital Management	1,050,000	3.2%
Nordnet Pension Insurance	806,336	2.4%
Carl Erik Norman	719,081	2.2%
Jan Risberg	625,000	1.7%
Dimensional Fund Advisors	498,700	1.5%
Daniel Hägerlöf	461,800	1.4%
AXA	443,661	1.3%
Schroders	375,854	1.1%
Grandeur Peak Global Advisors, LLC	366,946	1.1%
Bengt Karlsson	345,000	1.0%
Missouri Local Government Employees Retirement	316,880	1.0%
Total, 15 largest shareholders	**13,638,426**	**41.0%**
Summary, others appr 8,260 shareholders	19,418,182	59.0%
Total number of shares	**33,056,608**	**100.0%**
Tethys Oil AB	474 673	1,4%

Source: Monitor by Modular Finance as per 28 February 2022. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory
The verification date may vary for certain shareholders.

Distribution of shareholdings

Distribution of shareholdings per 31 January 2022.

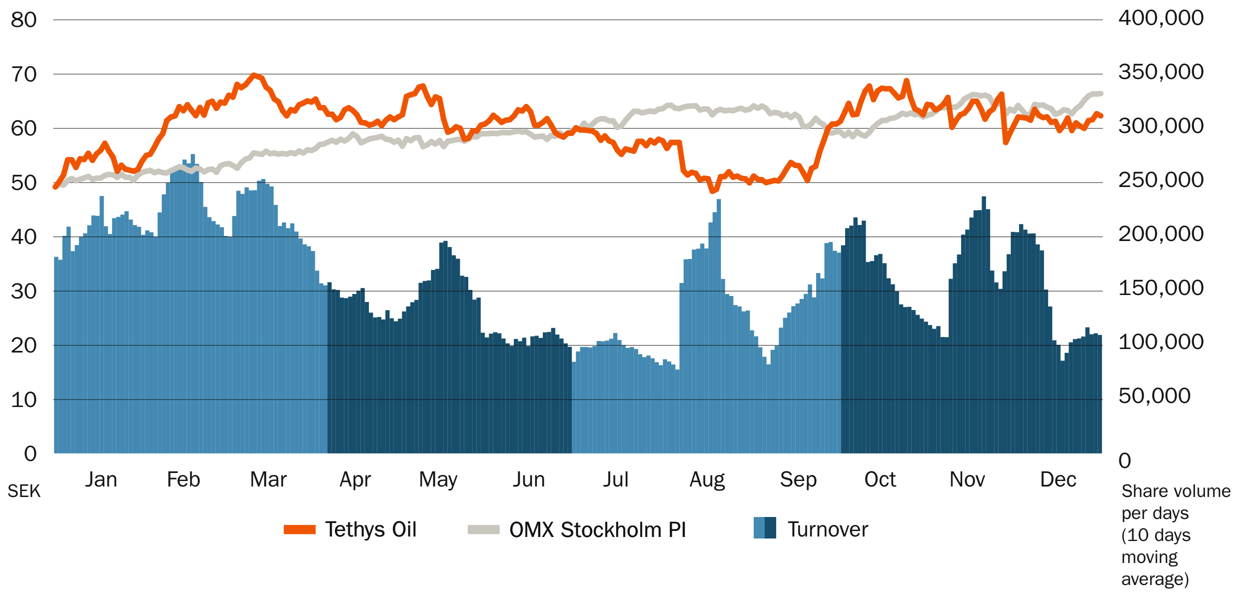
Owner distribution by holdings	Number of shares	Capital and votes	Number of owners	Part of owners
1 – 500	613,737	1.90%	5,231	72.50%
501 – 1,000	697,133	2.10%	839	11.60%
1,001 – 5,000	755,269	2.30%	490	6.80%
5,001 – 10,000	1,188,598	3.60%	353	4.90%
10,001 – 20,000	941,594	2.80%	129	1.80%
20,001 – 50,000	2,721,136	8.20%	119	1.60%
50,001 – 100,000	1,438,282	4.30%	20	0.30%
100 001 – 500 000	7,000,045	21.20%	29	0.40%
500 001 – 1 000 000	2,065,542	6.10%	3	0.00%
1 000 001 –	8,547,760	25.90%	5	0.10%
Anonymous ownership	7,087,512	21.60%	N/A	N/A
Total	**33,056,608**	**100.00%**	**7,218**	**100.00%**

Source: Monitor by Modular Finance

Share statistics 2021

The final transaction price in 2021 was SEK 62.3 corresponding to a total market capitalization of MSEK 2,059. During the year the price of Tethys Oil's share increased by 27 percent. Based on data from NASDAQ Stockholm, the highest transaction price in 2021 was SEK 70.6 on 15 March and the lowest was SEK 47.65 on 19 August. The turnover velocity (annual turnover/ outstanding shares) was 124 percent on Nasdaq Stockholm.

Share price development and turnover 2021



Corporate Governance Report 2021

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 2021 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 2021. 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 34.

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 2021 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 2021, the number of shareholders was 7,218 (9,666).

Of the total number of shares, foreign shareholders accounted for approximately 61 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.

Tethys Oil's holding of its own shares, amounted to 474,673 shares.

For further information on share, share capital development and shareholders, see pages 23–26 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 at the AGM. The AGM was held in Stockholm on 19 May 2021. 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 2021. The resolutions passed by the meeting included the following:

- Adoption of the income statements and balance sheets for 2020 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 Klas Brand. Per Seime was elected Chairman of the Board.
- 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 Johan Malmqvist 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 2021 with record date 20 May 2021;
- An extraordinary distribution of SEK 2.00 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 26 May 2021;
- 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 200,000 warrants where each warrant is entitled to subscription to one new share in Tethys Oil during the period 12 June 2024 up to and including 4 October 2024. Subscription price for the warrants is SEK 76.00 per share;
- Authorisation for the Board to resolve on repurchasing own shares, up until the AGM 2022, 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 2022 is scheduled to be held in Stockholm on 18 May 2022 at CEST 15:00. The meeting will be held with the physical presence of shareholders, representatives or third parties.

Nomination process

In accordance with the Nomination Committee process approved by the AGM 2021, the Nomination Committee for the AGM 2022 consists of members appointed by three of the largest shareholders of the Company based on shareholdings as per 30 September 2021 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 16 November 2021.

The Nomination Committee for the AGM 2022 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 2022, 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 2023;
- 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 2022 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
- Per Seime, 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 2021 has consisted of five members and no deputies. Per Seime has been chairman of the Board. Four Board members are independent from the Company and the Company's management, and five Board members are independent from larger shareholders. For further information on the Board members, please see pages 35–36.

Board of Directors elected at the AGM 2021

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

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
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 2021

During 2021, 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 2021

Board member	Board	Member Audit Committee	Member Remuneration Committee	Member of Technical Committee	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Technical Committee meetings
Per Seime	Chair	Yes	Yes (chair)	–	13/13	5/5	3/3	–
Geoffrey Turbott*	Chair	Yes	–	–	4/4	2/2	–	–
Klas Brand	Member	Yes (chair)	–	–	13/13	5/5	–	–
Robert Anderson	Member	–	–	Yes (chair)	13/13	–	–	5/5
Alexandra Herger	Member	–	Yes	Yes	12/13	–	3/3	5/5
Magnus Nordin	Member	–	–	–	13/13	4/5	–	–

* Geoffrey Turbott declined re-election and resigned from the Board of Directors following the AGM in May 2021. He attended all 2021 Board and Committee meetings prior the AGM.

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 2022, consisting of Klas Brand as Chairman and Per Seime as member of the committee. Members of the committee during 2021 prior to AGM 2021 consisted of Klas Brand (Chairman) and Per Seime.

The Audit Committee convened five times in 2021. 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 2022, 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 three times in 2021. 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 2022, consisting of Robert Anderson as Chairman and Alexandra Herger as a member of the Committee. Members of the Committee during 2021 prior to AGM 2021 consisted of Robert Anderson (Chairman), Alexandra Herger and Gavin Graham. The Technical Committee convened six times in 2021. The work has mainly focused on following up on work programmes, 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 Johan Malmqvist as lead partner and Sophie Damborg as co-signing auditor. PricewaterhouseCoopers AB was elected as the Company's auditor at the AGM 2021. 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 2021.

Tethys Oil's auditor: PricewaterhouseCoopers AB

	Johan Malmqvist	Sophie Damborg
Role	Lead partner	Co-signing Auditor
Company auditor since	2021	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 2021, remuneration to PricewaterhouseCoopers AB amounted to MUSD 0.2 (MUSD 0.2). For details on remuneration to auditors, see note 9, Auditor's fees. During 2021 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 2021 report was ERC Equipoise Limited ("ERCE"), the same that also audited the 2020 report. For further information, see Reserves on page 12.

Managing Director and executive management

The executive management in Tethys Oil throughout 2021 has consisted of the Managing Director (Magnus Nordin), CFO (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 2021. It is the Boards opinion that there exists no need for any changes to the remuneration guidelines to be proposed for the AGM in 2022.

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 2021.

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 programmes 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 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 nonfinancial 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 programmes
Any remuneration resolved upon by the General Meeting is not covered by the 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 programmes 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 programmes 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 2021

MSEK	Basic salary	Pension arrangements	Variable salary	Share-based long-term incentive	Other benefits	Total 2021	Total 2020
Managing director	3.559	0.496	0.942	1.462	0.026	6.485	7.061
Other executive management	4.264	0.492	1.077	1.743	0.031	7.607	12.711
Total	**7.823**	**0.989**	**2.019**	**3.205**	**0.056**	**14.092**	**19.772**

Remuneration to the Board 2021

Remuneration to be paid to the Board of Directors for the period between the AGMs of 2021 and 2022 amounts to a total of MSEK 2.015, allocated among the Board members in the way shown in the below table. The Annual General Meeting 2021 resolved that remuneration of the chairman of the Board of Directors shall be MSEK 0.700 per annum and of the other members MSEK 0.330 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 2021 and 2022 (in their capacity as board members)

	MSEK
Per Seime	0.800
Robert Anderson	0.395
Alexandra Herger	0.400
Magnus Nordin	0.000
Klas Brand	0.420
Total	**2.015**

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 partnership. 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. With the Company's current size, and as the Company's interests in producing assets are non-operated, Tethys Oil currently does not consider it necessary to have a dedicated internal audit 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, 8 April 2022

Tethys Oil AB (publ)
The Board of Directors

Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders of 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 2021 on pages 27–33 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.

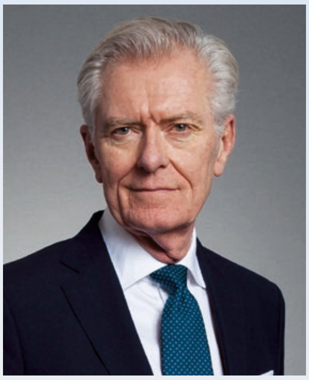
Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and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

Gothenburg, 8 April 2022
PricewaterhouseCoopers AB

Johan Malmqvist
Authorized Public Accountant
Lead Partner

Sophie Damborg
Authorized Public Accountant

Board of Directors



Member	**Per Seime**	**Rob Anderson**	**Klas Brand**
Function	Chairman of the Board, Chairman of the Remuneration Committee and member of the Audit Committee	Board member and Chairman of the Technical Committee	Board member and Chairman of the Audit Committee
Elected	2017	2017	2020
Year of birth	1946	1953	1956
Nationality	Norway	United Kingdom	Sweden
Education/background	Master of Law, University of Oslo. Master of Comparative Law, University of Chicago Law School. Norwegian School of Economic (NHH) Executive Board Programme.	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	Oil and gas lawyer with more than 30 years' experience. Lawyer for Mobil Oil (Norway, USA and Indonesia). Previously chair of the board of Premier Oil Norge and Nexen Exploration Norge.	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 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 2021)[1]	5,000	–	8,000
Warrants in Tethys Oil (per 31 December 2021)[1]	–	–	–
Board and committe remuneration (MSEK)[2]	0.800	0.395	0.420
Independent in relation to the Company	Yes	Yes	Yes
Independent in relation to the Company's larger shareholders	Yes	Yes	Yes

1 Privately or via company
2 Resolved upon at the AGM 2021

Member	Alexandra Herger	Magnus Nordin
Function	Board member of the Remuneration and Technical Committees	Board member and Managing Director
Elected	2017	2001
Year of birth	1957	1956
Nationality	United States	Sweden
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
Experience	VP Global Exploration at Marathon Oil, executive positions at Shell and Enterprise Oil	Several executive positions in different oil companies
Other board duties	Board member: Panoro Energy ASA, Electromagnetic Geoservices ASA (EMGS) 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 2021)[1]	–	1,555,427
Warrants in Tethys Oil (per 31 December 2021)[1]	–	2019/22: 60,000 2020/23: 60,000 2021/24: 60,000
Board and committe remuneration (MSEK)[2]	0.400	–
Independent in relation to the Company	Yes	No
Independent in relation to the Company's larger shareholders	Yes	Yes

1 Privately or via company
2 Resolved upon at the AGM 2021

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 2021)*	1,555,427	8,275	14,742
Warrants in Tethys Oil (per 31 December 2021)	2019/22: 60,000 2020/23: 60,000 2021/24: 60,000	2019/22: 25,000 2020/23: 50,000 2021/24: 50,000	2019/22: 50,000 2020/23: 50,000 2021/24: 50,000

* Privately, via company and insurance policy

Payments to authorities 2021

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 2021 for the group in which Tethys Oil AB (publ) ("Tethys Oil") is the parent company.

Per project

Project	Production sharing		Income taxes	Licence costs	Total
	Barrels ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Oman					
Blocks 3&4	2,265	102,202	45,039	–	147,241
Block 49	–	–	–	250	250
Block 56	–	–	–	100	100
Block 58	–	–	–	350	350
Total Oman	**2,265**	**102,202**	**45,039**	**700**	**147,941**
Total Tethys Oil	**2,265**	**102,202**	**45,039**	**700**	**147,941**

Per Authority

	Production sharing		Income taxes	License costs	Total
	Barrels ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Sultanate of Oman – Ministry of Energy and Minerals	2,265	102,202	–	300	102,502
Sultanate of Oman – Ministry of Finance	–	–	45,039	400	45,439
Total Oman	**2,265**	**102,202**	**45,039**	**700**	**147,941**
Total Tethys Oil	**2,265**	**102,202**	**45,039**	**700**	**147,941**

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 Block 49, Block 56 and Block 58 in Oman where payment were made to Oman's Ministry of Energy and Minerals and Oman's Ministry of Finance.

Income Tax

Tethys Oil's oil and gas operations in Oman are governed by an Exploration and Production Sharing Agreement for each block ("EPSA") whereby Tethys Oil receives its share of oil after government take. Under the terms of each EPSA, Tethys Oil is subject to Omani income taxes, which are paid in full, on behalf of Tethys Oil, from the government share of oil. The effect of these taxes is netted against revenue and other income in the income statement. For further reference see note 14 of the Annual Report.

Administration report

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 company registration number 556615-8266 is the parent company, are hereby presented for the twelve-month period ended on 31 December 2021. The amounts relating to the comparative period (equivalent period of last year) are shown in parenthesis after the amount for the current period.

Parent Company	Subsidiaries		Licences
Tethys Oil AB (publ)	Tethys Oil Block 3 & 4 Ltd.		Blocks 3&4, Oman
	Tethys Oil Montasar Ltd.		Block 49, Oman
	Tethys Oil Exploration AB		
	Tethys Oil France AB		
	Tethys Oil Invest AB		
	Tethys Oil Mena BV		
	Tethys Oil Oman Onshore Ltd.		Block 56, Oman
	Tethys Oil Oman Ltd.		
	Tethys Oil Qatbeet Ltd.		Block 58, Oman
	50% Odin Energy A/S	50% UAB Minijos Nafta	Gargzdai, Lituania

Ownership in subsidiary companies is 100% unless otherwise stated.

Tethys Oil is an oil and gas exploration and production company with a focus on onshore areas with known oil discoveries. Tethys Oil's core area is the Sultanate of Oman, where it holds interests in the Exploration and Production Agreements ("EPSA") for Blocks 3&4, Block 49, Block 56 and Block 58. Tethys Oil holds a 30 percent non-operated interest in the EPSA for Blocks 3&4, a 100 percent operated interest in the EPSA for Block 49 and Block 58 as well as a 65 percent operated interest in the EPSA for Block 56. Tethys Oil also has an indirect interest in a minor producing asset in Lithuania.

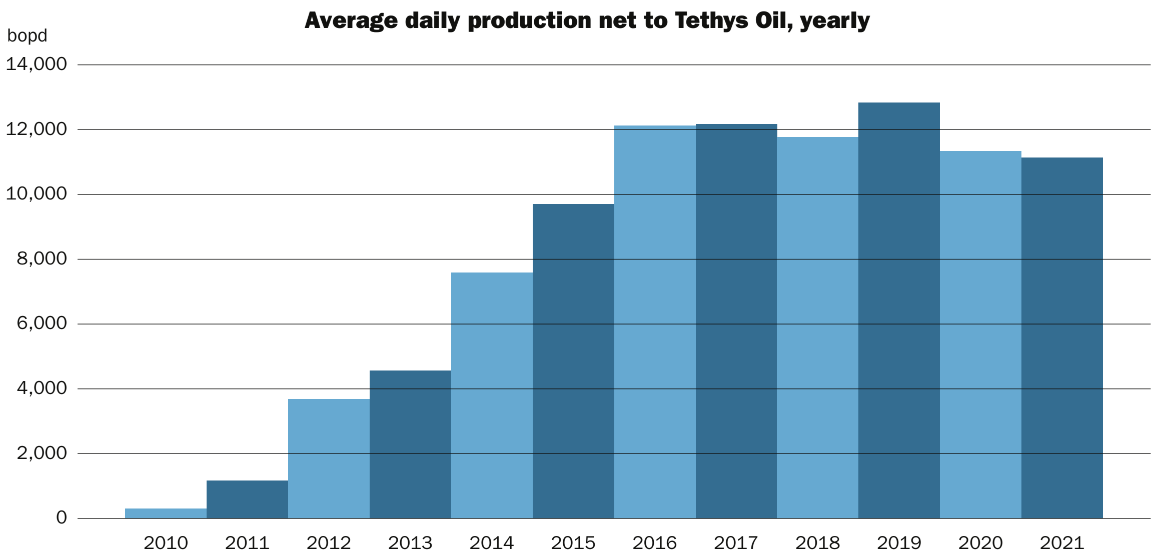
The Group is headquartered in Sweden and the Company's shares are listed on Nasdaq Stockholm (TETY) since 2012.

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.

OPERATIONAL REVIEW

Production

The Group's reported production comes from Blocks 3&4 in Oman which averaged 11,136 barrels per day in 2021 compared to 11,336 barrels per day in 2020. The Group's reported produc-



tion declined by 2 percent in 2021 compared to the year before and amounted to 4.1 million barrels (4.1 million barrels). The decline in production in 2021 is the result of a number of operational issues experienced during the year. The principal reason for the weak production development was delays in the remobilization of the two drilling rigs put on standby in 2020. One rig was scheduled to be operational in early April and the second one in the beginning of July, but both rigs took longer than expected to reach full operational capacity. As a result of the delays fewer production wells were drilled and thus resulting in a lower contribution of new production wells to offset the natural decline in mature fields. Other factors impacting production negatively were surface operational issues such as leaks and bottlenecks in water handling. A majority of the disruption factors were remedied by the end of 2021.

Operations per Block

Blocks 3&4

During 2021 a total of 14 wells were completed during the year, 10 of which were production and appraisal wells and two were water injection wells. In addition, two exploration wells were drilled.

The exploration well Safi-1 was spudded and reached its final depth in the second quarter 2021. The well was a near field exploration well drilled about 7.5 km north of Shahd H. Khufai layer, the main target, did not flow any hydrocarbons to surface and has been shut in for further evaluation.

The exploration well Suhail-1, located between the Erfan and Anan discoveries, was drilled in the third quarter 2021. The main target, the Khufai layer, flowed about 200 barrels of oil per day but due to a rapid drop in pressure the flows could not be sustained. Testing and evaluation are ongoing to see if higher and sustainable flows can be achieved.

The Mubash'er exploration well was drilled during the quarter and was found to be dry. Mubash'er, located 4 km east of the Shahd K structure in the southern part of Block 3, was targeting an untested play concept in the Ara group of formations. Post-well analysis is ongoing to determine the impact of the result on future exploration plans.

The 2021/2022 3D seismic acquisition campaign started in late December 2021.The survey will cover a total of up to 3,500 km² in the southern part of Block 4, including areas east of the 2018 exploration well Luja-1, and is expected to be completed in the third or fourth quarter of 2022.

Block 49

The primary focus of the Block 49 work programme for 2021, was the drilling of the Thameen-1 exploration well that began on 31 December 2020. By the end of February 2021 the Thameen-1 exploration well reached its final depth. Logs indicated a gross hydrocarbon column of close to forty metres in the primary target, the Hasirah Sandstone. Following completion of drilling operations, a testing programme was conducted but it was unable to record any flows of hydrocarbon to surface. Sidewall cores, fluid samples and pressure data has been further analysed together with an extensive log analysis. The results confirm a decent porosity but a low permeability. Extensive post drilling analysis points to some form of stimulation as the most probable course of action to achieve flows from the well, and an unconventional approach could be considered.

In March 2021 the farmout transaction with EOG Resources Inc ("EOG"), announced in November 2020, received government approval and was finalised. In the fourth quarter 2021 EOG notified Tethys Oil of its intention to withdraw from the EPSA for Block 49 and reassign its interest to Tethys Oil. As follows from EOG's decision Tethys Oil is now in the formal process of assuming EOGs interest and thus becoming holder of 100 percent of the Block 49 EPSA. Tethys Oil does not anticipate any immediate financial effects of EOG's withdrawal from the EPSA but, as the sole interest holder, exploration expenses going forward will be funded solely by Tethys Oil.

In December 2021 Tethys Oil was notified by the Ministry of Energy and Minerals (MEM) that it had been granted a further six-month extension of the initial exploration phase of the EPSA, until June 2022. Tethys Oil retains the option to enter into the three-year second exploration phase of the EPSA and will in the coming quarter conduct studies to evaluate the feasibility of the application of unconventional completion and production methods to the Thameen-1 well. The outcome is expected to be a key determinant in the company's course of action with regards to a potential entry into the second phase.

Block 56

In the first quarter 2021, the farmin agreement with Medco Arabia Ltd ("Medco"), announced in October 2020, for a 45 percent interest in the EPSA for Block 56 received government approval, and the transaction was finalised. As a result of the transaction, Tethys Oil increased its interest from 20 to 65 percent and assumed operatorship of Block 56.

In the fourth quarter 2021 preparations for the three well drilling campaign on the Al Jumd trend in the north-western part of the block intensified. Main areas of focus included civil works, drilling water supply wells in addition to procurement of services and supplies for a potential long-term production test. The Schlumberger 279 drilling rig became available in late 2021 resulting in mobilisation at the Al Jumd-2 drill site in late January 2022 when drilling commenced.

The drilling campaign on the Al Jumd trend is aimed to explore and appraise the various plays in the area with particular focus on the Al Jumd discovery. In all, the trend holds 10 identified leads and prospects with modest volumes but potentially good development economics. The three well campaign includes the Al Jumd-2 and Sarha-3 appraisal wells, and the Sahab-1 exploration well. If successful, the Al Jumd-2 well is expected to be put on a long-term production test later in 2022. The three wells have a combined gross unrisked prospective resource potential of 7 mmbo. Drilling operations for each well is expected to last about 20 days.

During the fourth quarter the 3D seismic acquisition campaign covering more than 2,000 km² of the central area of the Block commenced. The seismic is being acquired in the form of a data purchase agreement with a subsidiary of PDO (Petroleum Development Oman). The acquisition campaign is expected to be completed in mid-March with data processing to commence later in 2022 with the aim of having drillable prospects available in 2023

Block 58
A seismic survey on Block 58 was launched and completed during the fourth quarter. Over 450 km² of 3D seismic was acquired in the South Lahan area in the central and eastern portion of the Block bordering with PDO's Block 6. Tethys Oil has earlier identified a number of leads in the South Lahan area on the basis of 2D seismic acquired by previous operators. Processed 3D data is expected to be available to the company by the third quarter 2022 at which point interpretation and prospect maturation will start with the aim of having drillable prospects ready in early 2023.

In the Fahd area, in the north eastern corner of Block 58, seismic interpretation is ongoing. A cluster of leads, identified on legacy 3D seismic, are being matured to prospects. An exploration well in the Fahd area is planned to be drilled at the end of 2022.

Reserves and contingent resources

Oman, Blocks 3&4
Tethys Oil's net working interest Reserves in Blocks 3&4 Oman as at 31 December 2021 amount to 26,174 thousand barrels of oil ("mbo") of Proven and Probable Reserves (2P). The 2P reserve Replacement Ratio amounts to 82 percent. In addition, Tethys Oil's net working interest resources in Oman amounts to 15,600 mbo of 2C Contingent Resources. The Company's 2021 and 2020 year-end Reserves reports were audited by ERC Equipoise Limited ("ERCE") as independent qualified reserves evaluator.

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 7,825 mbo of 1P, 10,786 mbo of 2P and 14,233 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 contribution from extensions on the Shahd field. 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.

Development of reserves, Blocks 3&4 (audited)

mbo	1P	2P	3P
Total 31 December 2020	17,948	26,922	37,874
Production 2021	-4,064	-4,064	-4,064
Additions and revisions	2,761	3,316	4,639
Total 31 December 2021	**16,645**	**26,174**	**38,449**
Reserve replacement ratio, %	68%	82%	114%

Contingent resources Blocks 3&4 (audited)

mbo	1C	2C	3C
Total 31 December 2021	**5,640**	**15,600**	**33,360**

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).

Production Guidance 2022

Tethys Oil expects full year 2022 average production to be in the range of 11,000–11,500 barrels of oil per day with the outcome dependent upon the performance and timing of the wells to be drilled in the 2022 work programme. Under current circumstances, the OPEC+ production quotas are not expected to limit production output. Monthly fluctuations outside of the yearly average production range is to be expected.

FINANCIAL REVIEW

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.

During 2021 all recoverable cost incurred was recovered from production and as per 31 December 2021 there was no unrecovered cost in the Blocks 3&4 cost pool (31 December 2020: MUSD 1.8). Net entitlement for 2021 was 44 percent (2020: 52 percent) of production. As per 31 December 2021 Tethys Oil's net share of the cost pool balance was MUSD – (MUSD 1.8).

Revenue and sales

During 2021, Tethys Oil sold 1,808,857 barrels of oil from Blocks 3&4, representing a 22 percent decrease compared to 2020 when 2,317,875 barrels of oil were sold. The decrease in oil sold is a result of the lower production, lower net entitlement share offset by an increase in the overlift position compared to the end of 2020.

Revenue from oil sales in 2021 was MUSD 113.5 (MUSD 110.7), a 3 percent increase compared to 2020. The increase in revenue was driven by a 32 percent increase in achieved oil price, offsetting the lower sales volumes. Achieved oil price was USD 62.8 per barrel (USD 47.7).

The increased overlift position, 11,886 barrels compared to 3,169 at the end of 2020, and an increased oil price resulted an adjustment of MUSD -0.8 (MUSD -9.6) which together with revenue adds up to revenue and other income of MUSD 112.7, a 11 percent increase in 2021 compared to MUSD 101.1 in 2020.

Revenue and other income

	2021	2020	2019	2018	2017
Oil sold, bbl	**1,808,857**	2,317,875	2,259,849	2,163,148	2,316,404
Underlift (overlift) movement, bbl	**-8,717**	-160,490	123,238	70,174	-8,062
Net barrels produced, after government take, bbl	**1,800,140**	**2,157,385**	**2,383,086**	**2,233,322**	**2,308,342**
Achieved oil price, USD/bbl	**62.8**	47.7	64.2	70.5	51.8
Revenue, MUSD	**113.5**	110.7	145.0	152.6	119.9
Underlift (overlift) adjustments, MUSD	**-0.8**	-9.6	5.8	4.7	-0.6
Revenue and other income, MUSD	**112.7**	**101.1**	**150.8**	**157.3**	**119.3**

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 expand its overlift position of 3,169 barrels at the end of 2020 to an overlift position of 11,886 barrels at the 31 December 2021. 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 Energy and Minerals, 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

	2021	2020	2019	2018	2017
Production costs, MUSD	**-40.6**	-40.3	-47.2	-42.6	-32.6
Well workovers, MUSD	**-3.2**	-3.1	-4.4	-3.4	-2.3
Total operating expenses, MUSD	**-43.8**	**-43.4**	**-51.6**	**-45.9**	**-34.9**
Operating expenses per barrel, USD	**-10.8**	-10.5	-11.0	-10.7	-7.9

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 including replacing of electric submersible pumps. Expenditure related to well workovers and interventions was almost unchanged compared to 2020.

Production costs, well workovers and interventions together comprise operating expenses, amounting to MUSD 43.8 in 2021 (MUSD 43.4), an increase of one percent compared to 2020.

Depletion, depreciation and amortisation

	2021	2020	2019	2018	2017
DD&A, MUSD	**-41.2**	-44.5	-47.6	-45.9	-39.5
DD&A per barrel, USD	**-10.1**	-10.7	-10.2	-10.7	-8.9

Depletion, depreciation and amortisation ("DD&A") is comprised of two components; a straight-line depreciation component and unit of production component. DD&A in 2021 amounted to MUSD 41.2 (MUSD 44.5). The lower DD&A is a result of lower calculated unit of depletion costs combined with lower production. The DD&A charge relates to Blocks 3&4 and a depreciation relating to leases under IFRS 16 of MUSD 0.1.

Netback

USD/bbl	2021	2020	2019	2018	2017
Achieved oil price	**62.8**	47.7	64.2	70.5	51.8
Revenue (after government take)	**27.8**	24.8	31.1	36.7	27.0
Operating expenses	**-10.8**	-10.5	-11.1	-10.7	-7.9
Netback	**17.0**	**14.4**	**22.3**	**26.0**	**19.1**

The increase in netback per barrel during 2021 is a result of the higher achieved oil price.

Exploration Costs

Exploration costs recorded in 2021 was MUSD 4.1 (2020: MUSD 0.0) and are related to the write down of the remaining capitalised costs from the drilling of the Thameen-1 well on Block 49. 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 unlikely.

Administrative expenses

Administrative expenses amounted to MUSD 7.5 for 2021 compared to MUSD 7.3 during 2020 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 2021 of MUSD 0.6 (MUSD -2.5) has been impacted by net gain 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.

Currently, Blocks 3&4 is the only Omani EPSA in a tax paying position. As the final amount of income tax is determined after the end of the calendar year, Tethys Oil's preliminary assessment of the amount of Omani income tax paid on behalf of Tethys Oil in 2021 is MUSD 45.0 (2020: MUSD 30.8).

Result

Tethys Oil reports a net result after tax for 2021 of MUSD 16.7 (MUSD 3.3), representing earnings per share of USD 0.51 (USD 0.1). The result for 2021 was increased compared to 2020 due to higher oil prices.

Liquidity and financing

Cash and bank as per 31 December 2021 amounted to MUSD 68.6 compared to MUSD 55.4 as per 31 December 2020.

In May 2021, a dividend of SEK 2.00 per share was paid to shareholders, which in total amounted to MUSD 7.8. Furthermore, an extraordinary distribution of 2.00 SEK per share, MUSD 7.7 was distributed to shareholders through a mandatory share redemption programme.

For the twelve months ended 31 December 2021, the cash flow from operations amounted to MUSD 64.9 (MUSD 52.1) and cash flow used in investments in oil and gas amounted to MUSD 35.2 (MUSD 45.4). For the twelve months of 2021, free cash flow (cash flow from operations less investments) amounted to MUSD 29.7 (MUSD 6.7).

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

Investments and work programme

During 2021, total investments in oil and gas properties amounted to MUSD 35.2 compared to MUSD 45.4 in 2020. In 2021, investments of MUSD 30.4 related to Blocks 3&4, MUSD -7.9 to Block 49, MUSD 7.9 to Block 56, MUSD 4.8 to Block 58 and MUSD 0.0 to New venture.

Country/Asset, MUSD	Book value 31 Dec 2021	Investments Jan–Dec 2021	Book value 31 Dec 2020	Investments Jan–Dec 2020
Oman Blocks 3&4	180.9	30.4	191.9	38.8
Oman Block 49	0.4	-7.9	12.6	4.6
Oman Block 56	16.7	7.9	8.8	0.2
Oman Block 58	6.6	4.8	1.8	1.8
New ventures	0.3	0.0	0.3	–
Total	**204.9**	**35.2**	**215.3**	**45.4**

Investments Blocks 3&4, MUSD	2021	2020	2019	2018	2017
Drilling	**17.6**	19.4	25.0	25.5	26.6
G&G	**4.1**	9.2	10.1	11.2	4.2
Facilities	**8.7**	10.2	18.9	13.7	9.1
Total investments Blocks 3&4	**30.4**	**38.8**	**54.0**	**50.4**	**39.9**

Operating expenditure, investments and work programme 2022

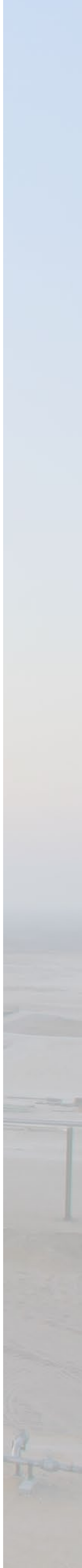
Tethys Oil's investments in oil and gas properties for 2022 is expected to amount to MUSD 91. The increase in oil and gas investments compared to 2021 (MUSD: 35.2) is a result of a combination of deferred spending from 2021 as well as increased work programmes. 2021 oil and gas investments were positively impacted by the effect of the farmout proceeds and carry from EOG on Block 49 (MUSD 15.2). The majority of oil and gas investments relating on the Blocks operated by Tethys Oil are expected to be incurred in the first half of 2022 with resulting cash flow impact.

Investments on Blocks 3&4 are expected to be MUSD 62 (2021: MUSD 30.3). The increased expenditure is due to the full year operation of three drilling rigs, upgrade and expansion of production facilities, field infrastructure improvements and 3D seismic acquisition.

2022 spending on Block 49 is expected to be MUSD 0.5 (2021: MUSD -7.9) with expenditure focusing on a feasibility study of the application of unconventional completion and production techniques on the Thameen-1 well.

On Block 56, Tethys Oil's 2022 investments, including carry arrangements, are expected to amount to a total of MUSD 20 (2021: MUSD 7.9). The expenditure includes the drilling of the three wells in the Al Jumd area, subsequent well testing and the 3D seismic survey on the central area of the Block.

On Block 58 Tethys Oil's 2022 investments are expected to amount to MUSD 8.5 (2021: MUSD 4.8) to cover the expense related to seismic processing and the drilling of one exploration well.



Parent company

The parent company reports a net result after tax for 2021 amounting to MSEK 360.9 compared to MSEK 22.7 for 2020. Administrative expenses amounted to MSEK 40.2 for 2021 compared to MSEK 48.2 for 2020. Net financial result amounted to MSEK 386.5 during 2021 compared to MSEK 58.1 for 2020. Dividends from subsidiaries amounting to MSEK 350.0 and currency exchange gains related to intercompany loans were the main components of the net financial result.

OTHER INFORMATION

Impact of Covid-19 pandemic

The impact of the initial spread of the coronavirus in 2020 on oil industry was dramatic. During the first half of 2020, as countries implemented mitigating actions such as lockdowns and travel restrictions, demand for oil dropped by more than 20 percent according to industry statistics. This resulted in a significant oversupply and increase in oil inventories globally which resulted in a rapid decrease in oil prices. The decrease in demand in turn negatively affected revenues, net results. To mitigate these effects oil producers reduced and deferred investments and long-term improvement initiatives. One such response was the OPEC+ agreement where countries voluntarily agreed to curtail production output. In 2021, the trend reversed with the industry unable to increase supply at the same rate as the growth in demand with reduced inventories and increased oil prices as a result. Tethys Oil's production, having initially been reduced in response to OPEC+ production limitations, was slow to recover following the reduced investment in production wells during 2020 and early 2021.

Tethys Oil is run by a small, specialized staff and with limited back up if key personnel fall ill with the viral disease Covid-19. To ensure the wellbeing of Tethys Oil staff and operations, the risk mitigation and reduction concerning Covid-19 continued to be of high priority in 2021. Tethys Oil has encouraged employees to work from home when possible and has implemented virtual meetings to minimize unnecessary physical contact and limit exposure from public transport travel. Strict measures are also applied for work in the field. In all Tethys Oil's measures to safeguard its employees has proved successful and the effects on the day to day operations have been limited.

Tethys Oil will continue to monitor the development of the pandemic and react accordingly but as of the publication of this report, the Guidance for 2022 published on 8 February 2022 remains Tethys Oil's official outlook on 2022.

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 can take different forms depending on the licensing and fiscal regime of the country. In the case of Tethys Oil and Oman the relationship is governed by 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 clearly defined time periods. Financial commitments and/or work commitments normally relate to the different periods. Tethys Oil has fulfilled its commitments on Blocks 3&4 and Block 49. On 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.

There are, other than the aforementioned agreements, 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 on 19 May 2021 Robert Anderson, Alexandra Herger, Magnus Nordin, Per Seime and Klas Brand were re-elected. No deputy directors were appointed. At the same meeting, Per Seime was 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 held 13 meetings during 2021. The five members of the board have consisted of four 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 the equivalent of 26 full time employees (23). Of these, 8 (8) were women. In addition, Tethys Oil has a number of contractors and consultants are engaged in the group's operations.

Remuneration policy

The guidelines for executive remuneration as agreed by the Annual General Meeting 2021 can be found in Note 11 and in the corporate governance report.

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.

Associated companies

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 percent interest in the Gargzdai licence.

As at 31 December 2021, the value of the shareholding in the associated Danish company holding the interests in the Lithuanian Gargzdai licences, amounted to MUSD – compared to MUSD – at the end of 2020. Share of net profit/loss from associated companies amounted to MUSD – as no dividends were received in 2021 (2020: MUSD: –). 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 net result from Minijos Nafta.

Share data

As of 31 December 2021, 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.

As of 31 December 2021, Tethys Oil held 474,673 of its own shares which were purchased since the commencement of the share repurchase programme in the fourth quarter 2021. 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 programmes. A total of 159,121 shares were purchased by the company in 2021. 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 2021 before dilution was 33,619,054 and after dilution 33,660,948. After 31 December 2021 and up to the date of publication for this report, Tethys Oil has not acquired any additional 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 20. More information on Tethys Oil's share can be found on page 23 in the Annual Report.

Seasonal effects

Tethys Oil has no significant seasonal variations.

Transactions with related parties

See note 23.

Risk and uncertainties

A statement of risks and uncertainties are presented in note 1 on page 59.

Appropriation of profit

The Board of Directors proposes a dividend of SEK 2.00 per share (AGM 2021: SEK 2.00) equal to MSEK 66.1 (MSEK 65.2). The Board of Directors proposes an extraordinary distribution of SEK 5.00 per share (AGM 2021: SEK 2.00) by way of a mandatory share redemption programme following the AGM 2022 equal to MSEK 165.3 (MSEK 65.2). It is also proposed that the balance of retained earnings after the dividend be retained in the business as described below.

MSEK	2021	2020
Retained earnings	25.3	140.1
Profit for the year	360.9	22.7
	386.2	**162.8**
The Board of Directors proposes that these earnings be appropriated as follows:		
To the shareholders, a distribution of SEK 2.00 per share (AGM 2021: SEK 2.00)	65.2	65.2
To the shareholders, an extraordinary distribution of SEK 5.00 per share (AGM 2021: SEK 2.00)	162.9	65.2
To be retained in the business	158.1	32.4
	386.2	**162.8**

Dividend and Distribution

The Board of Directors has proposed a cash dividend of SEK 2.00 per share amounting to SEK 65,163,870 at the current number of shares outstanding (net of treasury shares) and an extraordinary distribution of SEK 5.00 per share amounting to SEK 162,909,675. The dividend and extraordinary distribution are subject to approval at the AGM 2022. This is a total distribution of SEK 228,073,545. The preliminary record date for the dividend is 21 May 2022.

The parent company has distributable earnings (unrestricted equity) of MSEK 386.2 per 31 December 2021. After the dividend and cash distribution of MSEK 228.1, the Parent Company will have retained earnings of MSEK 158.1.

As per 31 December 2021, the Group's and the Parent Company's equity ratio amounted to 90 percent and 78 percent, respectively. After the dividend and distribution, the Group's and the parent company's equity ratio will amount to 89 percent and 65 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 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.

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.

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, 18 May 2022.

Consolidated statement of comprehensive income

1 January – 31 December, MUSD	**Note**	**2021**	**2020**
Revenue	4	113.5	110.7
Underlift / overlift adjustment	4	-0.8	-9.6
Revenue and other income	3	**112.7**	**101.1**
Operating expenses	8	-43.8	-43.4
Gross profit		**68.9**	**57.7**
Depreciation, depletion and amortisation	3,7	-41.2	-44.5
Exploration costs	7	-4.1	0.0
Administrative expenses	9–11,20	-7.5	-7.4
Operating result		**16.1**	**5.8**
Financial income and similar items	12	15.2	7.8
Financial expenses and similar items	13	-14.6	-10.3
Net financial result		**0.6**	**-2.5**
Result before tax		**16.7**	**3.3**
Income tax	14	–	0.0
Net Result		**16.7**	**3.3**
Other comprehensive result			
Items that may be subsequently reclassified to profit or loss:			
Currency exchange differences		-1.5	3.7
Other comprehensive result		**-1.5**	**3.7**
Total comprehensive result		**15.2**	**7.0**
Attributable to:			
Shareholders in the parent company		15.2	7.0
Non-controlling interest		–	–
Total number of shares at the end of the period	16	33,056,608	33,056,608
Weighted average number of shares (before dilution)	16	32,619,054	33,321,353
Weighted average number of shares (after dilution)	16	32,660,948	33,328,099
Earnings per share (before dilution), USD	16	0.51	0.10
Earnings per share (after dilution), USD	16	0.51	0.10

Consolidated balance sheet

As at 31 December, MUSD	Note	2021	2020
ASSETS			
Non-current assets			
Oil and gas properties	7	204.9	215.3
Other fixed assets		1.1	0.3
		206.0	**215.6**
Current assets			
Trade and other receivables	15	9.2	9.1
Prepaid expenses		0.7	0.2
Cash and cash equivalents		68.6	55.4
		78.5	**64.7**
TOTAL ASSETS		**284.5**	**280.3**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16		
Share capital		0.8	0.8
Additional paid in capital		76.3	76.3
Reserves		0.3	1.8
Retained earnings		179.2	178.8
Total shareholders' equity		**256.6**	**257.7**
Non-current liabilities			
Non-current provisions	6	12.8	12.5
Other non-current liabilities	17	0.8	0.3
		13.6	**12.8**
Current liabilities			
Current provisions	6	0.2	–
Accounts payable and other current liabilities	18	14.1	9.8
		14.3	**9.8**
Total liabilities		**27.9**	**22.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**284.5**	**280.3**

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 2020	**0.8**	**76.3**	**-1.9**	**201.1**	**276.3**
Net result 2020	–	–	–	3.3	**3.3**
Other comprehensive income 2020	–	–	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**
Opening balance 1 January 2021	**0.8**	**76.3**	**1.8**	**178.8**	**257.7**
Net result 2021	–	–	–	16.7	**16.7**
Other comprehensive income 2021	–	–	-1.5	–	**-1.5**
Total comprehensive income	**–**	**–**	**-1.5**	**16.7**	**15.2**
Transactions with owners					
Repurchase of shares	–	–	–	-1.0	**-1.0**
Dividend	–	–	–	-7.8	**-7.8**
Share redemption	–	–	–	-7.7	**-7.7**
Incentive programme	–	–	–	0.2	**0.2**
Total transactions with owners	**–**	**–**	**–**	**-16.3**	**-16.3**
Closing balance 31 December 2021	**0.8**	**76.3**	**0.3**	**179.2**	**256.6**

Consolidated cash flow statement

1 January – 31 December, MUSD	**Note**	**2021**	**2020**
Cash flow from operations			
Profit before tax		16.7	3.3
Interest received	12	–	0.1
Interest paid	13	–	0.0
Adjustment for exploration costs	7	4.1	–
Adjustment for depletion, depreciation and other non-cash related items	7	40.4	48.8
Total cash flow from operations before change in working capital		**61.2**	**52.2**
Change in receivables		-0.6	3.0
Change in liabilities		4.3	-3.1
Cash flow from operations		**64.9**	**52.1**
Investment activity			
Investment in oil and gas properties	7	-35.2	-45.4
Cash flow from investment activity		**-35.2**	**-45.4**
Financing activity			
Repurchase of shares	16	-1.0	-8.3
Dividend		-7.8	-7.0
Share redemption		-7.7	-10.6
Cash flow from financing activity		**-16.5**	**-25.9**
Period cash flow		**13.2**	**-19.2**
Cash and cash equivalents at the beginning of the period		55.4	75.6
Exchange gains/losses on cash and cash equivalents		0.0	-1.0
Cash and cash equivalents at the end of the period		**68.6**	**55.4**

Parent company income statement

1 January – 31 December, MSEK	**Note**	**2021**	**2020**
Other income	5	14.6	12.8
Administrative expenses	9–11,20	-40.2	-48.2
Operating result		**-25.6**	**-35.4**
Financial income and similar items	12	505.2	146.8
Financial expenses and similar items	13	-118.7	-88.7
Net financial result		**386.5**	**58.1**
Result before tax		**360.9**	**22.7**
Income tax	14	-0.0	-0.0
Net result[1]		**360.9**	**22.7**

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

Parent company balance sheet

As at 31 December, MSEK	**Note**	**2021**	**2020**
ASSETS			
Non-current assets			
Oil and gas properties	7	0.4	–
Shares in subsidiaries	19	1.0	1.0
Long term receivables from subsidiaries	23	509.1	338.0
		510.5	**339.0**
Current assets			
Other receivables	15	2.3	2.1
Prepaid expenses		0.8	0.7
Cash and cash equivalents		76.8	36.2
		79.9	**39.0**
TOTAL ASSETS		**590.4**	**378.0**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16		
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		-505.0	-390.2
Net result		360.9	22.7
Total shareholders' equity		**463.3**	**239.9**
Current liabilities			
Accounts payable and other current liabilities	18	7.9	9.8
Other current liabilities to group companies	23	119.2	128.3
Total liabilities		**127.1**	**138.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**590.4**	**378.0**

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 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**
Opening balance 1 January 2021	**6.0**	**71.1**	**530.3**	**-390.2**	**22.7**	**239.9**
Transfer of prior year net result	–	–	–	22.7	-22.7	**0.0**
Net result 2021	–	–	–	–	360.9	**360.9**
Net result	**–**	**–**	**–**	**–**	**360.9**	**360.9**
Transactions with owners						
Repurchase of shares	–	–	–	-8.7	–	**-8.7**
Dividend	–	–	–	-65.2	–	**-65.2**
Share redemption	–	–	–	-65.2	–	**-65.2**
Incentive programme	–	–	–	1.7	–	**1.7**
Total transactions with owners	**–**	**–**	**–**	**-137.5**	**–**	**-137.5**
Closing balance 31 December 2021	**6.0**	**71.1**	**530.3**	**-505.0**	**360.9**	**463.3**

* 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	2021	2020
Cash flow from operations			
Profit before tax		360.9	22.7
Dividend from group company	12	-350.0	-57.3
Interest received	12	-24.9	-18.8
Adjustment for depreciation and other non cash related items		-41.3	45.5
Total cash flow from operations before change in working capital		**-55.3**	**-7.9**
Change in receivables		-0.2	-2.0
Change in liabilities		-1.9	4.4
Cash flow from operations		**-57.4**	**-5.5**
Investment activity			
Investment in oil and gas properties	7	-0.4	–
Cash flow from investment activity		**-0.4**	–
Financing activity			
Financing from long term receivables		237.1	271.6
Repurchased shares	16	-8.7	-79.6
Dividend payment		-65.2	-66.1
Share redemption		-65.2	-99.2
Cash flow from financing activity		**98.0**	**26.7**
Period cash flow		**40.2**	**21.2**
Cash and cash equivalents at the beginning of the period		36.2	25.4
Exchange gains/losses on cash and cash equivalents		0.4	-10.4
Cash and cash equivalents at the end of the period		**76.8**	**36.2**

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 8 April 2022.

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 2020 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 2021 and 2022

IASB issued several amended accounting standards that were endorsed by EU, effective date 1 January 2021. None of these had a material effect on the Group financial statements 2021. New accounting principles 2022, issued by IASB with effective date 1 January 2022, is not expected to have a material effect on the Group financial statements 2022.

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 2021		31 December 2020	
Currency	**Average**	**Period end**	**Average**	**Period end**
SEK/USD	8.56	9.04	9.19	8.19
SEK/EUR	10.14	10.23	10.49	10.04

Segment reporting

According to the group accounting principles the operating segments are reported based on Producing assets, Non-producing assets and Other, where producing and non-producing assets are represented by Oman and other by Sweden, and reported in a manner consistent with the internal reporting 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 out 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 7 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

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

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

The impact of the Covid-19 pandemic and the restrictions on movement and travel that have been implemented has had a significant effect on global economic activity and demand for oil during 2020 and continued to do so in 2021. At the beginning of the pandemic, in 2020, oil producers were unable to reduce output at the same pace as demand fell resulting in a significant imbalance in supply and demand for oil. As a result of the supply/demand imbalance, oil prices fell significantly during the first six months of the year and certain crude oil qualities traded at negative prices, albeit for short periods of time. Following the production limitations imposed by OPEC+, the oil price has gradually strengthened since early June 2020. Since the start of 2021, oil prices have risen from USD 50 to over USD 80 per barrel and closed 31 December 2021 at USD 77.89 per barrel.

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

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/-programmes 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.

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 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 2021.

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)	16.7	16.7
Shift in oil price (USD/barrel)	5.0	-5.0
Total effect on net result (MUSD)	**9.1**	**-9.1**

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 they are 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 2021, 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:

	2021	2020
Revenues	100% in USD	100% in USD
Investments	99.8% in USD	99.8% in USD
External financing at year end	No	No

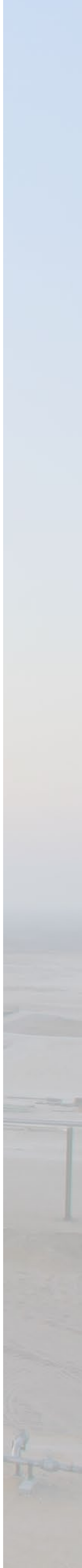
Tethys Oil does not currently use derivative contracts to hedge exchange rates. The Group policy is that cash held in bank should be in USD, except for a short period in order to have sufficient amounts of SEK in the Parent company to pay dividend and share redemption. Furthermore, there are relatively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



Fall due profile on Tethys Oil's financial liabilities	31 December 2021	31 December 2020
MUSD	< 1 year	< 1 year
Accounts payable and other liabilities	14.1	9.8
Total	**14.1**	**9.8**

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 2021 the Group's receivables on oil sales amounted to MUSD 7.2 (MUSD 8.9), 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 2021			31 December 2020		
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	–	9.2	–	–	9.1	–
Cash and bank	–	68.6	–	–	55.4	–
Other non-current liabilities	–	–	0.8	–	–	0.3
Accounts payables and other current liabilities	–	–	14.1	–	–	9.8

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 7 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.

Income 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 14).

Note 3, Segment information

The Group accounting principles for segment describes that the operating segment are reported based in Producing assets, Non-Producing assets and Other, as well as geographic perspective, where Producing and Non-Producing assets are represented by Oman and Other by Sweden, and reported in a manner consistent with the internal reporting which is primarily based in 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 and costumers. Oman is Tethys Oil´s only oil producing area from which revenue is recorded as at 31 December 2021 and comparative period. Revenue, depletion and operating expenses, which is presented in notes 4, 7 and 8, therefore only related to Oman and Block 3&4 in particular. Regarding Oil and gas properties segment reporting is provided in note 7. Please refer to note 1 regarding credit risk exposure on accounts receivables.

Group income statement Jan–Dec 2021, MUSD				
Total	**Producing assets**	**Non-producing assets**	**Other**	**Total**
Revenue and other income	112.7	–	–	112.7
Operating expenses	-43.8	–	–	-43.8
Depreciation, depletion and amortisation	-41.1	–	-0.1	-41.2
Exploration costs	–	-4.1	–	-4.1
Administrative expenses	-2.6	–	-4.9	-7.5
Operating result	**25.2**	**-4.1**	**-5.0**	**16.1**

Group income statement Jan–Dec 2020, MUSD				
Total	**Producing assets**	**Non-producing assets**	**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
Administrative expenses	-2.5	–	-4.8	-7.4
Operating result	**10.8**	**–**	**-5.0**	**5.8**

Note 4, Revenue and other income

MUSD	**2021**	**2020**
Revenue	113.5	110.7
Underlift (+) / overlift (–), adjustment	-0.8	-9.6
Revenue and other income	**112.7**	**101.1**

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 in 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 2021 amounted to MSEK 14.6 (12.8). 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 2021 operators in Blocks 49, 56 and 58 in Oman and hold 100% of the licenses interest.

Note 6, Provisions

Tethys Oil estimates that Tethys Oil's share of site restoration regarding Blocks 3&4 at year end 2021 amounts to MUSD 12.8 (MUSD 12.5) and for Block 49 to MUSD 0.2 (MUSD –). As a consequence of the revised site restoration provision, oil and gas properties have decreased for Blocks 3&4. Site restoration provision for Block 49 was calculated for the first time in 2021. 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.

MUSD	**Block 3&4**	**Block 49**	**Total**
1 January 2021	**12.5**	**–**	**12.5**
Changes in estimates	-0.4	0.2	-0.2
Unwinding of discount	0.7	–	0.7
31 december 2021	**12.8**	**0.2**	**13.0**
Current	–	0.2	0.2
Non-current	12.8	–	12.8
Total	**12.8**	**0.2**	**13.0**

MUSD	**Block 3&4**	**Block 49**	**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**

Note 7, 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 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 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. The Parent company's oil and gas properties are part of the new venture category.

Country	Licence	Phase	Expiration date	Tethys Oil	Partners (operator in bold)
Oman	Blocks 3&4	Production	July 2040	30%	**CCED,** Mitsui, Tethys Oil
Oman	Block 49[1]	Exploration	June 2022[1]	100%	**Tethys Oil**
Oman	Block 56[2]	Exploration	Dec 2023	65%	**Tethys Oil,** Medco Arabia Ltd, Intaj LLC, 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 one year extended exploration period for the exploration and production sharing agreement (EPSA) for Block 49 was, in 2021, extended by 6 month period to June 2022. 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 trans- formed 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 trans- formed 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 com- mitments 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 2021	31 December 2020
Producing cost pools	180.9	191.9
Non-producing cost pools	24.0	23.4
Total oil and gas properties	**204.9**	**215.3**

MUSD Licence	Phase	Tethys Oil's share	31 December 2021	Investments	DD&A	Site restoration	Exploration costs	1 January 2021
Blocks 3&4	Production	30%	180.9	30.4	-41.1	-0.4	–	191.9
Block 49	Exploration	100%	0.4	-7.9	–	-0.2	-4.1	12.6
Block 56	Exploration	65%	16.7	7.9	–	–	–	8.8
Block 58	Exploration	100%	6.6	4.8	–	–	–	1.8
New ventures			0.3	0.0	–	–	–	0.3
Total			**204.9**	**35.2**	**-41.1**	**-0.5**	**-4.1**	**215.3**

MUSD Licence	Phase	Tethys Oil's share	31 December 2020	Investments	DD&A	Site restoration	Exploration costs	1 January 2020
Blocks 3&4	Production	30%	191.9	38.8	-44.0	2.3	–	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**	**-44.0**	**2.3**	**0.0**	**211.7**

MUSD Producing cost pools	Oman Blocks 3&4	Total
Cost 1 Jan 2021	507.7	507.7
Investments	30.4	30.4
Change in estimates	-0.4	-0.4
Cost 31 Dec 2021	**537.7**	**537.7**
Accumulated depreciation and depletion 1 Jan 2021	-315.7	-315.7
Depreciation and depletion charge for the year	-41.1	-41.1
Accumulated depreciation and depletion 31 Dec 2021	**-356.8**	**-356.8**
Net book value 31 Dec 2021	**180.9**	**180.9**

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 and depletion 1 jan 2020	-271.7	-271.7
Depreciation and depletion charge for the year	-44.0	-44.0
Accumulated depreciation and depletion 31 Dec 2020	**-315.7**	**-315.7**
Net book value 31 Dec 2020	**191.9**	**191.9**

MUSD Investments Blocks 3&4 Categories	2021	2020
Drilling	17.6	19.4
G&G	4.1	9.2
Facilities	8.7	10.2
Total	**30.4**	**38.8**

MUSD Oil & gas properties Blocks 3&4 Categories	2021	2020
Drilling	93.8	98.9
G&G	27.5	29.4
Facilities	59.5	63.6
Total	**180.9**	**191.9**

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.

An impairment trigger test was conducted as per 31 December 2021, it was concluded that no full impairment test was necessary.

Exploration costs related to the write-down of the Thameen-1 well on Block 49 of MUSD 4.1 (MUSD 0.0) were recorded in 2021.

Note 8, Operating expenses

	Group MUSD		**Parent** MSEK	
	2021	**2020**	**2021**	**2020**
Production costs	-40.9	-40.3	–	–
Well Workovers	-2.9	-3.1	–	–
Total	**-43.8**	**-43.4**	**–**	**–**

Note 9, Remuneration to Company auditor

	Group MUSD		**Parent** MSEK	
	2021	**2020**	**2021**	**2020**
PwC:				
Audit fee	-0.2	-0.1	-1.7	-1.2
Audit-related fees	0.0	0.0	-0.1	-0.1
Other	0.0	-0.1	-0.4	-0.6
Audit fees to other audit company	0.0	–	–	–
Total	**-0.2**	**-0.2**	**-2.2**	**-1.9**

Of the Group total during 2021, MUSD 0.2 (MUSD 0.2) has been in relation to PwC Sweden.

Note 10, Administrative expenses

	Group MUSD		**Parent** MSEK	
	2021	**2020**	**2021**	**2020**
Personnel costs	-4.0	-5.1	-19.4	-22.1
Rent	-0.4	-0.4	-2.4	-2.5
Other office costs	-0.7	-0.1	-2.9	-0.6
Listing costs	-0.2	-0.1	-1.3	-0.7
Costs of external relations	-0.1	-0.1	-0.5	-1.1
Other costs	-2.1	-1.6	-13.7	-21.2
Total	**-7.5**	**-7.4**	**-40.2**	**-48.2**

Note 11, Employees

Average number of full time employees per country	2021 Total	2021 Total men	2020 Total	2020 Total men
Parent company				
Sweden	7	4	6	3
Total parent company	**7**	**4**	**6**	**3**
Subsidiary companies in Sweden	**0**	**0**	**0**	**0**
Subsidiary companies foreign				
Oman	18	12	15	10
United Arab Emirates	1	–	1	–
United Kingdom	–	–	1	1
Total subsidiary companies foreign	**19**	**12**	**17**	**11**
Total group	**26**	**16**	**23**	**14**

MUSD	2021		2020	
Salaries, other remuneration and social costs	**Salaries, other remune-ration**	**Social costs**	**Salaries, other remune-ration**	**Social costs**
Parent company				
Sweden	-1.6	-0.7	-1.8	-0.6
Total parent company	**-1.6**	**-0.7**	**-1.8**	**-0.6**
Subsidiary companies in Sweden	**–**	**–**	**–**	**–**
Subsidiary companies foreign				
Oman	-2.7	–	-2.5	0
United Arab Emirates	-0.1	–	-0.1	0
United Kingdom	–	–	-0.6	-0.1
Total subsidiary companies foreign	**-2.8**	**–**	**-3.2**	**-0.1**
Total group	**-4.4**	**-0.7**	**-5.0**	**-0.7**

MUSD	2021		2020	
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	-0.8	-0.8	-0.7	-1.1
Total parent company	**-0.8**	**-0.8**	**-0.7**	**-1.1**
Subsidiary companies in Sweden	**–**	**–**	**–**	**–**
Subsidiary companies foreign				
Oman	–	-2.7	–	-2.5
United Arab Emirates	–	-0.1	–	-0.1
United Kingdom	–	–	–	-0.6
Total subsidiary companies foreign	**–**	**-2.8**	**–**	**-3.2**
Total group	**-0.8**	**-3.6**	**-0.7**	**-4.3**

During 2021 one woman has been a member of the Board of Directors, compared to one in 2020. No women have been members of the executive management. At the AGM of shareholders on 19 May 2021, Klas Brand, Robert Anderson, Alexandra Herger, Magnus Nordin and Per Seime were re-elected members of the board. No deputy directors were appointed. At the same meeting, Per Seime was appointed to new 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.

1 The Managing director received 60,000 warrants (60,000) and Other executive management received 100,000 (100,000) warrants in the 2021 incentive programme, totalling 160,000 (160,000) warrants.

Salaries and other remuneration to executive management during 2021, MSEK	**Basic salary**	**Pension arrange-ments**	**Variable Salary**	**Share based long term incentive**[1]	**Other benefits**	**Total 2021**
Managing director	3.559	0.496	0.942	1.462	0.026	6.485
Other executive management	4.264	0.492	1.077	1.743	0.031	7.607
Total	**7.823**	**0.989**	**2.019**	**3.205**	**0.056**	**14.092**

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 management	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**

Total remuneration to executive management decreased in 2021 compared to 2020 and are related to final expense recognition of former executive management member within 2020. During 2021, the basic salary for the managing director increased while remuneration to other members of executive management decreased as there was no severance pay recognised. 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 2021 to AGM 2022	MSEK
Per Seime	0.800
Robert Anderson	0.395
Alexandra Herger	0.400
Magnus Nordin	–
Klas Brand	0.420
Total	**2.015**

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**

Guidelines for remuneration to senior executives

The guidelines for remuneration to senior executives were approved by the Annual General Meeting 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 (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 2021.

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 programmes
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 programmes resolved upon by the General Meeting.

The Company's existing long-term incentive programmes 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 programmes 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 12, Financial income and similar items

	Group MUSD		**Parent** MSEK	
	2021	**2020**	**2021**	**2020**
Interest income	–	0.1	24.9	18.8
Currency exchange gains	15.2	7.7	130.3	70.7
Dividend from group companies	–	–	350.0	57.3
Total	**15.2**	**7.8**	**505.2**	**146.8**

Note 13, Financial expenses and similar items

	Group MUSD		**Parent** MSEK	
	2021	**2020**	**2021**	**2020**
Interest expenses	–	-0.0	–	–
Currency exchange loss	-13.9	-9.7	-118.7	-88.6
Other financial expenses	-0.7	-0.6	-0.0	-0.1
Total	**-14.6**	**-10.3**	**-118.7**	**-88.7**

Note 14, Tax

The Group's income tax charge amounts to MUSD – (MUSD 0.0). 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 262.2 (MSEK 273.4). 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	**2021**	**2020**
Result before tax	360.9	22.7
Tax at applicable tax rate 20.6% (2020: 21.4%)	-74.3	-4.9
Non-deductible expenses	-0.1	-0.1
Non-taxable income	72.1	12.3
Utilized (+) / Built up (–) tax loss carry forwards previously not recorded as deferred tax assets	2.3	-7.3
Tax expense	**0.0**	**0.0**

Tethys Oil's oil and gas operations in Oman are governed by separate Exploration and Production Sharing Agreements ("EPSA") for each contract area. Under the terms of each EPSA, Tethys Oil is subject to Omani income taxes, which are paid in full, on behalf of Tethys Oil from the government share of oil. The effect of these taxes is netted against revenue and other income in the income statement. Currently Blocks 3&4 is the only Omani EPSA in a tax paying position.

As the final amount of income tax is determined after the end of the calendar year, Tethys Oil's preliminary assessment of the amount of Omani income tax paid on behalf of Tethys Oil in 2021 is MUSD 45.0 (MUSD 30.8).

Note 15, Trade and other receivables

	Group MUSD		**Parent** MSEK	
	2021	**2020**	**2021**	**2020**
VAT	0.3	0.2	2.2	2.0
Trade receivables oil sales	7.2	8.9	–	–
Joint operation receivable	1.7	–	0.0	–
Other	–	–	0.1	0.1
Total	**9.2**	**9.1**	**2.3**	**2.1**

Note 16, Shareholders' equity

As at 31 December 2021, the number of issued shares in Tethys Oil amounted to 33,056,608, with a quota value of SEK 0.18 (SEK 0.18). All shares represent one vote each. 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 2021 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 32,660,948. For for further information please see note 20.

As at 31 December 2021, Tethys Oil held 474,673 of its own shares which were purchased since the commencement of the share repurchase programme initiated in the fourth quarter 2020 and third quarter 2021. 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 programmes. A total 159,121 shares were purchased by the company in 2021. 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 2021 before dilution is 33,619,054 and after dilution 33,660,948.

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 2021: SEK 2.00). Proposed record date is 21 May 2022. The Board of Directors proposes an extraordinary distribution of SEK 5.00 per share by way of a mandatory share redemption programme following the AGM 2022 (AGM 2021: SEK 2.00). Further details to follow in the proposal to the 2022 AGM.

Note 17, Leasing

MUSD	31 december 2020 Right of use assets	31 december 2020 Lease liabilities, interest bearing	1 January 2021 Right of use assets	1 January 2021 Lease liabilities, interest bearing	Jan–Dec 2021 Adjustments of Right of use assets	Jan–Dec 2021 Payment of leasing debt	Jan–Dec 2021 Depre-ciation	Jan–Dec 2021 Interest costs	31 december 2021 Right of use assets	31 december 2021 Lease liabilities, interest bearing
Fixed assets (incl. in Other fixed assets)	0.3	–	0.3	–	1.2	–	-0.3	–	1.2	
Short term leasing debt (incl. Accounts payable and other current liabilities)	–	0.0	–	-0.3	–	-0.1	–	–	–	-0.4
Long term leasing debt (incl. in Other non-current liabilities)	–	-0.3	–	0.0	–	-0.8	–	–	–	-0.8
Interest costs	–	-0.0	–	-0.0	–	–	–	-0.0	–	-0.0
Total	**0.3**	**-0.3**	**0.3**	**-0.3**	**1.2**	**-0.9**	**-0.3**	**0.0**	**1.2**	**-1.2**

Note 18, Accounts payable and other current liabilities

	Group MUSD		**Parent** MSEK	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Accounts payable	0.3	0.6	2.2	1.9
Operator balance	11.6	5.3	–	–
Overlift position	1.0	0.1	–	–
Short term leasing	0.3	–	–	–
Other current liabilities	0.9	3.8	5.7	7.9
Total	**14.1**	**9.8**	**7.9**	**9.8**

Note 19, 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 2021**	**Parent 2020**
1 January	1.0	1.0
Acquisitions/Relinquishments	–	0.0
31 December	**1.0**	**1.0**

Note 20, 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 trans ferred 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 2021 and 2020 following a decision by the respective AGM. The number of issued warrants during 2021 was 200,000 (350,000) and the number of warrants allocated during 2021 was 160,000 (349,000). Issued but not allocated warrants are held by the Company. Warrants expired during the year were 350,000. During 2021 the 2018 incentive programme expired without exercise.

Warrant incentive programme	Exercise period	Subscription price, SEK	Shares per warrant	Number of warrants				
				1 Jan 2021	Issued 2021	Exercised 2021	Expired 2021	31 Dec 2021
2018 incentive programme	1 Jun – 2 Oct 2021	72.00	1.24	350,000	–	–	350,000	–
2019 incentive programme	1 Jun – 7 Oct 2022	69.70	1.13	350,000	–	–	–	350,000
2020 incentive programme	13 Jun – 6 Oct 2023	51.70	1.04	350,000	–	–	–	350,000
2021 incentive programme	12 Jun – 4 Oct 2024	76.00	1.00	–	200,000	–	–	200,000
Total				**1,050,000**	**200,000**	**–**	**350,000**	**900,000**

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

	Group MUSD		Parent MSEK	
Warrant incentive programme	**2021**	**2020**	**2021**	**2020**
Incentive programme cost	0.5	0.5	4.0	3.3
Total	**0.5**	**0.5**	**4.0**	**3.3**

As the share price was below the subscription price for all the active tranches of the incentive programme for most of 2021, there was limited dilution effects of the warrants included in the weighted average number of shares after dilution, which amounted to 32,660,498 during 2021. 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 21, Pledged assets

As at 31 December 2021, pledged assets amounted to MSEK 0.5 related to a pledge in relation to office rental in parent company (MSEK 0.5).

Note 22, Contingent liabilities

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

Note 23, 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 Parent Company entered into the following significant transactions with related parties:

Transactions with group companies, MSEK	**2021**	**2020**
Interest income	24.9	18.8
Other income	14.6	12.8
Dividend income	350.0	57.3
Total	**389.5**	**88.9**

Balance with related parties, MSEK	**2021**	**2020**
Receivable from group companies	509.1	338.0
Total	**509.1**	**338.0**

Balance with related parties, MSEK	**2021**	**2020**
Payable to group companies	119.2	128.3
Total	**119.2**	**128.3**

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 24, Subsequent events

As of the publication of this annual report, the ongoing conflict in Eastern Europe has directly and indirectly had a significant effect on the world and the oil price. Tethys Oil will currently not forecast the long-term effects on the oil price based on these difficult to assess events. Tethys Oil's oil production in Oman is not predicted to be impacted, nor is Tethys Oil's other operations as the Group has no activity in, or connection to, the geographical areas concerned. Tethys Oil will follow the development and act accordingly but presently, the production guidance published on 7 February remains Tethys Oil's view on the operations for the full-year 2022.

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, 8 April 2022

Per Seime
Chairman of the board

Rob Anderson
Director

Klas Brand
Director

Alexandra Herger
Director

Magnus Nordin
Managing Director

Auditor's endorsement

Our audit report was submitted on 8 April 2022.
PricewaterhouseCoopers AB

Johan Malmqvist
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 2021. 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 2021 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 2021 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 percent of the group's revenue for the financial year 2021 and 72 percent of the group's assets as per 31 December 2021. 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, 2021 and after the year-end audit of the financial year 2021.

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	How our audit addressed the Key audit matter
Recoverability of the carrying value of oil and gas properties The carrying value of oil and gas properties amounted to MUSD 204.9 as per 31 December 2021 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 180.9 by 31 December 2021. 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 40–43 in the Directors' report, page 56 in the Accounting Policies and note 2 and 7 in the financial statements for more information.	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 1–38. 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 2021", 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 (publ) for the year 2021 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.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for ABC AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #[dedc4db3084f5b7cc9aa50f5a11fe6e17975eb51f6178d91ebc3216e6b2f5db1] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Tethys Oil AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

PricewaterhouseCoopers AB, 405 32 Göteborg, was appointed auditor of Tethys Oil AB (publ) by the general meeting of the shareholders on the 19 May 2021 and has been the company's auditor since the 2001. The company has been listed at NasdaqOMX since the 2 May 2013.

Gothenburg, 8 April 2022

PricewaterhouseCoopers AB

Johan Malmqvist	Sophie Damborg
Authorized Public Accountant	*Authorized Public Accountant*
Lead Partner	

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