

Third quarter and nine months report – 30 September 2021

Third quarter 2021 (second quarter 2021)

- Strongest quarter financially since start of pandemic with growth in Revenue and other income, EBITDA and Cash Flow
- Free cash flow of MUSD 13.1 in the third quarter (MUSD 4.9) and MUSD 20.2 for the first nine months (9M 2020: MUSD -2.3)
- Achieved oil price in the third quarter up 11 percent to USD 66.7 per barrel compared to second quarter, adversely impacted USD 3.5 per barrel by delay of September lifting to October
- Following intensified preparations during the third quarter, the exploration and appraisal campaign on Block 56 is expected to commence at the end of the fourth quarter. The three well campaign targets a combined gross prospective resource of 7mmbo and by extension to appraise commercial viability of the multi-structure Al-Jumd trend
- Tethys Oil expects full year average production of approximately 11,100 bopd (previously it was believed that production in second half 2021 would exceed first half production level of 11,306 bopd) – increased need for workovers and maintenance has resulted in lower than anticipated production in the third quarter which is expected to persist in the fourth quarter

MUSD (unless specifically stated)	Third quarter 2021	Second quarter 2021	Third quarter 2020	Nine months 2021	Nine months 2020	Full year 2020
Net daily production from Oman, Blocks 3&4 before government take (barrels per day)	11,280	11,030	10,651	11,297	11,466	11,336
Net entitlement barrels (bbl)	428,121	420,655	509,559	1,367,671	1,627,686	2,157,385
Net entitlement as share of production (percent)	41%	42%	52%	44%	52%	52%
Achieved oil price, USD/bbl	66.7	59.7	42.8	58.5	49.4	47.7
Revenue and other income	29.4	26.1	20.4	80.9	78.7	101.1
EBITDA	16.5	14.5	9.5	43.4	40.1	50.4
Operating result	6.0	4.3	-1.0	12.1	6.5	5.8
Net result for the period	6.1	3.4	-2.1	12.6	6.1	3.3
Earnings per share (after dilution), USD	0.19	0.10	-0.06	0.39	0.18	0.10
Investments in oil and gas properties	9.2	8.4	8.6	18.1	34.4	45.4
Free cash flow	13.1	4.9	-11.7	20.2	-2.3	6.7
Net cash	58.5	45.5	48.0	58.5	48.0	55.1

Tethys Oil AB (publ)

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

Letter to shareholders

Dear Friends and Investors,

The third quarter 2021 saw improvement in almost all financial metrics, as should be expected given the very strong recovery in oil price we have witnessed as societies open up and economies return to normal activity (at least for now). We achieved an average oil price of USD 66.7 per barrel on our oil sales in the quarter and with the two month lag we have in our selling price, we can look forward to seeing the impact of the current higher oil price in the months to come. Production from Blocks 3&4 remains slightly below expectations however, and for various reasons - both operational and organizational - we expect there will be greater fluctuations in the last months of the year. On average we expect production for 2021 to come in around 11 100 BOPD. For next year we would expect increased capex which should result in increased production in 2022. But this is of course something we will speak more about early next year.

Financially the third quarter 2021 was the strongest since before the Pandemic set in. It is the fifth consecutive quarter with increasing Revenue and other income and as well as EBITDA, MUS\$ 29.4 and MUS\$ 16.5 respectively. And most notably in the quarter, we have generated MUS\$ 13.1 of free cash bringing the total to over MUS\$ 20 year-to-date. Entitlement (our share of production after government take) remained in line with the previous quarter at 41 percent. Our netback per barrel for the third quarter amounted to USD 17.2, compared to USD 15.2 in the second quarter 2021, an increase by 13 percent. Consequently, our balance sheet strengthened even further and our net cash position MUS\$ 58.5 is now higher than at the start of the year.

Before turning to our exploration blocks let me just remind us all of the robustness of Blocks 3&4. We remained cash flow positive on an annual basis throughout the oil price down turn. At current oil prices, even with the slightly lower than expected production, the Blocks generate considerable amount of free cash. And don't forget that our agreement with the Government, the Exploration and Production Sharing Agreement (EPSA), is structured exactly as a 'sharing' agreement, where we get a share of all the oil produced in a month (our "net entitlement") and the Sultanate of Oman gets the rest (the "Governments take").

Our share, or out entitlement, is calculated in barrels and consists of a number of barrels as repayment for our costs of producing and finding the oil (cost oil barrels) and a number of barrels which is our profit (profit oil barrels). Our profit increases as our costs drop but the number of entitlement barrels also drop (fewer cost oil barrels) so, and this can be a bit counterintuitive, we actually make more money (profit oil) from fewer entitlement barrels than from more entitlement barrels. So a down trending entitlement number is actually a sign of a healthy and profitable project.

(Note also that our costs are recorded in dollars but we are repaid in barrels. If we spend USD 100 and the oil price is USD 100 per barrel, we get one barrel as cost repayment. But if the oil price is USD 50 per barrel we get two barrels. Our number of entitlement barrels are actually fewer in a high oil price environment than in a low oil price environment, but the dollar value is the same.)

Blocks 3&4 have been the engine behind our distribution to shareholders, now in its seventh year!, and the source of funds for our ongoing exploration efforts. Judging from the strong performance in the challenging pandemic period we have every reason to believe that this state of affairs will continue for several years to come.

So on that note let us turn to our efforts to find oil in our other Blocks. As we have learned in our more than 10 years in Oman, good quality 3D seismic is the key to unlocking the abundant resources under its surface, and with significant seismic acquisition programmes about to begin in both Blocks 56 and 58 we are confident that we are departing on a journey to future discoveries.

Also on Block 56, a rig is about to be signed to allow us to embark on a three well exploration and appraisal programme of three prospects in the Al Jumud trend. Operations are expected to start by the end of this year with results early next year. If all goes well, we will be able to prove the commerciality of the Al Jumud trend while targeting more than seven million barrels of gross prospective resources at the same time. On Block 49 we continue to work closely with our 50 percent partner EOG to decide the best way forward for the Block as well as for the Thameen discovery.

As the world emerges from under the shadow of the corona pandemic, and we with it, we keep our fingers crossed that the new normality will provide ample opportunity for the continued improvement of the world's energy balance – where Tethys, with your support, aims to play a maybe modest but responsible and value generating part. So stay with us – energy is arguably the most exiting arena in business today!

Stockholm, November 2021

Magnus Nordin,
Managing Director

Production & Operations¹

Licences

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

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

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

Production

Blocks 3&4

Tethys Oil's share of production from Blocks 3&4 during the third quarter 2021, before government take, was 1,037,768 barrels of oil, corresponding to 11,280 barrels of oil per day. Third quarter 2021 average daily production was two percent higher than the production in the second quarter 2021. Blocks 3&4 was permitted to continue to produce at a level higher than the previously communicated OPEC+ production limitation quotas. The OPEC+ agreement is still in force and Blocks 3&4 remains subject to production limitations. The production from Blocks 3&4 has been permitted to deviate from the quotas on a monthly basis and may do so going forward.

Production	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Blocks 3&4					
Production, before Government take, bbl	1,037,768	1,003,750	1,042,686	1,018,653	979,922
Average daily production, barrels per day	11,280	11,030	11,585	11,072	10,651

Production and development activities

The stepwise increase in production related activities on Blocks 3&4 has continued in the third quarter with the aim to return to the activity level before the mid-2020 cutbacks. Since early July 2021, all three drilling rigs are active and operating on the blocks after two of them were put on standby in mid-2020.

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

Two new production wells were completed during the quarter, and both wells have been connected to production facilities. One well was drilled at the I-structure at the Shahd field and the other well was drilled at the Erfan field. An appraisal well was also drilled on the Anan field, discovered in late 2020 by the Anan-1 exploration well. The Anan-2 appraisal well was successful and tested with good flows and has subsequently been connected to the production system. In addition, two water injection wells were also drilled on the Shahd-I structure. The injection wells will initially be used as oil producers.

While increased vaccinations and other mitigating measures have successfully reduced the spread of the coronavirus, precautions are still being taken. The rigorous testing and quarantining procedures remain in place and continue to cause minor disruptions to the operations.

¹ The consolidated financial statements of the Tethys Oil Group (hereafter referred to as "Tethys Oil", "Tethys" or the "Group"), in which group Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the third quarter 2021.

Reduction of flaring of associated gas

The gas utilisation project, which was initiated in order to eliminate the routine flaring of associated gas, is progressing as planned. The aim of the project is to utilise the associated gas produced as a byproduct of the produced crude oil for local power generation with permanent facilities thus reducing the use of diesel-powered generators. The end result is expected to be an overall reduction of emissions and reduce operating cost. A Front-End Engineering Design (FEED) study is on-going including a hazard and operability study (HAZOP). The studies are expected to be concluded by the end of 2021 with development to commence in 2022.

Exploration activities

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 is ongoing to see if higher and sustainable flows can be achieved.

The exploration well Mubash'er was spudded in late October with completion expected before year end. Mubash'er is located 4 km east of Shahd K structure in the southern part of Block 3 and is targeting an untested play concept in the Ara group of formations.

The maturing of leads in the area north of the Farha South field in Block 3, that was covered with a 4,000 km² 3D seismic survey in 2020, has resulted in the identification of a number of prospects. These prospects have been added into the list of possible exploration targets to be drilled in 2022. A new seismic survey is planned to be launched in the southern part of Block 4 at the end of the fourth quarter 2021. The survey will cover the extended area east of the Luja exploration well, drilled in 2018.

Block 49

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

The focus during the third quarter has been discussions with partners/stakeholders on how to best pursue the unconventional potential of the Block. The first exploration phase of the licence is valid until end of December 2021. Prior to that, the partner group needs to decide if they wish to enter the second exploration phase. In addition, the partner group has also applied for an extension of the first exploration phase of the EPSA. Discussions are ongoing with the partner EOG Resources Inc. ("EOG"), and with the Omani government.

During the first quarter 2021 government approval was received for the 50 percent farmout transaction with a subsidiary of EOG. See page 9 for financial effects of the farmout transaction.

Block 56

Preparations for the drilling of three wells in the Al Jumud area in the North western part of Block 56 is picking up speed. The drilling campaign aims to further appraise the prospectivity of the Al Jumud trend of structures in general as well as establish the commercial viability of the the Al Jumud discovery in particular. If the campaign is successful, the commencement of a long term production test is planned. A drilling rig has been secured and the drilling campaign is planned to commence late in the fourth quarter 2021.

The Al Jumud trend, which is covered by legacy 3D seismic and has more than 8 legacy wells drilled in the area, many of which encountered oil, holds 10 identified leads or prospects. The majority of the structures are limited in volume but are shallow with potentially good development economics.

The Al Jumud-2 well will target a horizontal section of at least 200 metres in the Al Khalata sandstone layer at depth of 1,000 metres. Al Jumud-2 will be followed by the Sarha-3 well, an appraisal/exploration well in the Sarha discovery 24km southwest of Al Jumud. Sarha was discovered in 2007 by a previous operator and flowed close to 100 bopd on test from the Al Khalata layer. Next to Al Khalata, Sarha-3 will also investigate the Karim sandstone at depth of 1,200 metres. Both the Al Khalata and Karim layers are in production at the nearby Karim small fields

in Block 6. The third well planned, Sahab-1, will test an adjacent previously undrilled structure within the Al Jumud trend about 4km south from Sarha. Sahab has been identified on existing 3D seismic, and the well is targeting Al Khalata, Karim and the Ara carbonates layers. The Ara layer is located at a depth of 1,400 metres and is in production on other locations in Oman. The three wells have a combined gross prospective resource potential of 7 mmbo (unrisked). Drilling operations for each well is expected to last about 20 days.

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

Block 58

The procurement process for a new seismic survey on Block 58 is ongoing. An environmental impact assessment for the seismic acquisition has been approved by the Omani authorities and a contract with a seismic contractor has been signed. The seismic survey is to be launched in the fourth quarter 2021.

Investments and work program 2021

Tethys Oil expects total investments in oil and gas properties for 2021 to be MUSD 47, unchanged from previously, but with slight changes in the constituent parts. Investments on Blocks 3&4 is expected to amount to MUSD 34, up from MUSD 32 previously as a result of the acceleration of 3D seismic acquisition previously planned for 2022. The investment outlook on Block 49 is unchanged at less than MUSD 5. On Block 56, a delay in the start of drilling Al-Jumud to late in the fourth quarter results in net capex spending closer to MUSD 3 from previous expectation of MUSD 5. The expected full year investment on Block 58 remains unchanged at MUSD 5.

Production Guidance

Tethys Oil expects full year 2021 average production of approximately 11,100 bopd (previously it was believed that production in second half 2021 would exceed first half production level of 11,306 bopd) – increased need for workovers and maintenance has resulted in lower than anticipated production in the third quarter which is expected to persist in the fourth quarter. Increased expenditure on workovers and general investment activity in 2022 is expected to improve production performance.

Financial Review

Income Statement

Production entitlement and sales

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

During the third quarter 2021, the level of production, value of recoverable costs incurred, and average oil price resulted in an increase of Net Entitlement by 2 percent to 428,121 barrels (Q2 2021: 420,655 barrels), the increased number of entitlement barrel is a result of increased production and of recoverable costs incurred in the quarter. The Net Entitlement share of production decreased to 41 percent (Q2 2021: 42 percent) as a result of the increased Average Official Selling Price ("Average OSP")² in the period. The average OSP was USD 70.3 per barrel in the third quarter 2021, an increase of 12 percent compared to the second quarter 2021. During the third quarter 2021 all recoverable costs incurred on Blocks 3&4 were recovered through Cost Oil, and as a result the balance of the Cost Pool was nil at the end of the third quarter 2021, unchanged from the second quarter 2021.

Production entitlement and sales	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Blocks 3&4					
Production, before Government take, bbl	1,037,768	1,003,750	1,042,686	1,018,653	979,922
Net Entitlement barrels, bbl	428,121	420,655	518,895	529,699	509,559
Net Entitlement share of production, percent	41%	42%	50%	52%	52%
Oil sales bbl	448,740	477,708	367,726	547,338	416,162
Underlift (+) / overlift (-), movement, bbl	-20,619	-57,053	151,169	-17,638	93,397
Underlift (+) / overlift (-), closing position, bbl	70,328	90,947	148,000	-3,169	14,469

During the third quarter 2021, Tethys Oil sold 448,740 barrels of oil from Blocks 3&4 compared to 477,708 barrels of oil in the second quarter 2021, a decrease of 6 percent. Third quarter oil sales included the 167,264 barrels from the June nomination lifted in July for logistical reasons. Due to continued logistical difficulties in the export terminal compounded by the effects to the cyclone Shaheen, the September nomination of 143,406 barrels was lifted in October and thus not included in the oil sales and subsequent revenues in the quarter. As a consequence, the resulting revenue from the delayed September lifting will be recognised in the fourth quarter 2021.

Tethys Oil sells all of its oil from Blocks 3&4 on a monthly basis to a service provider under a long term contract. Oil sales volumes are nominated two to three months in advance and are not based upon the actual production in a month; as a result, the Group's oil sales volumes can be above or below production entitlement volumes. Where the oil sales volume exceeds the volume of entitlement barrels produced, an overlift position occurs and where it is less, an underlift position occurs. Tethys Oil is contractually obliged to maintain a neutral under-/overlift position over time. At the end of the third quarter 2021 Tethys Oil had reduced its underlift position from 90,947 barrels at 30 June 2021 to 70,328 barrels at 30 September 2021. Had the September nomination been lifted as planned, Tethys Oil would, however, have been overlifted by 73,078 barrels. As a consequence of the underlying overlift position, the nomination in December 2021 has been reduced in order to target a neutralised underlift/overlift position by year end.

² Tethys Oil's monthly sales are priced using Oman's Official Selling Price (OSP) which is calculated using the monthly average price of the front month futures contract of Oman blend (with 2 months to delivery) as traded on the Dubai Mercantile Exchange, including trading and quality adjustments. The Average OSP is calculated as the production weighted average of the monthly Official Selling Price (OSP) for Omani Export Blend in the quarter and does not take into consideration the timing of monthly liftings, and any trading and quality adjustments (as is the case with the Achieved oil price).

Revenue and other income

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

The achieved oil price in the third quarter 2021 amounted to USD 66.7 per barrel, an increase of USD 7.0 per barrel, from USD 59.7 per barrel in the second quarter 2021. The achieved oil price in the third quarter reflects the pricing of the June, July and August liftings and is therefore USD 3.5 per barrel lower than if the September nomination had been included and June lifting excluded.

Revenue and other income	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Achieved oil price, USD/bbl	66.7	59.7	46.7	42.3	42.8
Revenue, MUSD	30.0	28.5	17.2	23.1	17.9
Underlift (+) / Overlift (-) adjustment, MUSD	-0.6	-2.4	8.2	-0.8	2.5
Revenue and other income, MUSD	29.4	26.1	25.4	22.3	20.4

Revenue in the third quarter 2021 was MUSD 30.0 compared to MUSD 28.5 in the second quarter 2021, an increase of 5 percent. The increase in revenue is a result of a higher achieved oil price offsetting the lower sales volumes compared to the second quarter 2021. A reduction of the underlift position has taken place during the third quarter 2021, which gives rise to an underlift adjustment of MUSD -0.6 (MUSD -2.4). Revenue and other income in the third quarter 2021 amounted to MUSD 29.4 compared to MUSD 26.1 in the second quarter 2021.

Operating expenses

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

Operating expenses	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Production costs, MUSD	10.1	9.5	10.7	9.1	8.8
Well workovers, MUSD	0.7	0.4	1.2	0.9	0.5
Total operating expenses, MUSD	10.8	9.9	11.9	10.0	9.3
Operating expenses per barrel, USD	10.4	9.9	11.4	9.8	9.5

Operating expenses, including costs for well workovers and interventions, for the third quarter 2021 amounted to MUSD 10.8 and were higher than the second quarter 2021, when operating expenditure amounted to MUSD 9.9. An increase in expenses related to well workovers as well as costs resulting from higher production, resulted in higher total operating expenses in the third quarter as compared to the second quarter.

Depletion, depreciation and amortisation

DD&A	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
DD&A, MUSD	10.5	10.2	10.6	10.8	10.5
DD&A per barrel, USD	10.1	10.2	10.2	10.6	10.7

Depletion, depreciation and amortisation ("DD&A") during the third quarter 2021 amounted to MUSD 10.5, compared to MUSD 10.2 in the second quarter 2021. The higher DD&A in the third quarter is a result of higher production volumes. DD&A includes depreciation of MUSD 0.1 relating to leases under IFRS 16.

Administrative expenses

Administrative expenses for the third quarter 2021 amounted to MUSD 2.1 compared to MUSD 1.7 in the second quarter 2021. Administrative expenses mainly comprise of staff costs, rents, listing costs and external services. The increase administrative expenses in the third quarter 2021 include MUSD 0.4 of costs resulting from the incentive programme to management, the majority of which is non-cash.

Operating result and EBITDA

The operating result in the third quarter 2021 amounted to MUSD 6.0 compared to MUSD 4.3 in the second quarter 2021. Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to MUSD 16.5 (MUSD 14.5) in the third quarter 2021, an increase of 14 percent compared to the second quarter 2021.

Net financial result

The net financial result in the third quarter 2021 amounted to MUSD 0.1 compared to MUSD -0.9 in the second quarter 2021. The net financial result for the third quarter 2021 mainly comprises of currency exchange gain resulting from the appreciation of the SEK to the USD. Currency exchange differences recorded on loans between the parent company and subsidiaries are non-cash items.

Tax

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

Result

Tethys Oil's net result after tax for the third quarter 2021 was MUSD 6.1, representing earnings per share (after dilution) of USD 0.19. The result for the third quarter 2021 was higher compared to the second quarter 2021 when the net result amounted to MUSD 3.4, with earnings per share (after dilution) of USD 0.10.

Netback

Netback, USD/bbl	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Achieved oil price	66.7	59.7	46.7	42.3	42.8
Net revenue (after government take)	27.6	25.0	23.2	22.0	22.3
Operating expenses	10.4	9.9	11.4	9.8	9.5
Netback	17.2	15.2	11.8	12.2	12.8

In the third quarter, the higher Achieved oil price offset the lower net entitlement to give a higher Net revenue per barrel compared to the second quarter. Despite a sequential increase in opex, the higher Net revenue resulted in a 13 percent increase in Netback per barrel in the third quarter 2021 compared to the second quarter 2021.

Financial treatment and effects of farmin and farmout transactions

The farmout agreement with EOG for 50 percent interest in the EPSA for Block 49 was concluded in the first quarter 2021 following the receipt of government approval. Following completion, the initial cash consideration (relating to reimbursement of historically incurred cost under the EPSA) of MUSD 8.8 was received which reduced oil and gas properties with the corresponding amount. Under the terms of the farmout, EOG agreed to carry the total cost of the Thameen-1 well up to a cap of MUSD 15.0 (net of the initial consideration amount). At the start of the third quarter 2021 Tethys Oil received a payment of MUSD 8.2 from EOG which included the final consideration under the farmout as well as EOG's share of subsequent expenditure relating to well testing and evaluation.

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

Financial position and cash flow

Assets and equity

The Group's total assets at 30 September 2021 amounted to MUSD 275.1 (MUSD 266.0) of which MUSD 202.2 was Oil and Gas properties (MUSD 203.5). Shareholder's equity at 30 September 2021 was MUSD 253.0 compared to MUSD 247.2 at 30 June 2021.

Balance Sheet	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020
Non-current assets					
Oil and gas properties	202.2	203.5	205.3	215.3	212.9
Other fixed assets	1.2	0.9	0.2	0.3	0.4
Current Assets					
Other current assets	12.3	15.4	17.1	9.3	13.6
Cash and cash equivalents	59.4	46.2	57.0	55.4	48.3
Total assets	275.1	266.0	279.6	280.3	275.2
Shareholders' equity	253.0	247.2	258.3	257.7	260.1
Non-current liabilities	13.9	13.5	12.7	12.8	10.6
Current liabilities	8.2	5.3	8.6	9.8	4.5
Total Equity & Liabilities	275.1	266.0	279.6	280.3	275.2

Liquidity and financing

Cash and cash equivalents at 30 September 2021 amounted to MUSD 59.4 compared to MUSD 46.2 at 30 June 2021. Net cash at 30 September 2021 was MUSD 58.5 compared to MUSD 45.5 at 30 June 2021.

Cash flow and investments

Cash flow	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Cash Flow from Operations	22.3	13.3	2.8	19.6	-3.1
Cash flow from Investments	-9.2	-8.4	-0.5	-10.6	-8.6
Free Cash flow	13.1	4.9	2.3	9.0	-11.7
Cash flow from Financing Activities	-0.1	-15.5	-0.7	-1.8	-
Period Cash Flow	13.0	-10.6	1.6	7.2	-11.7

During the third quarter 2021, cash flow from operations amounted to MUSD 22.3 (MUSD 13.3) impacted by an increased result and positive change in working capital of MUSD 5.9 (MUSD -1.7). Working capital and thus the Cash Flow from Operations was negatively impacted by MUSD 5.0 resulting from a late lifting of a portion of the August nomination in early September and consequently payment was received after the end of the third quarter.

Investments, MUSD	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Drilling	5.0	4.0	2.5	3.9	3.5
G&G	0.8	0.9	1.0	1.3	1.4
Facilities	2.2	2.1	1.4	2.6	1.6
Total investments Blocks 3&4	8.0	7.0	4.9	7.8	6.5
Block 49	0.8	0.3	-9.4	2.9	0.5
Block 56	0.3	1.1	5.0	0.2	-
Block 58	0.1	0.0	0.0	0.2	1.6
Total investments in Oil & Gas properties	9.2	8.4	0.5	11.0	8.6
Other	0.0	0.0	0.0	-0.4	-
Total investments	9.2	8.4	0.5	10.6	8.6

In the third quarter total investments increased to MUSD 9.2 (MUSD 8.4). Capital investments on Blocks 3&4 increased to MUSD 8.0 in the third quarter compared to MUSD 7.0 the second quarter 2021, the increase was primarily driven by increased drilling expenditure. Capital investments on Block 49 was MUSD 0.8 (MUSD 0.3). Investments on Block 56 was MUSD 0.3 (MUSD 1.1). Investments on Block 58 was MUSD 0.1 (MUSD 0.0).

Cash flow from financing activities in the third quarter was MUSD -0.1 (MUSD -15.5) which is the expense related to share repurchases. Free cash flow (cash flow after investments) was MUSD 13.1 (MUSD 4.9) and cash flow for the period was MUSD 13.0 (MUSD -10.6).

Parent Company, Dividend & Share data

Parent company

The parent company net result after tax for the third quarter 2021 was MSEK 7.3 compared to MSEK -6.3 in the second quarter 2021. Administrative expenses in the third quarter 2021 amounted to MSEK 12.7 compared to MSEK 8.9 for the second quarter 2021, an increase in the third quarter due to costs relating to the management long term incentive programme.

The Net financial result in the third quarter 2021 amounted to MSEK 15.1 (MSEK 0.1). The Net financial result consisted primarily of currency exchange gains on intercompany loans, cash and payables of MSEK 2.8 (MSEK -6.4) and interest income of MSEK 12.3 compared to MSEK 6.5 for the second quarter 2021.

Share data

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

During the first quarter 2021 Tethys Oil repurchased 120,088 shares under the share repurchase programme initiated by the Board of Directors in December 2020 based on the authorisation from the AGM 2020. The total volume of Tethys Oil shares which have been repurchased within the scope of the programme from 11 December 2020 up to 8 February 2021 was 435,640 shares.

On 9 September 2021 the Board of Directors decided, based on the authorisation from the AGM 2021, to initiate a share buy-back programme. Since the initiation of the share buy-back programme and until 30 September 2021 the Company has repurchased a total of 15,533 shares. As of 30 September 2021 Tethys Oil held 451,173 shares in treasury – the equivalent of 1.4 percent of the shares in issuance. No further repurchases have been made following the end of the third quarter 2021. For the complete repurchase authorisation, please refer to Tethys Oil's website, www.tethysoil.com.

Tethys Oil currently has four active warrant-based incentive programmes for employees, (for further information please see Note 10) which, if exercised can result in the issuance of up to 1,393,500 new shares (a potential 4.2 percent increase of total shares in issue). During the third quarter 2021 the Tethys Oil share price was above the subscription price of one of the four programmes, thus resulting in a calculated potential dilution effect on the average number of shares outstanding. Following the end of the quarter the 2018 warrant programme exercise period expired without any warrants having been exercised.

Dividend and Distribution

As resolved by the 2021 AGM Tethys Oil paid a cash dividend of SEK 2.00 per share and an extraordinary distribution by way of a mandatory share redemption of SEK 2.00 per share in May and June 2021 (AGM 2020: SEK 2.00 and SEK 3.00 respectively). In addition, in April 2021 Tethys Oil adopted a new dividend policy for the Group. Please refer to Tethys Oil's website for further information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

MUSD	Note	Third quarter 2021	Third quarter 2020	Nine months 2021	Nine months 2020	Full year 2020
Revenue and other income	3	29.4	20.4	80.9	78.7	101.1
Operating expenses		-10.8	-9.3	-32.5	-33.4	-43.4
Gross profit		18.6	11.1	48.4	45.3	57.7
Depletion, depreciation and amortisation	2, 5	-10.5	-10.5	-31.3	-33.6	-44.5
Exploration costs		-0.0	-	-0.0	-	-0.0
Share of net profit/loss from associates		-	-	-	-	-
Administrative expenses	2	-2.1	-1.6	-5.0	-5.2	-7.3
Operating result		6.0	-1.0	12.1	6.5	5.8
Net financial result	4	0.1	-1.1	0.5	-0.4	-2.5
Result before tax		6.1	-2.1	12.6	6.1	3.3
Income tax		-	-	-	-	0.0
Net Result		6.1	-2.1	12.6	6.1	3.3
Other comprehensive income						
Items that may be subsequently reclassified to profit or loss:						
Exchange differences		-0.4	0.5	-1.1	1.5	3.7
Other comprehensive income		-0.4	0.5	-1.1	1.5	3.7
Total comprehensive income		5.7	-1.6	11.5	7.6	7.0
Attributable to:						
Shareholders in the parent company		5.7	-1.6	11.5	7.6	7.0
Non-controlling interest		-	-	-	-	-
Weighted average number of shares (before dilution)		32,618,887	33,056,608	32,624,817	33,411,860	33,321,353
Weighted average number of shares (after dilution)		32,639,342	33,056,608	32,658,600	33,420,759	33,328,099
Earnings per share (before dilution), USD		0.19	-0.06	0.39	0.18	0.10
Earnings per share (after dilution), USD		0.19	-0.06	0.39	0.18	0.10

CONSOLIDATED BALANCE SHEET IN SUMMARY

MUSD	Note	30 Sep 2021	31 Dec 2020
ASSETS			
Non-current assets			
Oil and gas properties	5	202.2	215.3
Other fixed assets		1.2	0.3
		203.4	215.6
Current assets			
Trade and other receivables	6	11.8	9.1
Prepaid expenses	6	0.5	0.2
Cash and cash equivalents		59.4	55.4
		71.7	64.7
TOTAL ASSETS		275.1	280.3
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		0.8	0.8
Additional paid in capital		76.3	76.3
Reserves		0.7	1.8
Retained earnings		175.2	178.8
Total shareholders' equity		253.0	257.7
Non-current liabilities			
Non-current provisions	7	13.0	12.5
Other non-current liabilities	8	0.9	0.3
		13.9	12.8
Current liabilities			
Accounts payable and other current liabilities	9	8.2	9.8
		8.2	9.8
Total liabilities		22.1	22.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		275.1	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	-	-	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 for nine months 2021	-	-	-	12.6	12.6
Other comprehensive income for nine months	-	-	-1.1	-	-1.1
Total comprehensive income	-	-	-1.1	12.6	11.5
Transactions with owners					
Repurchase of shares	-	-	-	-0.8	-0.8
Dividend	-	-	-	-7.8	-7.8
Share redemption	-	-	-	-7.7	-7.7
Incentive programme	-	-	-	0.2	0.2
Total transactions with owners	-	-	-	-16.1	-16.1
Closing balance 30 September 2021	0.8	76.3	0.7	175.2	253.0

CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY

MUSD	Note	Third quarter 2021	Third quarter 2020	Nine months 2021	Nine months 2020	Full year 2020
Cash flow from operations						
Operating result		6.0	-1.0	12.1	6.5	5.8
Interest received	4	-	-	-	0.0	0.1
Interest paid		-	-	-	-0.0	-0.0
Adjustment for exploration costs		-	-	-	-	-
Adjustment for depletion, depreciation and other non-cash related items		10.4	10.2	30.9	35.7	46.2
Total cash flow from operations before change in working capital		16.4	9.2	43.0	42.2	52.2
Change in receivables		3.1	-7.7	-3.0	-1.3	3.0
Change in liabilities		2.8	-4.6	-1.7	-8.4	-3.1
Cash flow from operations		22.3	-3.1	38.3	32.5	52.1
Investment activity						
Investment in oil and gas properties	5	-9.2	-8.6	-18.1	-34.4	-45.4
Investment in other fixed assets		-	-	-	-0.3	-0.0
Cash flow from investment activity		-9.2	-8.6	-18.1	-34.7	-45.4
Financing activity						
Repurchase of shares		-0.1	-	-0.8	-6.5	-8.3
Dividend		-	-	-7.8	-7.0	-7.0
Share redemption		-	-	-7.7	-10.6	-10.6
Cash flow from financing activity		-0.1	-	-16.3	-24.1	-25.9
Period cash flow		13.0	-11.7	3.9	-26.3	-19.2
Cash and cash equivalents at the beginning of the period		46.2	60.1	55.4	75.6	75.6
Exchange gains/losses on cash and cash equivalents		0.2	-0.1	0.1	-1.0	-1.0
Cash and cash equivalents at the end of the period		59.4	48.3	59.4	48.3	55.4

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

Group	Third quarter 2021	Third quarter 2020	Nine months 2021	Nine months 2020	Full year 2020
Operational items					
Production before government take, Oman Blocks 3&4, bbl	1,037,768	979,922	3,084,204	3,130,165	4,148,818
Production per day, Oman Blocks 3&4, bbl	11,280	10,651	11,297	11,466	11,336
Oil sales, bbl	448,740	416,162	1,294,174	1,770,537	2,317,875
Achieved oil price, USD/bbl	66.7	42.8	58.5	49.4	47.7
Income statement and balance sheet					
Revenue and other income, MUSD	29.4	20.4	80.9	78.7	101.1
EBITDA, MUSD	16.5	9.5	43.4	40.1	50.4
EBITDA-margin	56%	47%	54%	51%	50%
Operating result, MUSD	6.0	-1.0	12.1	6.5	5.8
Operating margin	20%	-5%	15%	8%	6%
Cash and cash equivalents, MUSD	59.4	48.3	59.4	6.1	55.4
Shareholders' equity, MUSD	253.0	260.1	253.0	260.1	257.7
Balance sheet total, MUSD	275.1	275.2	275.1	275.2	280.3
Capital structure					
Equity ratio	92%	95%	92%	95%	92%
Leverage ratio	neg.	neg.	neg.	neg.	neg.
Investments in oil and gas properties, MUSD	-9.2	-8.6	-18.1	-34.4	-45.4
Net cash, MUSD	58.5	48.0	58.5	48.0	55.1
Profitability					
Return on shareholders' equity					1.23%
Return on capital employed					4.87%
Other					
Average number of full-time employees	27	22	25	22	23
Distribution per share, SEK	-	-	4.00	5.00	5.00
Cash flow from operations per share, USD	0.67	-0.09	1.15	0.98	1.59
Number of shares at period end, '000	33,057	33,057	33,057	33,057	33,057
Shareholders' equity per share, USD	7.65	7.87	7.65	7.87	7.87
Weighted average number of shares (before dilution), '000	32,619	33,057	32,625	33,412	33,321
Weighted average number of shares (after dilution), '000	32,639	33,057	32,659	33,421	33,328
Earnings per share before dilution, USD	0.19	-0.06	0.39	0.18	0.10
Earnings per share after dilution, USD	0.19	-0.06	0.39	0.18	0.10

Key quarterly data

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Net daily production before government take, Blocks 3&4, bbl	11,280	11,030	11,585	11,072	10,651
Net entitlement barrels, bbl	428,121	420,655	518,895	529,699	509,559
Net entitlement share of production, percent	41%	42%	50%	52%	52%
Oil sales, bbl	448,740	477,708	367,726	547,338	416,162
Achieved oil price, USD/bbl	66.7	59.7	46.7	42.3	42.8
Revenue and other income, MUSD	29.4	26.1	25.4	22.3	20.4
EBITDA, MUSD	16.5	14.5	12.3	10.2	9.5
Operating result, MUSD	6.0	4.3	1.7	-0.7	-1.0
Earnings per share after dilution, USD	0.19	0.10	0.09	-0.09	-0.06
Cash flow from operations, MUSD	22.3	13.3	2.8	19.6	-3.1
Investment in oil and gas properties, MUSD	9.2	8.4	0.5	11.0	8.6
Free cash flow, MUSD	13.1	4.9	2.3	9.0	-11.7
Net cash, MUSD	58.5	45.5	57.0	55.1	48.0
Share price end of period, SEK	60.8	58.4	64.9	49.2	43.1

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

Relevant reconciliations of alternative performance measures

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by executive management and the Board of Directors to measure Tethys Oil's financial performance. Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement. Besides the definitions below, definitions of alternative performance measures can be found in the 2020 Annual Report.

MUSD	Third quarter 2021	Third quarter 2020	Nine months 2021	Nine months 2020	Full year 2020
Operating result	6.0	-1.0	12.1	6.5	5.8
Add: Depreciation, depletion and amortisation	10.5	10.5	31.3	33.6	44.5
Add: Exploration costs	0.0	-	0.0	0.0	0.0
EBITDA	16.5	9.5	43.4	40.1	50.3
Cash and cash equivalents	59.4	48.3	59.4	48.3	55.4
Less: Interest bearing debt	-0.9	-0.3	-0.9	-0.3	-0.3
Net cash	58.5	48.0	58.5	48.0	55.1

PARENT COMPANY INCOME STATEMENT IN SUMMARY

MSEK	Note	Third quarter 2021	Third quarter 2020	Nine months 2021	Nine months 2020	Full year 2020
Other income		4.9	5.3	11.4	11.4	12.8
Administrative expenses	10	-12.7	-9.6	-27.7	-35.5	-48.2
Operating result		-7.8	-4.3	-16.2	-24.1	-35.4
Net financial result	4	15.1	-5.1	32.8	15.2	58.1
Result before tax		7.3	-9.4	16.5	-8.9	22.7
Income tax		-	-	-	-	-
Result for the period¹		7.3	-9.4	16.5	-8.9	22.7

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

PARENT COMPANY BALANCE SHEET IN SUMMARY

MSEK	Note	30 Sep 2021	31 Dec 2020
ASSETS			
Total non current assets		519.1	339.0
Total current assets		68.5	39.0
TOTAL ASSETS		587.6	378.0
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted shareholders' equity		77.1	77.1
Unrestricted shareholders' equity		43.2	162.8
Total current liabilities		467.3	138.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		587.6	378.0

NOTES

General information

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

Accounting principles

The third quarter 2021 report of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The third quarter 2021 report of the Company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2 “Accounting for legal entities”, issued by the Swedish Financial Accounting Standards Council.

The accounting principles as described in the 2020 Annual Report have been used in the preparation of this report with the exception of operating segments. As of the first quarter 2021 Tethys Oil reports operating segments split between Producing assets, Non-producing asset and Other in accordance with how internal reporting to management is conducted. Previously operating segments were split geographically.

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

Tethys Oil applies the ESMA’s (European Securities and Markets Authority) guidelines for alternative performance measures. Definitions of performance measures are provided in the 2020 Annual Report and the relevant reconciliations can be found on 18 of this report.

Exchange rates

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

Currency	30 September 2021		31 December 2020	
	Average	Period end	Average	Period end
SEK/USD	8.47	8.79	9.19	8.19
SEK/EUR	10.14	10.20	10.49	10.04

The Group is exposed to fluctuations in the foreign exchange markets as fluctuations in exchange rates can negatively affect the result, cash flow and equity. The major proportion of the Group’s assets relate to international oil and gas discoveries valued in USD and which generate revenues in USD. During the third quarter 2021, all of Tethys Oil’s oil sales and operating expenditures were denominated in USD.

Fair value

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

IFRS 9 valuation categories and related balance sheet items

MUSD	30 Sep 2021			31 December 2020		
	Financial assets and liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets and liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
Other receivables	-	11.8	-	-	9.1	-
Cash and bank	-	59.4	-	-	55.4	-
Other non current liabilities	-	-	0.9	-	-	0.3
Accounts payables and other current liabilities	-	-	8.2	-	-	9.8

Note 1) Risks and uncertainties

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

Operational risk

At its current stage of development, Tethys Oil is commercially producing oil and also exploring for and appraising undeveloped known oil and/or natural gas accumulations. The operational risk is different in these parts of Tethys Oil's operations. The main operational risk in exploration and appraisal activities is that the activities and investments made by Tethys Oil will not evolve into commercial reserves of oil and gas. The oil price is of significant importance to Tethys Oil in all parts of operations as income and profitability is and will be dependent on prevailing prices. Significantly lower oil prices will reduce current and expected cash flows and profitability in projects and can make projects sub economic. Lower oil prices could also decrease the industry interest in Tethys Oil's projects regarding farmout or sale of assets. There are no oil price hedges in place as at 30 September 2021.

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

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

Financial risk

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

Covid-19 Risks

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

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

The impact of the Covid-19 pandemic and the restrictions on movement and travel that have been implemented has had a significant effect on global economic activity and demand for oil during 2020 and continues to do so in 2021. At the beginning of the pandemic, in 2020, oil producers were unable to reduce output at the same pace as demand fell resulting in a significant imbalance in supply and demand for oil. As a result of the supply/demand imbalance, oil prices fell significantly during the first six months of the year and certain crude oil qualities traded at negative prices, albeit for short periods of time. Following the production limitations imposed by OPEC+, the oil price has gradually strengthened since early June 2020. Since the start of 2021, oil prices have risen from USD 50 to over USD 80 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 fall below the current levels and thus have a longer-term impact on the group's profitability and financial standing. Should oil prices decline from current levels and remain lower, the risk of a future impairment of the Group's oil and gas assets cannot be ruled out.

A more detailed analysis of the Group's risks and uncertainties, and how the Group addresses these risks, are detailed in the 2020 Annual Report.

Note 2) Segment reporting

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

Group income statement Jan-Sep 2021				MUSD
Total	Producing assets ²	Non-producing assets	Other	Total
Revenue and other income ¹	80.9	-	-	80.9
Operating expenses	-32.5	-	-	-32.5
Depreciation, depletion and amortisation	-31.2	-	-0.1	-31.3
Exploration costs	-	-	-0.0	-0.0
Administrative expenses	-2.7	-	-2.3	-5.0
Operating result	14.5	-	-2.4	12.1
Revenue by country	Producing assets ²	Non-producing assets	Other	Total
Revenue and other income ¹				
Oman	80.9	-	-	80.9
Other	-	-	-	-

Group income statement Jan-Sep 2020				MUSD
Total	Producing assets ²	Non-producing assets	Other	Total
Revenue and other income ¹	78.7	-	-	78.7
Operating expenses	-33.4	-	-	-33.4
Depreciation, depletion and amortisation	-33.4	-	-0.2	-33.6
Exploration costs	-	-	-	-
Administrative expenses	-1.8	-	-3.4	-5.2
Operating result	10.1	-	-3.6	6.5
Revenue by country	Producing assets ²	Non-producing assets	Other	Total
Revenue and other income ¹				
Oman	78.7	-	-	78.7
Other	-	-	-	-

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

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

Note 3) Revenue and other income

MUSD	Third quarter 2021	Third quarter 2020	Nine months 2021	Nine months 2020	Full year 2020
Revenue	30.0	17.9	75.7	87.6	110.7
Underlift (+) /overlift (-), adjustments	-0.6	2.5	5.2	-8.9	-9.6
Revenue and other income	29.4	20.4	80.9	78.7	101.1

Note 4) Net financial result

Group	Third quarter 2021	Third quarter 2020	Nine months 2021	Nine months 2020	Full year 2020
MUSD					
Financial income:					
Interest income	-	-	-	0.1	0.1
Currency exchange gain, net	0.3	-	1.0	0.0	0.0
Other financial income	-	-	-	-	0.0
Financial costs:					
Interest costs	-0.0	0.0	-0.0	-0.0	0.0
Currency exchange loss, net	-	-0.9	-	-	-2.0
Other financial costs	-0.2	-0.2	-0.5	-0.5	-0.6
Net financial result	0.1	-1.1	0.5	-0.4	-2.5

Parent company	Third quarter 2021	Third quarter 2020	Nine months 2021	Nine months 2020	Full year 2020
MSEK					
Financial income:					
Interest income	12.3	3.9	23.8	15.1	18.8
Currency exchange gain, net	2.8	-	9.0	0.2	-
Dividend group companies	-	-	-	-	57.3
Financial costs:					
Interest costs	-	-	-	-	0.0
Currency exchange loss, net	-	-9.0	-	-	-18.0
Other financial costs	-0.0	-	-0.0	-0.1	0.0
Net financial result	15.1	-5.1	32.8	15.2	58.1

Note 5) Oil and gas properties

MUSD				30 Sep 21	Investments	DD&A	Other	31 Dec 2020
Country	Licence	Phase	Tethys Oil's share					
Oman	Blocks 3&4	Prod.	30%	180.6	19.9	-31.2	-	191.9
Oman	Block 49	Expl.	50%	4.2	-8.4	-	-	12.6
Oman	Block 56	Expl.	65%	15.2	6.4	-	-	8.8
Oman	Block 58	Expl.	100%	2.0	0.2	-	-	1.8
New ventures				0.3	0.0	-	-	0.3
Total				202.2	18.1	-31.2	-	215.3

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

Note 6) Other receivables and prepaid expenses

MUSD	30 Sep 2021	31 Dec 2020
VAT	0.2	0.2
Trade receivable oil sale	5.0	8.9
Joint operations receivables	1.5	-
Prepaid expenses	0.5	0.2
Underlift position	5.1	0.0
Total	12.3	9.3

Note 7) Provisions

The net present value of Tethys Oil's share of estimated site restoration costs for Blocks 3&4 amounts to MUSD 13.0 (2020: MUSD 12.5). The increase in provision for site restoration reflects changes in cost estimates and the effect of annual unwinding of the net present value.

Note 8) Other non-current liabilities

MUSD	30 Sep 2021	31 Dec 2020
Long term leasing	0.9	0.3
Total	0.9	0.3

Note 9) Accounts payable and other current liabilities

MUSD	30 Sep 2021	31 Dec 2020
Accounts payable	0.2	0.6
Joint operations payable	6.9	5.3
Overlift position	-	0.1
Short term leasing	0.3	-
Other current liabilities	0.8	3.8
Total	8.2	9.8

Note 10) Incentive programme

Tethys Oil has an incentive programme as part of the remuneration package to employees. Warrants have been issued annually since 2015, following a decision by the respective AGM. No warrants were issued or exercised in the third quarter 2021. Following the end of the quarter the exercise period for the 2018 incentive programme expired without any warrants having been exercised.

Warrant incentive programme	Exercise period	Subscription price, SEK	Shares per warrant	1 Jan 2021	Number of warrants			30 Sep 2021
					Issued 2021	Exercised 2021	Expired 2021	
2018 incentive programme	1 Jun – 2 Oct 2021	72.0	1.24	350,000	-	-	-	350,000
2019 incentive programme	1 Jun – 7 Oct 2022	69.7	1.13	350,000	-	-	-	350,000
2020 incentive programme	13 Jun – 6 Oct 2023	51.7	1.04	350,000	-	-	-	350,000
2021 incentive programme	12 Jun – 4 Oct 2024	76.0	1.00	-	200,000	-	-	200,000
Total				1,050,000	200,000	-	-	1,250,000

Note 11) Pledged assets

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

Note 12) Contingent liabilities

As part of the farmin transaction with Medco for Block 56 (see page 9) there is further potential consideration contingent upon a declaration of commerciality.

Note 13) Related party transactions

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

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

FINANCIAL CALENDAR:

- Report for fourth quarter/year-end report 2021 (January – December 2021) on 8 February 2022
- Report for first quarter 2022 (January – March 2022) on 10 May 2022
- The Annual general meeting for 2022 is to be held in Stockholm on 18 May 2022 at CEST 15:00
- Report for second quarter 2022 (January – June 2022) on 9 August 2022
- Report for third quarter 2022 (January – September 2022) on 8 November 2022

Stockholm, 9 November 2021

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

Magnus Nordin

Managing Director

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

CONFERENCE CALL

Date: 9 November 2021

Time: 10.00 CET

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

Link to webcast: <https://edge.media-server.com/mmc/p/hr6z8sw8>

To participate via phone, please call:

Sweden: +46 8 566 426 51

Switzerland: +41 225 809 034

UK: +44 333 300 0804

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

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