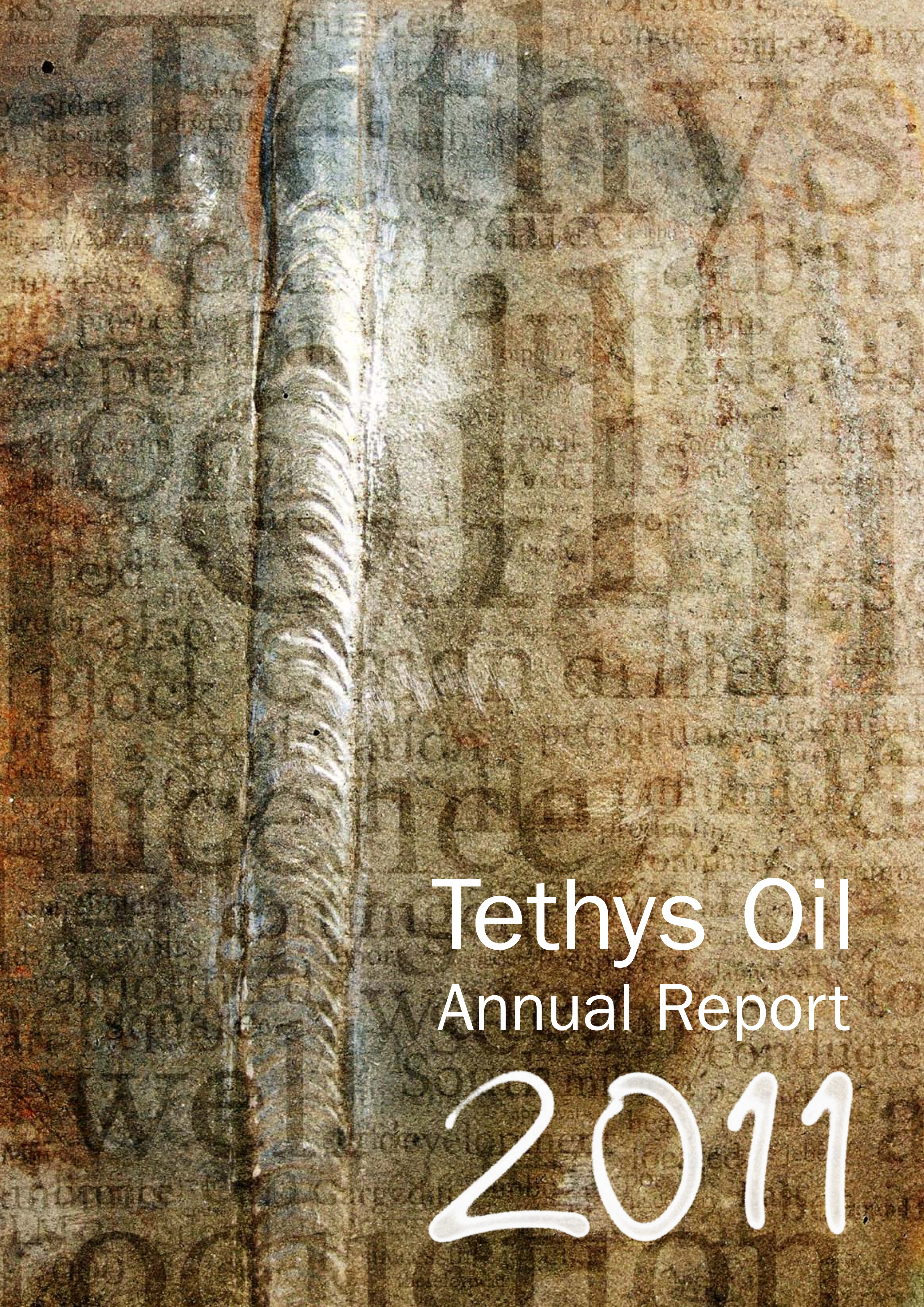


Tethys Oil

Annual Report

2011

Contents

Information regarding Annual General Meeting

The Annual General Meeting of shareholders of Tethys Oil will be held on Wednesday 16 May 2012, 3 p.m. at Van der Nootska Palatset, S:t Paulsgatan 21 in Stockholm. The notice and the complete proposals of the Board of Directors etc. are available at www.tethysoil.com. To be entitled to participate, shareholders must be included in the register of shareholders maintained by Euroclear Sweden AB, in their own names, as of Thursday May 10th, 2012 and must notify Tethys Oil no later than Thursday May 10th, 2012. According to the Swedish Companies Act, a shareholder who wishes to attend by proxy, must present a proxy in writing, dated and signed by the shareholder.

Financial information

The company plans to publish the following financial reports:
Three month report 2012 (January – March 2012) on 14 May 2012
Six month report 2012 (January – June 2012) on 20 August 2012
Nine month report 2012 (January – September 2012) on 12 November 2012
Year end report 2012 (January – December 2012) on 11 February 2013

Landsten Reklam 2012. Design Henrik Strömberg. Printed in Sweden.

Tethys Oil in brief

Tethys Oil is a Swedish energy company focused on exploration and production of oil and natural gas. Tethys' core area is the Sultanate of Oman, where the company is the second largest onshore oil and gas concession-holder with licence interests in three onshore blocks. Tethys also has licences onshore France, Lithuania and Sweden. The shares are listed on First North (TETY) in Stockholm. Remium AB is Certified Adviser.

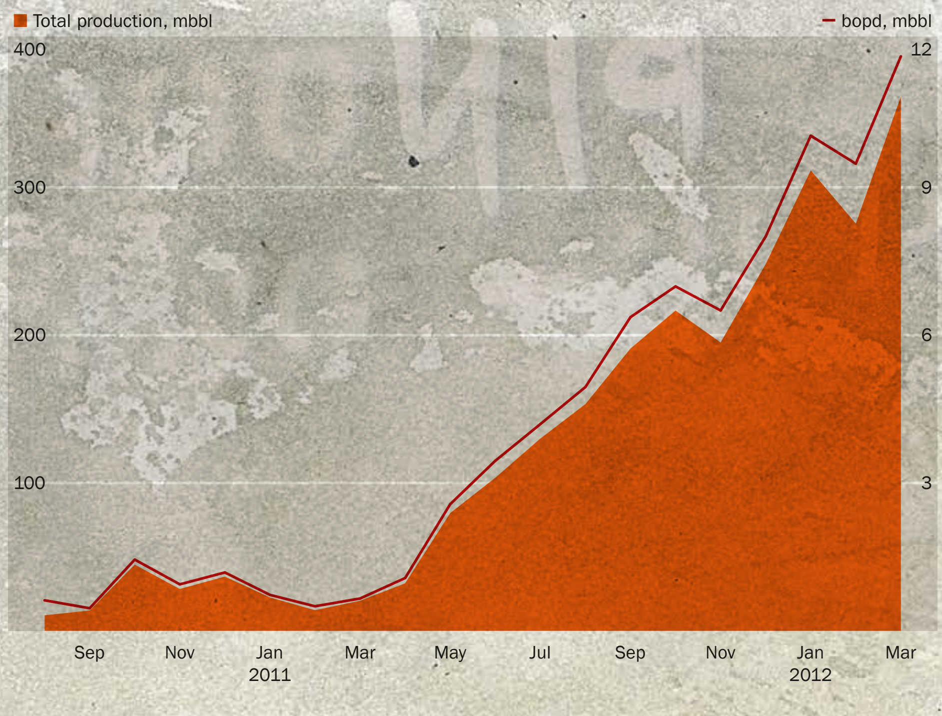
2011 in brief

Operational

- Tethys Oil's crude oil production amounted in 2011 to 423,469 barrels
- Field development plan for Block 3 and 4 submitted to the Ministry of Oil and Gas for approval
- DeGoyler and MacNaughton appointed reserves auditors
- Tethys establishes second leg with oil production and appraisal/exploration potential in three licence areas onshore Lithuania

Financial

- Net sales 2011 amounted to TSEK 103,538
- During the year, 147,228 barrels of oil were sold
- Result for 2011 amounted to TSEK 68,991
- Result per share 2011 amounted to SEK 2.12
- Cash and cash equivalents as per 31 December 2011 amounted to TSEK 93,105



Letter to the shareholders

Dear Friends and Investors

In 2011, the total crude oil production from our Omani assets Blocks 3 and 4 increased from some 600 hundred barrels to 8,000 barrels of oil per day. Tethys net production amounted to some 420,000 barrels in 2011. Almost 50 per cent of the production was produced in the fourth quarter. The oil production increase has continued in the first quarter of 2012, where Tethys net share amounted to 284,481 barrels of oil – over 40 per cent higher than in the last quarter 2011.

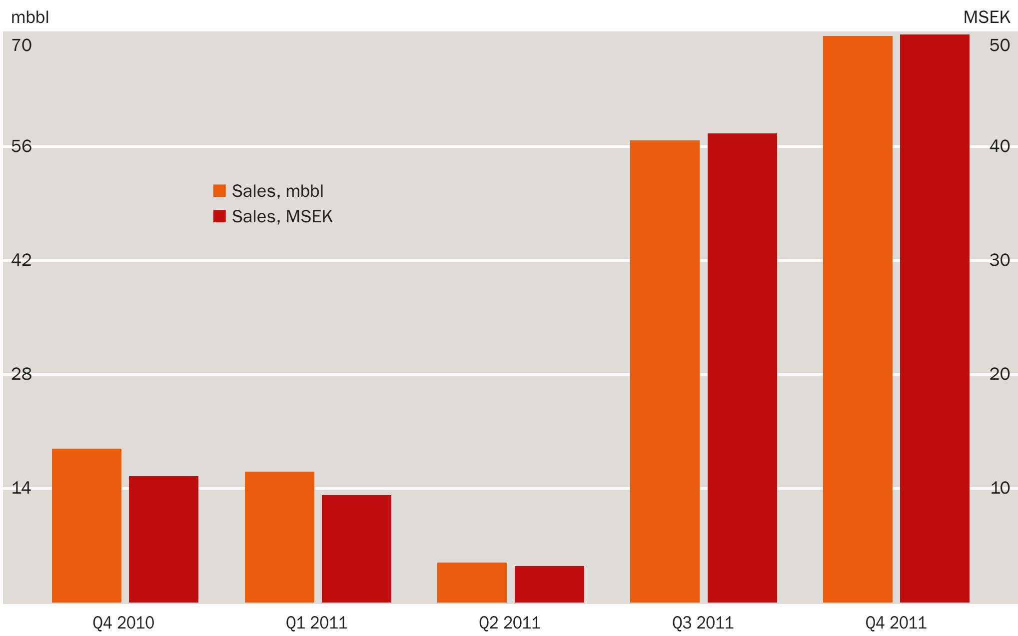
The operational success is being reflected in our income statement. In 2011, our revenues increased with over 800 per cent from MSEK 11 to MSEK 104. The cash flow from operations before change in working capital amounted to MSEK 91. And the strong operational performance resulted in a net income of MSEK 69.

The drilling programme on Blocks 3 and 4 resulted in 22 wells in 2011, whereof 18 production/appraisal wells, 3 water injection wells and 1 exploration well. With two rigs in operations on the Blocks, we have started 2012 at an even higher pace. On the Farha South field on Block 3, a total of 11 wells were drilled and completed during the first quarter this year. Of these, five were exploration/appraisal wells drilled into the Barik reservoir of previously undrilled fault blocks resulting in the discovery of three new oil bearing blocks. We now have a total of eleven fault blocks in production with several more planned to be drilled in 2012. Four production wells and two water injections wells were also drilled and completed. The average drilling times have come down to less than two weeks per well.

The oil from the Farha South and Saiwan East oil fields has so far been produced under the Early Production System ("EPS"). The Field Development Plan ("FDP"), focused on the Farha South and Saiwan East oil fields, has been submitted to the Omani government for review and approval.

Construction of the permanent facilities is ongoing. The first part of the pipeline connecting Farha South with Saiwan East was completed in February 2012 and has been functioning without interruption. New and larger tanks for oil storage at Saiwan have been completed as has the laying of the pipeline connecting Saiwan with the Alam station, the connection point to the national transportation system. Final installations are in progress and it is expected that the time plan will hold and that the Saiwan to Alam part will be operational before the end of the second quarter 2012. The capacity of the production system should be able to handle about 18,000 BOPD with the possibility to upgrade if needed. The export pipeline as dimensioned is large enough to allow for a substantially higher output.

Tethys' share of the budgeted expenditures, including both capex and opex for 2012, amounts to MSEK 430. Included are the remaining costs for facilities and infrastructure, the drilling of appraisal/development wells, water injection wells as well as some exploration wells. Water injection is being applied in the Farha South field in order to stabilize production



and achieve higher recovery factors. A large part of the budget is expected to be covered from available cash and cash flow from production, however the increased pacing of the work programme and the fact that the Mitsui carry has ended and that the part of production cash flow relating to cost recovery will be used to repay Mitsui for the fulfilled carry undertaking, may result in a cash flow shortfall which may require external debt or equity financing. A possible financing source will of course also be Mitsui through the bonus payment of MUSD 10 payable if we reach 10,000 bopd also after the FDP has been approved.

DeGolyer and MacNaughton has conducted a reserve/resources audit on Blocks 3 and 4. As per December 31, 2011, Tethys Oil's net working interest of contingent resources amounts to 2.6 million barrels of oil ("mmbo") of 1C contingent resources, 9.8 mmbo of 2C and 12.4 of 3C. It is important to note that the contingent resources are mainly contingent on a finalized field development plan and that they only cover reservoirs on production, or reservoirs that are likely to be put into production during 2012. We are hopeful that the contingent resources soon can be classified as reserves and that continued drilling and mapping of the Farha trend will increase the reserve/resource base.

Besides our Omani assets, our European leg took a major step forward with the acquisition of Lithuanian interests in two exploration licences and the ongoing acquisition of a production licence. The production on the Gargzdai licence attributable to Tethys Oil amounted in the first quarter 2012 to 14,508 barrels, corresponding to 159 bopd. Tethys Oil's share of the licence's 2P reserves amounts to 1.7 million barrels. On this licence, an exploration well is planned to be spudded in mid May 2012 to investigate a previously undrilled Cambrian sandstone prospect as well as the potential of the Silurian/Ordovician shale sections

On the exploration licences, Rietavas and Raiseiniai, the reprocessing of existing seismic data is ongoing. Also, the Silale-1 well on the Rietavas licence, which flowed 150 bopd from the Cambrian layer when it was discovered in the eighties, will be worked over.

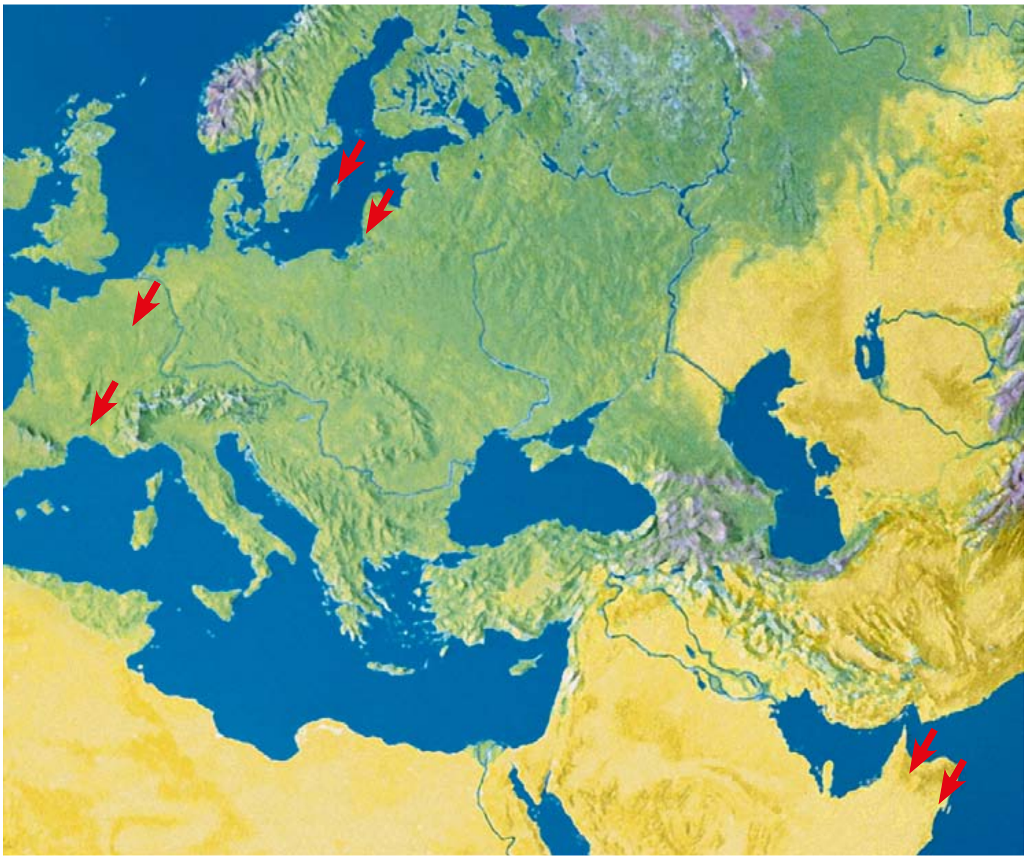
Tethys is at its strongest point ever operationally. With producing assets in two countries and significant exploration potential, we now feel ready to leave First North behind and aim for a listing on the main market. It is our intention to apply for a listing on the NASDAQ OMX Nordic exchange as soon as practical, but certainly within twelve months from now. So stay with us…

Stockholm in April 2012

Magnus Nordin
Managing Director

Vince Hamilton
Chairman of the Board

Operations



Strategy

Investing in upstream projects offers two main opportunities to over time achieve superior returns on capital invested. One is to consistently invest in rank exploration wells and limit the risk through carry agreements or by keeping absolute investments low by holding only small interests. Another is to not invest in a project until the main risk element, the question of whether hydrocarbons are present, has been eliminated. The risk level of a project is typically under estimated in the exploration phase and over estimated in the appraisal phase. By consistently invest primarily in appraisal projects it is Tethys' belief that superior returns on capital invested will be achieved over time.

Licences

Country	Licence name	Tethys Oil, %	Total area, km²	Partners (operator in bold)
Oman	Block 15	40%	1,389	**Odin Energy,** Tethys Oil
Oman	Block 3,4	30%	33,125	**CCED,** Mitsui, Tethys Oil
France	Attila	40%	1,986	**Galli Coz,** Tethys Oil
France	Alès	37.5%	215	**Tethys Oil,** MouvOil
Sweden	Gotland Större (incl Gotland Mindre)	100%	581	**Tethys Oil**
Lithuania	Rietavas, Raiseiniai	20%	3,129	**Odin Energi,** Tethys Oil, private investors
Litauania	Gargzdai	25%	884	**Odin Energi,** Tethys Oil, GeoNafta
Total			**41,309**	

* *For futher information please see page 29.*

Reserves and Resources

Tethys Oil's net working interest reserves and resources oil base as per December 31, 2011, amounts to 1.7 million barrels of oil ("mmbo") of 2P-reserves (proven and probable) in Lithuania and 9.8 mmbo of 2C contingent resources in Oman. The reserves and contingent resources have been audited by independent petroleum auditors. In addition, Tethys Oil has conducted an in-house estimate of prospective resources attributable to available prospects and leads within the Farha South 3D area as at year end 2011. The prospective resources are ranging from 3 to 16 mmbo.

Reserves

(Audited)

mmbo	1P	2P	3P
The Gargzdai license, Lithuania	0.7	1.7	3.0

Contingent Resources

(Audited)

mmbo	1C	2C	3C
Blocks 3 and 4, Oman	2.6	9.8	12.4

Prospective resources

(In-house estimate)

mmbo	Low case	High case
Blocks 3 and 4, Oman	3	16

The reserve report in Lithuania has been conducted by independent petroleum consultant Miller Lents, and the contingent resources in Oman by independent petroleum consultant DeGolyer and MacNaughton. Both reports have been calculated using 2007 Petroleum Resources Management System (SPE PRMS) Guidelines of the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE).

Reserves

The reserves are located on the Gargzdai license in western Lithuania. Tethys Oil's share of reserves is held in accordance to the agreement with Odin Energi A/S ("Odin"). For futher information please see page 29. The reserves are calculated on the basis of the reserves from the Miller Lents review as per January 1, 2011, reduced with the operator´s numbers of aggregated production for 2011.

Contingent Resources

The contingent resources are located on Block 3 and 4 onshore Oman. The contingent resources are mainly contingent on a finalized field development plan ("FDP"). An FDP has been submitted to the Omani Ministry of Oil and Gas. In their report, effective December 31, 2011, D&M has estimated the contingent resources in the Barik layer in Block 3 and the Khufai layer in Block 4. The estimates are also limited to reservoirs on production, or reservoirs that are likely to be put into production during 2012 in Fault Blocks that have been penetrated by producing wells. Further extensions of the production layers as well as other reservoirs on the licensed Blocks that did not have production were not included.

Prospective Resources

In addition, Tethys holds prospective resources along the Farha Trend on the Farha South oil field on Block 3. The prospective resources is an in-house estimation using Tethys volumetrics on prospects and leads within the Farha South 3D area mapped as at year end 2011. The recovery factors applied are derived from the D&M Farha South contingent resource report. The estimates have been limited to prospects and leads that are likely to be explored during 2012. Further extensions of the Farha trend as well as other prospects and leads outside the Farha South 3D area have not been included.

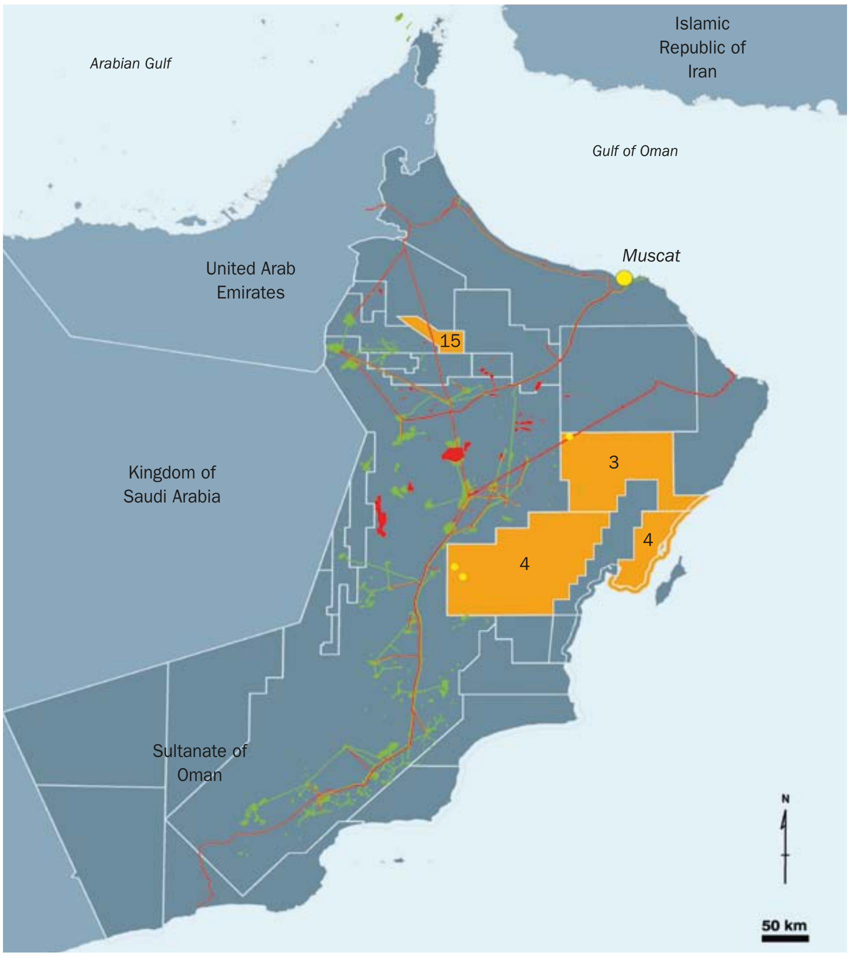
About Contingent and Prospective Resources

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

Oman

Oman is Tethys Oil's core area and Tethys has interests in three onshore licences covering an area of around 30,000 square kilometres, which makes Tethys Oil one of the largest onshore oil and gas concession-holder in Oman. For detailed information regarding partners and interests please see the table on page 29.



The Sultanate of Oman

The Sultanate of Oman is located on the tip of the eastern Arabian Peninsula, neighbouring United Arab Emirates in the northwest, Saudi Arabia in the west and Yemen in the southwest. The coast is formed by the Arabian Sea on the south and east and the Gulf of Oman on the northeast, with a coastline of 2,092 kilometres. Oman covers an area of 212,460 square kilometers. The capital is Muscat and the population amounts to 3.0 millions. Oman has about 5.5 billion barrels of proven oil reserves and the production in 2010 amounted to about 865,000 bopd. *(Source: Nationalencyklopedin and BP Statistical Review 2011)*

Block 3 and 4

Block 3 and 4 is situated in the eastern part of Oman and covers a combined area of about 30,000 square kilometres. Tethys has a 30 per cent interest in the Blocks. The current drilling program was launched in 2009, with an Early Production System implemented in order to conduct a long term production test on both blocks in 2010. Tethys Oil's share of the production in 2011 amounted to 423,469 barrels of oil.

Work program

22 new wells, including 18 production & appraisal wells, were drilled on the Blocks in 2011. There are two drillings rigs in operation currently working the Farha trend on Block 3, focusing on expanding into new fault blocks, as well as drilling new production and water injection wells in already producing areas.

The work on a more permanent system is making good progress with several major units constructed. A new pipeline connecting the Farha South oil field with the production facilities at the Saiwan East oil field has been launched. A Field Development Plan has been submitted to the Omani government for review and approval.

Early production system

In the third quarter of 2010, an Early Production System ("EPS") for a long term production test of the Blocks was launched. Production continues to increase and is in first quarter 2012 averaging about 10,000 barrels of oil per day, of which Tethys share amounts to 30 per cent.

Exploring the Unconventional Potential

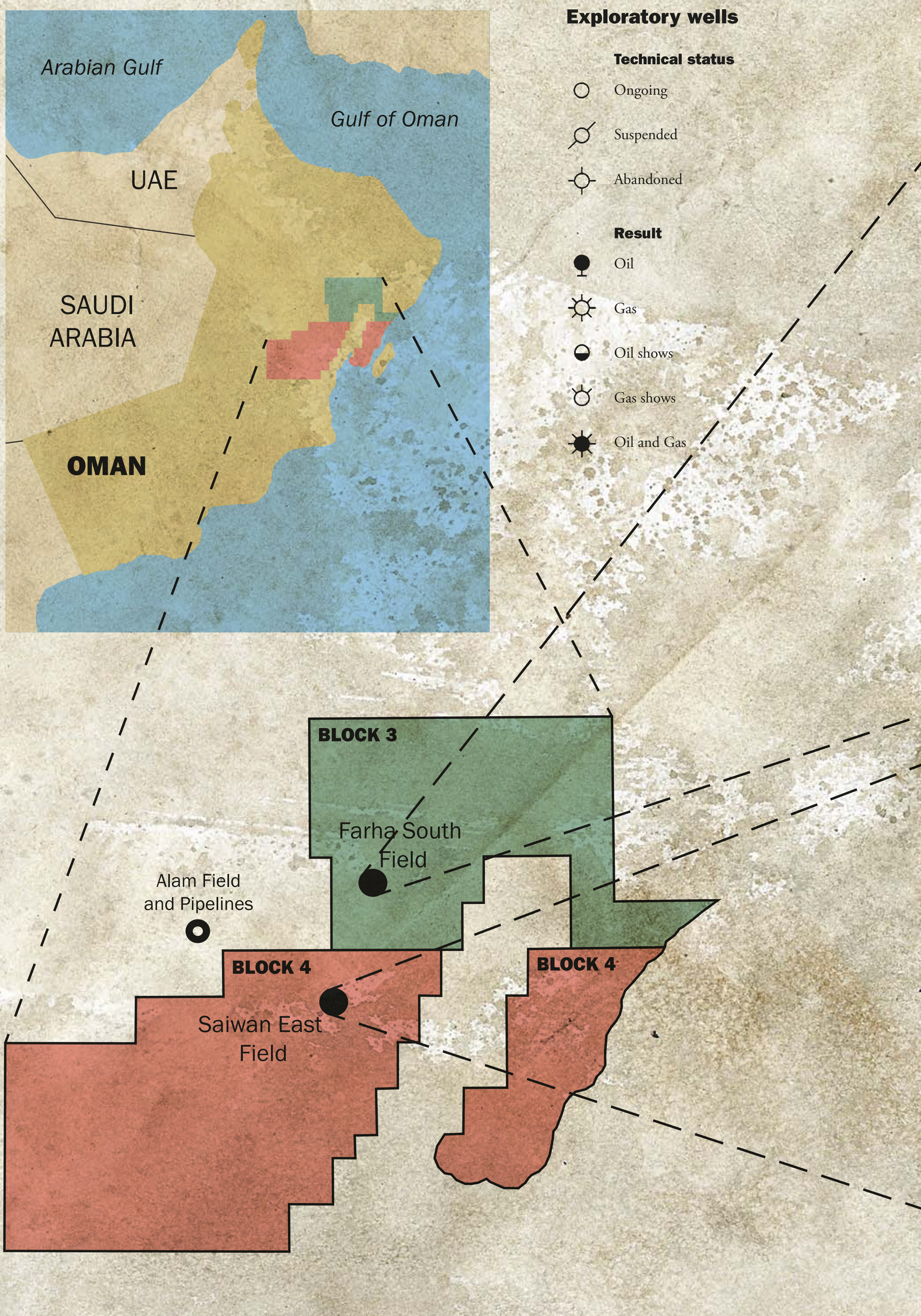
In 2009, a test was conducted to verify the mobility of the heavy oil on Saiwan East on Block 4. Liquid samples were obtained from three of the four zones tested. Tethys believes that the results are cautiously encouraging, however any potential production of heavy oil in Saiwan East will require enhanced oil recovery techniques.

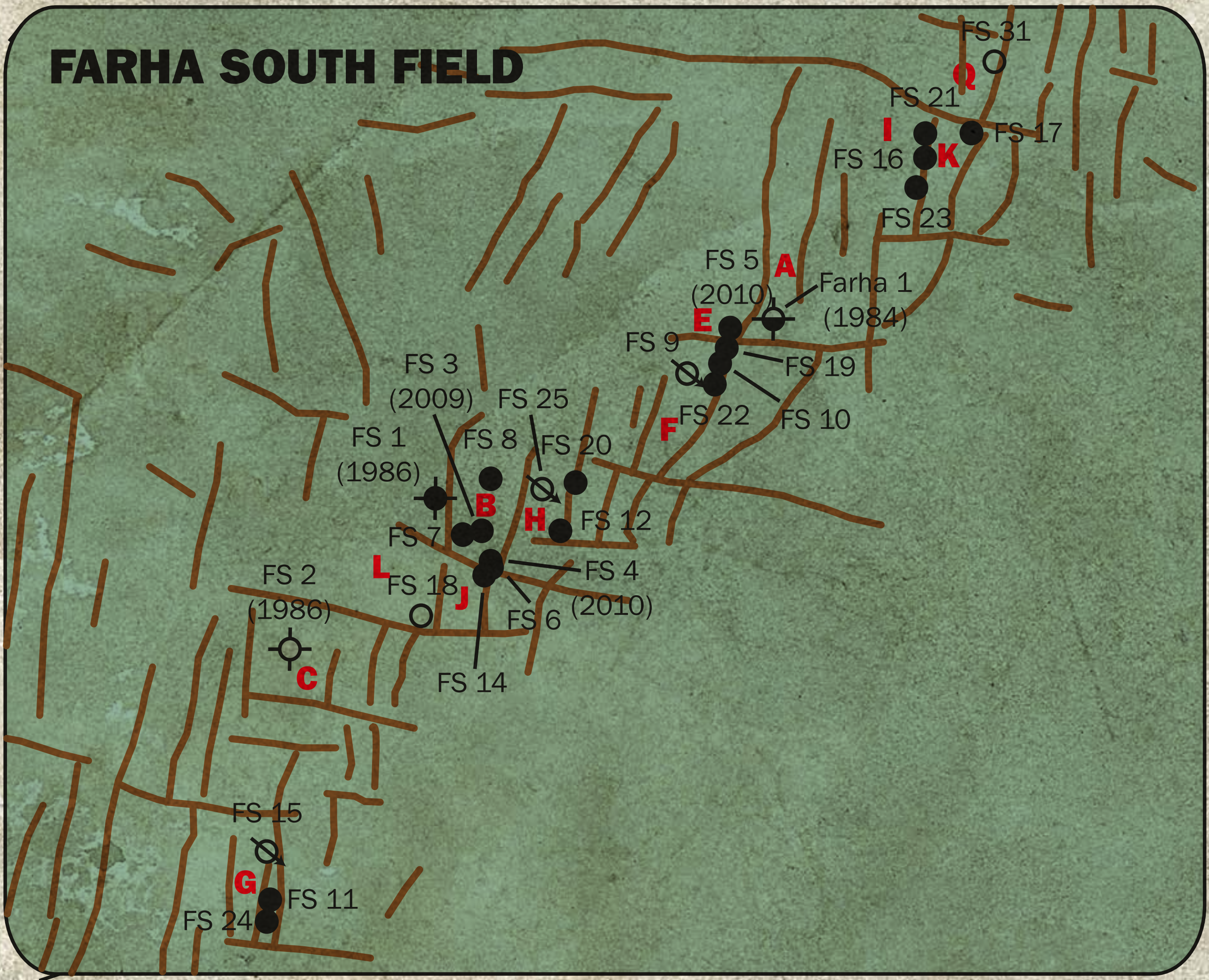
Block 15

Block 15 is situated in the north western part of central Oman and covers a area of about 1,400 square kilometres. Two wells have been drilled since Tethys entered the licence. The Jebel Aswad-1 ("JAS-1") well was drilled in 2007. Upon testing, it flowed 11.03 mmcfpd of gas and 793 bopd of condensate (total of 2,626 boepd). The JAS-2 well, drilled in 2008, showed the same log response whilst drilling as the JAS-1, however, the JAS-2 well tested only water. In 2008, a 3D seismic survey covering 285 square kilometres of the Jebel Aswad structure was conducted.

Work program

The main efforts on Block 15 is focused on finding the most economic method of putting the JAS-1 well in production. An extension of the 3D seismic survey shot in 2008 is also planned before drilling activities will resume.


Exploratory wells
Technical status
Ongoing
Suspended
Abandoned
Result
Oil
Gas
Oil shows
Gas shows
Oil and Gas
Arabian Gulf
Gulf of Oman
UAE
SAUDI ARABIA
OMAN
BLOCK 3
Farha South Field
Alam Field and Pipelines
BLOCK 4
Saiwan East Field
BLOCK 4


FARHA SOUTH FIELD
FS 31
Q
FS 21
I
FS 17
FS 16
K
FS 23
FS 5
(2010)
A
Farha 1
(1984)
E
FS 9
FS 19
FS 22
FS 10
F
FS 3
(2009)
FS 25
FS 1
(1986)
FS 8
FS 20
B
H
FS 12
FS 7
FS 4
(2010)
L
FS 18
J
FS 6
FS 2
(1986)
FS 14
C
FS 15
G
FS 11
FS 24

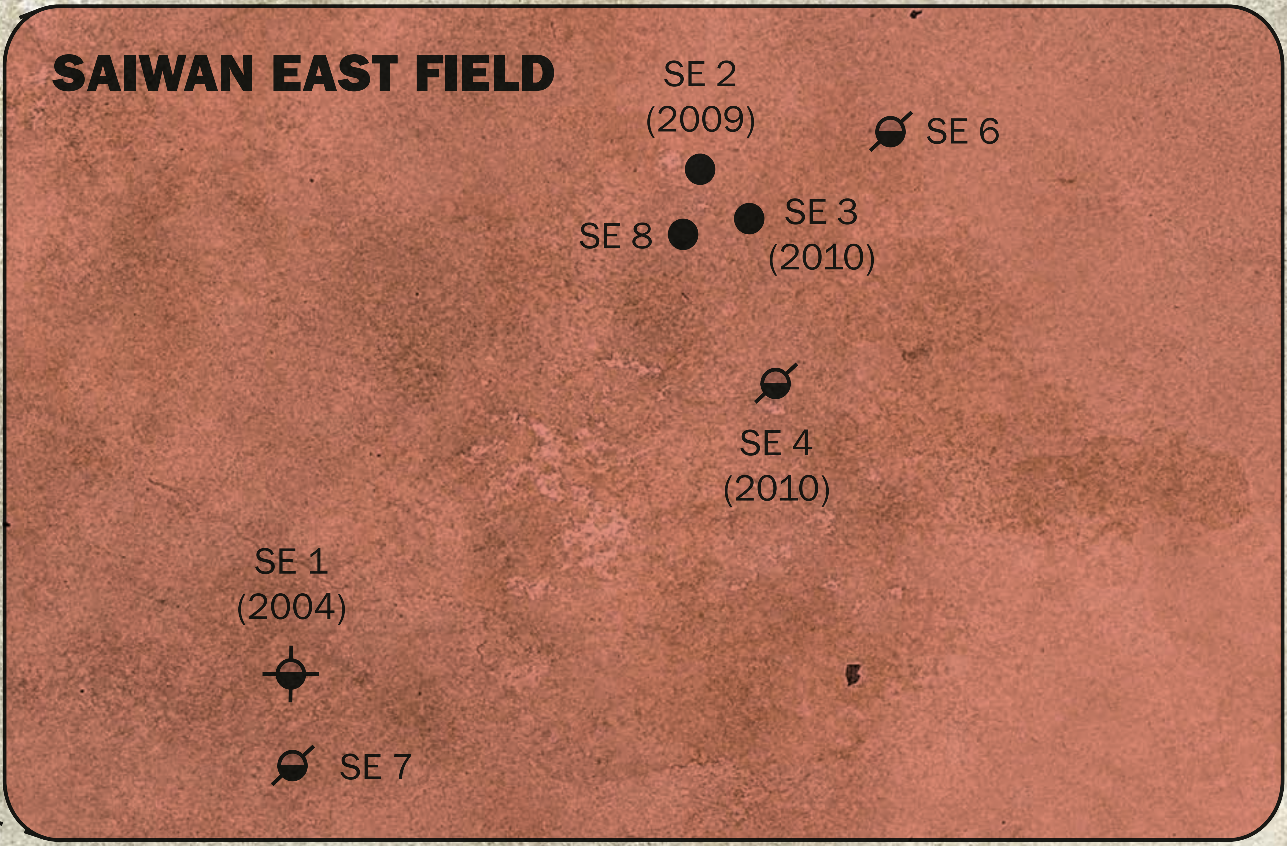
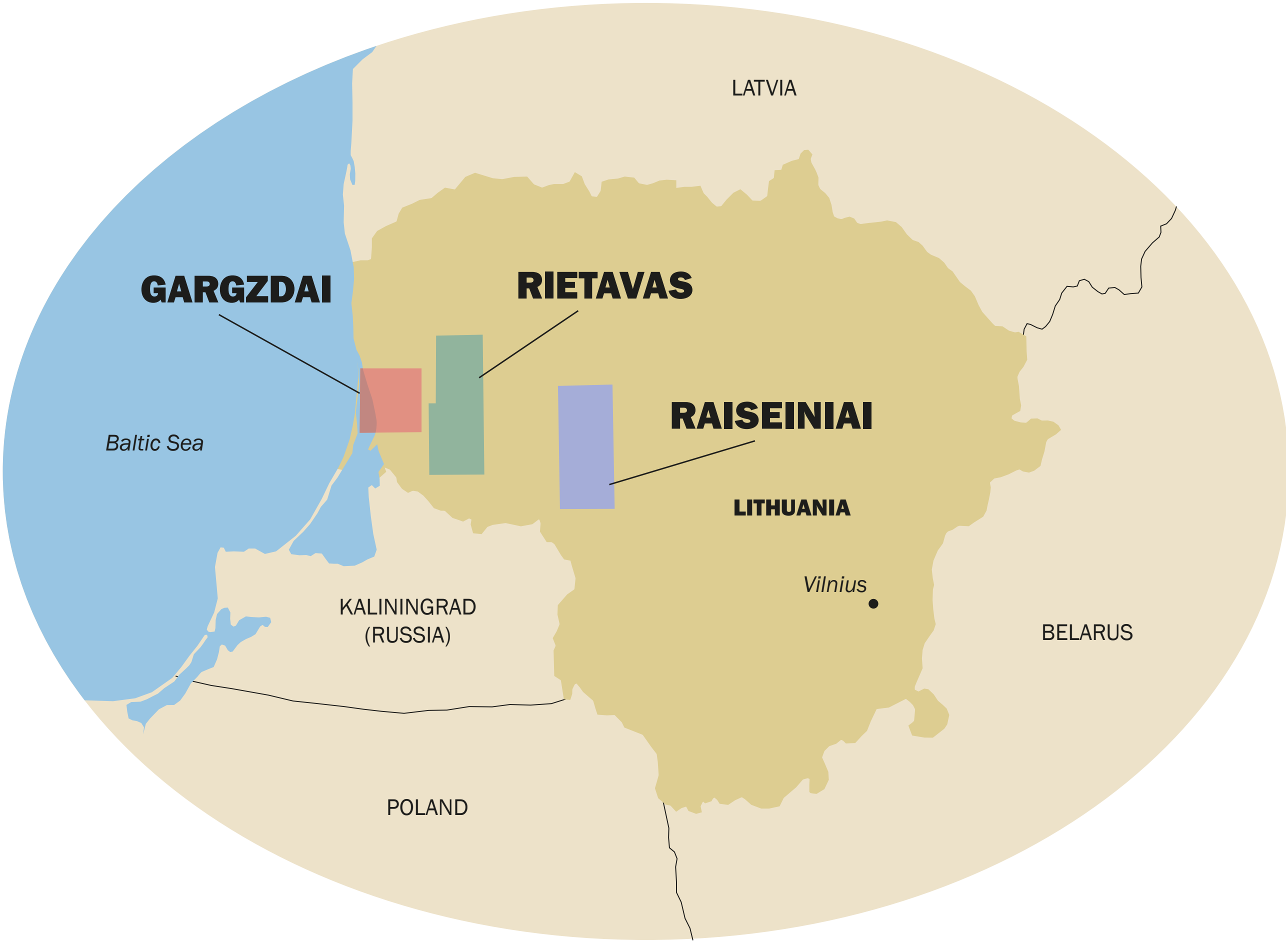

SAIWAN EAST FIELD
SE 2
(2009)
SE 6
SE 3
(2010)
SE 8
SE 4
(2010)
SE 1
(2004)
SE 7

Photo: "Vilnius – Sunset" by jaime.silva (flickr)

Lithuania



Tethys Oil holds interests in three Lithuanian licences. All licences are onshore and cover some 4,000 square kilometres of the Baltic Sedimentary Basin. For detailed information regarding partners and interests please see the table on page 29.

The Gargzdai licence

The Gargzdai licence is located in western Lithuania. The daily production amounts to about 700 barrels of around 42 degree API oil. In total, 15 million barrels of oil have been produced from Cambrian sandstone reservoirs. The Gargzdai licence's proven and probable oil reserves are in excess of 6 million barrels according to independent petroleum consultant Miller Lents' estimate from May 2011. Proven, probable and possible reserves amount to more than 12 million barrels. A reservoir study made on the licence area suggests that the reserves could be significantly increased with the use of modern alternative oil recovery techniques. The licence also holds significant unconventional hydrocarbon potential, including exposure to Silurian/Ordovician shale sections.

The Rietavas licence

The Rietavas licence is located close to the Gargzdai licence, with a known oil discovery in the Cambrian sandstones, the same reservoir layer which is in production in Gargzdai. The Rietavas licence is for the moment quite unexplored.

The Raiseiniai licence

The Raiseiniai licence covers a so far unexplored trend of Silurian reefs similar to, but expected to be of larger size, to the Ordovician reefs found on Gotland. The Silurian/Ordovician shale section is present also in the Rietavas and Raiseiniai licences.

France

Tethys has interests in two French licences. The licence Permis du Bassin D'Alès, an exploration and production licence in the Alès basin in southern France. The Attila licence is located in the oil and gas producing Paris basin, some 250 kilometres east of Paris. For detailed information regarding partners and interests please see the table on page 29.

Permis du Bassin D'Alès

The licence area covers the Maruejols heavy oil field. The field is delineated by nine wells and has produced small amounts of 14 degree API oil. The licence also covers at least two prospects with potential for conventional oil at respective depths of 1,400 and 2,000 metres.

A feasibility study of a heavy oil field on the license has been launched, with a view to recommend the most suitable pilot productions system.

The Attila licence

One well has been drilled on the Attila licence. Tethys objective was to find natural gas accumulations. PLM-2 spudded in 2007, and the well was drilled to a depth of 1,310 metres. During drilling, gas shows were recorded and wireline logging confirmed the indications of gas, but the well tested only a minor gas flows. The PLM-2 well is not commercial in its current state.

Photo: “Cloud reflections, Gotland, Sweden” by Ben124. (flickr)

Sweden

Tethys holds two licences in Sweden called Gotland Större (Greater Gotland) and Gotland Mindre. The licences covers an area of about 581 square kilometres over the northern part of the Baltic island Gotland. For detailed information regarding partners and interests please see the table on page 29.

Gotland Större

Gotland Större covers an area of around 556 square kilometres. Oil has previously been produced from reef structures on Gotland, proving the existence of a viable petroleum system within the licence area. Tethys has conducted a comprehensive study of the existing data over the licence. More than 300 km of seismic data has been digitalized and reprocessed with modern computer technology. A soil sampling survey over parts of its licence area has also been conducted. So far some 10 potential locations for exploratory drilling have been identified.

Gotland Mindre

Tethys Oil was awarded the licence area of Gotland Mindre in February 2011 going three years forward. The area is situated within our Gotland Större licence with an area covering around 25 square kilometres. The licence is set within a similar geological environment as Gotland Större, and has been the ground on which a number of successful wells were drilled in the past.

Corporate Responsibility

Policy statement

Like everything else, Tethys Oil, its employees, customers, partners and shareholders are part of our common society and environment. We, as individuals or companies' may from time to time operate in different positions and play different roles but we are always a part of the society, at large or local, and our fundamental dependence on our common environment never goes away. Being an oil company Tethys Oil knows this only too well, because the business of an oil company by definition impacts the environment. It is not possible to extract raw materials from the earth without in some way affecting the area where the extraction takes place. And this of course is true not only for the physical environment but also for the human environment where oil is found and produced.

As long as there is a demand for the products that oil companies bring to market to satisfy that demand there will also be oil companies carrying out this business. And here lies a great opportunity. To look for and try to find and produce oil and natural gas is challenging in its own right, but an equally spurring challenge is to do this in a cost efficient minimum impact way. Tethys Oil will strive to use techniques and methodology that is the most efficient from an environmental impact point of view.

In practice Tethys Oil has not and will not embark on any major industrial activity without commissioning appropriate health, safety, environmental and social (HSES) studies from suitable experts. Acquired assets not operated by Tethys Oil are and will be independently reviewed by Tethys Oil out of a HSES perspective and Tethys Oil will closely monitor any contractor or operator. Wherever changes can be favourably employed such will be recommended.

Most countries today have strong environmental laws and standards which of course are a great help to an oil company in assuring correct practices are followed. However, Tethys Oil will aim to follow best available practices under all circumstances even if this will go beyond local laws.

To conclude, Tethys Oil will always be aware that it is part of our common society and our environment and will do its utmost to act responsible.

The driling of Karlebo-1, Autumn 2006

Case studies

Denmark – Karlebo well from an HSES perspective

The Karlebo well was drilled in the vicinity of the Danish village of the same name, north of Copenhagen. The drilling commenced in autumn of 2006 with Tethys as operator. Prior to planning the well an environmental screening report was conducted so as to identify site-specific risks and hazards. In order to be open the local community, Tethys Oil provided continuous information on the Karlebo well operations before and during the drilling. Public meetings were held before the drilling equipment arrived. During drilling an information cabin was open daily, as well as an observatory at the well site. Even an Internet webcam was installed to allow people to see the activity as it happened. Coordination was made with local school, church and kindergarten in order for them to be aware. Special traffic measures to protect "soft traffic" were put in place, and special hours and speed limits for heavy truck traffic were set. Efforts to reduce impact on nearest neighbour were made, especially to reduce noise pollution caused by the drilling rig. The well site location was fully asphalted to prevent any soil pollution. There were no underground pits for drilling fluids, instead metal tanks were used. Cuttings and drilling fluids have been taken away from site to a safe processing and treatment facility. The drill site was also selfcontained for drainage of rain water and other fluids, and an oil skimmer was installed between site drainage and public sewer but was never needed to be used.

Oman – Water is life!

Good drinking water is scarce in the deserts of Oman. So when good clean and abundant drinking water was discovered at 60 metres whilst drilling for oil west of Ibri in northwestern Oman, the Department of Water and Electricity was quick to develop and distribute this important resource. The Al Massarrat water catchment area includes most of Block 15 in its boundary, and this important fresh water aquifer supplies thousands of inhabitants with clean drinking water every day. The inner core of the Al Massarrat water catchment area straddles the Jebel Aswad structure and there are clear and unambiguous rules on what type of activities are allowed inside the Al Massarrat water protection zone.

Tethys Oil re-entered the Jebel Aswad well in 2007 under strict surveillance by the Al Massarat water protection team. A zero discharge policy was in effect and all areas where spills were likely had to be covered with an impermeable membrane. Additionally, all potentially contaminated soils and gravel were collected and transported to registered hazardous waste sites. In addition to adhering to a strict emission standard, two water observation wells were drilled, one upstream and one downstream of the re-entry site. Weekly samples were taken and analysed for pollutants by the Water Department as well as Tethys Oil's third party Environmental Consultant "Al Safa".

After 80 days of drilling and producing well fluids and after moving thousands of tonnes of equipment and supplies, there were no environmental problems. At the end of the drilling operations, Al Safa conducted a "Legacy Investigation" on the site where several five metres deep boreholes were drilled in multiple areas of the site to examine the subsoil for pollutants. The site was given a clean bill of health.

The water well that was drilled to supply the drilling operations with water has now been handed over to the Al Massarrat water Department so that the well can continue to provide good clean drinking water to the inhabitants of Ibri.

Board of directors, management and

Vincent Hamilton, John Hoey, Håkan Ehrenblad, Magnus Nordin, Jan Risberg.

Board of directors

Vincent Hamilton,
born in 1963. Chief Operating Officer and Chairman of the Board since 2004 (member of the Board since 2001). Education: Master of Science in Geology, Colorado School of Mines in Golden, Colorado. Geologist Shell, 1989–1991. Geologist Eurocan, 1991–1994. President of Canadian Industrial Minerals, 1994–1995. General Manager of Sands Petroleum UK Ltd., 1995–1998. President of Mart Resources, 1999–2001. Board member of Aladdin Middle East Ltd.
Number of shares in Tethys Oil: 2,326,955

Magnus Nordin,
born in 1956. Managing Director and Member of the Board since 2001. Education: Bachelor of Arts, Lund University and Master of Arts, University of California in Los Angeles, California. Managing Director of Sands Petroleum, 1993–1998. Deputy Managing Director Lundin Oil 1998–2000, Information director 2001–2004, (acting Managing Director) Vostok Oil Ltd. October 2002–2003, Managing Director of Sodra Petroleum 1998–2000. Board member of Minotaurus AB, Minotaurus Energi AS and Cassandra Oil AB.
Number of shares in Tethys Oil: 1,459,127

John Hoey,
born in 1939. Member of the board since 2001. Education: Bachelor of Science in Mechanical Engineering, University of Notre Dame, Indiana and MBA, Harvard University, Boston, Massachusetts. Mr. Hoey has a management background in corporate finance and energy sector. President and Director of Hondo Oil & Gas Co, 1993–1998. President and Director of Atlantic Petroleum Corp. of Pennsylvania, 1985–1992. Various executive positions in commercial and investment banking in Saudi Arabia, England and the USA with

auditors

Morgan Sadarangani, Johan Rippe, Johan Malmqvist.

Management

Magnus Nordin,
Managing Director

Vincent Hamilton,
Chief Operating Officer

Morgan Sadarangani,
born in 1975. Chief Financial Officer. Employed since January 2004. Education: Master of Economics in Business Administration, University of Uppsala. Different positions within SEB and Enskilda Securities, Corporate Finance, 1998–2002.
Number of shares in Tethys Oil: 139,200

Auditors

Johan Rippe,
born in 1968. Authorized Public Accountant, Lead partner. Company's auditor since 2007. PricewaterhouseCoopers AB, Gothenburg

Johan Malmqvist,
born in 1975, Authorized Public Accountant. Company's auditor since 2010. PricewaterhouseCoopers AB, Gothenburg

Arab and American financial institutions, 1972–1984. Co-founder of VietNam Holding Ltd. and Chairman of Mundoro Capital Inc.
Number of shares in Tethys Oil: 821,393

Håkan Ehrenblad,
born in 1939. Member of the board since 2003. Education: Mechanical engineer HTLS, Chemical/Paper manufacturing Royal Institute of Technology, Stockholm, PED from the Institute for Management Development (IMD), Lausanne, Switzerland. Various executive positions at Bonnier Magazine Group until 1984. Mr. Ehrenblad has been a pioneer in the fields of information concerning computer and internet security, and has published several books. Mr. Ehrenblad is active in publishing and media and is also an active investor. Board member of Tanganyika Oil Company Ltd. until 2008.
Number of shares in Tethys Oil: 311,336

Jan Risberg,
born in 1964. Member of the board since 2004. Mr. Risberg has several years of experience from the financial sector. Various position within Aros Securities department of Corporate Finance, at Enskilda Securities department of Corporate Finance, and as Manager of Ledstiernan AB's London branch. Mr. Risberg is today acting independently in the financial sector.
Number of shares in Tethys Oil: 838,419

The Tethys Oil share

Tethys Oil's shares and outstanding warrants are listed on First North, which is operated by NASDAQ OMX. First North is a sponsor based marketplace, which means that each company that is admitted to trading must have an agreement with a Certified Adviser. The Certified Adviser ensures that the company meets the admission requirements and the continuous obligations associated with having shares admitted to trading on First North. Furthermore, the Certified Adviser constantly monitors the company's compliance with the rules and immediately reports to the exchange if there should be a breach of the rules. Tethys Oil has been listed on First North and its predecessor Nya Marknaden since April 2004. Remium AB is the company's Certified Adviser. With the purpose of improving liquidity and reducing the spread between buyers and sellers of Tethys Oil shares, the company has assigned Öhman Fondkommission AB to act as a liquidity provider for the shares of the company.

Shares and warrants outstanding

Tethys Oil's registered share capital at 31 December 2011 amounts to SEK 5,423,958 represented by 32,543,750 shares with a quota value of SEK 0.17.

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. Tethys Oil does not have an incentive program for employees. As per 31 December 2011 the Board of Directors had remaining outstanding authorization from the AGM to issue up to 10 per cent of the shares up until the next AGM.

As per 1 January 2011, Tethys Oil had 32,504,489 shares. In 2011, Tethys Oil conducted a share issue in kind related to the acquisition of the Alès permit in France. The share issue was registered in June 2011 and the number of shares amounted to 39,261 and transferred to private Swiss company MouvOil S.A. as part of the consideration.

Share capital development

Since the company's inception in September 2001 and up to 31 December 2011 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	Split 100:1	1.00	495,000	500,000	–	500,000
2003	Share issue	1.00	250,000	750,000	250,000	750,000
2004	Split 2:1	0.50	750,000	1,500,000	–	750,000
2004	Share issue	0.50	2,884,800	4,384,800	1,442,400	2,192,400
2006	Share issue	0.50	400,000	4,784,800	200,000	2,392,400
2006	Non-cash issue	0.50	876,960	5,661,760	438,480	2,830,880
2006	Share issue	0.50	80,000	5,741,760	40,000	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	Split 3:1	0.17	12,785,524	19,178,286	–	–
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 issue	0.17	1,300,000	25,280,086	216,667	4,213,348
2009	Share issue	0.17	2,000,000	27,280,086	333,333	4,546,618
2009	Exercise of warrants	0.17	176,186	27,456,272	29,364	4,576,045
2009	Exercise of warrants	0.17	592,819	28,049,091	98,803	4,674,849
2010	Exercise of warrants	0.17	252,080	28,301,171	42,013	4,716,862
2010	Exercise of warrants	0.17	137,429	28,438,600	22,905	4,739,767
2010	Exercise of warrants	0.17	754,942	29,193,542	125,824	4,865,590
2010	Share issue	0.17	250,000	29,443,542	41,667	4,907,257
2010	Share issue	0.17	250,000	29,693,542	41,667	4,948,924
2010	Exercise of warrants	0.17	482,528	30,176,070	80,421	5,029,345
2010	Exercise of warrants	0.17	185,798	30,361,865	30,966	5,060,311
2010	Exercise of warrants	0.17	84,971	30,446,836	14,162	5,074,473
2010	Exercise of warrants	0.17	2,057,653	32,504,489	342,942	5,417,415
2011	Non-cash issue	0.17	39,261	32,543,750	6,544	5,423,958

Dividend policy

Tethys Oil has, since the foundation of the company, not paid any dividends. Future dividends are dependent of the future result of Tethys Oil. In the event of future generated income, dividends can be paid if other conditions of the company allows. The size of future dividends will be determined by the company's financial position and growth opportunities by profitable investments.

Share ownership structure

The 20 largest shareholders in Tethys Oil as per 30 March 2012.

Name	Number of shares	Capital and votes
Six Sis AG	8,262,731	25.4%
Vincent Hamilton *	2,326,955	7.2%
Magnus Nordin *,**	1,459,127	4.5%
BK Julius Baer & Co Sweden	1,283,417	3.9%
UBS (Luxembourg) SA	1,200,000	3.7%
MZ Investments	980,000	3.0%
Pictet & Cie	863,580	2.7%
Jan Risberg	838,419	2.6%
John Hoey *	821,393	2.5%
Avanza Pension	751,093	2.3%
BNY Mellon SA/NV	655,092	2.0%
ML, Pierce, Fenner & Smith Inc.	606,990	1.9%
BNP Paribas (Suisse) S.A.	543,513	1.7%
Nordnet Pensionsförsäkring AB	489,759	1.5%
Maha Resources LTD	446,996	1.4%
Grebbeshult Holding AB	406,800	1.3%
Bo-Axel Johnson	402,000	1.2%
Svenska Handelsbanken SA	399,450	1.2%
OZ Master Fund LTD	329,980	1.0%
Skandinaviska Ensk Banken Copenhagen	324,000	1.0%
Total, 20 largest shareholders	**23,391,295**	**71.9%**
Other approx 1,900 shareholders	9,152,455	28.1%
Total	**32,543,750**	**100.0%**

Source: Euroclear Sweden AB and Tethys Oil AB

* *Through company*
** *Incl 60,000 shares lent to Öhman Fondkommission AB*

Distribution of shareholdings

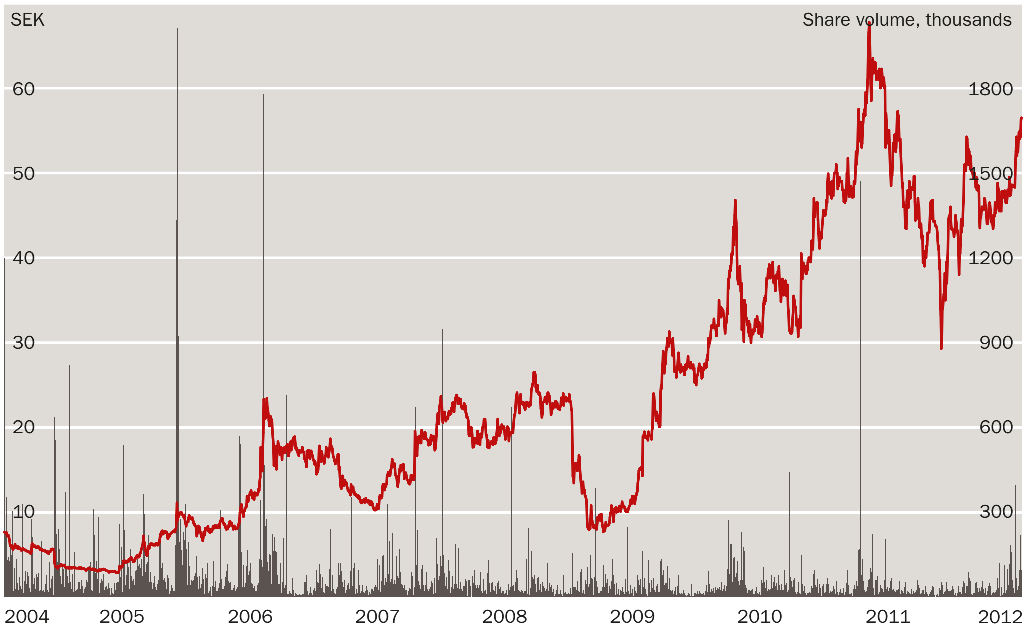
Distribution of shareholdings in Tethys Oil as per 30 March 2012.

Size categories as of 30 March 2012	Number of shares	Percentage of shares, %	Number of shareholders	Percentage of shareholders, %
1 – 1,500	570,585	1.75%	1,347	69.76%
1,501 – 30,000	3,440,469	10.57%	509	26.36%
30,001 – 150,000	3,668,600	11.27%	50	2.59%
150,001 – 300,000	551,560	1.69%	3	0.16%
300,001 –	24,312,536	74.71%	22	1.14%
Total	**32,543,750**	**100.0%**	**1,931**	**100.0%**

Source: Euroclear Sweden AB and Tethys Oil AB

Share price development and turnover 1 November 2010 – 16 March 2012

Share price development and turnover since inception, 6 April 2004 – 16 March 2012



Share statistics 2011

The shares in Tethys Oil are traded on First North in Stockholm.

Ticker name	TETY
Year high	70.00 (13 January 2011)
Year low	26.00 (9 August 2011)
Average turnover per day, shares	24,321
Period turnover, shares	6,153,251

Source: First North

Key financial data

Group	2011	2010	2009	2008	2007
Items regarding the income statement and balance sheet					
Gross margin, TSEK	n.a.	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	83,057	100,661	-28,985	-31,748	-23,533
Operating margin, %	80.22%	n.a.	n.a.	n.a.	n.a.
Result before tax, TSEK	69,114	80,144	-42,446	-16,395	-24,704
Net result, TSEK	68,991	80,069	-42,503	-16,426	-24,721
Net margin, %	66.63%	n.a.	n.a.	n.a.	n.a.
Shareholders' equity, TSEK	455,559	380,055	202,770	177,077	103,196
Balance sheet total, TSEK	464,862	384,069	222,680	179,909	105,586
Capital structure					
Equity ratio, %	98.00%	98.95%	91.06%	98.43%	97.74%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	98.00%	98.95%	91.06%	98.43%	97.74%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	208,392	28,832	81,681	72,512	51,765
Profitability					
Return on shareholders' equity, %	15.14%	21.07%	neg.	neg.	neg.
Return on capital employed, %	16.25%	20.85%	neg.	neg.	neg.
Employees					
Average number of employees	12	9	10	10	9
Number of shares					
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow from operations per share, SEK	3.49	5.97	neg.	neg.	neg.
Number of shares at year end, thousands	32,544	32,504	28,049	23,980	19,179
Shareholders' equity per share, SEK	14.00	11.69	7.23	7.38	5.38
Weighted number of shares for the year, thousands	32,521	30,849	26,274	22,669	17,592
Earnings per share, SEK	2.12	2.60	-1.62	-0.72	-1.41

Definitions of key ratios

Margins

Gross margin
Operating result before depreciation as a percentage of yearly turnover.

Operating margin
Operating result as a percentage of yearly turnover.

Net margin
Net result as a percentage of yearly turnover.

Capital structure

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

Leverage ratio
Interest bearing liabilities as a percentage of shareholders' equity.

Adjusted equity ratio
Shareholders' equity plus equity part of untaxed reserves as a percentage of total assets.

Interest coverage ratio
Result before taxes plus financial costs as a percentage of financial costs.

Parent	2011	2010	2009	2008	2007
Items regarding the income statement and balance sheet					
Gross margin, TSEK	n.a.	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	-7,318	-5,366	-5,366	-6,853	-3,996
Operating margin, %	n.a	n.a.	n.a.	n.a.	n.a.
Result before tax, TSEK	-14,669	-18,717	-30,327	-12,389	-22,558
Net result, TSEK	-14,669	-31,903	-30,327	-12,389	-22,558
Net margin, %	n.a	n.a.	n.a.	n.a.	n.a.
Shareholders' equity, TSEK	249,960	262,901	226,005	187,035	113,197
Balance sheet total, TSEK	302,657	314,746	226,800	188,409	115,179
Capital structure					
Equity ratio, %	82.59%	83.53%	99.65%	99.27%	98.28%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	82.59%	83.53%	99.65%	99.27%	98.28%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	47,888	71,982	62,999	82,755	21,887
Profitability					
Return on shareholders' equity, %	neg.	neg.	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.	neg.	neg.
Employees					
Average number of employees	6	6	6	5	5
Number of shares					
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow from operations per share, SEK	neg.	0.11	neg.	neg.	neg.
Number of shares at year end, thousands	32,544	32,504	28,049	23,980	19,179
Shareholders' equity per share, SEK	7.68	8.09	8.06	7.80	5.90
Weighted number of shares for the year, thousands	32,521	30,849	26,274	22,669	17,592
Earnings per share, SEK	-0.45	-1.03	-1.15	-0.55	-1.28

Investments
Total investments during the year.

Profitability

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

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

Other

Number of employees
Average number of employees full-time.

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

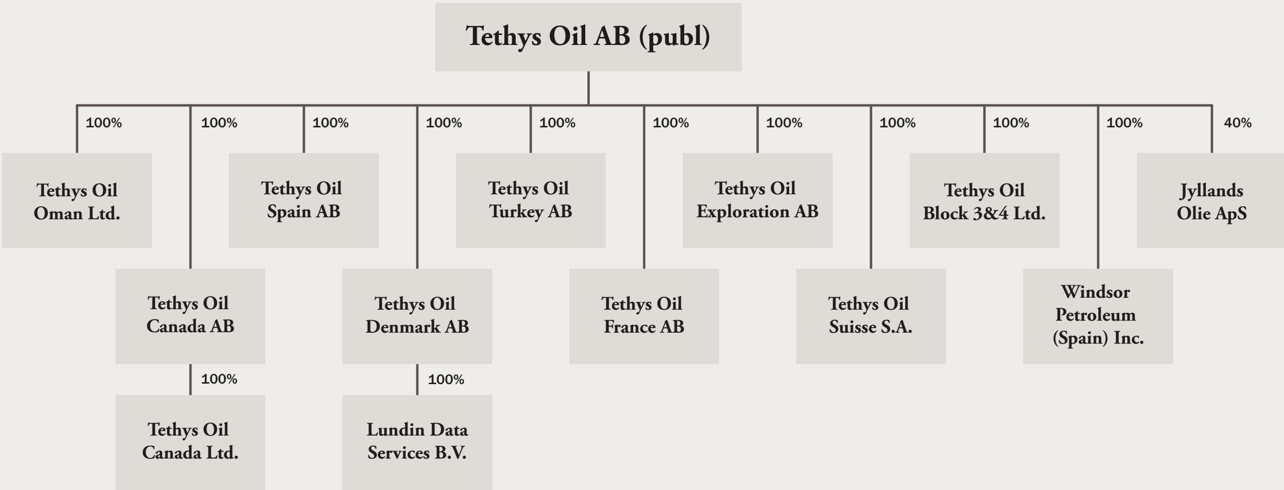
Weighted numbers of shares
Weighted number of shares during the year.

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

n.a.
Not applicable.

Administration report

(An English translation of the Swedish original)



The administration report of the Tethys Oil Group (hereafter referred to as “Tethys Oil” or the “Group”), where Tethys Oil AB (publ) (the “Company”) with organisational number 556615-8266 is the parent company, is hereby presented for the twelve months period ended 31 December 2011. The amounts relating to the comparative period (equivalent period of last year) are shown in parenthesis after the amount for the current period. Segments of the Group are geographical markets.

OPERATIONS

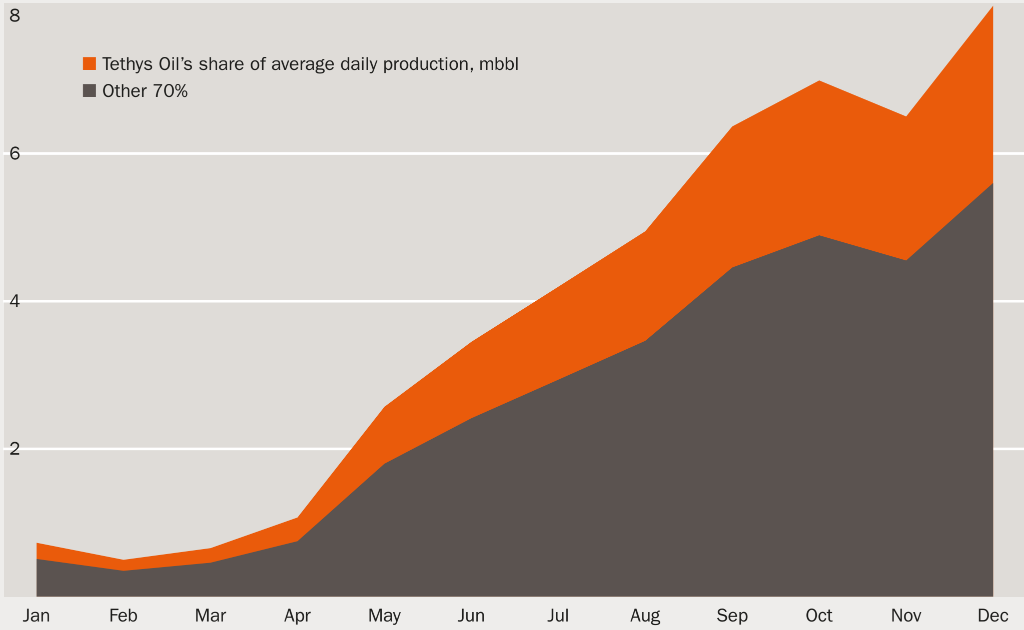
Tethys Oil is a Swedish company, which together with subsidiaries is focused on exploration for and production of oil and natural gas. Tethys Oil aims to maintain a well balanced portfolio of high risk/high reward exploration opportunities coupled with lower risk exploration and appraisal development assets. The company’s strategy is twofold: to explore for oil and natural gas near existing and developing markets; and to develop proven reserves that have previously been sub-economic due to location or technological reasons. As at year end 2011 the company had interests in Oman, France, Sweden and Lithuania.

Production

Tethys Oil’s production in 2011 comes from Farha South and Saiwan East oil fields on Block 3 and Block 4 located onshore Oman. The production is under an Early Production System (“EPS”) with temporary facilities. The production rates from the EPS vary depending on both the test programme design as well as on transport and facility capacity.

Country	Licence name	Tethys Oil, %	Total area, km²	Partners (operator in bold)
Oman	Block 15	40%	1,389	**Odin Energi,** Tethys Oil
Oman	Block 3,4	30%	33,125	**CCED,** Mitsui, Tethys Oil
France	Attila	40%	1,986	**Galli Coz,** Tethys Oil
France	Alès	37.5%	215	**Tethys Oil,** MouvOil
Sweden	Gotland Större and Gotland Mindre	100%	581	**Tethys Oil**
Lithuania*	Rietavas, Raiseiniai	20%	3,129	**Odin Energi,** Tethys Oil, private investors
Lithuania*	Gargzdai	25%	884	**Odin Energi,** Tethys Oil, GeoNafta
Total			**41,309**	

* *Tethys interests in Lithuania are held together with Odin Energi AS (“Odin”) through Odin group companies giving Tethys a net indirect interest of 25% in UAB Minijos Nafta (“MN”) and 20% in UAB LL Investicos (“LLI”). MN holds the Gargzdai license and LLI holds the Rietavas and Raiseiniai licenses. Tethys has received newly issued shares in an Odin group company for the holding of LLI. In order to enable the transfer of shares in Odin group companies for Tethys holding in MN, a reconstruction of the Odin group is ongoing.*



Quarterly volumes, before government take	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Total quarterly production, (bbl)					
Production	659,720	474,349	215,283	62,214	108,957
Average daily production	7,171	5,156	2,366	691	1,184
Tethys' share of quarterly production, (bbl)					
Production	197,916	142,304	64,585	18,664	32,687
Average daily production	2,151	1,547	710	207	355

Avarage daily production 2011

The field daily production has increased during 2011 and amounted in December 2011 to around 8,000 barrels of oil per day, of which Tethys Oil's share is 30 per cent.

Net sales

During full year 2011, Tethys Oil sold 147,228 (18,898) barrels of oil after government take from the Early Production System on Block 3 and 4 in Oman. This resulted in net sales during the full year 2011 of TSEK 103,538 (TSEK 11,066). The average selling price per barrel amounted to USD 107.37 per barrel during the full year 2011.

The increase of net sales during the year reflects the increase in production and the more frequent liftings.

Result

Tethys Oil reports a result for the full year 2011 of TSEK 68,991 (TSEK 80,069 for last year), representing earnings per share of SEK 2.12 (SEK 2.60) for the full year 2011. The comparable result for the full year period 2010 was positively impacted by the farmout to Mitsui adding TSEK 103,236 to the result. Increased oil sales have positively impacted the result of the year.

The strong financial performance during 2011 is a consequence of the increased production during the year. Cash flow from operations amounted during 2011 to TSEK 113,604 (TSEK -36,770). Cash flow from operations has further increased due to Mitsui funding productions costs in accordance with the farmout agreement.

The result for the full year 2011 has been impacted by net foreign exchange losses. The currency exchange effect of the group amounts to TSEK -14,236 and almost all of the effect relates to the weaker US dollar in relation to the Swedish krona on intercompany loans denominated in US dollars. These currency translation differences between the parent company and subsidiaries are non cash related items. The currency exchange effect is part of net financial result amounting to TSEK -13,943 for the full year 2011.

There have been no write downs of oil and gas properties for the full year 2011 (TSEK 311). Cash flow from operations before changes in working capital during the full year 2011 amounted to TSEK 91,277 (TSEK -1,944).

There has been no depletion of oil and gas properties. In accordance with the Accounting Principles, Tethys Oil will present depletion of oil and gas properties when

Country	Licence name	Tethys Oil, %	Total area, km²	Partners (operator in bold)	Book value 31 Dec 2011	Book value 31 Dec 2010	Investments Jan–Dec 2011
Oman	Block 15	40%	1,389	**Odin Energi,** Tethys Oil	113,671	92,682	19,807
Oman	Block 3,4	30%	33,125	**CCED,** Mitsui, Tethys Oil	74,466	66,573	16,890
France	Attila	40%	1,986	**Galli Coz,** Tethys Oil	9,717	9,238	479
France	Alès	37.5%	215	**Tethys Oil,** MouvOil	5,764	–	5,764
Sweden	Gotland Större and Gotland Mindre	100%	581	**Tethys Oil**	2,200	1,628	615
Lithuania	Rietavas, Raiseiniai	20%	3,129	**Odin Energi,** Tethys Oil, private investors	–	–	–
New ventures					835	16	615
Total			**40,425**		**206,651**	**170,135**	**44,375**

* *The interest in Rietavas and Raiseinai licences are indirectly held through a 40 per cent shareholding in Jyllands Olie ApS which in turn holds 50 per cent of the shares in UAB LL Investicos which holds 100 per cent of the two licences. As Jyllands Olie ApS is not consolidated in Tethys Oils financial statements due to the ownership structure, there are no oil and gas properties related to the two licences. The ownership of Jyllands Olie ApS is presented in the balance sheet under Shares in associated companies.*
The interest in the Gargdzai license was as of 31 December 2011 not converted from receivable to shareholding.

reserves are established or when the company is a commercial production phase.

Administrative expenses amounted to TSEK 20,443 (TSEK 15,247) for the full year 2011. Depreciation amounted to TSEK 693 (TSEK 348) for the full year period. Administrative expenses are mainly salaries, rents, listing costs and outside services. Depreciation is referable to office equipment. The administrative expenditures during the full year 2011 are higher compared with the equivalent period last year, mainly due to increased activity and more employees. Part of the administrative expenses are capitalised in the subsidiaries and if Tethys is the operator theses expenses are funded by partners. In the consolidated income statement these internal transactions are eliminated.

During the latter part of 2011, Tethys Oil acquired the company Lundin Data Services BV which owns and maintains a substantial oil and gas database located in Dubai.

Oil and gas properties

Tethys Oil has interests in licences in Oman, France, Sweden and Lithuania.

Oil and gas properties as at 31 December 2011 amounted to TSEK 206,651 (TSEK 170,135). Investments in oil and gas properties of TSEK 44,375 (TSEK 27,428) were incurred for the twelve month period ending 31 December 2011.

Block 3 and 4

In total, 22 wells were drilled on the two Blocks in 2011, whereof 18 production/appraisal wells, 3 water injection wells and 1 exploration well. A horizontal sidetracking in an old well has also been drilled. Work over have also been conducted on 3 wells.

The total production from the Farha South and the Saiwan East oil fields increased in 2011 from some 600 bopd in the beginning of the year to 8,000 bopd in December. Tethys' share of the production, before government take, amounts to 30 per cent of the total. was a very successful year for Tethys Oil. Tethys share of the year's production amounted to 423,469 barrels. In the fourth quarter, 197,916 barrels, corresponding to almost 50 per cent of the annual production.

The oil from the Farha South and Saiwan East oil fields has so far been produced under the Early Production System. The Field Development Plan, focused on the Farha South and Saiwan East oil fields, has been submitted to the Omani government for review and approval. Production will continue under the EPS until the FDP has been approved. The work on a more permanent system is making good progress with infrastructure developments. Several major units have been constructed. Construction of a new pipeline connecting the Farha South oil field with the production facilities at the Saiwan East oil field was completed after the reporting period in February 2012. The construction of the export pipeline connecting Saiwan East with the national Omani pipeline system at Alam station continues.

Block 15

The JAS-2 well flowed only water when tested in 2008. In December 2011, a test was launched with the attempt to pump off the water with jet pumps and enable the well to flow hydrocarbons. The test yielded small amounts of oil and gas, but the water did not diminish. The results suggest that the hydrocarbons trapped in the JAS-2 sidetrack cannot be economically produced due to the low porosity of the reservoir rock together with the permeable water bearing fractures. Therefore the JAS 2 horizontal section is now suspended and will probably be abandoned in the future. Work will still be done on the vertical part of the well, in order to better understand the geology of the potentially hydrocarbon bearing lower Shuaiba formation, below the Natih formation. The Shuaiba formation produces gas condensate from the Wadi Rafash field in the adjacent Block 9.

The main efforts on Block 15 will now focus on finding the most economic method of putting the JAS-1 well in production. JAS-1 flowed gas and condensate when tested in 2007. An extension of the 3D seismic survey shot in 2008 is also planned before drilling activities will resume.

Investments made on Block 15 amounting to TSEK 19,807 have mainly been related to logging operations on JAS-2 conducted in December 2010 and January 2011 and preparatory work for the long term production test. Furthermore investments on Block 15 have regarded licence administration, supervision and geological studies.

Lithuania

Tethys has agreed with Odin Energi to acquire interests in Lithuanian oil companies UAB Minijos Nafta ("MN") and UAB LL Investicos ("LLI"). MN holds the Gargzdai license with proven and probable reserves in excess of 6 million barrels according to independent petroleum consultant Miller Lents in May 2011 and with a daily oil production of around 700 barrels per day. LLI holds the Rietavas and Raiseiniai licenses with known oil deposits and it is Tethys Oil's view that these licences hold significant exploration upside. The licenses also holds significant unconventional hydrocarbon potential, including exposure to Silurian/Ordovician shale sections. All licenses are onshore and cover some 4,000 square kilometres of the Baltic Sedimentary Basin. The interests will be held in partnership with Odin, giving Tethys a net indirect interest of 25 per cent in MN and 20 per cent in LLI in consideration for approximately MSEK 140.

The consideration will be met primarily by converting MEUR 13 (about MSEK 117) from a loan provided to Odin by Tethys, under a strategic investment agreement entered into previously. Also as consideration, Tethys has paid MUSD 3.5 (about MSEK 24) in cash. Under the investment agreement a balance of MEUR 2 will remain, which can be used for other investments or will be repaid to Tethys through share dividends.

France

In April, Tethys acquired 37.5 per cent interest in a second French licence. The licence, called Permis du Bassin D'Alès, is an exploration and production licence covering 215 square kilometres in the department of Gard in southern France. The licence area covers part of the Alès basin including the Maruejols heavy oil field discovered in 1947. The field is delineated by nine wells and has produced small amounts of 14 degree API oil, during 1947-1950 and 1980-1982. The licence also covers at least two prospects with potential for conventional oil at respective depths of 1,400 and 2,000 metres

A feasibility study of a heavy oil field on the Alès licence has been launched, with a view to recommend the most suitable pilot productions system. A seismic interpretation as well as reprocessing of old seismic is also ongoing. A 2D seismic study as well as a first exploration well is planned for at the end of 2012.

Investments related to the assets in France of TSEK 6,243 have mainly regarded the acquisition of 37.5 per cent of the Alès permit from private Swiss company MouvOil S.A.. The purchase price amounted to 39,261 shares and EUR 250,000.

Sweden

The 2011 soil sampling survey over parts of the license area on Gotland gave encouraging results. The analysis was focused on interpreting the data from samples taken from above known reefal prospects that have been identified on existing seismic lines and have not been drilled. So far some 10 potential locations for exploratory drilling have been identified and Tethys is investigating the possibility to conduct drilling operations on Gotland.

Currency exchange effects

The book value of oil and gas properties includes currency exchange effects of TSEK -9,564 during the year 2011, which are not cash related items and therefore not included in investments. For more information please see above Result.

Liquidity and financing

Cash and bank as at 31 December 2011 amounted to TSEK 93,105 (TSEK 190,512).

The decrease in Cash and bank during 2011 is mainly explained by investments related to Lithuanian oil and gas projects. The investment amounted to TSEK 160,229 and is an agreement between Tethys Oil and private Danish oil company Odin Energi. The major part of the investment is as per 31 December 2011 a loan of MEUR 15.2, equivalent of TSEK 139,175 to Odin. The loan is secured by a pledge of 30 per cent of the share capital of Odin. The remaining part of the investment, TSEK 23,951, is as per 31 December 2011 an indirect ownership of Lithuanian oil and gas assets through a share ownership of a Danish company. This ownership is presented as Shares in associated companies in the balance sheet.

A large part of the liquidity is kept in USD which has depreciated against SEK during the reporting period. The currency exchange effect on cash and cash equivalents amounted during the full year 2011 to TSEK -4,344.

During 2010, Tethys Oil entered into an agreement with Mitsui E&P Middle East B.V., whereby Mitsui acquired 20 percentage points in Blocks 3 and 4 onshore Oman. A part from the cash consideration amounting to MUSD 20, Mitsui undertook to fund Tethys Oil's share of non exploration related capital expenditure up to MUSD 60 on Blocks 3 and 4 effectively from 1 January 2010. As per 31 December 2011, Mitsui has fulfilled the undertaking and there is no remaining carry value outstanding. Mitsui will recover the MUSD 60 paid on behalf of Tethys from the proceeds of Tethys' share of future cost recovery production entitlement. Mitsui's recovery of the carry value is expected to commence during the first quarter 2012 and will significantly impact the cash available for investments. It will furthermore increase oil and gas properties with an equal amount and accordingly have a result effect through depletion over a longer period of time. Tethys Oil will therefore have to fund its share of investments on Blocks 3 and 4 through available liquidity and proceeds from oil sales. Depending on the investment pace both relating to the development and the exploration of Blocks 3 and 4 and incoming revenues from the oil sales, additional financing may be required.

As part of the agreement Mitsui will pay to Tethys Oil a production bonus amounting to MUSD 10 if commercial production exceeds 10,000 bopd for 30 consecutive days. Given that 10,000 bopd has already been achieved during test production, the Company is hopeful that rate will also be met during commercial production and that the bonus payment will be paid out during 2012.

Parent company

The Parent company reports a result for the full year 2011 amounting to TSEK -14,669 (TSEK -31,903). Administrative expenses amounted to TSEK 10,502 (TSEK 8,386) for the full year 2011. Net financial result amounted to TSEK -7,351 (TSEK -13,351) during the full year 2011. The weaker US dollar has had a negative impact on net financial result during the twelve month period 2011. The exchange rate losses regard translation differences and are non cash related. Investments during the full year 2011 amounted to TSEK 47,888 (TSEK 71,982). Financial investments are financial loans to subsidiaries for their oil and gas operations. The turnover in the Parent company relates to chargeouts of services to subsidiaries.

Significant agreements and commitments

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

The agreements that govern the relationship with host countries are referred to as licences or Exploration and production sharing agreements (EPSA or PSA). Tethys Oil holds its interest directly through aforementioned agreements in Oman, France and Sweden. 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 Block 15 and Blocks 3 and 4 in Oman for the current period. 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 licences, but no commitments of which Tethys Oil can be held liable for.

The agreements that govern the relationship with partners are referred to as Joint Operating Agreements (JOA). Except for Sweden where Tethys Oil is the sole licence holder, Tethys Oil has JOAs with its partners in all areas of operation.

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

Subsequent events

In early January 2012 after the reporting period, Tethys Oil sold 52,484 barrels of oil to a value of TSEK 37,702, which is not included in the 2011 result.

Test production from the Early Production System (EPS) on Blocks 3 and 4 onshore the Sultanate of Oman continues and amounted to 311,457 in January, 275,419 in February and 361,394 in March, corresponding to a daily production of 10,047, 9,947 and 11,658 respectively. Tethys' share of the production, before government take, amounts to 30 per cent of the total.

In January 2012, the drilling Maha-1 exploration well on Block 3 onshore Sultanate of Oman was completed. The well encountered oil, but the oil saturation was too low to be produced. The well has been suspended to enable further studies in the future.

In April 2012, Tethys Oil published the results of the reserve/resource audit conducted by DeGolyer and MacNaughton on Blocks 3 and 4.

Derivative financial instruments

Tethys Oil has not during the period used any derivative financial instruments in order to hedge risks.

Board of Directors and Management

At the Annual General Meeting of shareholders on 25 May 2011 Håkan Ehrenblad, Vincent Hamilton, John Hoey, Magnus Nordin and Jan Risberg were reelected members of the Board. No deputy directors were appointed. At the same meeting Vincent Hamilton 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 had nine meetings during 2011. Most importantly the Board has adopted the interim reports of the year as well as the budget of 2012.

The five board members consist of two executive and three non-executive directors. Vince Hamilton has acted both as Chairman of the Board and as Chief Operating Officer. The three non-executive directors are also members of the Audit committee which had 4 meetings during 2011. Chairman of the Audit committee is Jan Risberg. Furthermore, the three non-executive directors are also members of the Remuneration committee, where Jan Risberg also is Chairman.

Group structure

Tethys Oil AB (publ), with organizational number 556615-8266, is the parent company in the Tethys Oil Group. The wholly owned subsidiaries Tethys Oil Oman Limited, Tethys Oil Block 3&4 Limited, Windsor Petroleum (Spain) Inc, Tethys Oil Denmark AB, Tethys Oil Canada AB, Tethys Oil Spain AB, Tethys Oil Turkey AB, Tethys Oil France AB, Tethys Oil Suisse S.A., Tethys Oil Exploration AB, Tethys Oil Canada Ltd and Lundin Data Services B.V. are part of the group. The Tethys Oil Group was established 1 October 2003.

Share data

As per 31 December 2011, the number of outstanding shares in Tethys Oil amount to 32,543,750 (32,504,489), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program for employees.

During 2011, Tethys Oil conducted a share issue in kind related to the acquisition of the Alès permit in France. The share issue was registered in June and the number of shares amounted to 39,261 and transferred to private Swiss company MouvOil S.A. as part of the consideration.

Risk and uncertainties

A statement of risks and uncertainties are presented in note 1, page 46.

Dividend

The Directors propose that no dividend be paid for the year.

Proposed disposition of unrestricted earnings

The Board of Directors propose that the unrestricted earnings of SEK 173,464,688 of which the loss for the year, SEK 14,669,177, be brought forward.

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 statement, balance sheet, cash flow statement and related notes. Balance sheet and income statement will be resolved at the Annual General Meeting, 16 May 2012.

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, 27 April 2012

Vincent Hamilton, *Chairman of the Board*

Håkan Ehrenblad, *Director*

John Hoey, *Director*

Jan Risberg, *Director*

Magnus Nordin, *Managing Director*

Consolidated statement of comprehensive income

TSEK	Note	2011	2010
Net sales of oil and gas	4	103,538	11,066
Depletion of oil and gas properties	9	–	–
Write off of oil and gas properties	9	–	-311
Other income	5	13	105,016
Other losses/gains, net	10	-52	138
Administrative expenses	11–13	-20,443	-15,247
Operating result		**83,057**	**100,661**
Financial income and similar items	14	2,339	19,984
Financial expenses and similar items	15	-16,281	-40,501
Net profit/loss from associated companies	6	0	–
Net financial income		**-13,943**	**-20,517**
Result before tax		**69,114**	**80,144**
Income tax	16	-123	-75
Result for the year		**68,991**	**80,069**
Other comprehensive income			
Currency translation differences		4,785	-8,533
Other comprehensive income for the period		**4,785**	**-8,533**
Total comprehensive income for the period		**73,776**	**71,536**
Number of shares outstanding	19	32,543,750	32,504,489
Number of shares outstanding (after dilution)	19	32,543,750	32,504,489
Weighted number of shares	19	32,520,596	30,849,461
Earnings per share, SEK	19	2.12	2.60
Earnings per share (after dilution), SEK	19	2.12	2.60

Consolidated balance sheet

TSEK	Note	31 Dec 2011	31 Dec 2010
ASSETS			
Fixed assets			
Oil and gas properties	9	206,651	170,135
Office equipment	17	2,298	2,100
Total fixed assets		**208,949**	**172,235**
Financial assets			
Other long term receivables	7	136,278	–
Investment in associated companies	6	23,951	–
Total financial fixed assets		**160,228**	**–**
Current assets			
Other receivables	18	1,971	20,789
Prepaid expenses		608	533
Cash and bank		93,105	190,512
Total current assets		**95,685**	**211,834**
TOTAL ASSETS		**464,862**	**384,069**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	19		
Share capital		5,424	5,417
Additional paid in capital		438,329	436,608
Other reserves		-2,955	-7,740
Retained earnings		14,761	-54,230
Total shareholders' equity		**455,559**	**380,055**
Non current liabilities			
Provisions	8	1,705	–
Total non current liabilities		**1,705**	**–**
Non interest bearing current liabilities			
Accounts payable		2,226	1,199
Other current liabilities		4,114	481
Accrued expenses		1,258	2,334
Total non interest bearing current liabilities		**7,598**	**4,014**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**464,862**	**384,069**
Pledged assets	22	500	500
Contingent liabilities	23	–	–

Consolidated statement of changes in equity

TSEK	Share capital	Paid in capital	Other reserves	Retained earnings	Total equity
Opening balance 1 January 2010	**4,675**	**331,601**	**794**	**-134,300**	**202,770**
Comprehensive income					
Total comprehensive result 2010	–	–		80,069	**80,069**
Result for the year				**80,069**	**80,069**
Other Comprehensive income					
Currency translation 2010	–	–	-8,533	–	**-8,533**
Total other comprehensive income			**-8,533**		**-8,533**
Total comprehensive income	**–**	**–**	**-8,533**	**80,069**	**71,536**
Transactions with owners					
Subscription of warrants February	65	8,894	–	–	**8,959**
Subscription of warrants March	126	17,238	–	–	**17,364**
Subscription of warrants April	80	11,018	–	–	**11,098**
Subscription of warrants May	31	4,242	–	–	**4,273**
Subscription of warrants June	14	1,940	–	–	**1,954**
Subscription of warrants July	343	46,983	–	–	**47,326**
Issue costs warrant issue	–	-1,050	–	–	**-1,050**
Private placement March	83	15,742	–	–	**15,825**
Total transactions with owners	**742**	**105,007**	**–**	**–**	**105,749**
Closing balance 31 December 2010	**5,417**	**436,608**	**-7,739**	**-54,231**	**380,055**
Opening balance 1 January 2011	**5,417**	**436,608**	**-7,739**	**-54,231**	**380,055**
Comprehensive income					
Total comprehensive result 2011	–	–	–	68,991	**68,991**
Period result	**–**	**–**	**–**	**68,991**	**68,991**
Other Comprehensive income					
Currency translation differences 2011	–	–	4,785	–	**4,785**
Total other comprehensive income	**–**	**–**	**4,785**	**–**	**4,785**
Total comprehensive income	**–**	**–**	**4,785**	**68,991**	**73,776**
Transactions with owners					
Share issue in kind June	7	1,721	–	–	**1,728**
Total transactions with owners	**7**	**1,721**	**–**	**–**	**1,728**
Closing balance 31 December 2011	**5,424**	**438,329**	**-2,955**	**14,761**	**455,559**

Consolidated cash flow statement

TSEK	Note	1 Jan 2011 – 31 Dec 2011	1 Jan 2010 – 31 Dec 2010
Cash flow from operations			
Operating result		83,057	100,661
Interest received	14	62	1
Income tax	16	-123	-75
Adjustment for write down of oil and gas properties	9	–	311
Adjustment for depreciation and other non cash related items	17	8,281	-102,842*
Total cash flow from operations before change in working capital		**91,277**	**-1,944**
Change in receivables		18,743	-18,929
Change in liabilities		3,584	-15,897
Cash flow from operations		**113,604**	**-36,770**
Investment activity			
Proceeds from farmout	5	–	144,114
Investment in oil and gas properties	9	-44,375	-27,428
Investment in associated companies		-23,951	–
Investment in long term receivables		-139,175	–
Investment in other fixed assets	17	-891	-1,404
Cash flow from investment activity		**-208,392**	**115,282**
Financing activity			
Share issue, net after issue costs	19	1,727	105,750
Net profit/loss from associated companies		–	–
Cash flow from financing activity		**1,727**	**105,750**
Period cash flow		**-93,061**	**184,262**
Cash and cash equivalents at the beginning of the period		190,512	13,620
Exchange gains/losses on cash and cash equivalents		-4,344	-7,369
Cash and cash equivalents at the end of the period		93,105	190,512

* *The capital gain from the farmout, TSEK 103 236, is transferred from the operational cash flow to investments activities where all proceeds from the farmout is presented. The remaining part is depreciation and other non cash related items of TSEK 394.*

Parent Company income statement

TSEK	Note	1 Jan 2011 – 31 Dec 2011	1 Jan 2010 – 31 Dec 2010
Net sales of oil and gas		–	–
Depreciation of oil and gas properties	9	–	–
Write off of oil and gas properties	9	–	–
Other income		3,236	2,883
Other losses/gains, net	10	-52	138
Administrative expenses	11–13	-10,502	-8,386
Operating result		**-7,318**	**-5,366**
Financial income and similar items	14	9,148	28,058
Financial expenses and similar items	15	-16,270	-40,478
Net profit/loss from associate		0	–
Write down of shares in group company	20	-229	-932
Net financial income		**-7,351**	**-13,351**
Result before tax		**-14,669**	**-18,717**
Income tax	16	–	-13,186
Result for the period and total comprehensive income		**-14,669**	**-31,903**
Number of shares outstanding	19	32,543,750	32,504,489
Number of shares outstanding (after dilution)	19	32,543,750	32,504,489
Weighted number of shares	19	32,520,596	30,849,461

Parent Company balance sheet

TSEK	Note	31 Dec 2011	31 Dec 2010
ASSETS			
Fixed assets			
Oil and gas properties	9	–	–
Other fixed assets	17	169	264
Total fixed assets		**169**	**264**
Financial assets			
Shares in subsidiaries	20	26,456	26,456
Long term receivables to group companies		110,423	235,877
Investment in associate	6	23,951	–
Other long term receivables	7	136,278	–
Total financial fixed assets		**297,107**	**262,333**
Current assets			
Other receivables	18	546	302
Prepaid expenses		892	331
Cash and cash equivalents		3,943	51,517
Total current assets		**5,380**	**52,149**
TOTAL ASSETS		**302,657**	**314,746**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	19		
Restricted equity:			
Share capital		5,424	5,417
Statutory reserve		71,071	71,071
Unrestricted equity:			
Share premium reserve		367,258	365,537
Retained earnings		-179,124	-147,221
Net result		-14,669	-31,903
Total shareholders' equity		**249,960**	**262,901**
Non interest bearing current liabilities			
Accounts payable		2,005	1,107
Other current liabilities to group companies		50,692	50,618
Accrued expenses		–	120
Total non interest bearing current liabilities		**52,697**	**51,845**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**302,657**	**314,746**
Pledged assets	22	500	500
Contingent liabilities	23	–	–

Parent Company statement of changes in equity

	Restricted equity		Unrestricted equity			
TSEK	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net result	Total equity
Opening balance 1 January 2010	**4,675**	**71,071**	**260,530**	**-79,944**	**-30,327**	**226,005**
Transfer of prior year net result	–	–	–	-30,327	30,327	**–**
Comprehensive income						
Loss for the year 2010	–	–	–	–	-31,903	**-31,903**
Result for the year					**-31,903**	**-31,903**
Other comprehensive income						
Group contribution	–	–	–	-50,137	–	**-50,137**
Tax effect on group contribution	–	–	–	13,186	–	**13,186**
Total other comprehensive income	**–**	**–**	**–**	**-36,951**	**–**	**-36,951**
Total comprehensive income	**–**	**–**	**–**	**-36,951**	**-31,903**	**-68,854**
Transactions with owners						
Subscription of warrants February	65	–	8,894	–	–	**8,959**
Subscription of warrants March	126	–	17,238	–	–	**17,364**
Subscription of warrants April	80	–	11,018	–	–	**11,098**
Subscription of warrants May	31	–	4,242	–	–	**4,273**
Subscription of warrants June	14	–	1,940	–	–	**1,954**
Subscription of warrants July	343	–	46,983	–	–	**47,326**
Issue costs warrant issue	–	–	-1,050	–	–	**-1,050**
Private placement March	83	–	15,742	–	–	**15,825**
Total transactions with owners	**742**	**–**	**105,007**	**–**	**–**	**105,749**
Closing balance 31 December 2010	**5,417**	**71,071**	**365,537**	**-147,221**	**-31,903**	**262,901**
Opening balance 1 January 2011	**5,417**	**71,071**	**365,537**	**-147,221**	**-31,903**	**262,901**
Transfer of prior year net result	–	–	–	-31,903	31,903	**–**
Comprehensive income						
Loss for the year 2011	–	–	–	–	-14,669	**-14,669**
Result for the year					**-14,669**	**-14,669**
Total comprehensive income	**–**	**–**	**–**	**–**	**-14,669**	**-14,669**
Transactions with owners						
Share issue in kind	7	–	1,721	–	–	**1,728**
Total transactions with owners	**7**	**–**	**1,721**	**–**	**–**	**1,728**
Closing balance 31 December 2011	**5,424**	**71,071**	**367,258**	**-179,124**	**-14,669**	**249,960**

Parent Company cash flow statement

TSEK	Note	2011	2010
Cash flow from operations			
Operating result		-7,318	-5,366
Interest received	14	7,105	8,075
Interest paid	15	0	–
Adjustment for depreciation	17	3,067	165
Total cash flow from operations before change in working capital		**2,854**	**2,874**
Change in receivables		135,472	-117
Change in liabilities		852	914
Cash flow from in operations		**139,178**	**3,671**
Investment activity			
Investment in associate	6	23,951	
Investment in long term liabilities	7	-208,042	-71,777
Investment in other fixed assets	17	-74	-205
Cash flow from investment activity		**-184,166**	**-71,982**
Financing activity			
Share issue, net after issue costs	19	1,727	105,750
Net profit/loss from associate	6	–	–
Cash flow from financing activity		**1,727**	**105,750**
Cash flow for the year		**-43,261**	**37,438**
Cash and cash equivalents at the beginning of the period		51,517	12,278
Exchange gains on cash and cash equivalents		-4,313	1,801
Cash and cash equivalents at the end of the period		3,943	51,517

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, France, Lithuania and Sweden.

The Company is a limited liability company incorporated and domiciled in Stockholm, Sweden. The Company is listed on First North in Stockholm.

These consolidated financial statements have been approved for issue by the Board of Directors on 27 April 2012.

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 Annual report 2010 and have been consistently applied to all the years presented, unless otherwise stated. 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".

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 Company's accounting policies. These 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 1.

New accounting principles for 2011

New and amended standards adopted by the Group 2011

None of the new accounting principles or interpretations that came into effect as of January 1, 2011 has had any significant impact on the Group's financial statements.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted by the Group

When preparing the consolidated financial statements as of December 31, 2011, a number of standards and interpretations has been published, but has not yet become effective. The following is a preliminary assessment of the standards and statements that could have impact on the Group's financial statements.

IFRS 9 Financial instruments

This standard addresses the classification and measurement of financial instruments and is likely to affect the Group's accounting for its financial assets and liabilities. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

IFRS 10 Consolidated financial statements

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

The new standard replaces IAS 31 Interests in Joint Ventures and implements new accounting requirements for joint ventures. The ability to apply the proportionate method when recognizing jointly controlled companies will be abolished. The equity interest of the joint ventures result will affect the investment in joint ventures in the balance sheet. The Group intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12 Disclosures of interests in other entities

The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

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

Principles of consolidation

Subsidiaries are all entities (including special purpose companies) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another 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 recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries 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 ("the functional currency"). The consolidated financial statements are presented in Swedish Kronor (SEK), which is the parent company's functional currency and presentation currency.

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- all assets and liabilities are translated at the balance sheet date rates of exchange.
- income and expenses are translated at average exchange rates
- all resulting exchange differences are recognised as a separate component of equity.

Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date.

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

Currency	2011 Average	2011 Period end	2010 Average	2010 Period end
SEK/USD	6.55	6.84	7.24	6.85
SEK/CHF	7.57	7.36	6.94	7.16

When hedging future streams that are budgeted for, the hedging instruments are not recalculated at changed currency exchange rates. The full effect of changes in currency exchange rates will be presented in the income statement when the hedged transactions affect income.

Foreign exchange gains and losses resulting from the translation at the reporting period's exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Segment reporting

Operating segments are based on geographic perspective and reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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 is 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.

Fixed assets other than oil and gas

Fixed assets are presented at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount 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 carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on fixed assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Office equipment	5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Cash flow statement

The cash flow statement is prepared in accordance with IAS 7, Cash Flow Statement, indirect method.

Cash and cash equivalents includes cash and short term investments which are exposed to a minimum of risk and traded on an open market with listed official prices or invested in instruments with shorter duration than 3 months from the time of the investment.

Valuation principles

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

Financial assets and liabilities 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.

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.

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. A financial asset 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. Currently the Group does not hold any assets in this category.

Financial assets and liabilities carried at fair value through profit or loss are both initially and subsequently recognised at fair value, and transaction costs are expensed in the income statement.

b) Loans, receivables and other receivables

Loans, 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 loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Loans, 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.

Oil and gas operations

a) Accounting for costs of exploration, appraisal and development

In the Company's oil and gas operations all costs for acquiring concessions, licenses or interests in production sharing contracts and for the survey, drilling and development of such interests have been capitalized on a field-by-field basis, where a field (or a group of fields) represents a cash generating unit, in accordance with IFRS 6 *Exploration for and Evaluation of Mineral Resources.* Each cash-generating unit or group of units to which an exploration and evaluation asset is allocated shall not be larger than an operating segment. In a production phase net capitalized costs, together with anticipated future costs to be capitalized determined at the balance sheet date price levels, are depleted based on the year's production in relation to estimated total proven and probable reserves of oil and gas in accordance with the unit of production method. The Company is deemed to be in a production phase when reserves are established, commerciality has been declared and a field development plan has been approved. Up until 31 December 2011, there has been no depletion of oil and gas properties in the Company as no assets are considered to be in a commercial production phase or no reserves have been established.

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. There should be at least a 90 per cent probability that the quantities actually recovered will equal or exceed the sum of estimated proved reserves. Proved reserves can be categorized as developed or undeveloped.

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. There should be at least a 50 per cent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

Proceeds from the sale or farm-out of oil and gas concessions are offset against the related capitalized costs of each cost centre in the exploration stage with any excess of net proceeds over all costs capitalized included in the income statement. In cases where no reserves have been established or where a field development plan has not been approved by the host country, depletion of oil and gas properties will not be calculated or presented in the income statement.

b) Revenues

Revenues from the sale of oil and gas are recognized in the income statement net of royalties taken in kind. Sales are recognized upon delivery of products and customer acceptance or on performance of services. All revenues from the production of oil and gas are recognized in the income statement.

c) Service income

Service income, generated by providing technical and management services to joint ventures, is recognized as revenue in accordance with the terms of each concession agreement.

d) Joint ventures and jointly owned assets in the form of licenses

Jointly controlled entities

The Group's interests in jointly controlled entities are accounted for by proportional consolidation. Oil and gas operations are conducted by the Group as co-licenses in joint ventures with other companies. The accounts reflect the relevant proportions of production, capital costs, operating costs and current assets and liabilities applicable to the Group's interests.

Jointly owned assets in the form of licences

The Group´s interests in jointly owned assets in the form of licences are based on the share in the license. The licenses held by the Group are considered to be wholly or jointly owned assets.

The Group's financial reports reflect the Group's share of production and capital costs less write downs in the jointly-owned licences. See Note 9 for jointly owned assets in the form of licences

e) Impairment tests

Impairment tests are carried out on a field by field basis where a field (or a group of fields) constitutes a cash generating unit.

Impairment tests are carried out when there are facts and circumstances that suggests that impairment can exist and at least annually to determine that the net book amount of capitalized costs within each field less royalties and deferred production or revenue related taxes is covered by the anticipated future net revenue from oil and gas reserves attributable to the Group's interest in related fields. An impairment loss is recognised for an amount by which the net book amount exceeds the recoverable amount. The recoverable amount is the higher of the net realisable value less the cost to sell and the value in use. The value in use represents the estimated future discounted net cash flows using prices and cost levels used by Group management in their internal forecasting. If the Group decides not to continue with a field specific exploration programme then the capitalized costs will be expensed.

f) Site restoration costs

On fields where the Group is required to contribute to site restoration costs, a provision is created to recognize the future liability. At the date of acquisition of the field, at first production or when significant facilities or installations are made in the exploration phase, an asset is recognized 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 recognizes 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.

g) Effects of changes in estimates

The effects of changes in estimated costs and commercial reserves or other factors affecting unit of production calculations for depletion and site restoration costs do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining commercial reserves of each field. While the Group uses its best estimates and judgment, actual results could differ from these estimates.

h) 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 capitalized within oil and gas properties until production commences.

i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group only acts as lessee and all leasing agreements are categorized as operating leases.

Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Pension obligations

The majority of the pension obligations of the Group are governed by legally required social costs. Additional pension schemes exists 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.

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.

Parent Company accounting principles

The Parent Company has prepared its Annual Report in compliance with Swedish Annual Accounts Act and recommendation RFR 2, Accounting for Legal Entities of the Swedish Financial Reporting Board.

Subsidiaries

Holdings in subsidiaries are recognized 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.

Taxes

The Parent Company's financial statements recognize untaxed reserves including deferred tax. The consolidated financial statements, however, reclassify untaxed reserves to deferred tax liability and equity.

Note 1, Risk management

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

Operational risk management

Technical and geological risk

At its current stage of development Tethys Oil is mainly exploring for oil and natural gas and appraising undeveloped known oil and/or natural gas accumulations. The main operational risk is that the interest the group has in oil and gas assets will not evolve into commercial reserves of oil and gas. There are no methods to establish with full certainty how much oil and gas there is in a geological layer situated a couple of kilometres under the earth's surface. Probabilities that commercial oil reserves will not be found are highest before and during exploration drilling. Even when the presence of oil and gas reserves are established during exploration drilling, significant uncertainty remain as to when and how these reserves can be extracted. As per 31 December 2011 the group held interest in 7 licences all subject to different risks. In the high risk end there are licences where oil and gas never has been proved to exist and the lower risk area there are licences where known quantities of oil exists and the risk is if and for how long it can be commercially produced. The selection process of new venture licences are subject to careful and detailed analysis by Tethys Oil. The risks are significant and Tethys Oil's principal approach to deal with these risks are through diversification of assets, sharing risks with industry partners and by attracting and engaging, both externally and internally, highly skilled technical professionals.

Oil price

The oil price is of significant importance to Tethys Oil 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 farmouts or sale of assets. The sensitivity to oil price fluctuations differs depending on which asset it relates to. Again, Tethys Oil's principal approach to this risk factor is asset diversification. Some of Tethys Oil's assets are less sensitive to oil prices than others. Also, some projects are expected oil projects and some are gas projects. Tethys Oil does not currently hedge oil prices.

Access to equipment

An operational risk factor is access to equipment in Tethys Oil's project. 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 theses supplies can present difficulties for Tethys Oil to fulfil projects.

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.

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, some of whom have founded the company at the same time as they are some of the existing shareholders and members 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.

Licenses

Tethys Oils direct interests are held through agreements with host countries, for example licenses 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. The licenses regarding Block 3 and 4 expire in its current shape before the end of 2012. Tethys Oil expects that the submitted Field Development Plan will also result in new terms governing the extent for all or parts of the license area. There are no guarantees that an extension will cover all the current license area.

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 operating profit, 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. The exchange risk effect 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. By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. US dollar was the main currency with regard to invoices paid and revenues received during 2011. Income will also most likely be denominated in foreign currencies, especially US dollars. Tethys Oil does not currently hedge exchange rates.

Translation risk

Exchange-rate changes affect the Group in conjunction with the translation of the income statements of foreign subsidiaries to SEK as the Group's operating profit is affected and when net assets in foreign subsidiaries are translated into SEK which can negatively affect the Group's operating profit and statement of financial position. 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 risks and capital risk

By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. Income is and will also most likely be denominated in foreign currencies, US dollars in particular. Furthermore, Tethys Oil has since inception been equity financed through share issues and financed by asset divestment. Additional capital may be needed to finance Tethys Oil's future operations and/or for acquisition of additional licences. The main risk is that this need may occur during less favourable market conditions.

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.

Financial risk

The receivable on Odin Energi regarding investments in Lithuania contain counterparty risks where Tethys Oil holds shares in Odin Energi as a security. See futher note 7.

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.

Impairment of oil and gas properties – The Group annually tests, on a field by field basis, oil and gas properties to determine that the net book amount of capitalized costs within each field less royalties and deferred production or revenue related taxes is covered by the anticipated future net revenue from oil and gas reserves attributable to the Group's interest in related fields (note 9). The Group will use its judgement and make assumptions to perform these tests.

The company has not recorded a deferred tax asset in relation to the tax losses carried forward since the company is in an exploration phase and there is uncertainty as to if the tax losses may be utilised (note 15)

Contingent liabilities – The Group is subject to agreements which specify work commitments. The work commitments regard the future and the amounts of these commitments have to be estimated (note 22). These work commitments are accounted for using historical experience and expectations regarding future events. The Group will use its judgment and make assumptions to value these work commitments. The expected cost of a specific work commitment can therefore change over time based on new information.

Note 3, Segment information

The Group´s accounting principle for segment describes that operating segments are based on geographic perspective and reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. As of 2011 the different segments in the group have no separate reporting based on the result for the separate segments that are monitored by the chief operating decision-maker why no operating segment information is presented. The base for controlling the segments are the investments made in the segments which is presented in Note 9. External revenue is presented in note 4.

Note 4, Net sales of oil and gas

During the full year 2011, Tethys Oil sold 147,228 (18,898) barrels of oil after government take from the Early Production System on Block 3 and 4 in Oman. This resulted in net sales during the full year 2011 of TSEK 103,538 (TSEK 11,066). The average selling price per barrel amounted to USD 107.37 per barrel during the year 2011.

Note 5, Other income

Part of the administrative expenses in Tethys Oman Ltd. is charged to the joint venture in Block 15 Oman where the expenditures are capitalised and, in line with the Exploration and Production Sharing Agreement, recoverable. These administrative expenditures are, through the above, also funded by the partner in Oman by 60 per cent. The chargeout to the joint venture is presented in the consolidated income statement as Other income.

During 2010 other income was significantly impacted by the farmout of 20 percentage points of Blocks 3 and 4 to Mitsui E&P Middle East B.V. In consideration for the acquisition, Tethys Oil received MUSD 20, equivalent of TSEK 144,114, of which 40 per cent (the percentage of Tethys Oil's assets that were farmed out) of the book value as per 31 December 2009 amounting to TSEK 40,879 is offset against the book value of Blocks 3 and 4. The remainder of the consideration received, TSEK 103,236, was recorded as a capital gain in the income statement 2010 in the subsidiary Tethys Oil Blocks 3&4 Ltd.

Note 6, Associated companies

Tethys Oil has acquired an indirect interest of 20 per cent in Lithuanian assets; Rietavas and Raiseiniai licences. The interest is held through a 40 per cent ownership in a Danish private company, Jyllands Olie ApS, in partnership with Odin Energi holding the remaining 60 per cent. Jyllands Olie in turn owns 50 per cent interest in the Lithuanian private company UAB LL Investicos. There have been no financial activities in the Jyllands Olie other than the described investment in the Lithuanian company.

Tethys Oil acquired its 20 per cent indirect interest for MUSD 3.5, equivalent of TSEK 23,951.

Note 7, Other long term receivables

Tethys Oil and private Danish oil company Odin Energi signed an Investment Agreement with the aim to enter mutual strategic investments in areas where each of the respective companies has expertise and enjoys a comparative advantage. As a part of this agreement, Tethys has lent MEUR 15.2, equivalent of TSEK 136,278, to Odin. The loan is secured by a pledge of 30 per cent of the share capital of Odin.

Note 8, Provisions

Tethys Oil estimates that Tethys Oil's share of site restoration regarding Block 3&4 amounts to TSEK 1,705. As a consequence of this provision, oil and gas properties have increased with an equal amount.

Note 9, Oil and gas properties

Country	Licence name	Tethys Oil, %	Partners (operator in bold)
Oman	Block 15	40%	**Odin Energy,** Tethys Oil
Oman	Block 3,4	30%	**CCED,** Mitsui, Tethys Oil
France	Attila	40%	**Galli Coz,** Tethys Oil
France	Alès	37.5%	**Tethys Oil,** MouvOil
Sweden	Gotland Större, Gotland Mindre	100%	**Tethys Oil**
Lithuania	Rietavas, Raiseiniai	20%	**Odin Energi,** Tethys Oil, private investors

TSEK Country	Book value 31 Dec 2011	Write downs 1 Jan–31 Dec 2011	Investments 1 Jan–31 Dec 2011	Book value 1 Jan 2011	Book value 31 Dec 2010	Write downs 1 Jan–31 Dec 2010	Investments 1 Jan–31 Dec 2010	Book value 1 Jan 2010
Oman Block 15	113,671[1]	–	19,807	92,682[2]	92,682[2]	–	1,184	99,064[3]
Oman Blocks 3,4	74,466[1]	–	16,890	66,573[2]	66,573[2]	–	19,995	101,615[3]
France Attila	9,717	–	479	9,238	9,238	–	5,610	3,628
France Alès	5,764	–	5,764	–	–	–	–	–
Morocco Bouanane	–	–	–	–	–	-73	73	–
Sweden Gotland Större	2,200	–	615	1,628	1,628	–	486	1,142
New ventures	835	–	819	16	16	-238	80	174
Total	**206,651**	**–**	**44,375**	**170,135**	**170,135**	**-311**	**27,428**	**205,623**

[1] *The book value of oil and gas properties include non cash items of TSEK -7,859 during the full year 2011. These adjustments are not part of investments. Of these adjustments, TSEK -9,564 relates to currency exchange losses and TSEK 1,705 relates to provision for site restoration.*

[2] *The book value of oil and gas properties include non cash items of TSEK 21,727 during the full year 2010 and part of the proceeds from the farmout to Mitsui amounting to TSEK 40,879. These adjustments, amounting to TSEK 62,606 are not part of investments.*

[3] *The book value of oil and gas properties include non cash items of TSEK -796 during the full year 2009, which are not included in investments.*

Oil and gas properties	Group		Parent	
TSEK	1 Jan 2011–31 Dec 2011 12 months	1 Jan 2010–31 Dec 2010 12 months	1 Jan 2011–31 Dec 2011 12 months	1 Jan 2010–31 Dec 2010 12 months
Investments in oil and gas properties				
Opening balance	**254,990**	**290,168**	**–**	**–**
Investments in France	6,243	5,610	–	–
Investments in Morocco	–	73	–	–
Investments in Oman	36,698	21,180	–	–
Investments in Sweden	615	486	–	–
Other investments in oil and gas properties	819	80	–	–
Adjustment	-7,859[2]	-62,6063	–	–
Closing balance	**291,508**	**254,990**	**–**	**–**
Depletion				
Depletion	–	–	–	–
Write down				
Opening balance	**84,857**	**84,546**	**–**	**–**
Write down	–	311	–	–
Closing balance	**84,857**	**84,857**	**–**	**–**
Net book value	**206,651**	**170,135**	**–**	**–**

Note 10, Other losses/gains, net

TSEK	Group		Parent	
Other losses/gains, net	**2011**	**2010**	**2011**	**2010**
Foreign exchange gains	33	237	33	237
Foreign exchange losses	-85	-99	-85	-99
Total	**-52**	**138**	**-52**	**138**

Note 11, Remuneration to company auditor

TSEK	Group		Parent	
Remuneration to company auditor include:	**2011**	**2010**	**2011**	**2010**
PwC:				
Audit fee	650	560	570	495
Audit-related fees	190	190	120	120
Tax consultation	–	–	–	–
Other	–	–	–	–
Total	**840**	**750**	**690**	**615**

Note 12, Administrative expenses

TSEK	Group		Parent	
Administrative expenses	**2011**	**2010**	**2011**	**2010**
Staff	-10,189	-7,597	-4,300	-3,198
Rent	-1,859	-1,341	-731	-787
Other office costs	-2,061	-1,999	-483	-453
Listing costs	-865	-851	-865	-851
Costs of external relations	-2,218	-1,476	-1,799	-1,476
Other costs	-2,357	-1,203	-2,156	-1,125
Depreciation	-693	-348	-169	-165
Total	**-20,243**	**-15,247**	**-10,502**	**-8,386**

Note 13, Employees

	2011		2010	
Average number of employees	**Total**	**Total men**	**Total**	**Total men**
Parent company	5	4	5	4
Subsidiaries	7	4	4	3
Total	**12**	**8**	**9**	**7**

TSEK	2011		2010	
Salaries, other remuneration and social costs	**Salaries, other remuneration**	**Social costs**	**Salaries, other remuneration**	**Social costs**
Parent company	3,320	980	2,520	678
Subsidiaries	5,020	862	3,981	418
Total	**8,340**	**1,842**	**6,501**	**1,096**

Salaries and other remuneration distributed between the board and other employees	2011		2010	
	Board and Managing Director	Other employees	Board and Managing Director	Other employees
Parent company	1,320	1,870	986	1,534
Subsidiaries	1,417	3,723	3,149	1,928
Total	**2,747**	**5,593**	**4,135**	**3,462**

The group currently has 12 full time employees. Due to the low number of employees no information regarding sick leave is presented. Vincent Hamilton in his capacity as Chief Operating Officer and Magnus Nordin as Managing Director are both entitled to twelve months payment if the Company terminates their employment. There have furthermore during 2011 been no agreements regarding bonus or variable remuneration for the Managing Director or for the Chief Operating Officer.

Salaries and other remuneration to operative board members and executive management	Salaries	Bonus	Benefits	Total 2011	Total 2010
Vincent Hamilton	1,308	109	–	1,417	1,173
Magnus Nordin	1,220	100	10	1,330	986
Total	**2,528**	**209**	**10**	**2,747**	**2,159**

TSEK					
Salaries and other remuneration to board members (in their capacity as board members)	**Salaries**	**Remunera-tion**	**Total 2011**	**Total 2010**	**Attendance 2011**
Vincent Hamilton	–	–	–	–	9/9
Magnus Nordin	–	–	–	–	9/9
John Hoey	–	100	100	100	9/9
Håkan Ehrenblad	–	100	100	100	9/9
Jan Risberg	–	150	150	150	9/9
Total	**–**	**350**	**350**	**350**	

At the Annual General Meeting of shareholders on 25 May 2011 Håkan Ehrenblad, Vincent Hamilton, John Hoey, Magnus Nordin and Jan Risberg were re-elected members of the Board. No deputy directors were appointed. At the same meeting Vincent Hamilton was appointed Chairman of the Board.

There have not been any agreements on pensions for any of the directors of the board, the Managing director or the Chief Operating Officer.

Note 14, Financial income and similar items

TSEK	Group		Parent	
	2011	**2010**	**2011**	**2010**
Interest income	62	1	7,105	8,075
Gain on currency exchange rates	2,277	19,983	2,043	19,983
Total	**2,339**	**19,984**	**9,148**	**28,058**

Note 15, Financial expenses and similar items

TSEK	Group		Parent	
	2011	**2010**	**2011**	**2010**
Interest expenses	0	0	0	0
Currency losses	-16,281	-40,501	-16,270	-40,478
Total	**-16,281**	**-40,501**	**-16,270**	**-40,478**

Note 16, Tax

The group's income tax charge of TSEK 123 (TSEK 75) relate to a tax negotiated in Switzerland by the Swiss subsidiary Tethys Oil Suisse S.A.

The company 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. Non-recorded deferred tax claims amount to TSEK 24 204 (TSEK 32,351), regarding tax losses carried forward of TSEK 92 032 (TSEK 123,008).

Note 17, Office equipment

TSEK	Group		Parent	
Office equipment	**2011**	**2010**	**2011**	**2010**
Assets				
1 January	3,157	1,754	926	722
Additions	891	1,404	74	204
Disposals	–	–	–	–
31 December	4,048	3,157	1,000	926
Depreciations				
1 January	-1,057	-709	-662	-497
Depreciation charges of the year	-693	-349	-169	-165
Disposals	–	–	–	–
31 December	-1,750	-1,057	-831	-662
Net book value	**2,298**	**2,100**	**169**	**264**

Note 18, Other receivables

TSEK	Group		Parent	
Other receivables	**2011**	**2010**	**2011**	**2010**
VAT	1,785	665	540	300
Receivables Joint ventures	–	17,964	–	–
Other	186	2,160	6	2
Total	**1,971**	**20,789**	**546**	**302**

Note 19, Shareholders' equity

As per 31 December 2011, the number of outstanding shares in Tethys Oil amount to 32,543,750 (32,504,489), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program for employees.

During 2011, Tethys Oil conducted a share issue in kind related to the acquisition of the Alès permit in France. The share issue was registered in June and the number of shares amounted to 39,261 and transferred to private Swiss company MouvOil S.A. as part of the consideration. The issue costs for the issue in kind amounted to TSEK 1,728.

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

No dilution effects exist for 2011. Last year the effect would have been positive but when calculating the potential dilutive effect for warrants, this would have resulted in a positive effect on earnings per share. The applicable accounting policies (IAS 33) do not allow inclusion of a positive effect. The earnings per share are thus reported after dilution excluding the dilutive effect of outstanding warrants.

Note 20, Shares in subsidiaries

Company	Reg. Number	Reg. office	Number of shares	Percentage	Nominal Value per share	Parent company Book amount 31 December 2011, TSEK	Parent company Book amount 31 December 2010, TSEK
Tethys Oil Denmark AB	556658-1467	Sweden	1,000	100%	SEK 100	100	100
Tethys Oil Spain AB	556658-1442	Sweden	1,000	100%	SEK 100	100	100
Tethys Oil Turkey AB	556658-1913	Sweden	1,000	100%	SEK 100	100	100
Tethys Oil Exploration AB	556658-1483	Sweden	1,000	100%	SEK 100	100	100
Tethys Oil France AB	556658-1491	Sweden	1,000	100%	SEK 100	100	100
Tethys Oil Canada AB	556788-2872	Sweden	1,000	100%	SEK 100	100	100
Tethys Oil Oman Ltd	95212	Gibraltar	100	100%	GBP 1	25,280	25,280
Tethys Oil Block 3&4 Ltd	101981	Gibraltar	1000	100%	USD 1	9	9
Tethys Oil Suisse SA	660-1139007-2	Switzerland	100	100%	CHF 1,000	567	567
Windsor Petroleum (Spain) Inc.	549 282	British Virgin Islands	1	100%	USD 1	–	–
Total						**26,456**	**26,456**

TSEK	Parent	Parent
Shares in subsidiaries	**31 December 2011**	**31 December 2010**
1 January	26,456	26,456
Acquisitions	–	–
Shareholder's contribution	229	932
Write down of shares in group companies	-229	-932
31 December	**26,456**	**26,456**

Note 21, Acquisition

As per 31 December 2011, Tethys Oil Denmark AB acquired 100 per cent of the shares in Lundin Data Services BV from Lundin Petroleum BV located in the Netherlands. Lundin Data Services BV owns and maintains a substantial oil and gas database located in Dubai. As consideration, Tethys Oil paid EUR 1 in cash. The acquisition is effective as per 31 December 2011, from which date Lundin Data Services is consolidated. Lundin Data Services BV has not contributed to the result 2011. Tethys Oil estimates that yearly administration expenditures for Lundin Data Services amount to around TSEK 3,500.

The fair value of the net assets acquired amount to TSEK 232 and consist of cash and bank and computers less account payables. The acquisition price of EUR 1 with no additional acquisition costs less the fair value of the net assets acquired gives a negative value of TSEK 232. The book value in Tethys Oil Denmark AB has been revalued and the write up of TSEK 232 is included in the result of the group as per 31 December 2011.

Note 22, Pledged assets

In the parent company, pledged assets as per 31 December 2011 amounted to TSEK 500 (TSEK 500). The pledged asset regards a bank guarantee for a rental lease. There have been no other pledged assets in the Group during the period 2010–2011.

Note 23, Contingent liabilities

There are no contingent liabilities as per 31 December 2011, nor for the comparative period 31 December 2010. The contingent liabilities relating to the EPSA on Blocks 3 and 4 were fulfilled during 2010.

Note, 24 Related party transactions

The Group receives income from the joint venture of Block 15 in Oman where it also holds 40 per cent interest. Tethys Oil charges some administrative expenditure from the subsidiary Tethys Oil Oman Ltd to the joint venture of Block 15. These expenditures are, in line with the Production Sharing Agreement, recoverable. These administrative expenditures are, through the above, also funded by the partner in Oman by 60 per cent. The chargeout to the joint venture is presented in the income statement as "Other income".

During 2011, Tethys Oil Suisse S.A., a wholly owned subsidiary of Tethys Oil AB, has paid rent to Mrs Mona Hamilton amounting to CHF 96,000. Mrs. Mona Hamilton is the wife of Vincent Hamilton, the Chairman and Chief Operating Officer of Tethys Oil. The rent of office space is a commercially based agreement between Tethys Oil Suisse S.A. and Mrs. Mona Hamilton.

Note, 25 Subsequent events

In early January 2012 after the reporting period, Tethys Oil sold 52,484 barrels of oil to a value of TSEK 37,702, which is not included in the 2011 result.

Test production from the Early Production System (EPS) on Blocks 3 and 4 onshore the Sultanate of Oman continues and amounted to 311,457 in January, 275,419 in February and 361,394 in March, corresponding to a daily production of 10,047, 9,947 and 11,658 respectively. Tethys' share of the production, before government take, amounts to 30 per cent of the total.

In January 2012, the drilling Maha-1 exploration well on Block 3 onshore Sultanate of Oman was completed. The well encountered oil, but the oil saturation was too low to be produced. The well has been suspended to enable further studies in the future.

In April 2012, Tethys Oil published the results of the reserve/resource audit conducted by DeGolyer and MacNaughton on Blocks 3 and 4.

Auditor's report

To the annual meeting of the shareholders of Tethys Oil AB (publ)

Corporate identity number 556615-8266

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Tethys Oil AB (publ) for the year 2011.The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 29–53.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

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 the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and 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 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, 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 annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Tethys Oil AB (publ) for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

We recommend to the annual meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Göteborg 27 April 2012

PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant
Lead Partner

Johan Malmqvist
Authorized Public Accountant

Definitions and Abbreviations

General

AGM	Annual General Meeting
EGM	Extraordinary General Meeting
IPO	Initial Public Offering
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
CHF	Swiss francs
TCHF	Thousands of Swiss francs

Petroleum related abbreviations and definitions

bbl	Barrel
bbls	Barrels
boe	Barrels of oil equivalents
boepd	Barrels of oil equivalents per day
bopd	Barrels of oil per day
mbbl	Thousand barrels (in Latin mille)
mmbo	Million barrels of oil
mmboe	Million barrels of oil equivalents
mmboepd	Million barrels of oil per day

Gas related abbreviations and definitions

cf	Cubic feet
bcf	Billion cubic feet
mcf	Thousand cubic feet
mcfpd	Thousand cubic feet per day
mmcf	Million cubic feet

Industry specific terms

Barrel

1 barrel = 159 liters.

1cubic foot = 0.028 m³

Basin

Basin is a depression of large size in which sediments have accumulated.

Farm-in

A joint venture agreement between companies whereby one company holds the licence and the other company joins them by taking a working interest in the licence.

Hydrocarbons

Naturally occurring organic substances composed of hydrogen and carbon. They include crude oil, natural gas and natural gas condensate.

Licence

Company is granted rights to a concession and bears the cost of exploration and development, in return for paying to the government licence fees and royalties on production.

Paying interest

Paying interest is the cost-bearing interest arising out of the obligation to bear initial exploration, appraisal and development costs on behalf of a partner.

Probable reserves

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 per cent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

Proved reserves

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 categorized 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 per cent probability that the quantities actually recovered will equal or exceed the estimates.

Seismic

Seismic is a method of geophysical prospecting involving the interaction of sound waves and buried sedimentary rock layers.

Working interest

The actual interest owned by a party.

Tethys Oil AB (publ)

Corporate Head Office

Tethys Oil AB
Hovslagargatan 5B
SE-111 48 Stockholm
Sweden
Telephone +46 8 505 947 00
Fax +46 8 505 947 99
E-mail: info@tethysoil.com

Muscat Office

Tethys Oil Oman Ltd.
Hatat House, Unit 116
Wadi Adai, Muscat
Oman
Tel. +968 245 714 62
Fax +968 245 714 63
E-mail: info@tethysoil.com

Technical Office

Tethys Oil Suisse S.A.
78 Rue Ancienne
CH-1227 Carouge, Geneva
Switzerland
Tel. +41 22 304 19 90
Fax +41 22 304 19 95
E-mail: info@tethysoil.com

www.tethysoil.com

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