

TETHYS OIL

Second quarter and
half year report 2016



Second quarter and half year report ending 30 June 2016¹

- Production amounted to 12,164 barrels per day, which is in line with the first quarter 2016. The production has been negatively affected by planned maintenance work continued from the first quarter 2016
- Revenue amounted to MUSD 21, up 5 per cent compared to first quarter 2016
- EBITDA amounted to MUSD 8, down 18 per cent compared to first quarter 2016
- Net result amounted to MUSD -3, down from first quarter 2016
- Earnings per share amounted to USD -0.08 during second quarter 2016
- Dividend of SEK 1.00 per share amounting to MUSD 4 was distributed to shareholders during the second quarter 2016

Second quarter 2015	First quarter 2016	Second quarter 2016	MUSD (unless specifically stated)	First half 2016	First half 2015
9,434	12,212	12,164	Net daily production before government take (bbl)	12,188	9,075
545,019	531,918	740,844	Net barrels sold, after government take (bbl)	1,272,762	853,911
57.77	35.70	35.88	Average selling price per barrel, USD	35.80	59.95
26	20	21	Revenue	40	51
15	10	8	EBITDA	19	27
7	-1	-3	Operating result	-3	12
4	-2	-3	Result for the period	-5	12
39	45	41	Net cash	41	39
6	15	9	Investments in oil and gas properties	24	22
0.13	-0.07	-0.08	Earnings per share, USD	-0.15	0.34

¹ Starting 1 January 2016, the Tethys Oil group presents the financial reports in USD. Please note that all comparative financials have been restated. For further information, please see Accounting principles on page 15.

Dear friends and investors,

it is a pleasure to report a continued solid operational and financial performance for Tethys Oil. We produced over 12,000 barrels of oil per day, which was in line with our production in the first quarter, even though our producing fields on Blocks 3 and 4 in Oman were partially shut down for planned maintenance.

Robust balance sheet

In the second quarter, we report revenue of MUS\$ 21, up 5 per cent quarter on quarter. Our EBITDA for the quarter amounted to MUS\$ 8, a decrease quarter on quarter after slightly higher operating costs. We invested MUS\$ 9 in oil and gas assets during the second quarter 2016, and again we report positive cash flow after investments of MUS\$ 2. Our net result this quarter was negative amounting to MUS\$ -3. Our net cash stood at MUS\$ 41 as per 30 June 2016.

Stronger macro environment

An element of stability and possibly predictability returned to the industry in the course of the second quarter as oil prices increased and volatility dropped. A price range for Brent oil of between USD 40–50 per barrel emerged, a price at which our producing assets in Oman generate strong profitability and cash flow. As we have a two months lag in our selling price, our average selling price in the second quarter was in line with the first quarter. We will see the benefit of the price increase in the third quarter.

Infrastructure on Blocks 3 and 4 upgraded

Planned maintenance work was carried out on all three fields on Blocks 3 and 4 during the first half of 2016. The maintenance work caused some temporary shut downs of the fields, which had a limited impact on production. The main objectives of the maintenance work were

to verify asset integrity of the systems and to add and change components. The assets are now fully served to handle present and future volumes.

Outlook

The new oil price environment favours consolidation and forward looking. For Tethys Oil, this is an excellent opportunity to strengthen the organisation, recruit new colleagues and expand the data base, to broaden the long term outlook and implement a more systematic approach to surveying opportunities within the industry. We would expect more corporate transactions in general in the oil industry in the second half of 2016, as the expectations of price recovery for underfunded projects are not fulfilled and the lack of available capital firmly establishes a buyer's market. We are calmly, collectedly and systematically evaluating possibilities to expand our portfolio of value creating projects.

Blocks 3 and 4 in Oman are maturing as we gain an increasing understanding of our producing plays, resulting in even better predictability and enhanced ability to map out further opportunities. A number of far field exploration and appraisal opportunities remain, and we gain a better and better understanding of where they may be located. We have ample seismic coverage, and from a staff point of view, Tethys Oil has never been stronger. We take advantage of the overall lower cost environment to cleverly and systematically mature prospects and develop play concepts.

So stay with us, time is on our side and we intend to continue to share our strong balance sheet with our investors as we let our other strengths play out within our chosen industry!



Stockholm in August 2016

Magnus Nordin
Managing director

Financial and operational review²

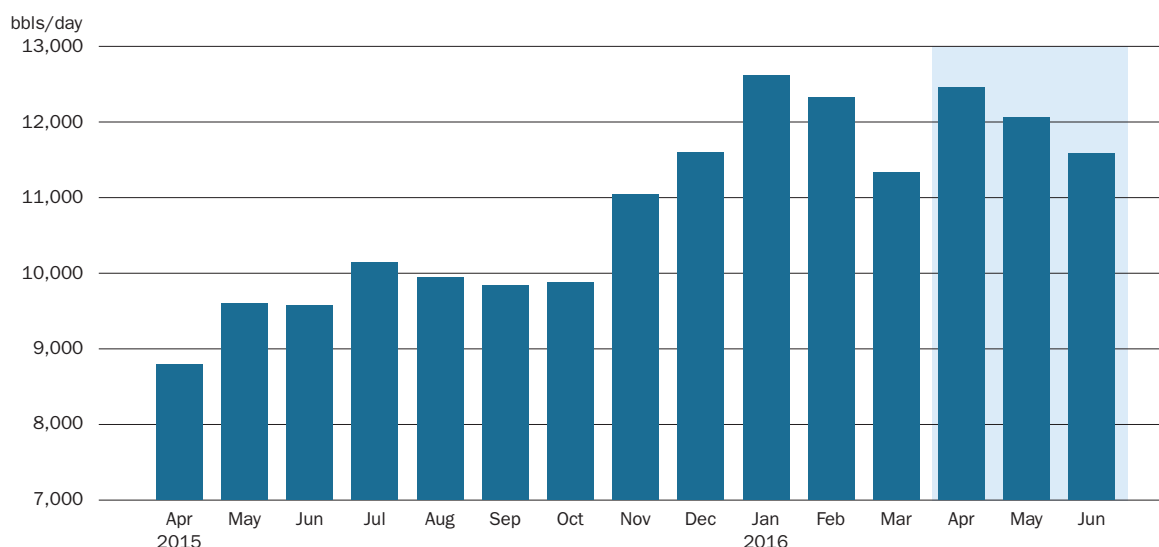
Production

Tethys Oil's core area is onshore the Sultanate of Oman, where the company holds a 30 per cent interest in Blocks 3 and 4. Tethys Oil also has interests in three licenses onshore Lithuania and two dormant licenses onshore France. The primary production comes from the three fields; Farha South, Shahd and Saiwan East in Oman. The production development has mainly been driven by the on-going implementation of the water injection programme

on the Farha South oil field on Block 3 and from the successful exploration and appraisal results from the Shahd oil field on Block 4. During March and the second quarter 2016 there has been planned maintenance work on Blocks 3 and 4 fields which has effected production negatively, and this explains the flat production development between the first two quarters 2016. Tethys Oil has additional production in Lithuania.

Tethys Oil's share of quarterly volumes, before government take ⁴	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Oman, Blocks 3 and 4					
Production	1,096,416	1,101,031	997,904	918,474	848,939
Average daily production	12,049	12,099	10,847	9,983	9,329
Lithuania, Gargzdai					
Production	10,466	10,306	10,007	9,573	9,514
Average daily production	115	113	109	104	105
Total production	1,106,882	1,111,336	1,007,782	928,047	858,453
Total average daily production	12,164	12,212	10,956	10,087	9,434

Tethys Oil's monthly average of daily production⁵



The above graph shows the company's growth in average daily production from 1 April 2015 to 30 June 2016.

2 The consolidated financial statements of the Tethys Oil Group (Hereafter referred to as "Tethys Oil" "Tethys" or the "Group"), where Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the second quarter of 2016. Segments of the Group are geographical markets. The numbers in the tables in this report may not add exactly due to rounding.

3 The interest in the three Lithuanian licences are indirectly held through a shareholding in two Danish private companies, which in turn hold shares in Lithuanian companies holding 100 per cent of the licences. The two companies are not consolidated in Tethys Oils financial statements and are therefore only presented in the balance sheet under Investments in associates and in the income statement as Net profit/loss from associates.

4 Tethys Oil's share of production from Blocks 3 and 4 Oman is currently 52 per cent after government take of total net production. The basis of production sharing is further explained in the Annual Report 2015.

5 The production in March, April and May 2016 has been affected by planned maintenance work on fields and facilities on Blocks 3 and 4.

Revenue

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Barrels sold, bbl	740,844	531,918	366,746	584,399	545,019
Underlift (overlift) movement, bbl	(170 708)	40,618	152,164	(106,792)	(103,571)
Oil price, USD/bbl	35.88	35.70	47.90	61.77	57.77
Net sales, MUSD	27	19	18	36	31
Underlift (overlift), MUSD	(6)	1	8	(6)	(5)
Revenue, MUSD	21	20	26	30	26

During the second quarter 2016, Tethys Oil sold 740,844 barrels of oil from Blocks 3 and 4 in Oman, representing 39 per cent increase in comparison with the first quarter of 2016 when 531,918 barrels of oil were sold. There has been an adjustment for overlift amounting to MUSD -6, which together with Net sales adds up to Revenue of MUSD 21. Second quarter 2016 revenue is up 5 per cent compared to first quarter 2016 revenue.

Sale quantities for oil sales are nominated two months in advance and are not based upon the actual production in a month; as a result, sales quantities can be above or below production quantities. Where the sales quantity exceeds the quantity of barrels produced an overlift position occurs and where it is less, an underlift position occurs. The company moved from underlift position to overlift position during the second quarter. The total overlift position as per 30 June 2016 is 107,365 barrels.

Tethys Oil sells all of its oil to Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. All oil sales come from Blocks 3 and 4 Oman and are made on a monthly basis. The selling price is the monthly average of the two month future price for Omani blend.

The average selling price amounted to USD 35.88 per barrel during the second quarter 2016, compared to USD 35.70 during the first quarter 2016. The average price for Dated Brent oil for the period amounted to USD 45.57 per barrel.

This resulted in net sales during the second quarter 2016 of MUSD 27 compared to MUSD 19 during the first quarter 2016.

Operating expenses

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Production costs, MUSD	9	7	10	10	7
Well workovers, MUSD	1	1	2	1	2
Total operating expenses, MUSD	10	8	12	11	9
Operating expenses per barrel, USD	9,3	7,3	11,9	12,1	10,3

Operating expenses during the second quarter 2016 amounted to MUSD 10 compared to MUSD 8 during the first quarter 2016. Operating expenses are related to oil and gas production on Blocks 3 and 4 in Oman, and comprise expenses for field staff, expenses related to maintenance, well workovers and interventions and administration.

Operating expenses per barrel during the last five quarters have been in the range USD 7–12 per barrel. During the first and second quarter 2016 operating expenses per barrel has been significantly reduced compared with 2015. A reduction in operating expenditures per barrel has been anticipated and it is the result from general cost reductions and higher production. The operating expenses will for individual quarters fluctuate, but are expected, on average over 2016, to continue to be lower in comparison to operating expenses in 2015. Of these costs, around 50–60 per cent is field related production costs, i.e. excluding costs for work over rigs, office costs etc.

Depletion, depreciation and amortisation

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
DD&A, MUSD	11	11	10	9	8
DD&A per barrel, USD	10.0	10.0	9.8	9.8	9.8

Depletion, depreciation and amortisation (“DD&A”) for the second quarter 2016 amounted to MUSD 11 which is in line with the first quarter 2016. The DD&A charge relates to Blocks 3 and 4 Oman.

Net back

USD/fat	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Oil price achieved (sales barrels)	35.9	35.7	47.9	61.8	57.8
Revenue (after government take)	18.7	18.6	24.9	32.1	30.0
Operating expenses	9.3	7.3	11.9	12.1	10.3
Net back, USD/bbl	9.4	11.2	13.0	20.0	19.7

The net back per barrel has mainly been affected by the oil price, which has had a negative development since the second half of 2014. The decline in net back during the second quarter 2016 is related to higher operating expenses per barrel during the second quarter 2016 compared to the first quarter 2016.

Net profit from associated companies

Tethys Oil holds indirect interest in the three Lithuanian licences; Gargzdai, Rietavas and Raseiniai, through associated companies Jylland Olie and Odin Energi. The result from Tethys Oil’s share in these associated companies during the second quarter 2016 amounted to MUSD -0 compared to MUSD -0 during the first quarter 2016.

Administrative expenses

Administrative expenses amounted to MUSD -2 for the second quarter 2016 compared to MUSD -1 during the first quarter 2016. Administrative expenses are mainly salaries, rents, listing costs and external services. Administrative expenses have been relatively stable between the quarters. The higher administrative expenses during the second quarter are related to cost associated with the incentive programme for employees.

Tax

In Oman, Tethys Oil's oil and gas operations are governed by an Exploration and Production Sharing Agreement (EPSA) whereby Tethys Oil receives its share of oil after government take. Under the terms of the EPSA, Tethys Oil is subject to Omani income taxes and royalties which are paid in full, on behalf of Tethys Oil, from the government share of oil. These taxes are not presented in the income statement.

Net financial result

The net financial result has had a very marginal effect on the result for the second quarter 2016. The net currency exchange effect of the group amounted to MUSD -0. Currency translation differences recorded on loans between the parent company and subsidiaries are non-cash related items. Interest and fees related to the credit facility amounted to MUSD -1 and other financial expenditures amounted to MUSD -0. The currency exchange effect and fees on long term debt is part of net financial result amounting to MUSD -0 for the second quarter 2016.

Result

Tethys Oil reports a net result after tax for the second quarter 2016 of MUSD -3, representing earnings per share of USD -0.08. The result for the second quarter 2016 is down compared to the first quarter 2016 where the net result amounted to MUSD -2.

Investments and work programme

Summary of oil and gas properties (MUSD):

Country	Book value 30 Jun 2016	Book value 31 Dec 2015	Investments Jan-Jun 2016
Oman	187	188	24
Lithuania	-	-	-
France	-	-	-
New ventures	0	1	0
Total	188	189	24

Blocks 3 and 4 Oman

During the second quarter 2016, total investments amounted to MUSD 9 of which almost all relate to Blocks 3 and 4. Investments, as charged from the field operator on Blocks 3 and 4 Oman, were higher during the first quarter 2016 compared to the second quarter 2016. There was a similar effect during the first quarter 2015.

Investments Block 3 and 4, MUSD	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Drilling – Exploration/Appraisal	1	1	0	1	0
Drilling – Development	5	7	4	5	3
G&G	1	1	0	2	3
Facilities	2	4	2	3	0
Pipeline	0	1	0	1	0
Other capex	0	1	1	1	0
Total investments Blocks 3 and 4	9	15	7	12	6

A total of eight wells were completed on Blocks 3 and 4 during the second quarter. The focus continued to be on the Shahd oil field. Four production wells were drilled of which one of the production wells was completed with horizontal legs in the Buah layer and one with a horizontal leg in the Khufai layer. All production wells encountered oil and have been put into production. The water injection programme on the Shahd field continued and three water injection wells and one water source well were drilled.

A total of five rigs including a work over rig are in operations on the blocks.

Planned maintenance work was carried out on all three fields on Block 3 and 4 during the spring 2016. The work included temporary shut downs of the fields, which had some effect on the production. The main objectives of the maintenance work were to verify asset integrity of the systems and to add and change components. As part of the work, the whole plant has been flushed with water and nitrogen. Asset integrity of the whole plant as well as separate components have been tested and verified. Internal cleaning and inspection of components, e.g. separators and heater treaters have been conducted. New pumps have been installed. Tie-ins for future separators and heater treaters have also been added. The work was finished in the second quarter, and completed the maintenance work on the Block 3 and 4 fields.

Associated companies

Lithuania

As per 30 June 2016, the value of the shareholding in the two associated Danish companies holding the interest in Lithuanian licenses, amounted to MUSD 2 (MUSD 2). For more information regarding the ownership structure, please refer to Annual report 2015. The book value related to Minijos Nafta (Gargzdai) is zero and as there are no liabilities related to Minijos Nafta Tethys Oil does not recognize any negative net result.

Production continues in the Gargzdai licence and cost cutting measures are being implemented.

In Raseiniai, results from the long term production test of the exploration well Tidikas-1 suggests that the main target, the Silurian reef, has poor reservoir properties. Oil is clearly present, but flows have been small and barely sustainable. During the later part of the test, small, but more sustainable flows, have however been established from the carbonate 'platform' below the reef. The presence of live oil within this rock layer suggests a stratigraphic element. The long term production test on Tidikas-1 will shortly be terminated, and nearby focus will be on better understanding the carbonate layers below the reefal structures and the extent of the 'platform' will be evaluated from seismic.

Liquidity and financing

Cash and bank and Net cash as per 30 June 2016 amounted to MUS\$ 41 compared to MUS\$ 45 as per 31 March 2016.

In May 2016 a dividend of SEK 1 per share was paid to shareholders, which in total amounted to MUS\$ 4. Furthermore MUS\$ 1 was used to repurchase 213,591 shares.

During the second quarter 2016, the cash flow from operations amounted to MUS\$ 11 and investments in oil and gas amounted to MUS\$ 9. For the second quarter 2016 the cash flow from operations after investments amounted to MUS\$ 2.

The Blocks 3 and 4 investment budget 2016 will continue to focus on development and appraisal. Following the oil price development, Tethys Oil's investment plans, including the capex budget, for 2016 will be closely monitored and subject to on-going revisions. The target is to fund investments on Blocks 3 and 4 from available funds and from cash flow from operations.

Tethys Oil's operations in Lithuania are expected to be funded from cash flow from operations and available cash in the associated Lithuanian companies.

Parent company

The Parent company reports a net result after tax for the second quarter 2016 amounting to MSEK -7 compared to MSEK -14 for the first quarter 2016. Administrative expenses amounted to MSEK 12 for the second quarter 2016 compared to MSEK 7 for

the first quarter 2016. Net financial result amounted to MSEK 2 during the second quarter 2016 compared to MSEK -8 for the first quarter 2016.

Share data

As per 30 June 2016, the number of outstanding shares in Tethys Oil amount to 35,543,750, with a quota value of SEK 0.17. All shares represent one vote each. There has been no change in the number of shares since 31 December 2015. Tethys Oil have warrant based incentive programmes for employees, for further information please see page 17.

As per 30 June 2016, Tethys Oil held 1,297,260 of its own shares which have been purchased since commencement of the programme during the fourth quarter 2014. 213,591 shares were purchased during the second quarter 2016 at an average price of SEK 59. The repurchased shares are still included in the total number of shares, but are not included in the average number of shares in circulation, which amount to 34,246,490 during the second quarter ending 30 June 2016.

After 30 June 2016, Tethys Oil has acquired a further 31,964 of its own shares, and per the publication date of this report Tethys Oil holds 1,329,224 of its own shares.

Seasonal effects

Tethys Oil has no significant seasonal variations.

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 15.

Transactions with related parties

There have been no transactions with related parties during the second quarter 2016, nor for any comparative periods.

Consolidated statement of comprehensive income in summary

Second quarter 2015	First quarter 2016	Second quarter 2016	MUSD	Note	First half 2016	First half 2015
26	20	21	Revenue	3	40	51
-9	-8	-10	Operating expenses		-18	-20
18	12	10	Gross profit		22	31
-8	-11	-11	Depletion, depreciation and amortisation		-22	-16
-	-	-	Exploration costs		-	-
-0	-0	-0	Net profit/loss from associates		-0	-1
-2	-1	-2	Administrative expenses	8	-3	-3
7	-1	-3	Operating result		-3	12
-3	-1	0	Net financial result	4	-2	1
4	-2	-3	Result before tax		-5	12
-	-	-	Income tax		-	-
4	-2	-3	Result for the period		-5	12
			Other comprehensive result			
			Items that may be subsequently reclassified to profit or loss:			
2	-1	-0	Currency translation differences		-1	3
2	-1	-0	Other comprehensive result for the period		-1	3
6	-3	-3	Total comprehensive result for the period		-7	15
35,544,000	35,543,750	35,543,750	Number of shares outstanding		35,544,000	35,544,000
35,544,000	35,543,750	35,543,750	Number of shares outstanding (after dilution)		35,543,750	35,543,750
35,192,000	34,460,081	34,407,417	Weighted number of shares		34,433,749	35,191,690
0.13	-0.07	-0.08	Earnings per share, USD		-0.15	0.34
0.13	-0.07	-0.08	Earnings per share (after dilution), USD		-0.15	0.34

Consolidated balance sheet in summary

MUSD	Note	30 Jun 2016	31 Dec 2015	31 Dec 2014
ASSETS				
Non current assets				
Oil and gas properties	5	188	189	166
Office equipment		0	0	0
Investment in associates		1	2	5
		189	191	171
Current assets				
Other receivables		6	8	10
Prepaid expenses		2	2	2
Cash and cash equivalents		41	51	48
		49	61	60
TOTAL ASSETS		238	253	232
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital		1	1	1
Additional paid in capital		71	71	71
Other reserves		24	26	19
Retained earnings		111	120	123
Total shareholders' equity		207	217	214
Non current liabilities				
Loan facility	6	–	–	–
Other non current liabilities	7	4	4	4
		4	4	4
Current liabilities				
Accounts payable		0	0	0
Accrued expenses		8	12	0
Other current liabilities		19	20	14
		27	31	14
Total liabilities		31	35	18
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		238	253	232
Pledged assets	9	169	213	230
Contingent liabilities	10	–	–	

Consolidated statement of changes in equity in summary

MUSD	Share capital	Paid in capital	Other reserves	Retained earnings	Total equity
Opening balance 1 January 2015	1	71	19	123	214
Comprehensive income					
Result for the full year 2015	-	-	-	23	23
Period result	-	-	-	23	23
Other Comprehensive income					
Currency translation differences full year 2015	-	-	6	-	6
Total other comprehensive income	-	-	6	-	6
Total comprehensive income	-	-	26	23	49
Transactions with owners					
Purchase of own shares	-	-	-	-5	-5
Dividends paid	-	-	-	-4	-4
Share redemption	-	-	-	-8	-8
Incentive programme	-	-	-	-0	0
Total transactions with owners	-	-	-	-17	-17
Closing balance 31 December 2015	1	71	26	120	217
Opening balance 1 January 2016	1	71	26	120	217
Comprehensive income					
Result for the first quarter 2016	-	-	-	-2	-2
Result for the second quarter 2016	-	-	-	-3	-3
Period result	-	-	-	-5	-5
Other Comprehensive income					
Currency translation differences first quarter 2016	-	-	-1	-	-1
Currency translation differences second quarter 2016	-	-	-0	-	-0
Total other comprehensive income	-	-	-2	-	-2
Total comprehensive income	-	-	-2	-5	-7
Transactions with owners					
Purchase of own shares	-	-	-	-1	-1
Dividends paid	-	-	-	-4	-4
Total transactions with owners	-	-	-	-5	-5
Closing balance 30 June 2016	1	71	24	111	207

Consolidated cash flow statement in summary

Second quarter 2015	First quarter 2016	Second quarter 2016	MUSD	Note	First half 2016	First half 2015
			Cash flow from operations			
7	-1	-2	Operating result		-3	13
0	0	0	Interest received		0	0
0	-0	0	Interest paid	4	0	0
0	-	-	Income tax		-	-
0	1	-	Adjustment for exploration costs		0	0
9	11	7	Adjustment for depletion, depreciation and other non cash related items		18	15
16	10	5	Total cash flow from operations before change in working capital		14	27
-3	-1	6	Change in receivables		6	-2
-2	0	0	Change in liabilities		0	0
10	9	11	Cash flow from operations		20	24
			Investment activity			
-6	-15	-9	Investment in oil and gas properties	5	-24	-22
0	-0	0	Investment in other fixed assets		0	0
3	-	-	Dividend from associated companies		-	3
-3	-15	-8	Cash flow from investment activity		-24	-20
			Financing activity			
-1	-	-1	Purchase of own shares		-1	-1
-8	-	-	Share redemption		-	-8
-4	-	-4	Dividend		-4	-4
-13	-	-6	Cash flow from financing activity		-6	-13
-7	-6	-2	Period cash flow		-8	-9
46	51	45	Cash and cash equivalents at the beginning of the period		51	94
0	0	-1	Exchange gains/losses on cash and cash equivalents		-1	0
39	45	41	Cash and cash equivalents at the end of the period		41	85

Key ratios

Second quarter 2015	First quarter 2016	Second quarter 2016	Group	First half 2016	First half 2015
			Operational items		
858,453	1,111,336	1,106,882	Production before government take, bbl	2,218,219	1,642,659
9,434	12,212	12,164	Production per day, bbl	12,188	9,075
545,019	531,918	740,844	Net sales after government take, bbl	1,272,762	853,911
57.77	35.70	35.88	Achieved oil price, USD/bbl	35.80	59.95
			Income statement and balance sheet		
26	20	21	Revenue, MUSD	40	51
15	10	8	EBITDA, MUSD	19	27
58%	49%	41%	EBITDA-margin	47%	54%
7	-1	-3	Operating result, MUSD	-3	12
27%	-7%	-12%	Operating margin	-8%	23%
4	-2	-3	Net result, MUSD	-5	12
17%	-12%	-14%	Net margin	-13%	24%
39	45	41	Cash and cash equivalents, MUSD	41	39
211	216	207	Shareholders' equity, MUSD	207	211
229	242	244	Balance sheet total, MUSD	244	229
			Capital structure		
92%	89%	85%	Solvency	85%	92%
-17%	-19%	-18%	Leverage ratio	-18%	-16%
6	15	9	Investments, MUSD	24	22
39	45	41	Net cash, MUSD	41	39
			Profitability		
2.11%	-1.05%	1.38%	Return on shareholders' equity	-2.46%	5.68%
3.21%	-0.08%	-0.78%	Return on capital employed	-0.49%	7.02%
			Other		
18	20	19	Average number of employees	19	18
0.36	-	0.12	Dividend per share, USD	0.12	0.36
0.28	0.27	0.32	Cash flow from operations per share, USD	0.59	0.68
35,544	35,544	35,544	Number of shares on balance day, '000	35,544	35,544
5.94	6.07	5.83	Shareholders' equity per share, USD	5.83	5.94
35,192	34,460	34,407	Weighted number of shares on balance day, '000	34,434	35,193
0.13	-0.07	-0.08	Earnings per share, USD	-0.15	0.34
0.13	-0.07	-0.08	Earnings per share after dilution, USD	-0.15	0.34

Key quarterly data

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Daily production, bbl	12,164	12,212	10,956	10,087	9,434	8,713	8,350	8,399
Barrels sold, bbl	740,844	531,918	366,746	584,399	545,019	308,892	434,035	399,352
Revenue, MUSD	21	20	26	30	26	25	38	42
EBITDA, MUSD	8	10	13	17	15	13	24	33
Return on shareholders' equity	1.38%	-1.05%	1.52%	4.5%	1.7%	3.5%	-0.1%	12.5%
Cash flow from operations, MUSD	11	10	2	35	6	18	33	25
Earnings per share, USD	-0.08	-0.07	0.09	0.24	0.13	0.22	-0.00	0.67
Share price, end of period, SEK	64.50	54.0	57.5	44.4	55.5	57.8	59.2	85.2

For definitions of key ratios please refer to the 2015 Annual Report.
The abbreviation n.a. means not applicable.

Parent company income statement in summary⁶

Second quarter 2015	First quarter 2016	Second quarter 2016	MSEK	Note	First half 2016	First half 2015
4	1	3	Other income		4	6
-1	-0	-	Net profit/loss of associates		-	-5
-14	-7	-12	Administrative expenses		-19	-20
-11	-6	-9	Operating result		-15	-19
-15	-8	2	Net financial items		-6	14
-26	-14	-7	Result before tax		-21	-4
-	-	-	Income tax		-	-
-26	-14	7	Result for the period⁷		-21	-4

Parent company balance sheet in summary

MSEK	Note	30 Jun 2016	31 Dec 2015	31 Dec 2014
ASSETS				
Total non current assets		205	148	91
Total current assets		216	368	237
TOTAL ASSETS		421	517	329
SHAREHOLDERS' EQUITY AND LIABILITIES				
Restricted shareholders' equity		77	77	77
Unrestricted shareholders' equity		298	395	248
Total current liabilities		46	45	3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		421	517	329
Pledged assets	9	1	1	1
Contingent liabilities	10	-	-	-

⁶ Please note that the parent company presents the financial reports in SEK. For more information please see Accounting principles on next page.

⁷ As there are no items in the parent company's other comprehensive income, no separate report on total comprehensive income is presented.

Notes

General information

Tethys Oil AB (publ) ("the Company"), organisation 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 licences in Oman, Lithuania and France.

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

Accounting principles

The second quarter report 2016 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The second quarter report 2016 of the Parent company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2 "Accounting for legal entities", issued by the Swedish Financial Accounting Standards Council.

The accounting principles as described in the Annual report 2015 have been used in the preparation of this report.

With effect from this second quarter report, Tethys Oil has applied the ESMA's (European Securities and Markets Authority) guidelines for alternative performance measures. Definitions of performance measures are provided in the Annual Report 2015 and the relevant reconciliations can be found on page 17 of this report.

New financial reporting currency

IAS 21 allows financial reporting in currencies other than Swedish kronor (SEK), for Swedish groups. Tethys Oil's board of directors have decided to adopt USD as the reporting currency for the Group in order to improve the understanding of Tethys Oil's financial reporting and to increase transparency. As a consequence, the comparative figures are translated into USD whereby assets and liabilities are translated at the closing rate at the date of that balance sheet and income and expenses are translated at the exchange rates at the dates of the transactions. Equity is translated against historical rates. The financial reporting in USD has commenced as from 1 January 2016. The parent company will continue to use SEK as financial reporting currency.

Exchange rates

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

	30 June 2016		31 March 2016		31 December 2015	
Currency	Average	Period end	Average	Period end	Average	Period end
SEK/USD	8.39	8.32	8.49	8.31	8.45	8.51
SEK/EUR	8.57	9.38	9.38	9.29	9.42	9.30
SEK/CHF	9.37	8.67	8.59	8.51	8.80	8.60

Second quarter 2016 comparison with First quarter 2016	Second quarter 2015	Effect of currency exchange rates on operating result, MUSD	First half 2016 comparison with First half 2015
-	-	Revenue	-
-	-	Depreciation, depletion and amortization	-
-	-	Exploration costs	-
0	0	Other income	0
-	-	Operating expenses	-
0	0	Net profit/loss from associate	0
0	0	Administrative expenses	0
0	0	Summary of currency exchange rate effect on operating result	0

The table above presents the currency exchange effect on operating result compared with the above comparative periods, by applying the average exchange rate of the respective comparative period on the second quarter 2016 accounts.

Fair value

The nominal value of accounts payables, cash and bank and accounts receivables is a fair approximation of those line items.

IAS 39 valuation categories and related balance sheet items

	30 June 2016			31 December 2015			
MUSD	Financial assets and liabilities at fair value through profit or loss	Other receivables and cash and bank	Other liabilities	MUSD	Financial assets and liabilities at fair value through profit or loss	Other receivables and cash and bank	Other liabilities
Other receivables	-	6	-	Other receivables	-	8	-
Cash and bank	-	41	-	Cash and bank	-	51	-
Accounts payables	-	-	0	Accounts payables	-	-	0
Accrued expenses	-	-	8	Accrued expenses	-	-	20

Note 1, Risks and uncertainties

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

Operational risk

At its current stage of development Tethys Oil is commercially producing oil and is furthermore exploring for and appraising undeveloped known oil and/or natural gas accumulations. The operational risk is different in these parts of Tethys Oil's operations. The main operational risk in exploration and appraisal activities is that the activities and investments made by

Tethys Oil and its partners will not evolve into commercial reserves of oil and gas. The oil price is of significant importance to Tethys Oil in all parts of operations as income and profitability is and will be dependent on prices prevailing from time to time. Significantly lower oil prices will reduce current and expected cash flows and profitability in projects and can make projects sub economic. Lower oil prices could also decrease the industry interest in Tethys Oil's projects regarding farmout or sale of assets. There are no oil price hedges in place as per 30 June 2016.

Another operational risk factor is access to equipment in Tethys Oil's projects. In the drilling/development phase of a project the group is dependent on advanced equipment such as rigs, casing, pipes etc. A shortage

of these supplies can present difficulties for Tethys Oil to fulfil projects. Through its operations Tethys Oil is furthermore subject to political risk, environmental risk and the risk of not being able to retain key personnel.

A more detailed analysis of the Group's risks and uncertainties and how the Group addresses these risks, are given in the Annual report for 2015.

Note 2, Segment reporting

The Group's accounting principle for segments describes that operating segments are based on geographic perspective. The operating result for each segment is presented below.

Group income statement Jan-Jun 2016					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue	40	-	-	-	40
Operating expenses	-18	-	-	-	-18
Depreciation, depletion and amortisation	-22	-	-	-	-22
Exploration costs	-	-	-	-	-
Other income	-	-	-	-	-
Net profit/loss from associates	-	-	-	-	-
Administrative expenses	-1	-	-2	-0	-3
Operating result	-1	-	-2	-0	-3
Total financial items					-2
Result before tax					-5
Income tax					-
Result for the period					-5

Group income statement Jan-Dec 2015					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue	107	-	-	-	107
Operating expenses	-43	-	-	-	-43
Depreciation, depletion and amortisation	-35	-	-	-	-35
Exploration costs	-	-	-	-0	-0
Other income	-	-	-	-	-
Net profit/loss from associates	-	-0	-	-	-0
Administrative expenses	-1	-	-3	-1	-5
Operating result	27	-0	-3	-1	23
Total financial items					0
Result before tax					23
Income tax					-
Result for the period					23

Note 3, Revenue

	Second quarter 2016	First quarter 2016	Second quarter 2015
Revenue, MUSD			
Net sales,	27	19	31
Underlift (overlift)	(6)	1	(5)
Revenue	21	20	26

Tethys Oil sells all of its oil to Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. All oil sales come from Blocks 3 and 4 Oman and are made on a monthly basis. The selling price is the monthly average of the two month future price for Omani blend.

Note 4, Net financial result

	Second quarter 2016	First quarter 2016	Second quarter 2015
Net financial result			
<i>Financial income:</i>			
Interest income	0	0	0
Gain on currency exchange rates	1	1	0
Other financial income	0	0	0
<i>Financial expenses:</i>			
Interest expenses	-0	-0	-0
Currency exchange losses	-1	-2	-3
Other financial expenses	-0	-0	-0
Net financial result	0	-1	-3

Note 5, Oil and gas properties

Country	Licence name	Phase	Tethys Oil, %	Total area, km ²	Partners (operator in bold)	Book value 30 Jun 2016	Book value 31 Dec 2015	Investments Jan-Jun 2016
Oman	Blocks 3,4	Production	30%	34,610	CCED , Mitsui	187	189	24
Lithuania	Gargzdai	Production	25%	884	Odin, GeoNafta	-	-	-
Lithuania	Rietavas	Exploration	30%	1,594	Odin, private investors	-	-	-
Lithuania	Raseiniai	Exploration	30%	1,535	Odin, private investors	-	-	-
France	Alès	Exploration	37.5	215	MouvOil	-	-	-
France	Attila	Exploration	40%	1,986	Galli Coz	-	-	-
New ventures						0	-	0
Total						188	189	24

Note 6, Loan facility

Tethys Oil has a four-year, up to MUSD 62, senior revolving reserve based lending facility. The original facility amount was up to MUSD 100 and the maximum facility amount is being reduced in accordance with the loan life. Security for the facility is the interest in the Blocks 3 and 4 licence. The interest rate of the credit facility is floating between LIBOR + 3.75 per cent to LIBOR + 4.00 per cent per annum, depending on the level of utilization of the facility. As per 30 June 2016, there is no outstanding interest bearing debt from the credit facility.

Note 7, Other non current liabilities

Tethys Oil have other non current liabilities of MUSD 4 (MUSD 4), which is a provision for site restoration on Blocks 3 and 4 in Oman.

Note 8, Incentive programme

Tethys Oil has an incentive programme as part of the remuneration package to employees. Warrants were issued 2015 and 2016 following a decision by the respective AGM.

	2015/2018	2016/2019
	Warrants	Warrants
Number of warrants issued	356,000	350,000
Number of shares each warrant entitles to subscribe for	1.03	1.00
Subscription price, SEK	80.40	65.50
Exercise period	23 May – 5 Oct, 2018	28 May – 4 Oct, 2019

As the subscription price is above the share price as per the reporting date in this report, the warrants are not included in the fully diluted number of shares

Note 9, Pledged assets

As per 30 June 2016, pledged assets amounted to MUSD 169 (213). Pledged assets are mainly a continuing security with regard to the credit facility where Tethys Oil has entered into a pledge agreement. The pledge relates to all shares in the subsidiary Tethys Oil Block 3&4 Ltd for the benefit of the lenders in the credit facility and the value of the pledge is equal to the shareholders' equity value in Tethys Oil Block 3&4 Ltd. The reduction of pledged assets during the first quarter 2016 is an effect of reduced shareholders' equity in Tethys Oil Block 3&4 Ltd after paying dividend to the parent company.

Pledged assets in the parent company amounts to MSEK 1 (1) and relate to a pledge in relation to office rental.

Note 10, Contingent liabilities

There are no outstanding contingent liabilities as per 30 June 2016, nor for the comparative period.

Relevant reconciliations of non-IFRS-based performance measures

Besides the definitions below, definitions of the non-IFRS-based performance measures below can be found in the Annual Report 2015.

Second quarter 2015	First quarter 2016	Second quarter 2016	MUSD (unless specifically stated)	First half 2016	First half 2015
7	-1	-3	Operating result	-3	12
8	11	11	Depreciation, depletion and amortization	22	16
-	-	-	Exploration costs	-	-
15	10	8	EBITDA	19	27
39	45	41	Cash and bank	41	39
-	-	-	Interest bearing debt	-	-
39	45	41	Net cash	41	39
10	9	11	Cash flow from operations	20	24
-6	-15	-9	Investment in oil and gas properties	-24	-22
4	-6	2	Cash flow from operations after investments	-4	2

About Tethys Oil

Tethys Oil is a Swedish energy company focused on exploration and production of oil. Tethys Oil's core area is the Sultanate of Oman, where the company is one of the largest onshore oil concession holders with a current net production of about 12,000 barrels of oil per day. Tethys Oil also has exploration and production assets onshore Lithuania and France. The shares are listed on Nasdaq Stockholm (TETY).

Vision

Tethys Oil shall have a well-balanced and self-financed portfolio of oil and natural gas assets. The company also aims to conduct business in an economical, socially and environmentally responsible way, to the benefit of all stakeholders.

Capital structure target

Tethys Oil's primary objective is to create shareholder value and in doing so the company will have a balanced approach to growth and shareholder distributions, with a long term capital structure target of a zero net cash position.

Financial information

Third quarter report 2016 (January – September 2016) on 1 November 2016

Fourth quarter 2016 (January – December 2016) on 14 February 2017

First quarter 2017 (January – March 2017) on 2 May 2017

Second quarter report 2017 (January – June 2017) on 15 August 2017

Board assurance

The board of directors and the managing director certify that the half year report gives a fair review of the performance of the business, position and profit or loss of the company and the group, and describes the principal risks and uncertainties that the company and the companies in the group face.

Stockholm, 16 August 2016

Tethys Oil AB (publ)

Org. No. 556615-8266

Dennis Harlin
Chairman of the board

Per Brilioth
Director

Magnus Nordin
Managing director

Richard Rettig
Director

Katherine Støvring
Director

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This report has not been subject to review by the auditors of the company.