

Second quarter and half year report - 30 June 2017

Second quarter 2017 (first quarter 2017)

- Production amounted to 12,477 bopd (12,495 bopd)
- Revenue of MUSD 31.4 (MUSD 29.3)
- EBITDA of MUSD 21.0 (MUSD 19.3)
- Net result of MUSD 10.6 (MUSD 6.7)
- Earnings per share amounted to USD 0.31 (USD 0.19)
- 12 new wells completed on Blocks 3&4
- Exploration well Ulfa-1 flows oil to surface
- One previously undrilled fault block on Farha South successfully drilled and found to be oil bearing
- Daily production on Blocks 3&4 expected to be in line with the first half of 2017 until end of Q1 2018, following the extension of OPEC/Non-OPEC production limitations

MUSD (unless specifically stated)	Second quarter 2017	First quarter 2017	Second quarter 2016	First half 2017	First half 2016	Full year 2016
Net daily production before government take (bbl)	12,477	12,495	12,164	12,486	12,188	12,235
Net barrels sold, after government take (bbl)	565,331	564,700	740,844	1,130,031	1,272,762	2,357,701
Average selling price per barrel, USD	53.7	50.7	35.9	52.2	35.8	40.5
Revenue	31.4	29.3	20.6	60.7	40.3	87.1
EBITDA	21.0	19.3	8.4	40.3	18.8	44.0
Operating result	11.0	9.3	-2.5	20.3	-3.2	-0.5
Result for the period	10.6	6.7	-2.9	17.3	-5.2	2.7
Net cash	32.3	40.1	41.2	32.3	41.2	39.0
Investments in oil and gas properties	15.1	13.0	9.0	28.1	24.0	48.5
Earnings per share (after dilution), USD	0.31	0.19	-0.09	0.50	-0.15	0.08

Letter to shareholders

Dear Friends and Investors,

A lot happened during the second quarter, although it may not seem obvious. Tethys Oil continues to be profitable and paid another dividend to our shareholders. Operationally, we are particularly pleased that exploration activity continued to deliver solid results for growth. Most significantly, the exploration well Ulfa-1 was successfully completed and tested during the second quarter. Together with the exploration well Erfan-1, drilled in the first quarter and appraised in the second, we now have two new discoveries. Depending on the ongoing appraisal and evaluation process, these discoveries have the potential to turn into new oil fields on Blocks 3&4. If so, we are looking at the first new fields since 2013.

And the Farha South field has continued to grow. In addition to the two new, previously undrilled, fault blocks that were drilled and found to be oil bearing in the first quarter, we successfully drilled another previously undrilled fault block in the second quarter.

A total of 12 wells were drilled on Blocks 3&4 in the second quarter, including one exploration well, appraisal and production wells and wells for water injection.

So, all in all, the drill bit has certainly been with us this quarter and we actually continue to have a 100% success rate when it comes to drilling oil bearing wells!

Production

We produced 1,135,370 barrels of oil in the quarter, which was in line with the first quarter 2017. In May it was announced that OPEC had agreed to extend certain production quotas until the end of the first quarter 2018 with the support of Oman. Consequently we expect that Tethys Oil's average daily production during that period will be in line with the average daily production achieved for the first half of 2017 albeit with some month to month fluctuations. With the recent exploration success and the ongoing optimization in the existing fields we remain confident that once the production limitations are lifted, we will be able to increase our production on very short notice.

Strengthened oil price environment

The oil price environment strengthened in the second quarter, and our average selling price increased 6% from USD 50.7 in the first quarter to USD 53.7 per barrel. The oil price however continued to be volatile and we saw a substantial drop in the end of the second quarter. In the beginning of the third quarter, the prices have again increased. We seem to be locked in a price range of say 45-52 USD per barrel with the end points defined by US shale rig activity. As oil consumption increases and old fields worldwide decline coupled with massive underinvestment in new exploration/production, we would expect oil prices to rise eventually, possibly even dramatically. But we would not expect to break out of the current range in the near term.

Second quarter in focus

In the second quarter, we report revenues of MUSD 31.4, up 7% compared with the first quarter. Our EBITDA amounted to MUSD 21.0, up 9% compared with the first quarter. Following investments in oil and gas of MUSD 15.1 and a total dividend to shareholders in May of MUSD 3.8, combined with a cash flow from operations of MUSD 11.1, our net cash position decreased from MUSD 40.1 to MUSD 32.3. Our operating expenses continued to decrease, and amounted to USD 7.3 per barrel, down 4% compared to the first quarter. At the bottom line, our net result amounted to MUSD 10.6, up 58% compared to the first quarter.

Outlook

Tethys Oil stands strong. We are producing at record levels, and even though we cannot raise our production and use our full production potential at the moment, we continue to grow. Our new discoveries and potentially new oil fields, Erfan and Ulfa, combined with continued appraisal and production drilling on all producing fields as well as our large inventory of undrilled prospects provides us with a solid platform for continued growth. We remain confident, that the production capacity on Blocks 3&4 have increased and that we will be capable of a daily production rate above the average achieved so far this year, once the current production limitations are lifted.

So, stay with us, Tethys Oil remains a strong growth case, profitable at today's oil prices and with great potential for the future!

Stockholm in August 2017

Magnus Nordin
Managing director

OPERATIONAL AND FINANCIAL REVIEW¹

Production

Tethys Oil's core area is onshore the Sultanate of Oman ("Oman"), where the company holds a 30 percent interest in Blocks 3&4 ("Blocks 3&4"). Tethys Oil also has interests in three licenses onshore Lithuania² and in two dormant licenses onshore France³.

Production comes primarily from three fields on Blocks 3&4; Farha South, Shahd and Saiwan East. Tethys Oil's share of production, before government take, from Blocks 3&4 during the second quarter 2017 was 1,125,973 barrels of oil, corresponding to 12,373 bopd. The average daily production is in line with the first quarter 2017.

In December 2016, OPEC and certain non-OPEC members agreed to reduce each country's oil production for an initial period of six months starting 1 January 2017. The Oman Ministry of Oil and Gas advised the larger producers in the country of a production level recommendation. For Blocks 3&4 the production level recommendation was 41,000 bopd, or 12,300 bopd net to Tethys Oil. At the end of the first half of 2017, Oman agreed with OPEC to extend the production limitations for another nine months until the end of the first quarter 2018. Tethys Oil expects daily production until end of first quarter 2018 to be in line with the daily production during the first half of 2017, with some month to month fluctuations.

Production on the Gargzdai field, Lithuania, has been fairly stable.

Tethys Oil's share of quarterly volumes, before government take (bbls)	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Oman, Blocks 3&4⁴					
Production	1,125,973	1,114,697	1,118,227	1,120,764	1,096,416
Average daily production	12,373	12,386	12,155	12,182	12,049
Lithuania, Gargzdai					
Production	9,397	9,882	10,394	10,518	10,466
Average daily production	104	109	113	114	115
Total production	1,135,370	1,124,579	1,128,621	1,131,282	1,106,882
Total average daily production	12,477	12,495	12,268	12,297	12,164

Revenue

Revenue	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Oil sold, bbl	565,331	564,700	583,772	501,167	740,844
Underlift (+)/overlift(-) movement, bbl	20,175	14,942	-2,294	81,630	-170,708
Oil price, USD/bbl	53.7	50.7	46.0	45.8	35.9
Net sales, MUSD	30.3	28.6	26.9	22.9	26.6
Underlift (+)/overlift(-) adjustments, MUSD	1.1	0.7	-6.2	3.2	-6.0
Revenue, MUSD	31.4	29.3	20.7	26.1	20.6

During the second quarter 2017, Tethys Oil sold 565,331 barrels of oil from Blocks 3&4, which is in line with the first quarter of 2017 when 564,700 barrels of oil were sold. The sales volumes in the second quarter 2017 have resulted in a shift to an underlift position.

¹ The consolidated financial statements of the Tethys Oil Group (hereafter referred to as "Tethys Oil", "Tethys" or the "Group"), in which group Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the second quarter 2017. Segments of the Group are geographical markets.

² 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 percent 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 Share of net profit/loss from associates.

³ The French licenses had an expiry date in 2015. The Attila licence has been extended, and Tethys Oil is currently reviewing the prospectivity and potential for additional work. Tethys Oil does not expect the Permis du Bassin D'Alès licence to be renewed.

⁴ On Blocks 3&4, the joint operations share of production (after government take) is currently 52 percent of total production. The basis of production sharing is further explained in the Annual report 2016.

The average selling price amounted to USD 53.7 per barrel during the second quarter 2017, compared to USD 50.7 during the first quarter 2017. The average price for Dated Brent oil for the second quarter 2017 amounted to USD 49.6 per barrel.

Net sales during the second quarter 2017 was MUS\$ 30.3 compared to MUS\$ 28.6 during the first quarter 2017. The adjustment for the shift from an overlift to an underlift position amounted to MUS\$ 1.1 and together with net sales of MUS\$ 30.3 add up to revenue of MUS\$ 31.4 during the second quarter 2017. The second quarter 2017 revenue is up 7 percent compared to the first quarter 2017 revenue of MUS\$ 29.3.

Oil sale volumes are nominated two months in advance and are not based upon the actual production in a month; as a result, oil sale volumes can be above or below production volumes. Where the sales volume exceeds the volume of barrels produced an overlift position occurs and where it is less, an underlift position occurs. The company has an underlift position during the second quarter 2017, which as per 30 June 2017 amounts to 7,088 barrels.

Underlift/overlift, bbls	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Underlift (+)/overlift(-), movement during period	20,175	14,942	-2,294	81,630	-170,708
Underlift (+)/overlift(-), closing position	7,088	-13,087	-28,029	-25,735	-107,365

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

Operating expenses

Operating expenses	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Production costs, MUS\$	8.0	8.2	8.1	8.4	9.6
Well workovers, MUS\$	0.2	0.3	1.1	0.7	0.6
Total operating expenses, MUS\$	8.2	8.5	9.2	9.1	10.2
Operating expenses per barrel, USD	7.3	7.6	8.2	8.1	9.3

Operating expenses during the second quarter 2017 amounted to MUS\$ 8.2 compared to MUS\$ 8.5 during the first quarter 2017. Operating expenses are related to oil production on Blocks 3&4, 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 7.3 to 9.3 per barrel.

Depletion, depreciation and amortisation

DD&A	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
DD&A, MUS\$	10.0	10.0	11.2	11.2	11.0
DD&A per barrel, USD	8.9	8.9	10.0	10.0	10.0

Depletion, depreciation and amortisation (“DD&A”) for the second quarter 2017 amounted to MUS\$ 10.0, which is in line with the first quarter 2017 which amounted to MUS\$ 10.0. The DD&A charge relates to Blocks 3&4.

Netback

Netback, USD/bbl	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Oil price achieved (sales barrels)	53.7	50.7	46.0	45.8	35.9
Revenue (after government take)	27.9	26.3	23.9	23.8	18.7
Operating expenses	7.3	7.6	8.2	8.1	9.3
Netback	20.6	18.7	15.7	15.7	9.4

Netback during the second quarter 2017 is higher than the first quarter 2017 mainly due to the increase in oil prices.

Share of net profit/loss from associate

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 2017 amounted to MUSD -0.1 compared to MUSD -0.1 during the first quarter 2017.

Administrative expenses

Administrative expenses amounted to MUSD 2.1 for the second quarter 2017 compared to MUSD 1.4 during the first quarter 2017. Administrative expenses are mainly salaries, rents, listing costs and external services. Administrative expenses have been relatively stable between the quarters, however the second quarter 2017 has been impacted by costs related to the employee incentive program amounting to MUSD 0.5.

Net financial result

The net financial result for the second quarter 2017 is primarily related to currency exchange effects and costs for the loan facility. The net financial result amounted during the second quarter to MUSD -0.4 compared to MUSD -2.6 during the first quarter 2017. Currency exchange differences recorded on loans between the parent company and subsidiaries are non-cash related items. Interest and fees related to the loan facility amounted to MUSD -0.0 and other financial costs amounted to MUSD -0.3.

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 netted against revenue in the income statement.

Result

Tethys Oil reports a net result after tax for the second quarter 2017 of MUSD 10.6, representing earnings per share (after dilution) of USD 0.31. The result for the second quarter 2017 is up compared to the first quarter 2017 where the net result amounted to MUSD 6.7.

Investments and work program

During the second quarter 2017, total investments amounted to MUSD 15.1 of which almost all relate to Blocks 3&4.

Summary of oil and gas properties (MUSD)			
Country	Book value 30 Jun 2017	Book value 31 Dec 2016	Investments Jan-Jun 2017
Oman	193.4	190.8	28.0
Lithuania	-	-	-
France	-	-	-
New ventures	0.4	0.3	0.1
Total	193.8	191.1	28.1

Blocks 3&4

Investments on Blocks 3&4 were slightly higher during the second quarter 2017 compared to the first quarter 2017.

Investments Blocks 3&4, MUSD	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Drilling - Exploration/Appraisal	3.8	3.6	0.5	0.0	0.9
Drilling – Development	6.4	4.2	7.9	5.7	5.3
G&G	1.3	1.5	1.3	0.9	0.8
Facilities	2.5	2.6	2.3	2.3	2.0
Pipeline	0.4	0.9	0.4	0.1	-0.1
Other capex	0.6	0.1	2.5	0.3	0.2
Total investments Blocks 3&4	15.1	12.9	14.9	9.3	9.0

Drilling activity has remained high during the second quarter 2017. Four rigs including one workover rig has been operating and a total of 12 wells were completed on Blocks 3&4.

Most significantly, exploration activity continued with the successful completion of one exploration well and the drilling of one appraisal well in the discovery made during the first quarter 2017. One new, previously undrilled, fault block on the Farha South field was successfully drilled and found to be oil bearing. The drilling of water injection wells on the Farha South field in recently discovered fault blocks continued as did as appraisal/production drilling on the Shahd and Saiwan East fields.

Wells completed Q2 2017 (primary purpose)	Farha South Field	Shahd and Saiwan East Fields	Near and far field	Total
Appraisal/Production	1	3	1	5
Water injection	4	1	-	5
Water source	1	-	-	1
Exploration	-	-	1	1
Total	6	4	2	12

Exploration on Blocks 3&4

A new exploration well Ulfa-1 was drilled in the first quarter 2017 and successfully completed and tested in the second quarter 2017. Ulfa-1 was spudded late in December 2016 on a previously undrilled structure located on trend with the Farha South field within the Farha South 3D-area, approximately 20 kilometres north of the Shahd K area. The well was drilled as a deviated well targeting the Barik, Lower Buah and Khufai formations. Ulfa-1 reached a total vertical depth of 4,040 metres and the well flowed oil to surface from the Khufai formation. The well has been hooked up to the Blocks 3&4 production system and is undergoing a long-term production test.

The discovery well Erfan-1, drilled during the first quarter 2017 and proved oil in a previously undrilled structure in Block 4, has been successfully appraised by the Erfan-2 well. Erfan-2 confirmed the Erfan structure and had good oil flows to surface. Both wells have been provisionally hooked up to the Blocks 3&4 production system for long term testing and appraising of the Erfan structure.

In addition to these discoveries, Tethys Oil has large inventory of undrilled prospects.

Block 3: Farha South Field

One appraisal/production well was drilled in the previously undrilled fault blocks AS on the Farha South field in the second quarter 2017. The fault blocks AS is located 0.5 kilometres east of fault blocks N. The well was drilled vertically down to the target, the Barik sandstone. The well encountered oil and have been connected to the production system. In addition, four water injection wells and one water source well were drilled on the field.

Block 4: Shahd and Saiwan East oil fields

Two appraisal/production wells were drilled in previously drilled structures on the Shahd field and one appraisal/production were drilled on the Saiwan East field. All wells encountered oil and have been connected to the production system and are undergoing testing operations. Main targets of the wells were the Khufai layer. In addition, one water injection well was drilled on the Shahd field.

Ongoing maintenance and updating work was conducted in all fields during the quarter.

New ventures

A number of new ventures projects have been reviewed and several continue to be evaluated.

Associated companies

As per 30 June 2017, the value of the shareholding in the two associated Danish companies holding the interest in Lithuanian licenses, amounted to MUSD 0.0 compared to MUSD 0.2 in the first quarter 2017. The reduction in book value is explained by a loss from associated companies. For more information regarding the ownership structure, please refer to the Annual report 2016. The book value related to Minijos Nafta (Gargzdai) is zero and there are no liabilities related to Minijos Nafta. Tethys Oil does not recognize any negative net result from Minijos Nafta.

Production continues on the Gargzdai licence has been fairly stable. During the second quarter 2017, a total of 17 wells were in production on the license.

Liquidity and financing

Cash and bank and Net cash as per 30 June 2017 amounted to MUSD 32.3 compared to MUSD 40.1 as per 31 March 2017.

In May 2017 a dividend of SEK 1.00 per share was paid to shareholders, which in total amounted to MUSD 3.8.

During the second quarter 2017, cash flow from operations amounted to MUSD 11.1 and investments in oil and gas amounted to MUSD 15.1. For the second quarter 2017 cash flow from operations after investments in oil and gas amounted to MUSD -4.0.

Tethys Oil paid the operator cash call for July 2017 during the second quarter 2017, which affected the cash position negatively.

A total of MUSD 0.3 of the Export Reporting Error amount of MUSD 5.9 was repaid during the second quarter 2017, with an estimated further MUSD 4.4 to be repaid in equal monthly instalments until 2022.

Tethys Oil's operations on Blocks 3&4, including investment program, are expected to be funded from cash flow from operations and from available funds. Tethys Oil's operations in Lithuania are expected to be funded from cash flow from operations and available cash in the associated Lithuanian companies.

Export Reporting Error

Tethys Oil accounted during the fourth quarter 2016 for the effects of a fiscal metering calibration error resulting in over-reporting of exported oil from Blocks 3&4, affecting fourth quarter 2016 and full year 2016 revenue and result negatively by MUSD 5.9. The error amount will be repaid in cash according to a repayment schedule over a five year period and Tethys Oil estimates that the negative undiscounted net cash effect for Tethys Oil will be less than MUSD 1.4. The mechanism for the full settlement details are being discussed, but Tethys Oil expects that the final settlement will reflect the relevant agreements.

Of the Export Reporting Error amount of MUSD 5.9, MUSD 0.3 was repaid during the second quarter 2017 resulting in Current provisions amounting to MUSD 0.9 and Non-current provisions to MUSD 3.5, hence a total amount remaining to be settled of MUSD 4.4.

Parent company

The Parent company reports a net result after tax for the second quarter 2017 amounting to MSEK -6.7 compared to MSEK -22.1 for the first quarter 2017. Administrative expenses amounted to MSEK 12.5 for the second quarter 2017 compared to MSEK 7.9 for the first quarter 2017. Net financial result amounted to MSEK 3.7 during the second quarter 2017 compared to MSEK -14.9 for the first quarter 2017. Financial income related to subsidiaries that is eliminated on a group level is the main reason for the positive result during the quarter.

Share data

As per 30 June 2017, 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. The Company has the same amount of shares outstanding as per 31 March 2017. Tethys Oil has a warrant based incentive programme for employees, for further information please see note 9 on page 19. As the subscription price is above the share price as per the reporting date in this report there are no dilution effects per 30 June 2017. If the subscription price has been below the share price during the reporting period the dilution effects have been included in the weighted average number of shares in circulation after dilution.

As per 30 June 2017, Tethys Oil held 1,329,224 of its own shares which have been purchased since commencement of the programme during the fourth quarter 2014. No shares were purchased during the second quarter 2017. The repurchased shares are still included in the total number of shares, but are not included in the average number of shares in circulation. The weighted average number of shares in circulation during the second quarter 2017 before dilution is 34,214,526 and after dilution 34,512,619.

After 30 June 2017 and up to the date of publication of this report, Tethys Oil has not acquired any further 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 17.

Transactions with related parties

There have been no transactions with related parties during the second quarter 2017, nor for any comparative periods.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

MUSD	Note	Second quarter 2017	First quarter 2017	Second quarter 2016	First half 2017	First half 2016	Full year 2016
Revenue	3	31.4	29.3	20.6	60.7	40.3	87.1
Operating expenses		-8.2	-8.5	-10.2	-16.7	-18.3	-36.6
Gross profit		23.2	20.8	10.4	44.0	22.0	50.5
Depletion, depreciation and amortisation		-10.0	-10.0	-11.0	-19.9	-22.0	-44.4
Exploration costs		-0.0	-0.0	-	-0.0	-	-0.1
Share of net profit/loss from associates		-0.1	-0.1	-	-0.3	-0.0	-0.7
Administrative expenses	9	-2.1	-1.4	-1.9	-3.5	-3.2	-5.8
Operating result		11.0	9.3	-2.5	20.3	-3.2	-0.5
Net financial result	4	-0.4	-2.6	-0.4	-3.0	-2.0	3.2
Result before tax		10.6	6.7	-2.9	17.3	-5.2	2.7
Income tax		-	-	-	-	-	-
Result for the period		10.6	6.7	-2.9	17.3	-5.2	2.7
Other comprehensive result							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences		0.1	2.4	-0.1	2.5	0.4	-7.0
Other comprehensive result for the period		0.1	2.4	-0.1	2.5	0.4	-7.0
Total comprehensive result for the period		10.7	9.1	-3.0	19.8	4.8	-4.4
Attributable to:							
Shareholders in the parent company		10.7	9.1	-3.0	19.8	4.8	-4.4
Non controlling interest		-	-	-	-	-	-
Number of shares outstanding		35,543,750	35,543,750	35,543,750	35,543,750	35,543,750	35,543,750
Number of shares outstanding (after dilution)		35,543,750	35,895,500	35,543,750	35,543,750	35,543,750	36,232,460
Weighted average number of shares (before dilution)		34,214,526	34,214,526	34,407,417	34,214,526	34,433,749	34,324,020
Weighted average number of shares (after dilution)		34,512,619	34,628,994	34,407,417	34,573,172	34,433,749	34,372,065
Earnings per share (before dilution), USD		0.31	0.20	-0.09	0.51	-0.15	0.08
Earnings per share (after dilution), USD		0.31	0.19	-0.09	0.50	-0.15	0.08

CONSOLIDATED BALANCE SHEET IN SUMMARY

MUSD	Note	30 Jun 2017	31 Dec 2016
ASSETS			
Non current assets			
Oil and gas properties	5	193.8	191.1
Office equipment		0.0	0.1
Investment in associates		0.0	0.3
		193.9	191.5
Current assets			
Other receivables		10.7	7.4
Prepaid expenses		0.8	1.1
Cash and cash equivalents		32.3	39.0
		43.8	47.5
TOTAL ASSETS		237.6	239.0
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		0.8	0.8
Additional paid in capital		71.0	71.0
Reserves		1.4	-1.1
Retained earnings		139.9	126.2
Total shareholders' equity		213.1	196.9
Non current liabilities			
Non current provisions	7, 8	8.5	8.8
		8.5	8.8
Current liabilities			
Current provisions	7, 8	0.9	1.9
Accounts payable		0.1	0.2
Accrued expenses		13.4	9.7
Other current liabilities		1.6	21.5
Loan facility	6	-	-
		16.0	33.3
Total liabilities		24.6	42.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		237.6	239.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

Attributable to shareholders of the parent company					
MUSD	Share capital	Paid in capital	Reserves	Retained earnings	Total equity
Opening balance 1 January 2016	0.8	71.0	5.9	139.5	217.2
Comprehensive income					
Result for twelve months 2016	-	-	-	2.7	2.7
Currency exchange differences twelve months 2016	-	-	-7.0	-	-7.0
Total comprehensive income	-	-	-7.0	2.7	-4.4
Transactions with owners					
Purchase of own shares	-	-	-	-1.5	-1.5
Dividends paid	-	-	-	-3.7	-3.7
Share redemption	-	-	-	-10.9	-10.9
Incentive programme	-	-	-	0.3	0.3
Total transactions with owners	-	-	-	-15.8	-15.8
Closing balance 31 December 2016	0.8	71.0	-1.1	126.2	196.9
Opening balance 1 January 2017	0.8	71.0	-1.1	126.2	196.9
Comprehensive income					
Result for six months 2017	-	-	-	17.3	17.3
Currency exchange differences six months 2017	-	-	2.5	-	2.5
Total comprehensive income	-	-	2.5	17.3	19.8
Transactions with owners					
Purchase of own shares	-	-	-	-	-
Dividends paid	-	-	-	-3.9	-3.9
Share redemption	-	-	-	-	-
Incentive programme	-	-	-	0.3	0.3
Total transactions with owners	-	-	-	-3.6	-3.6
Closing balance 30 June 2017	0.8	71.0	1.4	139.9	213.1

CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY

MUSD	Note	Second quarter 2017	First quarter 2017	Second quarter 2016	First half 2017	First half 2016	Full year 2016
Cash flow from operations							
Operating result		11.0	9.3	-2.5	20.3	-3.2	-0.5
Interest received		-	-	0.0	-	0.0	-
Interest paid	4	-	-0.1	-0.2	-0.2	-0.5	-0.7
Adjustment for exploration costs		-	-	-	-	-	0.1
Adjustment for depletion, depreciation and other non-cash related items		12.8	8.8	7.8	21.7	19.0	45.8
Total cash flow from operations before change in working capital		23.8	18.0	5.1	41.8	15.3	44.7
Change in receivables		6.5	-2.0	5.9	4.6	5.4	-1.8
Change in liabilities		-19.2	-1.6	0.3	-20.8	0.4	9.8
Cash flow from operations		11.1	14.4	11.3	25.6	21.1	52.7
Investment activity							
Investment in oil and gas properties	5	-15.1	-13.0	-9.0	-28.1	-24.0	-48.5
Investment in other fixed assets		0.0	0.0	0.0	0.0	0.0	-
Cash from associated companies, net		0.0	0.0	0.4	0.0	-0.4	0.1
Cash flow from investment activity		-15.1	-13.0	-8.6	-28.1	-24.4	-48.4
Financing activity							
Purchase of own shares		-	-	-1.4	-	-1.4	-1.7
Share redemption		-	-	-	-	-	-11.6
Dividend		-3.8	-	-4.1	-3.8	-4.1	-4.1
Cash flow from financing activity		-3.8	-	-5.5	-3.8	-5.5	-17.4
Period cash flow		-7.8	1.4	-2.8	-6.3	-8.8	-13.1
Cash and cash equivalents at the beginning of the period		40.1	39.0	45.4	39.0	51.2	51.2
Exchange gains/losses on cash and cash equivalents		-0.0	-0.3	-1.4	-0.4	-1.2	0.9
Cash and cash equivalents at the end of the period		32.3	40.1	41.2	32.3	41.2	39.0

KEY RATIOS

Group	Second quarter 2017	First quarter 2017	Second quarter 2016	First half 2017	First half 2016	Full year 2016
Operational items						
Production before government take, bbl	1,135,370	1,124,579	1,106,882	2,259,949	2,218,218	4,478,121
Production per day, bbl	12,477	12,495	12,164	12,486	12,188	12,235
Net sales after government take, bbl	565,331	564,700	740,844	1,130,031	1,272,762	2,357,701
Achieved oil price, USD/bbl	53.7	50.7	35.9	52.2	35.8	40.5
Income statement and balance sheet						
Revenue, MUSD	31.4	29.3	20.6	60.7	40.3	87.1
EBITDA, MUSD	21.0	19.3	8.4	40.3	18.8	44.0
EBITDA-margin	67%	66%	41%	66%	47%	51%
Operating result, MUSD	11.0	9.3	-2.5	20.3	-3.2	-0.5
Operating margin	35%	32%	-12%	33%	-8%	-1%
Net result, MUSD	10.6	6.7	-2.9	17.3	-5.2	2.7
Net margin	34%	23%	-14%	29%	-13%	3%
Cash and cash equivalents, MUSD	32.3	40.1	41.2	32.3	41.2	39.0
Shareholders' equity, MUSD	213.1	206.0	207.0	213.1	207.0	196.9
Balance sheet total, MUSD	237.6	243.9	242.1	237.6	242.1	239.0
Capital structure						
Solvency	90%	84%	86%	90%	86%	82%
Leverage ratio	neg.	neg.	neg.	neg.	neg.	neg.
Investments, MUSD	15.1	13.0	9.0	28.1	24.0	48.5
Net cash, MUSD	32.3	40.1	41.2	32.3	41.2	39.0
Profitability						
Return on shareholders' equity	5.19%	3.32%	1.39%	8.44%	-2.46%	1.29%
Return on capital employed	5.70%	4.55%	-0.79%	10.18%	-0.49%	4.20%
Other						
Average number of full time employees	19	20	18	20	19	19
Dividend per share, SEK*	1.00	-	1.00	1.00	1.00	1.00
Cash flow from operations per share, USD	0.32	0.42	0.33	0.74	0.61	1.53
Number of shares on balance day, '000	35,544	35,544	35,544	35,544	35,544	35,544
Shareholders' equity per share, USD	6.00	5.79	5.82	6.00	5.82	5.54
Weighted average number of shares (before dilution) on balance day, '000	34,215	34,215	34,407	34,215	34,407	34,324
Weighted average number of shares (after dilution) on balance day, '000	34,513	34,629	34,407	34,573	34,407	34,372
Earnings per share before dilution, USD	0.31	0.20	-0.09	0.51	-0.15	0.08
Earnings per share after dilution, USD	0.31	0.19	-0.09	0.50	-0.15	0.08

Key quarterly data

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Daily production, bbl	12,477	12,495	12,268	12,297	12,164	12,212	10,956	10,087
Barrels sold, bbl	565,331	564,700	583,772	501,167	740,844	531,918	366,746	584,399
Revenue, MUSD	31.4	29.3	20.7	26.1	20.6	19.7	25.9	30.1
EBITDA, MUSD	21.0	19.3	9.6	15.7	8.4	10.3	13.3	18.0
Return on shareholders' equity	5.19%	3.32%	0.74%	2.97%	1.39%	-1.05%	1.44%	3.81%
Cash flow from operations, MUSD	11.1	14.4	16.2	15.5	11.3	9.9	2.6	32.6
Earnings per share after dilution, USD	0.31	0.19	0.04	0.19	-0.09	-0.07	0.09	0.24
Share price, end of period, SEK	58.5	63.5	78.8	60.5	64.5	54.0	57.5	44.4

For definitions of key ratios please refer to the 2016 Annual Report.

*Not including share redemption of 3.00 SEK per share in Q4 2016.

Relevant reconciliations of alternative performance measures

Besides the definitions below, definitions of the alternative performance measures below can be found in the Annual Report 2016.

	Second quarter 2017	First quarter 2017	Second quarter 2016	First half 2017	First half 2016	Full year 2016
MUSD (unless specifically stated)						
Operating result	11.0	9.3	-2.5	20.3	-3.2	-0.5
Depreciation, depletion and amortization	10.0	10.0	11.0	19.9	22.0	44.4
Exploration costs	0.0	0.0	-	0.0	-	0.1
EBITDA	21.0	19.3	8.4	40.3	18.8	44.0
Cash and bank	32.3	40.1	41.2	32.3	41.2	39.0
Interest bearing debt	-	-	-	-	-	-
Net cash	32.3	40.1	41.2	32.3	41.2	39.0
Cash flow from operations	11.1	14.4	11.3	25.6	21.1	52.7
Investment in oil and gas properties	-15.1	-13.0	-9.0	-28.1	-24.0	-48.5
Cash flow from operations after investments	-4.0	1.4	2.3	-2.5	-2.9	4.2

PARENT COMPANY INCOME STATEMENT IN SUMMARY⁵

MSEK	Note	Second quarter 2017	First quarter 2017	Second quarter 2016	First half 2017	First half 2016	Full year 2016
Other income		3.4	2.0	2.7	5.4	4.0	10.6
Net profit/loss of associates		-1.3	-1.3	-	-2.6	-	-5.6
Administrative expenses	9	-12.5	-7.9	-11.9	-20.4	-19.0	-31.3
Operating result		-10.4	-7.2	-9.2	-17.6	-15.0	-26.3
Net financial items		3.7	-14.9	2.1	-11.2	-5.8	46.6
Appropriations		-	-	-	-	-	3.1
Result before tax		-6.7	-22.1	-7.1	-28.8	-20.8	23.4
Income tax		-	-	-	-	-	-
Result for the period*		-6.7	-22.1	-7.1	-28.8	-20.8	23.4

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

PARENT COMPANY BALANCE SHEET IN SUMMARY

MSEK	Note	30 Jun 2017	31 Dec 2016
ASSETS			
Total non current assets		213.2	249.1
Total current assets		85.0	108.1
TOTAL ASSETS		298.2	357.2
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted shareholders' equity		77.0	77.0
Unrestricted shareholders' equity		208.7	269.3
Total current liabilities		12.5	10.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		298.2	357.2

⁵ Please note that the Parent company presents the financial reports in SEK. For more information, please see Accounting principles on page 16.

NOTES

General information

Tethys Oil AB (publ) (“the Company”), corporate identity number 556615-8266, and its subsidiaries (together “the Group” or “Tethys Oil”) are focused on exploration for and production of oil and natural gas. The Group has interests in exploration and production licences in Oman, France and Lithuania. 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 2017 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The second quarter report 2017 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 2016 have been used in the preparation of this report.

Tethys Oil has applies the ESMA’s (European Securities and Markets Authority) guidelines for alternative performance measures. Definitions of performance measures are provided in the Annual Report 2016 and the relevant reconciliations can be found on page 14 of this report.

Exchange rates

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

Currency	30 June 2017		31 December 2016	
	Average	Period end	Average	Period end
SEK/USD	9.00	8.87	8.63	9.42
SEK/EUR	9.71	9.87	9.52	9.80

The Group is exposed to fluctuations in the foreign exchange markets as fluctuations in exchange rates can negatively affect the result, cash flow and equity. The major proportion of the Group’s assets relate to international oil and gas discoveries valued in USD and which generate revenues in USD. During the second quarter 2017, all of Tethys Oil’s oil sales and operative expenditures were denominated in USD.

Fair value

The nominal value of accounts payables, cash and bank and accounts receivables is a fair approximation of those line items as they are short term in nature.

IAS 39 valuation categories and related balance sheet items

MUSD	30 June 2017			MUSD	31 December 2016		
	Financial assets and liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Financial assets and liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
Other receivables	-	10.7	-	Other receivables	-	7.4	-
Cash and bank	-	32.3	-	Cash and bank	-	39.0	-
Accounts payables	-	-	0.1	Accounts payables	-	-	0.2
Other current liabilities	-	-	1.6	Other current liabilities	-	-	21.5

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 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 farm-out or sale of assets. There are no oil price hedges in place as per 30 June 2017. Further, Oman has, following an agreement with OPEC, imposed a production recommendation relating to Blocks 3&4 for the first six months of 2017. This agreement has been extended to cover also the period up to the end of the first quarter 2018. The production recommendation affects the Company's oil production and sales.

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

Financial risk

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.

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 2016.

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 2017					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue	60.7	-	-	-	60.7
Operating expenses	-16.7	-	-	-	-16.7
Depreciation, depletion and amortisation	-19.9	-	-	-	-19.9
Exploration costs	-	-	-	-	-
Other income	-	-	-	-	-
Share of net profit/loss from associates	-	-0.3	-	-	-0.3
Administrative expenses	-1.1	-	-2.3	-0.1	-3.5
Operating result	23.0	-0.3	-2.3	-0.1	20.3
Total financial items					-3.0
Result before tax					17.3
Income tax					-
Result for the period					17.3

Group income statement Jan-Jun 2016					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue	40.3	-	-	-	40.3
Operating expenses	-18.3	-	-	-	-18.3
Depreciation, depletion and amortisation	-22.0	-	-	-	-22.0
Exploration costs	-	-	-	-0.7	-0.7
Other income	-	-	-	-	-
Share of net profit/loss from associates	-	-	-	-	-
Administrative expenses	-0.7	-	-2.3	-0.3	-3.3
Operating result	-0.7	-	-2.3	-1.0	-4.0
Total financial items					-1.2
Result before tax					-5.2
Income tax					-
Result for the period					-5.2

Note 3) Revenue

MUSD	Second quarter 2017	First quarter 2017	Second quarter 2016	First half 2017	First half 2016	Full year 2016
Net sales,	30.3	28.6	26.6	58.9	45.6	95.4
Underlift (overlift)	1.1	0.7	-6.0	1.8	-5.3	-2.4
Overlift adjustment Export Reporting Error	-	-	-	-	-	-5.9
Revenue	31.4	29.3	20.6	60.7	40.3	87.1

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

Tethys Oil accounted during the fourth quarter 2016 for the effects of a fiscal metering calibration error (the “Export Reporting Error”) resulting in over-reporting of exported oil from Blocks 3&4, affecting fourth quarter and full year 2016 revenue and result negatively by MUSD 5.9.

Note 4) Net financial result

Net financial result	Second quarter 2017	First quarter 2017	Second quarter 2016	First half 2017	First half 2016	Full year 2016
Financial income:						
Interest income	-	-	-	-	-	-
Gain on currency exchange rates	1.0	0.1	0.8	1.1	2.1	9.0
Other financial income	-	-	-	-	-	0.3
Financial costs:						
Interest costs	-0.0	-0.1	-0.1	-0.2	-0.4	-0.6
Currency exchange losses	-1.1	-2.3	-0.8	-3.4	-2.4	-3.8
Other financial costs	-0.3	-0.3	-0.3	-0.5	-1.3	-1.8
Net financial result	-0.4	-2.6	-0.4	-3.0	-2.0	3.2

Note 5) Oil and gas properties

Country	Licence	Phase	Tethys share	Total area, km ²	Partners (operator in bold)	Book value 30 Jun 2017	Book value 31 Dec 2016	Investments Jan-Jun 2017
Oman	Blocks 3&4	Prod.	30%	29,130	CCED , Mitsui	193.4	190.8	28.0
Lithuania	Gargzdai	Prod.	25%	884	Odin, GeoNafta	-	-	-
Lithuania	Rietavas	Expl.	30%	1,594	Odin, private investors	-	-	-
Lithuania	Raseiniai	Expl.	30%	1,535	Odin, private investors	-	-	-
France	Alès	Expl.	37.5%	215	MouvOil	-	-	-
France	Attila	Expl.	40%	1,986	Galli Coz	-	-	-
New ventures						0.4	0.3	0.1
Total						193.8	191.1	28.1

Note 6) Loan facility

Tethys Oil has a four-year, up to MUSD 23, senior revolving reserve based lending facility (the “Facility”). Security for the Facility is the interest in the Blocks 3&4 licence. The interest rate of the Facility is floating between LIBOR + 3.75 percent to LIBOR + 4.00 percent per annum, depending on the level of utilization of the Facility. As per 30 June 2017 there was no outstanding balance under the Facility. The Facility matures at the end of February 2018. The Company is reviewing its options for financing arrangements in preparation for the Facility maturing.

Note 7) Provision

Tethys Oil estimates that Tethys Oil’s share of site restoration regarding Blocks 3&4 amounts to MUSD 4.9 (MUSD 4.8). As a consequence of this provision, oil and gas properties have increased with an equal amount. Changes in the provision are related to a more detailed calculation of the site restoration provision affecting the provision’s net present value.

Tethys Oil has a non-current provision of MUSD 3.5 from of the estimated total error amount of MUSD 5.9 from the Export Reporting Error on Blocks 3&4. Tethys Oil also has a current provision of 0.9 MUSD related to the Export Reporting Error.

Note 8) Export Reporting Error

Of the total error amount of MUSD 5.9, MUSD 1.9 was included in Current provisions and MUSD 4.0 was included in Non-current provisions as per 31 December 2016.

The Export Reporting Error amount repayment during the second quarter 2017 amounted to MUSD 0.3 resulting in current provisions of MUSD 0.9 and non-current provisions of MUSD 3.5 with a total amount remaining to be settled of MUSD 4.4 as at 30 June 2017.

Note 9) Incentive programme

Tethys Oil has an incentive programme as part of the remuneration package to employees. Warrants were issued 2015, 2016 and 2017 following a decision by the respective AGM.

The number of issued warrants during the second quarter 2017 was 350,000 (350,000) and the number of warrants allocated during the second quarter 2017 was 324,000 (335,000). Issued but not allocated warrants are held by the company.

No warrants were exercised during the second quarter 2017.

Warrant incentive programme	Exercise period	Subscription price, SEK	Number of warrants				30 Jun 2017
			1 Jan 2017	Issued 2017	Expired 2017	Exercised 2017	
2015 incentive programme	23 May - 5 Oct, 2018	76.8	356,000	0	0	0	356,000
2016 incentive programme	28 May - 4 Oct, 2019	62.6	350,000	0	0	0	350,000
2017 incentive programme	30 May – 2 Oct 2020	85.5	0	350,000	0	0	350,000
Total			706,000	0	0	0	1,056,000

As the subscription price is above the share price as per the reporting date in this report there are no dilution effects per 30 June 2017. If the subscription price has been below the share price during the reporting period the dilution effects have been included in the weighted average number of shares in circulation after dilution. The weighted average number of shares in circulation during the second quarter 2017 before dilution is 34,214,526 and after dilution 34,512,619.

Note 10) Pledged assets

As per 30 June 2017, pledged assets amounted to MUSD 195.7 (183.3). Pledged assets are mainly a continuing security with regard to the loan 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 loan facility and the value of the pledge is equal to the shareholders’ equity value in Tethys Oil Block 3&4 Ltd.

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

Note 11) Contingent liabilities

There are no outstanding contingent liabilities as per 30 June 2017, nor for the comparative period.

FINANCIAL CALENDAR:

Report for third quarter 2017 (January – September 2017) on 7 November 2017

Report for fourth quarter 2017 (January – December 2017) on 13 February 2018

Report for first quarter 2018 (January – March 2018) on 8 May 2018

Report for second quarter 2018 (January – June 2018) on 14 August 2018

Stockholm, 15 August 2017

Tethys Oil AB (publ)

Org. No. 556615-8266

The Board of Directors

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.

Dennis Harlin <i>Chairman of the Board</i>	Robert Anderson <i>Director</i>	Per Brilioth <i>Director</i>	Alexandra Herger <i>Director</i>
Magnus Nordin <i>Managing Director</i>	Per Seime <i>Director</i>	Katherine Støvring <i>Director</i>	Geoffrey Turbott <i>Director</i>

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

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This information is information that Tethys Oil AB is obliged to make public pursuant to the EU Market Abuse Regulation 596/2014. The information was submitted for publication, through the agency of the persons set out above, at 07:30 CET on 15 August 2017.

CONFERENCE CALL

Date: 15 August 2017

Time: 10.00 CET

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

Link to webcast: <https://edge.media-server.com/m6/p/d7bpgi88>

To participate via phone, please call:

Sweden: +46 8 505 564 74

Switzerland: +41 225 675 541

UK: +44 203 364 5374

North America: +1 855 753 2230