TETHYS OIL

Three Month Report 2011

Tethys Oil AB (publ)

Report for the period 1 January – 31 March 2011

HIGHLIGHTS

- During the first quarter 2011, Tethys Oil sold 16,032 barrels of oil after government take from the Early Production System ("EPS") on Block 3 Oman, resulting in net sales of TSEK 9,397 (TSEK –)
- Result for the first quarter 2011 amounted to TSEK -14,735 (TSEK -6,685 for the corresponding period last year). The result has been significantly impacted by non cash related currency exchange losses
- Earnings per share amounted to SEK -0.45 (SEK -0.24) for the first quarter 2011
- Cash and cash equivalents as per 31 March 2011 amounted to TSEK 183,648 (TSEK 190,512). Remaining carry as per 31 March 2011 on Blocks 3 and 4 from Mitsui amounts to MUSD 36. Oil and gas investments during the first quarter 2011 amounted to TSEK 15,426 (TSEK 31,443)
- During the first quarter 2011, a total of 62,214 barrels were produced under the EPS. Tethys' share of the test production oil amounts to 30 per cent, or 18,664 barrels, before government take
- Well Farha South-6 completed and put on test production – initial flow rate in excess of 1,000 BOPD
- Tethys acquires additional license in France
- Saiwan East-7 well encounters heavy oil – no flows established
- Work programme onshore Oman accelerates – second rig contracted
- Tethys launches field studies on Baltic island of Gotland
- Horizontal section in Saiwan East-2 completed – well undergoes long term production test
- Saiwan East-6 finalized in first quarter 2011 with no production flows
- Saiwan East-4 encounters different quality oil from previous Saiwan wells – no flows established

Tethys Oil AB (publ)
Tethys Oil is a Swedish energy company focused on identification and development for production of oil and natural gas assets. Tethys Oil's core area is Oman, where the company is the one of the largest onshore oil and gas concession holders with licence interests in three onshore blocks. Tethys Oil's strategy is to invest in projects in areas with known oil and natural gas discoveries that have not been properly appraised using modern technology. In this way, high returns can be achieved with limited risk.

The company has interests in licences in Oman, France and Sweden. The shares are listed on First North (TETY) in Stockholm. Remium AB is the company's Certified Adviser.

Dear Friends and Investors,

A year ago we were about to finalize the farmout agreement with Mitsui over Blocks 3 and 4 onshore Oman. With the farmout, we secured Tethys' share of MUSD 200 of financing for expenditure related to the two Blocks. We were also about to get our first third party resource report from independent consultants Gaffney, Cline & Associates, giving a first estimate of probable contingent resources on Blocks 3 and 4 based on data available in Spring 2010.

With several million barrels of likely resources of conventional oil and considerably more barrels of heavy oil, we set out to see money being spent to achieve several objectives: to bring the conventional oil in commercial production and to further delineate the producible areas of the Blocks; and to understand the extent of the various oilfields and their composition so as to get better estimates of the amount of producible oil at our disposal. In the terms of the trade, we embarked on a comprehensive appraisal programme which, if successful, should lead us along the path to a full fledged development.

Today, a year later, we are close to having fulfilled that path but we are not quite there yet.

Among the more important milestones, the first to mention is the Early Production System ("EPS"). The possibility to be able over several months to produce wells at several hundreds of barrels per day, or – for shorter periods of time – even thousands of barrels per day is of vital importance in order to understand the long term productivity of individual wells and to model the productivity of the various reservoirs. Long term production data has a strong impact on production profiles and thus production forecasting as well as recovery factors, and thus is a crucial step in moving from resources to economic reserves.

Long term production testing of the Farha wells has been possible since August of last year and of the Saiwan wells since March 2011. In essence, the EPS enables oil to flow through temporary flow lines from the wellheads to a small set of tanks and facilities where the oil is temporarily stored before being trucked to the nearest pipeline hookup.

Typically the Field Development Plan ("FPD") is constantly being updated by information from new wells and with information from the long term production testing. The Farha wells have been produced at various intervals with various choke sizes and pumps. Different wells have targeted different reservoir sections in either the Barik or Lower Al Bashair formations. This work will continue as several more Farha wells are planned to be drilled during 2011. The two Saiwan East wells are evaluating the production techniques for the Khufai reservoir. SE-2 has been in intermittent production since March and SE-3 since early May of 2011. Among measurements done are correlations between pressure and flow rates, the propensity for potential water influx and suitability for production using water injection. All this data will continuously be incorporated into the production forecasting models and will then become part of the FDP's production profiles.

As the focus of subsurface work has increased, the role of our resource auditors, Gaffney Cline, has changed slightly as they have now been mandated by the operator to produce a reserve report as part of the project development. As such Gaffney Cline will no longer be able to act as 'resource auditors' for Tethys in Oman, but will instead work for the joint venture. Tethys will continue to work with Gaffney Cline outside of Oman and on Block 15, but for Block 3 and 4 we must look elsewhere for a third party report.

As previously reported a field development plan for the development of the Barik and Lower Al Bashair reservoir sections in the Farha South area on Block 3 and for the development of the Khufai reservoir section in the Saiwan East area on Block 4 has been presented by the operator to the Ministry of Oil & Gas. Based on the latest drilling results, the development plan will be modified and is now subject to discussion amongst the partner group and the Government of the Sultanate of Oman. Once the FDP has been approved we will be in a position to discuss production forecasting, reserves and timing of building of infrastructure in much more detail.

As we move along the path to development, the character of our operations change and accordingly also the flow of information about our activities. The importance of the result from individual wells and their initial flow rates diminishes, and the cumulative production and the forecasting soon available from production profiles being generated from the data obtained from the long term production testing become more important. As our projects mature, we as a company mature with them, and as we become more and more like a 'normal' oil company, our financial reports with income from oil sold, production numbers and sales numbers become more important at the expense of many ongoing events. The results of individual production wells are less important while exploration wells can still have fundamental impact.

The budget and work programme for 2011 calls for the drilling of 2–4 exploration wells outside of the known field areas. Exploration drilling is expected to start late this summer. Outside of drilling the 2011 budget includes more than MUSD 60 of expenditure allocated for capital investments related to field development. And again it is worth remembering, that Tethys is carried for this work through our farmout to Mitsui and we do not envisage having any financing needs relating to Block 3 and 4 according to current plans.

Well, we have kept you long enough. Blocks 3 and 4 remain our undisputed core area and we expect production under the EPS to pick up continually over the second and third quarters while we await the completion and approval of the FDP.

In our other areas France is expanding with an exciting new license in the South and on Gotland field work is about to commence.

So stay with us….

Stockholm in May 2011

Magnus Nordin	**Vince Hamilton**
Managing Director	*Chairman of the Board*

Operations

Overview

Tethys' core area is the Sultanate of Oman, where the company is one of the largest onshore oil and gas concession holders with licence interests in three onshore blocks. Tethys Oil has also interests in licences in Sweden and France.

Sultanate of Oman

The appraisal programme on Block 3 and 4 has continued with increased intensity in 2011. In 2010, a total of four new wells were drilled. So far in 2011, three new wells and a horizontal sidetrack in a fourth have been drilled. The drilling programme accelerated after a second drilling rig was contracted in late March 2011. The new rig, a 750 horsepower Deutag T-55, is operated by UK drilling contractor KCA Deutag Drilling Company. The new rig will be used alongside the Abraj 204 rig already in use on the Blocks. The rigs are currently drilling Farha South-7 and Farha South-10 on Block 3.

The long term production test of the Farha South structure using an Early Production System ("EPS") has continued. In March, early production was also available in the Saiwan area. The aim with the EPS is to gain more information about the reservoir in order to optimize future production volumes. Produced and sold volumes under the EPS will differ substantially over time. In the first quarter 2011, a total of 62,214 barrels were produced using the EPS. Tethys' share of the test production oil amounts to 30 per cent, or 18,664 barrels before government take.

Gaffney, Cline & Associates (GCA), Tethys Oil's independent third party resource/reserve auditors, are likely to be contracted by the partner group to act as sub surface advisor for the development projects on the Blocks 3 and 4 onshore Oman. As a result of GCA's new assignment, their present assignment for Tethys regarding Oman Blocks 3 and 4 has ended. The process of contracting a new resource auditor has been initiated.

The Farha South structure of Block 3

Farha South-6

In May, the Farha South-6 well was completed. FS-6 was drilled as a vertical production well into the Lower Barik formation which is the only well completed in this reservoir. The well site is located 750 metres south-southwest of well FS-3. The well was drilled to a total depth of 1,350 metres into the Barik formation. Four oil bearing sands with a net pay of 20 meters were encountered between 1,266 and 1,294 metres. The whole section was completed and the two lower sands between 1,266 and 1,294 metres were perforated. FS-6 has been connected to the Farha south Early Production System to be part of the ongoing long term production test of the area. A beam pump has been installed, but the well is initially flowing without artificial lift at a rate in excess of 1,000 BOPD of 43 degree API oil.

The T-55 drilling rig has been moved to drill Farha South 10 ("FS-10"). The FS-10 drill site is located close to the producing FS-5 well. FS-10 is being drilled as vertical well through both the Barik and Lower Al Bashair formations.

The Saiwan East structure on Block 4

Saiwan East-7

The Saiwan East-7 well ("SE-7") in the southern part of the Saiwan East structure was completed in April 2011. SE-7 successfully reached a total depth of 1,890 metres, where the main target was to test the presence of oil in the Khufai section in the southern part of the Saiwan East structure. The well identified a more than 90 meter thick column of intermittent heavy oil saturation in the upper parts of the Khufai. A limited test programme was run, using a wireline MDT tool, but no flows were established. As expected heavy oil was also encountered in the shallower Buah, Miqrat and Amin formations. SE-7 has been temporarily suspended for possible testing and further study.

The Saiwan East-6

The Saiwan East-6 well ("SE-6") have been finalized in first quarter 2011. SE-6 was drilled 4.8 kilometres North from the SE-4 well. Heavy oil was found in the Miqrat and Buah formations above the Khufai formation which was found 1,617 meters below ground. The well was drilled to a total depth of 1,720 meters with intermittent shows of very heavy oil also in the Khufai formation. The well has been logged and a drill stem test-run in the open hole to test the top 30 metres of the Khufai formation yielded formation water with oil skim on surface. The well has been completed as an observation well.

The Saiwan East-4

The Saiwan East-4 ("SE-4") was drilled 2.9 kilometres to the southeast of the SE-3 well in August 2010. SE-4 was drilled to a total depth of 2,463 metres. The well was tested in late 2010 and early 2011. The test results suggest that the oil in this part of Block 4 is of a different quality from the oil encountered in previous Saiwan wells. The data also suggests that considerably larger parts than previously believed of the more than 400 metres thick Khufai section could contain oil of various qualities. The oil encountered in SE-4 could range in density from the 33 degree API oil produced from SE-2 and SE-3 to the heavy oil encountered above the Khufai in these wells. In the previous Saiwan wells, SE-2 and SE-3, oil was only confirmed in the upper parts of the Khufai section. The extensive log and core data obtained from SE-4 when drilled last summer was expanded by data from six production tests spanning more than 400 metres of separate intervals principally in the Khufai limestone. No flows were established and some hole conditions resulted in encountering water bearing fractures in the top part of the Khufai interfering with test data from this zone. The actual production capability of SE-4 therefore remains undetermined.

Horizontal sidetrack in the Saiwan East-2 well

The Saiwan East-2 well was re-entered in the first quarter 2011 in order to drill a horizontal sidetrack in the Khufai section. The well encountered oil as expected and was completed as a producer. In addition to confirming oil in the Khufai reservoir, open hole logs also confirmed the presence of heavy oil in the Miqrat, Amin and Buah formations. The 676 metres horizontal section has been hooked up to testing equipment for a long term production test.

The production test was later expanded to also include the SE-3 well. Both wells have been intermittently produced at various rates and the production has been trucked to the Alam station. The results are being evaluated and the production model will be expanded to include pressure data, where after a production model for the SE-2/SE-3 area will be finalised. Additional tests in both wells are ongoing, including production logging and pressure measurements.

Block 15 – The appraisal and development of Jebel Aswad

Following the successful drilling of Jebel Aswad-1 (JAS-1) in 2007, JAS-2 was spudded in the summer 2008. JAS-2 is a step out well 1.2 kilometres from JAS-1. JAS-2 reached a total measured depth of 4,018 metres with a horizontal section of 927 metres. The testing of JAS-2 was however suspended due to an unintentional penetration of a water producing fault. In 2009, processing and interpretation of a 3D seismic survey covering 285 km2 of the Jebel Aswad area was completed. The 3D seismic revealed a smaller structure than previously estimated.

In late 2010, a new logging programme, based on Schlumberger technology, was conducted in the JAS-2 well. The logging confirmed some 700 metres of oil saturated reservoir along the horizontal section. It was also established that the water producing fault was located in the end of the horizontal section.

Tethys has agreed with the partner Odin Energi, to resume the work programme on Block 15 with Odin as operator. The main aim with the suggested programme is to launch a long term production test on JAS-1 and -2 wells in 2011.

France

Attila licence

The exploration well Pierre Maubeuge 2 (PLM-2) proved the presence of natural gas, but subsequent analysis of the results suggested the well to be non-commercial in its current state. In 2010, additional tests and analyses were carried out. The results of this work suggest that too heavy drill mud was used when drilling PLM-2, resulting in the well suffering from skin damage. The true flow potential of the well has therefore not been established. The operator has proposed to drill a side track in PLM-2 with lighter mud in order to test an undamaged section of the gas reservoir.

In 2011, partner group was granted a five year extension of 50 per cent of the licence area. The remaining 50 per cent was relinquished. The Attila licence now covers an area of 993 square kilometres.

Permis du Bassin D'Alès

In April 2011, Tethys acquired 37.5 per cent interest in a second French licence from the Swiss company Mouvoil S.A., holding the remaining 62.5 per cent. 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. The shallower one has estimated prospective resources of 25 million barrels.

The work programme will be prioritized to firm up the shallower conventional oil prospect with 30 new line kilometres of 2D seismic planned to be acquired in 2011, and a first exploration well to 1,400 metres depth scheduled for 2012. In parallel a feasibility study of the heavy oil field will be carried out in 2011, with a view to recommend the most suitable pilot productions system.

Sweden – Gotland Större

Tethys has been granted an extension of the license Gotland Större until end of 2011. Since Tethys was awarded the license, a comprehensive study of the existing data over the license area has been conducted. More than 300 km of seismic data has been digitalized and reprocessed with modern computer technology. The seismic data has been combined with gravimetric information and topographic data from newly acquired airborne surveys with a view to identify as yet undrilled Ordovician mounds that could contain oil. After completing the database and study, to date more than 40 possible reefs have been identified each one being potentially oil bearing.

In April 2011, Tethys launched a soil sampling survey over parts of its license area. In March, public meetings were also held in Stockholm and on Gotland with the concerned landowners. The soil samples will be compared to soil samples taken above previously known oil bearing reefs in order to further determine the oil bearing potential of undrilled reefs before a possible drilling decision is made.

RESULT AND CASH FLOW

The consolidated interim financial statements 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, are hereby presented for the three months period ended 31 March 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.

Result for the period and sales

During the first quarter 2011, Tethys Oil sold 16,032 barrels of oil after government take from the Early Production System on Block 3 Oman, resulting in net sales during the first quarter 2011 of TSEK 9,397 (TSEK –).

Tethys Oil reports a result for the first quarter 2011 of TSEK -14,735 (TSEK -6,685 for the comparative period last year), representing earnings per share of SEK -0.45 (SEK -0.24) for the first quarter 2011.

The result for the first quarter 2011 has been significantly impacted by net foreign exchange losses. The currency exchange effect of the group amounts to TSEK -18,713 and almost all of the effect relates to the weaker US dollar in relation to the Swedish krona. The background to this is that the majority of Tethys Oil's assets relate to Block 15 and Blocks 3 and 4 in Oman which are held through two foreign subsidiaries and financed through intercompany loans from the parent company denominated in US dollar. These currency translation differences between the parent company and subsidiaries are non cash related items. The currency exchange loss effect is part of net financial result amount-

Country	Licence name	Tethys Oil, %	Total area, km2	Partners (operator in bold)	Book value 31 Mar 2011	Book value 31 Dec 2010	Investments Jan–Mar 2011
Oman	Block 15	40%	1,389	**Odin Energi***, Tethys Oil	96,203	92,682	11,106
Oman	Block 3,4	30%	33,125	**CCED,** Tethys Oil, Mitsui	60,768	66,573	1,752
France	Attila	40%	1,986	**Galli Coz,** Tethys Oil	11,580	9,238	2,342
Sweden	Gotland Större	100%	540	**Tethys Oil**	1,591	1,628	7
New ventures					22	16	6
Total			**37,040**		**170,375**	**170,135**	**15,426**

ing to TSEK -18,701 for the first quarter 2011.

There have been no write downs of oil and gas properties for the period, nor for the comparative period last year. Cash flow from operations before changes in working capital during the first quarter 2011 amounted to TSEK 3,923 (TSEK -2,886).

There has been no depletion of oil and gas properties since no reserves have been established. When reserves are established, Tethys Oil will present depletion of oil and gas properties in accordance with the Accounting Principles.

Other income, administrative expenses

Administrative expenses amounted to TSEK 5,561 (TSEK 3,747) for the first quarter 2011. Depreciation amounted to TSEK 55 (TSEK 73) for the first quarter 2011. Administrative expenses are mainly salaries, rents, listing costs and external services. These costs are corporate costs and are accordingly not capitalised. Depreciation is referable to office equipment. The administrative expenditures during the first quarter 2011 are higher compared with the equivalent period last year, mainly due to timing effects. 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.

Movement in oil and gas properties

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

Oil and gas properties as at 31 March 2011 amounted to TSEK 170,375 (TSEK 170,135). Investments in oil and gas properties of TSEK 15,426 (TSEK 31,443) were incurred for the three month period ending 31 March 2011.

During 2010, Tethys Oil entered into an agreement with Mitsui E&P Middle East B.V. (“Mitsui”), whereby Mitsui acquired 20 percentage points in Blocks 3 and 4 onshore Oman. Apart 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. Tethys Oil estimates that a total of MUSD 24 has been paid on Tethys Oil’s behalf under the Carry Agreement of which MUSD 9 has been paid during the first quarter 2011. Investments on Tethys Oil’s behalf have mainly regarded the ongoing drilling programme on Farha South and Saiwan East.

Investments made on Block 15 amounting to TSEK 11,106 have mainly been related to logging operations on JAS-2 conducted in December 2010 and January 2011. Furthermore investments on Block 15 have regarded licence administration, supervision and geological studies. In France, investments of TSEK 2,342 have regarded the acquisition of the Alés permit and evaluation of the exploration well PLM-2. The book value of oil and gas properties includes currency exchange effects of TSEK -15,142 during the first quarter 2011, which are not cash related items and therefore not included in investments. For more information please see above Result for the period and sales.

Liquidity and financing

Cash and bank as at 31 March 2011 amounted to TSEK 183,648 (TSEK 190,512). Most of the liquidity is kept in USD which has depreciated against SEK during the reporting period. Net cash flow during the first quarter was positive, but due to the depreciation of USD, cash and bank between 31 December 2010 and 31 March 2011 was reduced. The currency exchange effect on cash and cash equivalents amounted during the first quarter to TSEK -12,525.

As described above under Movement in oil and gas properties, Mitsui has undertaken 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. Tethys Oil estimates that MUSD 36 remains of this undertaking as per 31 March 2011.

Current receivables

Current receivables amounted to TSEK 1,017 (TSEK 20,789) as at 31 March 2011. The reduction of receivables mainly relate to receivables on oil sales, where funds were received in January 2011.

Current liabilities

Current liabilities as at 31 March 2011 amounted to TSEK 1,932 (TSEK 4,014), of which TSEK 373 (TSEK 1,199) relates to accounts payable, TSEK 554 (TSEK 481) relates to other current liabilities and TSEK 1,006 (TSEK 2,334) relates to accrued expenses.

Parent company

The Parent company reports a result for the first quarter 2011 amounting to TSEK -18,565 (TSEK -3,427). Administrative expenses amounted to TSEK 3,014 (TSEK 1,866) for the first quarter 2011. Net financial income amounted to TSEK -16,453 (TSEK -2,216) during the first quarter 2011. The weaker US dollar has had a negative impact on net financial result. The exchange rate losses regard translation differences and are non cash related. Investments during the first three months 2011 amounted to TSEK 37,282 (TSEK 51,623). Financial investments are financial loans to subsidiaries for their oil and gas operations. The income in the Parent company relates to chargeouts of services to subsidiaries.

Board of Directors

At the Annual General Meeting of shareholders on 19 May 2010 Håkan Ehrenblad, Vincent Hamilton, John Hoey, Magnus Nordin and Jan Risberg were re-elected members of the Board. Jonas Lindvall declined re-election. No deputy directors were appointed. At the same meeting Vincent Hamilton was appointed Chairman of the Board. Next Annual General Meeting will be held 25 May 2011.

Share data

As per 31 March 2011, the number of outstanding shares in Tethys Oil amount to 32,504,489 (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 programmes for employees.

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 14.

Consolidated statement of comprehensive income

TSEK	Note	1 Jan 2011–31 Mar 2011 3 months	1 Jan 2010–31 Mar 2010 3 months	1 Jan 2010–31 Dec 2010 12 months
Net sales of oil and gas	2	9,397	–	11,066
Depletion of oil and gas properties	3	–	–	–
Write off of oil and gas properties	3	–	–	-311
Other income	4	133	952	105,016
Other losses/gains, net		23	20	138
Administrative expenses		-5,561	-3,747	-15,247
Operating result		3,993	**-2,775**	**100,661**
Financial income and similar items		147	–	19,984
Financial expenses and similar items		-18,849	-3,891	-40,501
Net financial income		**-18,701**	**-3,891**	**-20,517**
Result before tax		**-14,708**	**-6,666**	**80,144**
Income tax		-27	-19	-75
Result for the period		**-14,735**	**-6,685**	**80,069**
Other comprehensive result				
Currency translation differences		-9,113	-370	-8,533
Other comprehensive result for the period		**-9,113**	**-370**	**-8,533**
Total comprehensive result for the period		**-23,849**	**-7,055**	**71,536**
Number of shares outstanding	5	32,504,489	29,193,542	32,504,489
Number of shares outstanding (after dilution)	5	32,504,489	32,073,935	32,504,489
Weighted number of shares	5	32,504,489	28,388,893	30,849,461
Earnings per share, SEK		-0.45	-0.24	2.60
Earnings per share (after dilution), SEK		-0.45	-0.24	2.60

Consolidated balance sheet

TSEK	Note	31 Mar 2011	31 Dec 2010
ASSETS			
Fixed assets			
Oil and gas properties	3	170,375	170,135
Office equipment		2,329	2,100
Total fixed assets		**172,705**	**172,235**
Current assets			
Other receivables		1,017	20,789
Prepaid expenses		768	533
Cash and bank		183,648	190,512
Total current assets		**185,433**	**211,834**
TOTAL ASSETS		**358,138**	**384,069**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	5		
Share capital		5,417	5,417
Additional paid in capital		436,608	436,608
Other reserves		-16,853	-7,740
Retained earnings		-68,966	-54,230
Total shareholders' equity		**356,206**	**380,055**
Non interest bearing current liabilities			
Accounts payable		373	1,199
Other current liabilities		554	481
Accrued expenses		1,006	2,334
Total non interest bearing current liabilities		**1,932**	**4,014**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**358,138**	**384,069**
Pledged assets		500	500
Contingent liabilities	6	–	–

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 for the first quarter 2010	–	–		-6,685	**-6,685**
Total comprehensive result for the second quarter 2010	–	–		15,017	**15,017**
Total comprehensive result for the third quarter 2010	–	–		66,923	**66,923**
Total comprehensive result for the fourth quarter 2010	–	–		4,810	**4,810**
Net result for the year				**80,069**	**80,069**
Other Comprehensive income					
Currency translation differences first quarter 2010	–	–	-370	–	**-370**
Currency translation differences second quarter 2010	–	–	1,208	–	**1,208**
Currency translation differences third quarter 2010	–	–	-8,234	–	**-8,234**
Currency translation differences fourth quarter 2010	–	–	-1,138	–	**-1,138**
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 for the first quarter 2011	–	–	–	-14,735	**-14,735**
Net result for the year	**–**	**–**	**–**	**-14,735**	**-14,735**
Other Comprehensive income					
Currency translation differences first quarter 2011	–	–	-9,113	–	**-9,113**
Total other comprehensive income	**–**	**–**	**-9,113**	**–**	**-9,113**
Total comprehensive income	**–**	**–**	**-9,113**	**-14,735**	**-23,849**
Closing balance 31 March 2011	**5,417**	**436,608**	**-16,853**	**-68,966**	**356,206**

Consolidated cash flow statement

TSEK	Note	1 Jan 2011– 31 Mar 2011 3 months	1 Jan 2010– 31 Mar 2010 3 months	1 Jan 2010– 31 Dec 2010 12 months
Cash flow from operations				
Operating result		3,993	-2,775	100,661
Interest received		12	–	1
Interest paid		–	–	–
Income tax		-27	-19	-75
Adjustment for write down of oil and gas properties		–	–	311
Adjustment for depreciation and other non cash related items		-12	-93	-102,842
Total cash flow used in operations before change in working capital		**3,966**	**-2,886**	**-1,944**
Decrease/increase in receivables		19,538	-1,000	-18,929
Decrease in liabilities		-2,082	-16,749	-15,897
Cash flow used in operations		**21,421**	**-20,635**	**-36,770**
Investment activity				
Proceeds from farmout		–	–	144,114
Investment in oil and gas properties	3	-15,426	-31,443	-27,428
Investment in other fixed assets		-333	4	-1,404
Cash flow used for investment activity		**-15,759**	**-31,439**	**115,282**
Financing activity				
Share issue, net after issue costs	5	–	41,781	105,750
Cash flow from financing activity		**–**	**41,781**	**105,750**
Period cash flow		**5,662**	**-10,294**	**184,262**
Cash and cash equivalents at the beginning of the period		190,512	13,620	13,620
Exchange losses on cash and cash equivalents		-12,525	-23	-7,369
Cash and cash equivalents at the end of the period		183,649	3,303	190,512

Parent company income statement condensed

TSEK	Note	1 Jan 2011– 31 Mar 2011 3 months	1 Jan 2010– 31 Mar 2010 3 months	1 Jan 2010– 31 Dec 2010 12 months
Net sales of oil and gas	3	–	–	–
Depreciation of oil and gas properties	3	–	–	–
Write off of oil and gas properties	3	–	–	–
Other income		880	635	2,883
Other losses/gains, net		23	20	138
Administrative expenses		-3,014	-1,866	-8,386
Operating result		**-2,111**	**-1,211**	**-5,366**
Financial income and similar items		2,392	1,653	28,058
Financial expenses and similar items		-18,845	-3,869	-40,478
Write down of shares in group company		–	–	-932
Net financial income		**-16,453**	**-2,216**	**-13,351**
Result before tax		**-18,565**	**-3,427**	**-18,717**
Income tax		–	–	-13,186
Loss for the period		**-18,565**	**-3,427**	**-31,903**
Number of shares outstanding	5	32,504,489	29,193,542	32,504,489
Number of shares outstanding (after dilution)	5	32,504,489	32,073,935	32,504,489
Weighted number of shares	5	32,504,489	28,388,893	30,849,461

Parent company balance sheet condensed

TSEK	Note	31 Mar 2011	31 Dec 2010
ASSETS			
Total fixed assets	3	277	264
Total financial fixed assets		282,973	262,333
Total current assets		12,143	52,149
TOTAL ASSETS		**295,394**	**314,746**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	5	244,337	262,901
Total non interest bearing current liabilities		51,057	51,845
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**295,394**	**314,746**
Pledged assets		500	500
Contingent liabilities	6	–	–

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 first quarter 2010	–	–	–	–	-3,427	**-3,427**
Profit for the second quarter 2010	–	–	–	–	18,550	**18,550**
Loss for the third quarter 2010	–	–	–	–	-31,867	**-31,867**
Loss for the fourth quarter 2010	–	–	–	–	-15,159	**-15,159**
Net 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 first quarter 2011	–	–	–	–	-18,565	**-18,565**
Net result for the year					**-18,565**	**-18,565**
Total comprehensive income	**–**	**–**	**–**	**–**	**-18,565**	**-18,565**
Closing balance 31 March 2011	**5,417**	**71,071**	**365,537**	**-179,124**	**-18,565**	**244,337**

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 exploration licences in France, Oman and Sweden.

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

Accounting principles

The three months report 2011 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The three months report 2011 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 same accounting principles were used in the Annual report 2010.

Financial instruments

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

Exchange rates

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	6.57875	6.325	7.3025	7.2325
SEK/CHF	6.95575	7.0165	6.88475	6.796

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 risk described below.

Operational risk

The main operational risk is of technical and geological nature. At its current stage of development the group is exploring for oil and gas and appraising undeveloped known oil and/or gas accumulations. The main risk is that the interest the Group has in oil and gas assets will not evolve into commercial reserves of oil and gas. Tethys Oil is furthermore exposed to oil price risk as income and profitability will depend on prevailing oil prices from time to time. As the Group currently does not yet produce oil and gas on commercial basis the direct effect is limited. Significantly lower oil prices would reduce expected profitability and could make projects sub economic even if discoveries are made. Another operational risk is access to equipment in Tethys Oil's projects. Especially in the drilling 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 its 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

By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. Possible future income will also most likely be denominated in foreign currencies, most likely US dollars. Furthermore, Tethys Oil has since inception been entirely equity financed and as the Group has not presented any revenues the financing of the Group has been through share issues. Additional capital will 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.

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 2010.

Note 2, Net sales of oil and gas

During the first quarter 2011, Tethys Oil sold 16,032 barrels of oil after government take from the Early Production System on Block 3 in Oman. This resulted in net sales during the first quarter 2011 of TSEK 9,397 (TSEK –). The selling price per barrel amounted to USD 88.93 per barrel.

Note 4, Other income

Part of the administrative expenses in Tethys Oil are charged to oil and gas projects where the expenditures are capitalised. In case of Tethys Oil being the operator, these administrative expenditures are, through the above, also funded by the partners. The chargeout to the projects where Tethys Oil is operator is presented in the consolidated income statement as Other income. All other internal chargeouts are eliminated in the consolidated financial statements.

Note 5, Shareholders' equity

As per 31 March 2011, the number of outstanding shares in Tethys Oil amount to 32,504,489 (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 programmes for employees.

Note 6, Contingent liabilities

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

Note 7, Related party transaction

During the year, Tethys Oil Suisse S.A., a wholly owned subsidiary of Tethys Oil AB, has paid rent to Mrs Mona Hamilton amounting to CHF 21,500. 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 3, Oil and gas properties

TSEK Country	Book value 31 Mar 2011	Write downs 1 Jan – 31 Mar 2011	Investments 1 Jan – 31 Mar 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	96,203[1]	–	11,106	92,682[2]	92,682[2]	–	1,184	99,064[3]
Oman Blocks 3,4	60,768[1]	–	1,752	66,573[2]	66,573[2]	–	19,995	101,615[3]
France Attila	11,580	–	2,342	9,238	9,238	–	5,610	3,628
Morocco Bouanane	–	–	–	–	–	-73	73	–
Sweden Gotland Större	1,591	–	7	1,628	1,628	–	486	1,142
New ventures	22	–	6	16	16	-238	80	174
Total	**170,375**	**–**	**15,426**	**170,135**	**170,135**	**-311**	**27,428**	**205,623**

[1] *The book value of oil and gas properties include non cash items of TSEK -15,185 during the first quarter 2011. These adjustments are not part of investments.*

[2] *The book value of oil and gas properties include non cash items of TSEK 21,727 during the full year 2010, TSEK 18,837 for the fourth quarter 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 Mar 2011 3 months**	**1 Jan 2010 – 31 Mar 2010 3 months**	**1 Jan 2010 – 31 Dec 2010 12 months**	**1 Jan 2011 – 31 Mar 2011 3 months**	**1 Jan 2010 – 31 Mar 2010 3 months**	**1 Jan 2010 – 31 Dec 2010 12 months**
Investments in oil and gas properties						
Opening balance	254,990	290,168	290,168	–	–	–
Investments in France	2,342	125	5,610	–	–	–
Investments in Morocco	–	–	73	–	–	–
Investments in Oman	12,858	31,002	21,180	–	–	–
Investments in Sweden	7	272	486	–	–	–
Other investments in oil and gas properties	6	14	80	–	–	–
Adjustment	-15,185[1]	-4,072	-62,606[2]	–	–	–
Closing balance	**255,019**	**317,509**	**254,990**	**–**	**–**	**–**
Depletion						
Depletion	–	–	–	–	–	–
Write down						
Opening balance	**84,857**	**84,546**	**84,546**	**–**	**–**	**–**
Write down	–	–	311	–	–	–
Closing balance	**84,857**	**84,546**	**84,857**	**–**	**–**	**–**
Net book value	**170,375**	**232,995**	**170,135**	**–**	**–**	**–**

Key financial data

Group

	1 Jan 2011 – 31 Mar 2011 3 months	1 Jan 2010 – 31 Mar 2010 3 months	1 Jan 2010 – 31 Dec 2010 12 months
Items regarding the income statement and balance sheet			
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.
Operating result, TSEK	3,993	-2,775	100,661
Operating margin, %	n.a.	n.a.	n.a.
Result before tax, TSEK	-14,708	-6,666	80,144
Net result, TSEK	-14,735	-6,685	80,069
Net margin, %	n.a.	n.a.	n.a.
Shareholders' equity, TSEK	356,206	237,496	380,055
Balance sheet total, TSEK	358,138	240,659	384,069
Capital structure			
Solvency, %	99.52%	98.69%	98.95%
Leverage ratio, %	n.a.	n.a.	n.a.
Adjusted equity ratio, %	99.52%	98.69%	98.95%
Interest coverage ratio, %	n.a.	n.a.	n.a.
Investments, TSEK	15,759	31,439	28,832
Profitability			
Return on shareholders' equity, %	neg.	neg.	21.07%
Return on capital employed, %	neg.	neg.	20.85%
Key figures per employee			
Average number of employees	9	9	9
Number of shares			
Dividend per share, SEK	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	0.19	neg.	5.97
Number of shares on balance day, thousands	32,504	29,194	32,504
Shareholders' equity per share, SEK	10.96	8.14	11.69
Weighted number of shares on balance day, thousands	30,849	28,389	30,849
Earnings per share, SEK	-0.45	-0.24	2.60
Resultat per aktie efter utspädning, SEK	n.a.	n.a.	n.a.

For definitions of key ratios please refer to the 2010 Annual Report.

The abbreviation n.a. means not applicable.

Financial information

The Company plans to publish the following financial reports:

Annual General Meeting 2011 will be held in Stockholm, 25 May 2011
Six month report 2011 (January – June 2011) on 22 August 2011
Nine month report 2011 (January – September 2011) on 14 November 2011
Year end report 2011 (January – December 2011) on 13 February 2012
Three month report 2012 (January – March 2012) on 14 May 2012

Stockholm, 9 May 2011

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

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