

TETHYS OIL

Report for the period
1 January 2012 – 31 March 2012

Tethys Oil AB (publ)

Report for the period 1 January – 31 March 2012

HIGHLIGHTS

- Result for the first quarter 2012 amounted to TSEK 107,601
- Net sales of TSEK 144,710 during first quarter 2012
- Net sales and result impacted by December 2011 lifting conducted in January 2012 amounting to TSEK 37,702
- Tethys Oil's share of oil production before government take from Block 3 and 4 during the first quarter 2012 amounted to 284,481 barrels
- Earnings per share amounted to SEK 3.31
- Five new Farha fault blocks drilled along the Farha trend in 2012 – three encountered oil
- Directed new share issues of MSEK 120 completed in May 2012
- Cash and cash equivalents as per 31 March 2012 amounted to TSEK 67,947 (TSEK 93,105)

	1 Jan 2012 – 31 Mar 2012 3 Months	1 Jan 2011 – 31 Mar 2011 3 Months	1 Jan 2011 – 31 Dec 2011 12 Months
Production, before government take (bbl)	284,481	19,324	423,469
Net sales, after government take (bbl)	195,422	16,032	147,228
Average selling price per barrel, USD	108.61	88.93	107.37
Net sales of oil and gas, TSEK	144,710	9,397	103,538
Operating result, TSEK	109,327	3,993	83,057
Cash flow operations	185,764	21,421	113,604
Result, TSEK	107,601	-14,735	68,991
Earnings per share, SEK	3.31	-0.45	2.12
Cash and cash equivalents, TSEK	67,947	183,648	93,105
Shareholders' equity, TSEK	558,709	356,206	455,559
Long term debt, TSEK	–	–	–
Investments, TSEK	209,997	15,759	205,495

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 the Sultanate of Oman, where the company is the second largest onshore oil and gas concession-holder with licence interest in three onshore blocks. Tethys Oil also has licence interests onshore France, Lithuania and Sweden. 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 shares are listed on First North (TETY) in Stockholm. Remium AB is the company's Certified Adviser.

Dear Friends and Investors,

With producing assets in two countries and significant exploration potential, Tethys is at its strongest point ever operationally. The first quarter results are the strongest ever for Tethys and reflects the fact that the Omani production, also under the EPS, has averaged above 10,000 BOPD gross for all of the quarter.

The drilling programme in Oman is continuing with two rigs in operations. We continue to drill both production wells and new fault blocks, all with the aim to increase both reserves as well as production. The average drilling times have come down to some two weeks per well. The infrastructural development of the fields are focusing on completion of the pipeline system and on permanent facilities. Final installations are ongoing of the second part of the pipeline system, which will connect the fields with the national transportation system. It is expected to be operational before the end of the second quarter. With the completion of the first part of the pipeline we noticed an increase in production, and naturally we hope production will increase further with the completion of the second part of the pipeline.

The infrastructural development accounts for the largest part of Tethys 2012 investment budget of MSEK 430. We are happy about the strong cash flow from operations, but we notice the high investment pace which will keep our cash position strained for another couple of months. Depending on price and production rate development, we are hopeful that towards the end of the



year we will realize positive cash flow from Blocks 3 and 4 in Oman. However, the MSEK 120 we just raised through private placements will go a long way to alleviate that situation and the Lithuanian dividend of MUSD 2,4 expected in June will also help.

In Lithuania, our latest operational area, the production is more modest. But the Lithuanian fiscal environment is favourable, and we are aiming at increasing both reserves and production. An exploration well is planned to be spudded on the Gargzdai license later in May. The mobilization of the rig is ongoing. This well is designed to evaluate both the presence of additional conventional oil but also investigate the potential presence of very big amounts of unconventional hydrocarbons on the license.

But no need to dwell on more details this time. All systems are go and we are both excited and confident about the future. So stay with us....

Stockholm in May 2012

Magnus Nordin
Managing Director

Vince Hamilton
Chairman of the Board

FINANANCIAL AND OPERATIONAL REVIEW ¹

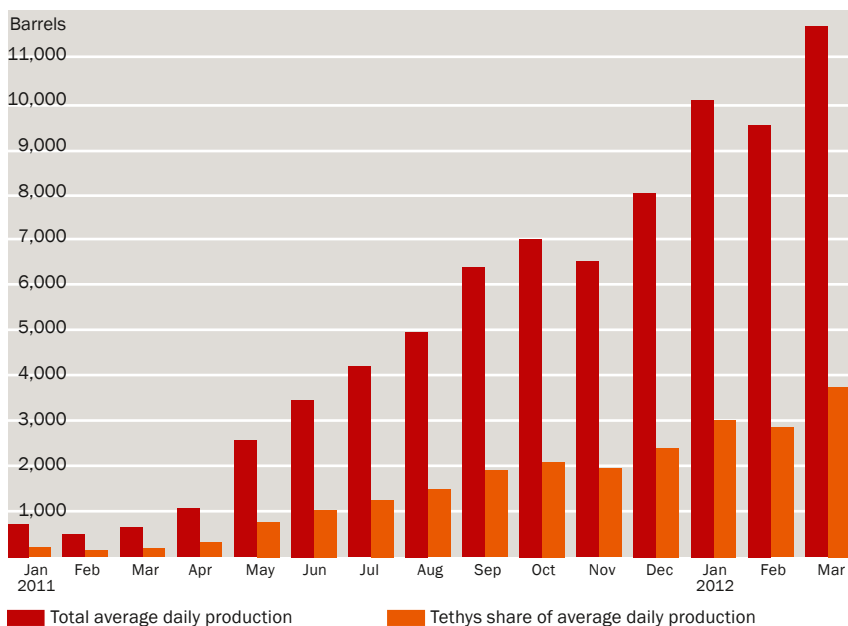
Production

Production from Farha South and Saiwan East oil fields on Block 3 and Block 4 using an Early Production System (“EPS”) has continued. The production rates vary, depending on both the test programme design as well as on transport and facility capacity.

Quarterly volumes, before government take	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Total quarterly production, (bbl)					
Production	948,270	659,720	474,349	215,283	62,214
Average daily production	10,421	7,171	5,156	2,366	691
Tethys' share of quarterly production, (bbl)					
Production	284,481	197,916	142,304	64,585	18,664
Average daily production	3,126	2,151	1,547	710	207

The total production increased during the first quarter 2012 from 311,457 barrels in January, to 275,419 in February and 361,394 in March.

Average daily production during 2011–2012



In addition to the Omani production on Blocks 3 and 4, and not included in above table, the production on the Gargzdai license in western Lithuania during the first quarter 2012 amounted to 58,033 barrels of oil, corresponding to 638 barrels of oil per day (bopd). The production share attributable to Tethys Oil amounts to 25 per cent of the total, or 14,508 barrels corresponding

to 159 bopd. The average oil price achieved during the quarter was 113.40 USD per barrel. Tethys Oil currently holds a receivable on Odin regarding the interest in Gargzdai licence, which is to be converted to shares. In order to enable the transfer of shares a reconstruction of the Odin group is ongoing. The reconstruction is in line with the agreement, and is progressing according to plan.

Net sales

During the first quarter 2012, Tethys Oil sold 195,422 (16,032) barrels of oil after government take from the Early Production System on Block 3 and 4 in Oman. This resulted in net sales during the first quarter 2012 of TSEK 144,710 (TSEK 9,397). The average selling price per barrel amounted to USD 108.61 per barrel during the first quarter 2012 (USD 88.93 per barrel).

Result

Tethys Oil reports a result for the first quarter 2012 of TSEK 107,601 (TSEK -14,735 for same period last year), representing earnings per share of SEK 3.31 (SEK -0.45) for the first quarter 2012. The strong financial development fundamentally reflects the underlying production and sales growth. However, the result for the first quarter is significantly impacted by an additional lifting, originally scheduled for December 2011 (which regarded production from December 2011) but conducted in early January 2012, giving the first quarter 2012 additional sales amounting to TSEK 37,702.

Cash flow from operations amounted during the first quarter 2012 to TSEK 185,764 (TSEK 21,421).

The result for the first quarter 2012 has been impacted by net foreign exchange losses. The currency exchange effect of the group amounts to TSEK -1,618 and most of the effect relates to the weaker US dollar in relation to the Swedish krona. Currency translation differences between the parent company and subsidiaries are non cash related items. The currency exchange effect is part of net financial result amounting to TSEK -1,686 for the first quarter 2012.

There have been no write downs of oil and gas properties for the first quarter 2012 (-). Cash flow from operations before changes in working capital during the first quarter 2012 amounted to TSEK 120,774 (TSEK 3,966).

¹ The consolidated 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 first quarter 2012 ended 31 March 2012. 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.

Depletion of oil and gas properties for the first quarter 2012 amounted to TSEK 9,440 (TSEK –). The company considers the conditions for applying depletion under the accounting principles to have been met as of 1 January 2012.

Operating expenses amounted during the first quarter 2012 to TSEK 20,145 (TSEK –). Operating expenses are directly related to oil and gas production on Block 3 and 4 in Oman, for example expenses for trucking, tariffs, supervision and adminis-

tration etc. Due to an underlift position as per 31 March 2011 amounting to 12,450 barrels, the Operating expenses during the first quarter 2012 have been reduced by TSEK 2,187. The company considers the conditions for presenting operating expenses under the accounting principles to have been met as of 1 January 2012.

Administrative expenses amounted to TSEK 5,782 (TSEK 5,561) for the first quarter 2012. Depreciation amounted to TSEK 177 (TSEK 55) for the first quarter

period. Administrative expenses are mainly salaries, rents, listing costs and outside services. Depreciation is referable to office equipment. The administrative expenditures during the first quarter 2012 are comparable to the administrative expenditures of the same period last year. Part of the administrative expenses are capitalised in the subsidiaries and if Tethys is the operator these expenses are funded by partners. In the consolidated income statement these internal transactions are eliminated.

Oil and gas properties

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

Country	Licence name	Tethys Oil, %	Total area, km ²	Partners (operator in bold)	Book value 31 Mar 2012	Book value 31 Dec 2011	Investments Jan–Mar 2012
Oman	Block 15	40%	1,389	Odin Energy , Tethys Oil	114,814	113,671	2,845
Oman	Block 3,4	30%	33,125	CCED , Mitsui, Tethys Oil	268,057	74,466	206,713
France	Attila	40%	1,986	Galli Coz , Tethys Oil	9,717	9,717	–
France	Alès	37,5%	215	Tethys Oil , MouvOil	6,024	5,764	260
Sverige	Gotland Större (incl Gotland Mindre)	100%	581	Tethys Oil	2,211	2,200	10
Lithuania	Rietavas, Rai- seiniai ²	20%	3,129	Odin Energi , Tethys Oil, private investors	–	–	–
New ventures					854	16	181
Total			40 425		401 696	206 651	209 868

Oil and gas properties as at 31 March 2012 amounted to TSEK 401,696 (TSEK 206,651). Investments in oil and gas properties of TSEK 209,868 (TSEK 15,426) were incurred for the three month period ending 31 March 2012.

Reserves and resources

Tethys Oil's net working interest resources oil base (C) in the Sultanate of Oman as per 31 December 2011 amounts to 2.6 million barrels of oil ("mmbo") of 1C contingent resources, 9.8 mmbo of 2C and 12.4 mmbo of 3C. The contingent resources have been audited by independent petroleum consultant DeGolyer and MacNaughton.

Tethys Oil's share of reserves (P) in the Gargzdai license in Lithuania, according to the agreement with Odin Energi A/S ("Odin"), amounts as per 31 December 2011 to 0.7 mmbo of 1P reserves, 1.7 mmbo of 2P and 3.0 mmbo of 3P. The reserves are calculated on the basis of the reserves from the independent petroleum consultant Miller Lents review as per 1 January 2011, reduced with the operator's numbers of aggregated production for 2011.

Oman

Block 3 and 4

During the first quarter 2012, investments amounting to TSEK 206,713 were made in Blocks 3 and 4. TSEK 151,875 consists of new investments in the block and is primarily investments in infrastructure and drilling. The remaining TSEK 54,838 emanate from that part of investments previously made by Mitsui on Tethys behalf under the Carry agreement (see below) which was recovered by Mitsui during the quarter from Tethys share of cost recovery oil entitlement.

On the Farha South field on Block 3, a total of 11 wells were drilled and completed during the first quarter of 2012. Of these, five were exploration/appraisal wells drilled into the Barik reservoir of previously undrilled fault blocks resulting in the discovery of

three new oil bearing blocks. Two of the blocks drilled where found to be dry. As at 31 March 2012, a total of eleven fault blocks are in production with several more planned to be drilled in 2012.

Four production wells were drilled and completed in previously drilled blocks to increase production and two water injections wells were drilled and completed.

Construction of the permanent facilities continues and the first part of the pipeline connecting Farha South with Saiwan East was completed in February and has been functioning without interruption. New and larger tanks for oil storage at Saiwan have been completed as has the laying of the pipeline connecting Saiwan with the Alam station, the connection point to the national transportation system. Final instal-

² The interest in Rietavas and Raisenai licences are indirectly held through a 40 per cent shareholding in Jyllands Olie ApS which in turn holds 50 per cent of the shares in UAB LL Investicos which holds 100 per cent of the two licences. As Jyllands Olie ApS is not consolidated in Tethys Oils financial statements due to the ownership structure, there are no oil and gas properties related to the two licences. The ownership of Jyllands Olie ApS is presented in the balance sheet under Shares in associated companies.

The interest in the Gargzdai license was as of 31 March 2012 not converted from receivable to shareholding. The investment is presented in the balance sheet under Other long term receivables.

lations are in progress and it is expected that the time plan will hold and that the Saiwan to Alam part will be operational before the end of the second quarter.

Block 15

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

Litauen

In January 2012, Tethys announced the acquisition of assets in Lithuania. According to the agreement, Tethys interests in Lithuania shall be held together with Odin through Odin group companies giving Tethys a net indirect interest of 25 per cent in UAB Minijos Nafta ("MN") and 20 per cent in UAB LL Investicos ("LLI"). MN holds the Gargzdai license and LLI holds the Rietavas and Raseiniai licenses. Tethys has received newly issued shares in Odin group companies for the holding of LLI. In order to enable the transfer of shares in Odin group companies for Tethys holding in MN, a reconstruction of the Odin group is ongoing. The reconstruction is in line with the agreement, and is progressing according to plan. According to the agreement, Tethys is entitled to dividend from MN for last year amounting to MUS\$ 2.4 payable in June.

Gargzdai license

An exploration well is planned to be spudded in mid May 2012. The mobilization of the rig is ongoing. The well is designed to evaluate multiple objectives and will target a previously undrilled Cambrian sandstone prospect. The well will also explore the potential of the Silurian/Ordovician shale sections, located above the Cambrian sandstone. Extensive logging and coring will be carried out in the shale sections.

Two appraisal/development sidetracks in existing wells are planned to be drilled later this year. The work programme also includes acquisition of 50 kilometres of 3D seismic over the north eastern part of the license to firm up potential exploration targets.

Rietavas and Raseiniai licenses

The work programmes for the Rietavas and Raseiniai licenses have not been finalized, but reprocessing of existing seismic data on

both licenses is ongoing. In addition the Silale-1 well on the Rietavas license, which flowed 150 bopd from the Cambrian layer when it was discovered in the eighties, will be worked over.

France

Alès

On the Alès licence, a seismic interpretation is ongoing. Well data and logs from 17 wells in the greater Alès Basin area have been acquired in order to gain better understanding about the basin settings, structure and geometry. The work programme also includes a feasibility study of a heavy oil field on the license, with a view to recommend the most suitable pilot productions system and a 2D seismic study. A first exploration well could be drilled later in the year or early 2013.

Sweden

Gotland

A soil sampling survey was performed on some known reefal prospects that have been identified on existing seismic lines within our license area. The results of the survey were encouraging. Tethys is now investigating the possibility to conduct exploratory drilling operations on 10 potential locations.

Currency exchange effects

The book value of oil and gas properties includes currency exchange effects of TSEK -5,953 during the first quarter 2012, which are not cash related items and therefore not included in investments. For more information please see above *Result*.

Liquidity and financing

Cash and bank as at 31 March 2012 amounted to TSEK 67,947 (TSEK 93,105).

The decrease in Cash and bank during the first quarter 2012 is mainly explained by investments into Blocks 3 and 4 onshore Oman. Until 31 December 2011 Tethys Oil's share of such investments were paid under the Mitsui carry agreement and did not affect Tethys Oil's cash position. The agreement with Mitsui was made in 2010, whereby Mitsui acquired 20 percentage points in Blocks 3 and 4 onshore Oman. A part from a cash consideration, Mitsui undertook to fund Tethys Oil's share of non exploration related capital expenditure up to MUS\$ 60 on Blocks 3 and 4 effectively from 1 January 2010. As per 31 December 2011, Mitsui had fulfilled the undertak-

ing and additional investments relating to Blocks 3 and 4 must be paid by Tethys Oil directly.

Also under the carry agreement, Mitsui has during the first quarter 2012 started to recover the MUS\$ 60 paid on behalf of Tethys from the proceeds of Tethys Oil's share of cost recovery oil entitlement. Under the carry agreement Tethys Oil will allocate its entire share of cost recovery entitlement to Mitsui until the full MUS\$ 60 has been recovered by Mitsui. The allocated cost recovery to Mitsui will be treated as investments in oil and gas properties. During the first quarter 2012, the amount received by Mitsui from Tethys Oil's cost recovery entitlement amounted to MUS\$ 8. The remaining cost recovery entitlement to be allocated to Mitsui (MUS\$ 52 as at 31 March 2012) is presented as a contingent liability.

As the carry period with Mitsui is over as per the first quarter 2012, Tethys Oil will also have to fund its share of investments on Blocks 3 and 4 through available liquidity and proceeds from oil sales. Depending on the investment pace both relating to the development and the exploration of Blocks 3 and 4 and incoming revenues from the oil sales, additional financing may be required.

Further under the carry agreement, Mitsui will pay to Tethys Oil a bonus amounting to MUS\$ 10 when commercial production exceeds 10,000 bopd for 30 consecutive days. Given that 10,000 bopd has already been achieved during test production, the Company is hopeful that the rate also once commercial production has been established and that the bonus payment could be paid out during 2012.

A large part of the liquidity is kept in USD which has depreciated against SEK during the reporting period. The currency exchange effect on cash and cash equivalents amounted during the first quarter 2012 to TSEK -924.

Other long term receivables

Tethys Oil and private Danish oil company Odin Energi entered into an Investment Agreement regarding assets in Lithuania. According to the agreement, Tethys interests in Lithuania shall be held together with Odin through Odin group companies giving Tethys a net indirect interest of 25 per cent in UAB Minijos Nafta ("MN") and

20 per cent in UAB LL Investicos (“LLI”). Tethys has received newly issued shares in Odin group companies for the holding of LLI. Regarding the holding in Minijos Nafta as per 31 March 2012, Tethys Oil currently holds a receivable on Odin which is to be transferred into shares in Odin group companies. For the transfer of shares to Tethys Oil, a reconstruction of the Odin group is ongoing. The reconstruction is in line with the agreement, and is progressing according to plan. The receivable amounts to MEUR 15.2, equivalent of TSEK 135,689. The loan is secured by a pledge of 30 per cent of the share capital of Odin.

Parent company

The Parent company reports a result for the first quarter 2012 amounting to TSEK -2,026 (TSEK -18,565). Administrative expenses amounted to TSEK 2,118 (TSEK 3,014) for the first quarter 2012. Net financial result amounted to TSEK -338 (TSEK -16,453) during the first quarter 2012. The weaker US dollar and Euro has had a negative impact on net financial result during the three month period 2012. The exchange rate losses regard translation differences and are non cash related. Investments during the first quarter 2012 amounted to TSEK 2,660 (TSEK 37,282). Financial investments are financial loans to subsidiaries for their oil and gas operations. The turnover in the Parent company relates to chargeouts of services to subsidiaries.

Board of Directors

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

The Annual General Meeting of shareholders 2012 will be held 16 May in Stockholm.

Share data

As per 31 March 2012, the number of outstanding shares in Tethys Oil amount to 32,543,750 (32,543,750), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program for employees.

Risks and uncertainties

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

Subsequent events

On May 10, 2012, Tethys Oil exercised a mandate that was granted at the AGM held on 25 May 2011, by conducting a directed issue of 2,500,000 new shares. The shares were allotted to mainly Swedish and international institutional investors. The issue price was set to SEK 40, which corresponds to a discount of approximately 7 percent to the volume weighted average share price the last trading day before the issue. Through the issue, MSEK 100 will be brought to Tethys Oil before issue expenses. The proceeds from the Issue are intended to be used to fund Tethys’ ongoing investment programme in Oman and for general working capital purposes.

Following the issue, the number of shares amounts to 35 043 750, of which the new shares correspond to 7.1 percent of the equity. The company’s share capital increases with SEK 416,667 from SEK 5,423,958 to SEK 5,840,625.

On May 14, 2012, Tethys Oil exercised a mandate that was granted at the AGM held on 25 May 2011, resolved to make a directed issue of 500,000 new shares.

The Issue which is for 500,000 shares completes the intention to place up to 3,000,000 shares announced on May 9, 2012. The issue price is SEK 40 and is the same that was set through book building in the placing of 2,500,000 shares announced on May 10, 2012. The price corresponds to a discount of approximately 7 percent to the volume weighted average share price the last trading day before the Issue. Through the Issue, SEK 20 million will be brought to the Company before issue expenses.

Following the Issue, the number of shares amounts to 35,543,750, of which the new shares correspond to 1.4 percent of the equity. The Company’s share capital increases with SEK 83,333 from SEK 5,840,625 to SEK 5,923,958.

Consolidated statement of comprehensive income

TSEK	1 Jan 2012 – 31 Mar 2012 3 Months	1 Jan 2011 – 31 Mar 2011 3 Months	1 Jan 2011– 31 Dec 2011 12 Months
Net sales of oil and gas	144,710	9,397	103,538
Depletion of oil and gas properties	-9,440	–	–
Other income	–	133	-13
Operating expenses	-20,145	–	–
Other losses/gains, net	-15	23	-52
Administrative expenses	-5,782	-5,561	-20,443
Operating result	109,327	3,993	83,057
Financial income and similar items	660	147	2,339
Financial expenses and similar items	-2,346	-18,849	-16,281
Net profit/loss from associated companies	–	–	–
Net financial income	-1,686	-18,701	-13,943
Result before tax	107,641	-14,708	69,114
Income tax	-40	-27	-123
Result for the period	107,601	-14,735	68,991
Other comprehensive result			
Currency translation differences	-4,451	-9,113	4,785
Other comprehensive result for the period	-4,451	-9,113	4,785
Total comprehensive result for the period	103,150	-23,849	73,776
Number of shares outstanding	32,543,750	32,504,489	32,543,750
Number of shares outstanding (after dilution)	32,543,750	32,504,489	32,543,750
Weighted number of shares	32,543,750	32,504,489	32,520,596
Earnings per share, SEK	3.31	-0.45	2.12
Earnings per share (after dilution), SEK	3.31	-0.45	2.12

Consolidated balance sheet

TSEK	31 Mar 2012	31 Dec 2011
ASSETS		
Fixed assets		
Oil and gas properties	401,696	206,651
Office equipment	2,217	2,298
Total fixed assets	403,913	208,949
Financial assets		
Other long term receivables	135,689	136,278
Investment in associated companies	23,951	23,951
Total financial fixed assets	159,640	160,228
Current assets		
Other receivables	9,543	1,971
Prepaid expenses	3,455	608
Cash and bank	67,947	93,105
Total current assets	80,944	95,685
TOTAL ASSETS	644,498	464,862
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	5,424	5,424
Additional paid in capital	438,329	438,329
Other reserves	-7,406	-2,955
Retained earnings	122,362	14,761
Total shareholders' equity	558,709	455,559
Non current liabilities		
Provisions	2,782	1,705
Total non current liabilities	2,782	1,705
Non interest bearing current liabilities		
Accounts payable	897	2,226
Other current liabilities	81,400	4,114
Accrued expenses	710	1,258
Total non interest bearing current liabilities	83,006	7,598
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	644,498	464,862
Pledged assets	500	500
Contingent liabilities	350,355	-

Consolidated statement of changes in equity

TSEK	Share Capital	Paid in Capital	Other reserves	Retained Earnings	Total Equity
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
Total comprehensive result for the second quarter 2011	-	-	-	724	724
Total comprehensive result for the third quarter 2011	-	-	-	38,627	38,627
Total comprehensive result for the fourth quarter 2011	-	-	-	44,376	44,376
Period result	-	-	-	68,991	68,991
Other Comprehensive income					
Currency translation differences first quarter 2011	-	-	-9,113	-	-9,113
Currency translation differences second quarter 2011	-	-	1,173	-	1,173
Currency translation differences third quarter 2011	-	-	6,618	-	6,618
Currency translation differences fourth quarter 2011	-	-	6,108	-	6,108
Total other comprehensive income	-	-	4,785	-	4,785
Total comprehensive income	-	-	4,785	-	4,785
Transactions with owners					
Share issue in kind June	7	1,721	-	-	1,728
Total transactions with owners	7	1,721	-	-	1,728
Closing balance 31 December 2011	5,424	438,329	-2,955	14,761	455,559
Opening balance 1 January 2012	5,424	438,329	-2,955	14,761	455,559
Comprehensive income					
Total comprehensive result for the first quarter 2012	-	-	-	107,601	107,601
Period result	-	-	-	107,601	107,601
Other Comprehensive income					
Currency translation differences first quarter 2012	-	-	-4,451	-	-4,451
Total other comprehensive income	-	-	-4,451	-	-4,451
Total comprehensive income	-	-	-4,451	-	-4,451
Closing balance 31 March 2012	5,424	438,329	-7,406	122,362	558,709

Consolidated cash flow statement

TSEK	1 Jan 2012 – 31 Mar 2012 3 Months	1 Jan 2011 – 31 Mar 2011 3 Months	1 Jan 2011 – 31 Dec 2011 12 Months
Cash flow from operations			
Operating result	109,327	3,993	83,057
Interest received	–	12	62
Interest paid	–	–	–
Income tax	-40	-27	-123
Adjustment for write down of oil and gas properties	–	–	–
Adjustment for depreciation and other non cash related items	11,486	-12	8,281
Total cash flow from operations before change in working capital	120,774	3,966	91,277
Decrease/increase in receivables	-10,418	19,538	18,743
Decrease in liabilities	75,408	-2,082	3,584
Cash flow from operations	185,764	21,421	113,604
Investment activity			
Investment in oil and gas properties	-155,632	-15,426	-44,375
Oil and gas properties from cost oil repayment	-54,237	–	–
Investment in associated companies	–	–	-23,951
Investment in long term receivables	–	–	-139,175
Investment in other fixed assets	-128	-333	-891
Cash flow from investment activity	-209,997	-15,759	-208,392
Financing activity			
Share issue, net after issue costs	–	–	1,727
Net profit/loss from associated companies	–	–	–
Cash flow from financing activity	–	–	1,727
Period cash flow	-24,233	5,662	-93,061
Cash and cash equivalents at the beginning of the period	93,105	190,512	190,512
Exchange losses on cash and cash equivalents	-925	-12,525	-4,344
Cash and cash equivalents at the end of the period	67,947	183,649	93,105

Parent company income statement condensed

TSEK	1 Jan 2012 – 31 Mar 2012 3 Months	1 Jan 2011 – 31 Mar 2011 3 Months	1 Jan 2011 – 31 Dec 2011 12 Months
Net sales of oil and gas	–	–	–
Depreciation of oil and gas properties	–	–	–
Write off of oil and gas properties	–	–	–
Other income	445	880	3,236
Other losses/gains, net	-15	23	-52
Administrative expenses	-2,118	-3,014	-10,502
Operating result	-1,689	-2,111	-7,318
Financial income and similar items	1,939	2,392	9,148
Financial expenses and similar items	-2,276	-18,845	-16,270
Write down of shares in group company	–	–	-229
Net financial income	-338	-16,453	-7,351
Result before tax	-2,026	-18,565	-14,669
Income tax	–	–	–
Loss for the period	-2,026	-18,565	-14,669
Number of shares outstanding	32,543,750	32,504,489	32,543,750
Number of shares outstanding (after dilution)	32,543,750	32,504,489	32,543,750
Weighted number of shares	32,543,750	32,504,489	32,520,596

Parent company balance sheet condensed

TSEK	31 mar 2012	31 dec 2011
ASSETS		
Total fixed assets	148	169
Total financial fixed assets	157,141	160,829
Total current assets	141,986	141,658
TOTAL ASSETS	299,275	302,657
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	247,933	249,960
Total non interest bearing current liabilities	51,342	52,697
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	299,275	302,657
Pledged assets	500	500
Contingent liabilities	–	–

Parent company statement of changes in equity

TSEK	Restricted equity		Non restricted equity			Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net result	
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
Profit for the second quarter 2011	-	-	-	-	2,889	2,889
Profit for the third quarter 2011	-	-	-	-	1,953	1,953
Loss for the fourth quarter 2011	-	-	-	-	-946	-946
Period result	-	-	-	-	-14,669	-14,669
Total comprehensive income	-	-	-	-	-14,669	-14,669
Transactions with owners						
Share issue in kind	7	-	1,721	-	-	1,728
Total transactions with owners	7	-	1,721	-	-	1,728
Closing balance 31 December 2011	5,424	71,071	367,258	-179,124	-14,669	249,960
Opening balance 1 January 2012	5,424	71,071	367,258	-179,124	-14,669	249,960
Transfer of prior year net result	-	-	-	-14 669	14 669	-
Comprehensive income						
Loss for the first quarter 2012	-	-	-	-	-2,026	-2,026
Period result					-2,026	-2,026
Total comprehensive income	-	-	-	-	-2,026	-2,026
Closing balance 31 March 2012	5,424	71,071	367,258	-193,174	-2,026	247,933

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 Lithuania, 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 2012 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The three months report 2012 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 2011.

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.

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 2011.

Note 2) Net sales of oil and gas

During the first quarter 2012, Tethys Oil sold 195,422 (16,032) barrels of oil after government take from the Early Production System on Block 3 and 4 in Oman. This resulted in net sales during the first quarter 2012 of TSEK 144,710 (TSEK 9,397). The average selling price per barrel amounted to USD 108.61 per barrel during the first quarter 2012 (USD 88.93).

Valuta	2012		2011	
	Genomsnitt	Periodens slut	Genomsnitt	Periodens slut
SEK/USD	6,82	6,74	6,55	6,84
SEK/CHF	7,35	7,40	7,57	7,36

Note 3) Oil and gas properties

TSEK Country	Depletion	Write downs	Book value		Book value 31 Dec 2011	Write downs 1 Jan – 31 Mar 2012	Investments 1 Jan – 31 Dec 2011	Book value 1 Jan 2011
	1 Jan – 31 Mar 2012	1 Jan – 31 Mar 2012	1 Jan 2012	31 Dec 2011				
Oman Block 15	–	–	2,845	113,671 ²	113,671 ⁴	–	19,807	92,682 ⁵
Oman Blocks 3,4	-9,440	–	206,713	74,466 ²	74,466 ²	–	16 890	66,573 ³
France Attila	–	–	–	9,717	9,717	–	479	9,238
France Alés	–	–	260	5,764	5,764	–	5,764	–
Sweden Gotland Större	–	–	10	2,200	2,200	–	615	1,628
New ventures	–	–	181	835	835	–	819	16
Total	-9,440	–	209,868	206,651	206,651	–	44,375	170,135

Oil and gas properties TSEK	Group			Parent		
	1 Jan 2012 – 31 Mar 2012 3 months	1 Jan 2011 – 31 Mar 2011 3 months	1 Jan 2011 – 31 Dec 2011 12 months	1 Jan 2012 – 31 Mar 2012 3 months	1 Jan 2011 – 31 Mar 2011 3 months	1 Jan 2011 – 31 Dec 2011 12 months
Investments in oil and gas properties						
Opening balance	291,508	254,990	254,990	–	–	–
Investments in France	260	2,342	6,243	–	–	–
Investments in Oman	209,558	12,858	36,698	–	–	–
Investments in Sweden	10	7	615	–	–	–
Other investments in oil and gas properties	187	6	819	–	–	–
Adjustment	-5,953 ¹	-15,185 ¹	-7,859 ²	–	–	–
Closing balance	486,553	255,019	291,508	–	–	–
Depletion*						
Opening balance	–	–	–	–	–	–
Depletion	9,440	–	–	–	–	–
Closing balance	9,440	–	–	–	–	–
Write down						
Opening balance	84,857	84,857	84,857	–	–	–
Write down	–	–	–	–	–	–
Closing balance	84,857	84,857	84,857	–	–	–
Net book value	401,696	170,375	206,651			

³ The book value of oil and gas properties include non cash items of TSEK -5,953 during the first quarter 2012. These adjustments are not part of investments.

⁴ The book value of oil and gas properties include non cash items of TSEK -7,859 during the full year 2011. These adjustments are not part of investments. Of these adjustments, TSEK -9,564 relates to currency exchange losses and TSEK 1,705 relates to provision for site restoration.

* Tethys Oil presents depletion of oil and gas properties relating to Block 3 and 4, which is in line with the Accounting principles, as Block 3 and 4 starting from first quarter 2012 is considered to be in a commercial production phase.

Note 4) Operating expenses

During the first quarter 2012, the operating expenses amounted to TSEK 20,145 (TSEK –). Operating expenses are directly related to oil and gas production on Block 3 and 4 in Oman, for example expenses for trucking, tariffs, supervision and administration etc. Due to an underlift position as per 31 March 2011 amounting to 12,450 barrels, the Operating expenses during the first quarter 2012 have been reduced by TSEK 2,187. The company considers the conditions for presenting operating expenses under the accounting principles to have been met as of 1 January 2012.

Note 5) 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 6) Associated companies

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

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

Note 7) Other long term receivables

Tethys Oil and private Danish oil company Odin Energi entered into an Investment Agreement regarding assets in Lithuania. According to the agreement, Tethys interests in Lithuania shall be held together with Odin through Odin group companies giving Tethys a net indirect interest of 25 per cent

in UAB Minijos Nafta (“MN”) and 20 per cent in UAB LL Investicos (“LLI”). Tethys has received newly issued shares in Odin group companies for the holding of LLI. Regarding the holding in Minijos Nafta as per 31 March 2012, Tethys Oil currently holds a receivable on Odin which is to be transferred into shares in Odin group companies. For the transfer of shares to Tethys Oil, a reconstruction of the Odin group is ongoing. The reconstruction is in line with the agreement, and is progressing according to plan. The receivable amounts to MEUR 15.2, equivalent of TSEK 135,689. The loan is secured by a pledge of 30 per cent of the share capital of Odin.

Note 8) Shareholders' equity

As per 31 March 2012, the number of outstanding shares in Tethys Oil amount to 32,543,750 (32,543,750), 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 9) Provisions

Tethys Oil estimates that Tethys Oil's share of site restoration regarding Block 3&4 amounts to TSEK 2,782 (TSEK 1,705). As a consequence of this provision, oil and gas properties have increased with an equal amount.

Note 10) Contingent liabilities

As per an agreement between Tethys Oil and Mitsui from 2010, Mitsui undertook to fund Tethys Oil's share of non exploration related capital expenditure up to MUSD 60 on Blocks 3 and 4 effectively from 1 January 2010. As per 31 December 2011, Mitsui had fulfilled the undertaking. As per the same agreement, Mitsui holds the right to and has started during the first quarter 2012 to recover the MUSD 60 paid on behalf of Tethys Oil from the proceeds of Tethys Oil's share of cost recovery production entitlement. During the first quarter 2012, Mitsui received MUSD 8 from Tethys Oil's cost recovery. Remaining contingent liability as per 31 March 2012 amounts to MUSD 52 equivalent of TSEK 350,355 (TSEK –).

Note 11) 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 24,000. Mrs. Mona Hamilton is the wife of Vincent Hamilton, the Chairman and Chief Operating Officer of Tethys Oil. The rent of office space is a commercially based agreement between Tethys Oil Suisse S.A. and Mrs. Mona Hamilton.

Note 12) Subsequent events

On May 10, 2012, Tethys Oil exercised the mandate that was granted at the AGM held on 25 May 2011, by conducting a directed issue of 2,500,000 new shares. The shares were allotted to mainly Swedish and international institutional investors. The issue price was set to SEK 40, which corresponds to a discount of approximately 7 percent to the volume weighted average share price the last trading day before the issue. Through the issue, MSEK 100 will be brought to Tethys Oil before issue expenses. The proceeds from the Issue are intended to be used to fund Tethys' ongoing investment programme in Oman and for general working capital purposes.

Following the issue, the number of shares amounts to 35,043,750, of which the new shares correspond to 7.1 percent of the equity. The company's share capital increases with SEK 416,667 from SEK 5,423,958 to SEK 5,840,625.

On May 14, 2012, Tethys Oil exercised a mandate that was granted at the AGM held on 25 May 2011, resolved to make a directed issue of 500,000 new shares.

The Issue which is for 500,000 shares completes the intention to place up to 3,000,000 shares announced on May 9, 2012. The issue price is SEK 40 and is the same that was set through book building in the placing of 2,500,000 shares announced on May 10, 2012. The price corresponds to a discount of approximately 7 percent to the volume weighted average share price the last trading day before the Issue. Through the Issue, SEK 20 million will be brought to the Company before issue expenses.

Following the Issue, the number of shares amounts to 35,543,750, of which the new shares correspond to 1.4 percent of the equity. The Company's share capital increases with SEK 83,333 from SEK 5,840,625 to SEK 5,923,958.

Key ratios

Group

	1 Jan 2012 – 31 Mar 2012 3 Months	1 Jan 2011 – 31 Mar 2011 3 Months	1 Jan 2011 – 31 Dec 2011 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	109,327	3,993	83,057
Operating margin, %	75.55%	n.a.	80.22%
Result before tax, TSEK	107,641	-14,708	69,114
Net result, TSEK	107,601	-14,735	68,991
Net margin, %	74.36%	n.a.	66.63%
Shareholders' equity, TSEK	558,709	356,206	455,559
Balance sheet total, TSEK	644,498	358,138	464,862
Capital structure			
Solvency, %	86.69%	99.52%	98.00%
Leverage ratio, %	n.a.	n.a.	n.a.
Adjusted equity ratio, %	86.69%	99.52%	98.00%
Interest coverage ratio, %	n.a.	n.a.	n.a.
Investments, TSEK	209,997	15,759	208,392
Profitability			
Return on shareholders' equity, %	19.26%	neg.	15.14%
Return on capital employed, %	16.70%	neg.	16.25%
Key figures per employee			
Average number of employees	15	9	12
Number of shares			
Dividend per share, SEK	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	5.71	0.19	3.49
Number of shares on balance day, thousands	32,544	32,504	32,544
Shareholders' equity per share, SEK	17.17	10.96	14.00
Weighted number of shares on balance day, thousands	32,544	30,849	32,521
Earnings per share, SEK	3.31	-0.45	2.12
Resultat per aktie efter utspädning, SEK	n.a.	n.a.	n.a.

For definitions of key ratios please refer to the 2011 Annual Report.

The abbreviation n.a. means not applicable.

Financial Information

The Company plans to publish the following financial reports:

AGM will be held in Stockholm, 16 May 2012

Six month report 2012 (January – June 2012) on 20 August 2012

Nine month report 2012 (January - September 2012) on 12 November 2012

Year end report 2012 (January – December 2012) on 11 February 2013

Three month report 2013 (January - March 2013) on 6 May 2013

Stockholm, 14 May 2012

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

Magnus Nordin
Managing Director

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

Tethys Oil AB (publ)

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