

TETHYS OIL

Six Month Report 2011

Tethys Oil AB (publ)

Report for the period 1 January 2011 – 30 June 2011

HIGHLIGHTS

- During the first half year 2011 Tethys Oil sold 20,903 barrels of oil, after government take, from the early production system (EPS) onshore Oman, resulting in net sales of TSEK 12,561 (-). During the second quarter Tethys Oil sold 4,871 barrels of oil, after government take, from the early production system (EPS) onshore Oman, resulting in net sales of TSEK 3,164 (-)
- The production under the EPS amounted in the six month period 2011 to 277,497 barrels and in the second quarter to 215,283. Tethys' share of the test production oil amounts to 30 per cent, or 83,249 barrels and 64,585 respectively, before government take
- Result for the first half year of 2011 amounted to TSEK -14,012 (TSEK 8,333 for the corresponding period last year) and TSEK 724 (TSEK 15,017) for the second quarter. Included in the result is net currency exchange losses of TSEK -16,429 for the first half year of 2011 and currency exchange gains of TSEK 2,283 for the second quarter
- Earnings per share amounted to SEK -0.43 (SEK 0.28) for the first half of 2011 and SEK 0.02 (SEK 0.50) for the second quarter
- Operating result for the first half year of 2011 amounted to TSEK 2,459 (TSEK -6,011) and TSEK -1,534 (TSEK -3,236) during the second quarter
- Cash and cash equivalents as per 30 June 2011 amounted to TSEK 178,355 (TSEK 190,512). Remaining carry as per 30 June 2011 on Blocks 3 and 4 from Mitsui amounts to MUSD 23. Oil and gas investments amounted to TSEK 20,597 (TSEK 42,695) mainly related to Oman
- Construction of permanent production system on Blocks 3 and 4 continues. Pipeline trenching has commenced
- Well Farha South-12 discovers oil in new fault block – completed and put on test production
- Well East Saiwan-8 completed and put on test production at a rate in excess of 1,000 BOPD
- During August 2011, after the reporting period, Tethys Oil sold 37,692 barrels of oil after government take from the Early Production System on Blocks 3 and 4 in Oman, resulting in net sales of approximately TSEK 26,429

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' core area is the Sultanate of Oman, where the company is the second largest onshore oil and gas concession-holder with licence interests in three onshore blocks. Tethys also has licences onshore France and Sweden. Tethys' 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 Certified Adviser. Website: www.tethysoil.com

Dear Friends and Investors

A new report, this time with some excellent and exceptional numbers. We will not dwell overly much on these. They speak for themselves. Tethys is now a producing oil company. Thanks to the technical skill and financial ability of our partners not the least, we have emerged from the doldrums of exploration to become a complete exploration and production company.

Over this last 12 month period, we have achieved virtually all we set out to achieve. The production on Blocks 3 and 4 onshore Oman from the Early Production System was in July above 4,000 BOPD and has continued to increase in August. And the work on the permanent production system is well under way. Storage and utilities tanks, and foundations for facilities are under construction in both fields, and pipeline work has commenced. The expanded production facilities are expected to be put into operations within 9 months. The system is designed to be able to handle a daily production in excess of 18,000 BOPD.

In parallel with the work carried out by the partner group and Gaffney Cline, Tethys has compiled its own data base which will be ready for audit by an independent third party engineering house starting in early September. We are currently in discussion with five separate firms, and a third party resource/reserve report over the Farha South and the Saiwan East areas based on data available as at September 1st is planned to be presented in the fourth quarter.

We are today announcing yet another successful well in a previously undrilled fault block on the Farha South area, the Farha South-12 well on Block 3. The wells drilled during this summer on the area have significantly increased the Farha South trend of oil bearing fault blocks and expanded the area into an appraisal/exploration project of greater magnitude than previously expected. The entire Farha trend of fault blocks seems oil bearing in both the Barik and Lower Al Bashair formations, albeit to varying degrees. The results so far indicate that each Farha South well will have a persistent production from 500 to 1,000 BOPD. Exploration will continue along the Farha trend and as yet there are no indications where it will end.



Farha Early Production Facilities

We have also today announced the successful completion of the Saiwan East-8 well on Block 4. The well has been connected to the EPS and is currently producing in excess of 1,000 BOPD. The three wells SE-2, -3 and -8 in the North Dome of the Saiwan East structure are now all hooked up to the EPS.

A primary focus of the last 18 months has been to establish continual production of conventional oil. That goal is now virtually established and more emphasis can again be put on exploration. When we first acquired our interest in Blocks 3 and 4, we described it as a literal smorgasbord of opportunities. Several of the original leads outside of the areas where we have been drilling are being further scrutinized to be upgraded to drillable prospects. And on Saiwan East, the areas around the wells SE-4, -6 as well as SE-7 are filled with oil, but the quality and mix of which is by no means understood as yet. We also have the enormous quantities of heavier oils within the Saiwan East structure. Gaffney Cline will assist also in this work and an estimation of prospective resources in the more well defined exploration prospects is expected to be presented later this year. But we already know that prospectivity is high and we would be dis-

appointed if prospective resources came in below 100 million barrels.

And this is just the beginning. With close to MUSD 30 cash in the bank we are extremely well positioned to take advantage of opportunities arising during the current financial turmoil. So stay with us, we dare suggest that this is indeed only the beginning. And not a bad one so far.

Stockholm in August 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

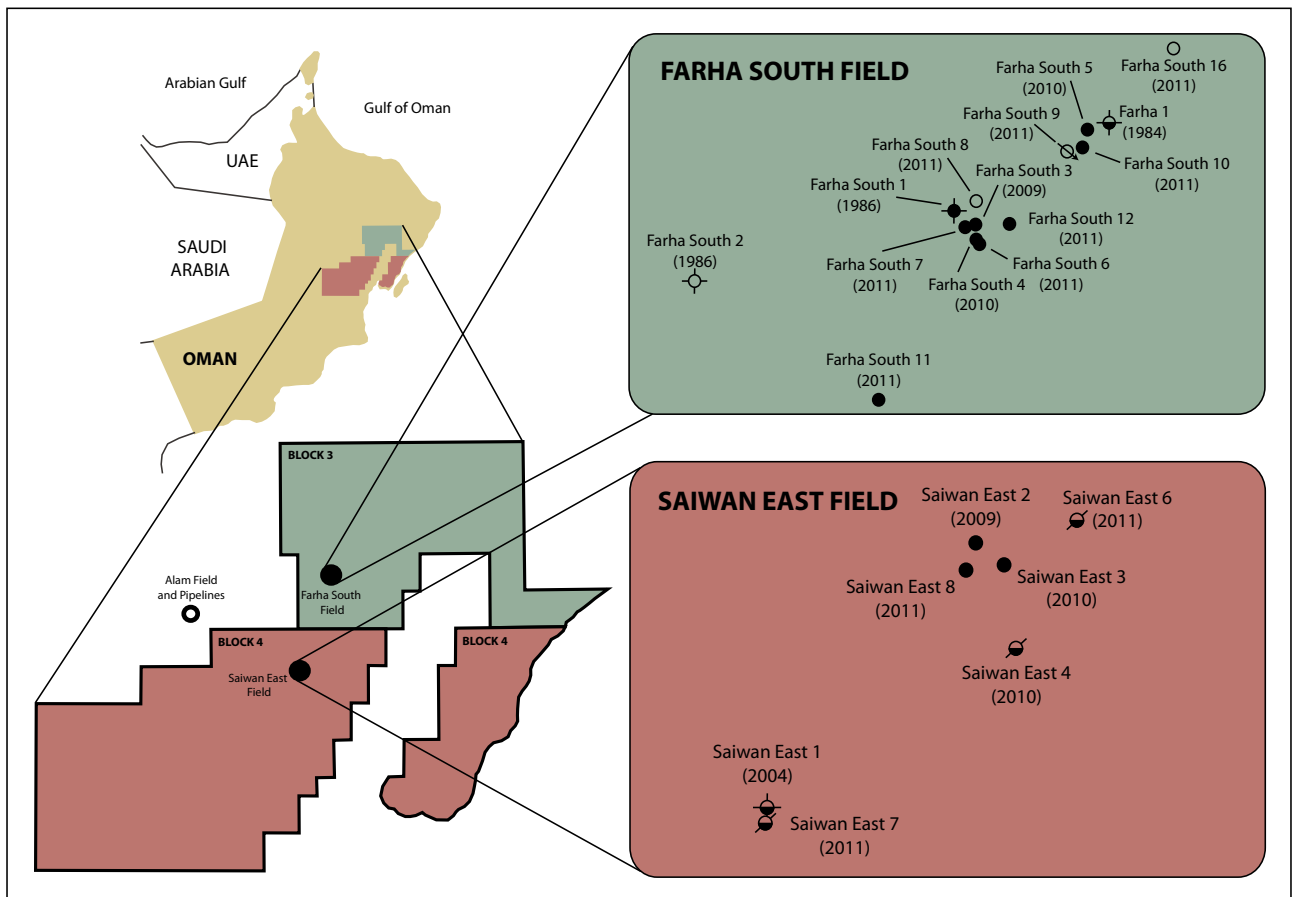
The drilling programme on Block 3 and 4 has continued with increased intensity in 2011 after a second drilling rig was contracted in late March 2011. The two rigs are currently drilling respectively Farha South-16 and Farha South-8, both on Block 3. The Farha South-16 well on Block 3 is an exploration/appraisal well located 5.5 kilometres northeast of FS-5 in an undrilled fault block. The FS-16 well is designed to explore both the Barik and Lower Al Bashair formations. The Farha South-8 well is designed to appraise the Lower Al Bashair formation in the FS-1 area.

The long term production test of the Farha South structure on Block 3 and the East Saiwan Structure on Block 4 using an Early Production System ("EPS") has continued. 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 second quarter 2011, a total of 215,283 barrels were produced using the EPS (62,214 barrels in first quarter 2011). Tethys' share of the test production oil amounts to 30 per cent, or 64,585 barrels before government take. The total production increased during the quarter from 32,123 barrels in April, to 79,655 in May and 103,505 in June.

The EPS was in June running close to full capacity. After an enhancement of the equipment in July, including an increase in tanker availability, the EPS capacity has increased. The July production amounted to 130,057 barrels of oil, corresponding to an average rate of 4,195 barrels of oil per day ("BOPD"). Production from the early pro-

duction system has continued to increase during August, and average daily production in August is expected to be higher than it was in July.

The work on the more permanent production system is making good progress. Several storage and utilities tanks and foundations for facilities are under construction in both fields, and pipeline work has commenced. Two pipelines are projected, one 10" to connect the Farha South field to the production facilities at Saiwan East field. And one 16" to connect the Saiwan East production facilities with the national Omani pipeline system at Qarn Alam station via Alam facilities, shipping the combined production from Saiwan East and Farha South. The combined length of the pipelines will be approximately 118 kilometres. Trenching has commenced in the Saiwan East and the construction has been awarded to start trenching in South Farha and installing both pipelines and the facilities in the very near future. Apart from the two fields storage tanks, facilities include among other



things heater treaters and receiver fire and gas system as well as large separators. The expanded production facilities are expected to be put into operations within 9 months. The system is designed to be able to handle a daily production in excess of 18,000 BOPD.

The Farha South structure of Block 3 **Drilling summary**

Farha South-12

The exploration well Farha South-12 ("FS-12") was completed and put into test production in August 2011. The FS-12 was drilled as a vertical exploration well through both the Barik and Lower Al Bashair formations. The well was drilled to a total depth of 1,934 metres. The drill site is located 1.7 kilometres northwest of FS-4 and FS-6 wells, in a new fault block. The FS-12 encountered the Barik at 1,291 metres depth. A total of 12 metres of oil-bearing sandstone was drilled. Oil shows were also found in the Lower Al Bashair formation, but it was not able to be logged because of the hole condition. The Upper Barik section was perforated and put into test production with an electrical submersible pump.

Farha South-11

The exploration well Farha South-11 ("FS-11") was completed, tested and put into test production in July 2011. The FS-11 was drilled as a vertical well through both the Barik and Lower Al Bashair formations. The well was drilled to a total depth of 1,865 metres. The drill site is located 9 kilometres south of the FS-3 well, which produces oil from both the Barik and Lower Al Bashair formations. The FS-11 encountered the Barik at 1,287 metres depth. A total of 28 metres of oil-bearing sandstone was drilled. Oil shows were also found in the Lower Al Bashair formation, but it was not able to be logged. The Upper Barik section was perforated and hooked up to the ESP and put into test production with an electrical submersible pump. The measured production rate from the well for the first 12 hour test period was 517 barrels of oil per day of 39 degree API oil. As a result of the successful well, the Farha South trend of oil bearing fault blocks was extended to the south by nearly 10 kilometres.

Farha South-7

The Farha South-7 well ("FS-7") was completed and put on test production in late May 2011. The well was drilled as an appraisal well designed to evaluate the Lower Al Bashair formation, at a location 425 metres southwest of the Farha South-3 well. FS-7 was drilled horizontally in the Lower Al Bashair to a total measured depth of 2,900 metres. A total of 821 metres was drilled in the formation, of which 450 metres was within oil-bearing sandstones. A beam pump was installed before the well was hooked up to the EPS.

Farha South-10

The Farha South-10 well ("FS-10") was completed and put on test production in late May 2011. The well was drilled as a vertical production well through both the Barik and Lower Al Bashair formations. The drill site is located 800 metres southwest of the FS-5 well, which produces oil from the Barik formation. The FS-10 encountered the Barik at 1,220 metres depth. A total of 18 metres of oil-bearing sandstone was drilled in this vertical well. The Lower Barik section was perforated and hooked up to the ESP and put into test production with an electrical submersible pump. The Upper Barik section was not perforated, and will be re-entered at a later date. A water injection well, Farha South-9, has in August 2011 been drilled to support production from FS-10.

Farha South-6

In May 2011, the Farha South-6 ("FS-6") well was completed. FS-6 was drilled as a vertical production well into the Lower Barik formation. 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 EPS. 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.

Farha South-1

The original discovery well, Farha South-1, has been re-entered and worked over, and been hooked up to the EPS.

The Saiwan East structure on Block 4

Drilling summary

Saiwan East-8

The appraisal/development well Saiwan East-8 ("SE-8") has been completed and put on test production. SE-8 was drilled from a site located between the SE-2 and SE-3 wells, 1 kilometres southwest of SE-2. The well was drilled as vertical pilot well with a 700 metres horizontal section in the top Khufai formation. The pilot well reach a total depth of 1,789 metres and confirmed a 30 metres thick oil column in the top Khufai and some 400 metres net of oil bearing Khufai limestone was drilled in the horizontal section. The well is currently producing in excess of 1,000 BOPD.

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 and horizontal sidetrack in the Saiwan East-2 well

Previously in 2011, as reported earlier, the Saiwan East-6 well ("SE-6") were finalized, logged but a drill stem test yielded formation water with oil skim on surface. The SE-2 well was re-entered and a horizontal sidetrack was drilled in the Khufai section. The well encountered oil as expected and the horizontal section was hooked up to the EPS. The SE-3 well was also hooked up to the EPS and both wells have been intermittently produced at various rates.

Block 15 – The appraisal and development of Jebel Aswad

The data from the two wells drilled on Block 15 have undergone additional studies and analysis. The JAS-1 well, which flowed in excess of 2,000 BOEPD when tested in 2007, remains suspended. The JAS-2 well, which tested water in 2008, is planned to be put on a long term production test later in the third quarter this year. The water cannot be explained as coming from the formation and the logging operation completed earlier this year confirmed more than 700 metres of hydrocarbon bearing rocks in the JAS-2 horizontal well. The testing will aim to clear the well of the water, which seems to have intruded from fractures towards the end of the horizontal leg, and then conduct a proper test of the hydrocarbon bearing zone to ascertain potential flow rates and find out whether this part of the reservoir contains mostly gas, condensate or black oil.

A study of the porosity distribution over the JAS structure, as measured from the 3D seismic study carried out in 2009, has yielded some interesting results. It is suggesting that the rock porosity is highly variable and that the two JAS wells drilled so far may not have been drilled in the most optimal locations. Work on understanding the porosity distribution continues and will together with the upcoming test results assist in determining future drillings locations.

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 relin-

quished. 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. 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.

Tenders for seismic this acquisition have been sent out to five seismic contractors. Tenders will be evaluated and a contract is scheduled to be awarded during the third quarter, and work on the acquisition is expected to start in the fourth quarter 2011. The purpose of the seismic program is to complement the existing 2D seismic over the Maruejols heavy oil field. It will better define a drilling for the conventional oil prospect identified deeper, below the heavy oil field.

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 have been 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. Preliminary results of the soil survey confirms that a difference can be detected in the soil sample data between known oil-bearing reefs and known water-wet reefs. Analysis of the soil sample results continues and is now focused on interpreting the data from samples taken from above known reefal prospects that have been identified on existing seismic lines and have not been drilled.



Saiwan site construction

RESULT AND CASH FLOW

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 half year of 2011 ended 30 June 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 six months 2011, Tethys Oil sold 20,903 barrels of oil after government take from the Early Production System on Blocks 3 and 4 in Oman, resulting in net sales of TSEK 12,561 (-). The average selling price per barrel amounted to USD 92.99 per barrel during the first half of 2011 and USD 105.80 per barrel during the second quarter.

Tethys Oil reports a result for the first six months of 2011 of TSEK -14,012 (TSEK 8,333 for last year) and TSEK 724 (TSEK 15,017) for the second quarter, representing earnings per share of SEK -0.43 (SEK 0.28) for the first half year 2011 and SEK 0.02 (SEK 0.50) for the second quarter.

The result for the first half year 2011 has been significantly impacted by net foreign exchange losses. The currency exchange effect of the group amounts to TSEK -16,429 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 amounting to TSEK -16,418 for the first half year 2011 and TSEK 2,283 for the second quarter.

There have been no write downs of oil and gas properties for the first six months of 2011, nor for the equivalent period last year. Cash flow from operations before changes in working capital during the first half of 2011 amounted to TSEK 2,662 (TSEK -5,726) for the first six months 2011 and TSEK -1,303 (TSEK -2,840) for the second quarter.

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 -9,919 (TSEK -6,930) for the first half of 2011 and TSEK -4,358 (TSEK -3,183) for the second quarter. Depreciation amounted to TSEK 207 (TSEK 135) for the half year period and TSEK 152 (TSEK 62) for the second quarter. Administrative expenses are mainly salaries, rents, listing costs and outside services. These costs are corporate costs and are accordingly not capitalised. Depreciation is referable to office equipment. The administrative expenditures during the first half of 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 these 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 (see table below).

Oil and gas properties as at 30 June 2011 amounted to TSEK 177,732 (TSEK 170,135). Investments in oil and gas properties of TSEK 20,597 (TSEK 42,695) were incurred for the six month period ending 30 June 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 37 has been paid on Tethys Oil's behalf under the Carry Agreement of which MUSD 21 has been paid during the first half of 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 13,341 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

Country	Licence name	Tethys Oil, %	Total area, km ²	Partners (operator in bold)	Book value 30 Jun 2011	Book value 31 Dec 2010	Investments Jan-Jun 2011
Oman	Block 15	40%	1,389	Tethys Oil , Odin Energi	99,580	92,682	13,341
Oman	Block 3,4	30%	33,125	CCED , Tethys Oil, Mitsui	62,723	66,573	2,664
France	Attila	40%	1,986	Galli Coz , Tethys Oil	13,516	9,238	4,279
Sweden	Gotland Större	100%	540	Tethys Oil	1,858	1,628	273
New ventures					43	16	27
Total			37,040		177,732	170,135	20,597

TSEK 4,279 have regarded the acquisition of 37.5 per cent of the Alés permit from private Swiss company MouvOil S.A.. The purchase price amounted to 39,261 shares and EUR 250,000. The book value of oil and gas properties includes currency exchange effects of TSEK -12,957 during the first half 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 30 June 2011 amounted to TSEK 178,355 (TSEK 190,512).

Most of the liquidity is kept in USD which has depreciated against SEK during the reporting period. The depreciation of USD has been the main reason why cash and bank between 31 December 2010 and 30 June 2011 was reduced. The currency exchange effect on cash and cash equivalents amounted during the first six months to TSEK -9,256.

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 23 remains of this undertaking as per 30 June 2011.

Current receivables

Current receivables amounted to TSEK 4,016 (TSEK 20,789) as at 30 June 2011. Current receivables mainly regard receivables related to oil sales from Blocks 3 and 4 in Oman.

Current liabilities

Current liabilities as at 30 June 2011 amounted to TSEK 3,315 (TSEK 4,014), of which TSEK 757 (TSEK 1,199) relates to accounts payable, TSEK 1,799 (TSEK 481) relates to other current liabilities and TSEK 760 (TSEK 2,334) relates to accrued expenses.

Parent company

The Parent company reports a result for the first half year of 2011 amounting to TSEK -15,676 (TSEK 15,123) and TSEK 2,889 (TSEK 18,550) for the second



quarter. Administrative expenses amounted to TSEK -5,411 (TSEK -4,252) for the first half year of 2011 and TSEK -2,397 (TSEK -2,386) for the second quarter. Net financial result amounted to TSEK -11,896 (TSEK 17,958) during the first half year of 2011 and TSEK 4,558 (TSEK 20,174) for the second quarter. 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 half of 2011 amounted to TSEK 45,179 (TSEK 67,746). 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.

Share data

As per 30 June 2011, the number of outstanding shares in Tethys Oil amount to 32,543,750 (32,504,489), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program for employees.

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

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 13.

Subsequent events

During August 2011, after the reporting period, Tethys Oil sold 37,692 barrels of oil after government take from the Early Production System on Blocks 3 and 4 in Oman, resulting in net sales of approximately TSEK 26,429.

Statement of comprehensive income

TSEK	1 Jan 2011– 30 Jun 2011 6 months	1 Apr 2011– 30 Jun 2011 3 months	1 Jan 2010– 30 Jun 2010 6 months	1 Apr 2010– 30 Jun 2010 3 months	1 Jan 2010– 31 Dec 2010 12 months
Net sales of oil and gas	12,561	3,164	–	–	11,066
Depletion of oil and gas properties	–	–	–	–	–
Write off of oil and gas properties	–	–	–	–	-311
Other income	-188	-321	936	-15	105,016
Other losses/gains, net	5	-18	-18	-38	138
Administrative expenses	-9,919	-4,358	-6,930	-3,183	-15,247
Operating result	2,459	-1,534	-6,011	-3,236	100,661
Financial income and similar items	2,607	2,460	18,259	18,259	19,984
Financial expenses and similar items	-19,025	-177	-3,891	–	-40,501
Net financial income	-16,418	2,283	14,368	18,258	-20,517
Result before tax	-13,959	749	8,357	15,023	80,144
Income tax	-53	-26	-24	-5	-75
Result for the period	-14,012	724	8,333	15,017	80,069
Other comprehensive result					
Currency translation differences	-7,941	1,173	838	1,208	-8,533
Other comprehensive result for the period	-7,941	1,173	838	1,208	-8,533
Total comprehensive result for the period	-21,952	1,896	9,170	16,225	71,536
Number of shares outstanding	32,543,750	32,543,750	30,446,836	30,446,836	32,504,489
Number of shares outstanding (after dilution)	32,543,750	32,543,750	32,573,935	32,573,935	32,504,489
Weighted number of shares	32,508,827	32,513,118	29,257,494	30,107,213	30,849,461
Earnings per share, SEK	-0.43	0.02	0.28	0.50	2.60
Earnings per share (after dilution), SEK	-0.43	0.02	0.26	0.46	2.60

Consolidated balance sheet

TSEK	30 Jun 2011	31 Dec 2010
ASSETS		
Fixed assets		
Oil and gas properties	177,732	170,135
Office equipment	2,554	2,100
Total fixed assets	180,286	172,235
Current assets		
Other receivables	4,016	20,789
Prepaid expenses	492	533
Cash and bank	178,355	190,512
Total current assets	182,863	211,834
TOTAL ASSETS	363,149	384,069
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	5,424	5,417
Additional paid in capital	438,329	436,608
Other reserves	-15,681	-7,740
Retained earnings	-68,242	-54,230
Total shareholders' equity	359,830	380,055
Non interest bearing current liabilities		
Accounts payable	757	1,199
Other current liabilities	1,799	481
Accrued expenses	760	2,334
Total non interest bearing current liabilities	3,315	4,014
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	363,149	384,069
Pledged assets	500	500
Contingent liabilities	-	-

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
Total comprehensive result for the second quarter 2011	-	-	-	724	724
Net result for the year	-	-	-	-14,012	-14,012
Other Comprehensive income					
Currency translation differences first quarter 2011	-	-	-9,113	-	-9,113
Currency translation differences second quarter 2011	-	-	1,173	-	1,173
Total other comprehensive income	-	-	-7,941	-	-7,941
Total comprehensive income	-	-	-7,941	-14,012	-21,952
Transactions with owners					
Share issue in kind June	7	1,721	-	-	1,727
Total transactions with owners	7	1,721	-	-	1,727
Closing balance 30 June 2011	5,424	438,329	-15,681	-68,242	359,830

Consolidated cash flow statement

TSEK	1 Jan 2011– 30 Jun 2011 6 months	1 Apr 2011– 30 Jun 2011 3 months	1 Jan 2010– 30 Jun 2010 6 months	1 Apr 2010– 30 Jun 2010 3 months	1 Jan 2010– 31 Dec 2010 12 months
Cash flow from operations					
Operating result	2,459	-1,534	-6,011	-3,236	100,661
Interest received	12	–	–	–	1
Interest paid	–	–	–	–	–
Income tax	-53	-26	-24	-5	-75
Adjustment for write down of oil and gas properties	–	–	–	–	311
Adjustment for depreciation and other non cash related items	245	256	309	402	-102,842
Total cash flow used in operations before change in working capital	2,662	-1,303	-5,726	-2,840	-1,944
Decrease/increase in receivables	16,815	-2,723	-1,875	-875	-18,929
Decrease/increase in liabilities	-698	1,384	-14,340	2,409	-15,897
Cash flow used in operations	18,779	-2,642	-21,941	-1,306	-36,770
Investment activity					
Proceeds from farmout	–	–	–	–	144,114
Investment in oil and gas properties	-20,597	-5,171	-42,695	-11,252	-27,428
Investment in other fixed assets	-688	-355	-17	-21	-1,404
Cash flow used for investment activity	-21,285	-5,526	-42,712	-11,273	115,282
Financing activity					
Share issue, net after issue costs	1,727	1,727	58,525	16,744	105,750
Cash flow from financing activity	1,727	1,727	58,525	16,744	105,750
Period cash flow	-779	-6,441	-6,129	4,165	184,262
Cash and cash equivalents at the beginning of the period	190,512	183,649	13,620	3,305	13,620
Exchange gains/losses on cash and cash equivalents	-11,380	1,145	-3,887	-3,864	-7,369
Cash and cash equivalents at the end of the period	178,353	178,353	3,604	3,606	190,512

Parent company income statement condensed

TSEK	1 Jan 2011– 30 Jun 2011 6 months	1 Apr 2011– 30 Jun 2011 3 months	1 Jan 2010– 30 Jun 2010 6 months	1 Apr 2010– 30 Jun 2010 3 months	1 Jan 2010– 31 Dec 2010 12 months
Net sales of oil and gas	–	–	–	–	–
Depreciation of oil and gas properties	–	–	–	–	–
Write off of oil and gas properties	–	–	–	–	–
Other income	1,626	746	1,434	799	2,883
Other losses/gains, net	5	-18	-18	-38	138
Administrative expenses	-5,411	-2,397	-4,252	-2,386	-8,386
Operating result	-3,780	-1,669	-2,835	-1,624	-5,366
Financial income and similar items	7,124	4,732	21,827	20,174	28,058
Financial expenses and similar items	-19,019	-174	-3,869	–	-40,478
Write down of shares in group company	–	–	–	–	-932
Net financial income	-11,896	4,558	17,958	20,174	-13,351
Result before tax	-15,676	2,889	15,123	18,550	-18,717
Income tax	–	–	–	–	-13,186
Loss for the period	-15,676	2,889	15,123	18,550	-31,903
Number of shares outstanding	32,543,750	32,543,750	30,446,836	30,446,836	32,504,489
Number of shares outstanding (after dilution)	32,543,750	32,543,750	32,573,935	32,573,935	32,504,489
Weighted number of shares	32,508,827	32,508,827	29,257,494	30,107,213	30,849,461

Parent company balance sheet condensed

TSEK	30 Jun 2011	31 Dec 2010
ASSETS		
Total fixed assets	297	264
Total financial fixed assets	294,832	262,333
Total current assets	5,238	52,149
TOTAL ASSETS	300,367	314,746
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	248,953	262,901
Total non interest bearing current liabilities	51,414	51,845
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	300,367	314,746
Pledged assets	500	500
Contingent liabilities	–	–

Parent company statement of changes in equity

TSEK	Restricted equity		Unrestricted equity			Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net result	
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
Loss for the second quarter 2011	-	-	-	-	2,889	2,889
Net result for the year					-15,676	-15,676
Total comprehensive income	-	-	-	-	-15,676	-15,676
Transactions with owners						
Share issue in kind	7	-	1,721	-	-	1,727
Total transactions with owners	7	-	1,721	-	-	1,727
Closing balance 30 June 2011	5,424	71,071	367,258	-179,124	-15,676	248,953

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 half year report 2011 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The half year 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 during the period used any derivative financial instruments 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		2010	
	Average	Period end	Average	Period end
SEK/USD	6.42	6.38	7.46	7.78
SEK/CHF	7.07	7.56	6.93	7.02

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 lim-

ited. 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 3, Oil and gas properties

TSEK Country	Book value	Write downs	Investments	Book value	Book value	Write downs	Investments	Book value
	30 Jun 2011	1 Jan–30 Jun 2011	1 Jan–30 Jun 2011	1 Jan 2011	31 Dec 2010	1 Jan–31 Dec 2010	1 Jan–31 Dec 2010	1 Jan 2010
Oman Block 15	99,580 ¹	–	13,341	92,682 ²	92,682 ²	–	1,184	99,064 ³
Oman Blocks 3,4	62,723 ¹	–	2,664	66,573 ²	66,573 ²	–	19,995	101,615 ³
France Attila	13,516	–	4,279	9,238	9,238	–	5,610	3,628
Morocco Bouanane	–	–	–	–	–	-73	73	–
Sweden Gotland Större	1,858	–	273	1,628	1,628	–	486	1,142
New ventures	43	–	27	16	16	-238	80	174
Total	177,732	–	20,597	170,135	170,135	-311	27,428	205,623

¹ The book value of oil and gas properties include non cash items of TSEK -12,957 during the first half 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 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		
	1 Jan 2011– 30 Jun 2011 6 months	1 Jan 2010– 30 Jun 2010 6 months	1 Jan 2010– 31 Dec 2010 12 months	1 Jan 2011– 30 Jun 2011 6 months	1 Jan 2010– 30 Jun 2010 6 months	1 Jan 2010– 31 Dec 2010 12 months
TSEK						
Investments in oil and gas properties						
Opening balance	254,990	290,168	290,168	-	-	-
Investments in France	4,279	3,262	5,610	-	-	-
Investments in Morocco	-	-	73	-	-	-
Investments in Oman	16,005	39,148	21,180	-	-	-
Investments in Sweden	273	277	486	-	-	-
Other investments in oil and gas properties	27	8	80	-	-	-
Adjustment	-12,9571	18,920	-62,6062	-	-	-
Closing balance	262,617	351,783	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	177,732	267,240	170,135	-	-	-

Note 2, Net sales of oil and gas

During the first half of 2011, Tethys Oil sold 20,903 (-) barrels of oil after government take from the Early Production System on Block 3 in Oman and 4,871 barrels (-) during the second quarter. This resulted in net sales during the first half of 2011 of TSEK 12,561 (TSEK -) and TSEK 3,164 (TSEK) during the second quarter. The average selling price per barrel amounted to USD 92.99 per barrel during the first half of 2011 and USD 105.80 per barrel during the second quarter.

Note 4, Other income

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

Note 5, Shareholders' equity

As per 30 June 2011, the number of outstanding shares in Tethys Oil amount to 32,543,750 (32,504,489), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program for employees.

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

Note 6, Contingent liabilities

There are no contingent liabilities as per 30 June 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 43,000. 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 8, Subsequent events

During August 2011, after the reporting period, Tethys Oil sold 37,692 barrels of oil after government take from the Early Production System on Blocks 3 and 4 in Oman, resulting in net sales of approximately TSEK 26,429.

Key ratios

Group

	1 jan 2011– 30 jun 2011 6 månader	1 apr 2011– 30 jun 2011 3 månader	1 jan 2010– 30 jun 2010 6 månader	1 apr 2010– 30 jun 2010 3 månader	1 jan 2010– 31 dec 2010 12 månader
Items regarding the income statement and balance sheet					
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	2,459	-1,534	-6,011	-3,236	100,661
Operating margin, %	n.a.	n.a.	n.a.	n.a.	n.a.
Result before tax, TSEK	-13,959	749	8,357	15,023	80,144
Net result, TSEK	-14,012	724	8,333	15,017	80,069
Net margin, %	n.a.	n.a.	n.a.	n.a.	n.a.
Shareholders' equity, TSEK	359,830	359,830	270,466	270,466	380,055
Balance sheet total, TSEK	363,149	363,149	276,035	276,035	384,069
Capital structure					
Solvency, %	99.09%	99.09%	97.98%	97.98%	98.95%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	99.09%	99.09%	97.98%	97.98%	98.95%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	21,285	5,526	42,712	11,273	28,832
Profitability					
Return on shareholders' equity, %	-3.89%	0.20%	3.08%	5.55%	21.07%
Return on capital employed, %	-3.86%	0.20%	3.02%	5.44%	20.85%
Key figures per employee					
Average number of employees	11	12	9	9	9
Number of shares					
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	-0.02	-0.20	-0.21	0.14	5.97
Number of shares on balance day, thousands	32,544	32,544	30,447	30,447	32,504
Shareholders' equity per share, SEK	11.06	11.06	8.88	8.88	11.69
Weighted number of shares on balance day, thousands	32,509	32,513	29,257	30,107	30,849
Earnings per share, SEK	-0.43	0.02	0.28	0.50	2.60
Earnings per share after dilution, SEK	-0.43	0.02	0.28	0.50	2.60

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:

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

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

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

Board Assurance

The Board of Directors and the Managing Director certify that the half year report gives a fair review of the performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm, 22 August 2011

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

Vincent Hamilton
Chairman of the Board

Håkan Ehrenblad
Director

John Hoey
Director

Jan Risberg
Director

Magnus Nordin
Managing Director

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