



TETHYS OIL

Nine months report 2011

Tethys Oil AB (publ)

Report for the period 1 January – 30 September 2011

HIGHLIGHTS

- Result for the third quarter 2011 amounted to TSEK 38,627 (TSEK 66,923) and for the first nine months to TSEK 24,615 (TSEK 75,259). The comparable result for the nine month period and third quarter last year was positively impacted by the farmout to Mitsui adding TSEK 103,236 to the result. Significantly increased oil sales have positively impacted the result for the third quarter 2011
- Cash flow from operations during the third quarter 2011 amounted to TSEK 24,384 (TSEK -4,941) and TSEK 43,163 (TSEK -27,167) for the first nine months
- Tethys net average daily production, before government take, amounted during the third quarter to 1,547 barrels and for the nine month period to 826 barrels. In October, Tethys net average daily production amounted to 2,097 barrels
- Cash and cash equivalents as per 30 September 2011 amounted to TSEK 60,331 (TSEK 190,512)
- Tethys Oil entered into agreement with Odin Energi A/S regarding mutual investments in the Baltic region. As a part of this agreement, Tethys has lent MEUR 15.1 to Odin Energi
- During 2011 a total of 14 oil wells were drilled on Block 3 and 4 onshore Oman

	1 Jan 2011– 30 Sep 2011 9 months	1 Jul 2011– 30 Sep 2011 3 months	1 Jan 2010– 30 Sep 2010 9 months	1 Jul 2010– 30 Sep 2010 3 months	1 Jan 2010– 31 Dec 2010 12 months
Production, net to Tethys, before government take (bbl)	225,554	142,305	9,077	9,077	41,764
Average selling price per barrel, USD	106.73	111.79	–	–	80.56
Net sales of oil and gas, TSEK	53,700	41,139	–	–	11,066
Operating result, TSEK	38,664	36,204	93,765	99,773	100,661
Result, TSEK	24,615	38,627	75,259	66,923	80,069
Earnings per share, SEK	0.76	1.19	2.48	2.07	2.60
Cash and cash equivalents, TSEK	60,331	60,331	205,150	205,150	190,512
Shareholders' equity, TSEK	405,039	405,039	376,473	376,473	380,055
Long term debt, TSEK	–	–	–	–	–
Investments, TSEK	172,065	150,779	-122,272	-155,613	-115,282

Tethys Oil AB (publ)

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

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

Dear Friends and Investors

The third quarter 2011 is Tethys' operationally strongest quarter ever. We are happy to report record levels of produced oil, oil sales revenues and operating cash flow. Tethys' operational results were driven by the highly focused and efficient drilling and development programme on the Omani Blocks 3 and 4, implemented by the operator CCED. In total, 14 oil wells have been drilled on the two Blocks in 2011, and the drilling programme is continuing. The Early Production System has far surpassed expectations and more than 30 trucks are now carrying the oil from Farha and Saiwan to the Alam station.

The production has continued to steadily increase month by month. We are entering the fourth quarter with a daily production 70 per cent higher than at the beginning of the third quarter. Since the last report, several new wells have been drilled and completed and been put into production. The two rigs in operation are now focused on the Farha trend on Block 3. Wells Farha South-21 and Farha South-22 are currently drilling, with FS-21 appraising the oil bearing fault block identified by well FS-16 last month. So far seven different fault blocks have been drilled on the Farha trend, all encountering oil. The proven oil trend in the Farha South Field extends for approximately 25 kilometres to date. Out of the approximately 40 potentially oil bearing fault blocks, that so far have been mapped from the 3D seismic along the trend, seven additional fault blocks have now been upgraded to the status of drillable prospects.

Tethys is in final negotiations to appoint reserves auditors to audit reserves as at 31 December 2011 to be included in the annual report 2011. Gaffney, Cline & Associates have estimated prospective resources for two prospects near the producing areas: the Maha prospect on Block 3 and the Saiwan North prospect on Block 4. Gross prospective resources, net prospective resources



and geological chance of success (GCoS) as estimated by Gaffney, Cline are shown in the table below.

And the work on the permanent production system is well under way with infrastructure developments. The expanded production facilities are expected to be put into operations in the spring next year. The system is designed to be able to handle a total daily production in excess of 18,000 barrels.

In the third quarter, Tethys Oil also entered into an investment agreement with Odin Energi A/S, with the aim to enter mutual strategic investments in areas where each of the respective companies has expertise and enjoys a comparative advantage. Odin conducts, through a shareholding in UAB Minijos Nafta, oil operations in Lithuania. Minijos Nafta holds the Gargzdai license onshore Lithuania and currently produces in excess of 700 BOPD. In addition Odin holds an interest in and is the operator of Licence '2' offshore Latvia.

As a part of the agreement, Tethys lent MEUR 15.1 to Odin, secured by a pledge of 30 per cent of the share capital of Odin.

We are now in detailed discussions with Odin to convert the loan to enable Tethys to acquire interests in a number of Lithuanian oil licenses. This would increase Tethys' exposure to the Baltic region other than Gotland and substantially strengthening our European exposure.

On our other Omani license, Block 15, Weatherford has been contracted for the upcoming long term production test of the JAS-2 well on Block 15. In France, the preparation work for the upcoming seismic study on our new Alès licence continues with the evaluation of tenders. And the encouraging results from our soil sampling survey on our Swedish licence on the island of Gotland, has so far identified some 10 potential locations for exploratory drilling.

The third quarter of 2011 is a milestone in our history that brought Tethys to a new level. So dear friends and investors, stay with us!

Stockholm in November 2011

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

Prospect	Gross prospective resources Oil (MMBbl)			Tethys working interest %	Net prospective resources Oil (MMBbl)			GCoS %
	Low	Best	High		Low	Best	High	
Maha	9.4	14.0	19.7	30	2.8	4.2	5.9	21
Saiwan North	3.9	6.0	9.9	30	1.2	1.8	3.0	15

Financial and operational review¹

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 from the EPS vary, depending on both the test programme design as well as on transport and facility capacity.

Quarterly volumes, before government take	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Total quarterly production, (bbl)					
Production	474,349	215,283	62,214	108,957	30,256
Average daily production	5,156	2,366	691	1,184	672
Tethys' share of quarterly production, (bbl)					
Production	142,305	64,585	18,664	32,687	9,077
Average daily production	1,547	710	207	355	202

The total production has continued to increase after the third quarter, and amounted in October to 216,646 barrels of oil, corresponding to 6,989 barrels of oil per day (BOPD). Tethys' share of the October production, before government take, amounts to 30 per cent corresponding to 64,994 barrels.

Net sales

During the first nine months of 2011, Tethys Oil sold 77,654 (–) barrels of oil after government take from the Early Production System on Block 3 and 4 in Oman and 56,751 barrels (–) during the third quarter. This resulted in net sales during the first nine months of 2011 of TSEK 53,700 (TSEK –) and TSEK 41,139 (TSEK –) during the third quarter. The average selling price per barrel amounted to USD 106.73 per barrel during the first nine months of 2011 and USD 111.79 per barrel during the third quarter.

The significant increase of net sales during the third quarter reflects the increase in production and the more frequent liftings.

Result

Tethys Oil reports a result for the first nine months of 2011 of TSEK 24,615

(TSEK 75,259 for last year) and TSEK 38,627 (TSEK 66,923) for the third quarter, representing earnings per share of SEK 0.76 (SEK 2.48) for the first nine months 2011 and SEK 1.19 (SEK 2.07) for the third quarter. The comparable result for the nine month period and third quarter last year was positively impacted by the farmout to Mitsui adding TSEK 103,236 to the result. Significantly increased oil sales have positively impacted the result of the third quarter.

The result for the first nine months 2011 has been impacted by net foreign exchange losses. The currency exchange effect of the group amounts to TSEK -13,975 and almost all of the effect relates to the weaker US dollar in relation to the Swedish krona on intercompany loans denominated in US dollars. These 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 -13,963 for the first nine months 2011 and TSEK 2,455 for the third quarter.

Cash flow from operations during the first nine months of 2011 amounted to TSEK 43,163 (TSEK -27,167) and

TSEK 24,384 (TSEK -4,941) for the third quarter.

There have been no write downs of oil and gas properties for the first nine months of 2011 (TSEK 73).

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.

Administrative expenses amounted to TSEK 14,845 (TSEK 10,550) for the first nine months of 2011 and TSEK 4,926 (TSEK 3,620) for the third quarter. Depreciation amounted to TSEK 426 (TSEK 210) for the nine month period and TSEK 219 (TSEK 75) for the third quarter. Administrative expenses are mainly salaries, rents, listing costs and outside services. Depreciation is referable to office equipment. The administrative expenditures during the first nine months 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.

Oil and gas properties

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

Oil and gas properties as at 30 September 2011 amounted to TSEK 190,223 (TSEK 170,135). Investments in oil and gas properties of TSEK 32,198 (TSEK 21,452) were incurred for the nine month period ending 30 September 2011.

Block 3 and 4

In total, 14 wells have been drilled on the two Blocks in 2011. Furthermore, 2 water injection well and 1 horizontal sidetracking

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 nine months of 2011 ended 30 September 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.

Country	Licence name	Tethys Oil, %	Total area, km ²	Partners (operator in bold)	Book value 30 Sep 2011	Book value 31 Dec 2010	Investments Jan-Sep 2011
Oman	Block 15	40%	1,389	Tethys Oil , Odin Energy	105,544	92,682	14,936
Oman	Block 3, 4	30%	33,125	CCED , Mitsui, Tethys Oil	67,621	66,573	11,043
France	Attila	40%	1,986	Galli Coz , Tethys Oil	9,868	9,238	631
France	Alès	37.5%	215	Tethys Oil , MouvOil	5,199	–	5,199
Sweden	Gotland Större	100%	540	Tethys Oil	1,971	1,628	387
New ventures					20	16	4
Total			37,255		190,223	170,135	32,198

in an old well have been drilled. Work over have also been conducted on 2 wells. Since the publication of the second quarter report 22 August 2011, the following wells have been drilled and completed:

The Farha South-16 (“FS-16”) was drilled as a vertical exploration/appraisal well through both the Barik and Lower Al Bashair formations. The drill site is located 5.5 kilometres northeast of FS-5 in a previously undrilled fault block. The well was drilled to a total depth of 1,747 metres. The well encountered the Barik formation at 1,095 metres depth. A total of 30 metres of oil-bearing sandstone was drilled. Oil shows were also found in the Lower Al Bashair formation (“LAB”). The Upper Barik section has been

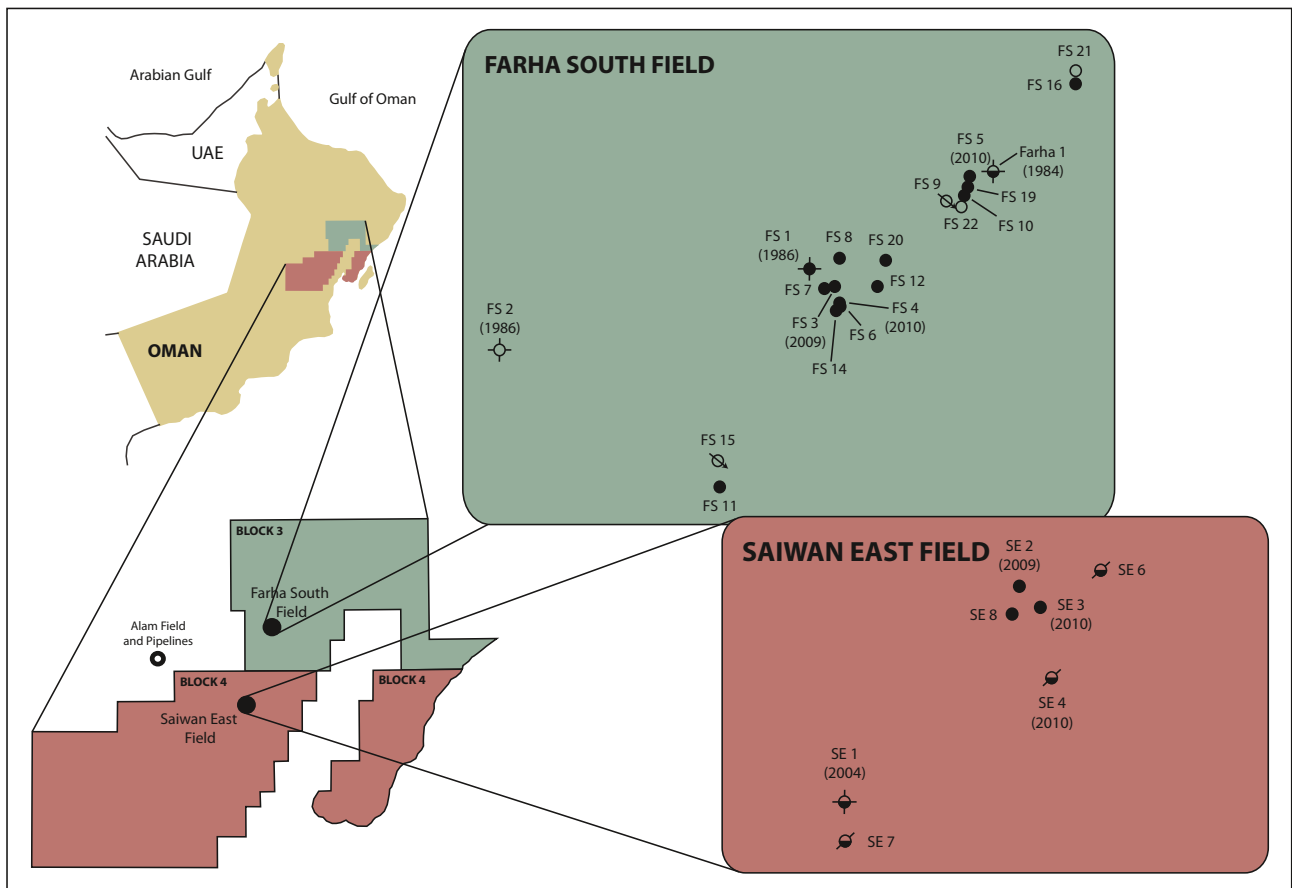
perforated and put into test production with an electrical submersible pump.

Four new production wells have also been drilled and completed in previously drilled and known oil bearing fault blocks on Farha South, the FS-8, FS-14, FS-19 and FS-20 wells. FS-8 and FS-14 wells encountered oil, both in the Barik and the LAB sections. In FS-14 the Upper Barik section has been successfully completed, and FS-8 completed in the Lower Al Bashair. FS-19 and FS-20 have been drilled and completed in the Barik section. All wells are connected to the EPS to be part of the ongoing long term production test of the area. The production rates from the EPS will continue to vary, depending on both the test programme

design as well as on transport and facility capacity.

The two rigs in operation on the Blocks are currently drilling the wells Farha South-21 and Farha South-22. FS-21 is located 0.5 km north of FS-16 to appraise the fault block found oil bearing by FS-16. FS-22 is located 400 metres north of FS10. Both wells primarily target the Barik formation.

The work on the more permanent production system is continuing. Infrastructure developments include several storage and utilities tanks. Construction of facilities, include among other things heater treaters and receiver fire and gas system as well as large separators, are ongoing. The construc-



tion of pipelines, with a combined length of 118 kilometres, has also commenced. The system is designed to be able to handle a daily production in excess of 18,000 BOPD.

During 2010, Tethys Oil entered into an agreement with Mitsui E&P Middle East B.V., 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. A total of MUSD 50 has been paid on Tethys Oil's behalf of which MUSD 35 has been paid during the first nine months of 2011. Mitsui will be entitled to recover the capital expenditures paid on behalf of Tethys from the proceeds of Tethys share of future cost recovery production entitlement.

Block 15

The JAS-2 well, which tested water in 2008, is planned to be put on a long term production test in December 2011. Weatherford has been contracted for this work. The testing will aim to clear the well of the water and then conduct a test of the hydrocarbon bearing zone to ascertain potential flow rates. Meetings will be held in mid December to decide budget and work programme for 2012.

Investments made on Block 15 amounting to TSEK 14,936 have mainly been related to logging operations on JAS-2 conducted in December 2010 and January 2011 and preparatory work for the long term production test. Furthermore investments on Block 15 have regarded licence administration, supervision and geological studies.

France

On the Alès licence, a 2D seismic study is planned for 2012, as well as a first exploration well. Tenders for the seismic acquisition have been sent out, and will be evaluated. A contract is scheduled to be awarded during the fourth quarter.

In parallel a feasibility study of a heavy oil field on the license is planned to be carried out later this year, with a view to recommend the most suitable pilot productions system.

Investments of TSEK 5,830 have mainly regarded the acquisition of 37.5 per cent of the Alès permit from private Swiss com-

pany MouvOil S.A.. The purchase price amounted to 39,261 shares and EUR 250,000.

Sweden

In April 2011, Tethys launched a soil sampling survey over parts of its license area on Gotland, Sweden. Analysis of the soil sample results has been 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. Based on the encouraging results so far some 10 potential locations for exploratory drilling have been identified and Tethys is currently investigating the possibility to conduct drilling operations on Gotland.

Currency exchange effects

The book value of oil and gas properties includes currency exchange effects of TSEK -12,067 during the first nine months 2011, 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 30 September 2011 amounted to TSEK 60,331 (TSEK 190,512).

The decrease in Cash and bank during the nine month period is mainly explained by the Investment Agreement between Tethys Oil and private Danish oil company Odin Energi A/S. The aim of the agreement is to enter mutual strategic investments in areas where each of the respective companies has expertise and enjoys a comparative advantage. As a part of the agreement, Tethys has lent MEUR 15.1, equivalent of TSEK 139,175 to Odin. The loan is secured by a pledge of 30 per cent of the share capital of Odin.

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 nine months to TSEK -2,970.

As described above under the heading *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 10 remains of this undertaking as per 30 September 2011.

Tethys Oil expects the available liquidity, remaining carry value and expected cash flow from operations to be sufficient to cover known investment needs of the company going forward.

Parent company

The Parent company reports a result for the first nine months of 2011 amounting to TSEK -13,723 (TSEK -16,744) and TSEK 1,953 (TSEK -31,867) for the third quarter. Administrative expenses amounted to TSEK 8,268 (TSEK 6,238) for the first nine months of 2011 and TSEK 2,856 (TSEK 1,987) for the third quarter. Net financial result amounted to TSEK -7,830 (TSEK -12,652) during the first nine months of 2011 and TSEK 4,065 (TSEK -30,609) for the third quarter. The weaker US dollar has had a negative impact on net financial result during the nine month period 2011. The exchange rate losses regard translation differences and are non cash related. Investments during the first nine months of 2011 amounted to TSEK 45,467 (TSEK 118,901). 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 September 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 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.

Risks and uncertainties

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



Statement of comprehensive income

TSEK	Note	1 Jan 2011– 30 Sep 2011 9 months	1 Jul 2011– 30 Sep 2011 3 months	1 Jan 2010– 30 Sep 2010 9 months	1 Jul 2010– 30 Sep 2010 3 months	1 Jan 2010– 31 Dec 2010 12 months
Net sales of oil and gas	2	53,700	41,139	–	–	11,066
Depletion of oil and gas properties	3	–	–	–	–	–
Write off of oil and gas properties	3	–	–	-73	-73	-311
Other income	4	-188	–	104,426	103,486	105,016
Other losses/gains, net		-3	-9	-37	-20	138
Administrative expenses		-14,845	-4,926	-10,550	-3,620	-15,247
Operating result		38,664	36,204	93,765	99,773	100,661
Financial income and similar items		5,765	3,158	18,260	1	19,984
Financial expenses and similar items		-19,728	-703	-36,727	-32,836	-40,501
Net financial income		-13,963	2,455	-18,468	-32,835	-20,517
Result before tax		24,700	38,659	75,298	66,938	80,144
Income tax		-85	-32	-38	-14	-75
Result for the period		24,615	38,627	75,259	66,923	80,069
Other comprehensive result						
Currency translation differences		-1,323	6,618	-7,396	-8,234	-8,533
Other comprehensive result for the period		-1,323	6,618	-7,396	-8,234	-8,533
Total comprehensive result for the period		23,293	45,245	67,859	58,689	71,536
Number of shares outstanding	6	32,543,750	32,543,750	32,504,489	32,504,489	32,504,489
Number of shares outstanding (after dilution)	6	32,543,750	32,543,750	32,504,489	32,504,489	32,504,489
Weighted number of shares	6	32,520,596	32,543,750	30,288,218	32,325,534	30,849,461
Earnings per share, SEK		0.76	1.19	2.48	2.07	2.60
Earnings per share (after dilution), SEK		0.76	1.19	2.32	2.06	2.60

Consolidated balance sheet

TSEK	Note	30 Sep 2011	31 Dec 2010
ASSETS			
Fixed assets			
Oil and gas properties	3	190,223	170,135
Office equipment		2,366	2,100
Total fixed assets		192,589	172,235
Financial assets			
Other long term receivables	5	139,175	–
Total financial fixed assets		139,175	–
Current assets			
Other receivables		15,391	20,789
Prepaid expenses		583	533
Cash and bank		60,331	190,512
Total current assets		76,305	211,834
TOTAL ASSETS		408,069	384,069
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
	6		
Share capital		5,424	5,417
Additional paid in capital		438,293	436,608
Other reserves		-9,063	-7,740
Retained earnings		-29,615	-54,230
Total shareholders' equity		405,039	380,055
Non interest bearing current liabilities			
Accounts payable		1,805	1,199
Other current liabilities		437	481
Accrued expenses		788	2,334
Total non interest bearing current liabilities		3,030	4,014
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		408,069	384,069
Pledged assets		500	500
Contingent liabilities	7	–	–

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
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
Total comprehensive result for the third quarter 2011	-	-	-	38,627	38,627
Period result	-	-	-	24,615	24,615
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
Total other comprehensive income	-	-	-9,063	-	-9,063
Total comprehensive income	-	-	-9,063	-	-9,063
Transactions with owners					
Share issue in kind June	7	1,685	-	-	1,692
Total transactions with owners	7	1,685	-	-	1,692
Closing balance 30 September 2011	5,424	438,293	-9,063	-29,615	405,039

Consolidated cash flow statement

TSEK		1 Jan 2011– 30 Sep 2011	1 Jul 2011– 30 Sep 2011	1 Jan 2010– 30 Sep 2010	1 Jul 2010– 30 Sep 2010	1 Jan 2010– 31 Dec 2010
	Note	9 months	3 months	9 months	3 months	12 months
Cash flow from operations						
Operating result		38,664	36,204	93,765	99,776	100,661
Interest received		12	–	1	1	1
Interest paid		–	–	–	–	–
Income tax		-85	-32	-38	-14	-75
Adjustment for write down of oil and gas properties		–	–	73	73	311
Adjustment for depreciation and other non cash related items		207	-37	-103,061	-103,086	-102,842
Total cash flow from/used in operations before change in working capital		38,798	36,136	-9,261	-3,250	-1,944
Decrease/increase in receivables		5,349	-11,466	-2,482	-606	-18,929
Decrease in liabilities		-984	-285	-15,424	-1,085	-15,897
Cash flow from/used in operations		43,163	24,384	-27,167	-4,941	-36,770
Investment activity						
Proceeds from farmout		–	–	144,114	144,114	144,114
Investment in oil and gas properties	3	-32,198	-11,601	-21,452	11,872	-27,428
Investment in long term receivable	5	-139,175	-139,175	–	–	–
Investment in other fixed assets		-691	-3	-390	-373	-1,404
Cash flow used for investment activity		-172,065	-150,779	122,272	155,613	115,282
Financing activity						
Share issue, net after issue costs	6	1,691	-36	105,840	47,315	105,750
Cash flow from financing activity		1,691	-36	105,840	47,315	105,750
Period cash flow		-127,210	-126,431	191,559	197,688	184,262
Cash and cash equivalents at the beginning of the period		190,512	178,353	13,620	3,604	13,620
Exchange gains/losses on cash and cash equivalents		-2,970	8,410	-28	3,859	-7,369
Cash and cash equivalents at the end of the period		60,332	60,332	205,151	205,151	190,512

Parent company income statement condensed

TSEK	Note	1 Jan 2011–	1 Jul 2011–	1 Jan 2010–	1 Jul 2010–	1 Jan 2010–
		30 Sep 2011	30 Sep 2011	30 Sep 2010	30 Sep 2010	31 Dec 2010
		9 months	3 months	9 months	3 months	12 months
Net sales of oil and gas	3	–	–	–	–	–
Depreciation of oil and gas properties	3	–	–	–	–	–
Write off of oil and gas properties	3	–	–	–	–	–
Other income		2,379	753	2,184	749	2,883
Other losses/gains, net		-3	-9	-37	-20	138
Administrative expenses		-8,268	-2,856	-6,238	-1,987	-8,386
Operating result		-5,892	-2,112	-4,092	-1,258	-5,366
Financial income and similar items		11,888	4,764	24,053	2,225	28,058
Financial expenses and similar items		-19,718	-699	-36,704	-32,835	-40,478
Write down of shares in group company		–	–	–	–	-932
Net financial income		-7,830	4,065	-12,652	-30,609	-13,351
Result before tax		-13,723	1,953	-16,744	-31,867	-18,717
Income tax		–	–	–	–	-13,186
Result for the period		-13,723	1,953	-16,744	-31,867	-31,903
Number of shares outstanding	6	32,543,750	32,543,750	32,504,489	32,504,489	32,504,489
Number of shares outstanding (after dilution)	6	32,543,750	32,543,750	32,504,489	32,504,489	32,504,489
Weighted number of shares	6	32,520,596	32,520,596	30,288,218	32,325,534	30,849,461

Parent company balance sheet condensed

TSEK	Note	30 Sep 2011	31 Dec 2010
ASSETS			
Total fixed assets	3	215	264
Total financial fixed assets		295,902	262,333
Total current assets		7,130	52,149
TOTAL ASSETS		303,247	314,746
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	6	250,870	262,901
Total non interest bearing current liabilities		52,377	51,845
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		303,247	314,746
Pledged assets		500	500
Contingent liabilities	7	–	–

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
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
Profit for the second quarter 2011	-	-	-	-	2,889	2,889
Profit for the third quarter 2011	-	-	-	-	1,953	1,953
Period result	-	-	-	-	-13,723	-13,723
Total comprehensive income	-	-	-	-	-13,723	-13,723
Transactions with owners						
Share issue in kind	7	-	1,685	-	-	1,692
Total transactions with owners	7	-	1,685	-	-	1,692
Closing balance 30 September 2011	5,424	71,071	367,222	-179,124	-13,723	250,870

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 nine months report 2011 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The nine months report 2011 of the Parent company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2 – "Accounting for legal entities", issued by the Swedish Financial Accounting Standards Council. The same accounting principles were used in the Annual report 2010.

Financial instruments

Tethys Oil has not 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 Average	2011 Period end	2010 Average	2010 Period end
SEK/USD	6.48	6.67	7.34	6.88
SEK/CHF	7.28	7.44	6.91	7.06

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 almost entirely equity financed through share issues. Additional capital may be needed to finance Tethys Oil's future operations and/or for acquisition of additional licences. The main risk is that this need may occur during less favourable market conditions.

A more detailed analysis of the Group's risks and uncertainties and how the Group addresses these risks, are given in the Annual report for 2010.

Note 2, Net sales of oil and gas

During the first nine months of 2011, Tethys Oil sold 77,654 (–) barrels of oil after government take from the Early Production System on Block 3 in Oman and 56,751 barrels (–) during the third quarter. This resulted in net sales during the first nine months of 2011 of TSEK 53,700 (TSEK –) and TSEK 41,139 (TSEK –) during the third quarter. The average selling price per barrel amounted to USD 106.73 per barrel during the first nine months of 2011 and USD 111.79 per barrel during the third quarter.

Note 3, Oil and gas properties

TSEK	Book value 30 Sep 2011	Write downs 1 Jan–30 Sep 2011	Investments 1 Jan–30 Sep 2011	Book value 1 Jan 2011	Book value 31 Dec 2010	Write downs 1 Jan–31 Dec 2010	Investments 1 Jan–31 Dec 2010	Book value 1 Jan 2010
Oman Block 15	105,544 ²	–	14,936	92,682 ³	92,682 ³	–	1,184	99,064 ⁴
Oman Blocks 3,4	67,621 ²	–	11,043	66,573 ³	66,573 ³	–	19,995	101,615 ⁴
France Attila	9,868	–	631	9,238	9,238	–	5,610	3,628
France Alès	5,199	–	5,199	–	–	–	–	–
Morocco Bouanane	–	–	–	–	–	-73	73	–
Sweden Gotland Större	1,971	–	387	1,628	1,628	–	486	1,142
New ventures	20	–	4	16	16	-238	80	174
Total	190,223	–	32,198	170,135	170,135	-311	27,428	205,623

Oil and gas properties	Group			Parent		
	1 Jan 2011– 30 Sep 2011 9 months	1 Jan 2010– 30 Sep 2010 9 months	1 Jan 2010– 31 Dec 2010 12 months	1 Jan 2011– 30 Sep 2011 9 months	1 Jan 2010– 30 Sep 2010 9 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	5,829	5,284	5,610	–	–	–
Investments in Morocco	–	73	73	–	–	–
Investments in Oman	25,979	-1,351 ⁵	21,180	–	–	–
Investments in Sweden	387	308	486	–	–	–
Other investments in oil and gas properties	4	9	80	–	–	–
Adjustment	-12,110 ²	-40,165	-62,606 ³	–	–	–
Closing balance	275,080	254,326	254,990	–	–	–
Depletion						
Depletion	–	–	–	–	–	–
Write down						
Opening balance	84,857	84,546	84,546	–	–	–
Write down	–	73	311	–	–	–
Closing balance	84,857	84,619	84,857	–	–	–
Net book value	190,223	169,709	170,135	–	–	–

² The book value of oil and gas properties include non cash items of TSEK -12,110 during the first nine months 2011. These adjustments are not part of investments.

³ 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.

⁴ 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.

⁵ Investments in Oman include part of the consideration, TSEK 40,879, from the farmout to Mitsui. Gross investments amounts to TSEK 39,528

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, Other long term receivables

Tethys Oil and private Danish oil company Odin Energi A/S signed an Investment Agreement with the aim to enter mutual strategic investments in areas where each of the respective companies has expertise and enjoys a comparative advantage. As a part of this agreement, Tethys has lent MEUR 15.1, equivalent of TSEK 139,175, to Odin. The loan is secured by a pledge of 30 per cent of the share capital of Odin.

Note 6, Shareholders' equity

As per 30 September 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 7, Contingent liabilities

There are no contingent liabilities as per 30 September 2011, nor for the comparative period 31 December 2010. The contingent liabilities regarding operations on Blocks 3 and 4 were fulfilled during 2010.

Note 8, 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 67,500. Mrs. Mona Hamilton is the wife of Vincent Hamilton, the Chairman and Chief Operating Officer of Tethys Oil. The rent of office space is a commercially based agreement between Tethys Oil Suisse S.A. and Mrs. Mona Hamilton.

Key ratios

Group

	1 Jan 2011– 30 Sep 2011 9 months	1 Jul 2011– 30 Sep 2011 3 months	1 Jan 2010– 30 Sep 2010 9 months	1 Jul 2010– 30 Sep 2010 3 months	1 Jan 2010– 31 Dec 2010 12 months
Items regarding the income statement and balance sheet					
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	38,664	36,204	93,765	99,773	100,661
Operating margin, %	72.00%	88.01%	n.a.	n.a.	n.m.
Result before tax, TSEK	24,700	38,659	75,298	66,938	80,144
Result, TSEK	24,615	38,627	75,259	66,923	80,069
Net margin, %	45.84%	93.89%	n.a.	n.a.	n.m.
Shareholders' equity, TSEK	405,039	405,039	376,473	376,473	380,055
Balance sheet total, TSEK	408,068	408,068	380,959	380,959	384,069
Capital structure					
Solvency, %	99.26%	99.26%	98.82%	98.82%	98.95%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	99.26%	99.26%	98.82%	98.82%	98.95%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	172,065	150,779	-122,272	-155,613	28,832
Profitability					
Return on shareholders' equity, %	6.08%	9.54%	19.99%	17.78%	21.07%
Return on capital employed, %	6.03%	9.47%	19.76%	17.57%	20.85%
Key figures per employee					
Average number of employees	12	12	8	8	9
Number of shares					
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow from/used in operations per share, SEK	1.33	0.75	-0.90	-0.15	-1.19
Number of shares on balance day, thousands	32,544	32,544	32,504	32,504	32,504
Shareholders' equity per share, SEK	12.45	12.45	11.58	11.58	11.69
Weighted number of shares on balance day, thousands	32,521	32,544	30,288	32,326	30,849
Earnings per share, SEK	0.76	1.19	2.48	2.07	2.60
Earnings per share after dilution, SEK	0.76	1.19	2.32	2.06	2.60

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

The abbreviation n.a. means not applicable and the abbreviation n.m. means not meaningful

Financial information

The Company plans to publish the following financial reports:

Year end report 2011 (January – December 2011) on 13 February 2012

Three month report 2012 (January – March 2012) on 14 May 2012

AGM is planned to 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

Stockholm, 14 November 2011

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

Report of Review of Interim Financial Information

Introduction

We have reviewed this report for the period 1 January 2011 to 30 September 2011 for Tethys Oil AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Göteborg, 14 November 2011

PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant
Auditor in charge

Johan Malmqvist
Authorised Public Accountant

Tethys Oil AB (publ)

Corporate Head Office

Tethys Oil AB
Hovslagargatan 5B
SE-111 48 Stockholm
Sweden
Telephone +46 8 505 947 00
Fax +46 8 505 947 99
E-mail: info@tethysoil.com

Muscat Office

Tethys Oil Oman Ltd.
Hatat House, Unit 116
Wadi Adai, Muscat
Oman
Tel. +968 245 714 62
Fax +968 245 714 63
E-mail: info@tethysoil.com

Technical Office

Tethys Oil Suisse S.A.
78 Rue Ancienne
CH-1227 Carouge, Geneva
Switzerland
Tel. +41 22 304 19 90
Fax +41 22 304 19 95
E-mail: info@tethysoil.com

www.tethysoil.com

