TETHYS OIL

Report for the period
1 January – 31 December 2010

Highlights

- During the fourth quarter 2010, Tethys Oil sold 18,898 barrels of oil after government take from the Early Production System (“EPS”) on Block 3 Oman, resulting in net sales of TSEK 11,066 (TSEK –)
- Saiwan East-6 finalized in first quarter 2011 with no production flows
- Result for the full year 2010 amounted to TSEK 80,069 (TSEK -42,503 for the corresponding period last year) and TSEK 4,810 (TSEK 10,109) for the fourth quarter. Included in the result is the farmout of 20 percentage points of Blocks 3 and 4 which resulted in capital gains of TSEK 103,236 during the third quarter 2010. The result has furthermore been impacted by currency exchange losses and administrative expenditures
- Earnings per share amounted to SEK 2.60 (SEK -1.62) for the full year 2010 and SEK 0.15 (SEK 0.36) for the fourth quarter
- In 2010, a total of 139,213 barrels were produced under the EPS. Tethys’ share of the test production oil amounts to 30 per cent, or 41,764 barrels, before government take
- Saiwan East–3 well tested 10,714 barrels of oil per day in July
- Farha South-4 well tested 3,079 barrels of oil per day in October
- Farha South-5 well tested in excess of 1,500 barrels of oil per day in December
- Saiwan East-4 well encountered in January 2011 different quality oil from previous Saiwan wells
- Independent third party resource audit over Blocks 3 and 4 in May gives an on Block contingent resource of 42 million barrels of conventional oil
- On May 19th, Tethys entered into a Farmout Agreement with Mitsui E&P Middle East B.V., a subsidiary of Mitsui & Co. Ltd., whereby Mitsui acquired 20 percent of the licence covering Blocks 3 and 4. The purchase price amounted to MUSD 20 in cash. In addition Mitsui undertook to fund Tethys’ share of capital expenditures up to MUSD 60 on the Blocks effectively from January 1st 2010
- During the first half of 2010 Tethys Oil has received proceeds of TSEK 90,974 before issue costs from 3,955,398 exercised warrants and TSEK 15,820 before issue costs from private placements of 500,000 shares
- Cash and cash equivalents as per 31 December 2010 amounted to TSEK 190,512 (TSEK 13,620). Oil and gas investments amounted to TSEK 27,428 (TSEK 81,480)

Cover photo: Abdalla Al Qasmi, Muscat

 

Dear Friends and Investors

As 2010 has drawn to a close and 2011 has begun, a note of maturity has slipped into Tethys' portfolio of assets and outlook on life: We have recorded our first oil sales ever. We have an orderly balance sheet following the farm out to Mitsui. And our projects are becoming more organized as the databases grow and the models themselves mature. A draft field development plan has been presented by the operator over Blocks 3 and 4, which is now being discussed in the partner group and with the Ministry of Oil and Gas of the Sultanate of Oman.

The results of the drilling on the Saiwan East area on Block 4 suggest that the area around wells SE-2 and SE-3 is the most prolific one as regards the Khufai light oil. Production plans therefore will focus on this area. In the area surrounding wells SE-4 and SE-6, the presence of moveable oil has not been proven. In this area, further studies within the heavy oil project will be conducted. And the area surrounding the well SE-1 will be the object of exploration for in particular light Khufai oil as well as further heavy oil appraisals.

In Farha South on Block 3, we would expect intermittent test production to continue as more wells will be added to the Early Production System.

Gaffney Cline is expected to provide us with an updated Resource report in early March. As the development parts of the Blocks become better defined, we can also more safely include resources for the appraisal parts. This also includes the ubiquitous heavy oils on Block 4 as well as again look at exploration possibilities surrounding the development/appraisal areas. Remember that the databases on the Blocks are huge, more than 30,000 line kilometres of seismic data and over 30 wells drilled, most of which by previous operators and thus at no cost to us.

We will also increase activity in all our other theatres of operations. The JAS-2 well was re-logged and confirmed to be hydrocarbon bearing in December, leading us to suggest further activity on Block 15. Our partner Odin has agreed to assume operatorship and work on a plan to implement an early production system also on this Block.

In France the operator suggests additional drilling to try and prove the commerciality of our gas discovery on the Attila license, something we are studying today while investigating for more licenses in what could turn into one of Europe's last remaining oil frontiers.

And least but not last, our studies over Gotland has so far yielded more than 40 potentially oil bearing reefal structures. We would like to conduct further studies over these and have in this regard been granted an extension on our Gotland license as well as submitted an application for another one.

So Oman remains at the core but the periphery is also revving up, so stay with us we are maturing but still growing.

Stockholm in February 2011

Magnus Nordin
Managing Director

Vince Hamilton
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

A comprehensive appraisal programme was carried out in 2010 on Block 3 and 4. A total of four new wells were drilled. An extensive 3D seismic survey covering the Saiwan East structure on Block 4 and the Farha trend on Block 3 was also conducted.

In the third quarter, an Early Production System ("EPS") for a long term production test of the Farha South structure was launched. 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 2010, a total of 139,213 barrels were produced from the Barik layer in Farha South 3, 4 and 5 wells. Tethys' share of the test production oil amounts to 30 per cent, or 41,764 barrels before government take. The produced volume was partly lifted and sold in the fourth quarter. Tethys' net share of the sales, after government take, amounted to MUSD 1.5 (corresponding to MSEK 11).

A field development plan for the development of the Barik and Lower Al Bashair reservoir sections in the Farha South area on Block 3 and for the development of the Khufai reservoir section in the Saiwan East area on Block 4 has been presented by the operator. The plan is now being discussed in the partner group and with the Ministry of Oil and Gas of the Sultanate of Oman.

A two year extension, from December 2010 to December 2012, has been granted by the Government for the Blocks 3 and 4 license area for the purpose of conducting further exploration activities in line with a proposed high level exploration plan and schedule.

In 2010, Tethys also announced the result of the company's first independent third party resource audit of Blocks 3 and 4. An updated study is expected to be published in March 2011.

The Farha South structure of Block 3

Farha South-4 well flowed 3,079 bopd

The Farha South-4 well ("FS-4") in Block 3 was spudded in mid-August 2010 and was completed in October. The FS-4 well was drilled 740 metres to the south southeast of the Farha South-3 well. The pilot hole was drilled to a depth of 2,039 metres. Both the Barik and the Lower Al Bashair formations were penetrated with oil shows. Electrical logs were run over these sections, but no testing was conducted in the vertical pilot hole. Two cores from the Barik formation and one core from the Lower Al Bashair formation were extracted. The Barik formation was found at 1,272 metres below ground level and was penetrated with an 820 metres horizontal section. The horizontal section was logged during drilling. A pump was installed and production testing was conducted on the horizontal section. The maximum rate achieved with pump during the tests was 3,079 barrels of 43 degree API gravity oil through an 80/64ths (31.75 mm.) choke size.

Farha South-5 well flowed in excess of 1,500 bopd

The Farha South-5 well ("FS-5") in Block 3 was spudded in early October 2010 and was completed in December. The FS-5 well was drilled as a stepout exploration well 6.8 kilometres northeast of the discovery well FS-3. The pilot hole was drilled to a depth of 2,370 metres. Both the Barik formation and the Lower Al Bashir formation were penetrated with oil shows. Electrical logs were run. Subsequently, a horizontal sidetrack was drilled 160 metres within the Barik formation, which lies at 1,240 metres below ground level. A pump was installed and the well was placed on production. The average daily production rate is in excess of 1,500 BOPD of 44 degree API gravity. The well was completed as a producer and is now producing into the Farha South Early Production System for a long term production test.

The Saiwan East structure on Block 4

The Saiwan East-3 well flowed 10,714 bopd

The Saiwan East-3 ("SE-3") well was drilled in the beginning of the summer 2010 to appraise and further develop the 2009 oil discovery in the Khufai formation made in the Saiwan East-2 ("SE-2") well. The SE-3 was drilled 1.2 kilometres to the southeast of SE-2.

The appraisal pilot hole was drilled to a total depth of 1,800 metres. The well penetrated a 61 metres gross oil column in the Khufai reservoir. When the pilot hole was completed, a horizontal sidetrack was drilled and the well was tested. The maximum rate achieved during the test was 10,714 barrels per day of 32.4 degree API gravity oil through a 38 millimetre choke size. The SE-3 well also encountered shows of 'heavy' oil in the Buah, Amin and Miqrat formations.

The Saiwan East-4 encounters different quality oil from previous Saiwan wells

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

The Saiwan East-6 finalized in first quarter 2011

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

The Saiwan East program will now continue with a horizontal section at the Khufai level in SE-2, to be drilled as a producer, before appraisal drilling will continue further south in the SE-1 area later this spring.

3D seismic study on Blocks 3 and 4

During the end of 2009 and spring of 2010, a comprehensive 3D seismic survey was conducted over both the Saiwan East structure on Block 4 and the Farha trend on Block 3. The study covered a total of 400 square kilometres on Block 4 and 742 square kilometres on Block 3. The seismic acquisition was conducted by BGP Oil and Gas Services of China.

Independent third party resource audit

Tethys announced in May the result of Gaffney, Cline & Associates' (GCA) independent third party resource audit of Blocks 3 and 4. The resource report is based on data available as at 1 May 2010 and covers the Farha South structure on Block 3 and the Saiwan East structure on Block 4.

The Best Estimate (2C) of Gross Contingent Resources on Block 3, Farha South, is estimated to amount to 8.9 million barrels in the Barik layer and 12.2 million barrels in the Lower Al Bashair. On Block 4, Saiwan East, the 2C Gross Contingent Resources within the Khufai layer is estimated to amount to 20.8 million barrels. In addition the Miqrat and Amin heavy oil layers in Saiwan East are estimated to hold 2C Contingent Resources of 32.7 million barrels gross. Contingent Resources net to Tethys are 30 per cent of the gross number before government take.

Block 15 – The appraisal and development of Jebel Aswad

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

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

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

France – Attila licence

The exploration well Pierre Maubeuge 2 (PLM-2) on the Attila licence in France proved the presence of natural gas. Wireline logging confirmed the indications of gas while drilling in 2007. In 2008, well completion and production tests were conducted. Subsequent analysis of the results suggested the PLM-2 well to be non-commercial in its current state.

In 2010, additional tests and analyses have been 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.

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.

The next step is to conduct a soil sample survey over the best located reefs and to analyse the soil and compare it 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. This geochemical survey will be conducted during the spring.

RESULT AND CASH FLOW

The consolidated interim financial statements of the Tethys Oil Group (hereafter referred to as "Tethys Oil" or the "Group"), where Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the twelve months period ended 31 December 2010. 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 fourth quarter 2010, Tethys Oil sold 18,899 barrels of oil after government take from the Early Production System on Block 3 Oman, resulting in net sales of TSEK 11,066 (TSEK –).

Tethys Oil reports a result for the full year 2010 of TSEK 80,069 (TSEK -42,503 for last year) and TSEK 4,810 (TSEK 10,109) for the fourth quarter, representing earnings per share of SEK 2.60 (SEK -1.62) for the full year 2010 and SEK 0.15 (SEK 0.36) for the fourth quarter.

The result has furthermore been significantly impacted by the farmout of 20 percentage points of Blocks 3 and 4 to Mitsui E&P Middle East B.V. ("Mitsui"). In consideration for the farmout, Tethys Oil received MUSD 20, equivalent to TSEK 144,114, of which 40 per cent (the percentage of Tethys Oil's assets that were farmed out) of the book value as per 31 December 2009 amounting to TSEK 40,879 is offset against the book value of Blocks 3 and 4. The remainder of the consideration received, TSEK 103,236, is recorded as a capital gain in the income statement in the subsidiary Tethys Oil Block 3&4 Ltd.

The result for the full year 2010 has furthermore been significantly impacted by net foreign exchange losses. The currency exchange effect of the group amounts to TSEK -20,517 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 -20,517 for the full year 2010 and TSEK -2,050 for the fourth quarter.

Write downs of oil and gas properties amount to TSEK 311 (TSEK 15,872) for the full year 2010. Cash flow from operations before changes in working capital during the full year 2010 amounted to TSEK -2,041 (TSEK -12,856) and TSEK 7,236 (TESK -3,342) for the fourth 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 15,247 (TSEK 15,343) for the full year 2010 and TSEK 4,697 (TSEK 3,888) for the fourth quarter. Depreciation amounted to TSEK 348 (TSEK 284) for the full year and TSEK 138 (TSEK 84) for the fourth quarter. Administrative expenses are mainly salaries, rents, listing costs and external services. These costs are corporate costs and are accordingly not capitalised. Depreciation is referable to office equipment. The administrative expenditures during twelve months of 2010 are in line with the equivalent period last year. Part of the administrative expenses in Tethys Oman Ltd. is charged to the joint venture in Block 15 in Oman where the expenditures are capitalised and, in line with the Exploration & Production Sharing Agreement, recoverable. These administrative expenditures are, through the above, also funded by the partner in Block 15 in Oman by 60 per cent. The chargeout to the joint venture is presented in the income statement as Other income. Part of the remaining administrative expenses are capitalised in the subsidiaries and if Tethys is the operator theses expenses are funded by partners. In the consolidated income statement these internal transactions are eliminated.

Movement in oil and gas properties

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

Country	Licence name	Tethys Oil, %	Total area, km²	Partners (operator in bold)	Book value 31 Dec 2010	Book value 31 Dec 2009	Investments Jan–Dec 2010
Oman	Block 15	40%	1,389	**Tethys Oil,** Odin Energi	92,682	99,064	1,184
Oman	Block 3,4	30%	33,125	**CCED,** Mitsui, Tethys Oil	66,573	101,615	19,995
France	Attila	40%	1,986	**Galli Coz,** Tethys Oil	9,238	3,628	5,610
Sweden	Gotland Större	100%	540	**Tethys Oil**	1,628	1,142	486
New ventures					16	174	153
Total			**37,040**		**170,135**	**205,623**	**27,428**

[1] As per 31 December 2009, Tethys Oil had 50 per cent of Blocks 3 and 4. Following the farmout to Mitsui, Tethys Oil's interest is 30 percent, effective from 1 January 2010.

Oil and gas properties as at 31 December 2010 amounted to TSEK 170,135 (TSEK 205,623). Investments in oil and gas properties of TSEK 27,428 (TSEK 81,480) were incurred for the twelve month period ending 31 December 2010.

During 2010, Tethys Oil through its wholly owned subsidiary Tethys Oil Blocks 3&4 Ltd. 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. In consideration for the 20 per cent interest acquired from Tethys Oil, Mitsui paid Tethys Oil upon closing of the transaction MUSD 20 cash, and undertook to fund Tethys Oil's share of non exploration related capital expenditure up to MUSD 60 on Blocks 3 and 4 effectively from January 1st 2010. Tethys Oil estimates that MUSD 15 has been paid on Tethys Oil's behalf under the Carry Agreement during 2010. In addition Mitsui will pay to Tethys Oil a production bonus amounting to MUSD 10 in the event combined future production from the two Blocks come to exceed 10,000 barrels of oil per day for a period of 30 days. The production bonus is not recorded in the financial accounts in this report.

As a consequence of the above, Tethys Oil was reimbursed almost all investments made during 2010 on the blocks. The reimbursement amounted to TUSD 9,017. Furthermore, the consideration of MUSD 20, equivalent of TSEK 144,114, for the acquisition made by Mitsui has been accounted for in the following:

- TSEK 40,879 is offset against the book value of Blocks 3 and 4, in the subsidiary Tethys Oil as it represents 40 per cent of the book value as per 31 December 2009, where 40 per cent is the interest farmed out to Mitsui
- TSEK 103,236 is recorded as capital gain in the income statement in Tethys Oil Blocks 3&4 Ltd.

Operations on Blocks 3 and 4 have, during 2010, been concentrated on the two separate structures; Saiwan East and Farha South. A 3D seismic survey was conducted over the two areas in the first part of 2010. During 2010 Tethys Oil and partners have drilled three new wells and made three production tests. The wells and production tests have confirmed the productivity and increased the reservoir extension. Pilot production has furthermore commenced on Farha South. The focus for the 2011 work programme will be to continue to appraise the Khufai reservoir on Block 4 and to bring the Barik and Lower Al-Bashair reservoirs into production in Farha South on Block 3.

Investments made on Block 15 amounting to TSEK 1,184 have mainly been related to licence administration, supervision and geological studies. In France, investments of TSEK 5,610 have regarded evaluation of the exploration well PLM-2. The book value of oil and gas properties includes currency exchange effects of TSEK -21,727 during 2010, which are not cash related items and therefore not included in investments. For more information please see above *Result for the period and sales.*

Liquidity and financing

Cash and bank as at 31 December 2010 amounted to TSEK 190,512 (TSEK 13,620). The liquidity was significantly strengthened by the farmout on 20 percentage points of Blocks 3 and 4 to Mitsui E&P Middle East B.V. As consideration for the farmout, Tethys Oil received MUSD 20 in August and reimbursement of investments made on Blocks 3 and 4 during 2010.

During the first half of 2010, Tethys Oil received proceeds of TSEK 90,974 from 3,955,398 exercised warrants, which equivalently increased the total number of shares.

Based on an authorization from the AGM held 20 May 2009, the Board of Directors resolved to issue 500,000 shares through two private placements. The private placements were made in March 2010 at SEK 30.75 and SEK 33.75 per share, which were in line with the prevailing market price at the time. The total proceeds from these issue amounted to TSEK 15,820 before issue costs. The newly issued shares in the private placement were registered in April 2010.

Current receivables

Current receivables amounted to TSEK 20,789 (TSEK 1,810) as at 31 December 2010. Current receivables mainly regard receivables on the sale of oil. Funds from the sale of oil were received in January 2011. Furthermore current receivables regard receivables from partners in oil and gas operations.

Current liabilities

Current liabilities as at 31 December 2010 amounted to TSEK 4,014 (TSEK 19,911), of which TSEK 1,199 (TSEK 1,080) relates to accounts payable, TSEK 481 (TSEK 18,448) relates to other current liabilities and TSEK 2,334 (TSEK 383) relates to accrued expenses. To a large extent the reduction of current liabilities regard payments made for incurred investments on Blocks 3 and 4. These payments were made in the beginning of the first quarter 2010.

Parent company

The Parent company reports a result for the full year 2010 amounting to TSEK -31,903 (TSEK -30,327) and TSEK -15,159 (TSEK -4,037) for the fourth quarter. Administrative expenses amounted to TSEK -8,386 (TSEK -7,934) for the full year 2010 and TSEK -2,148 (TSEK -2,023) for the fourth quarter. Net financial income amounted to TSEK -13,351 (TSEK -24,961) during the full year 2010 and TSEK -700 (TSEK -2,662) for the fourth 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 full year 2010 amounted to TSEK 71,982 (TSEK 98,400). Financial investments are financial loans to subsidiaries for their oil and gas operations. The income in the Parent company relates to chargeouts of services to subsidiaries.

Board of Directors

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

Share data

As per 31 December 2010, the number of outstanding shares in Tethys Oil amount to 32,504,489 (28,049,091), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive programmes for employees.

As per 1 January 2010, Tethys Oil had 28,049,091 shares. During the first nine months of 2010, 3,955,398 warrants were exercised and accordingly an equivalent number of shares were issued by Tethys Oil. Tethys Oil received proceeds of TSEK 90,974 before issue costs. The share issues from the exercised warrants have been registered continuously mainly during the first half of 2010. Furthermore, two private placements have been made during 2010, based on an authorization from the AGM held 20 May 2009. These two private placements of 500,000 shares together were made in March 2010 at SEK 30.75 and SEK 33.75 per share, which were in line with the prevailing market price at the time. The total proceeds from these issues amounted to TSEK 15,820 before issue costs. The newly issued shares in the private placement were registered in April 2010.

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 15.

Dividend

The directors propose that no dividend be paid for the year.

Statement of comprehensive income

TSEK	Note	1 Jan 2010–31 Dec 2010 12 months	1 Oct 2010–31 Dec 2010 3 months	1 Jan 2009–31 Dec 2009 12 months	1 Oct 2009–31 Dec 2009 3 months
Net sales of oil and gas	2	11,066	11,066	–	–
Depletion of oil and gas properties	3	–	–	–	–
Write off of oil and gas properties	3	-311	-238	-15,872	-94
Other income	4	105,016	590	2,287	495
Other losses/gains, net		138	175	-56	-8
Administrative expenses		-15,247	-4,697	-15,343	-3,888
Operating result		**100,661**	**6,896**	**-28,985**	**-3,496**
Financial income and similar items		19,984	1,724	2,234	1,401
Financial expenses and similar items		-40,501	-3,774	-15,696	12,218
Net financial income		**-20,517**	**-2,050**	**-13,461**	**13,619**
Result before tax		**80,144**	**4,847**	**-42,446**	**10,123**
Income tax		-75	-37	-57	-15
Net result for the period		**80,069**	**4,810**	**-42,503**	**10,109**
Other comprehensive income					
Currency translation differences		-8,534	-1,138	-1,103	1,312
Other comprehensive income for the period		**-8,534**	**-1,138**	**-1,103**	**1,312**
Total comprehensive income for the period		**71,536**	**3,672**	**-43,607**	**11,421**
Number of shares outstanding	5	32,504,489	32,504,489	28,049,091	28,049,091
Number of shares outstanding (after dilution)	5	32,504,489	32,504,489	32,073,935	32,073,935
Weighted number of shares	5	30,849,461	32,504,489	26,274,023	27,881,555
Earnings per share, SEK		2.60	0.15	-1.62	0.36
Earnings per share (after dilution), SEK		2.60	0.15	-1.62	0.32

Consolidated balance sheet

TSEK	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Fixed assets			
Oil and gas properties	3	170,135	205,623
Office equipment		2,100	1,045
Total fixed assets		**172,235**	**206,668**
Current assets			
Other receivables		20,789	1,810
Prepaid expenses		533	583
Cash and bank		190,512	13,620
Total current assets		**211,834**	**16,011**
TOTAL ASSETS		**384,069**	**222,680**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	5		
Share capital		5,417	4,675
Additional paid in capital		436,608	331,601
Other reserves		-7,740	794
Retained earnings		-54,230	-134,300
Total shareholders' equity		**380,055**	**202,770**
Non interest bearing current liabilities			
Accounts payable		1,199	1,080
Other current liabilities		481	18,448
Accrued expenses		2,334	383
Total non interest bearing current liabilities		**4,014**	**19,911**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**384,069**	**222,680**
Pledged assets		500	500
Contingent liabilities	6	–	25,804

Consolidated statement of changes in equity

TSEK	Share capital	Paid in capital	Other reserves	Retained earnings	Total equity
Opening balance 1 January 2009	**3,997**	**262,982**	**1,897**	**-91,799**	**177,077**
Comprehensive income					
Net result for the first quarter 2009	–	–	–	1,568	1,568
Net result for the second quarter 2009	–	–	–	-29,740	-29,740
Net result for the third quarter 2009	–	–	–	-24,442	-24,442
Net result for the fourth quarter 2009	–	–	–	10,109	10,109
Net result for the year	**–**	**–**	**–**	**-42,505**	**-42,505**
Other Comprehensive income					
Currency translation differences first quarter 2009	–	–	1,682	–	1,682
Currency translation differences second quarter 2009	–	–	-1,618	–	-1,618
Currency translation differences third quarter 2009	–	–	-2,479	–	-2,479
Currency translation differences fourth quarter 2009	–	–	1,312	–	1,312
Total other comprehensive income	**–**	**–**	**-1,103**	**–**	**-1,103**
Total comprehensive income	**–**	**–**	**-1,103**	**-42,503**	**-43,606**
Transactions with owners					
Private placement February	217	12,783	–	–	13,000
Issue costs	–	-83	–	–	-83
Private placement June	333	39,667	–	–	40,000
Issue costs warrant issue	–	-1,307	–	–	-1,307
Warrant exercise July	29	4,023	–	–	4,052
Warrant exercise October	99	13,536	–	–	13,536
Total transactions with owners	**678**	**68,619**	**–**	**–**	**69,297**
Closing balance at 31 December 2009	**4,675**	**331,601**	**794**	**-134,300**	**202,770**

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	**–**	**–**	**–**	**80,065**	**80,065**
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	**–**	**–**	**-8,534**	**–**	**-8,534**
Total comprehensive income	**–**	**–**	**-8,534**	**80,065**	**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**	**-7,740**	**-54,230**	**380,055**

Consolidated cash flow statement

TSEK	Note	1 Jan 2010–31 Dec 2010 12 months	1 Oct 2010–31 Dec 2010 3 months	1 Jan 2009–31 Dec 2009 12 months	1 Oct 2009–31 Dec 2009 3 months
Cash flow from operations					
Operating result		100,661	6,896	-28,985	-3,496
Interest received		1	–	67	9
Interest paid		–	–	-5	-5
Income tax		-75	-37	-57	-15
Adjustment for write down of oil and gas properties		311	238	15,872	94
Adjustment for depreciation and other non cash related items		-102,842	219	251	70
Total cash flow used in operations before change in working capital		**-1,944**	**7,316**	**-12,856**	**-3,342**
Increase/decrease in receivables		-18,929	-16,447	5,691	532
Decrease/increase in liabilities		-15,897	-473	1,752	-908
Cash flow from/used in operations		**-36,770**	**-9,604**	**-5,413**	**-3,719**
Investment activities					
Proceeds from farmout		144,114	–	–	–
Investments in oil and gas properties	3	-27,428	-5,976	-81,480	-7,768
Investments in other fixed assets		-1,404	-1,013	-200	-86
Cash flow from/used for investment activities		**115,282**	**-6,990**	**-81,681**	**-7,854**
Financing activities					
Share issue, net after issue costs	5	105,750	-90	69,297	10,295
Return on short term investments		–	–	4	–
Cash flow from financing activities		**105,750**	**-90**	**69,301**	**10,295**
Cash flow from the period		**184,262**	**-16,683**	**-17,793**	**-1,277**
Cash and cash equivalents at the beginning of the period		13,620	205,151	29,886	13,864
Exchange gains/losses on cash and cash equivalents		-7,369	2,045	1,524	1,032
Cash and cash equivalents at the end of the period		190,512	190,512	13,620	13,620

[2] The capital gain from the farmout is transferred from the operational cash flow to investments activities where all proceeds from the farmout is presented.

Parent company income statement condensed

TSEK	Note	1 Jan 2010–31 Dec 2010 12 months	1 Oct 2010–31 Dec 2010 3 months	1 Jan 2009–31 Dec 2009 12 months	1 Oct 2009–31 Dec 2009 3 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		2,883	699	2,625	656
Other losses/gains, net		138	175	-56	-8
Administrative expenses		-8,386	-2,148	-7,934	-2,023
Operating result		**-5,366**	**-1,273**	**-5,366**	**-1,375**
Financial income and similar items		28,058	4,005	7,962	2,372
Financial expenses and similar items		-40,478	-3,774	-15,641	12,248
Write down of shares in group company		-932	-932	-17,282	-17,282
Net financial income		**-13,351**	**-700**	**-24,961**	**-2,662**
Result before tax		**-18,717**	**-1,973**	**-30,327**	**-4,037**
Income tax		-13,186	-13,186	–	–
Net result		**-31,903**	**-15,159**	**-30,327**	**-4,037**
Number of shares outstanding	5	32,504,489	32,504,489	28,049,091	28,049,091
Number of shares outstanding (after dilution)	5	32,504,489	32,504,489	32,073,935	32,073,935
Weighted number of shares	5	30,849,461	32,504,489	26,274,023	27,881,555
Other comprehensive income					
Net result		**-31,903**	**-15,159**	**-30,327**	**-4,037**
Group contribution		-36,951	-36,951	–	–
Other comprehensive income for the period		**-36,951**	**-36,951**	**–**	**–**
Total comprehensive income for the period		**-68,854**	**-52,110**	**-30,327**	**-4,037**

Parent company balance sheet condensed

TSEK	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Total fixed assets	3	264	225
Total financial fixed assets		262,333	213,782
Total current assets		52,149	12,793
TOTAL ASSETS		**314,746**	**226,800**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	5	262,901	226,005
Total non interest bearing current liabilities		51,845	794
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**314,746**	**226,800**
Pledged assets		500	500
Contingent liabilities	6	–	–

Parent company statement of changes in equity

TSEK	Restricted equity		Non restricted equity			
	Share capital	Statutory reserve	Share premium reserve	Retained Earnings	Net result	Total equity
Opening balance at 1 January 2009	**3,997**	**71,071**	**191,911**	**-67,555**	**-12,389**	**187,035**
Transfer of prior year net result	–	–	–	-12,389	12,389	–
Comprehensive income						
Profit for the first quarter 2009	–	–	–	–	5,927	5,927
Loss for the second quarter 2009	–	–	–	–	-12,151	– 12,151
Loss for the third quarter 2009	–	–	–	–	-20,065	-20,065
Loss for the fourth quarter 2009	–	–	–	–	-4,037	-4,037
Net result for the year	**–**	**–**	**–**	**–**	**-30,326**	**-30,326**
Transactions with owners						
Private placement March	217	–	12,783	–	–	13,000
Issue costs	–	–	-83	–	–	-83
Private placement June	333	–	39,667	–	–	40,000
Issue costs warrant exercise	–	–	-1,307	–	–	-1,307
Warrant exercise July	29	–	4,023	–	–	4,052
Warrant exercise October	99	–	13,536	–	–	13,635
Total transactions with owners	**678**	**–**	**68,619**	**–**	**–**	
Closing balance 31 December 2009	**4,675**	**71,071**	**260,530**	**-79,944**	**-30,327**	**226,005**
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	11,213
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
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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**

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 twelve months report 2010 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The twelve months report 2010 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 2009.

Financial instruments

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

Exchange rates

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

Currency	2010 average	2010 period end	2009 average	2009 period end
SEK/USD	7.235	6.845	7.665	7.373
SEK/CHF	6.942	7.157	7.029	6.974

Note 1) Risks and uncertainties

The Group's activities expose it to a number of risks and uncertainties which are continuously monitored and reviewed. The main risks and uncertainties are operational and financial risk described below.

Operational risk

The main operational risk is of technical and geological nature. At its current stage of development the group is exploring for oil and gas and appraising undeveloped known oil and/or gas accumulations. The main risk is that the interest the Group has in oil and gas assets will not evolve into commercial reserves of oil and gas. Tethys Oil is furthermore exposed to oil price risk as income and profitability will depend on prevailing oil prices from time to time. As the Group currently does not yet produce oil and gas on commercial basis the direct effect is limited. Significantly lower oil prices would reduce expected profitability and could make projects sub economic even if discoveries are made. Another operational risk is access to equipment in Tethys Oil's projects. Especially in the drilling phase of a project the Group is dependent on advanced equipment such as rigs, casing, pipes etc. A shortage of these supplies can present difficulties for Tethys Oil to fulfil its projects. Through its operations Tethys Oil is furthermore subject to political risk, environmental risk and the risk of not being able to retain key personnel.

Financial risk

By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. Possible future income will also most likely be denominated in foreign currencies, most likely US dollars. Furthermore, Tethys Oil has since inception been entirely equity financed and as the Group has not presented any revenues the financing of the Group has been through share issues. Additional capital will be needed to finance Tethys Oil's future operations and/or for acquisition of additional licences. The main risk is that this need may occur during less favourable market conditions.

A more detailed analysis of the Group's risks and uncertainties and how the Group addresses these risks, are given in the Annual report for 2009.

Note 2) Net sales of oil and gas

During the fourth quarter 2010, Tethys Oil sold 18,898 barrels of oil after government take from the Early Production System on Block 3 in Oman. This resulted in net sales of TSEK 11,066. The selling price per barrel amounted to USD 80.56 per barrel.

Note 3) Oil and gas properties

TSEK Country	Book value 31 Dec 2010	Write downs 1 Jan – 31 Dec 2010	Investments 1 Jan – 31 Dec 2010	Book value 1 Jan 2010	Book value 31 Dec 2009	Write downs 2009	Investments 2009	Book value 1 Jan 2009
Oman Block 15	92,682[3]	–	1,184	99,064[4]	99,064[4]	–	11,480	98,729
Oman Blocks 3,4	66,573[3]	–	19,995	101,615[4]	101,615[4]	–	56,401	34,867
France Attila	9,238	–	5,610	3,628	3,628	–	38	3,589
Morocco Bouanane	–	-73	73	–	–	-14,076	12,218	1,858
Turkey Ispandika	–	–	–	–	–	-1,364	75	1,289
Spain Cameros	–	–	–	–	–	-433	433	–
Sweden Gotland Större	1,628	–	486	1,142	1,142	–	712	429
New ventures	16	-238	80	174	174	–	122	52
Total	**170,135**	**-311**	**27,428**	**205,623**	**205,623**	**-15,872**	**81,480**	**140,811**

Oil and gas properties	Group			Parent		
TSEK	1 Jan 2010– 31 Dec 2010 12 months	1 Oct 2010– 1 Dec 2010 3 months	1 Jan 2009– 31 Dec 2009 12 months	1 Jan 2010– 31 Dec 2010 12 months	1 Oct 2010– 1 Dec 2010 3 months	1 Jan 2009– 31 Dec 2009 12 months
Investments in oil and gas properties						
Opening balance	**290,168**	**273,246**	**209,485**	**–**	**–**	**34,867**
Investments in France	5,610	326	38	–	–	–
Investments in Morocco	73	–	12,218	–	–	–
Investments in Oman	21,180	5,401	67,881	–	–	-34,867[5]
Investments in Spain	–	–	433	–	–	–
Investments in Turkey	–	–	75	–	–	–
Investments in Sweden	486	178	712	–	–	–
Other investments in oil and gas properties	80	71	122	–	–	–
Adjustment	-62,606[3]	-18,837[3]	-796[4]	–	–	–
Closing balance	**254,990**	**254,990**	**290,168**	**–**	**–**	**–**
Depletion						
Depletion	–	–	–	–	–	–
Write down						
Opening balance	**84,546**	**84,619**	**68,674**	**–**	**–**	**–**
Write down	311	238	15,872	–	–	–
Closing balance	**84,857**	**84,857**	**84,546**	**–**	**–**	**–**
Net book value	**170,135**	**170,135**	**205,623**	**–**	**–**	**–**

[3] The book value of oil and gas properties include non cash items of TSEK 21,727 during the full year 2010, TSEK 18,837 for the fourth quarter 2010, and part of the proceeds from the farmout to Mitsui amounting to TSEK 40,879. These adjustments, amounting to TSEK 62,606 are not part of investments.

[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] Oil and gas properties were transferred from the Parent company to a wholly owned subsidiary during 2009.

Note 4) Other income

Other income has been significantly impacted by the farmout of 20 percentage points of Blocks 3 and 4 to Mitsui E&P Middle East B.V. In consideration for the acquisition, Tethys Oil received MUSD 20, equivalent of TSEK 144,114, of which 40 per cent (the percentage of Tethys Oil's assets that were farmed out) of the book value as per 31 December 2009 amounting to TSEK 40,879 is offset against the book value of Blocks 3 and 4. The remainder of the consideration received, TSEK 103,236, is recorded as a capital gain in the income statement in the subsidiary Tethys Oil Blocks 3&4 Ltd.

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 31 December 2010, the number of outstanding shares in Tethys Oil amount to 32,504,489 (28,049,091), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive programmes for employees.

As per 1 January 2010, Tethys Oil had 28,049,091 shares. During the first nine months of 2010, 3,955,398 warrants were exercised and accordingly an equivalent number of shares were issued by Tethys Oil. Tethys Oil received proceeds of TSEK 90,974 before issue costs. The share issues from the exercised warrants have been registered continuously mainly during the first half of 2010.

Furthermore, two private placements have been made during 2010, based on an authorization from the AGM held 20 May 2009. These two private placements of 500,000 shares together were made in March 2010 at SEK 30.75 and SEK 33.75 per share, which were in line with the prevailing market price at the time. The total proceeds from these issues amounted to TSEK 15,820 before issue costs. The newly issued shares in the private placement were registered in April 2010.

Note 6) Contingent liabilities

The contingent liabilities amount to TSEK – (TSEK 25,804). The contingent liabilities as per 31 December 2009 regarded Blocks 3 and 4 where Tethys Oil had a work commitment, which was 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 79,710. 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

TSEK	1 Jan 2010– 31 Dec 2010 12 months	1 Oct 2010– 31 Dec 2010 3 months	1 Jan 2009– 31 Dec 2009 12 months	1 Oct 2009– 31 Dec 2009 3 months
Items regarding the income statement and balance sheet				
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	100,661	6,896	-28,985	-3,496
Operating margin, %	n.a.	n.a.	n.a.	n.a.
Result before tax, TSEK	80,144	4,847	-42,446	10,123
Net result, TSEK	80,069	4,810	-42,503	10,109
Net margin, %	n.a.	n.a.	n.a.	n.a.
Shareholders' equity, TSEK	380,055	380,055	202,770	202,770
Balance sheet total, TSEK	384,069	384,069	222,680	222,680
Capital structure				
Solvency, %	98.95%	98.95%	91.06%	91.06%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	98.95%	98.95%	91.06%	91.06%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	-115,282	6,990	81,681	7,854
Profitability				
Return on shareholders' equity, %	21.07%	1.27%	neg.	neg.
Return on capital employed, %	20.85%	1.25%	neg.	neg.
Key figures per employee				
Average number of employees	9	11	10	10
Number of shares				
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	5.97	neg.	neg.	neg.
Number of shares on balance day, thousands	32,504	32,504	28,049	28,049
Shareholders' equity per share, SEK	11.69	11.69	7.23	7.23
Weighted number of shares on balance day, thousands	30,849	32,504	26,274	27,882
Earnings per share, SEK	2.60	0.15	-1.62	0.36
Earnings per share after dilution, SEK	2.60	0.15	-1.62	0.32

For definitions of key ratios please refer to the 2009 Annual Report. The abbreviation n.a. means not applicable.

Financial information

The Company plans to publish the following financial reports:
Three month report 2011 (January – March 2011) on 9 May 2011
Annual General Meeting 2011 is planned to be held in Stockholm, 25 May 2011
Six month report 2011 (January – June 2011) on 22 August 2011
Nine month report 2011 (January – September 2011) on 14 November 2011
Year end report 2011 (January – December 2011) on 13 February 2012

Stockholm, 14 February 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

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

Tethys Oil AB (publ)

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

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

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Internet information
Follow the development of Tethys Oil during the year by visiting the corporate website **www.tethysoil.com**

The website contains press releases, published reports, photos from operations, description of operations and general corporate information.