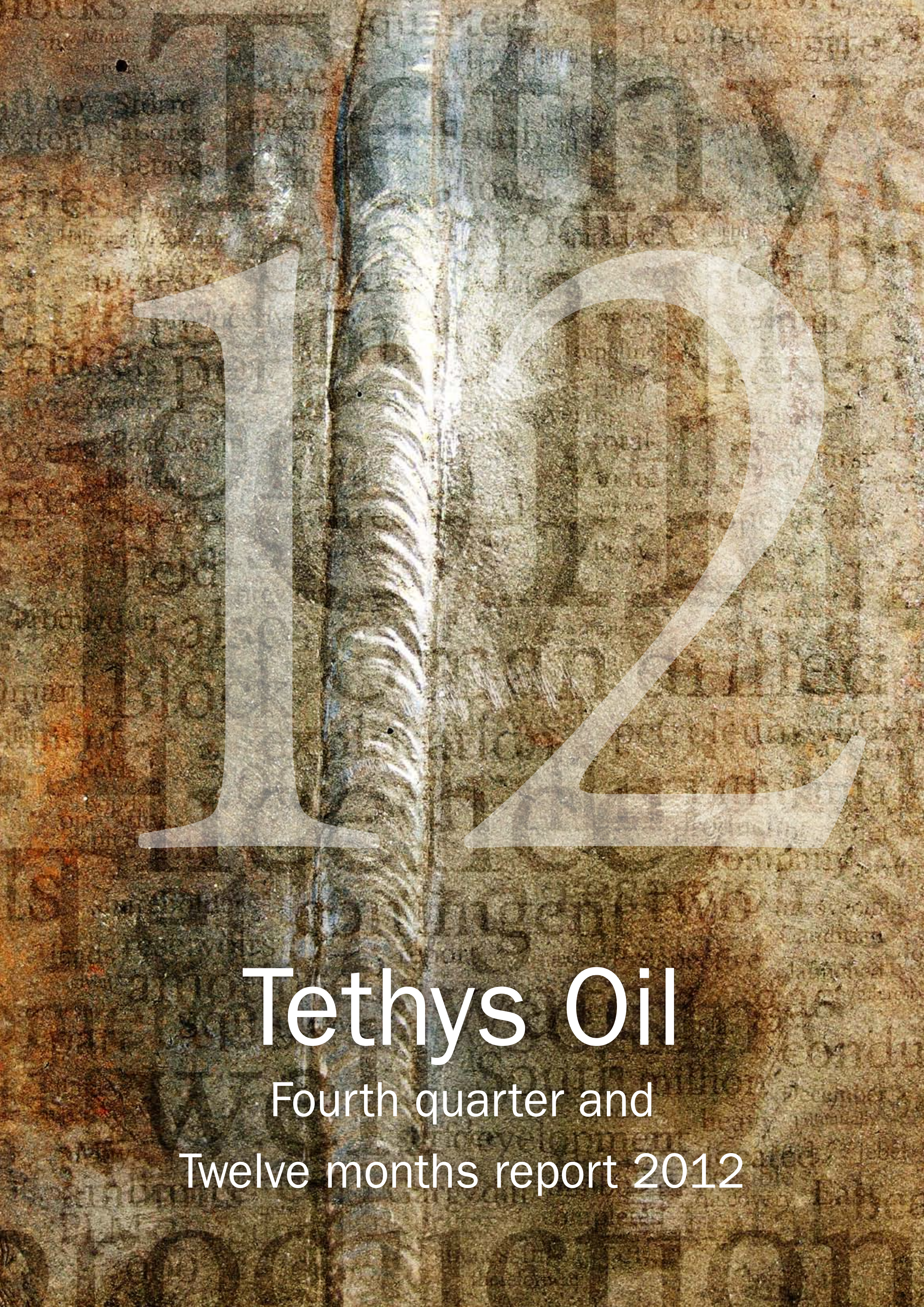


Tethys Oil

Fourth quarter and Twelve months report 2012

FOURTH QUARTER 2012

- Field development plan was approved and commerciality was obtained for Block 3 and 4 in December 2012
- Record gross production from Oman of 400,324 barrels corresponding to 4,351 barrels per day
- Net sales of MSEK 170 (MSEK 50)
- Net result after tax MSEK 145 (MSEK 44)
- Earnings per share before and after dilution of SEK 4.07 (SEK 1.36)

TWELVE MONTHS 2012

- A secured three-year bond loan of MSEK 400 issued in September 2012
- Record gross production from Oman of 1,345,854 barrels corresponding to 3,677 barrels per day
- MSEK 120 raised in private placement of 3 million shares in May 2012
- Net sales of MSEK 584 (MSEK 104)
- Net result after tax MSEK 314 (MSEK 69) – significantly impacted by write downs
- Write downs mainly regarding Block 15 and projects in France of MSEK 118 (MSEK –)
- Earnings per share before and after dilution of SEK 9.11 (SEK 2.12)

SUBSEQUENT EVENTS

- In January 2013 Mitsui made the final recovery of carry of MUSD 2 from Tethys' share of cost oil and paid Tethys a bonus payment of MUSD 10

Tethys first reserve report will be published on February 20, 2013. 1P-reserves as at year end 2012, are expected to have increased compared to 1C contingent resources as of June 30, 2012. The 2P reserves are expected to be roughly in line with 2C contingent resources as of June 30, 2012.

MSEK (unless specifically stated)	1 Jan 2012– 31 Dec 2012 12 months	1 Oct 2012– 31 Dec 2012 3 months	1 Jan 2011– 31 Dec 2011 12 months	1 Oct 2011– 31 Dec 2011 3 months
Production, before government take (bbl)	1,345,854	400,324	423,469	197,916
Net sales, after government take (bbl)	776,248	225,518	147,228	69,574
Average selling price per barrel, USD	110.35	111.71	107.37	109.37
Net sales of oil and gas	584	170	104	50
Operating result	336	152	83	44
EBITDA	509	193	84	45
Result for the period	314	145	69	44
Earnings per share before and after dilution, SEK	9.11	4.07	2.12	1.36
Cash and cash equivalents	248	248	93	93
Shareholders' equity	860	860	456	456
Long term debt	417	417	–	–
Investments	875	280	208	36

Tethys Oil is a Swedish energy company focused on exploration and production of oil and natural gas. Tethys Oil's core area is Oman, where the company is one of the largest onshore oil and gas concession holders. Tethys Oil also have exploration and production assets onshore France, Lithuania and Sweden. The shares are listed on First North (TETY) in Stockholm. Remium AB is Certified Adviser.

Dear Friends and Investors

On December 12, 2012, Tethys announced probably the most important milestone in the history of the company. The Ministry of Oil and Gas of the Sultanate of Oman had approved the Field Development Plan for Blocks 3 and 4, and consequently the declaration of commerciality whereby the Exploration and Production (EPSA) term of Block 3 and 4 was extended for a period of 30 years from the deemed discovery date of July 20, 2010.

With the license in place until 2040, we now have the opportunity to explore the tremendous smorgasbord of opportunities Blocks 3 and 4 offer. When we entered the Blocks in 2007, close to 30 wells had already been drilled on the Blocks. Close to two thirds of these had encountered oil, but not a single one had been deemed a commercial discovery. In five years, we have appraised only two of these earlier discoveries and developed them into producing oil fields. What was deemed camel pasture by previous operators has turned commercial with the help of new technology, higher oil prices and perseverance. More than a dozen oil finds remain to be investigated further.

Since we recover all our investments from production, we expect to be able to fund a comprehensive exploration programme from that part of our production cash flow. This exploration potential holds a great opportunity for Tethys, and we are hopeful that we will find more oil to benefit Tethys' shareholders and also of course our host country, the Sultanate of Oman. We are extremely grateful to have this opportunity and we will do our best to live up to the expectations.

2012

2012 was a year of both operational and financial success for Tethys. Net sales as well as EBITDA increased by about 460 and 500% respectively, and amounted to MSEK 584 (MSEK 104 in 2011) and to MSEK 509 (MSEK 84) respectively. We achieved a net result of MSEK 314 (MSEK 69) and earnings per share amounted to SEK 9.11 (SEK 2.12).

The oil production from Blocks 3 and 4 onshore the Sultanate of Oman continued to increase in 2012 and Tethys' share of the production, before government take, amounted to 1.35 million barrels corresponding to 3,677 BOPD (0.4 mbbl and 1,160 BOPD).

The production increase was a result of an ambitious work programme. 37 wells were completed on the Blocks in 2012. 20 production and six water injection wells were drilled to increase production. With 10 wells drilled in previously undrilled fault block, we had a success ratio of 80% and discovered eight new oil bearing blocks. During the year, we have increased our contingent resources, and we are now about to book our first Omani reserves. Tethys first reserve report will be published on February 20, 2013. 1P-reserves as at year end 2012, are expected to have increased compared to 1C contingent resources as of June 30, 2012. The 2P reserves are expected to be roughly in line with 2C contingent resources as of June 30, 2012.

At the end of 2012, all the permanent production facilities on the Farha and Saiwan fields were completed and commissioned. Production optimization will continue, and as we learn more about our reservoirs, new equipment or other enhancements may be put in place.

2013

In February 2013, Tethys received the bonus payment of MUSD 10 from Mitsui after the conditions, in accordance with the farmout agreement signed with Mitsui in May 2010, have all been met. The bonus payment together with the MSEK 400 bond loan issue in the third quarter 2012, make our financial situation stronger than ever. All transactions relating to the carry part of the farmout agreement have also been completed. Going forward, Tethys' cost oil component is now available for investments.

After a year of development of the Farha South and Saiwan East fields, we will now focus more on exploration to increase our reserves and resources. We will also continue with the water injection programme in order to enhance production. We expect our share of the total 2013 capex for Block 3 and 4 to amount to around MSEK 300, and to be fully funded by our cash flow from operations.

The exploration program entails several high profile wells in various parts of the Blocks. At least two new seismic surveys are planned to be completed, and will be used for continued mapping along the Farha trend and around the Saiwan oil field. Production wells as well as appraisal wells will be drilled along the Farha trend and in the Saiwan area. Depending on the results of the seismic, we would expect additional 'near field' exploration wells in the second half of this year.

So far, we have spoken only about Oman, but we shouldn't forget Lithuania. The producing Gargzdai license remains prospective and is self-financed from oil production, in addition to giving us free cash flow through dividends. Our indirect interests in the Rietavas license, shared with Chevron, is one of several areas in Europe being investigated for so called shale oil/gas. The comprehensive work programme to investigate this potential is fully funded by Chevron, and we can look forward to an interesting journey in this project.

So stay with us,

Stockholm in February 2013

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

Financial and operational review[1]

Tethys has production from two areas, Blocks 3 and 4 onshore Oman and the Gargzdai licence onshore Lithuania. Tethys Oil has 30 per cent interest in Block 3 and 4 Oman and an indirect interest of 25 per cent of Gargzdai Lithuania. There are contingent resources on Blocks 3 and 4 and reserves on Gargzdai. The bulk of investments have during 2012 occurred on Blocks 3 and 4 in Oman.

Production

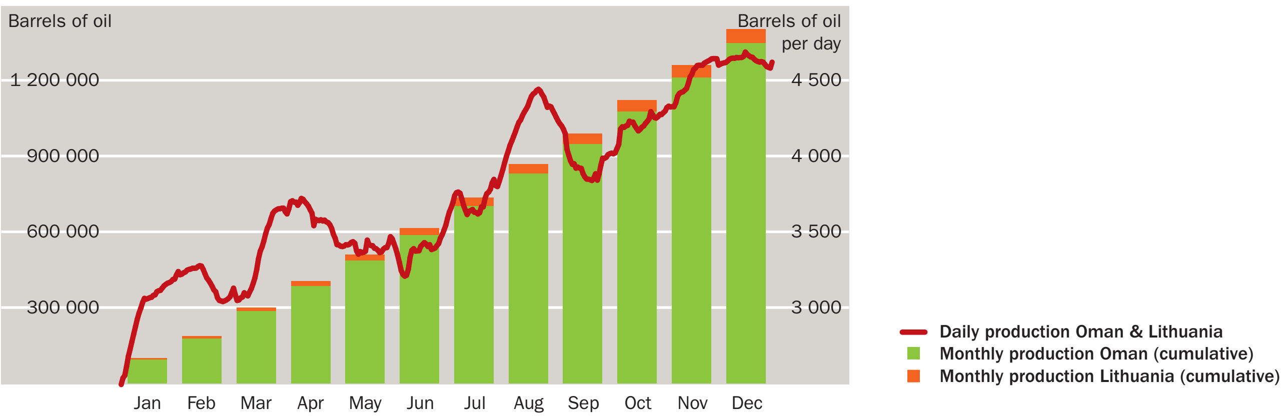
Production from Block 3 and 4 onshore Oman comes from two fields – the Farha South and Saiwan East oil fields. Production from these fields has continuously increased during the period utilizing the Early Production System ("EPS") and the Permanent Production System ("PPS"), where the latter has been gradually commissioned during the year with on-going fine tuning. Production rates have varied, driven mainly by the test programme, transport and facility capacity of the Early Production System as well as work to finalise and integrate the production facility and export pipeline. Production from Oman account for 97% of total production.

The terms of the Exploration and Production Sharing Agreement ("EPSA") on Block 3 and 4 in Oman allows the joint venture partners to recover their costs up to 40 per cent of total oil production, this is referred to as cost oil. After deducting any allowance for cost oil, the remainder is split 80/20 between the government and the joint venture partners. If there are no investments to be recovered the joint venture partners receive 20 per cent of the oil produced. The terms of the EPSA thus result in the Joint venture partners' share of production in the interval 20 – 52 per cent, depending on available recoverable cost. So far on Block 3 and 4, the joint venture share has been in the high end of the interval, 52 per cent, as commercial production relatively recently commenced and large investments have been made. The estimated recoverable costs as per 31 December 2012, net to Tethys Oil, amounts to MUSD 89.

Production from Gargzdai licence in western Lithuania has gradually decreased during the period. Tethys Oil's interest in Gargzdai is held indirectly through Odin Energi A/S, an associated Danish company.

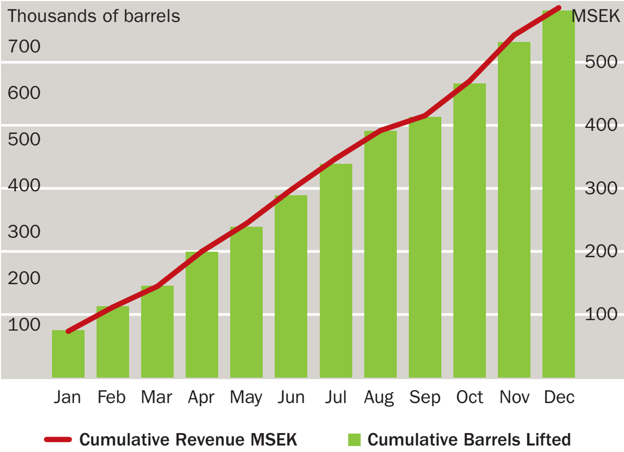
Quarterly volumes, before government take	**Q4 2012**	**Q3 2012**	**Q2 2012**	**Q1 2012**	**Q4 2011**
Tethys' share of quarterly production, (bbl)					
Oman, Block 3&4					
Production	400,324	358,968	302,081	284,481	197,916
Average daily production	4,351	3,902	3,320	3,126	2,151
Lithuania, Gargzdai					
Production	13,233	12,737	13,052	14,642	–
Average daily production	144	138	143	161	–
Total production	**413,557**	**371,705**	**315,133**	**299,123**	**197,916**
Total average daily production	**4,495**	**4,040**	**3,463**	**3,287**	**2,151**

Average daily and cumulative monthly production net to Tethys Oil during 2012

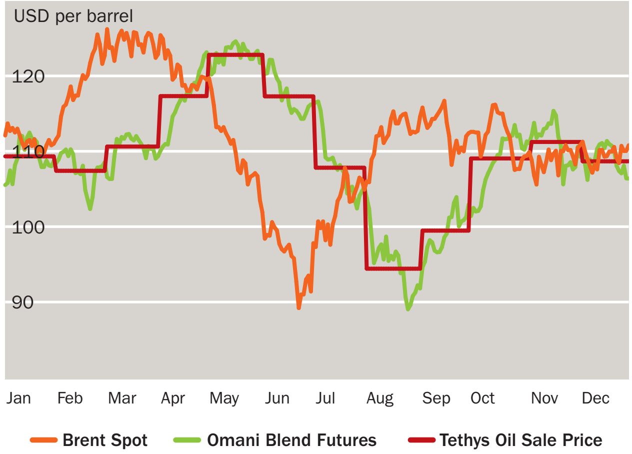


[1] *The consolidated financial statements of the Tethys Oil Group (Hereafter referred to as "Tethys Oil" "Tethys" or the "Group"), where Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the twelve months 2012 ended 31 December 2012. The amounts relating to the comparative period (equivalent period of last year) are shown in parenthesis after the amount for the current period. Segments of the Group are geographical markets.*

Tethys Oil's net sales and barrels lifted 2012



Price per barrel of oil 2012



Source: Platts, Dubai Merchantile Exchange

Net sales

During the full year 2012, Tethys Oil sold 776,248 (147,228 for same period last year) barrels of oil after government take from Block 3 and 4 in Oman whereof 225,518 (69,574) barrels of oil were sold during the fourth quarter. This resulted in net sales during 2012 of MSEK 584 (MSEK 104) and MSEK 170 (MSEK 50) during the fourth quarter. The average selling price per barrel amounted to USD 110 per barrel during the full year 2012 (USD 107 per barrel) and USD 112 per barrel (USD 109) for the fourth quarter.

Net sales increased during the fourth quarter compared to the third quarter. This is explained by both an increased number of sold barrels during the fourth quarter and higher average selling price per barrel (see graph above). Between the third and fourth quarter 2012 there has been a 2 per cent strengthening of the SEK in relation to USD. Further explanation to the increase on a quarterly basis is an overlift position as per 31 December 2012 amounting to 609 barrels, which is a significant increase compared with the underlift position as per 30 September 2012 (17,751 barrels).

The selling price received by Tethys Oil is determined for each calendar month based on the monthly average prices of the two month future price of *Omani blend* (see chart above). The Omani blend and hence Tethys Oil's achieved oil price is therefore typically priced with a two month lag to spot prices. During the twelve month period, prices have been trading between high levels of USD 125 per barrel and low levels of USD 90 per barrel.

Result

Tethys Oil reports a net result after tax for the full year 2012 of MSEK 314 (MSEK 69) and MSEK 145 (MSEK 44) for the fourth quarter, representing earnings per share of SEK 9.11 (SEK 2.12) for the twelve months 2012 and SEK 4.07 (SEK 1.36) for the fourth quarter. On a quarterly basis, the result has increased due to higher production, higher oil prices and moving from an underlift position to an overlift position. Compared with last year the financial development fundamentally reflects the underlying growth in production and sales. The result for the full year has significantly been impacted by:

- write downs of oil and gas properties of MSEK 118 mainly regarding JAS-2 related expenditures on Block 15 in Oman and unconventional hydrocarbon projects in France
- an additional lifting, originally scheduled for December 2011 (which regarded production from December 2011) but conducted in early January 2012, giving the full year 2012 a one-off additional sales amounting to MSEK 38

The write downs of oil and gas properties relating to Block 15 in Oman, amounting to MSEK 98, are made as a consequence of the production test of JAS-2 conducted in the first quarter 2012 and evaluations following the results of the test. The evaluation concludes that the JAS-2 well most likely cannot be put in production and therefore Tethys Oil has elected to write off all costs related to this well. Expenditures related to the well JAS-1 remains capitalised pending a long term production test expected to during 2013. Production tests previously made indicate that JAS-1 can be economically developed. Write downs of oil and gas properties related to unconventional hydrocarbon projects in France, amounting to MSEK 18, are made, as uncertainty remains, as to when Tethys Oil's unconventional hydrocarbon projects in France can be undertaken and conducted.

The January 2012 agreement relating to the acquisition of interests in Lithuania entailed a transfer of shares to Tethys. This share transfer was executed December 2012, and the accounting impact of this transfer is that Tethys Oil's investment in the Lithuanian producing asset Gargzdai was converted from a long term receivable to shares in associated company Odin Energi. Odin Energi holds shares in the Lithuanian company Minijos Nafta. The conversion furthermore entails that in December 2012, Tethys Oil will reflect its share in the results from Lithuanian production licence (including production and reserves) effective from 1 January 2012. Furthermore, In May 2012 Tethys Oil received MSEK 17 as return from the Lithuanian producing asset Gargzdai. The return on investments was received as dividend from the Lithuanian company Minijos Nafta for the 2011 financial year. Tethys Oil furthermore holds indirect interest in the Lithuanian licences Rietavas and Raiseiniai. Chevron Corporation farmed in to the Rietavas licence during the fourth quarter. Tethys Oil holds a share in these licences through the associated company Jylland Olie. Total result from Tethys Oils shares in associated companies Odin Energi and Jylland Olie amounted to MSEK 49.

The result for the full year 2012 has been impacted by net foreign exchange losses and interest on long term debt. The currency exchange effect of the group amounts to MSEK -9 and most of the effect relates to the weaker US dollar in relation to the Swedish krona. Currency translation differences between the parent company and subsidiaries are non cash related items. Interest on long term debt amounted to MSEK 12. The currency exchange effect and interest on long term debt is part of net financial result amounting to MSEK -22 for full year 2012 and MSEK -7 for the fourth quarter.

Cash flow from operations before changes in working capital during the full year 2012 amounted to MSEK 467 (MSEK 91) and MSEK 150 (MSEK 52) for the fourth quarter.

Depletion of oil and gas properties for the full year 2012 amounted to MSEK 55 (–) and MSEK 19 (–) for the fourth quarter. The company considers the conditions for applying depletion on Block 3 and 4 oil and gas properties under the accounting principles to have been met as of 1 January 2012.

Operating expenses (OPEX) amounted during the full year 2012 to MSEK 96 (–) and MSEK 16 (–) for the fourth quarter. Operating expenses are directly related to oil and gas production on Block 3 and 4 in Oman, for example expenses for trucking, tariffs, supervision and administration etc. Due to an overlift position as per 31 December 2012 amounting to 609 barrels, the Operating expenses during the full year 2012 have been increased by MSEK 0.5. The company considers the conditions for presenting Operating expenses in the Income statement, as opposed to capitalizing OPEX as oil and gas properties in the balance sheet, under the accounting principles to have been met as of 1 January 2012. Operating expenditures are lower per barrel in comparison with previous quarters. The decrease is a consequence of higher production as well as moving from the Early production system to the Permanent production system.

Administrative expenses including depreciation amounted to MSEK 29 (MSEK 20) for the full year 2012 and MSEK 10 (MSEK 5) for the fourth quarter. Depreciation amounted to MSEK 0.9 (MSEK 0.7) for the full year period 2012 and MSEK 0.4 (MSEK 0.3) for the fourth quarter. Administrative expenses are mainly salaries, rents, listing costs and outside services. Depreciation is referable to office equipment. The administrative expenditures during the full year 2012 are higher compared with same period last year due to increased activity and more employees. 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.

Summary of oil and gas interests (MSEK)

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

Country	Licence name	Tethys Oil, %	Total area, km²	Partners (operator in bold)	Book value 31 Dec 2012	Book value 31 Dec 2011	Investments Jan–Dec 2012
Oman	Block 15	40%	1,389	**Odin Energy,** Tethys Oil	27	114	11
Oman	Block 3,4	30%	34,610	**CCED,** Mitsui, Tethys Oil	890	74	861
France	Attila	40%	1,986	**Galli Coz,** Tethys Oil	–	10	0
France	Alès	37.5%	215	**Tethys Oil,** MouvOil	–	6	2
Sweden	Gotland Större (incl. Gotland Mindre)	100%	581	**Tethys Oil**	2	2	0
Lithuania	Gargzdai[2]	25%	884	**Odin Energi,** GeoNafta, Tethys Oil	–	–	–
Lithuania	Rietavas[2]	14%	1,594	**Chevron,** Odin, Tethys Oil	–	–	–
Lithuania	Raiseiniai[2]	26%	1,535	**Odin,** Tethys Oil, privata investerare	–	–	–
New ventures					0	1	1
Total			**42,794**		**919**	**207**	**875**

[2] The interest in the three Lithuanian licences are indirectly held through a shareholding in two Danish private companies, which in turn hold shares in Lithuanian companies holding 100 per cent of the licences. The two Danish companies, Odin Energi and Jylland Olie, are not consolidated in Tethys Oils financial statements due to the ownership structure, which is why there are no oil and gas properties related to the licences. The ownership of Jylland Olie and Odin Energi are presented in the balance sheet under Shares in associated companies.

Regarding licences Rietavas and Raiseiniai, the two Lithuanian holding companies are undergoing reconstruction. Presented in the table is the indirect ownership expected after the reconstruction. As per 31 December 2012 the indirect ownership was 11 per cent and 21 per cent in Rietavas and Raiseiniai respectively.

Oil and gas properties as per 31 December 2012 amounted to MSEK 919 (MSEK 207). Investments in oil and gas properties of MSEK 875 (MSEK 44) were incurred for the twelve month period ending 31 December 2012 and MSEK 280 (MSEK 12) for the fourth quarter.

Currency exchange effects

The book value of oil and gas properties includes currency exchange effects of MSEK 13 during the twelve months period 2012, which are not cash related items and therefore not included in investments. For more information please see above under *Result.*

Reserves and resources

Oman

As at 30 June 2012, Tethys Oil had contingent resources attributable to Blocks 3 and 4 onshore Oman. The contingent resources were only contingent on the finalization and the final approval of a field development plan (“FDP”). The FDP and the declaration of commerciality were obtained on 11 December 2012. Tethys expects to publish a third party reserve report, audited by independent petroleum consultant DeGolyer and MacNaughton (“D&M”), as per year end 2012 on 20 February 2013.

As at 30 June 2012, Tethys Oil’s had the following net working interest resources oil base (C) in the Sultanate of Oman.

Contingent Resources
Blocks 3 and 4, Oman

Mmbo	1C	2C	3C
As per 30 Jun 2012	3.4	13.8	17.3

Lithuania

Tethys Oil’s indirect share of reserves in the Gargzdai licence in Lithuania amounted as per 31 December 2011 to 0.7 mmbo of 1P reserves, 1.7 mmbo of 2P and 3.0 mmbo of 3P. The reserves are calculated on the basis of the reserves from the independent petroleum consultant Miller Lents review as per 1 January 2011, reduced with the operator´s numbers of aggregated production for 2011. Tethys Oil’s share of aggregated production for 2012 was 53,664 barrels. An updated third party report for the Gargzdai licence is expected during the first quarter 2013.

Review of operations

Oman

Blocks 3 and 4

During the full year 2012, investments amounting to MSEK 861 were made in Blocks 3 and 4. Of the total investment amount, MSEK 480 consists of new investments in the blocks and the remaining MSEK 381 (MUSD 58) emanate from that part of investments previously made by Mitsui on Tethys Oil’s behalf under the Carry agreement (see below) and was recovered by Mitsui during the twelve month period from Tethys Oil’s share of cost recovery oil entitlement.

Tethys Oil’s share of the Block 3 and 4 joint venture 2012 budget originally amounted to MSEK 430 and was revised during the fourth quarter to MSEK 550. The increase was primarily due to additional seismic acquisitions and production facilities. Note that the budget regards both OPEX and CAPEX. During the twelve month period MSEK 575 has been spent of Tethys Oil’s share of the budget, of which MSEK 480 is attributable to CAPEX and MSEK 96 is attributable to OPEX. Actual expenditures have been higher than budget due to higher OPEX than anticipated mainly due to a longer period of overlapping productions systems (both EPS and PPS).

Of the CAPEX investments of MSEK 480 made by Tethys Oil during the twelve months period, around two thirds has been spent on production facilities and infrastructure and around one third of the remaining CAPEX has been spent on production/water injection wells. The production facilities and infrastructure have been completed during 2012.

A total of seven wells were completed on the Blocks during the fourth quarter 2012. All were drilled on Block 3. In addition, two sidetracks in a vertical well, completed in the end of the third quarter, were also drilled on Block 4.

At the Farha South oil field on Block 3, seven production wells were drilled and completed in previously drilled blocks to increase production. All wells have been connected to the production facilities and put into operation.

The exploration well B4EW4 onshore Oman has drilled to a final total depth of 3,030 metres. B4EW4 was spudded in November 2012 on Block 4. This well was drilled on a dense grid of high quality 2D seismic data and is located approximately 20 km west of the Saiwan East oil field. Wireline logging operations has been completed and a testing program has commenced. Strong Oil shows were recorded during drilling in the Lower Al Bashir, Buah, Khufai and Masirah Bay formations. PVT oil samples were acquired during logging operations in the Lower Al Bahair, Buah and Masirah Bay formations. The testing program is designed to evaluate the Khufai and Buah reservoirs. The result of the testing program is expected within three weeks.

During the fourth quarter, both the newly commissioned permanent facilities as well as parts of the early production system have been utilized. The use of both systems is expected to continue during the fine tuning of the permanent facilities. In December 2012, the Ministry of Oil and Gas of the Sultanate of Oman approved the Field Development Plan for Blocks 3 and 4, and consequently the declaration of commerciality where the Exploration and Production (EPSA) term of Block 3 and 4 is extended for a period of 30 years from the deemed discovery date of July 20, 2010.

In total, 37 wells were completed on the Blocks in 2012. 35 of these were drilled on Block 3 and two were drilled on Block 4. At the Farha South oil field on Block 3, 10 wells were drilled into the reservoir of a previously undrilled fault block resulting in the discovery of eight new oil bearing blocks. 19 production wells were drilled and completed in previously drilled blocks to increase production and six water injection well was drilled and completed. As at 31 December 2012, a total of 15 fault blocks are in production on the Farha South Field. On Block 4, one production well and one exploration well were drilled.

Block 15

The field work on Block 15 will be intensified in 2013, with the main focus to put the JAS-1 well in an extended production test during the first half of the year. JAS-1 flowed gas and condensate when tested in 2007. An extension of the previous 3D seismic survey on the license is also planned. The survey has been postponed until JAS-1 is in production.

Lithuania

In January 2012, Tethys announced the acquisition of indirect interests in Lithuania. Part of the transaction was completed directly and part of the transaction was completed in December 2012 following a restructuring process. Tethys’ interests in three Lithuanian licences, as per 31 December 2012 directly owned by three different Lithuanian companies, are held indirectly through shareholdings in two Danish companies, which are part of the Odin group. The two Danish companies, where Tethys Oil’s interest is 50 per cent and 40 per cent[3] of the shares respectively, are not consolidated in Tethys Oil’s financial accounts but treated as associated companies. Tethys

[3] *Tethys Oil’s interest in Jylland Olie is as per 31 December 2012 amounting to 42 per cent but will after a reconstruction of Jylland Olie amount to 40 per cent.*

indirect interest in the three Lithuanian companies holding the three licences are:

25 per cent in UAB Minijos Nafta ("MN") holding the Gardzdai licence
14 per cent in UAB LL Investicos ("LLI") holding the Rietavas licence
26 per cent in UAB TAN Oil ("TAN") holding the Raiseiniai licence[4]

Gargzdai licence
The Skomantai-1 exploration well on the Gargzdai licence was drilled in the summer 2012 with the objectives to explore a previously undrilled oil prospect in the Cambrian sandstone and to evaluate the thick shale section for unconventional hydrocarbon potential. Oil was present in the Cambrian prospect, but porosity was found to be insufficient to produce commercial quantities of oil. An extensive data gathering was carried out on the shale section. Electric logs were recorded. Seven cores with a total combined length of 63 metres were taken and have been analyzed. The analysis confirms sufficiently high energy content to warrant continued shale gas investigations also on the Gargzdai licence. The well has been suspended to allow for future work on the shale section.

The 2013 work programme on Gargzdai licence aims at stabilizing production, and additional exploration may be carried out in the second half of the year.

Rietavas licence
In October 2012, Tethys Oil's affiliate Jylland Olie Aps, part of the Danish Odin Group participated in a farmout to Chevron Corporation relating to the Rietavas license. Following the transaction, Tethys Oil's indirect interest in the license will be reduced from 20 per cent to 14 per cent in exchange for a cash consideration and a comprehensive work programme. Chevron has further obtained an option to acquire additional interest in the Rietavas license at a predetermined price, to be exercised within three years. Should the option be exercised, Tethys Oil's indirect interest in the Rietavas license will be reduced to 5.6 per cent.

The 2013 work programme on the Rietavas license is expected to commence shortly with a comprehensive seismic survey including acquisition of new 3D seismic. The work programme, to be fully funded by Chevron, is primarily designed to evaluate the license for shale gas/oil potential.

Raiseiniai licences
On the Raiseiniai license, the work with compiling old data, mainly from the Soviet era, continues. An old discovery, made in the 80s, is planned to be re-drilled later in the first quarter 2013.

France
On the French licences, the work programmes have been delayed at the request of the government. It is unclear when the work programme could be resumed.

Sweden
Gotland
A soil sampling survey was performed on some known reefal prospects that have been identified on existing seismic lines within our license area. The results of the survey were encouraging. Tethys is investigating the possibility to conduct exploratory drilling operations on 10 potential locations. Tethys has contracted an external consultant to survey and produce an Environmental Impact Assessment for the 10 potential locations.

Liquidity and financing
Cash and bank as at 31 December 2012 amounted to MSEK 248 (MSEK 93).

The increase in liquidity is largely due to external financing. During the twelve month period ended 31 December 2012 Tethys Oil has finalised both a share issue and a bond issue.

- The share issue was conducted as two private placements in May and June 2012 and regarded 3,000,000 shares in total. The private placements were made at SEK 40 per share, which corresponded to approximately 7 per cent discount to the volume weighted average share price the last trading day before the private placements. Proceeds from the share issue amounted to MSEK 120 before issue costs.

- The bond issue, raising MSEK 400 before issue costs, was conducted in September 2012 and is a three year senior secured loan with a fixed interest rate of 9.50 per cent per year. The maturity date of the bonds is 7 September 2015. The bonds are listed on NASDAQ OMX Stockholm (ISIN number SE0004808129).

The need for external financing has been driven by the development program of Block 3 and 4 in Oman. In parallel to an Early Production System, which commenced in 2010, Tethys Oil and partners have invested in further appraisal and development of Block 3 and 4. The development programme, by which the Early Production System is replaced by a Permanent Production System, has included the drilling of production wells as well as building and commissioning infrastructure and facilities.

Tethys Oil's total investments in oil and gas assets during twelve months 2012 amounted to MSEK 875, where Block 3 and 4 accounted for 98 per cent.

During 2010 and 2011, Tethys Oil's share of investments in Blocks 3 and 4 were paid by Mitsui under the carry agreement and did not affect Tethys Oil's cash position. The agreement with Mitsui was made in 2010, whereby Mitsui acquired 20 percentage points in Blocks 3 and 4 onshore Oman. Apart from a cash consideration, Mitsui undertook to pay Tethys Oil's share of non-exploration related capital expenditure up to MUSD 60 on Blocks 3 and 4 effectively from 1 January 2010. As per 31 December 2011, Mitsui had fulfilled the undertaking and additional investments relating to Tethys Oil's share in Blocks 3 and 4 must be paid by Tethys Oil directly.

Also pursuant to the carry agreement, Mitsui has since the first quarter 2012 started to recover the MUSD 60 paid on behalf of Tethys Oil from the proceeds of Tethys Oil's share of cost recovery oil entitlement. Under the carry agreement, Tethys Oil will allocate its entire share of cost recovery entitlement to Mitsui until the full MUSD 60 has been recovered by Mitsui. The allocated cost recovery to Mitsui will be treated as investments in oil and gas properties, thereby creating a result effect over a longer period of time through depletion. During the full year 2012, the amount received by Mitsui from Tethys Oil's cost recovery entitlement amounted to MUSD 58. The remaining cost recovery entitlement to be allocated to Mitsui (MUSD 2 as at 31 December 2012) is presented as a contingent liability. In Jan-

[4] *Tethys Oil's interest in Rietavas and Raiseiniai licences are undergoing a reconstruction. Indirect interests of 14 and 26 per cent respectively are expected after the reconstruction has been effectuated. The indirect interests as per 31 December 2012 are 11 and 21 per cent respectively in Rietavas and Raiseiniai licences.*

uary 2013 the final balance of MUSD 2 was allocated to Mitsui.

Further under the carry agreement, Mitsui would pay to Tethys Oil a bonus amounting to MUSD 10 when commercial production commenced and exceeded 10,000 bopd for 30 consecutive days. Following the approval of the Field Development Plan ("FDP") and declaration of commerciality in December 2012 and 30 consecutive days of production above the threshold rate, Tethys Oil received the bonus payment in February 2013 after the reporting period.

The high level of investments on Block 3 and 4 will continue, with a main focus on exploration and a water injection programme to enhance production. Tethys Oil's share of the total Joint Venture investment budget for 2013 on Blocks 3 and 4 amounts to around MSEK 300. The investment budget is expected to be fully financed by cash flow from operations once Tethys Oil starts receiving cost oil (i.e. the full amount of MUSD 60 has been recovered by Mitsui), which happened after the reporting period, in January 2013.

Tethys Oil's operations in Lithuania is expected to continue to be self-financed from oil production on the Gargzdai licence and financed by Chevron on the Rietavas licence.

A large part of cash and cash equivalents are kept in USD which has depreciated against SEK during the reporting period. The currency exchange effect on cash and cash equivalents amounted during full year 2012 to MSEK -1.

Financial assets

Tethys Oil's interests in three Lithuanian licences are held through two private Danish companies. For more information regarding the ownership structure, please refer to page 8 above and note 7. As per 31 December 2012 the shareholding in the two associated Danish companies, Odin Energi and Jylland Olie, amounted to MSEK 188.

Tethys Oil's share of net profit during the full year 2012 from Odin Energi, which indirectly holds the production licence Gargzdai, amounted to MSEK 23, which also include the dividend relating to the financial year 2011 of MSEK 17 received in May 2012. The 2012 result was generated from selling 53,664 (Tethys Oil's indirect share) at an average price of USD 109 per barrel. Tethys Oil expects part of the cash flow from Gargdzdai to be distributed to Odin Energi and thereafter to Tethys Oil in form of a dividend.

Tethys Oil's share of net profit during the full year 2012 from Jylland Olie, indirectly holding the licences Rietavas and Raiseniai, amounted to MSEK 26. Almost all of the result from Jylland Olie is financial income and was generated through the farmout of the Rietavas licence to Chevron Corporation. Tethys Oil expects that all cash flow from Rietavas and Raieniai be reinvested in the licences and not distributed to Jylland Olie and Tethys Oil.

Parent company

The Parent company reports a net result after tax for the twelve months 2012 amounting to MSEK -83 (MSEK -15) and MSEK 62 (MSEK -1) for the fourth quarter. The result for the twelve months period and the fourth quarter has been significantly impacted by write down of shares in subsidiaries. The write downs amounted to MSEK 157 and are a consequence of the write downs of oil and gas properties made in the group during the reporting period. The write downs of oil and gas properties regard Block 15 and expenditures relating to the well JAS-2 in particular and all projects in France. Administrative expenses amounted to MSEK 12 (MSEK 11) for the full year 2012 and MSEK 4 (MSEK 2) for the fourth quarter. Net financial loss amounted to MSEK -123 (MSEK -7) during the full year 2012 and MSEK 32 (MSEK 0.5) for the fourth quarter. Write down of shares in subsidiaries are part of net financial result. The weaker US dollar has had a negative impact on net financial result during the full year 2012. The exchange rate losses regard translation differences and are non cash related. Investments during the full year 2012 amounted to MSEK 535 (MSEK 48). 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 and organisation

At the Annual General Meeting of shareholders on 16 May 2012 Håkan Ehrenblad, Vincent Hamilton, John Hoey, Magnus Nordin and Jan Risberg were reelected members of the Board. Katherine Støvring and Staffan Knafve were elected as new directors. No deputy directors were appointed. At the same meeting Vincent Hamilton was appointed Chairman of the Board.

Tethys grows and develops, and is making organizational changes accordingly. Vincent Hamilton will concentrate on his duties as chairman of the board, and has resigned as Chief Operating Officer. The technical team in Oman will be strengthened, and Fredrik Robelius will assume the position of Technical manager. Based on the above the Suisse office will no longer be part of the Tethys Oil's group.

Share data

As per 31 December 2012, the number of outstanding shares in Tethys Oil amount to 35,543,750 (32,543,750), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program for employees.

As described in the section Liquidity and financing, Tethys Oil conducted in May 2012 two private placements of 3,000,000 shares in total. The shares from the private placements were registered in May and June 2012. The two private placements were made based on an authorization from the AGM 2012.

Dividend

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

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 16.

Subsequent events

- In January 2013 Mitsui made the final recovery of carry of MUSD 2 from Tethys' share of cost oil and paid Tethys a bonus payment of MUSD 10
- In January 2013 Tethys Oil's share of total field production from Blocks 3 and 4 onshore Oman averaged 3 876 barrels per day

Consolidated statement of comprehensive income in summary

TSEK	1 Jan 2012– 31 Dec 2012 12 months	1 Oct 2012– 31 Dec 2012 3 months	1 Jan 2011– 31 Dec 2011 12 months	1 Oct 2011– 31 Dec 2011 3 months
Net sales of oil and gas	583,990	169,773	103,538	49,839
Depletion of oil and gas properties	-54,508	-19,343	–	–
Write off of oil and gas properties	-117,521	-4,765	–	–
Other income	56	–	13	1
Operating expenses	-95,518	-15,912	–	–
Income/loss of associates	49,043	32,425	–	–
Other losses/gains, net	-42	-9	-52	-48
Administrative expenses	-29,200	-9,971	-20,243	-5,398
Operating result	**336,300**	**152,199**	**83,057**	**44,393**
Financial income and similar items	14,673	6,500	2,339	3,447
Financial expenses and similar items	-36,798	-13,975	-16,281	-3,426
Net financial loss/profit	**-22,125**	**-7,474**	**-13,943**	**21**
Result before tax	**314,175**	**144,725**	**69,114**	**44,414**
Income tax	-213	-120	-123	-38
Result for the period	**313,962**	**144,605**	**68,991**	**44,376**
Other comprehensive result				
Currency translation differences	-23,630	140	4,785	6,108
Other comprehensive result for the period	**-23,630**	**140**	**4,785**	**6,108**
Total comprehensive result for the period	**290,332**	**144,744**	**73,776**	**50,484**
Number of shares outstanding	35,543,750	35,543,750	32,543,750	32,543,750
Number of shares outstanding (after dilution)	35,543,750	35,543,750	32,543,750	32,543,750
Weighted number of shares	34,464,515	35,543,750	32,520,596	32,543,750
Earnings per share, SEK	9.11	4.07	2.12	1.36
Earnings per share (after dilution), SEK	9.11	4.07	2.12	1.36

Consolidated balance sheet in summary

TSEK	31 Dec 2012	31 Dec 2011
TILLGÅNGAR		
Fixed assets		
Oil and gas properties	919,523	206,651
Office equipment	2,086	2,298
Total fixed assets	**921,609**	**208,949**
Financial assets		
Investment in associates	188,161	23,951
Other long term receivables	–	136,278
Total financial fixed assets	**188,161**	**160,228**
Current assets		
Other receivables	14,618	1,971
Prepaid expenses	1,812	608
Cash and bank	248,038	93,105
Total current assets	**264,467**	**95,685**
TOTAL ASSETS	**1,374,237**	**464,862**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	5,924	5,424
Additional paid in capital	552,060	438,329
Other reserves	-26,585	-2,955
Retained earnings	328,723	14,761
Total shareholders' equity	**860,122**	**455,559**
Non current liabilities		
Bond issue	388,862	–
Other non current liabilities	28,279	1,705
Total non current liabilities	**417,141**	**1,705**
Non interest bearing current liabilities		
Accounts payable	684	2,226
Other current liabilities	12,762	4,114
Accrued expenses	83,529	1,258
Total non interest bearing current liabilities	**96,975**	**7,598**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,374,237**	**464,862**
Pledged assets	625,683	500
Contingent liabilities	15,648	–

Consolidated statement of changes in equity in summary

TSEK	Share Capital	Paid in Capital	Other reserves	Retained Earnings	Total Equity
Opening balance 1 January 2011	**5,417**	**436,608**	**-7,739**	**-54,231**	**380,055**
Comprehensive income					
Result for the first quarter 2011	–	–	–	-14,735	**-14,735**
Result for the second quarter 2011	–	–	–	724	**724**
Result for the third quarter 2011	–	–	–	38,627	**38,627**
Result for the fourth quarter 2011	–	–	–	44,376	**44,376**
Period result	**–**	**–**	**–**	**68,991**	**68,991**
Other Comprehensive income					
Currency translation differences first quarter 2011	–	–	-9,113	–	**-9,113**
Currency translation differences second quarter 2011	–	–	1,173	–	**1,173**
Currency translation differences third quarter 2011	–	–	6,618	–	**6,618**
Currency translation differences fourth quarter 2011	–	–	6,108		**6,108**
Total other comprehensive income	**–**	**–**	**4,785**	**–**	**4,785**
Total comprehensive income	**–**	**–**	**4,785**	**68,991**	**73,776**
Transactions with owners					
Share issue in kind 2011	7	1,721	–	–	**1,728**
Total transactions with owners	**7**	**1,721**	**–**	**–**	**1,728**
Closing balance 31 December 2011	**5,424**	**438,329**	**-2,955**	**14,761**	**455,559**
Opening balance 1 January 2012	**5,424**	**438,329**	**-2,955**	**14,761**	**455,559**
Comprehensive income					
Result for the first quarter 2012	–	–	–	108,190	**108,190**
Result for the second quarter 2012	–	–	–	15,205	**15,205**
Result for the third quarter 2012	–	–	–	45,963	**45,963**
Result for the fourth quarter 2012	–	–	–	144,605	**144,605**
Period result	**–**	**–**	**–**	**313,962**	**313,962**
Other Comprehensive income					
Currency translation differences first quarter 2012	–	–	-4,451	–	**-4,451**
Currency translation differences second quarter 2012	–	–	9,734	–	**9,734**
Currency translation differences third quarter 2012	–	–	-29,052	–	**-29,052**
Currency translation differences fourth quarter 2012	–	–	140	–	**140**
Total other comprehensive income	–	–	-23,630	–	**-23,630**
Total comprehensive income	**–**	**–**	**-23,630**	**313,962**	**290,332**
Transactions with owners					
Share issue 2012	500	119,500	–	–	**120,000**
Issue costs	–	-5,769	–	–	**-5,769**
Total transactions with owners	**500**	**113,819**	**–**	**–**	**114,319**
Closing balance 31 Dec 2012	**5,924**	**552,060**	**-26,585**	**328,723**	**860,122**

Consolidated cash flow statement in summary

TSEK	1 Jan 2012– 31 Dec 2012 12 months	1 Oct 2012– 31 Dec 2012 3 months	1 Jan 2011– 31 Dec 2011 12 months	1 Oct 2011– 31 Dec 2011 3 months
Cash flow from operations				
Operating result	336,300	168,817	83,057	44,393
Interest received	550	415	62	49
Income tax	-213	-120	-123	-38
Adjustment for write down of oil and gas properties	117,521	4,765	–	–
Adjustment for depletion, depreciation and other non cash related items	12,830	-23,776	8,281	8,074
Total cash flow from operations before change in working capital	**466,988**	**150,101**	**91,277**	**52,478**
Decrease/increase in receivables	-13,850	5,569	18,743	13,394
Increase in liabilities	76,710	60,371	3,584	4,568
Cash flow from operations	**529,847**	**216,041**	**113,604**	**70,440**
Investment activity				
Investment in oil and gas properties	-493,364	-153,747	-44,375	-12,177
Oil and gas properties from cost oil repayment	-381,240	-125,994	–	–
Investment in associates	–	–	-23,951	-23,951
Investment in long term liabilities	–	–	-139,175	–
Investment in other fixed assets	-697	-338	-891	-200
Cash flow used for investment activity	**-875,301**	**-280,079**	**-208,392**	**-36,328**
Financing activity				
Share issue, net after issue costs	114,231	-88	1,727	36
Bond issue, net after issue costs	387,553	-12,193	–	–
Cash flow from financing activity	**501,784**	**-12,281**	**1,727**	**36**
Period cash flow	**156,330**	**-76,319**	**-93,061**	**34,148**
Cash and cash equivalents at the beginning of the period	93,105	322,530	190,512	60,331
Exchange gains/losses on cash and cash equivalents	-1,398	1,827	-4,344	-1,374
Cash and cash equivalents at the end of the period	248,038	248,038	93,105	93,105

Parent company income statement in summary

TSEK	1 Jan 2012– 31 Dec 2012 12 months	1 Oct 2012– 31 Dec 2012 3 months	1 Jan 2011– 31 Dec 2011 12 months	1 Oct 2011– 31 Dec 2011 3 months
Net sales of oil and gas	–	–	–	–
Depletion of oil and gas properties	–	–	–	–
Write off of oil and gas properties	–	–	–	–
Other income	2,781	1,313	3,236	857
Net profit/loss of associates	49,043	32,425	–	–
Other losses/gains, net	-42	-9	-52	-48
Administrative expenses	-11,902	-3,502	-10,502	-2,235
Operating result	**39,880**	**30,227**	**-7,318**	**-1,426**
Financial income and similar items	70,362	58,319	9,148	-2,740
Financial expenses and similar items	-36,363	-13,897	-16,270	3,448
Write down of shares in group company	-156,673	-12,793	-229	-229
Net financial loss/profit	**-122,673**	**31,629**	**-7,351**	**479**
Result before tax	**-82,793**	**61,856**	**-14,669**	**-946**
Income tax	–	–	–	–
Loss for the period	**-82,793**	**61,856**	**-14 669**	**-946**
Number of shares outstanding	35,543,750	35,543,750	32,543,750	32,543,750
Number of shares outstanding (after dilution)	35,543,750	35,543,750	32,543,750	32,543,750
Weighted number of shares	34,464,515	35,543,750	32,520,596	32,543,750

Parent company balance sheet in summary

TSEK	31 Dec 2012	31 Dec 2011
ASSETS		
Total fixed assets	104	169
Total financial fixed assets	562,659	160,829
Total current assets	189,648	141,658
TOTAL ASSETS	**752,411**	**302,657**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	281,397	249,960
Total non current liabilities	388,862	–
Total non interest bearing current liabilities	82,152	52,697
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**752,411**	**302,657**
Pledged assets	625,683	500
Contingent liabilities	–	–

Parent company statement of changes in equity in summary

	Restricted equity		Non restricted equity			
TSEK	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net result	Total equity
Opening balance 1 January 2011	**5,417**	**71,071**	**365,537**	**-147,221**	**-31,903**	**262,901**
Transfer of prior year net result	–	–	–	-31,903	31,903	**–**
Comprehensive income						
Loss for the first quarter 2011	–	–	–	–	-18,565	**-18,565**
Profit for the second quarter 2011	–	–	–	–	2,889	**2,889**
Profit for the third quarter 2011	–	–	–	–	1,953	**1,953**
Loss for the fourth quarter 2011	–	–	–	–	-946	**-946**
Period result	**–**	**–**	**–**	**–**	**-14,669**	**-14,669**
Total comprehensive income	**–**	**–**	**–**	**–**	**-14,669**	**-14,669**
Transactions with owners						
Share issue in kind 2011	7	–	1,721	–	–	**1,728**
Total transactions with owners	**7**	**–**	**1,721**	**–**	**–**	**1,728**
Closing balance 31 December 2011	**5,424**	**71,071**	**367,258**	**-179,124**	**-14,669**	**249,960**
Opening balance 1 January 2012	**5,424**	**71,071**	**367,258**	**-179,124**	**-14,669**	**249,960**
Transfer of prior year net result	–	–	–	-14,669	14,669	–
Comprehensive income						
Loss for the first quarter 2012	–	–	–	–	-1,438	**-1,438**
Loss for the second quarter 2012	–	–	–	–	-126,039	**-126,039**
Loss for the third quarter 2012	–	–	–	–	-17,173	**-17,173**
Profit for the fourth quarter 2012			–	–	61,856	**61,856**
Period result	**–**	**–**	**–**	**–**	**-82,793**	**-82,793**
Total comprehensive income	**–**	**–**	**–**	**–**	**-82,793**	**-82,793**
Transactions with owners						
Share issue 2012	500	–	119,500	–	–	**120,000**
Issue costs	–	–	-5,769	–	–	**-5,769**
Total transactions with owners	**500**	**–**	**113,819**	**–**	**–**	**114,319**
Closing balance 31 Dec 2012	**5,924**	**71,071**	**480,989**	**-193,794**	**-82,793**	**281,397**

Notes

General information

Tethys Oil AB (publ) ("the Company"), organisation number 556615-8266, and its subsidiaries (together "the Group" or "Tethys Oil") are focused on exploration for and production of oil and natural gas. The Group has interests in exploration licences in Lithuania, France, Oman and Sweden.

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

Accounting principles

The twelve months report 2012 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The twelve months report 2012 of the Parent company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2 –"Accounting for legal entities", issued by the Swedish Financial Accounting Standards Council. The same accounting principles were used in the Annual report 2011.

Financial instruments

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

Exchange rates

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

Currency	2012 Average	2012 Period end	2011 Average	2011 Period end
SEK/CHF	7.38	7.23	7.57	7.36
SEK/DKK	1.18	1.21	–	–
SEK/EUR	8.78	8.75	9.05	8.98
SEK/LTL	2.56	2.62	–	–
SEK/USD	6.82	6.61	6.55	6.84

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 risks described below.

Operational risk

At its current stage of development Tethys Oil is partly commercially producing oil and partly exploring for and appraising undeveloped known oil and/or natural gas accumulations. The operational risk is different in these different parts of Tethys Oil's operations. The main operational risk in exploration and appraisal activities is that the activities and investments made by Tethys Oil and its partners will not evolve into commercial reserves of oil and gas. The oil price is of significant importance to Tethys Oil in all parts of operations as income and profitability is and will be dependent on prices prevailing from time to time. Significantly lower oil prices will reduce current and expected profitability in projects and can make projects sub economic. Lower oil prices could also decrease the industry interest in Tethys Oil's projects regarding farmout or sale of assets. Another operational risk factor is access to equipment in Tethys Oil's project. Especially in the drilling/development phase of a project the group is dependent on advanced equipment such as rigs, casing, pipes etc. A shortage of theses supplies can present difficulties for Tethys Oil to fulfil 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. Income is and will also most likely be denominated in foreign currencies, US dollars in particular. Furthermore, Tethys Oil has since inception been equity financed through share issues and financed by asset divestment. 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 2011.

Note 2, Net sales of oil and gas

During the first twelve months 2012, Tethys Oil sold 776,248 (147,228) barrels of oil after government take from the Early Production System and the Permanent Production System on Block 3 and 4 in Oman and 225,518 barrels during the fourth quarter (69,574). This resulted in net sales during the full year 2012 of TSEK 583,990 (TSEK 103,538) and TSEK 169,773 (TSEK 49,839) for the fourth quarter. The average selling price per barrel amounted to USD 110.35 per barrel during the full year months 2012 (USD 107.37) and USD 111.71 (USD 108.08) for the fourth quarter.

Note 3, Segment reporting

As per 31 December 2012 (and comparative periods) in Tethys Oil, the only oil producing area is Oman. Net sales, operating expenses and depletion therefore only relate to Oman and Block 3 and 4 in particular.

TSEK	Operating result 1 Jan – 31 Dec 2012	Operating result 1 Oct – 31 Dec 2012	Operating result 1 Jan – 31 Dec 2011	Operating result 1 Oct – 31 Dec 2011
Dubai	-4,948	-1,595	–	–
France	-17,765	-4,191	-1	–
Lithuania	49,043	32,425	–	–
Oman	332,831	133,892	101,055	49,097
Sweden	-11,944	-3,511	-10,754	-2,283
Switzerland	-9,624	-4,669	-6,923	-2,368
Other	-1,393	-153	-321	-53
	336,300	**152,199**	**83,057**	**44,393**

Note 4) Oil and gas properties

TSEK Country	Book value 31 Dec 2012	Depletion 1 Jan–31 Dec 2012	Write downs 1 Jan–31 Dec 2012	Investments 1 Jan–31 Dec 2012	Book value 1 Jan 2012	Book value 31 Dec 2011	Write downs 1 Jan–31 Dec 2011	Investments 1 Jan–31 Dec 2011	Book value 1 Jan 2011
Oman Block 15	26,943[5]	–	-98,223	10,566	113,671[6]	113,671[6]	–	19,807	92,682
Oman Block 3,4	889,970[5]	-54,508	–	860,641	74,466[6]	74,466[6]	–	16,890	66,573
France Attila	–	–	-10,118	401	9,717	9,717	–	479	9,238
France Alès	–	–	-7,546	1,620	5,764	5,764	–	5,764	–
Sweden Gotland	2,397	–	–	197	2,200	2,200	–	615	1,628
New ventures	290	–	-1,633	1,249	835	835	–	819	16
Total	**919,523**	**-54,508**	**-117,521**	**874,604**	**206,651**	**206,651**	**–**	**44,375**	**170,135**

Oil and gas properties	**Group**		**Parent**	
TSEK	**1 Jan 2012– 31 Dec 2012 12 months**	**1 Jan 2011– 31 Dec 2011 12 months**	**1 Jan 2012– 31 Dec 2012 12 months**	**1 Jan 2011– 31 Dec 2011 12 months**
Investments in oil and gas properties				
Opening balance	**291,508**	**254,990**	**–**	**–**
Investments in France	2,021	6,243	–	–
Investments in Oman	871,207	36,698	–	–
Investments in Sweden	197	615	–	–
Other investments in oil and gas properties	1,249	819	–	–
Adjustment	10,231[5]	-7,859	–	–
Closing balance	**1,176,413**	**291,508**	**–**	**–**
Depletion[7]				
Opening balance	**–**	**–**	**–**	**–**
Depletion	54,508	–	–	–
Closing balance	**54,508**	**–**	**–**	**–**
Write down				
Opening balance	**84,857**	**84,857**	**–**	**–**
Write down	117,521	–	–	–
Closing balance	**202,378**	**84,857**	**–**	**–**
Net book value	**919,523**	**206,651**	**–**	**–**

[5] *The book values of oil and gas properties include non cash items of TSEK -44,211 during the full year 2012. These adjustments are not part of investments. Of these adjustments TSEK -12,635 relates to currency exchange losses and TSEK 26,424 relates to provision for site restoration.*

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

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

Note 5, Operating expenses

During the full year 2012, the operating expenses (OPEX) amounted to TSEK 95,518 (TSEK –) and for the fourth quarter operating expenses amounted to TSEK 15,912 (TSEK –). Operating expenses are directly related to oil and gas production on Block 3 and 4 in Oman, for example expenses for trucking, tariffs, supervision and administration etc. Due to an overlift position as per 31 December 2012 amounting to 609 barrels, the Operating expenses during the full year 2012 have been increased by TSEK 451. The company considers the conditions for presenting Operating expenses under the accounting principles to have been met as of 1 January 2012.

Note 6, Other income

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

Note 7, Associates

Tethys Oil holds an indirect interest of three Lithuanian companies holding three licences; Gargzdai, Rietavas and Raiseiniai licences. The interest is held through two Danish private companies part of the Odin Group of companies, Odin Energi and Jylland Olie. The table below presents the ownership and the result from associates for the full year 2012.

Tethys Oil AB		**Ownership**		**Ownership**		**Ownership**
					Jylland Olie	42%
	Odin Energi	50%	Jylland Olie	42%[8]	UAB TAN Oil	50%
	UAB Minijos Nafta	50%	UAB TAN Oil	50%	UAB LL Investicos	50%
	Gargzdai licence	**100%**	**Raiseiniai licence**	**100%**	**Rietavas licence**	**100%**
Tethys Oil's indirect interest		**25%**		**21%[8]**		**11%[8]**

Tethys Oil's share of profit loss from associates

TSEK	**1 Jan – 31 Dec 2012**	**1 Jan – 31 Dec 2012**	**1 Jan – 31 Dec 2012**
Gross revenue	43,066	–	153
Royalty	-3,553	–	-16
Net revenue	**39,513**	**–**	**137**
Depreciation	-7,117	–	-110
Appraisal/development costs	-8,132	–	–
Operating expenditures	-13,801	–	-919
Administrative expenditures in Lithuanian company	-2,967	-606	-207
Estimated administrative expenditures in Danish company	-206	-87	-87
Operating result	**7,291**	**-693**	**-386**
Financial income	143	30,911	1,132
Financial expenditures	-417	–	-481
Profit before tax	**7,016**	**30,218**	**265**
Tax	-545	-4,530	–
Tethys share of net profit from associates	**6,472**	**25,687**	**265**
Total share of net profit from associates	32,424		
Tethys Oil's share of dividend paid from Minijos Nafta	16,618		
Total adjusted share of net profit from associates	49,042		

[8] *Tethys Oil's interest in Jylland Olie amounts as per 31 December 2012 to 42 per cent but will after a reconstruction of Jylland Olie amount to 40 per cent.*

Tethys Oil's interest in Rietavas and Raiseiniai licences are undergoing a reconstruction. Indirect interests of 14 respectively 26 per cent are expected after the reconstruction has been effectuated. The indirect interests as per 31 December 2012 are 11 respectively 21 per cent in Rietavas and Raiseiniai licences.

Note 8, Shareholders' equity

As per 31 December 2012, the number of outstanding shares in Tethys Oil amounts to 35,543,750 (32,543,750), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program for employees.

In May 2012, Tethys Oil conducted two private placements of 3,000,000 shares in total. The two private placements were made at SEK 40 per share, which corresponded to approximately 7 per cent discount to the volume weighted average share price the last trading day before the private placements. Proceeds from the share issues amounted to TSEK 120,000 before issue costs. The shares from the private placements were registered in May and June.

Note 9, Long term liabilities

In September 2012, Tethys Oil issued a secured three-year bond loan of TSEK 400,000. The bonds were issued at 100 per cent of the nominal value and run with a fixed interest rate of 9.50 per cent per year. The maturity date of the bonds is 7 September 2015. The bonds are listed on NASDAQ OMX Stockholm. The transaction costs amounted to TSEK 12,447 and have decreased long term liabilities with an equal amount. Long term liabilities amounted at 31 December 2012 to TSEK 388,862 (–).

Note 10, Provisions

Tethys Oil estimates that Tethys Oil's share of site restoration regarding Block 3&4 amounts to TSEK 28,279 (TSEK 1,705). As a consequence of this provision, oil and gas properties have increased with an equal amount. The increase in provision mainly reflects investments made during 2012 in infrastructure and development.

Note 11, Pledged assets

As per 31 December 2012, pledged assets amounted to TSEK 625,683 (TSEK 500). Of pledged assets, TSEK 500 regard a pledge in relation to office rental and the remainder TSEK 625,183 is a continuing security with regard to the bonds where Tethys Oil has entered into a pledge agreement. In the latter pledge all shares in the subsidiary Tethys Oil Block 3&4 Ltd are pledged for the benefit of the bond holders and the value of the pledge is equal to the shareholders' equity value in Tethys Oil Block 3&4 Ltd.

Note 12, Contingent liabilities

As per an agreement between Tethys Oil and Mitsui from 2010, Mitsui undertook to fund Tethys Oil's share of non exploration related capital expenditure up to MUSD 60 on Blocks 3 and 4 effectively from 1 January 2010. As per 31 December 2011, Mitsui had fulfilled the undertaking. As per the same agreement, Mitsui holds the right to and has started during the first quarter 2012 to recover the MUSD 60 paid on behalf of Tethys Oil from the proceeds of Tethys Oil's share of cost recovery production entitlement. During the full year 2012, Mitsui received MUSD 58 from Tethys Oil's cost recovery. Remaining contingent liability as per 31 December 2012 amounts to MUSD 2 equivalent of TSEK 15,648 (TSEK –).

Note 13, 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 96,000. Mrs. Mona Hamilton is the wife of Vincent Hamilton, the Chairman and Chief Operating Officer of Tethys Oil. The rent of office space is a commercially based agreement between Tethys Oil Suisse S.A. and Mrs. Mona Hamilton.

Key ratios

Group

	1 Jan 2012– 31 Dec 2012 12 months	1 Oct 2012– 31 Dec 2012 3 months	1 Jan 2011– 31 Dec 2011 12 months	1 Oct 2011– 31 Dec 2011 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	336,300	152,159	83,057	44,393
Operating margin, %	57.59%	89.65%	80.22%	89.07%
Result before tax, TSEK	314,175	144,725	69,114	44,414
Net result, TSEK	313,962	144,605	68,991	44,376
Net margin, %	53.76%	85.18%	66.63%	89.04%
Shareholders' equity, TSEK	860,122	860,122	455,559	405,039
Balance sheet total, TSEK	1,374,237	1,374,237	464,862	408,068
Capital structure				
Solvency, %	62.59%	62.59%	98.00%	99.26%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	62.59%	62.59%	98.00%	99.26%
Interest coverage ratio, %	23.02	23.02	n.a.	n.a.
Investments, TSEK	875,301	280,079	208,392	36,327
Profitability				
Return on shareholders' equity, %	36.50%	16.81%	15.14%	9.74%
Return on capital employed, %	24.59%	11.33%	16.25%	10.17%
Key figures per employee				
Average number of employees	19	19	12	12
Number of shares				
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	15.37	6.08	3.49	2.17
Number of shares on balance day, thousands	35,544	35,544	32,544	32,544
Shareholders' equity per share, SEK	24.20	24.20	14.00	12.45
Weighted number of shares on balance day, thousands	34,465	35,544	32,521	32,521
Earnings per share, SEK	9.11	4.07	2.12	1.36
Earnings per share after dilution, SEK	9.11	4.07	2.12	1.36

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

The abbreviation n.a. means not applicable.

Financial information

The Company plans to publish the following financial reports:

The Annual Report 2012 is expected to be available in April 2013
Three month report 2013 (January – March 2013) on 7 May 2013
Annual general meeting is planned to be held in Stockholm on 22 May 2013
Six month report 2013 (January – June 2013) on 20 August 2013
Nine month report 2013 (January – September 2013) on 12 November 2013
Year end report 2013 (January – December 2013) on 14 February 2014

Stockholm, 12 February 2013

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

Magnus Nordin
Managing Director

Review Report

Introduction
We have reviewed this report for the year 1 January 2012 to 31 December 2012 for Tethys Oil AB (publ). The board of directors and the managing director are responsible for the preparation and presentation of this report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this 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 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, 12 February 2013

PricewaterhouseCoopers AB

Klas Brand
Authorised Public Accountant
Auditor in charge

Johan Malmqvist
Authorised Public Accountant

Tethys Oil AB (publ)

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