TETHYS OIL
Annual Report 2015

MSEK (unless specifically stated)	**2015**	**2014**	**2013**	**2012**	**2011**
Average daily production, before government take, bbl	**9,804**	7,692	4,684	3,824	1,160
Net sales, after government take, bbl	**1,805,056**	1,464,228	850,926	776,248	147,228
Average selling price per barrel, USD	**58.09**	103.87	106.63	110.35	107.37
Revenues	**905**	1,027	602	583	104
EBITDA	**496**	743	488	509	84
Operating result	**194**	393	294	336	83
Net result for the year	**198**	340	249	314	69
Earnings per share, SEK	**5.66**	9.56	7.00	9.10	2.12
Cash and cash equivalents	**436**	372	295	248	93
Shareholders' equity	**1,864**	1,675	1,109	860	456
Non-current liabilities	**34**	25	422	417	2
Investments	**324**	259	289	875	208
Number of shares at the end of the year	**35,543,750**	35,543,750	35,543,750	35,543,750	32,543,750
Of which repurchase shares at the period end	**1,083,669**	298,160	–	–	–
Market capitalization at the end of the period	**2,044**	2,168	2,399	1,893	1,432
Share price at the end of the period, SEK	**57.5**	61.00	67.50	53.25	44.00
2P-reserves, million barrels of oil	**18.2**	17.8	15.2	14.3	–

Annual General Meeting

The Annual General Meeting will be held on 18 May 2016, 3 p.m. at Grand Hôtel, Södra Blasieholmshamnen 8, in Stockholm. To attend the AGM, please see Tethys Oil's website, www.tethysoil.com, for more information.

Letter to the shareholders

Dear friends and investors,
For Tethys Oil, 2015 was a year of many achievements in a very challenging macro environment. We have every reason to be proud of the solid work carried out by our partners and of course also by our own people on Blocks 3 and 4 onshore Oman. The operational performance of Blocks 3 and 4 was exceptionally good and we ended the year with a record high production of 11,606 barrels of oil per day. The production continued to increase in 2016, and up until planned maintenance on the fields temporarily reduced the production in end of March, we have had a firm average daily production above 12,000 barrels of oil.

And our reserves continued to increase. We added more proved and probable (2P) reserves than we produced. Since we booked our first reserves in 2012, we have every year been able to report a 2P reserve replacement ratio well above 100 per cent. Our 2P reserves now stand at 18.2 million barrels. The 1P reserves are even better, showing an increase in absolute numbers of more than one million barrels, underscoring the robustness of our producing reserves. So having moved reserves from 3P into 2P and 1P we are happy to note a 3P number of 27.9 million barrels as we enter 2016, showing an increase of almost 3 million barrels for the year after taking into account the 3.5 million barrels produced in 2015.

Our growing production and reserves are a result of the work programme carried out on the blocks. Eleven new production wells were drilled on the Farha South oil field and ten new production and appraisal wells were drilled on the Shahd oil field. Successful exploration drilling also added one new producing structure on the Shahd field. At the end of 2015, a new reservoir within the Shahd field, the Lower Khufai, was brought on stream. This new reservoir responded very well to horizontal drilling, and was a major reason for the production increase in late 2015 and early 2016.

The water injection programme on the Farha South field continued with five new injection wells. The injection programme on the Shahd field, which was launched with one well in 2014, continued in 2015 with six new injections wells drilled. The water injection programme on the Shahd field is showing signs of working, but the evaluation of the impact of the injection programme will continue.

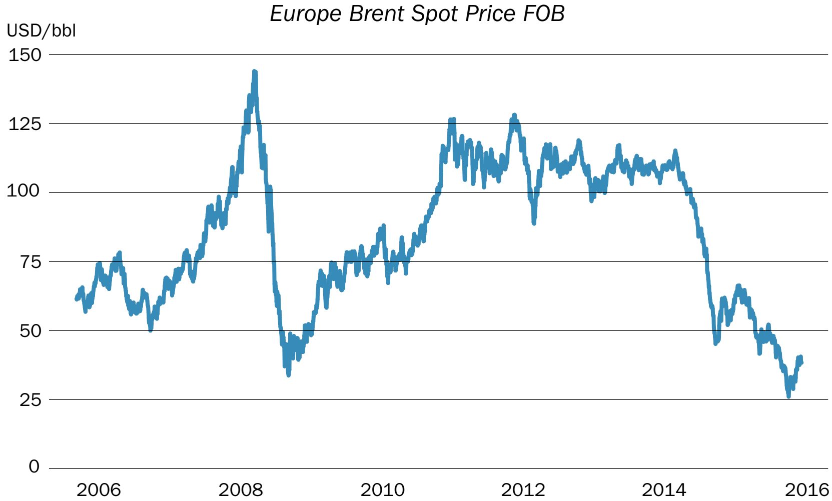
Another rig was added to the operations in late 2015, which brought the total rig count to five rigs including a work over rig on the blocks by year end.

The seismic acquisition in the northwest corner of Block 4 was completed in 2015. The interpretation of the data has started. This survey is adding another piece to the seismic map that will guide us going forward with the exploration on the blocks.

We experienced successes also in our European assets when the drilling programme on the Raseiniai licence onshore Lithuania resulted in a well that flowed oil to surface during tests. The Tidikas-1 encountered a combined oil column of almost 50 metres in two different lime stone formations. There are now clear indications that an active petroleum system exists within the Raseiniai licence. Long term production tests are being carried out and we are eager to learn more about these structures.

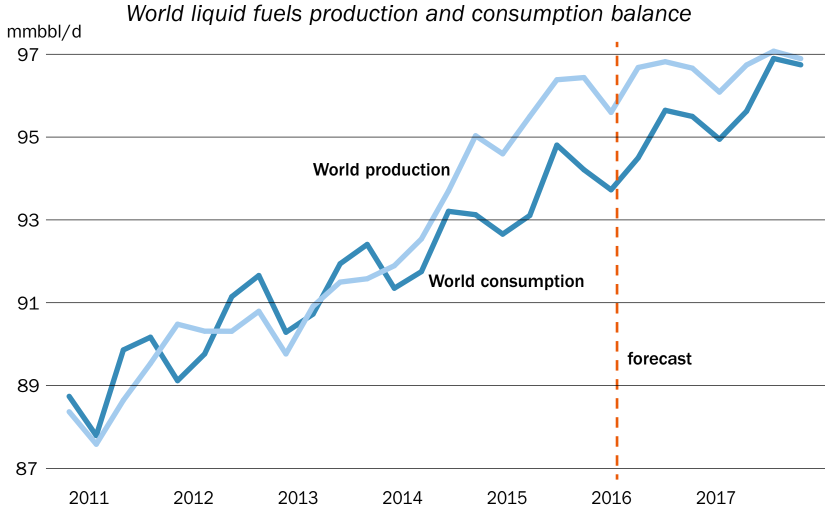
The volatile macro environment
Our operational success was counterbalanced by events outside of our control – movements in the oil price. The period of relative stability in oil prices, that we expe-

Europe Brent Spot Price FOB



Source: U.S. Energy Information Administration

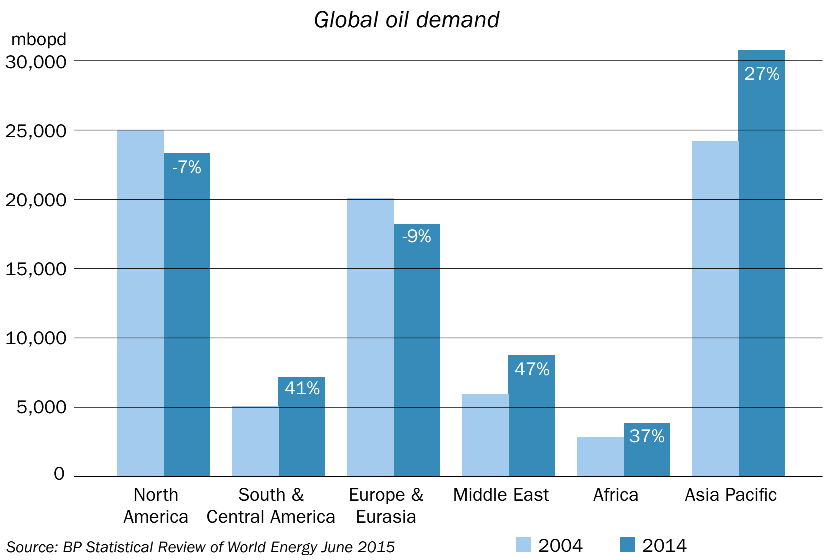
World liquid fuels production and consumption balance



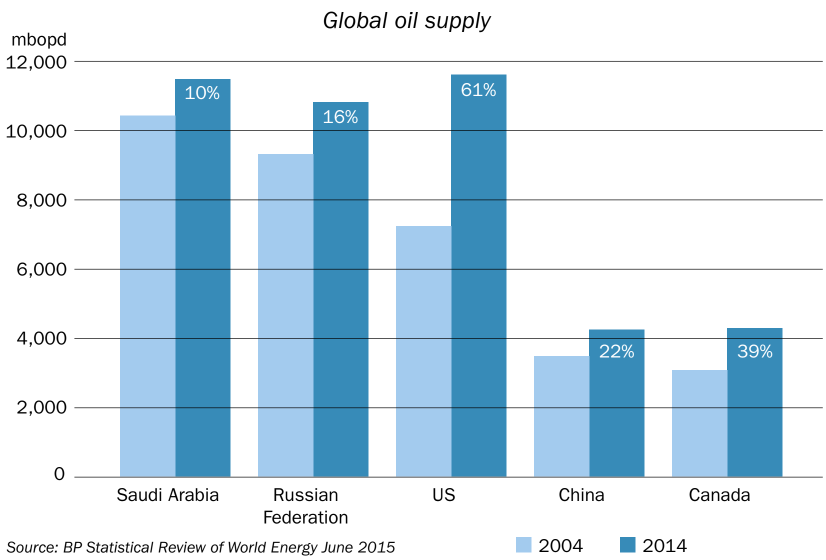
Source: U.S. Energy Information Administration, March 2016 rienced for the five years from 2009–2014, was definitely broken when the oil prices went into freefall in the second half of 2014. The volatility continued in 2015, and the fall in prices accelerated towards the end of the year. The oil price reached a low in mid January 2016 when prices briefly dropped below USD 30 per barrel for Brent and WTI. By the time of writing prices are up by more than 50 per cent since the January lows so maybe the worst is over but it is probably too early to call a 'new normal'.

In difference to the sharp decline in oil prices in 2008 and 2009, which was caused by expected falling demand following the financial crisis, the present fall is caused by an oversupply of crude oil. The demand for oil has been increasing, and is expected to continue to increase with over 1 million barrels of oil per day in 2016 and 2017, with Asia as the key driver. In Europe the consumption of oil has been falling since 2006.

The problem is that the supply of oil has been growing at a faster pace and exceeding the demand, and thereby putting the delicate balance between supply and demand out of balance. Technological innovation is the key explanation of the increases in supply, and it come inter alia from new ways of appraising wells, such as 3D seismic imaging, from new drilling and completion techniques, such as horizontal drill-



Source: BP Statistical Review of World Energy June 2015



Source: BP Statistical Review of World Energy June 2015

Milestones

2001

Tethys Oil was founded

2004

IPO and listing on First North, Stockholm

2006

First Company-operated well drilled in Denmark

2007

Acquisition of interests in Blocks 3 and 4 in Oman

2010

20 per cent of Blocks 3 and 4 farmed out to Mitsui

Early production from Blocks 3 and 4 commences

2012

Oil producing assets onshore Lithuania acquired

Three year MSEK 400 bond loan issued

FDP for Blocks 3 and 4 approved, licence terms extented until 2040

2013

Listing on Nasdaq Stockholm

2014

A four-year, up to MUSD 100, Senior Revolving Reserve-Based Lending Facility

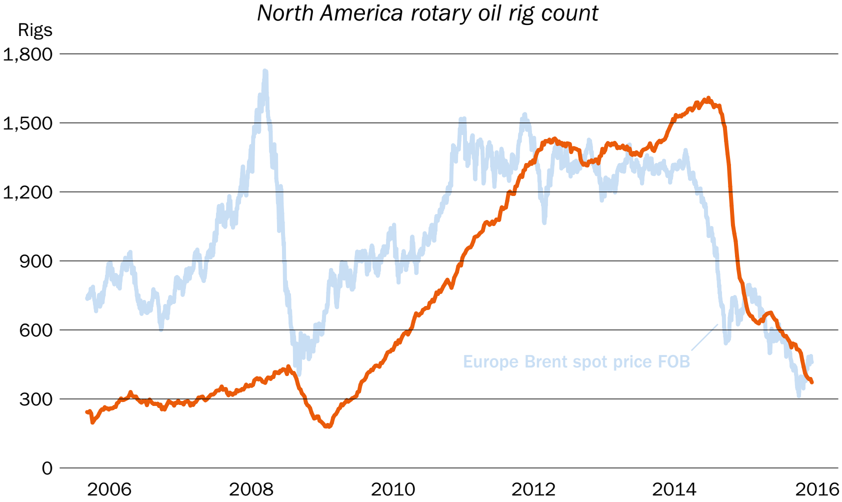
MSEK 400 bond redeemed

2015

Average daily production exceeds 11,000 bopd at the end of the year

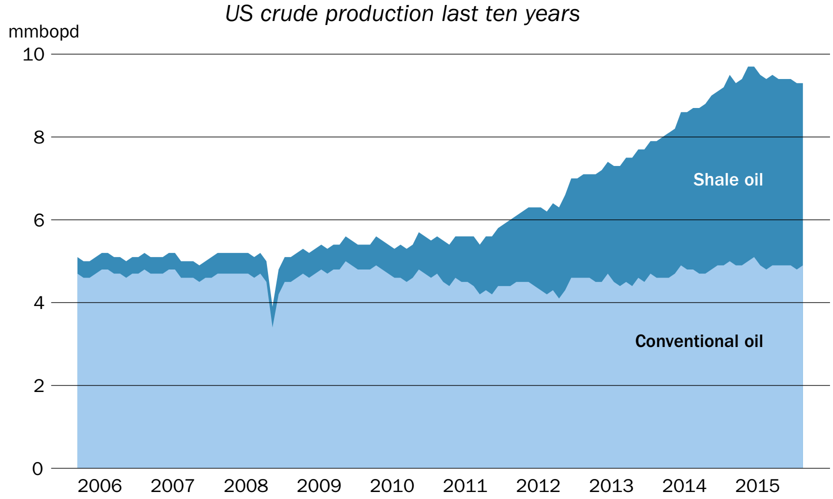
Tethys Oil pays dividend and distributes SEK 3.00 per share to its shareholders

North America rotary oil rig count



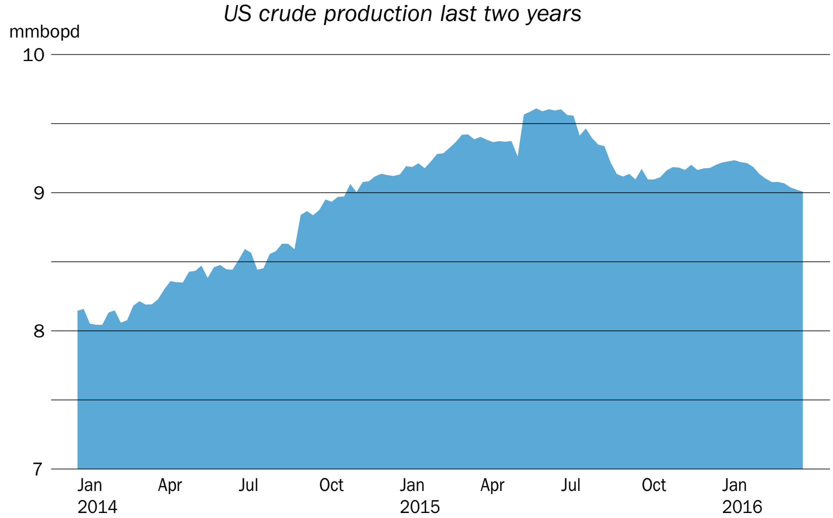
Source: Baker Hughes Incorporated

US crude production last ten years



Source: U.S. Energy Information Administration

US crude production last two years



Source: U.S. Energy Information Administration

ing and multi-stage hydraulic fracturing. And the high price levels in recent years enabled production of oil from discoveries previously not commercially recoverable. Examples of such high cost categories are unconventional reservoirs such as shale oil, oil sands and deep water reservoirs.

A large amount of the market surplus is coming from shale oil production in the USA. The US production amounted by year end 2015 to 9.3 million barrels per day, of which almost half came from shale production. Only five years ago, USA produced less than 1 million barrels per day of shale oil.

However, production from unconventional reservoirs are typically more expensive than much conventional oil production, and the new oil price environment puts pressure on high cost producers. The overall investments in the oil industry has as a result fallen sharply. Maybe the clearest example of the downturn in investments is visible in the North America rig count statistics. Only 25 per cent of the rigs in operation in 2014 are still drilling, and the oil production in the USA has started to fall.

Tethys Oil, on the other hand, is as a low cost producer operating in conventional reservoirs at lower OPEX levels, less affected by the low prices having break even points substantially lower than unconventional players.

So, where will the global oil production and the oil prices go from here? The cyclic nature of the oil price is embedded in the industry. Previously, OPEC with its share of world production, and more importantly share of available excess supply, exercised significant influence over the oil price by increasing or reducing world production.

However, the longer the oil price remains low, the greater the risk, or possibility, of a marked correction and large price upswing in the future. If today's sharp decreases in investment in exploration and production infrastructure would continue, the price increase can be dramatic. Thus it seems unlikely that lower prices could be sustained for any longer period of time. But a sharp correction can certainly present a valuable opportunity to acquire assets for any player able to maintain a long term view.

Outlook

Our two blocks onshore the desert of the Sultanate of Oman have turned into a world class asset. A few years ago we described the blocks as a smorgasbord of opportunity – and what a buffet they have turned into. With the addition of production from the Lower Khufai, we have shown that the blocks hold massive potential for growth. The Buah overlays the Khufai and both reservoirs are present in large parts at least of the eastern area of the blocks.

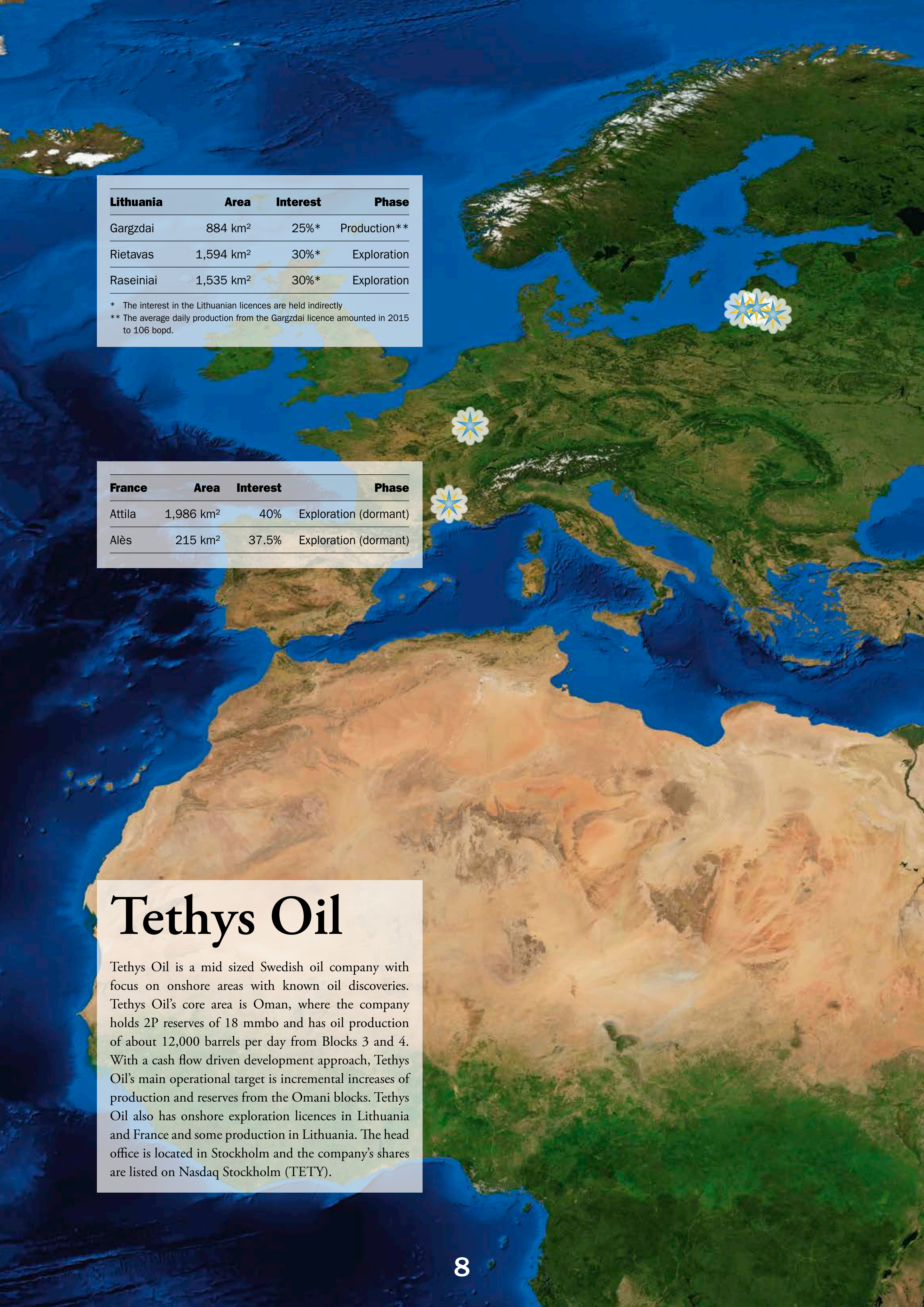
As exploration and appraisal continues in 2016 within and close to the producing areas in all three fields, we have every reason to believe that much more oil can be found. With the successful bringing on stream of the new reservoir within the Shahd field, a water injection programme in the Buah layer showing signs of working combined with a steady production on the Farha South field, we also believe that production will continue to increase during 2016. As the production from the new reservoirs is optimized, the production for individual months will fluctuate, and possibly show more volatility than during 2015. In the spring of 2016, planned maintenance work at the fields will lead to temporary production disruption. Our focus on cash flow will continue, and the work programme will be continually monitored to stay optimized in relation to oil prices.

Our balance sheet remains one of the strongest of our peer group and as the oil price has fallen further, our relative strength has increased. There is a lot of opportunity out there. We are well positioned and are continuously evaluating new projects. We continue to be a cash dividend company, and propose a dividend of SEK 1 per share. Depending on how oil prices, production levels investments and other events unfold we will continually evaluate the sense in distributing more cash to shareholders in accordance with our long term financial goals.

So stay with us, times are not uninteresting.

Stockholm in April 2016

Magnus Nordin
Managing director



Lithuania	Area	Interest	Phase
Gargzdai	884 km^2	25%*	Production**
Rietavas	1,594 km^2	30%*	Exploration
Raseiniai	1,535 km^2	30%*	Exploration

* The interest in the Lithuanian licences are held indirectly

** The average daily production from the Gargzdai licence amounted in 2015 to 106 bopd.

France	Area	Interest	Phase
Attila	1,986 km^2	40%	Exploration (dormant)
Alès	215 km^2	37.5%	Exploration (dormant)

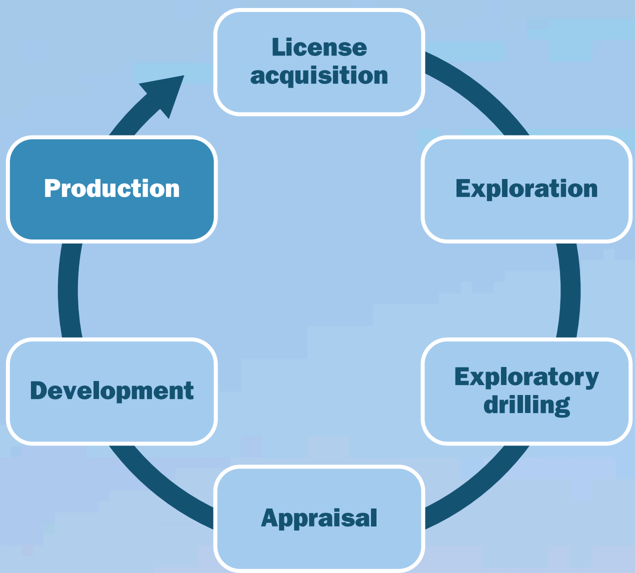
Tethys Oil

Tethys Oil is a mid sized Swedish oil company with focus on onshore areas with known oil discoveries. Tethys Oil's core area is Oman, where the company holds 2P reserves of 18 mmbo and has oil production of about 12,000 barrels per day from Blocks 3 and 4. With a cash flow driven development approach, Tethys Oil's main operational target is incremental increases of production and reserves from the Omani blocks. Tethys Oil also has onshore exploration licences in Lithuania and France and some production in Lithuania. The head office is located in Stockholm and the company's shares are listed on Nasdaq Stockholm (TETY).

Oman	Area	Interest	Phase	Reserves (2P)	Average daily production 2015
Blocks 3 and 4	34,610 km²	30%	Production/ exploration	18.2 mmbo	9,698 bopd

Reto Stöckli, NASA Earth Observatory

Targeting increase in production and reserves



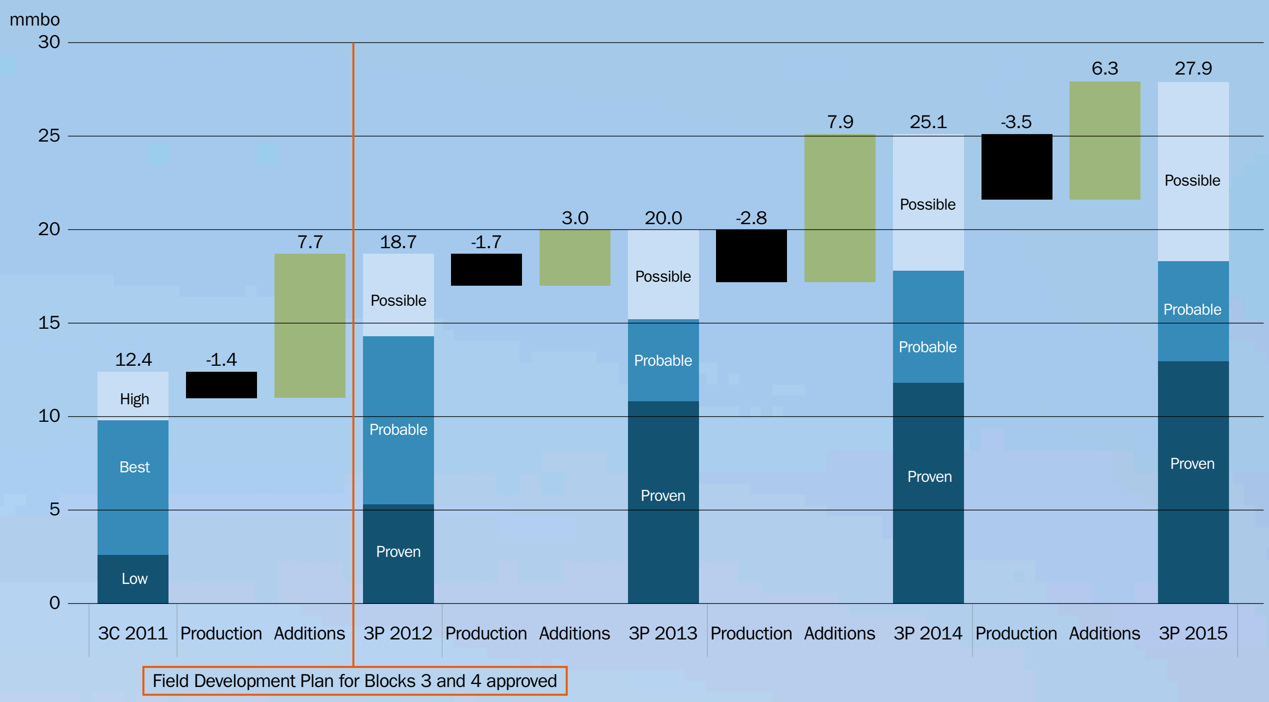
Tethys Oil aims to have a well-balanced and self-financed portfolio of oil assets, offering both production development and exploration potential. The main target is, with a cash flow orientated approach, to incrementally increase production and reserves in Oman. Furthermore, the exploration and development of Tethys Oil's assets elsewhere will also continue.

In addition, new projects are constantly being evaluated. According to Tethys Oil's successful strategy, new growth platforms should primarily be onshore appraisal projects where oil has previously been discovered, but was deemed sub-commercial for various reasons.

Tethys Oil's primary objective is to create shareholder value and in doing so the company will have a balanced approach to growth and shareholder distributions, with a long term capital structure target of a zero net cash position.

Tethys Oils operations should be conducted in an economical, socially and environmentally responsible way, to the benefit of all stakeholders.

Reserves



Oman

Tethys Oil's net working interest reserves in the Sultanate of Oman as per 31 December 2015, amounted to 12,905 thousand barrels of oil ("mbo") of proven reserves (1P), 18,244 mbo of proven and probable reserves (2P) and 27,863 mbo of proven, probable and possible reserves (3P).

In 2015 Tethys Oil increased 1P reserves of 4,651 mbo, representing an increase of 39 per cent. The company increased 2P reserves 4,005 mbo, representing an increase of 23 per cent. The 3P reserves increased with 6,323 mbo, representing an increase of 25 per cent. The increase in 2P reserves represents an internal reserve replacement ratio of 113 per cent.

The review of the reserves in Oman has been conducted by independent petroleum consultant DeGolyer and MacNaughton ("D&M"). The report has been estimated using 2007 Petroleum Resources Management System (PRMS), Guidelines of the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE).

Salalah Mughsail road

Oman – part of the oil fairway

The Sultanate of Oman, strategically located in the south eastern part of the Arabian Peninsula, overlooks the Arabian Sea, the Sea of Oman and the Arabian Gulf. It also overlooks the strategic Strait of Hormuz at the point of entry to the Arabian Gulf. Oman neighbours includes United Arab Emirates, Saudi Arabia and Yemen.

Oman is a beautiful country, combining white sand beaches, rolling desert dunes and expansive mountain ranges. Oman is also the oldest independent state in the Arab world with a long and exciting history of thousands of years. Modern archaeological discoveries suggest that humans settled in it during the Stone Age, i.e. more than 10,000 years ago. And, most importantly for Tethys Oil, Oman is also a major oil nation with a present production of about 1 million barrels of oil per day. Oman has in excess of 5 billion barrels of estimated proved oil reserves, ranking Oman as the 7th largest proved oil reserve holder in the Middle East and the 18th largest in the world (BP Statistical Review of World Energy, June 2015).

In this highly prospective country, Tethys Oil has its core area. With the desire and ambition to become a dedicated and successful player in the Omani oil and gas industry, Tethys Oil acquired interest in the licence for Blocks 3 and 4 in 2007. The blocks cover an area of 34,610 square kilometres in the central eastern part of Oman. Tethys Oil AB, through its wholly owned subsidiary Tethys Oil Block 3 & 4 Ltd, has a 30 per cent interest in Blocks 3 and 4. Partners are Mitsui E&P Middle East B.V. with 20 per cent and the operator CC Energy Development S.A.L. (Oman branch) holding the remaining 50 per cent.

Photo by Stephy Sabu


Muscat
SULTANATE OF OMAN
Block 3
Block 4
Unearthed Outdoors, LLC

At first glance, it may seem like the exploration, development and production launch of crude oil on Blocks 3 and 4 have been a straightforward and comprehensible process. However, numerous large companies had explored for oil and gas for 40 years and drilled 27 exploration wells in these two blocks. In the majority of the wells, oil was found, but no discovery was of commercial value.

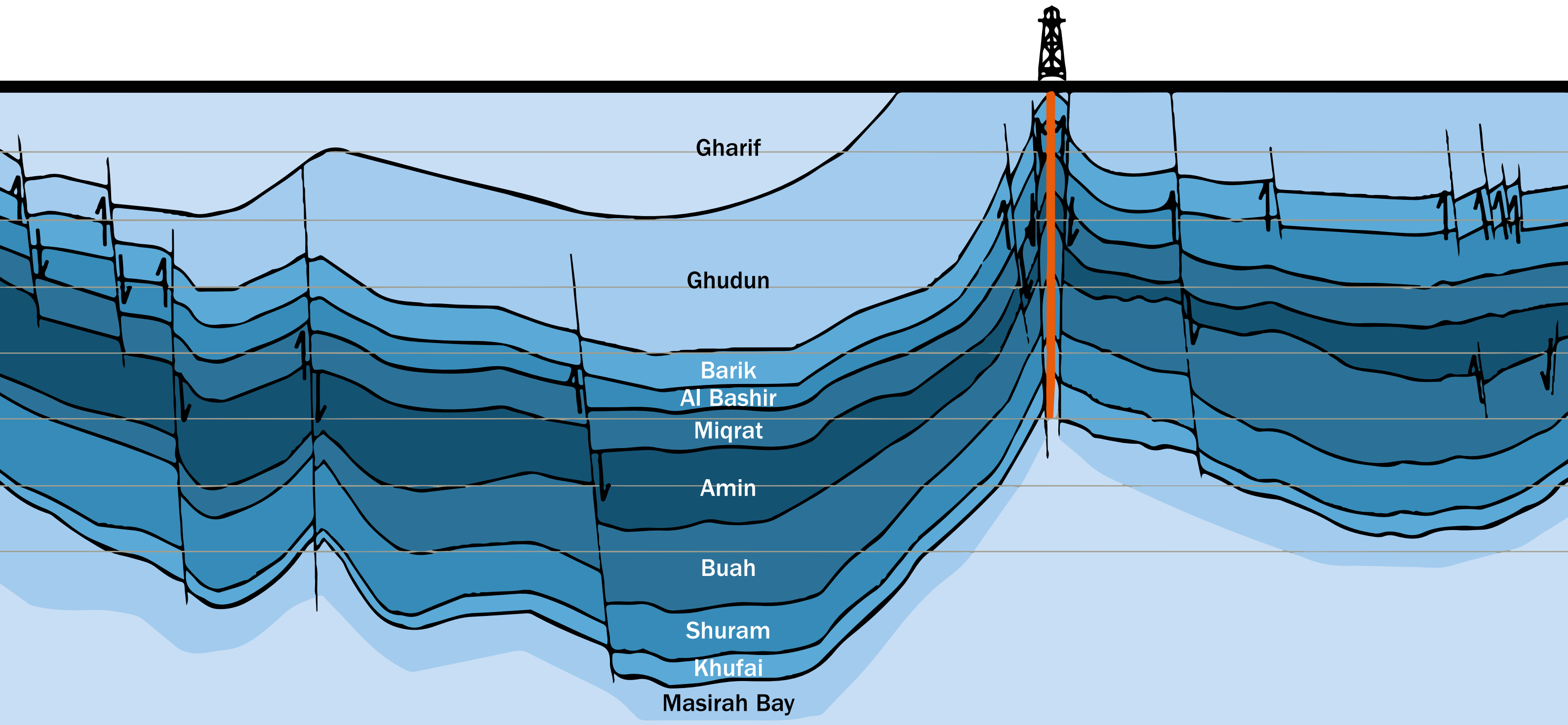
What was deemed not hydrocarbon prospective areas by previous operators has turned commercial with the help of the collective experience accumulated by partner groups specialists, new technology, higher oil prices and perseverance.

Production conditions vary from area to area within the blocks, and when exploring the blocks, it has been of great importance to adapt a comprehensive approach. New discoveries have been made in new areas, but new discoveries have also been made in formations above or belove existing discoveries.

3D seismic surveys have been a key factor to the development of the blocks. Seismic data have revealed that many of the dry holes drilled by previous operators would not have been drilled if the 3D data was available prior to drilling. Seismic studies use the fact that sound waves travel at different speeds in different materials in order to map the subsurface rocks. 2D seismic provides data along two axis, length and depth. 3D seismic studies are more expensive, but adds a third dimension of width.

In 2012, the Field Development Plan for Blocks 3 and 4 was approved and the exploration and production terms for the licence were extended until 2040. Three oil fields are today in production on the blocks. Since an early production system was launched in August 2010, Tethys Oil's share of the production (before government take) has increased from some 200 barrels of oil per day to well over 10,000 barrels of oil per day at year end 2015.

Only a minor part of the blocks has been explored. Out of the total area of the blocks of 34,610 square kilometres, around 6,000 square kilometres of seismic data have been acquired so far. The studies have resulted in the mapping of a large number of new prospects. In addition to far field exploration, the modern history of the blocks however supports that near field exploration are equally or even more successful.



Formations

Geological formations are natural formations and structures in the rock and ground which have occurred as a result of usually very slow geological processes of different kinds and ages.

A formation is a rock unit that is distinctive enough in appearance that a geologic mapper can tell it apart from the surrounding rock layers. The thickness of formations may range from less than a meter to several thousand metres. The term "formation" is often used informally to refer to a specific grouping of rocks, such as those encountered within a certain depth range in an oil well.

On Blocks 3 and 4 in Oman, reservoirs in formations like Khufai, Barik, Lower Al Bashir, Buah and Masirah Bay have been explored. Tethys Oil has reserves and production in the reservoirs Khufai, Barik, Lower Al Bashir and Lower Buah.

The successful development of the Farha South field

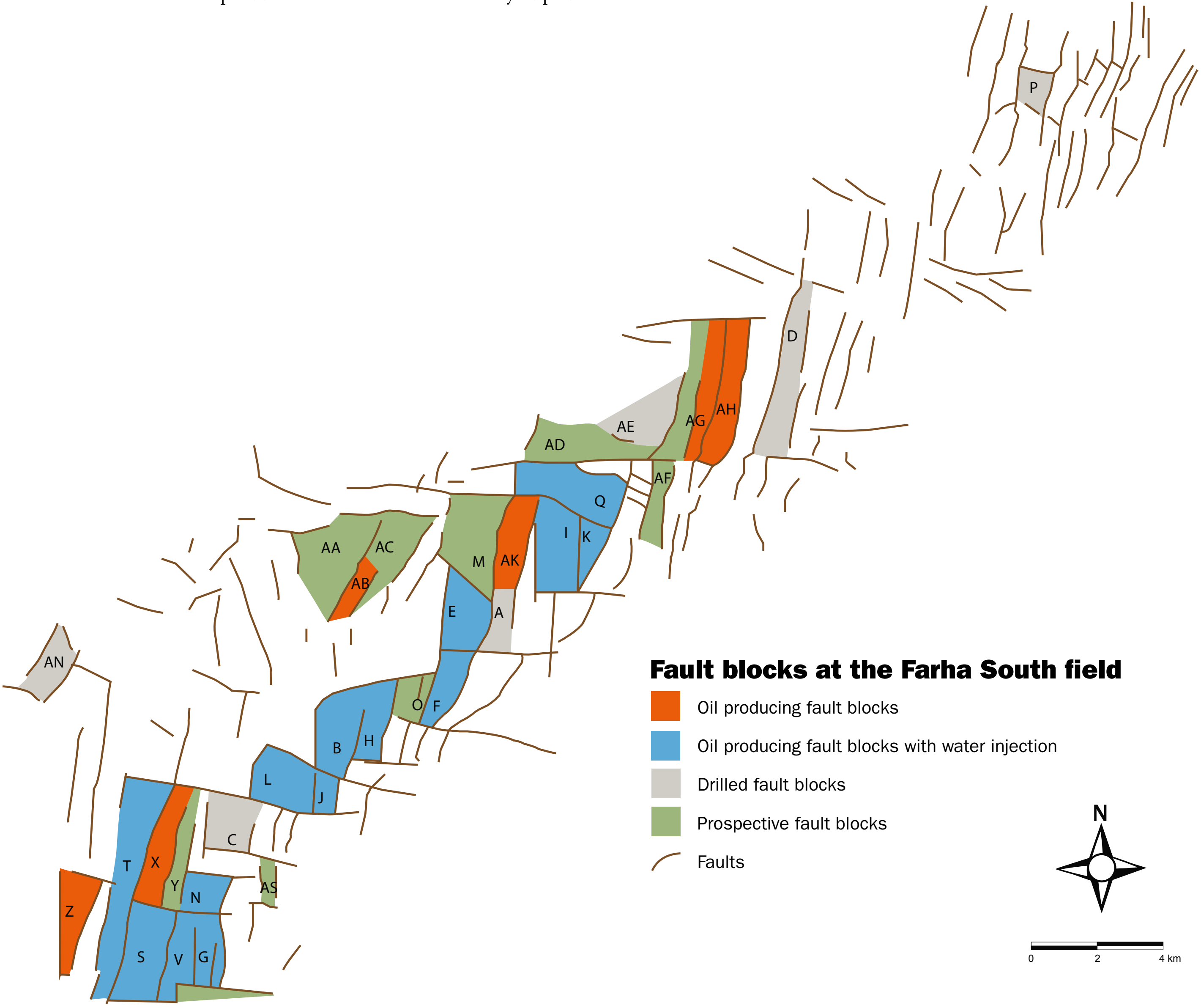
The first well to be drilled on the blocks with Tethys Oil as partner was Farha South-3 in early 2009. The Farha South oil discovery was originally made in 1986 by a previous operator. The discovery well had flowed oil from the Lower Al Bashir sandstone layer, and oil was yet again found in that layer, which flowed more than 754 barrels of oil per day on test in 2009. However, a long term production test revealed the reservoir to be tight.

However, the Barik sandstone, at an average depth of 1,600 meters and overlaying the Lower Al Bashir, also had excellent oil shows when drilled, and flowed on test 379 barrels of oil per day. The Barik was put on long term production test, and proved itself to be a reliable producer.

The oil of the Farha South is not trapped in one large continuous reservoir, but is instead trapped in smaller, usually adjacent fault blocks. These faults are relatively small and 3D seismic has been essential in the mapping of drillable fault blocks.

The low content of gas combined with the absence of a water drive in the Barik layer, make pumps and water injections necessary. Water is injected into the reservoir in order to increase the pressure and thereby stimulate production. Some 20 fault blocks have so far been put into production, and about 75 per cent of the fault blocks have been developed with water injection. The oil from the Barik layer is of high quality, more than 40 degrees API and does not contain any sulphur.

The Farha South-3 well was the start of what today is the Farha South oil field. The field is today the largest field on the blocks holding 10.2 million barrels of proved and possible reserves (2P) net to Tethys Oil, corresponding to 56 per cent of Tethys Oil's total 2P reserves of the blocks. The production has grown steadily since the field came on stream in 2010 and the field has produced the majority of the company's total oil production to date.



The Shahd oil field boosts production

At the the Shahd oil field, the oil is extracted at greater depths, mainly from the Lower Buah carbonate at 2,000 metres. It was discovered in 2013, in an area not previously explored with the drill bit. When discovered, the Shahd field opened up a new producing area, and the field has delivered the majority of the increase in the company's total reserves over the last years. The field holds 6.8 million barrels of proved and possible reserves (2P) net to Tethys Oil, corresponding to 37 per cent of Tethys Oil's total 2P reserves of the blocks.

The Shahd oil field is located approximately 20 kilometres west of the Saiwan East oil field. The oil from the Lower Buah layer holds a quality of approximately 38 degrees API. Like the Farha South field, this area is also highly faulted and the Lower Buah layer in the field is not one large continuous reservoir. The oil is instead trapped in separate structures. So far, a handful of Lower Buah reservoirs have been put into production.

After the strong growth in reserves and production since the discovery, an upgrade and revision of the geological model was conducted. A pattern has emerged, suggesting that fractures may play an important role in understanding this highly faulted area. At the end of the fourth quarter 2015, a new reservoir within the Shahd field, the Lower Khufai, was successfully brought on stream. This new carbonate reservoir responded very well to horizontal drilling, and was a major reason for the production increase around new year 2015/2016.

Another important insight made was that water injection is expected to have a very strong impact on the production from Lower Buah. An injection programme was launched in 2015. The programme is showing signs of working, but the evaluation of the impact of the injection programme continues.

The Shahd oil field

The Saiwan East oil field

The Saiwan oil field was the second field to be discovered and put on stream. Here, the oil is produced from an even greater depth from the Khufai carbonate at depths ranging from 1,700 to 2,400 metres. This reservoir, previously unknown as an oil producer in Oman, is today in production on the field, producing oil with a density of 32 degrees API. The field is the smallest so far discovered on the blocks, both regarding reserves and production, and the Khufai carbonate has turned out to be challenging in many regards. The bringing on stream of the Khufai reservoir also on the Shahd field is of great interest for further understanding also of the Saiwan East field.

Unexpectedly large quantities of oil with different gravities and viscosities have also been found on the field. However, the findings suggest that any potential production from the heavy oil in Saiwan East will require enhanced oil recovery techniques.

Transportation and sales

The oil produced at all of the fields are transported through a pipeline to Qarn Alam metering station, west of the licence. Here the oil volumes are recorded and the quality is measured. From Qarn Alam, the oil is transported through the Omani national pipeline system to the Mina Al Fahal crude export terminal in Muscat. At this terminal, the oil is lifted and loaded into oil tankers. From Muscat, the oil is shipped to different destinations in Asia. In 2015, the final destinations for Tethys Oil's sale of oil were China and Taiwan.

Blocks 3 and 4 are held through an Exploration and Production Sharing Agreement (EPSA). The Omani government fiscal terms are attractive and typically allow the holder of a licence to recover their costs up to 40 per cent of the value of total oil production. This is referred to as cost oil. After deducting any allowance for cost oil, the remaining oil production is typically split 80/20 between the government and the partners.

Tethys Oil sells all of its oil through Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. The price is determined based on the monthly average price of the two month future contract of Oman blend as traded on Dubai Mercantile Exchange, with a premium following the higher quality of the oil produced in the blocks.

Oil tankers loading in Muscat Bay

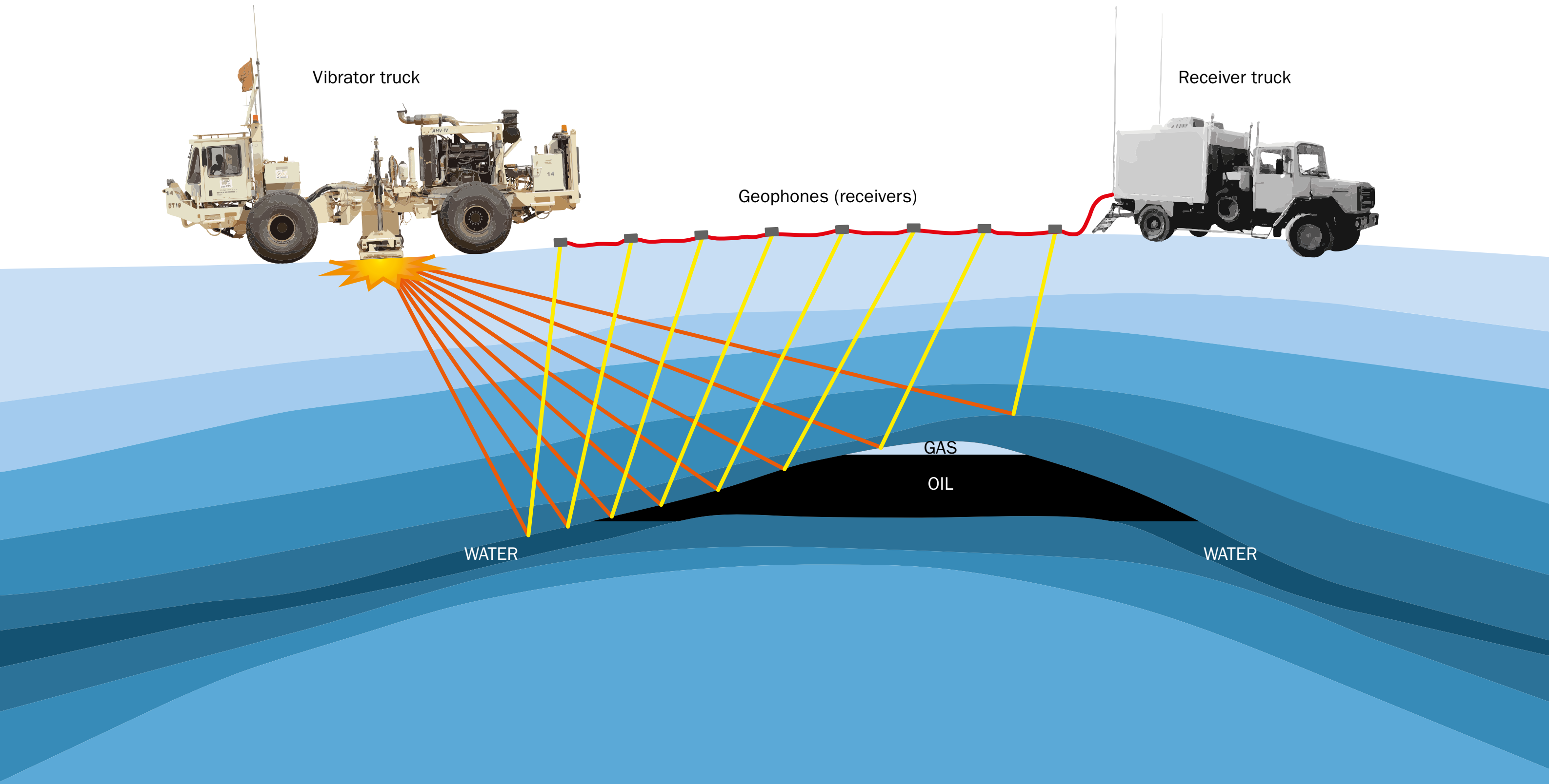
Photo by Luis Pérez Contreras

Muscat Office

A team of highly trained subsurface senior specialists has been recruited and reside at the Tethys Oil office in Muscat. As per the Omani government directive related to the employment, preference is always given to Omani nationals.

In addition, and as part of the company's corporate social responsibility, Tethys Oil is closely coordinating with Sultan Qaboos University in offering Master degree sponsorship to Omani geoscience graduate students.

Photo "Muscat by night" by Charlotte Best



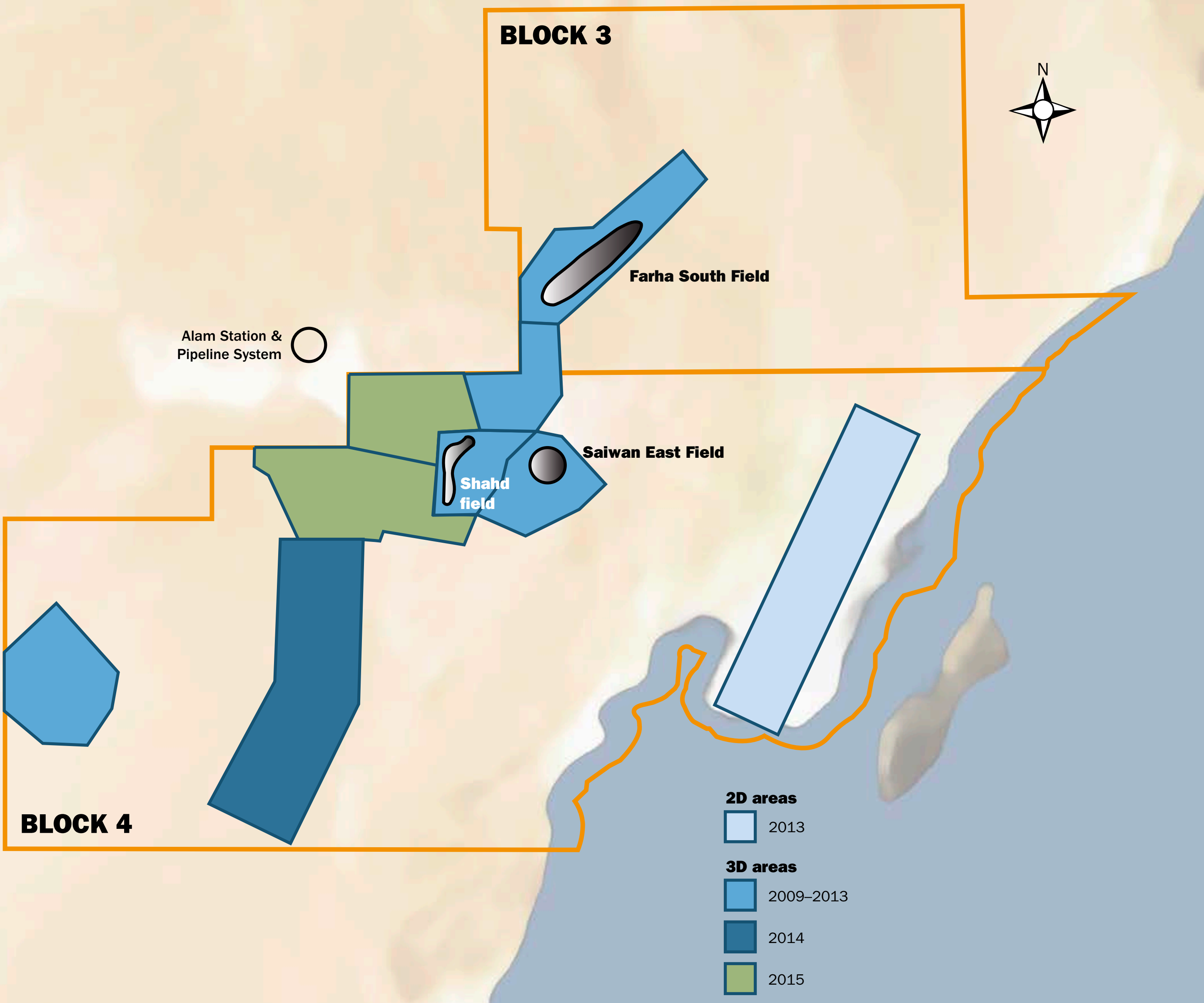
Seismic studies

The most common exploration activity is geophysical seismic. The principle behind seismic is that sound waves travel at different speeds in different materials and that the sound waves, at the transition between different materials, partly bend and reflect back to the surface. Since rocks have different compositions, it is possible based on variations in the speed of the sound wave and angle, to estimate the location of structures that could hold oil and/or natural gas reserves in an exploration area.

Single linear lines of seismic provide information about the subsurface rocks directly beneath the seismic equipment. This type of seismic data is referred to as two-dimensional or 2D seismic, because it provides data along two axis, length and depth. If seismic acquisition is done across multiple lines simultaneously, the third dimension of width is gained, hence referred to as three-dimensional seismic, or 3D seismic. 3D seismic offers much greater density of information about the subsurface but is much more costly and covers a smaller area. Since the oil at both the Farha South oil field and the Shahd oil field is trapped in smaller structures, 3D seismic has been essential in the mapping of possible oil bearing structures.

Vibrator trucks at Blocks 3 and 4

Seismic mapping Blocks 3 and 4, Oman



As the seismic coverage increases, particular interest will be the mapping of potential continuations of the producing layers. Both within the core area of producing fields and areas between them, as any possible extension further north or west, or east and south.

Photo by Gabriel Indurskis

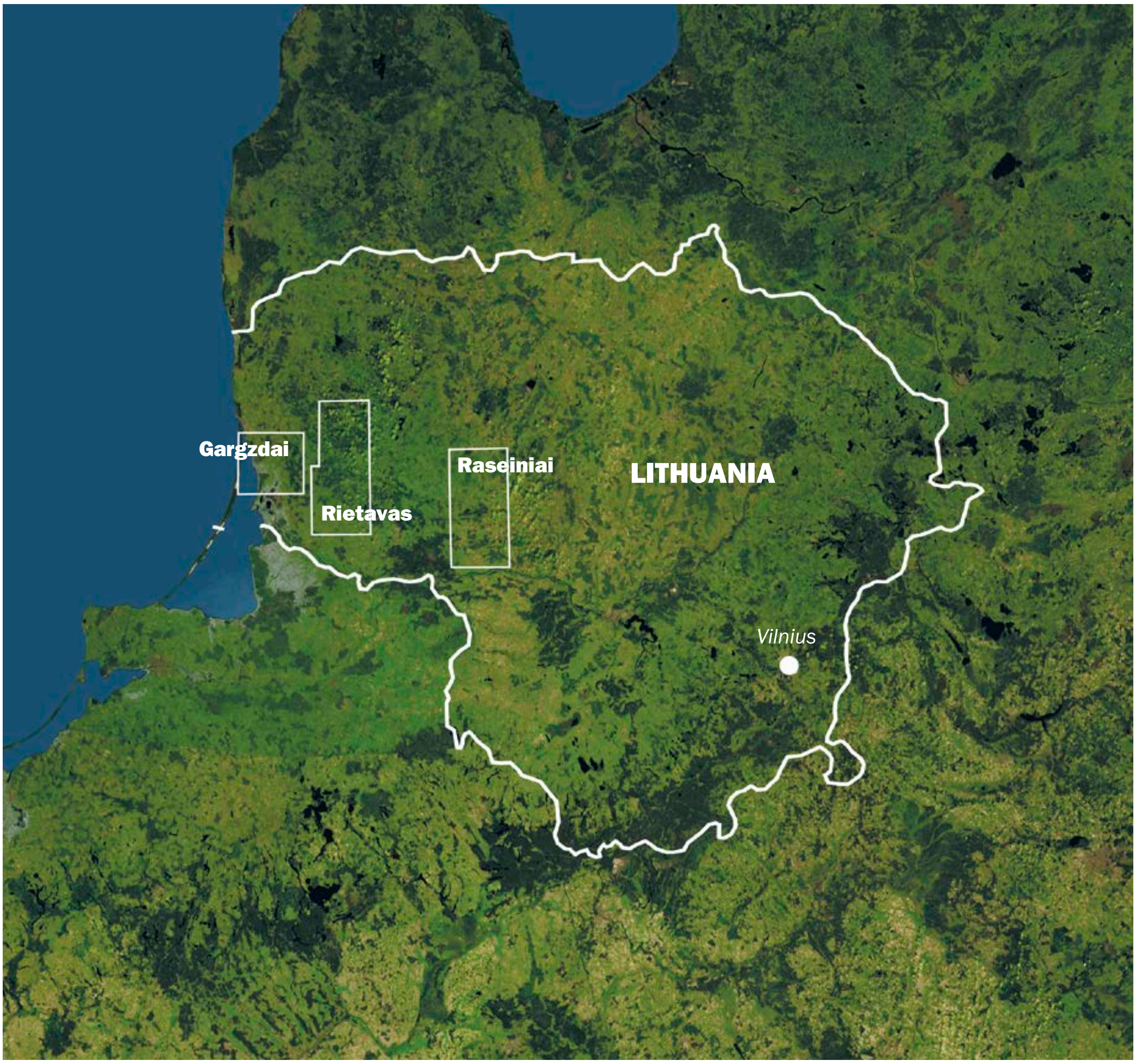
Oil in the Baltics

Tethys Oil's portfolio also includes licences in Europe. The company has indirect interests in three onshore license in Lithuania and two onshore dormant licences in France.

Lithuania is located by the Baltic Sea in the north east part of Europe. Lithuania is not a notable oil producer, but oil was discovered in Lithuania some 60 years ago. The Lithuanian oil production reached its peak at about 10,000 barrels of crude oil per day by the turn of the millennium, but has now dropped to about 2,000 barrels per day. The production is located in the western part of the country. It might seem like that there are better places to explore for oil, but the Lithuania tax regime is very attractive, so even smaller amounts of oil can generate good value.

Tethys Oil's Lithuanian licences cover some 4,000 square kilometres onshore the Baltic Sedimentary Basin. The Gargzdai licence is in production with about 110 barrels of oil per day net to Tethys Oil. The oil produced at the Gargzdai licence has an API of about 42 degrees and is normally sold on a weekly basis to a nearby refinery. The price is based on and set close to the daily Brent price.

The Rietavas and the Raseiniai licences are exploration licences. Since the acquisition of the licence interests in 2012, a couple of exploration wells have been drilled and seismic studies been conducted. The work programmes on the licenses are focused on evaluation for both conventional and unconventional hydrocarbon potential. On the Rietavas licence oil discoveries have been made in the Cambrian sandstones, but it is yet quite unexplored. The Raseiniai licence covers a trend of Silurian reefs. In the 2015 drilling programme, two wells were drilled into these reefs, and one well flowed oil to surface. This well, the Tidikas-1 exploration well, is now in a long term production test.



Sustainability

An oil company having business in different parts of the world will sooner or later meet issues about corporate social responsibility ("CSR"), whereas environmental concerns being at the forefront. Tethys Oil always strives to conduct the business in an economically, socially, and environmentally responsible way. The ethical requirements are the same regardless of where in the world the business takes place. The company will always follow good oilfield practice and act as good citizens and will under all circumstances aim to follow the best available practices, even if this will go beyond local laws.

In an oil project the operator has the main responsibility for the day to day work and the business on the site. Tethys Oil does not act as operator in any of its active assets. The activities in Tethys Oil's different projects are therefore decided in cooperation with partners and primarily the operator. Assets not operated by Tethys Oil are independently reviewed by Tethys Oil out of a HSES (health, safety, environmental and social) perspective and Tethys Oil will closely monitor any contractor or operator. Wherever changes can be favourably employed, such will be recommended. Most countries today have strong environmental laws and standards which of course are a great help to an oil company in assuring correct practises are followed. Tethys Oil's guidelines for CSR and how the company and its employees shall behave are described in the company's CSR policy which permeates the total business and is a part of the corporate culture.

The company's fundamental values are:

- To act in a fair, honest and equitable way.
- To observe local laws and regulations.
- To respect local customs and traditions.
- To observe applicable international laws and standards.
- To uphold the ten principles of the United Nations Global Compact on human rights, labour standards, environment and anti-corruption.

The agreements that Tethys Oil has with the host nation and its partners prescribes that the licence owner commits to be careful with the environment, surroundings and the people in the neighbourhood who will be affected and all the work in the area will be done according to good oil field practices. All subcontractors that are used are subject to the same conditions. In Oman, preference shall be given to Omani contractors and Omani Nationals. Tethys Oil is closely coordinating with Sultan Qaboos University in offering Master degree sponsorship to Omani geoscience graduate students.

According to the Joint Operating Agreements, the operator must implement a HSE plan that follows both international and local standards for the oil industry. A programme for follow up and evaluation of the HSE plan has to be included.

Photo by Charlotte Best


Photo “Marneef” by Charlotte Best

Corporate governance report

Corporate governance practices refer to the decision-making systems through which owners, directly or indirectly, control a company. Tethys Oil AB (publ) ("the Company") is a publicly traded company listed on Nasdaq Stockholm, Mid Cap. Tethys Oil adheres to the Swedish Code of Corporate Governance ("the Code"). The code is published on www.bolagstyrning.se, where a description of the Swedish Corporate Governance model can be found. This Corporate Governance Report 2015 is submitted in accordance with the Swedish Annual Accounts Act and the Code. It explains how Tethys Oil has conducted its corporate governance activities during 2015. Tethys Oil does not report any deviations from the code, Nasdaq Stockholm's rule book for issuers, recommendations from the Swedish Securities Council, decisions from Disciplinary Committee at Nasdaq Stockholm or statements from the Swedish Securities Council. The report has been reviewed by the company's auditors, please see page 31.

External and internal framework for governance in Tethys Oil

External:

- Swedish Companies Act
- Accounting legislation (e.g. Swedish accounting act, Swedish Annual Accounts Act and IFRS)
- Nasdaq Stockholm's rule book for issuers
- Swedish Code of Corporate Governance

Internal:

- Articles of Association
- Board instructions, Rules of procedures
- Polices such as Administration policy, Information policy, CSR policy etc

Shareholders

Tethys Oil's shares are traded on Nasdaq Stockholm. At year end 2015 the share capital amounted to MSEK 6, represented by 35,543,750 shares, each with a par value of SEK 0.17. All shares represent one vote each. At 31 December 2015, the number of shareholders was 5,563 (5,410). Of the total number of shares, foreign shareholders accounted for approximately 61 per cent. 49 per cent of the Swedish shareholding was held by legal entities. For further information on share, share capital development and shareholders, see pages 33–35 and Tethys Oil's website.

Annual General Meeting

The Annual General Meeting (AGM) must be held within six months of the close of the fiscal year. All shareholders who are listed in the share registry on the record date, and who have notified the company of their participation in due time, are entitled to participate in the AGM. The AGM was held in Stockholm on 13 May 2015. The AGM was attended by 111 shareholders, representing about 23 per cent of the votes and share capital in the company. The resolutions passed by the meeting included the following;

- Adoption of the income statements and balance sheets for 2014 and discharge of liability for the board of directors and the managing director
- Re-election of Per Brilioth, Magnus Nordin and Katherine Støvring. Dennis Harlin and Geoffrey Turbott were newly elected directors. Dennis Harlin was elected chairman of the board
- The chairman will be paid a fee of SEK 540,000 and each AGM elected member not employed by the company will be paid SEK 230,000. The chairman of the audit committee will be paid SEK 65,000 and each of the committee's members will be paid SEK 35,000. The members of the remuneration committee will be paid SEK 35,000. The total fees for committee work, including committee chairmen fees shall not exceed SEK 310,000
- Auditors will be paid as invoices are approved
- Principles of remuneration to senior executives
- Incentive programme as part of the remuneration package to employees. Issuance of 356,000 warrants where each warrant entitled to subscription to one new share in Tethys Oil. The warrants have a three year duration and the strike price of the warrants was SEK 80.40 per share
- Rules for the appointment and work of the nomination committee
- Authorization for the board to resolve to issue new shares with consideration in cash and/or with consideration in kind or by set-off, to enable the company to make business acquisitions and to raise capital for the Company's business operations
- Authorization for the board to resolve to purchase own shares in Tethys Oil AB

The minutes recorded at the Annual General Meeting can be found at Tethys Oil's website, www.tethysoil.com.

Nomination process

In accordance with the nomination committee Process approved by the AGM 2015, the nomination committee for the AGM 2016 consists of members appointed by three of the largest shareholders of the Company based on shareholdings as per 30 September 2015. The names of the members of the nomination committee were announced and posted on the Company's website on 13 November 2015, i.e. within the time frame of six months before the AGM as prescribed by the Code.

The nomination committee for the AGM 2016 has held 6 meetings during its mandate and informal contacts have taken place between such meetings. The nomination committee report, including the final proposals to the AGM 2016, is published on the Company's website together with the notice of the AGM.

The Nomination Committee's assignment is to produce proposals for the following matters, which will be presented to the AGM for resolution:

- AGM chairman
- Board members
- Chairman of the board
- Board fees and remuneration for committee work allocated to each member
- Auditors and auditor's fee
- Proposal regarding procedures and principles for establishing a nomination committee and issues pertaining thereto for the AGM 2017

The work of the nomination committee has during 2015 included evaluation of the board's work, competence and composition, as well as the independence of the members. The nomination committee also considered other criteria such as the back-ground and experience and also taken part of the board evaluation.

The nomination committee for the AGM 2016 consisted of the following members:

- Erik Norman, chairman of the nomination committee, representing himself, and
- Mikael Petersson, representing Lansdowne Investment Company Limited
- Niklas Antman, representing Incentive AS
- Dennis Harlin, chairman in Tethys Oil AB

The board and its work

Board composition

The articles of association stipulate that the board of directors of Tethys Oil shall consist of no less than three and no more than ten board members with no more than three deputy board members. Board members are elected for a maximum of one year at a time. The board of directors of Tethys Oil has consisted since the AGM 2015 of five directors and no deputies. Dennis Harlin has been chairman of the board. Four board members are independent from the Company, the Company's management and the Company's larger shareholders, and five board members are independent from larger shareholders.

Rules of procedure

The board of directors' work is governed by annually adopted rules of procedure. The board of directors supervise the work of the managing director by continually following up the Company's operations. The board of directors also ensures that the Company's organisation, administration and control are properly managed. The board of directors adopts strategies and goals and resolves on larger investments, acquisitions and disposals of business activities or assets. The board of directors also appoints the managing director and determines the managing director's salary and other compensation.

The chairman of the board of directors supervises the work and is responsible for it being well organised and efficient. This entails, among other things, continually following the Company's operations in contact with the managing director and being responsible for other board members receiving the information and documentation needed to ensure high quality discussions and well-founded decisions by the board of directors. The chairman is responsible for the evaluation of the board of directors' and the managing director's work and represents the board of directors in ownership matters.

According to the current rules of procedure the board of directors shall, after the constituent board meeting following the AGM, hold a minimum of 7 planned meetings during the financial year.

The board's work in 2015

During 2015 the board held 7 scheduled meetings and 12 extraordinary meetings.

Board of directors' attendance

Name	Independence from larger shareholders	Board meetings	Audit committee	Remuneration committee
Dennis Harlin	Yes	14/14	3/3	4/4
Magnus Nordin	No	19/19	n.a	n.a
Katherine Støvring	Yes	19/19	6/6	4/4
Geoffrey Turbott	Yes	11/14	3/3	4/4
Per Brilioth	Yes	17/19	6/6	4/4

Meetings and main items for scheduled meetings 2015	
February	Year-end report 2014
April	Annual report 2014, notice to AGM
May	First quarter report 2015
June	Constituent meeting and adoption of manuals and policies
July	Strategy
August	Second quarter report 2015, Capital structure
November	Third quarter report 2015, New ventures
December	Budget 2016, New ventures

Assignments of the board's work

The chairman of the board is responsible for assessing the board's work including the performance of individual board members. This is done on an annual basis through a questionnaire which is anonymous for the directors. The assessment focuses on such factors as the board's way of working, number of meetings and effectiveness, time for preparation, available competence and individual board members influence of the board's work. The nomination committee takes part of the results, and it is a component in the nomination committee's work to submit proposals concerning board members.

Remuneration committee

The board has established a remuneration committee for the period up to and including the AGM 2016, consisting of all board members with the exception of the managing director Magnus Nordin. Per Brilioth is the chairman of the committee. The remuneration committee convened 4 times in 2015. The work has mainly focused on establishing principles for remuneration to management, to monitor and evaluate variable remuneration and construct and propose an incentive programme to the AGM 2015. The remuneration committee reports to the board, normally in conjunction with the following board meeting.

Audit committee

The board has established an audit committee for the period up to and including the AGM 2016, consisting of all board members with the exception of the managing director Magnus Nordin. Geoffrey Turbott is the chairman of the committee. The audit committee convened 6 times in 2015. The work has mainly focused on supervising the Company's financial reporting and assessing the efficiency of the Company's financial internal controls, with the primary objective of providing support to the board in the decision making processes regarding such matters. Furthermore the audit committee has worked towards improving the interim financial reporting to shareholders. The audit committee also regularly liaises with the Group's statutory auditor as part of the annual audit process and reviews the audit fees and the auditor's independence and impartiality. The Audit committee reports to the board, normally in conjunction with the following board meeting.

Auditors

Pursuant to its Articles of Association, Tethys Oil must have one or two auditors, and no more than two deputies. A registered firm of auditors may be appointed as the company's auditor.

Tethys Oil's auditor is PricewaterhouseCoopers AB with Johan Malmqvist as Lead partner and Ulrika Ramsvik as co-signing auditor. PricewaterhouseCoopers AB was elected as the Company's auditor at the AGM 2015.

Tethys Oil AB's auditor: PricewaterhouseCoopers AB

	Johan Malmqvist	Ulrika Ramsvik
Role	Lead partner	Co-signing auditor
Born	1975	1973
Company auditor since	2015	2014

The auditing firm has, besides the audit, conducted a limited number of other assignments on behalf of Tethys Oil. These assignments mainly consisted of services associated with auditing, such as in-depth reviews during audit. Remuneration to the auditors of Tethys Oil is paid in accordance with approved current accounts. In 2015, remuneration to PricewaterhouseCoopers AB amounted to MSEK 1. For details on remuneration to auditors, see note 11, auditor's fees.

Managing director and management

The executive management in Tethys Oil consists of the managing director, the chief financial officer and the executive vice president (EVP) corporate development.

The board of directors has adopted an instruction for the managing director which clarifies the responsibilities and authority of the managing director. According to the instruction, the managing director shall provide the board of directors with decision data in order to enable the board to make well-founded decisions and with documents to enable it to continually monitor the activities for the year. The managing director shall take the decisions needed for developing the business, within the legal framework, the business plan, the budget and the instruction for the managing director adopted by the board of directors as well as in accordance with other guidelines and instructions communicated by the board of directors.

Remuneration policy to executive management

Remuneration policy to the executive management includes five main components:

- Base salary
- Share based incentive programme
- Pension arrangements
- Yearly variable salary
- Other benefits

Base salary

The base salary shall be in line with market conditions, be competitive, and shall take into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the executive. The base salary shall be reviewed annually to ensure that it remains competitive. In order to assess the competitiveness of the salary and benefit packages offered by the Group, comparisons may be made to those offered by similar companies. Executives include managing director (CEO), chief financial officer (CFO) and executive vice president (EVP) corporate development.

Share based incentive programme

The share based incentive programme has the purpose to retain and recruit qualified and committed personnel on a global market for oil companies. The programme is available to all employees and is intended to be re-occurring. The 2015 programme is a three year programme.

Variable salary

Variable salary to employees will be based upon their individual contribution to the Company's performance. The yearly variable salary for executives shall normally be within the range of 1–4 monthly salaries. At the end of each year, the managing director will make a recommendation to the remuneration committee regarding the payment of the yearly variable salary to other employees. The remuneration committee will recommend to the board of directors for approval the level of the yearly variable salary of the executive management. For other employees, the remuneration committee will only be involved if the annual variable salary exceeds USD 10,000 per employee.

Pension Arrangements

The pension benefits comprise a defined contribution scheme with premiums calculated on the full base salary. The pension contributions shall be in relation to the base salary and is set on an individual basis.

Severance Arrangements

A termination period of twelve months applies between the Company and managing director and nine months between the company and other members of executive management. All members of executive management are entitled to twelve months payments if the Company terminates their contracts.

The board is entitled to deviate from the proposed guidelines if special reasons exist.

Remuneration to management

Executive TSEK	Base salary	Variable salary	Other benefits*	Pension arrangements	Total 2015	2014
Magnus Nordin	1,733	405	1,424	324	3,886	2,579
Morgan Sadarangani	1,156	270	702	216	2,344	1,689
Jesper Alm	1,061	135	718	216	2,130	701
Total	**3,950**	**810**	**2,844**	**756**	**8,360**	**4,969**

* Other benefits are mainly distribution of warrants from the incentive programme in line with the decision from the AGM 2015.

The increase in remuneration to management relate to partly an increase of base salaries, but mainly to variable salaries and implementation of pension arrangements. For further information, please see note 13.

Remuneration to the board 2015

Remuneration paid to the board of directors during 2015 amounted to a total of TSEK 1,200, allocated among the board members in the way shown in the below table. The annual general meeting 2015 resolved that remuneration of the chairman of the board of directors shall be TSEK 540 per annum and of the other members TSEK 230 per member per annum.

Remuneration to board, TSEK	2015	2014
Total approved remuneration	1,450	1,375
Chairman	540	450
Director	230	175
Chairman audit committee	65	50
Member audit committee	35	25
Chairman remuneration committee	–	25
Member remuneration committee	35	25

Remuneration is not paid for service of the boards or directors of subsidiaries. Magnus Nordin, who is employed by Tethys Oil, does not receive any remuneration for his service on the board of directors.

Financial reporting and control

The board of directors has the ultimate responsibility of the internal control for the financial reporting. Tethys Oil's system of internal control, with regard to financial reporting, is designed to minimize risks involved in financial reporting process and ensure a high level of reliability in the financial reporting. Furthermore, the system of internal control ensures compliance with applicable accounting requirements and other requirements that Tethys Oil must meet as a listed company.

Tethys Oil's main assets are owned in partnership and furthermore, Tethys Oil only holds non-operated interest. The focus of internal control is therefore to ensure reliability and accuracy of the operator's financial information. The control is conducted by monthly and quarterly cost controls, quarterly budget reviews and interviews with operator to understand and explain deviations.

Internal control

Tethys Oil continually works on improving the financial reporting through evaluating the risk of errors in the financial reporting and related control activities. Control activities include following up on instructions and the application of accounting principles. The board of directors is responsible for and monitors the control activities, which involve all levels of the organisation. The activities limit the identified risks and ensure correct and reliable financial reporting. The Group's central financial department analyses and follows up on budget deviations, draws up forecasts, follows up on significant variations between periods and reports to the board of directors, which minimizes the risks for errors in the financial reporting. The control activities also include following up on the authorization manual and accounting principles. These control activities also include the operators in partnerships. The board of directors further decides on specific control activities and auditing of operators in partnerships. The financial department regularly follows up on deviations and irregularities and report to the audit committee. This structure is considered sufficient and suitable given the size and nature of the company's business. At the current size of the company and the fact that the company holds non-operated interest it is not considered necessary for a dedicated internal auditor function.

Information and communication

The board has adopted an information policy for the purpose of ensuring that the external information is correct and complete. There are also instructions regarding information security and how to communicate financial information.

Monitoring

Both the board and the management follow up on the compliance and effectiveness of the company's internal controls to ensure the quality of internal processes. The board receives detailed monthly reports on the financial situation and development of the business to this end. The audit committee ensures and monitors that control activities are in place for important areas of risk related to financial reporting.

Board of directors

	Dennis Harlin	Per Brilioth	Magnus Nordin	Katherine H. Støvring	Geoffrey Turbott
Function	Chairman of the board, director	Director, chairman of the renumeration committee	Managing director, director	Director	Director, chairman of the audit committee
Elected	2015	2013	2001	2012	2015
Born	1941	1969	1956	1965	1963
Education	Military Academy higher technical course	Bachelor of Science in Business Administration, University of Stockholm, Master of Finance, London Business School	Bachelor of Arts, University of Lund and Master of Arts, University of California Los Angeles	Master of Law, University of Oslo and MSc in Business Management, London Business School	Member of New Zealands institute of chartered accountants
Experience	Brigadier general (ret.). Vice president SAAB/ Gripen International 1996–2009. Defence attaché in Bern and Rome and seconded to Ministry of Foreign Affairs	Executive positions in companies investing in the Russian oil and gas sector	Several executive positions in different oil companies	Several executive positions in the energy and shipping industry	Worked with public companies in which the Lundin family holds a major shareholding from 1995 to 2013, whereof as Chief Financial Officer and Vice President of Finance at Lundin Petroleum AB from 2002 to 2013
Other board duties		Member of the board of Vostok New Ventures AB, Vostok Emerging Finance Ltd, RusForest AB, Egidaco Investments PLC, Avito Holdings AB, Kontakt East Holding AB, X5 Group AB, Gateway Storage Company Ltd, Pomegranate AB, LeoVegas AB, Pet Sounds AB and Svenska Fotografiska museet AB			
Shares in Tethys Oil as of 31 December 2015	142,051	5,000	1,464,127	–	–
Remuneration for board and committee work	610,000	300,000	–	300,000	330,000
Independent of the company and management	Yes	Yes	No	Yes	Yes
Independent of the company's major shareholders	Yes	Yes	Yes	Yes	Yes

Executive management

	Magnus Nordin	Morgan Sadarangani	Jesper Alm
Function	Managing director	Chief financial officer	EVP corporate development
With Tethys Oil since	2004	2004	2014
Born	1956	1975	1975
Education	Bachelor of Arts, University of Lund and Master of Arts, University of California Los Angeles	Master of Economics in Business Administration, University of Uppsala	Master of Economics in Business Administration, University of Lund
Experience	Several executive positions in different oil companies	Different positions within SEB and Enskilda Securities, Corporate Finance	Partner, Pareto Securities Corporate Finance (Natural resources)
Shares in Tethys Oil as of 31 December 2015	1,464,127	144,200	5,750*
Warrants in Tethys Oil as of 31 December 2015	78,000	39,000	39,000

* Including shares held through endowment policy.

Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders of Tethys Oil AB (publ), corporate identity number 556615-8266

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2015 on pages 26–31 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 27 April 2016
PricewaterhouseCoopers AB

Johan Malmqvist
Authorized Public Accountant
Lead Partner

Ulrika Ramsvik
Authorized Public Accountant

Board of directors

Dennis Harlin,
born in 1941. Member of the board since 2015 and chairman of the board since 2015. Member of the audit committee and remuneration committee.

Per Brilioth,
born in 1969. Member of the board since 2013 and member of the audit committee and chairman of the remuneration committee.

Magnus Nordin,
born in 1956. Managing director and member of the board since 2001.

Katherine H. Støvring,
born in 1965. Member of the board since 2012 and member of the audit committee and the remuneration committee.

Geoffrey Turbott,
born in 1963. Member of the board since 2015 and chairman of the audit committee and member of the remuneration committee.

Management

Magnus Nordin,
born in 1956. Managing director. Employed since 2004.

Morgan Sadarangani,
born in 1975. Chief financial officer and corporate secretary. Employed since 2004.

Jesper Alm,
born in 1975. EVP corporate development. Employed since 2014.

Technical manager

Fredrik Robelius,
born in 1973. Employed since 2011.

The Tethys Oil share

Tethys Oil's shares are traded on the Nasdaq Stockholm. With the purpose of improving liquidity and reducing the spread between buyers and sellers of Tethys Oil shares, the company has assigned Pareto Securities AB to act as a liquidity provider for the shares of the company.

Shares outstanding

Tethys Oil's registered share capital at 31 December 2015 amounts to SEK 5,923,958 represented by 35,543,750 shares with a quota value of SEK 0.17. All shares in Tethys Oil represent one vote each. All outstanding shares are common shares and carry equal rights to participation in Tethys Oil's assets and earnings. As per 31 December 2015 the board of directors had remaining outstanding authorization from the AGM to issue up to 10 percent of the shares up until the next AGM.

As per 31 December 2015, Tethys Oil held 1,083,669 of its own shares which were purchased during the fourth quarter 2014 and during 2015 at an average price of SEK 56.96. The share repurchase programme is based on a mandate from the AGM held in May 2015 and repurchased shares are still part of the total number of outstanding shares but however not included in the number of shares in circulation, which amount to 34,964,288.

Tethys Oil has an incentive programme as part of the remuneration package to employees. The company has issued 356,000 warrants, of which 330,000 have been allotted, where each warrant entitles to subscription to one new share in Tethys Oil. The warrants have been recalculated as a consequence of the share redemption carried out during the second quarter of 2015 and now each entitles to subscription to 1.03 shares in Tethys Oil. The warrants have a three year duration and the strike price of the warrants is SEK 80.40 per share. As the strike price is above the share price as per the reporting date in this report, the warrants are not included in the fully diluted number of shares.

Share capital development

Since the company's inception in September 2001 and up to 31 December 2015 the parent company's share capital has developed as shown below:

Year	Share capital development	Quota value, SEK	Change in number of shares	Total number of shares	Change in total share capital, SEK	Total share capital, SEK
2001	Formation of the Company	100.00	1,000	1,000	100,000	100,000
2001	Share issue	100.00	4,000	5,000	400,000	500,000
2001	Split 100:1	1.00	495,000	500,000	–	500,000
2003	Share issue	1.00	250,000	750,000	250,000	750,000
2004	Split 2:1	0.50	750,000	1,500,000	–	750,000
2004	Share issue	0.50	2,884,800	4,384,800	1,442,400	2,192,400
2006	Non-cash issue	0.50	400,000	4,784,800	200,000	2,392,400
2006	Share issue	0.50	876,960	5,661,760	438,480	2,830,880
2006	Share issue	0.50	80,000	5,741,760	40,000	2,870,880
2007	Share issue	0.50	300,000	6,041,760	150,000	3,020,880
2007	Exercise of warrants	0.50	2	6,041,762	1	3,020,881
2007	Share issue	0.50	125,000	6,166,762	62,500	3,083,381
2007	Set-off issue	0.50	226,000	6,392,762	113,000	3,196,381
2008	Split 3:1	0.17	12,785,524	19,178,286	–	–
2008	Share issue	0.17	4,800,000	23,978,286	800,000	3,996,381
2008	Exercise of warrants	0.17	1,800	23,980,086	300	3,996,681
2009	Share issue	0.17	1,300,000	25,280,086	216,667	4,213,348
2009	Share issue	0.17	2,000,000	27,280,086	333,333	4,546,618
2009	Exercise of warrants	0.17	176,186	27,456,272	29,364	4,576,045
2009	Exercise of warrants	0.17	592,819	28,049,091	98,803	4,674,849
2010	Exercise of warrants	0.17	252,080	28,301,171	42,013	4,716,862
2010	Exercise of warrants	0.17	137,429	28,438,600	22,905	4,739,767
2010	Exercise of warrants	0.17	754,942	29,193,542	125,824	4,865,590
2010	Share issue	0.17	250,000	29,443,542	41,667	4,907,257
2010	Share issue	0.17	250,000	29,693,542	41,667	4,948,924
2010	Exercise of warrants	0.17	482,528	30,176,070	80,421	5,029,345
2010	Exercise of warrants	0.17	185,795	30,361,865	30,966	5,060,311
2010	Exercise of warrants	0.17	84,971	30,446,836	14,162	5,074,473
2010	Exercise of warrants	0.17	2,057,653	32,504,489	342,942	5,417,415
2011	Non-cash issue	0.17	39,261	32,543,750	6,544	5,423,958
2012	Share issue	0.17	3,000,000	35,543,750	500,000	5,923,958
2015	Share split 1:2 (redemption shares)	0.08	35,543,750	71,087,500	–	5,923,958
2015	Redemption	0.08	-35,543,750	35,543,750	-2,961,979	5,923,958
2015	Bonus issue	0.17	–	35,543,750	2,961,979	5,923,958

Capital structure target and dividend policy

Tethys Oil's primary objective is to create shareholder value and in doing so the company will have a balanced approach to growth and shareholder distributions, with a long term capital structure target of a zero net cash position.

For the fiscal year 2015, the board of directors proposes to the AGM 2016 a total distribution of SEK 1.00 (SEK 3.00) per share, equal to MSEK 34 (MSEK 106). The distribution, subject to approval by the AGM, is proposed to be made by a cash dividend.

Share ownership structure

The 20 largest shareholders in Tethys Oil as per 31 March 2016.

Name	Number of shares	Capital and votes
MSIL IPB CLIENT ACCOUNT	3,213,595	9.04%
NORDIN, MAGNUS*	1,464,127	4.12%
CBNY-NORGES BANK	989,666	2.78%
MELLON OMNIBUS 30%, AGENT F ITS CLIENTS	946,561	2.66%
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	927,812	2.61%
SKANDINAVISKA ENSKILDA BANKEN S.A., W8IMY	856,260	2.41%
BANQUE PICTET & CIE SA, W8IMY (WITHOUT P.R.	809,580	2.28%
NORDNET PENSIONSFÖRSÄKRING AB	710,149	2.00%
BANQUE ÖHMAN S.A.	695,000	1.96%
MORGAN STANLEY AND CO LLC, W9	646,851	1.82%
SIX SIS AG, W8IMY	623,312	1.75%
SSB CLIENT OMNIBUS AC OM07 (15 PCT)	622,621	1.75%
NORMAN, CARL ERIK	585,000	1.65%
JPMC:ESCROW SWISS RESIDENT ACCOUNT	540,470	1.52%
J P MORGAN CLEARING CORP, W9	518,322	1.46%
SSB CLIENT OMNIBUS AC OM03 (0 PCT)	443,554	1.25%
SEB VÄRLDENFOND	432,967	1.22%
MELLON US TAX EXEMPT ACCOUNT	427,934	1.20%
UBS AG LDN BRANCH A/C CLIENT, IPB	400,675	1.13%
MORGAN STANLEY & CO INTL PLC, W-8BEN	393,211	1.11%
Total, 20 largest shareholders	**16,247,667**	**45.71%**
TETHYS OIL AB	1,083,669	3.05%
Other, approx. 5,687 shareholders	18,212,414	51.24%
Total	**35,543,750**	**100.00%**

Source: Euroclear Sweden AB and Tethys Oil AB

* Directly and through the company Minotaurus Energi AS

Distribution of shareholdings

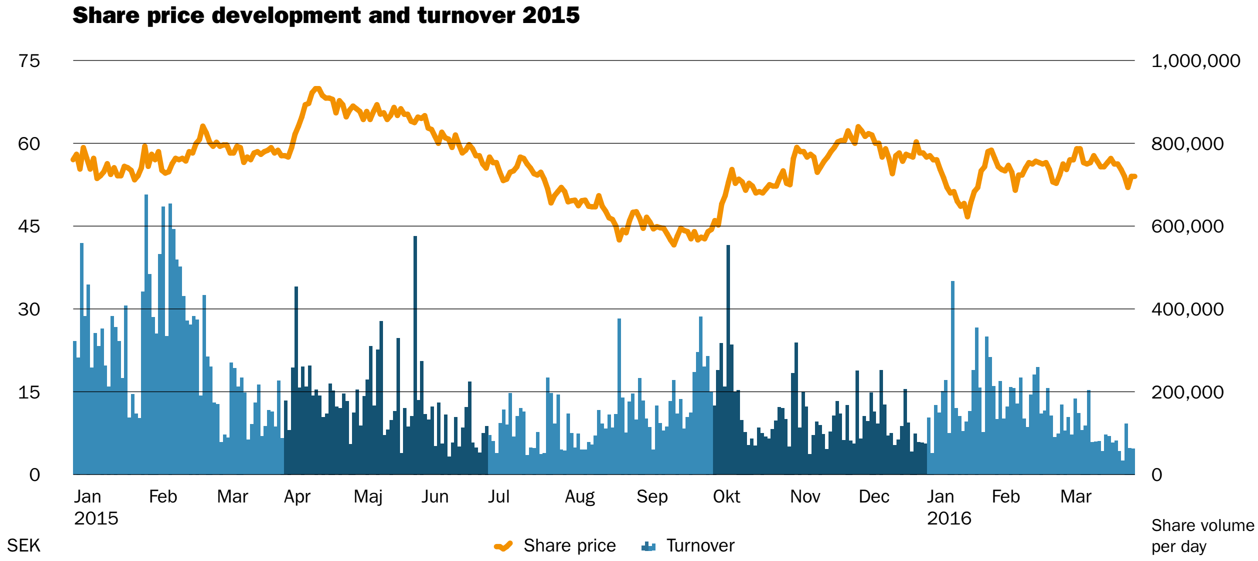
Distribution of shareholdings in Tethys Oil as per 31 March 2016.

Holding	Number of shares	Percentage of shares, %	Number of shareholders	Percentage of shareholders, %
1 – 500	561,928	1.58%	3,772	66.08%
501 – 1,000	684,152	1.92%	802	14.05%
1,001 – 5,000	1,851,586	5.21%	757	13.26%
5,001 – 10,000	952,497	2.68%	131	2.30%
10,001 – 15,000	550,411	1.55%	42	0.74%
15,001 – 20,000	692,414	1.95%	38	0.67%
20,001 –	30,250,762	85.11%	166	2.91%
Total 2016-03-31	**35,543,750**	**100.00%**	**5,708**	**100.00%**

Source: Euroclear Sweden AB

Share statistics 2015

The final transaction price in 2015 was SEK 57.5 corresponding to a total market capitalization of MSEK 2,044. During the year the price of Tethys Oil's share declined by 2.9 percent. The highest transaction price in 2015 was SEK 70.4 on 20 April 2015 and the lowest was SEK 40.5 on 15 September 2015. The turnover velocity was 134 percent on Nasdaq Stockholm.



Key financial data

Group	2015	2014	2013	2012	2011
Operational items					
Production before government take, bbl	3,578,488	2,804,240	1,709,706	1,399,518	423,469
Production per day, bbl	9,804	7,692	4,684	3,824	1,160
Net sales after government take, bbl	1,805,056	1,464,228	850,926	776,248	147,228
Achieved oil price, USD/bbl	58.09	103.87	106.63	110.35	107.37
Items regarding the income statement and balance sheet					
Net sales, MSEK	905	1,027	602	583	104
EBITDA, MSEK	496	743	488	509	84
EBITDA-margin, %	55%	72%	81%	87%	81%
Operating result, MSEK	194	393	294	336	83
Operating margin, %	21%	38%	49%	58%	80%
Net result, MSEK	198	340	249	314	69
Net margin, %	22%	33%	41%	54%	67%
Cash and cash equivalents, MSEK	436	372	295	248	93
Shareholders' equity, MSEK	1,864	1,675	1,109	860	456
Balance sheet total, MSEK	2,165	1,816	1,572	1,374	465
Capital structure					
Equity ratio, %	86%	92%	70%	63%	98%
Leverage ratio, %	n.m.	n.m.	12%	20%	n.m.
Investments, MSEK	324	259	289	875	208
Net cash, MSEK	436	372	-104	-152	93
Profitability					
Return on shareholders' equity, %	11%	25%	25%	48%	17%
Return on capital employed, %	14%	26%	21%	40%	20%
Other					
Average number of employees	18	18	17	19	12
Dividend per share, SEK	1.00*	1.00**	n.a.	n.a.	n.a.
Cash flow from operations per share, SEK	14.38	19.89	9.45	15.37	3.49
Number of shares at year end, thousands	35,544	35,544	35,544	35,544	32,544
Shareholders' equity per share, SEK	52.45	47.13	30.96	24.20	14.00
Weighted number of shares for the year, thousands	34,964	35,524	35,544	34,465	32,521
Earnings per share before and after dilution, SEK	5.66	9.56	7.00	9.10	2.12

* According to the board's proposal to the upcoming annual meeting 2016.
** Not including share redemption of SEK 2.00 per share

Parent	2015	2014	2013	2012	2011
Items regarding the income statement and balance sheet					
Operating result, MSEK	-22	-145	-12	40	-7
Operating margin, %	neg.	neg.	neg.	neg.	neg.
Net result, MSEK	310	148	-103	-83	-15
Net margin, %	n.a.	n.a.	neg.	neg.	neg.
Cash and cash equivalents, MSEK	366	15	31	187	4
Shareholders' equity, MSEK	472	306	179	281	250
Balance sheet total, MSEK	517	313	588	752	303
Capital structure					
Equity ratio, %	91%	98%	30%	37%	83%
Leverage ratio, %	n.a.	n.a.	203%	72%	n.a.
Investments, MSEK	41	-309	54	535	48
Profitability					
Return on shareholders' equity, %	80%	61%	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.	neg.	neg.
Other					
Average number of employees	6	7	6	6	6
Dividend per share, SEK	1.00*	1.00**	n.a.	n.a.	n.a.
Cash flow from operations per share, SEK	15.55	4.69	neg.	neg.	neg.
Number of shares at year end, thousands	35,544	35,544	35,544	35,544	32,544
Shareholders' equity per share, SEK	13.28	8.62	5.03	7.92	7.68
Weighted number of shares for the year, thousands	34,964	35,524	35,544	34,465	32,521
Earnings per share before and after dilution, SEK	8.87	4.16	-2.89	-2.40	-0.45

* According to the board's proposal to the upcoming annual meeting 2016.
** Not including share redemption of SEK 2.00 per share

Definitions of key ratios

Margins
Operating margin
Operating result as a percentage of yearly turnover.

Net margin
Net result as a percentage of yearly turnover.

Capital structure
Equity ratio
Shareholders' equity as a percentage of total assets.

Leverage ratio
Net interest bearing debt as a percentage of shareholders' equity.

Adjusted equity ratio
Shareholders' equity plus equity part of untaxed reserves as a percentage of total assets.

Interest coverage ratio
Earnings before interest, taxes, depreciation, depletion, amortisation and exploration costs (EBITDA) divided by net financial result.

Net cash/net debt
Cash and equivalents less interest bearing debt.

Investments
Total investments during the year.

Profitability
Return on shareholders' equity
Net result as percentage of average shareholders' equity.

Return on capital employed
Net result plus financial costs as a percentage of average capital employed (total assets less non interests-bearing liabilities).

Other
Number of employees
Average number of employees full-time.

Shareholders' equity per share
Shareholders' equity divided by the number of outstanding shares.

Weighted numbers of shares
Weighted number of shares during the year.

Earnings per share
Net result divided by the number of outstanding shares.

n.a.
Not applicable.

n.m.
Not meaningful.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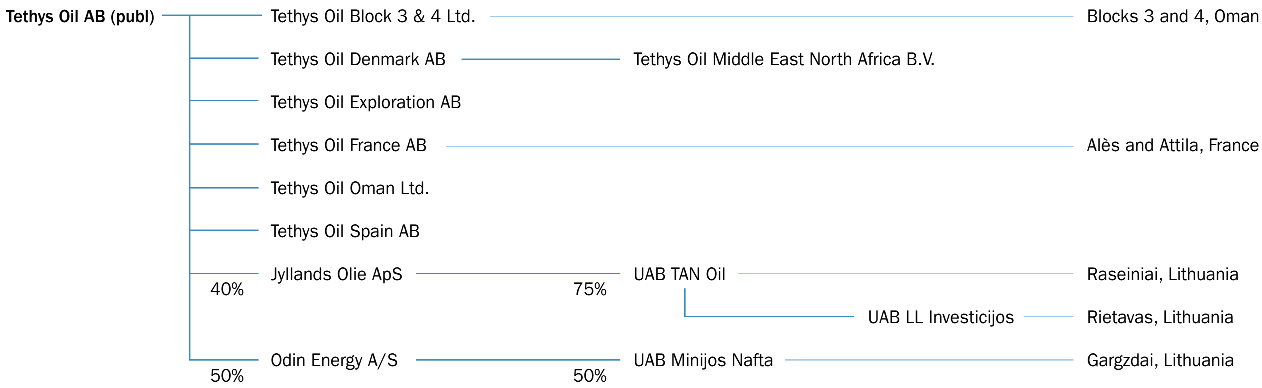
Administration report

(An English translation of the Swedish original)



Above are material group companies of the Tethys Oil group.
Ownership in subsidiary companies is 100% unless otherwise stated.

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 period ended 31 December 2015. 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. The numbers in the tables in this report may not add exactly due to rounding.

OPERATIONS

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. The company’s strategy is twofold: to explore for oil and natural gas near existing and developing infrastructure and markets; and to develop proven reserves that have previously been sub-economic due to location or technological reasons. As at year end 2015 the company had interests in licences in Oman, France and Lithuania.

Production

Tethys Oil’s core area is the Sultanate of Oman, where the company holds a 30 per cent interest in Blocks 3 and 4. Tethys Oil also has interests in three licenses onshore Lithuania and two licenses onshore France. The primary production comes from the three fields; Farha South, Shahd and Saiwan East on Blocks 3 and 4 in Oman. The production growth of around 9 per cent quarter on quarter and 31 per cent year on year has been in line with expectations and has mainly been driven by the on-going implementation of the water injection programme on Farha South and from the successful exploration and appraisal results on the Shahd oil field. Tethys Oil has additional production in Lithuania.

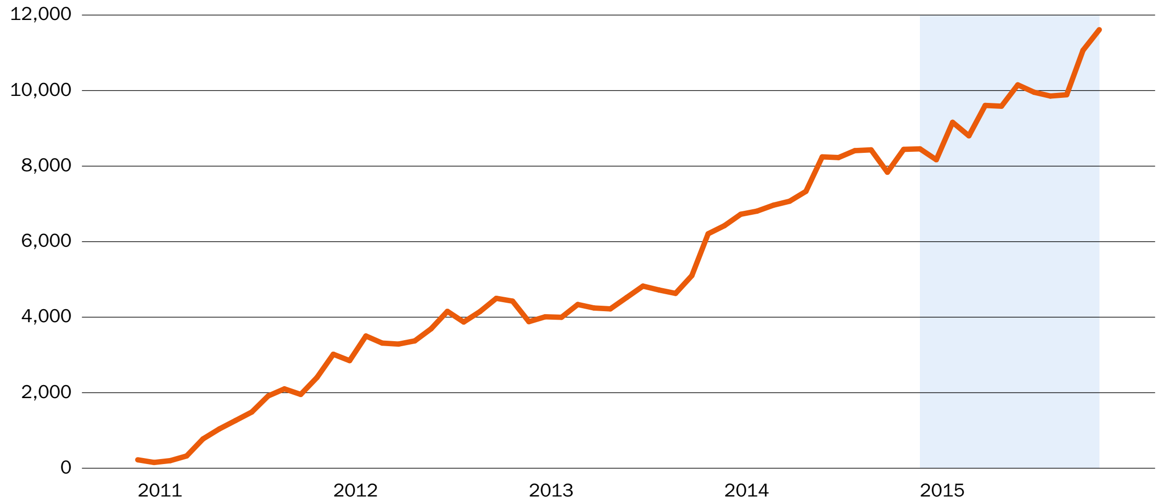
The terms of the Exploration and Production Sharing Agreement (“EPSA”) on Blocks 3 and 4 in Oman allows the joint operations partners to recover their costs from up to 40 per cent of the value of total oil production, this is referred to as cost oil. After deducting any allowance for cost oil, the remaining production is split 80/20 between the government and the joint operations partners. If there are no investments to be recovered the joint operations partners receive after government take 20 per cent of the oil produced. The terms of the EPSA thus result in the joint operations partners’ share of production after government take in the interval 20–52 per cent, depending on available recoverable cost. So far on Blocks 3 and 4, the joint operations partners’ share of production after government take 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 2015, net to Tethys Oil, amounts to MUSD 43.

Production from the Gargzdai licence in western Lithuania has gradually decreased during the period. Tethys Oil’s share of Gargzdai is indirectly owned through Odin Energi A/S, a Danish associated company.

Volumes, before government take	2015	2014	2013	2012	2011
Tethys Oil's share of annual production, (bbl)					
Oman, Blocks 3 and 4					
Production	3,539,631	2,765,654	1,663,069	1,345,854	421,868
Average daily production	9,698	7,577	4,556	3,687	1,156
Lithuania, Gargzdai					
Production	38,857	42,000	46,637	53,664	1,601*
Average daily production	106	115	128	147	4*
Total production	**3,578,488**	**2,804,240**	**1,709,706**	**1,399,518**	**423,469**
Total average daily production	**9,804**	**7,692**	**4,684**	**3,824**	**1,160**

* Note that production from Lithuania during 2011 only includes part of one month as the asset was acquired in December 2011.

Average daily production net to Tethys Oil, from 2011 to 2016



Reserves

Oman

Tethys Oil's net working interest reserves in the Sultanate of Oman as per 31 December 2015, amounted to 12,905 thousand barrels of oil ("mbo") of proven reserves (1P), 18,244 mbo of proven and probable reserves (2P) and 27,863 mbo of proven, probable and possible reserves (3P).

Development of reserves

(Audited by DeGolyer and MacNaughton)

mbo	1P	2P	3P
Total 31 Dec 2014	11,794	17,779	25,080
Production 2015	-3,540	-3,540	-3,540
Revisions	4,651	4,005	6,323
Total 31 Dec 2015	**12,905**	**18,244**	**27,863**

In 2015 Tethys Oil added 1P reserves of 4,651 mbo, representing an increase of 39 per cent. The company added 2P reserves 4,005 mbo, representing an increase of 23 per cent. The 3P reserves increased with 6,323 mbo, representing an increase of 25 per cent. The increase in 2P reserves represents an internal reserve replacement ratio of 113 per cent.

Reserves, 31 December 2015

(Audited by DeGolyer and MacNaughton)

mbo	1P	2P	3P
Farha South Field, Oman	7,581	10,249	12,683
Shahd Oil Field, Oman	4,947	6,841	11,984
Saiwan East Field, Oman	377	1,154	3,196
Total*	**12,905**	**18,244**	**27,863**

* Numbers may not add up due to rounding.

The review of the reserves in Oman has been conducted by independent petroleum consultant DeGolyer and MacNaughton ("D&M"). The report has been calculated using 2007 Petroleum Resources Management System (PRMS), Guidelines of the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American

Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE).

*Revenue**

Revenue	2015	2014	2013	2012	2011
Barrels sold, bbl	**1,805,056**	1,464,228	850,926	776,248	147,228
Underlift (overlift) movement, bbl	**35,552**	(26,088)	13,870	(76,404)	75,795
Oil price, USD/bbl	**58.09**	103.87	106.63	110.35	107.37
Implied SEK/USD exchange rate	**8.45**	6.88	6.52	6.82	6.55
Net sales, MSEK	**886**	1,046	592	584	104
Underlift (overlift), MSEK	**18**	(19)	10	(1)	–
Revenue, MSEK	**905**	**1,027**	**602**	**583**	**104**

* Please see note 1 for information regarding change in accounting principles.

Revenue for 2015 is down 12 per cent compared to revenue 2014 and the main reason is the decline in oil prices which are down 44 per cent between the years. There has only been a minor change from overlift to underlift during between 2015 to 2014.

During the 2015, Tethys Oil sold 1,805,056 barrels of oil from Blocks 3 and 4 in Oman, representing 23 per cent increase in comparison with 2014 when 1,464,228 barrels of oil were sold. This resulted in net sales during 2015 of MSEK 886 compared to MSEK 1,046 during 2014. In addition to Net sales, there has been an adjustment for underlift amounting to MSEK 18, which together with Net sales adds up to Revenue of MSEK 905.

Sale quantities for oil sales are nominated two months in advance and are not based upon the actual production in a month; as a result, sales quantities can be above or below production quantities. Where the sales quantity exceeds the quantity of barrels produced an overlift position occurs and where it is less, an underlift position occurs. There was a movement from overlift to underlift between year-end 2014 and 2015. The total underlift position as per 31 December 2015 is 22,725 barrels. The valuation of both over and underlift is based on market price as from 2015. (for more information please see page 54 under section Accounting principles). The comparative periods have been restated to reflect the change in accounting principle.

Tethys Oil sells all of its oil through Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. All oil sales come from Blocks 3 and 4 Oman and are made on a monthly basis. The selling price is the monthly average of the two month future price for Omani blend.

The average selling price amounted to USD 58 per barrel during 2015, 44 per cent lower compared to 2014. The average price for Dated Brent oil during 2015 amounted to USD 52.32 per barrel. The average exchange rate of US dollar in relation to SEK has moved from 1 January 2015 of SEK 7.77 per dollar to SEK 8.51 per dollar as per 31 December 2015.

Result

Tethys Oil reports a net result after tax for 2015 of MSEK 198, representing earnings per share of SEK 5.66. The result for 2015 is down 42 per cent compared to 2014. Net result is mainly down due to lower oil prices, which has created lower results on all levels as expenditures are in line or higher compared to the previous year.

Operating expenses

Operating expenses	2015	2014	2013	2012	2011
Production costs, MSEK	**313**	224	134	93	–
Well workovers, MSEK	**49**	31	19	2	–
Total operating expenses, MSEK	**362**	**255**	**153**	**95**	**–**
Operating expenses per barrel, USD	**12.1**	13.4	14.1	10.4	–

Operating expenses during 2015 amounted to MSEK 362 compared to MSEK 255 during 2014. Operating expenses are related to oil and gas production on Blocks 3 and 4 in Oman, and comprise expenses for field staff, expenses related to maintenance, well workovers and interventions and administration.

Operating expenses per barrel has since 2011 been in the range USD 10–14 per barrel. Of these expenses, around 50–60 per cent is field related production costs, i.e. excluding costs for work over rigs, office costs etc.

The increase in operating expenses is in line with the increased levels of production and this has resulted in the operating costs per barrel decreasing over the years. In 2012 the project was still in start-up mode, and since then there has been a continuous reduction in operating expenses per barrel. Tethys Oil expects to see operating expenses per barrels to further decrease in 2016 from general cost reductions in the oil and gas industry and as most operating expenses are fixed and that production is expected to continue to grow.

Depletion, depreciation and amortisation

DD&A	2015	2014	2013	2012	2011
DD&A, MSEK	**293**	214	138	55	–
DD&A, MUSD	**35**	31	21	8	–
DD&A per barrel, USD	**9.8**	11.2	12.6	5.9	–

Depletion, depreciation and amortisation ("DD&A") for 2015 amounted to MSEK 293 compared to MSEK 214 for 2014. The DD&A charge relates to Blocks 3 and 4 Oman and the increase is explained by higher production. Depletion per barrel has decreased over the years with the exception of 2012 where investments were low as Tethys Oil was funded as per the carry agreement with Mitsui. The trend of lower depletion per barrel is expected to continue alongside further successful development of Blocks 3 and 4 in Oman.

Net back

Net back, USD/bbl	2015	2014	2013	2012	2011
Oil price achieved (sales barrels)	**58.1**	103.9	106.6	110.4	107.4
Revenue (after government take)	**30.2**	54.0	55.4	57.4	–
Operating expenses	**12.1**	13.4	14.1	10.4	–
Net back	**18.1**	**40.6**	**41.3**	**47.0**	**–**

The net back per barrel has mainly been driven by the oil price development, which has continuously declined since the second half of 2014.

Net profit from associated companies

Tethys Oil holds indirect interest in the three Lithuanian licences; Gargzdai, Rietavas and Raseiniai, through associated companies Jylland Olie and Odin Energi. The result from Tethys Oil's share in these associated companies during 2015 amounted to MSEK -3 compared to MSEK -133 during 2014. There has been a long term trend of declining production from Gargzdai, which is in line with expectations. Reduced revenues following the fall in oil price has led to cost reduction measures being introduced. The net loss from associated companies during 2014 was mainly related to the write off of investments in the Gargzdai licence following lower oil prices.

Administrative expenses

Administrative expenses amounted to MSEK 44 for 2015 compared to MSEK 31 during 2014. Administrative expenses are mainly salaries, rents, listing costs and external services. Administrative expenses have basically been stable except for non cash related costs regarding the incentive programme for employees which have increased the administrative expenses.

Tax

In Oman, Tethys Oil's oil and gas operations are governed by an Exploration and Production Sharing Agreement (EPSA) whereby Tethys Oil receives its share of oil after government take. Under the terms of the EPSA, Tethys Oil is subject to Omani income taxes and royalties which are paid in full, on behalf of Tethys Oil, from the government share of oil. As Omani income tax is not paid directly by Tethys Oil but is taken in kind, these taxes are not presented in Tethys Oil's income statement.

Net financial result

The result for the full year 2015 has been impacted by net foreign exchange losses and fees on long term debt. The net currency exchange effect of the group amounts to MSEK 21 and most of the effect relates to the stronger US dollar in relation to the Swedish krona. Currency translation differences recorded on loans between the parent company and subsidiaries are non-cash related items. Interest and fees related to the credit facility amounted to MSEK 8 and other financial expenditures amounted to MSEK 10. The currency exchange effect and fees on long term debt is part of net financial result amounting to MSEK 4 for the full year.

Investments and work programme

Summary of oil and gas interests (MSEK):

Country	Book value 31 Dec 2015	Book value 31 Dec 2014	Investments Jan–Dec 2015
Oman	1,625	1,303	348
Lithuania	–	–	–
France	–	–	–
New ventures	1	–	1
Total	**1,625**	**1,303**	**348**

Blocks 3 and 4

During 2015, total investments amounted to MSEK 348 of which almost all relate to Blocks 3 and 4. Investments during the year have been in line with investments 2014. There has been an increased focus on development and production drilling during 2015.

Investments Blocks 3 and 4, MSEK	2015	2014	2013	2012	2011*
Drilling – Exploration/ Appraisal	**41**	77	58	7	–
Drilling – Development	**122**	74	103	111	–
G&G	**71**	50	67	6	–
Facilities	**65**	53	61	139	–
Pipeline	**25**	38	5	57	–
Other capex	**22**	-30	3	540**	17
Total investments Blocks 3 and 4	**347**	**263**	**263**	**861**	**17**

* During 2011 Tethys Oil's investments on Blocks 3 and 4 were carried by Mitsui.
** The high level of other capex during 2012 relate to the repayment to Mitsui regarding the carry agreement for investments made on Tethys Oil's behalf during 2010 and 2011.

In 2015, a total of 40 wells were completed on Blocks 3 and 4. 11 production wells, five water injection wells and one water well were drilled on producing fault blocks in the Farha South field on Block 3. One well was drilled in a previously undrilled fault block along the Farha trend. The well did not encounter oil.

The appraisal/development of the Shahd oil field on Block 4 continued with ten new appraisal/production wells. One well was drilled in a previously undrilled structure on the Shahd oil field. The well discovered oil and has been put into production. In the end of 2015, a new reservoir within the Shahd field, the Lower Khufai Carbonates, was successfully brought on stream. This new reservoir responded very well to horizontal drilling, and was a major reason for the production increase in late 2015 and early 2016. The water injection programme on the Shahd field is showing signs of working, but the evaluation of the impact of the injection programme will continue. Six injections wells three water wells were added to the field in 2015.

A far field exploration well was completed in the B4 West 3D area in south western part of Block 4. Another far field exploration well was drilled in the southern part of Block 4, in the area where a seismic study was completed in 2014. Both wells did not encounter oil and have been suspended to allow for further study. Once the results have been evaluated, the areas will be assessed also for other well locations.

The seismic acquisition in the northwest corner of Block 4 was completed in 2015. The processing of the data has started.

A new rig was put in operations in late 2015, making it a total of five rigs including a work over rig in operations on the blocks by year end.

Tethys Oil also had interests in Block 15 onshore north western part of Oman. The licence terms for the block expired in 2014.

Associated companies

Lithuania

As per 31 December 2015 the shareholding in the two associated Danish companies holding the interest in Lithuanian licenses, amounted to MSEK 15 (MSEK 41). The reduction in book value is an effect of the net result for 2015 and more importantly the received dividend during the period, which amounted to MSEK 23. The book value related to Minijos Nafta (Gargzdai) is zero and as there are no liabilities related to Minijos Nafta Tethys Oil does not recognize any negative net result. Unrecognized net result during 2015 from Minijos Nafta amounted to MSEK -8.

A drilling programme on the Raseiniai licence was completed in 2015. The wells were targeting Silurian limestone and marl reefs mapped by an 80 square kilometres 3D seismic study completed in 2014. The Tidikas-1 was drilled vertically to the Cambrian sandstone at a measured depth of 1,413 metres and cores were taken from Silurian and Ordovician limestones, marl and dolomites. The well encountered a combined oil column of almost 50 metres in two different lime stone formations and flowed oil to surface during drill stem tests. The well has been put on a long term production test. The Bedugnis-1 well was drilled vertically to a total measured depth of 1,067 meters and recorded oil shows while drilling but no oil flowed to surface. The location of further wells on the Raseiniai licence will be determined after more information has been gained through the long term production test of the Tidikas-1 well and the analysis of the cores. The drilling programme was fully funded from available funds within the Lithuanian company holding the licence.

Acquisition and mapping of a 30 square kilometres 3D survey was completed at the Rietavas licence. An additional 15 kilometres of 2D seismic was acquired across the possible fault related linear anomaly seen from the recent gravity survey.

Liquidity and financing

Cash and bank and Net cash as per 31 December 2015 amounted to MSEK 436 compared to MSEK 372 as per 31 December 2014.

Tethys Oil distributed MSEK 106 to shareholders in the form of a dividend (SEK 1 per share) and share redemption (SEK 2 per share) in line with the approval granted at the AGM 2015. Furthermore, the share repurchase programme added MSEK 42 to the distribution of capital to shareholders.

During 2015, the cash flow from operations amounted to MSEK 503 and investments in oil and gas amounted to MSEK 348. Including the dividend received from Lithuanian assets, the cash flow from operations after investments amounted to MSEK 179.

The Blocks 3 and 4 investment budget for 2016 will continue to focus on development and appraisal. Following the oil price development, Tethys Oil's investment plans, including the capex budget, for 2016 will be closely monitored and subject to ongoing revisions. The target is to fund investments on Blocks 3 and 4 from available funds and from cash flow from operations.

Tethys Oil's operations in Lithuania are expected to be self-financed from available cash and cash flow generated from the associated Lithuanian companies.

A large part of cash and cash equivalents are held in USD which has appreciated against SEK during the full year 2015. The currency exchange effect on cash and cash equivalents amounted during the full year 2015 to MSEK 32.

Parent company

The Parent company reports a net result after tax for 2015 amounting to MSEK 310 compared to MSEK 293 for 2014. Administrative expenses amounted to MSEK 29 for 2015 compared to MSEK 20 for 2014. Administrative expenses have basically been stable except for costs related to the incentive programme for employees which have increased the administrative expenses. Net financial result amounted to MSEK 332 during 2015 compared to MSEK 293 for 2014. The reason behind the strong net financial result and the equivalently strong net result is an anticipated dividend from the wholly owned subsidiary Tethys Oil Block 3&4 Ltd.

Significant agreements and commitments

In Tethys Oil's oil and natural gas operations there are two main categories of agreements; one that governs the relationship with the host country; and one that governs the relationship with partners.

The agreements that govern the relationship with host countries are referred to as licences or Exploration and Production Sharing Agreements (EPSA or PSA). Tethys Oil holds its interest directly through aforementioned agreements in Oman and France. The agreements with host countries have a time limit and are normally divided into periods. Financial commitments and or work commitments normally relates to the different periods. Tethys Oil has fulfilled its commitments on Blocks 3 and 4 in Oman. In the other areas of operations the commitments are either fulfilled or there are no commitments of which Tethys Oil can be held liable for. In some of Tethys Oil's areas of interest there are requirements of work to be done or minimum expenditures in order to retain the licences, but no commitments of which Tethys Oil can be held liable for.

The agreements that govern the relationship with partners are referred to as Joint Operating Agreements (JOA). Tethys Oil has JOAs with its partners in all areas of operation.

Other than the aforementioned agreements, there are no individual agreements or similar circumstances relating to the business which are of crucial significance for the group's operations or profitability.

Subsequent events

- Tethys Oil's share of the production, before government take, from Blocks 3 and 4 Oman amounted during the first quarter 2016 to 1,101,031 barrels of oil, corresponding to 12,099 barrels of oil per day
- As per 31 December 2015 the audited reserves for Blocks 3 and 4 Oman net to Tethys Oil amounted to:
  - 1P reserves 12,905 thousand barrels (11,794)
  - 2P reserves 18,244 thousand barrels (17,779)
  - 3P reserves 27,863 thousand barrels (25,080)

Board of directors

At the Annual General Meeting of shareholders on 13 May 2015 Per Brilioth, Magnus Nordin and Katherine Støvring were re-elected members of the board. Dennis Harlin and Geoffrey Turbott were newly elected directors. No deputy directors were appointed. At the same meeting Dennis Harlin was appointed chairman of the board.

The work of the board is subject to an established work procedure that defines the distribution of work between the board and the managing director. The work procedure is evaluated each year and revised if deemed appropriate. The board had 19 meetings during 2015. Most importantly the board has approved the interim reports of the year and a capital structure target for the company as well as the budget 2016. The five members of the board have consisted of 4 non-executive directors. These four non-executive directors are also members of the audit committee and the remuneration committee. Geoffrey Turbott is chairman of the audit committee and Per Brilioth is chairman of the remuneration committee.

Remuneration to executive management

The intention of the board of directors is to propose to the 2016 AGM the adoption of a policy on remuneration for 2016. The remuneration committee has adopted a policy that fundamentally will be the proposition to the 2016 AGM, containing the following elements of remuneration for the executive management; base salary; pension arrangements; yearly variable salary; non-financial benefits; long term incentive programme.

For a detailed description on remuneration applied in 2015 and policy on remuneration as adopted by the remuneration committee, refer to page 29 of the Corporate Governance report and note 13 of the consolidated financial statements.

Organisation

At the end of the year, Tethys Oil had a total of 18 (18) employees. Of these, 7 (7) were women. In addition, contractors and consultants are engaged in Tethys Oil's operations.

The environment

All oil and gas related operations impact the environment and therefore entail risk. Directly or indirectly through joint operations, the Group complies with the environmental legislation and regulations applicable in each country. Areas which are normally regulated include air pollution, discharges to watercourses, water use, handling of hazardous substances and waste, land and groundwater contamination, and restoration of the environment around the facilities after operations have ceased. Directly and indirectly through partnerships, Tethys Oil strives to minimise the environmental impact and avoid the occurrence of accidents.

There have been no significant issues with regard to HSE on any of Tethys Oil's assets. For more information, see the section Sustainability.

Group structure

Tethys Oil AB (publ), with organizational number 556615-8266, is the parent company in the Tethys Oil Group. Material subsidiaries include Tethys Oil Oman Limited, Tethys Oil Block 3&4 Limited, Tethys Oil Denmark AB, Tethys Oil Spain AB, Tethys Oil France AB and Tethys Oil Exploration AB are part of the group. The Tethys Oil Group was established 1 October 2003.

Share data

As per 31 December 2015, the number of outstanding shares in Tethys Oil amount to 35,543,750, with a quota value of SEK 0.17. All shares represent one vote each. The company has the same number of shares at 31 December 2015 as at 31 December 2014.

As per 31 December 2015, Tethys Oil held 1,083,669 of its own shares which have been purchased since commencement of the programme during the fourth quarter 2014. The shares have been purchased at an average price of SEK 56.96. Repurchased shares are still part of the total number of outstanding shares but however not included in the number of weighted shares in circulation, which amount to 34,964,288 for the twelve months period ending 31 December 2015.

There have been no further repurchase of shares up until publication of this report.

Seasonal effects

Tethys Oil has no significant seasonal variations.

Transactions with related parties

There have been no transactions with related parties during the full year 2015, nor for any comparative periods.

Risk and uncertainties

A statement of risks and uncertainties are presented in note 1, page 58.

Appropriation of profit

The Board of Directors proposes to the annual general meeting a total distribution of SEK 1.00 (SEK 3.00) per share, equal to MSEK 34 (MSEK 106), be paid for the 2015 fiscal year. The distribution is proposed to be made by a cash dividend of SEK 1 per share. It is also proposed that the balance of retained earnings after the dividend be retained in the business as described below.

SEK	
Retained earnings	84,702,835
Profit for the year	310,167,751
	394,870,585
The Board of Directors proposes that these earnings be appropriated as follows:	
To the shareholders, a distribution of SEK 1.00 per share	34,460,081
To be retained in the business	360,410,504
	394,870,585

Cash dividend

The board of directors' proposal consists of a cash dividend of SEK 1 per share amounting to SEK 34,460,081. The dividend is subject to approval at the annual general meeting 2016. The preliminary record day for the dividend is 20 May 2016 and preliminary day of payment of dividend is 25 May 2016.

As per 31 December 2015, the group's and the parent company's equity ratio amounted to 86.13 per cent and 91.33 per cent, respectively. After the dividend, the parent company's and the group's equity ratio will amount to 85.91 per cent and 90.72 per cent, respectively.

Tethys Oil has generated significant cash flows in recent years and the group's financial position is strong. The Board has considered the parent company and the group's consolidation needs through a comprehensive valuation of the parent company and the group's financial position and the parent company and the group's possibilities to fulfil their commitments in the long term. The parent company and the group's financial position does not give rise to any other conclusion than that the parent company and the group can continue its operations and meet its obligations in the short and long term and make the necessary investments. The Board believes that the size of the equity, even after the proposed dividend, is in reasonable proportion to the scale of the parent company and the group's business as well as the risks associated with conducting the business.

With reference to the above and what has come to the Board's attention, it is the Board's assessment that the parent company's and the group's financial position implies that the proposed dividend is justifiable pursuant to Chapter 17, Section 3 second and third paragraph of the Swedish Companies Act, i.e. with reference to the requirements that the nature, scope and risks of business put on the size of the parent company's and the group's equity as well as the parent company's and the group's need to strengthen its balance sheet, liquidity and financial position.

Financial statements

The result of the group's and parent company's operations and the financial position at the end of the financial year is shown in the following income statement, balance sheet, cash flow statement, statement of changes in equity and related notes. Balance sheet and income statement will be resolved at the Annual General Meeting, 18 May 2016.

It is noted that the annual general meeting of the company on 18 May 2016 resolved in accordance with the board of directors' proposal on appropriation of profit.

Consolidated statement of comprehensive income

MSEK	Note	2015	2014
Revenue	4	905	1,027
Operating expenditures	9	-362	-255
Gross profit		**543**	**772**
Depreciation, depletion and amortisation	3, 8, 17	-293	-214
Exploration costs	8	-9	-1
Net profit/loss from associated companies	6	-3	-133
Administrative expenses	11–13	-44	-31
Operating result		**194**	**393**
Financial income and similar items	14	58	21
Financial expenses and similar items	15	-54	-75
Net financial result		**4**	**-53**
Result before tax		**198**	**340**
Income tax	16	–	–
Result for the year		**198**	**340**
Other comprehensive result			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		136	245
Other comprehensive result for the year		**136**	**245**
Total comprehensive income for the year		**334**	**595**
Number of shares outstanding	19	35,543,750	35,543,750
Number of shares outstanding (after dilution)	19	35,543,750	35,543,750
Weighted number of shares	19	34,964,288	35,524,316
Earnings per share, SEK	19	5.66	9.56
Earnings per share (after dilution), SEK	19	5.66	9.56

Consolidated balance sheet

MSEK	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non current assets			
Oil and gas properties	8	1,625	1,303
Office equipment	17	1	1
Investment in associated companies	6	15	41
Other long term receivables		3	–
		1,644	**1,345**
Current assets			
Other receivables	18	69	80
Prepaid expenses		16	19
Cash and cash equivalents		436	372
		521	**471**
TOTAL ASSETS		**2,165**	**1,816**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	19		
Share capital		6	6
Additional paid in capital		552	552
Other reserves		295	198
Retained earnings		1,012	919
Total shareholders' equity		**1,864**	**1,675**
Non-current liabilities			
Provisions	7	34	25
		34	**25**
Current liabilities			
Accounts payable		1	2
Accrued expenses	21	167	110
Other current liabilities		99	2
		267	**115**
Total liabilities		**300**	**141**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,165**	**1,816**
Pledged assets	23	1,813	1,789
Contingent liabilities	24	–	–

Consolidated statement of changes in equity

MSEK	Share capital	Paid in capital	Other reserves	Retained earnings	Total equity
Opening balance 1 January 2014	**6**	**552**	**-27**	**569**	**1,100**
Change in accounting principles (note 1)	–	–	–	9	**9**
Restated opening balance 1 January 2014	**6**	**552**	**-27**	**578**	**1,109**
Comprehensive income					
Year end result 2014	–	–	–	340	**340**
Year end result	**–**	**–**	**–**	**340**	**340**
Other Comprehensive income					
Currency translation differences 2014	–	–	245	–	**245**
Total other comprehensive income	**–**	**–**	**245**	**–**	**245**
Total comprehensive income	**–**	**–**	**219**	**919**	**1,694**
Transactions with owners					
Purchase of own shares	–	–	-20	–	**-20**
Total transactions with owners	**–**	**–**	**-20**	**–**	**-20**
Closing balance 31 December 2014	**6**	**552**	**200**	**919**	**1,675**
Opening balance 1 January 2015	**6**	**552**	**200**	**919**	**1,675**
Comprehensive income					
Year end result 2015	–	–	–	198	**198**
Year end result	**–**	**–**	**–**	**198**	**198**
Other Comprehensive income					
Currency translation differences 2015	–	–	136	–	**136**
Total other comprehensive income	**–**	**–**	**136**	**–**	**136**
Total comprehensive income	–	–	**136**	**1,117**	**1,253**
Transactions with owners					
Purchase of own shares	–	–	-42	–	**-42**
Dividends paid	–	–	–	-35	**-35**
Share redemption	0	–	–	-70	**-70**
Incentive programme	–	–	–	3	**3**
Total transactions with owners	**–**	**–**	**-42**	**-102**	**-144**
Closing balance 31 December 2015	**6**	**552**	**295**	**1,012**	**1,864**

Consolidated cash flow statement

MSEK	Note	2015	2014
Cash flow from operations			
Operating result		194	393
Interest received	14	0	0
Interest paid	15	-8	-44
Income tax		–	–
Adjustment for exploration costs	8	9	1
Adjustment for depletion, depreciation and amortisation and other non-cash related items	8, 16	285	313
Total cash flow from operations before change in working capital		**480**	**673**
Change in receivables		16	-15
Change in liabilities		7	49
Cash flow from operations		**503**	**707**
Investment activity			
Investment in oil and gas properties	8	-348	-269
Dividend from associated companies	6	23	11
Investment in other fixed assets	17	-2	–
Net assets of acquired subsidiaries net after cash		4	–
Cash flow from investment activity		**-324**	**-259**
Financing activity			
Purchase of own shares	19	-42	-19
Bond repayment		–	-400
Dividends paid		-35	–
Share redemption		-70	–
Long term credit facility	20	0	-21
Return on investments		–	14
Cash flow from financing activity		**-147**	**-426**
Cash flow for the year		**32**	**22**
Cash and cash equivalents at the beginning of the year		372	295
Exchange gains/losses on cash and cash equivalents		32	55
Cash and cash equivalents at the end of the year		436	372

Parent Company income statement

MSEK	Note	2015	2014
Other income		11	9
Net profit/loss from associated companies	6	-3	-133
Administrative expenses	11–13	-29	-20
Operating result		**-22**	**-145**
Financial income and similar items	14	412	238
Financial expenses and similar items	15	-80	-65
Write down of shares in subsidiaries	22	–	-2
Net financial result		**332**	**293**
Result before tax		**310**	**148**
Income tax	16	–	–
Result for the year*		**310**	**148**

* As there are no items in the parent company's other comprehensive income, no separate report on total comprehensive income is presented.

Parent Company balance sheet

MSEK	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Other fixed assets	17	–	–
Shares in subsidiaries	22	7	2
Long term receivables from group companies		126	45
Investment in associates	6	15	41
		148	**88**
Current assets			
Other receivables	18	1	209
Prepaid expenses		1	1
Cash and cash equivalents		366	15
		368	**224**
TOTAL ASSETS		**517**	**313**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	19		
Restricted equity:			
Share capital		6	6
Statutory reserve		71	71
Unrestricted equity:			
Share premium reserve		419	461
Retained earnings		-334	-379
Result for the year		310	148
Total shareholders' equity		**472**	**306**
Current liabilities			
Accounts payable		1	2
Other current liabilities to group companies		43	2
Accrued expenses	21	0	2
Total liabilities		**45**	**6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**517**	**313**
Pledged assets	23	1	1
Contingent liabilities	24	–	–

Parent Company statement of changes in equity

MSEK	Restricted equity		Unrestricted equity			
	Share capital	**Statutory reserve**	**Share premium reserve**	**Retained earnings**	**Net result**	**Total equity**
Opening balance 1 January 2014	**6**	**71**	**481**	**-277**	**-103**	**179**
Transfer of prior year net result	–	–	–	-103	103	**–**
Comprehensive income						
Loss for the year	–	–	–	–	–	**–**
Period result	**–**	**–**	**–**	**–**	**148**	**148**
Total comprehensive income	**–**	**–**	**–**	**–**	**148**	**148**
Transactions with owners						
Purchase of own shares	–	–	-20	–	–	**-20**
Total transactions with owners	**–**	**–**	**-20**	**–**	**–**	**-20**
Closing balance 31 December 2014	**6**	**71**	**461**	**-379**	**148**	**306**
Opening balance 1 January 2015	**6**	**71**	**461**	**-379**	**148**	**306**
Transfer of prior year net result	–	–	–	148	-148	**–**
Comprehensive income						
Result for the year	–	–	–	–	310	**310**
Period result	**–**	**–**	**–**	**–**	**310**	**310**
Total comprehensive income	**–**	**–**	**–**	**–**	**310**	**310**
Transactions with owners						
Purchase of own shares	–	–	-42	–	–	**-42**
Dividends paid	–	–	–	-35	–	**-35**
Share redemption	0	–	–	-70	–	**-70**
Incentive programme	–	–	–	3	–	**3**
Total transactions with owners	**–**	**–**	**-42**	**-102**	**–**	**-144**
Closing balance 31 December 2015	**6**	**71**	**419**	**-334**	**310**	**472**

Parent Company cash flow statement

MSEK	Note	2015	2014
Cash flow from operations			
Operating result		-22	-145
Interest received	14	4	6
Interest paid	15	-0	-40
Adjustment for non cash related items		34	133
Adjustment for dividends not yet paid		350	334
Total cash flow from operations before change in working capital		**298**	**289**
Change in receivables		207	209
Change in liabilities		38	1
Cash flow from operations		**544**	**81**
Investment activity			
Dividend from associated companies	6	23	11
Investment in long term receivables		-61	299
Investment in other fixed assets	17	0	-1
Investments in derivative instruments		-2	–
Cash flow from investment activity		**-41**	**309**
Financing activity			
Purchase of own shares	19	-42	-19
Bond repayment		–	-400
Dividends paid		-35	–
Share redemption		-71	–
Return on investments		0	14
Cash flow from financing activity		**-147**	**-405**
Cash flow for the year		**356**	**-14**
Cash and cash equivalents at the beginning of the year		15	31
Exchange gains on cash and cash equivalents		-5	-2
Cash and cash equivalents at the end of the year		366	15

Notes

General information
Tethys Oil AB (publ) ("the Company"), corporate identity 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 Oman, France and Lithuania. The Company is a limited liability company incorporated and domiciled in Stockholm, Sweden. The Company is listed on Nasdaq Stockholm.

These consolidated financial statements have been approved for issue by the board of directors on 27 April 2016.

Basis of preparation
The annual report of Tethys Oil AB/the Group have been prepared in accordance with prevailing International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations adopted by the EU Commission and the Swedish Annual Accounts Act (1995:1554). In addition RFR 1 "Supplementary Rules for Groups" has been applied as issued by the Swedish Financial Reporting Board.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

The consolidated financial statements have been prepared under the historical cost basis except as disclosed in the accounting policies below.

Accounting principles
The accounting principles applied in the preparation of these consolidated financial statements are set out below. The same accounting principles were used in the Annual report 2014 and have been consistently applied to all the years presented, except for the valuation of over- and underlift as described below. The Annual report of the Group has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Annual Accounts Act and RFR 1 "Supplementary rules for groups". The Annual report for the Parent company has been prepared in accordance with the Annual Accounts Act and Swedish Financial Accounting Standards Council's RFR 2 "Accounting for legal entities". RFR 2 means that the parent company in the annual report for the legal entity shall apply IFRS' rules and statements as adopted by the EU, so far this is possible within the framework of the Annual Accounts Act and with regard to the connection between accounting and taxation. The recommendation states which exceptions and additions that shall be or are allowed to be made from IFRS. The accounting principles of the Parent company are the same as for the Group, except in the cases specified below in the section entitled "Parent Company accounting principles".

Change in over- and underlift valuation
The accounting principles as described in the Annual report 2014 have been used in the preparation of this report, with the exception of the valuation and presentation of overlift and underlift. The accounting principles in the Annual report 2014 stated that overlift should be valued at market value and underlift valued at cost. Furthermore the previous accounting principles stated that the overlift and underlift adjustment was presented within the Operating expenses category in the Income statement. Following an internal review of the accounting principles used in the preparation of the financial reports, the company has decided to value both overlift and underlift at market value and furthermore introduce Revenue at the top of the Income statement which would include both the previous line item Net sales and also include overlift and underlift adjustment. The purpose of the change is to better align Revenue with production, have a more understandable Operating expenses category and thereby increase transparency and investors' understanding of the company. The change in valuation of underlift has had an effect on historic results and equity as per the below table. In this financial report all historic financial data has been recalculated with the new accounting principles. Over time, there will be no change in results or equity in the company and difference from the change in valuation principles is only timing related and will only have a temporarily effect during a financial period.

MSEK	2015	2014	2013	2012	2011
Revenue, old accounting principles*	886	1,046	592	584	104
Revenue, new accounting principles	905	1,027	602	583	104
EBITDA, old accounting principles	382	753	479	509	84
EBITDA, new accounting principles	496	743	488	509	84
EBIT, old accounting principles	187	404	285	336	83
EBIT, new accounting principles	194	393	294	336	83
Net result, old accounting principles	190	350	240	314	69
Net result, new accounting principles	198	340	249	314	69
Earnings per share, old accounting principles, SEK per share	5.45	9.86	6.76	9.10	2.12
Earnings per share, new accounting principles, SEK per share	5.66	9.56	7.00	9.10	2.12
Shareholders' equity, old accounting principles	1,857	1,675	1,100	860	456
Shareholders' equity, new accounting principles	1,864	1,675	1,109	860	456

*Note that Revenue under old accounting principles represents Net sales.

New accounting principles for 2015
IASB has issued several amendments to financial standards effective as from 1 January 2015 of which no one has had any material impact on the consolidated financial statments of the Group.

New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group is assessing the impact of IFRS 15.

IFRS 16 Leases
In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. EU has not yet adopted the standard. The group has not yet assessed the impact of IFRS 16.

Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Jointly controlled companies

As stated above, a subsidiary that is controlled by the Group will be fully consolidated within the results of Tethys Oil. Joint control exists when the Group does not have the control to determine the strategic operating, investing and financing policies of a partially owned entity without the co-operations of others. When this is the case the entity is proportionally consolidated.

Joint arrangements

The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations for each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint operations. In the accounting, the group recognize in the consolidated financial statements, on a line-by-line basis, its share of assets, liabilities and expenses of these joint operations incurred jointly with the other partners, along with the Group's income from the sale of the output and any liabilities and expenses that the group has incurred in relation to the joint operation.

Associated companies

An investment in an Associated company is an investment in an undertaking where the Group exercises significant influence but not control, generally accompanying a shareholding of at least 20 per cent but not more than 50 per cent of the voting rights. Such investments are accounted for in the consolidated financial statements in accordance with the equity method and are initially recognized at cost. The difference between the acquisition cost of shares in an associated company and the net fair value of the assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The Group's share in the post-acquisition results of the associated company is recognised in the income statement and the Group's share in post-acquisition movements in other comprehensive income of the associated company is recognised directly in other comprehensive income of the Group. When the Group's accumulated share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's percentage in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in Swedish Kronors (SEK) which is the currency the Group has elected to use as the presentation currency.

Transactions and balances
Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date and foreign exchange currency differences are recognised in the income statement. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Exchange differences are included in financial income/expenses in the income statement. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the balance sheet rate of exchange.

Presentation currency
The balance sheets and income statements of foreign Group companies are translated for consolidation purposes using the current rate method. All assets and liabilities of the subsidiary companies are translated at the balance sheet date rates of exchange, whereas the income statements are translated at average rates of exchange for the year, except for transactions where it is more relevant to use the rate of the day of the transaction. The translation differences which arise are recorded directly in the foreign currency translation reserve within other comprehensive income. Upon disposal of a foreign operation the translation differences relating to that operation will be transferred from equity to the income statement and included in the result on sale. Translation differences arising from net investments in subsidiaries, used for financing exploration activities, are recorded directly in other comprehensive income.

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

	31 December 2015		31 December 2014	
Currency	**2015 average**	**2015 period end**	**2014 average**	**2014 period end**
SEK/EUR	9.42	9.30	9.15	9.53
SEK/USD	8.45	8.51	6.88	7.77
SEK/CHF	8.80	8.60	7.53	7.91

Effect of currency exchange rates on operating result Comparison with 31 December 2014, MSEK	
Revenue	169
Depreciation, depletion and amortization	-55
Exploration costs	-2
Other income	0
Operating expenses	-67
Net profit/loss from associate	0
Other losses/gains, net	0
Administrative expenses	-3
Summary of currency exchange rate effect on operating result	**41**

The table above presents the currency exchange effect on operating result compared with 2014, by applying the average exchange rate of 2014 on 2015 accounts.

Segment reporting

Operating segments are based on geographic perspective and reported in a manner consistent with the internal reporting provided to the Executive Management. Information for segments is only disclosed when applicable.

Classification of assets and liabilities

Non-current assets, long-term liabilities and provisions consist for the most part solely of amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current liabilities consist solely of amounts that are expected to be recovered or paid within twelve months after the balance sheet date.

Oil and gas properties

Oil and gas properties are initially recorded at historical cost, where it is probable that they will generate future economic benefits. All costs for acquiring concessions, licences or interests in production sharing contracts and for the survey, drilling and development of such interests are capitalised on a field area cost centre basis. This includes capitalisation of decommissioning and restoration costs associated with provisions for asset retirement (see "Provisions"). Oil and gas properties are subsequently carried at cost less accumulated depreciation, depletion and amortisation (including any impairment). Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of assets sold and are recognised in income.

Routine maintenance and repair costs for producing assets are expensed to the income statement when they occur.

Proceeds from the sale or farm-out of oil and gas concessions in the exploration stage are off set against the related capitalised costs of each cost centre with any excess of net proceeds over all costs capitalised included in the income statement. In the event of a sale in the exploration stage any deficit is included in the income statement.

Oil and gas properties are categorised as either producing or non-producing.

Depreciation, depletion and amortisation

Producing oil and gas properties are depleted on a unit-of-production basis over the proved and probable reserves of the field concerned, except in the case of assets whose useful lives differ from the lifetime of the field, in which case the straight-line method is applied.

In accordance with the unit of production method, net capitalised costs to reporting date, together with anticipated future capital costs for the development of the proved and probable reserves determined at the balance sheet date price levels, are depleted based on the year's production in relation to estimated total proved and probable reserves of oil and gas. Depletion of a field area is charged to the income statement once commercial production commences, under Depletion, depreciation and amortisation.

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorised as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 per cent probability that the quantities actually recovered will equal or exceed the estimates.

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50 per cent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

Exploration costs

Exploration costs relate to non-producing oil and gas properties and are recognised in the income statement when a decision is made not to proceed with an oil and gas project, or when expected future economic benefits of an oil and gas project are less than capitalised costs. No depletion is charged to non-producing oil and gas properties.

Costs related to non-producing oil and gas properties and directly associated with an exploration well are capitalised until the determination of reserves is evaluated. If it is determined that a commercial discovery has not been achieved, these exploration costs are charged to the income statement as exploration costs.

The field will be transferred from the non-production cost pool to the production cost pool within oil and gas properties once commercial production commences, and accounted for as a producing asset.

Impairment

Tethys Oil continuously assesses its producing oil and gas properties for any need for impairment. This is performed in conjunction with each balance sheet date or if there are events or changes in circumstances that indicate that carrying values of assets may not be recoverable. Such indicators include changes in the Group's business plans, relinquished licences, changes in raw materials prices leading to lower revenues and, for oil and gas properties, downward revisions of estimated reserve quantities.

Testing for impairment losses is performed for each cash generating unit, which corresponds to licence right, production sharing agreement or equivalent owned by Tethys Oil. A cash generating unit thus usually corresponds to each acquired asset in each country in which Tethys Oil carries on oil and gas operations. Impairment testing means that the balance sheet item amount for each cash generating unit is compared to the recoverable amount for the assets, which is the higher of the fair value of the assets less sales expenses and the value in use. The value in use of the assets is based on the present value of future cash flows discounted by a discount rate; see also Note 9 under the section Impairment testing. An impairment loss is recorded when an asset's or a cash generating unit's recorded value exceeds the recoverable amount. Impairment losses are charged to the income statement, under Depletion, depreciation and amortisation.

Interest

Interest on borrowings to finance the acquisition of producing oil and gas properties is charged to income as incurred. Interest on borrowings to finance fields under development is capitalized within oil and gas properties until production commences.

Valuation principles financial items

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and other liabilities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Tethys Oil reports a financial asset or a financial liability in the balance sheet when the company becomes a party to the instrument's contractual terms. The company derecognises a financial liability or part thereof when the obligation stated in the relevant contract is fulfilled or otherwise terminated.

Tethys Oil bases the fair value of financial instruments depending on available market data at time of valuation. Data are categorised into three categories; Level 1: quoted prices in active markets. Level 2: valuation based on observable market data. Level 3: valuation techniques incorporating information other than observable market data. The reported value – after any impairment – of accounts receivable and accounts payable is assumed to equate to their fair value, since these entries are short-term in nature.

a) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial assets held for trading. A financial asset and liabilities are classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets and liabilities in this category are classified as current assets or liabilities if expected to be settled within 12 months; otherwise, they are classified as non-current. Derivate instruments in this category are described in note 7.

Financial assets and liabilities carried at fair value through profit or loss are both initially and subsequently recognised at fair value, and transaction costs are expensed in the income statement.

b) Receivables and other receivables

Receivables and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet. Receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Assets are also measured less provision for impairment.

c) Other liabilities

Other liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities. Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

d) Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement

Fixed assets other than oil and gas

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is based on cost and is calculated on a straight line basis over the estimated economic life of 3 to 5 years for office equipment and other assets.

Additional costs to existing assets are included in the assets' net book value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The net book value of any replaced parts is written off. Other additional expenses are deemed to be repair and maintenance costs and are charged to the income statement when they are incurred. The net book value is written down immediately to its recoverable amount when the net book value is higher. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, including offsetting bank overdrafts, short-term deposits, money market funds and commercial paper that have a maturity of three months or less at the date of acquisition.

Equity

Share capital consists of the registered share capital for the Parent Company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. Excess contribution in relation to the issuance of shares is accounted for in the item additional paid-in-capital.

The currency translation reserve contains unrealised translation differences due to the conversion of the functional currencies into the presentation currency.

Retained earnings contain the accumulated results attributable to the shareholders of the Parent Company.

Provisions

A provision is reported when the Company has a legal or constructive obligation as a consequence of an event and when it is more likely than not that an outflow of resources is required to settle the obligation and a reliable estimate can be made of the amount. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as financial expense.

On fields where the Group is required to contribute to site restoration costs, a provision is recorded to recognise the future commitment. An asset is created, as part of the oil and gas property, to represent the discounted value of the anticipated site restoration liability and depleted over the life of the field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognises the discounted value of the future liability. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to financial expenses. Changes in site restoration costs and reserves are treated prospectively and consistent with the treatment applied upon initial recognition.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period where appropriate.

Revenue

Revenues from the sale of oil and gas are recognised in the income statement net of royalties in kind or in cash (government take). Revenues associated with the sale of crude oil are recognized at the fair value of the consideration received or receivable when the significant risks and rewards of ownership have been transferred, which is when title passes from the Company to the customer. For Tethys Oil's operations, customers take title when the crude oil is loaded onto a tanker.

Underlift and overlift

Crude oil and natural gas produced and sold, below or above the Company's working interest share in the related oil and gas property, results in production underliftings, or overliftings. Underliftings are recorded as Other receivables valued at market value, and overliftings are recorded in Other current liabilities and accrued at the market value. Underliftings are reversed from Other receivables when the crude oil is lifted and sold. Overliftings are reversed from Other current liabilities when sufficient volumes are produced to make up the overlifted volume.

Profit oil and cost recovery

Blocks 3 and 4 in Oman, being Tethys Oil's main and only producing oil and gas property, is governed by an Exploration and Production Sharing Contract (EPSA). Under the EPSA, revenues are derived from cost recovery oil and gas and profit oil and gas. Cost recovery oil and gas allows Tethys Oil to generally recover all investments and operating expenses (CAPEX and OPEX). Profit oil and gas is allocated to the host government and contract parties in accordance with their respective equity interests.

Other

Incidental revenues from the production of oil and gas are offset against capitalised costs of the related cost centre until quantities of proven and probable reserves are determined or commercial production has commenced. Service income, generated by providing technical and management services to joint operations, is recognised as other income.

Income taxes

Presented income taxes include tax payable or tax receivable for the reporting period, adjustments in regard to previous year's taxes and changes in deferred tax.

Valuations of all tax liabilities/claims is in nominal amounts and are prepared in accordance with tax legislation and tax rates decided or announced and at which they are likely to be resolved.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Pension obligations

The majority of the pension obligations of the Group are governed by legally required social costs. Additional pension schemes exists which are funded through payments to insurance companies. These are defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions should this legal entity not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

Severance pay

Severance pay is payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for the severance pay. The Group recognises severance pay when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing severance pay as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Related party transactions

Tethys Oil recognises the following related parties: associated companies, jointly controlled entities, members or the family of the key management personnel or other parties that are partly, directly or indirectly, controlled by key management personnel or of its family or of any individual that controls, or has joint control or significant influence over the entity.

Parent Company accounting principles

The Parent Company has prepared its Annual Report in compliance with Swedish Annual Accounts Act and recommendation RFR 2, Accounting for Legal Entities of the Swedish Financial Reporting Board.

Subsidiaries

Holdings in subsidiaries are recognized in the Parent Company financial statements according to the cost method of accounting. The values of subsidiaries are tested for impairment when there is an indication of a decline in the value.

Taxes

The Parent Company's financial statements recognize untaxed reserves including deferred tax. The consolidated financial statements, however, reclassify untaxed reserves to deferred tax liability and equity.

Note 1, Risk management

The Group's activities expose it to a number of risks and uncertainties which are continuously monitored and reviewed. Presented below are the main risks and uncertainties of the group as identified by the directors and how the group handles these risks.

Operational risk management

Technical and geological 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.

Oil price

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. There were no oil price hedges in place as per 31 December 2015.

Tethys Oil's has a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances Tethys Oil will assess the benefits of forward hedging sales contracts for the purpose of establishing a secured cash flow. If Tethys Oil believes that the hedging contract will provide an enhanced cash flow or if the risk of not being able to meet investment commitments is high, then Tethys Oil may choose to enter into an oil price hedge.

Net result in financial statements (MSEK)	198	198
Shift in oil price (USD/barrel)	+5	-5
Total effect on net result (MSEK)	**20**	**-20**

Access to equipment

An 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.

Political risk

Tethys Oil has operations, alone or with partners, in several different countries and can therefore be subject to political risk. The political risks are monitored and factored in when evaluating possible projects. Asset diversification is again Tethys Oil's principal approach to deal with this risk. Specifically, Tethys Oil also deals with political risk by emphasising continuous close dialog with host country authorities and interest groups, nationally as well as locally. Tethys Oil holds its oil and gas interest through licences, directly or indirectly, which are granted by national governments. Tethys Oil's operations are often also subject to local permits. Therefore Tethys Oil and the industry are subject to a wide range of political risks on different levels and the business is highly sensitive to political changes.

Environment

Oil and gas operations can be environmentally sensitive. Tethys Oil devotes considerable effort and expense to identify and mitigate any perceived environmental risk. The operations are subject to extensive regulatory control with regard to environmental matters, both on national and international levels. Environmental legislation regulates inter alia the control of water and air contamination, waste material, licensing requirements, restrictions on carrying out operations in environmentally sensitive and littoral areas.

Key personnel

Tethys Oil is dependent on certain key personnel, some of whom have founded the company at the same time as they are some of the existing shareholders and members of the board of directors of the company. These people are important for the successful development of Tethys Oil. The company actively tries to strike an optimal balance between its dependence of key personnel and its methods for retaining these.

Licenses

Tethys Oil's direct interests are held through agreements with host countries, for example licenses or production sharing agreements. These agreements are often limited in time and there are no guarantees that the agreements can be extended when a time limit is reached.

Financial risk management

The Group's activities expose it to a variety of financial risks, mainly categorized as exchange rate risk and liquidity risk. The Group's risks are continuously monitored and analysed by the board of directors and management. The aim is to minimise potential adverse effects on the Group's financial performance.

Foreign currency risk

The Group is exposed to fluctuations in the foreign exchange markets as fluctuations in exchange rates can negatively affect the operating profit, cash flow and equity. The major proportion of the Group's assets relate to international oil and gas discoveries valued in USD and which generate revenues in USD. During 2015, all of Tethys Oil's oil sales and operative expenditures were denominated in USD. The exchange risk effect the Group by transaction risk and translation risk.

Transaction risk

Transaction exposure arises in the cash flow when invoicing or the costs of invoiced goods and services are not in the local currency. By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. Presented below is the exposure to currencies with reference to items in the financial statements:

Revenue 2015	100 per cent in USD
Investments 2015	99 per cent in USD
External financing 2015	no external financing at year-end 2015

Tethys Oil does not currently hedge exchange rates. The Group's policy is to hold a large portion of liquidity in USD to reduce the exchange rate risk.

Translation risk

Exchange-rate changes affect the Group in conjunction with the translation of the income statements of foreign subsidiaries to SEK as the Group's operating profit is affected and when net assets in foreign subsidiaries are translated into SEK which can negatively affect the Group's operating profit and statement of financial position. The Group does not hedge its translation exposure and fluctuating currency rates might negatively affect the operating profit and financial position of the Group.

Net result in financial statements (MSEK)	198	198
Shift in SEK/USD	+10%	-10%
Total effect on net result (MSEK)	**20**	**-20**

Equity in financial statements (MSEK)	1,864	1,864
Shift in SEK/USD	+10%	-10%
Total effect on equity (MSEK)	**20**	**-20**

Liquidity risks and capital 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 and debt financed through share and bond issues and also financed by asset divestment. Additional capital could be needed to finance Tethys Oil's future operations and/or for acquisition of additional licences. The main risk is that this need could occur during less favourable market conditions.

Fall due profile on Tethys Oil's financial liabilities	**31 December 2015**		**31 December 2014**	
MSEK	**<1 year**	**1–3 year**	**<1 year**	**1–3 year**
Accounts payables and other liabilities	100	–	4	–
Total	**100**	**–**	**4**	**–**

Credit risk

Tethys Oil's policy is to limit credit risk by limiting the counter-parties to major banks and oil trading companies. Tethys Oil is selling all of its oil through Mitsui Energy Trading Singapore which is part of Mitsui & Co. Ltd. As at 31 December 2015 the Group's receivables on oil sales amounted to MSEK 69 (MSEK 80), this also represents the maximal exposure on accounts receivable. There is no history of default. Cash and cash equivalents are maintained with banks having strong long-term credit ratings. Maximal exposure regarding other financial assets are those presented in the balance sheet.

It is the responsibility of the board of directors to overview the Group's capital structure and financial management, approve certain business regarding acquisition, investments, possible lending as well as on-going monitoring exposure to financial risks.

Fair value

IAS 39 valuation categories and related balance sheet items

31 December 2015			
MSEK	**Financial assets and liabilities at fair value through profit or loss**	**Receivables and other receivables**	**Other liabilities**
Other receivables	–	69	–
Prepaid expenses	–	16	–
Cash and bank	–	436	–
Debt	–	–	–
Accounts payables	–	–	1
Other current liabilities	–	–	99

31 December 2014			
MSEK	**Financial assets and liabilities at fair value through profit or loss**	**Receivables and other receivables**	**Other liabilities**
Other receivables	–	80	–
Prepaid expenses	–	19	–
Cash and bank	–	372	–
Debt	–	–	–
Accounts payables	–	–	2
Other current liabilities	–	–	2

Note 2, Critical accounting estimates and judgements

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Estimates in oil and gas reserves

The business of the Group is the exploration for, development of and production of oil and gas reserves. Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion and site restoration. Changes in estimates in oil and gas reserves, resulting in different future production profiles, will affect the discounted cash flows used in impairment testing, the anticipated date of site decommissioning and restoration and the depletion charges in accordance with the unit of production method.

Investments in associated companies

The Group determines if the carrying value for investments in associated companies has suffered any impairment where any objective evidence of impairment exists. Objective evidence could for example come from reserve report updates, production reports and other third party studies of the asset. This assessment is performed to identify where the carrying value exceeds its recoverable amount. The recoverable amounts have been determined based on value in use calculations. Assessments used in these calculations include judgement of the future cash flows, discount rates and exchange rates.

Site restoration provision

Amounts used in recording a provision for site restoration are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to the site decommissioning and restoration can be different. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of site restoration provisions are reviewed on a regular basis. The effects of changes in estimates do not give rise to prior year adjustments and are treated prospectively over the estimated remaining commercial reserves of each field. While the Group uses its best estimates and judgement, actual results could differ from these estimates.

Impairment of oil and gas properties

The Group annually tests, on a field by field basis, oil and gas properties to determine that the net book amount of capitalized costs within each field less royalties and deferred production or revenue related taxes is covered by the anticipated future net revenue from oil and gas reserves attributable to the Group's interest in related fields (note 9). The Group has used its judgement and made assumptions to perform these tests.

Tax

The company has not recorded a deferred tax asset in relation to the tax losses carried forward as there is uncertainty as to if the tax losses may be utilised (note 16).

Events after the balance sheet date

All events up to the date when the financial statements were authorised for issue and which have a material effect in the financial statements have been disclosed.

Note 3, Segment information

The Group's accounting principle for segment describes that operating segments are based on geographic perspective and reported in a manner consistent with the internal reporting provided to the executive management, which is considered to be the chief operating decision maker. Previous years, the company's chief operating decision maker has been considered to be the executive management. There have been no changes to the operating segments due to the change of operating decision maker. The operating result for each segment is presented below.

		Group income statement Jan–Dec 2015			
MSEK	**Lithuania**	**Oman**	**Sweden**	**Other**	**Total**
Revenue	–	905	–	–	**905**
Operating expenses	–	-362	–	–	**-362**
Depreciation, depletion and amortisation	–	-293	0	–	**-293**
Exploration costs	–	-9	–	–	**-9**
Other income	–	–	–	–	**–**
Net profit/loss from associates	-3	–	–	–	**-3**
Administrative expenses	–	-10	-29	-5	**-44**
Operating result	**-3**	**231**	**-29**	**-5**	**194**
Total financial items					**4**
Result before tax					**198**
Income tax					**–**
Result for the period					**198**

		Group income statement Jan–Dec 2014			
MSEK	**Lithuania**	**Oman**	**Sweden**	**Other**	**Total**
Revenue	–	1,027	–	–	**1,027**
Operating expenses	–	-255	–	–	**-255**
Depreciation, depletion and amortisation	–	-214	–	–	**-213**
Exploration costs	–	–	–	-1	**-1**
Other income	–	–	–	–	**–**
Net profit/loss from associates	-133	–	–	–	**-133**
Administrative expenses	–	-5	-20	-5	**-31**
Operating result	**-133**	**553**	**-20**	**-6**	**393**
Total financial items					**-53**
Result before tax					**340**
Income tax					**–**
Result for the period					**340**

As per 31 December 2015 (and comparative periods) in Tethys Oil, the only oil producing area from which net sales are recorded is Oman. Revenue, operating expenses and depletion, which is presented in notes 4, 9 and 10, therefore only relate to Oman and Blocks 3 and 4 in particular.

Regarding Oil and gas properties and Office equipment, segment reporting is provided in note 8 and 17. Please refer to note 1 regarding Credit risk exposure on accounts receivables.

Note 4, Revenue

Revenue, MSEK	2015	2014
Net sales	886	1,046
Underlift (overlift)	18	-19
Revenue	**905**	**1,027**

Tethys Oil sells all of its oil through Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. All oil sales come from Blocks 3 and 4 Oman and are made on a monthly basis. The selling price is the monthly average of the two month future price for Omani blend.

Note 5, 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. Tethys Oil is as per 31 December 2015 not operator in any of its licences.

Note 6, Associated companies

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 which are 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 2015.

	owns	of	owns	of	owns	of	owns	of	Tethys Oil's indirect interest
Tethys Oil AB (publ)	50%	Odin Energy A/S	50%	UAB Minijos Nafta			100%	Gargzdai, Lithuania	**25%**
	40%	Jyllands Olie ApS	75%	UAB TAN Oil			100%	Raseiniai, Lithuania	**30%**
					100%	UAB LL Investicijos	100%	Rietavas, Lithuania	**30%**

MSEK	UAB Minijos Nafta	UAB TAN Oil
Income statement in associated companies	**1 Jan – 31 Dec 2015**	**1 Jan – 31 Dec 2015**
Gross revenue	79	3
Royalty	-11	–
Net revenue	**68**	**2**
Depreciation	-23	-10
Appraisal/development costs	-20	-5
Operating expenditures	-48	-1
Administrative expenditures in Lithuanian company	-11	-10
Operating result	**-34**	**-23**
Financial income	3	10
Financial expenditures	-3	-3
Profit before tax	**-34**	**-15**
Tax	-2	–
Net profit in associated companies	**-32**	**-15**

The book value related to Minijos Nafta (Gargzdai) is zero, and as there are no liabilities related to Minijos Nafta, Tethys Oil does not recognize any negative net result.

MSEK	UAB Minijos Nafta	UAB TAN Oil
Tethys Oil's share of profit loss from associated companies	**1 Jan – 31 Dec 2015**	**1 Jan – 31 Dec 2015**
Gross revenue		1
Royalty	–	–
Net revenue		**1**
Depreciation	–	-3
Appraisal/development costs	–	-1
Operating expenditures	–	–
Administrative expenditures in Lithuanian company	–	-3
Operating result		**-5**
Financial income	–	3
Financial expenditures	–	-1
Profit before tax		**-3**
Tax	–	–
Tethys Oil's share of net profit from associated companies		**-3**

Total share of net profit from associated companies 2015	**-3**

MSEK	UAB Minijos Nafta	UAB TAN Oil
Income statement in associated companies	**1 Jan – 31 Dec 2014**	**1 Jan – 31 Dec 2014**
Gross revenue	117	–
Royalty	-12	–
Net revenue	**105**	**–**
Depreciation	-21	-1
Appraisal/development costs	-4	-2
Operating expenditures	-54	–
Administrative expenditures in Lithuanian company	-10	-1
Operating result	**16**	**-3**
Financial income	2	–
Financial expenditures	-1	–
Profit before tax	17	-3
Tax	-2	–
Net profit from in associated companies	**14**	**-3**

MSEK	UAB Minijos Nafta	UAB TAN Oil
Tethys Oil's share of profit loss from associated companies	**1 Jan – 31 Dec 2014**	**1 Jan – 31 Dec 2014**
Gross revenue	29	–
Royalty	-3	–
Net revenue	**26**	**–**
Depreciation	-5	–
Appraisal/development costs	-1	–
Operating expenditures	-14	–
Administrative expenditures in Lithuanian company	-3	–
Operating result	**4**	**-1**
Financial income	–	–
Financial expenditures	–	–
Profit before tax	**4**	**-1**
Tax	-1	–
Tethys Oil's share of net profit from associated companies	**4**	**-1**

Total share of net profit from associated companies 2014	**2**

MSEK	31 Dec 2015	31 Dec 2014
1 January	**41**	**184**
Tethys Oil's share of net profit from associated companies	-3	2
Dividend from associated companies	-23	-11
Depletion	–	-8
Impairment cost*	–	-127
Balance end of period	**15**	**41**

* Please find more information regarding impairment in note 8.

Note 7, Provisions

Tethys Oil estimates that Tethys Oil's share of site restoration regarding Blocks 3 and 4 amounts to MSEK 34 (25). As a consequence of this provision, oil and gas properties have increased with an equal amount. The reduction of the provision is related to a more detailed calculation of the site restoration provision affecting the provision's net present value.

Note 8, Oil and gas properties

Country	Licence name	Phase	Expiration date	Remaining commitments	Tethys Oil	Partners (operator in bold)
Oman	Block 3,4	Production	July 2040	None	30%	**CCED,** Mitsui, Tethys Oil
France	Attila	Exploration	2015[1]	None	40%	**Galli Coz,** Tethys Oil
France	Alès	Exploration	2015[1]	MUSD 1.5[2]	37.5%	**Tethys Oil,** MouvOil
Lithuania	Gargzdai[3]	Production	No expiration date	None	25%	Odin, GeoNafta, Tethys Oil
Lithuania	Rietavas[3]	Exploration	No expiration date	None	30%	Odin, Tethys Oil, private investors
Lithuania	Raseiniai[3]	Exploration	Sep 2017[4]	MEUR 1.2	30%	Odin, Tethys Oil, private investors

MSEK	31 Dec 2015	31 Dec 2014
Producing cost pools	1,625	1,296
Non-producing cost pools	1	7
Total oil and gas properties	**1,625**	**1,303**

MSEK Country	Asset type	Book value 31 Dec 2015	Other non–cash adjustments 1 Jan–31 Dec 2015	Currency exchange diff 1 Jan–31 Dec 2015	DD&A 1 Jan–31 Dec 2015	Exploration costs 1 Jan–31 Dec 2015	Investments 1 Jan–31 Dec 2015	Book value 1 Jan 2015
Oman Blocks 3 and 4	Producing	1,625	137	138	-292	–	347	1,296
Oman Block 15	Non-producing	–	–	–	–	-9	1	7
France Attila	Non-producing	–	–	–	–	–	–	–
France Alès	Non-producing	–	–	–	–	–	0	–
New ventures	Non-producing	1	–	–	–	–	0	–
Total		**1,626**	**137**	**138**	**-292**	**-9**	**348**	**1,303**

MSEK Country	Asset type	Book value 31 Dec 2014	Other non–cash adjustments 1 Jan–31 Dec 2014	Currency exchange diff 1 Jan–31 Dec 2014	DD&A 1 Jan–31 Dec 2014	Exploration costs 1 Jan–31 Dec 2014	Investments 1 Jan–31 Dec 2014	Book value 1 Jan 2014
Oman Blocks 3 and 4	Producing	1,296	36	199	-213	–	263	1,011
Oman Block 15	Non-producing	7	–	1	–	–	6	–
France Attila	Non-producing	–	–	–	–	-1	1	–
France Alès	Non-producing	–	–	–	–	–	–	–
Sweden Gotland	Non-producing	–	–	–	–	–	–	–
New ventures	Non-producing	–	–	–	–	–	–	–
Total		**1,303**	**36**	**200**	**-213**	**-1**	**269**	**1,012**

1 In accordance with the licence terms, Tethys Oil has in connection with the licence extension filed a mandatory application of relinquishment of part of the licence which is still pending approval from French authorities.

2 Tethys Oil has a commitment towards the partner MouvOil and the French authorities to pay for seismic and drilling. The work is estimated to amount to MUSD 1.5.

3 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.

4 An application for an extension until 2022 has been filed.

Impairment testing

In Tethys Oil's impairment testing, the Company uses its best efforts to estimate production profiles, general cost and development environment. To calculate future free cash flows, the forward oil price as traded in the market as per 31 December 2015 was used. With regard to discount rates, a rate of 8 per cent after tax has been used for Omani and Lithuanian assets respectively. There has been no impairment of assets during 2015. During 2014 impairment was made with regard to Lithuanian asset Gargzdai of MSEK 127, following the decline in oil prices the asset was determined to be sub-commercial. The impairment cost is disclosed in note 6. There has been no impairment of oil and gas properties during 2015.

Exploration costs during 2015 amounted to MSEK 9 and mainly related to Block 15 as the project was terminated during the year. Exploration costs during 2014 amounted to MSEK 1 and were mainly related to new venture projects which were rejected or no longer pursued.

MSEK **Investments Block 3 and 4** **Categories**	**2015**	**2014**
Drilling – Exploration/Appraisal	-41	-77
Drilling – Development	-122	-74
G&G	-71	-50
Facilities	-65	-53
Pipeline	-25	-38
Other capex	-22	30
Total	**-347**	**-263**

MSEK **Oil & gas properties Block 3 and 4** **Categories**	**31 Dec 2015**	**31 Dec 2014**
Drilling – Exploration/Appraisal	300	231
Drilling – Development	688	500
G&G	288	188
Facilities	611	490
Pipeline	174	132
Tethys Oil sole cost	39	30
Other capex	330	191
Accumulated depreciation	-805	-466
Total	**1,625**	**1,296**

Note 9, Operating expenditures

MSEK	Group		Parent	
Operating expenditures	**2015**	**2014**	**2015**	**2014**
Production costs	-313	-233	–	–
Well workovers	-49	-31	–	–
Total	**-362**	**-264**	**–**	**–**

Note 10, Other losses/gains, net

MSEK	Group		Parent	
Other losses/gains, net	**2015**	**2014**	**2015**	**2014**
Foreign exchange gains	0	0	0	0
Foreign exchange losses	-0.1	-0.1	-0.1	-0.1
Total	**-0.1**	**-0.1**	**-0.1**	**-0.1**

Note 11, Remuneration to company auditor

MSEK	Group		Parent	
Remuneration to company auditor include:	**2015**	**2014**	**2015**	**2014**
PwC:				
Audit fee	-1	-1	-1	-1
Audit-related fees	-0	–	-0	–
Tax consultation	–	–	–	–
Other	–	–	–	–
Total	**-1**	**-1**	**-1**	**-1**

Note 12, Administrative expenses

MSEK	Group		Parent	
Administrative expenses	**2015**	**2014**	**2015**	**2014**
Personnel costs	-25	-16	-14	-9
Rent	-2	-2	-2	-2
Other office costs	-3	-2	-2	-2
Listing costs	-1	-1	-1	-1
Costs of external relations	-1	-2	-1	-2
Other costs	-11	-8	-9	-7
Total	**-44**	**-31**	**-29**	**-20**

Note 13, Employees

Average number of employees per country	**2015**		**2014**	
	Total	**Total men**	**Total**	**Total men**
Parent company				
Sweden	6	4	7	4
Total parent company	**6**	**4**	**7**	**4**
Subsidiary companies in Sweden	**–**	**–**	**–**	**–**
Subsidiary companies foreign				
Oman	8	5	6	4
Switzerland	–	–	1	–
United Arab Emirates	3	2	4	3
Total subsidiary companies foreign	**11**	**7**	**11**	**7**
Total group	**18**	**11**	**18**	**11**

TSEK	**2015**		**2014**	
Salaries, other remuneration and social costs	**Salaries, other remune-ration**	**Social costs**	**Salaries, other remune-ration**	**Social costs**
Parent company				
Sweden	10,270	3,395	6,512	1,993
Total parent company	**10,270**	**3,395**	**6,512**	**1,993**
Subsidiary companies in Sweden			**–**	**–**
Subsidiary companies foreign				
Oman	8,526	–	4,190	–
United Arab Emirates	2,634	–	3,136	–
Total subsidiary companies foreign	**11,160**	**–**	**7,326**	**–**
Total group	**21,430**	**3,395**	**13,838**	**1,993**

TSEK	2015		2014	
Salaries and other remuneration distributed between the board and other employees	**Board and Managing Director**	**Other employees**	**Board and Managing Director**	**Other employees**
Parent company				
Sweden	3,806	6,464	2,579	3,933
Total parent company	**3,806**	**6,464**	**2,579**	**3,933**
Subsidiary companies in Sweden	**–**	**–**	**–**	**–**
Subsidiary companies foreign				
Oman	–	8,526	–	4,190
United Arab Emirates	–	2,634	–	3,136
Total subsidiary companies foreign	**–**	**11,160**	**–**	**7,326**
Total group	**3,806**	**17,624**	**2,579**	**11,259**

The group currently has 18 full time employees.

Magnus Nordin as managing director is entitled to twelve months payment if the Company terminates the employment and other members of executive management are entitled to nine months payment if the Company terminates their employment.

In 2015 and 2014 one woman has been a member of the board of directors and no women have been members of the executive management.

Salaries and other remuneration to management during 2015, TSEK expensed	Salaries	Bonus	Benefits	Pensions	Total 2015
Magnus Nordin	1,733	405	1,424	324	3,886
Morgan Sadarangani	1,156	270	702	216	2,344
Jesper Alm	1,061	135	718	216	2,130
Total	**3,950**	**810**	**2,844**	**756**	**8,360**

Benefits mainly include received warrants from the incentive programme

Salaries and other remuneration to management during 2014, TSEK expensed	Salaries	Bonus	Benefits	Pensions	Total 2014
Magnus Nordin	1,652	540	11	375	2,579
Morgan Sadarangani	1,102	360	11	217	1,690
Jesper Alm	566	–	6	129	701
Total	**3,320**	**900**	**28**	**721**	**4,969**

TSEK **Salaries and other remuneration to board members (in their capacity as board members)**	**Salaries**	**Remuneration**	**Total 2015**	**Total 2014**	**Attendance 2015**
Per Brilioth	–	225	225	87	17/19
Dennis Harlin	–	–	–	–	14/14
Staffan Knafve	–	500	500	193	–
Magnus Nordin	–	–	–	–	19/19
Jan Risberg	–	250	250	97	–
Katherine Støvring	–	225	225	87	19/19
Geoffrey Turbott	–	–	–	–	11/14
Total	**–**	**1,200**	**1,200**	**464**	

At the Annual General Meeting of shareholders on 13 May 2015 Per Brilioth, Magnus Nordin and Katherine Støvring were re-elected members of the board. Dennis Harlin and Geoffrey Turbott were newly elected directors. No deputy directors were appointed. At the same meeting Dennis Harlin was appointed chairman of the board.

There have not been any agreements on pensions for any of the directors of the board. For the executive management, the pension costs follow a defined contribution plan.

Principles for remuneration and other terms of employment for management 2015

It is the aim of Tethys Oil to recruit, motivate and retain executives capable of achieving the objectives of the Group, and to encourage and appropriately reward superior performance in a manner that enhances shareholder value. Accordingly, the Group operates a policy on remuneration which ensures that there is a clear link to business strategy and a close alignment with shareholder interests, and aims to ensure that executives are rewarded fairly for their contribution to the Group's performance.

The Company's policy on remuneration for executives, has been approved by the remuneration committee and is described here below. The term 'executives' refers to the managing director, chief financial officer (CFO) and EVP corporate development.

Remuneration committee

The remuneration committee is to receive information on, and to determine matters regarding the remuneration of Group management. The committee is responsible for reviewing the policy on remuneration and the compensation of executives and for making recommendations thereon to the board of directors. The proposed compensation level, criteria for variable salary and other employment terms for the managing director are submitted by the remuneration committee to the board for approval. For other executives, the managing director is responsible for proposing appropriate terms of compensation for approval to the remuneration committee and for reporting to the board.

Elements of remuneration

There are five key elements to the remuneration package of executives in the Group:

1) base salary;
2) share based incentive programme;
3) pension arrangements;
4) yearly variable salary;
5) non-financial benefits.

Base Salary

The base salary shall be in line with market conditions, be competitive, and shall take into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the executive. The base salary shall be reviewed annually to ensure that it remains competitive. In order to assess the competitiveness of the salary and benefit packages offered by the Group, comparisons may be made to those offered by similar companies. In such circumstances, the comparator group is chosen with regard to:

a) Swedish companies in the same industry;
b) the size of the company (turnover, profits and employee numbers);
c) the diversity and complexity of their businesses;
d) the geographical spread of their businesses; and
e) their growth, expansion and change profile.

Periodic benchmarking activities may also be undertaken to ensure that remuneration packages remain in line with local market conditions.

Share based incentive programme

The share based incentive programme has the purpose to retain and recruit qualified and committed personnel on a global market for oil companies. The programme is available to all employees and is intended to be reoccurring. The 2015 programme is a three year programme.

Pension Arrangements

The pension benefits comprise a defined contribution scheme with premiums calculated on the full base salary. The pension contributions shall be in relation to the base salary and is set on an individual basis but shall not be higher than what is tax deductible.

Yearly Variable Salary

The Company considers that a yearly variable salary is an important part of the remuneration package where associated performance targets reflect the key drivers for value creation and growth in shareholder value. At the end of each year, the managing director will make a recommendation to the remuneration committee regarding the payment of the yearly variable salary to employees based upon their individual contribution to the Company's performance. After consideration of the managing director's recommendations, the remuneration committee will recommend to the board of directors for approval the level of the yearly variable salary of the executive management and other employees, to the extent that such award is in excess of USD 10,000 per employee per year. The yearly variable salary for executives shall normally be within the range of 1–4 monthly salaries.

Non-Financial Benefits
Non-financial benefits shall be based on market terms and shall facilitate the discharge of each executive's duties.

Severance Arrangements
A mutual termination period of six months applies between the Company and the executives. In addition, severance terms are incorporated into the employment contracts for the executives that give rise to compensation in the event the Company terminates their employment or in the event of change of control of the Company. The managing director is entitled to 12 months payment if the Company terminates the contract and other executive management are entitled to 9 months payments if the Company terminates their contracts.

Note 14, Financial income and similar items

MSEK	Group		Parent	
	2015	**2014**	**2015**	**2014**
Interest income	-	–	4	6
Gain on currency exchange rates	57	7	55	5
Income from derivatives	-	14	-	14
Revaluation of shares in group companies	1	-	1	-
Group contribution	-		1	-
Anticipated dividend	-	–	350	334
Total	**58**	**21**	**412**	**359**

Note 15, Financial expenses and similar items

MSEK	Group		Parent	
	2015	**2014**	**2015**	**2014**
Interest expenses	-8	-32	-	-28
Currency exchange losses	-36	-26	-36	-26
Other financial expenses	-10	-17	-2	-12
Koncernbidrag	-	-	-42	-
Total	**-54**	**-75**	**-80**	**-65**

Note 16, Tax

The group's income tax charge amount to MSEK – (MSEK –). The company has not recorded a deferred tax asset in relation to the tax losses carried forward since there is uncertainty as to if the tax losses may be utilised. The tax losses are in another jurisdiction than where main profits are generated. Tax losses carried forward amounted to MSEK 220 (MSEK 363). There are no time limits to the utilization of the tax losses.

In Oman, Tethys Oil's oil and gas operations are governed by an Exploration and Production Sharing Agreement (EPSA), where it is stated that Tethys Oil is subject to income tax as per the Companies Tax Law. Under the EPSA, Tethys Oil receives its share of oil after government take (i.e net after royalties taken in kind). Omani income taxes are paid on behalf of Tethys Oil by the government and from the government take. As Omani income tax is not paid directly by Tethys Oil and are taken in kind before net sales, these taxes are not presented in the income statement. Based on this, taxes presented in the income statement are expected to be low in the future.

Note 17, Office equipment

MSEK	Group		Parent	
Office equipment	**2015**	**2014**	**2015**	**2014**
Assets				
1 January	4	5	2	1
Additions	–	1	–	1
Disposals	–	-3	–	–
31 December	4	4	2	2
Depreciations				
1 January	-2	-3	-1	-1
Depreciation charges of the year	-1	-1	-1	–
Disposals	–	2	–	–
31 December	-3	-2	-2	-1
Net book value	**1**	**1**	**–**	**–**

MSEK	Net book value, office equipment	
	2015	**2014**
Dubai	–	–
France	–	–
Lithuania	–	–
Oman	1	1
Sweden	–	–
Switzerland	–	–
Other	–	–
Total	**1**	**1**

Note 18, Other receivables

MSEK	Group		Parent	
Other receivables	**2015**	**2014**	**2015**	**2014**
VAT	2	2	1	1
Receivables oil sales	64	78	–	–
Other	4	1	–	–
Total	**69**	**80**	**1**	**1**

Note 19, Shareholders' equity

As per 31 December 2015, the number of outstanding shares in Tethys Oil amounts to 35,543,750 (35,543,750), with a quota value of SEK 0.17 (0.17). All shares represent one vote each. The company has the same numbers of shares as per 31 December 2015 as per 31 December 2014.

As per 31 December 2015, Tethys Oil held 1,083,669 of its own shares which have been purchased since commencement of the programme during the fourth quarter 2014. The shares have been purchased at an average price of SEK 56.96. Repurchased shares are still part of the total number of outstanding shares but however not included in the number of weighted shares in circulation, which amount to 34,964,288 for the twelve months period ending 31 December 2015.

There have been no further repurchase of shares after 31 December 2015.

Earnings per share

Earnings per share before dilution are calculated by dividing profit for the year attributable to ordinary shareholders of the Parent Company by weighted average number of ordinary shares outstanding and in circulation during the year. Total repurchased shares amounting to 1,083,669 have been excluded from shares in circulation. There are no dilution effects for 2015 and 2014.

Note 20, Non-current liabilities

Tethys Oil has a four-year, up to MUSD 100, senior revolving reserve based lending facility. Security for the facility is the interest in the Blocks 3 and 4 licence. The interest rate of the credit facility is floating between LIBOR + 3.75 per cent to LIBOR + 4.00 per cent per annum, depending on the level of utilization of the facility. As per 31 December 2015 was there no outstanding balance of the lending facility.

Note 21, Accrued expenses

MSEK	Group		Parent	
Accrued expenses	**2015**	**2014**	**2015**	**2014**
Accruals related to oil and gas operations	167	–	–	–
Other accrued expenses	0	2	0	2
Total	**167**	**2**	**0**	**2**

Note 22, Shares in subsidiaries

Company	Reg. Number	Reg. office	Number of shares	Percentage	Nominal value per share
Tethys Oil Denmark AB	556658-1467	Sweden	1,000	100%	SEK 100
Tethys Oil Spain AB	556658-1442	Sweden	1,000	100%	SEK 100
Tethys Oil Turkey AB	556658-1913	Sweden	1,000	100%	SEK 100
Tethys Oil Exploration AB	556658-1483	Sweden	1,000	100%	SEK 100
Tethys Oil France AB	556658-1491	Sweden	1,000	100%	SEK 100
Tethys Oil Canada AB	556788-2872	Sweden	1,000	100%	SEK 100
Tethys Oil Oman Ltd	95212	Gibraltar	100	100%	GBP 1
Tethys Oil Block 3&4 Ltd	101981	Gibraltar	1000	100%	USD 1
Tethys Oil Suisse SA	660-1139007-2	Switzerland	100	100%	CHF 1,000
Windsor Petroleum (Spain) Inc.	549 282	British Virgin Islands	1	100%	USD 1
TOHME B.V.	64104575	The Netherlands	1	100%	EUR 1
Tulip Oil Holding Middle East B.V.	59755288	The Netherlands	1	100%	EUR 1

MSEK	Parent	Parent
Shares in subsidiaries	**31 December 2015**	**31 December 2014**
1 January	2	2
Acquisitions	2	–
Shareholder's contribution	3	2
Write down of shares in subsidiaries	–	-2
31 December	**7**	**2**

The write down of shares in group companies is related to the exploration costs described in note 9, and further described in the Administration report.

Note 23, Pledged assets

As per 31 December 2015, pledged assets amounted to MSEK 1,813 (1,789). Pledged assets are mainly a continuing security with regard to the credit facility where Tethys Oil has entered into a pledge agreement. The pledge relates to all shares in the subsidiary Tethys Oil Block 3 & 4 Ltd for the benefit of the lenders in the credit facility and the value of the pledge is equal to the shareholders' equity value in Tethys Oil Block 3&4 Ltd. Of pledged assets, MSEK 1 (1) relate to a pledge in relation to office rental.

Note 24, Contingent liabilities

There are no outstanding contingent liabilities as per 31 December 2015, nor for the comparative period.

Note 25, Related party transactions

There have been no related party transaction during 2015 nor for the comparative period.

Note 26, Subsequent events

- Tethys' share of the production, before government take, from Blocks 3 and 4 onshore the Sultanate of Oman amounted during the first quarter 2016 to 1,101,031 barrels of oil, corresponding to 12,099 barrels of oil per day
- As per 31 December 2015 the audited reserves for Blocks 3 and 4 Oman net to Tethys Oil amounted to:
  - 1P reserves 12,905 thousand barrels (11,794)
  - 2P reserves 18,244 thousand barrels (17,779)
  - 3P reserves 27,863 thousand barrels (25,080)

Assurance

The board of directors and the managing director declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations. The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 27 April 2016

Dennis Harlin, *chairman of the board*

Per Brilioth, *director*

Katherine Støvring, *director*

Geoffrey Turbott, *director*

Magnus Nordin, *managing director*

Auditor's endorsement

Our audit report was submitted on 27 April 2016.

PricewaterhouseCoopers AB

Johan Malmqvist
Authorized public accountant
Lead partner

Ulrika Ramsvik
Authorized public accountant

Auditor's report

To the annual meeting of the shareholders of Tethys Oil AB (publ),

corporate identity number 556615-8266

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Tethys Oil AB (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 39–68.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Tethys Oil AB (publ) for the year 2015.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 27 April 2016
PricewaterhouseCoopers AB

Johan Malmqvist	Ulrika Ramsvik
Authorized Public Accountant	*Authorized Public Accountant*
Lead Partner	

Definitions and abbreviations

AGM	Annual General Meeting
EGM	Extraordinary General Meeting
IPO	Initial Public Offering
SEK	Swedish krona
TSEK	Thousands of Swedish kronor
MSEK	Millions of Swedish kronor
USD	US dollar
TUSD	Thousands of US dollars
MUSD	Million US dollars
CHF	Swiss francs
TCHF	Thousands of Swiss francs

bbl	Oil production is often given in numbers of barrels per day. One barrel of oil = 159 litres, Barrel Volume measurement.
boe	A volume unit used when oil, gas and NGL are to be summarized. The concept is tied to the amount of energy released upon combustion of different types of petroleum. Because oil equivalents depend on the amount of energy, it is not constant and different conversion factors are used. In "Oil Field Units" for example, are 5,800 cubic feet of gas = 1barrel of oil equivalents.
bopd	Barrels of Oil per Day
mbo	Thousand Barrels
mboe	Thousand Barrels of Oil Equivalents
mboepd	Thousand Barrels of Oil Equivalents per Day
mbopd	Thousand Barrels of Oil per Day
mmbo	Million Barrels
mmboe	Million Barrels of Oil Equivalent

API	A specific gravity scale developed by the American Petroleum Institute (API) for measuring the relative density of various petroleum liquids, expressed in degrees. API gravity is gradated in degrees on a hydrometer instrument and was designed so that most values would fall between 10° and 70° API gravity.
Block	A country's exploration and production area is divided into different geographical blocks. An agreement is entered into with a host country granting the company the right to explore and produce oil and gas in the designated area, in return for paying to the government licence fees and royalties on production. (Also referred to as Concession(s) or Licence(s)).
Blowout	Uncontrolled release of oil, gas or water from an oil well.
Brent	A reference oil for the various types of oil in the North Sea, used as a basis for pricing. West Texas Intermediate (WTI) and Dubai are other reference oils.
Concession	Agreement entered into with a host country granting the company the right to explore and produce oil and gas in a designated area, in return for paying to the government licence fees and royalties on production. (Also referred to as Block(s) or Licence(s)).
Condensate	A mixture of the heavier elements of natural gas, i.e. pentane, hexane, heptane etc. Is a liquid at atmospheric pressure. Also called natural gasoline or nafta.
Cost oil	A share of oil produced used to cover ongoing operations costs and to recover past exploration, appraisal and development expenditures.
Crude oil	The oil produced from a reservoir, after the gas is removed in separation. Crude oil is a fossil fuel formed by plant and animal matter several million years ago.
EPSA	Exploration Production Sharing Agreement
Fault	A fracture within rock structures where relative motion has occurred across the fracture surface.
Farm out/ farm in	The holder of shares in an oil licence may transfer (farm out) shares to another company in exchange for this company taking over some of the work commitments in the licence, such as paying for a drilling or a seismic investigation within a certain period. In return, the company brought in receives a share in any future revenues. If the conditions are met the company may retain the licence shares if not the shares are taken back by the original holder. This is known as "farm-in" and "farm-out".

Heavy oil Heavy crude oil is any type of crude oil which does not flow easily. It is referred to as "heavy" because its density or specific gravity is higher than that of light crude oil. Heavy crude oil has been defined as any liquid petroleum with an API gravity less than 20°. It is therefore more difficult to produce than lighter oil and its combustion is more polluting.

Hydrocarbons Naturally occurring organic substances composed of hydrogen (H) and carbon (C). If an occurrence primarily contains light hydrocarbons, they are most often in gas form in the reservoir, and are then called a gas field. If it is primarily heavy hydrocarbons, they are in liquid form in the reservoir, and called an oil field. Under certain conditions both can exist in the reservoir where a gas cap lies above the oil. Oil always contains a certain element of light hydrocarbons that are freed in production, also known as associated gas.

HSE Health, Safety and Environment

Injection wells Wells to be used for injection of fluids into reservoir for enhancement of hydrocarbon recovery. By injecting gas or water (or both) the degree of recovery can be increased.

Leads Leads are possible accumulations of hydrocarbons where more geological data needs to be gathered and evaluations need to be performed before they can be called prospects, where drilling is considered to be feasible.

License A permit to search for and produce oil and gas. Oil and natural gas assets are usually owned by the country in which the accumulation is discovered. The oil companies obtain permission from the respective country's government to explore for and extract oil and natural gas. These permits can be called concessions, permits, production sharing agreements or licenses depending on the country in question. A license usually consists of two parts an exploration permit and a production license.

LOGS The result of surveys which gather information from the wellbore and surrounding formations which typically consist of traces and curves. These can be interpreted to give information about oil, gas and water.

Onshore Designation for operations on land.

Offshore Designation for operations at sea.

Operator The member of a joint operations, designated to lead the work on an oil or gas license or field. The company needs approval from the authorities in the country.

Porosity The porosity of a rock is determined by measuring the amount of cavities inside, and determining what percentage of the total volume that consists of cavitie.

Profit oil The remaining share of oil produced after royalty been paid and cost recovery through the cost oil. The profit oil is shared according to the production sharing agreement and working interests.

Prospect A geographical area which exploration has shown contains sedimentary rocks & structures that may be favourable for the presence of oil or gas.

PSA Production Sharing Agreement

Reserves and resources Page 11

Reservoir An accumulation of oil or gas in a porous type of rock with good porosity, such as sandstone or limestone.

Seismic data Seismic investigations are made to be able to describe geological structures in the bedrock. Sonar signals are transmitted from the ocean surface or the surface of the ground (pings), and the echoes are captured by special measurement instruments. Used to localise occurrences of hydrocarbons.

Spud To initiate drilling.

Sandstone Sandstone is a sedimentary rock composed mainly of sand-sized minerals or rock grains. Most sandstone is composed of quartz, but also often consists of feldspar, rock fragments, mica and numerous other mineral grains held together with silica or another type of cement. The relatively high porosity and permeability of sandstone makes it to a valuable rock in reservoirs.

WTI West Texas Intermediate – the primary reference oil used as a basis for pricing of oil in North America.

Financial information

The company plans to publish the following financial reports:

Three month report 2016 (January – March 2016) on 3 May 2016
Six month report 2016 (January – June 2016) on 16 August 2016
Nine month report 2016 (January – September 2016) on 1 November 2016
Year-end report 2016 (January – December 2016) on 14 February 2017

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Landsten Reklam 2016. Design Henrik Strömberg. Printed in Sweden.