Year end report and fourth quarter report 2013

FOURTH QUARTER 2013

- **21 per cent increase in production from Oman and Lithuania compared to fourth quarter 2012. Production from Oman and Lithuania amounted to 499,028 barrels corresponding to 5,424 barrels per day**
- **Year-end audited reserves Block 3&4 Oman net to Tethys:**
  - **1P reserves 10.8 million barrels (5.3)**
  - **2P reserves 15.2 million barrels (14.3)**
  - **3P reserves 20.0 million barrels (18.7)**
- **Second appraisal well in the Lower Buah layer on the B4EW4 structure flows in excess of 2,000 barrels per day**
- **Record flow rates from third appraisal well - flows in excess of 3,000 barrels per day**
- **Record net sales of MSEK 193 (170)**
- **EBITDA of MSEK 148 (177). The comparative figure includes one-off effects relating to non-operational items**
- **Net result after tax MSEK 45 (145). The result has been further impacted negatively by exploration costs amounting to MSEK 56 (5) related primarily to Block 15 onshore Oman**
- **Earnings per share before and after dilution of SEK 1.26 (4.07)**

TWELVE MONTHS 2013

- **22 per cent increase in production from Oman and Lithuania compared to 2012. Production from Oman and Lithuania amounted to 1,709,706 barrels**
- **Net sales of MSEK 592 (584)**
- **Net result after tax MSEK 240 (314)**
- **Earnings per share before and after dilution of SEK 6.76 (9.11)**

SUBSEQUENT EVENTS

- **New oil discovery onshore Oman – Exploration well B4EW6 encounters oil, testing in progress**
- **Fourth appraisal well in the Lower Buah layer on the B4EW4 structure drilling**
- **Capex budget 2014 for Blocks 3&4 amounts to MUSD 60 (approximately MSEK 400)**
- **Tethys Oil's share of production from Oman during January 2014 amounted to 198,954 barrels corresponding to 6,418 barrels per day**

MSEK (unless specifically stated)	1 Jan 2013 - 31 Dec 2013 12 months	1 Oct 2013 - 31 Dec 2013 3 months	1 Jan 2012 - 31 Dec 2012 12 months	1 Oct 2012 - 31 Dec 2012 3 months
Production, before government take (bbl)	1,709,706	499,028	1,399,518	400,324
Net sales, after government take (bbl)	850,926	271,175	776,248	225,518
Average selling price per barrel, USD	106.63	108.47	110.35	111.71
Net sales of oil and gas	592	193	584	170
Operating result	285	52	336	152
EBITDA	479	148	509	177
Result for the period	240	45	314	145
Earnings per share, SEK	6.76	1.26	9.11	4.07
Cash and cash equivalents	295	295	248	248
Shareholders' equity	1,100	1,100	860	860
Long term debt	422	422	417	417
Investments	290	80	875	280

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

Dear Friends and Investors

2013 was another successful year for Tethys Oil. We increased our production from Blocks 3 and 4 onshore Oman by 24 per cent to 1.7 million barrels of oil, corresponding to 4,556 barrels of oil per day ("bopd") (1.3 million barrels and 3,677 bopd in 2012). The trend continued throughout 2013 with a substantial increase in December bringing average daily production above 6,000 bopd. Compared to December 2012, Block 3 and 4 production increased by 40 per cent from 4,420 bopd to 6,203 bopd.

Financially, 2013 revenues increased to MSEK 592 (MSEK 584), while EBITDA fell back a little to MSEK 479 (MSEK 509) primarily due to timing related issues and slightly higher opex associated with well work overs at the Farha South oil field. The result for the full year stands at MSEK 240 (MSEK 314). 2013 ends with record production and record net sales during the fourth quarter and a healthy EBITDA margin of 77 per cent of revenues paling only in comparison with fourth quarter 2012 where the EBITDA margin was more than 100 per cent of revenues, following certain non-operational one off items. The average oil prices remained high at USD 107 per barrel in 2013, slightly lower than in 2012 (USD 110 per barrel).

The production increase is primarily a result of the successful exploration and appraisal work associated with the B4EW4 discovery on Block 4. The producing Lower Buah reservoir has so far exceeded our expectations and is rapidly turning in to our best producing reservoir. However, the water injection programme on Farha South and infill production drilling both in the Barik fault blocks of the Farha South field as well as in the Khufai layer of the Saiwan East field have also contributed. All in all 35 wells were drilled in 2013. And 2014 is off to an promising start. Today we have the pleasure of announcing a new discovery in the B4EW6 structure. Testing operations of the Lower Buah are in progress. This structure looks very similar to B4EW4, and we are hopeful results will also be similar.

The year-end reserve report for Blocks 3 and 4 presents a very strong base case. Our 1P reserves from the producing Barik, Khufai and Lower Buah reservoirs stand at 10 million barrels (mmbo), 2P at 15 mmbo and 3P at 20 mmbo. The 2P reserve replacement ratio is a healthy 153 per cent.

The 1P reserves have more than doubled, primarily following the successful water injection program in the Barik reservoir of the Farah South Field. The 2P number increased by 21 per cent which is less than we had expected, but this is due to the 'work in progress' nature of the appraisal drilling ongoing on the B4EW4 structure. As per 31 December 2013, this structure holds 2P reserves of 2.3 mmbo and 3P reserves of 3.9 mmbo. We believe however that the 2P number will move closer to the 3P number as appraisal drilling continues. We believe there is a strong chance that the current appraisal well B4EW4-7 should be a significant step in that direction.

So far, we have only explored about ten percent of the total area of the Blocks. All of our reserves and production comes from this fraction of our licence. A large part of the exploration programme in 2013 focused on seismic studies. We acquired 1,671 square kilometres of 3D seismic and 850 square kilometres of 2D seismic. The studies have resulted in the mapping of a large number of new prospects, and if the drill bit confirms these prospects to be commercial oil fields, we will be in a position to multiply Tethys' reserves over the next couple of years.

But before we get completely carried away by Blocks 3 and 4, let us say a few words about our other projects. In Lithuania, production continues from the Gargzdai licence as well as exploration/appraisal drilling on the Rietavas licence. Both licences have interesting upside, but we do not expect any conclusive results in the near term. Our Lithuanian eastern most licence Raiseiniai show more of a fast track. A 3D seismic study was completed in December 2013 and is currently being interpreted. Preliminary data suggests the presence of both potentially oil bearing reefal structures as well as potentially oil bearing fracture zones in the carbonate matrix. Interpretation continues, and we hope to be able to give more details early in the second quarter.

And while we are in the Baltic region, let us revisit our project on Gotland – for the last time. It is not without regret but we have decided to not renew our Swedish licenses. In light of our success in Oman and the large potential in our non-Swedish areas of operation, Gotland has simply become too small to warrant further work.

The same, unfortunately, goes for another of our early projects, the Jebel Aswad discovery on Block 15. The long term production test carried out during the second half of 2013 did not yield the results we were hoping for. We must therefore conclude that the Jebel Aswad discovery is too small to warrant further investments and we do not expect further work to be carried out in this area of Block 15. We will however continue to evaluate other leads on the Block.

So, let us get back to Blocks 3 and 4 and look forward. The budget for 2014 calls for CAPEX net to Tethys of MUSD 60 (or almost MSEK 400). About 60 per cent will be spent on continued development, including the final phase of the Farha South water injection programme and the drilling of additional production wells in all three producing areas. The number 4 area (B4EW4) on Block 4 is planned to be connected to the processing plant at Saiwan East, and facilities will be continually upgraded to handle increased production.

Exploration and appraisal efforts will continue in 2014. Seismic acquisition was an important part of the 2013 explorations programme. Exploration drilling will be more in focus during 2014. The seismic data acquired last year will be very important in guiding the drill bit in 2014. Broadly speaking from an exploration view point 2014 can be divided into several separate project areas.

Barik exploration along the Farha trend will continue. Wells are planned in undrilled fault blocks near the producing Farha South field but also in the extension mapped on last year's 3D seismic. If the wells drilled in the South Farha South area, as the new area is provisionally called, are successful, it will be strong indication that the Farha trend extends into the south outside the currently producing area.

Drilling activity will be high in the "Lower Buah area" on Block 4, with continued appraisal in area 4 (B4EW4). We also expect several newly mapped similar structures to be tested by the drill bit during the year.

Maybe the most exciting wells will be the once planned to be drilled in the Masira Graben area in the eastern part of Block 4. This is a previous undrilled area and the 2D seismic acquired during 2013 suggest the presence of several leads and prospects in a multitude of different reservoir environments. However, with no nearby well data to correlate the seismic interpretation, uncertainty remains high and the results from the first exploration well will be very interesting in order to determine the prospectivity of this large Block 4 area. We plan to spud the first Masira Graben exploration well before summer.

Exploration wells are also planned to be drilled in areas where previous operators have reported oil shows and at least one well within the 3D area covering the western part of Block 4.

It is always difficult to assign numbers to prospective resources but we have run a number of scenarios in-house and believe that the exploration programme planned for 2014 has the potential to add another 3-20 mmbo net to Tethys from wells to be drilled into new Barik and Lower Buah structures. The exploration wells to be drilled in the Masira Graben area and to test other reservoirs than the known producers, The Barik, the Khufai and the Lower Buah, naturally also have potential but we believe it is still too early to assign resource numbers to these.

A completely new pilot programme will also be initiated to better understand the Lower Al Bashir (LAB) reservoir. The LAB has flowed oil both from the Farha South field and the number 4 area on Block 4, but it suffers from a tricky reservoir. If successful, the LAB could turn into a major asset.

And on a final note, the seismic crews will also not go completely idle. The work programme contains plans for an additional 1,000 square kilometres of 3D seismic.

But now we have said enough, this report speaks for itself and as for 2014? – well, stay with us. We have a very exciting and comprehensive work programme, and although we do not know what will happen, we strongly believe that we have a great possibility to significantly increase both production and reserves.

Stockholm in February 2014

Magnus Nordin
Managing Director

FINANCIAL AND OPERATIONAL REVIEW[1]

Review of operations

Oman

Licence name	Tethys Oil, %	Total area, km²	Partners (operator in bold)
Block 15	40%	1,389	**Odin Energy**, Tethys Oil
Block 3 & 4	30%	34,610	**CCED**, Mitsui, Tethys Oil

Blocks 3 and 4
Four rigs are currently employed on the Blocks. A fourth rig was contracted in the fourth quarter to further speed up drilling activity and started drilling early in January 2014.

A total of ten wells were completed on the Blocks during the fourth quarter 2013. The drilling programme on Farha South on Block 3 continued to be focused on the water injection programme, with five water injector wells and one water source well completed in the quarter. In addition one appraisal/exploration well was drilled in a previously undrilled fault block along the Farha trend which discovered oil. That well has been put into production. Finally one infill producer and one horizontal section in an existing production well were also drilled on the Farha field.

On Block 4, two appraisal wells were drilled during the fourth quarter on the B4EW4 discovery. Both wells were successful and have been put on long term production test contributing significantly to the production from Block 4. The test production from the B4EW4 area is trucked to the processing plant at the Saiwan East field. The B4EW4-5 well, the second appraisal well into the Lower Buah section of the B4EW4 structure, was drilled some 500 meters southeast from the discovery well (B4EW4-1) and flowed in excess of 2,000 bopd. The B4EW4-6 well, the third appraisal well into the Lower Buah, was drilled approximately 1,100 meters northeast from the discovery well (B4EW4-1). This well flowed in excess of 3,000 bopd, yielding the best test results so far from the B4EW4 area. Appraisal drilling will continue during 2014.

An exploration well is currently being drilled on a new structure close to the B4EW4 area. This structure known as B4EW6 has similar characteristics to B4EW4 and the main target is the Lower Buah formation. The B4EW6 prospect was recently identified from 3D seismic acquired during 2013. The well has reached its final depth and encountered oil in the Khufai and the Lower Buah formations. Testing operations are ongoing.

The processing of the new 3D seismic surveys has been completed and interpretation is ongoing. The seismic data was acquired in 2013 and includes the B4EW4 area. The result from the study is being used to guide the drilling programme in 2014, and a number of prospects have already been identified.

[1] The consolidated financial statements of the Tethys Oil Group (Hereafter referred to as "Tethys Oil" "Tethys" or the "Group"), where Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the twelve months 2013 ended 31 December 2013. 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.

Block 15
The long term production test commenced during the summer 2013 using the Early Production System put in place earlier in 2013. The testing continued into the fourth quarter however with disappointing results. Production from the JAS-1 well drilled in 2007 fell from 200 barrels per day of condensate to less than 20 barrels per day. The sidetrack to the JAS 2 well which was completed in early October underwent extensive testing from several layers but flowed only water. Consequently both wells have been suspended and the production test terminated. The evaluation of the JAS structure suggested that the amounts of hydrocarbons present were too small to be commercially viable, partly given the tightness of the reservoir. Attention is to turn back to further evaluation of other opportunities on Block 15.

Lithuania

Licence name	Tethys Oil, %	Total area, km²	Partners (operator in bold)
Gargzdai[2]	25%	884	**Odin,** GeoNafta, Tethys Oil
Rietavas[2]	14%	1,594	**Chevron,** Odin, Tethys Oil
Raiseiniai[2]	26%	1,535	**Odin,** Tethys Oil, private investors

Gargzdai licence
The production on the Gargzdai licence is declining according to expectations. A pilot Co2 production enhancement project has been carried out and is under evaluation. Existing seismic data has also been re-interpreted to identify additional possible locations for infill drilling. In addition, at least two undrilled structures remain on the license, both of which are being surveyed for potential drilling locations.

Rietavas licence
The exploration and appraisal work on the Rietavas license has continued.

On the Silale oil field, the old well Silale-1 was re-opened in January 2012, and during the second quarter an appraisal well Silale-5 was drilled 1.5 kilometres west of Silale-1 to further appraise the Silale field.
The Cambrian sandstones are oil bearing in both wells, and the wells have been in intermittent production throughout the year yielding a small cash contribution from oil sold. Cores were taken in Silale-5, and are now being analysed and the production data is continually being evaluated.

Outside the Silale area, in the north eastern corner of the Rietavas license some 20 kilometres from Silale-5, a further exploration well - Rietavas-1- was drilled during the fourth quarter. The well reached its total depth in the Cambrian sandstones and a full set of cores from the Cambrian as well as the overlying shale were recovered and is currently undergoing analysis.

The work programme in Rietavas licence is expected to continue in 2014, and preparations are currently ongoing for a further exploration well in the southern part of the licence, south of the Silale field. Preparations for a 3D seismic programme are also in progress. The work programme is fully funded by US oil major Chevron.

Raiseiniai licence
On the Raiseiniai license, the acquisition of data in a partly EU funded 3D seismic study covering 80 square kilometres has been completed in the fourth quarter. The seismic study aims to define oil traps and to identify potentially oil bearing fracture systems. Processing and interpretation is expected to be carried out during first quarter 2014. The Lapgiriai-1 well was drilled on the licence in the second quarter to a total depth of 1,129 metres. The well confirmed the presence of oil in the Silurian lime stone formation and during subsequent production testing small amounts of oil were produced to surface.

2 The interest in the three Lithuanian licences are indirectly held through a shareholding in two Danish private companies, which in turn hold shares in Lithuanian companies holding 100 per cent of the licences. The two Danish companies, Odin Energi and Jylland Olie, are not consolidated in Tethys Oils financial statements due to the ownership structure, which is why there are no oil and gas properties related to the licences. The ownership of Jylland Olie and Odin Energi are presented in the balance sheet under Shares in associated companies. Regarding licences Rietavas and Raiseiniai, the two Lithuanian holding companies are undergoing reconstruction. Presented in the table is the indirect ownership expected after the reconstruction. As per 31 December 2013 the indirect ownership was 11 per cent and 21 per cent in Rietavas and Raiseiniai respectively.

France

Licence name	Tethys Oil, %	Total area, km²	Partners (operator in bold)
Attila	40%	1,986	**Galli Coz**, Tethys Oil
Alès	37.5%	215	**Tethys Oil**, Mouvoil

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

Sweden

Licence name	Tethys Oil, %	Total area, km²	Partners (operator in bold)
Gotland Större (incl. Gotland Mindre)	100%	581	**Tethys Oil**

Evaluation of the work within the Gotland licences has been carried out during the year. The data is not without encouragement for finding more oil on Gotland. However given Tethys success in other areas, management's assessment is that Gotland has become too small for Tethys. The Gotland Större licence expired in December 2013, and the Gotland Mindre licence will not be renewed when upon its expiry in February 2014.

Production

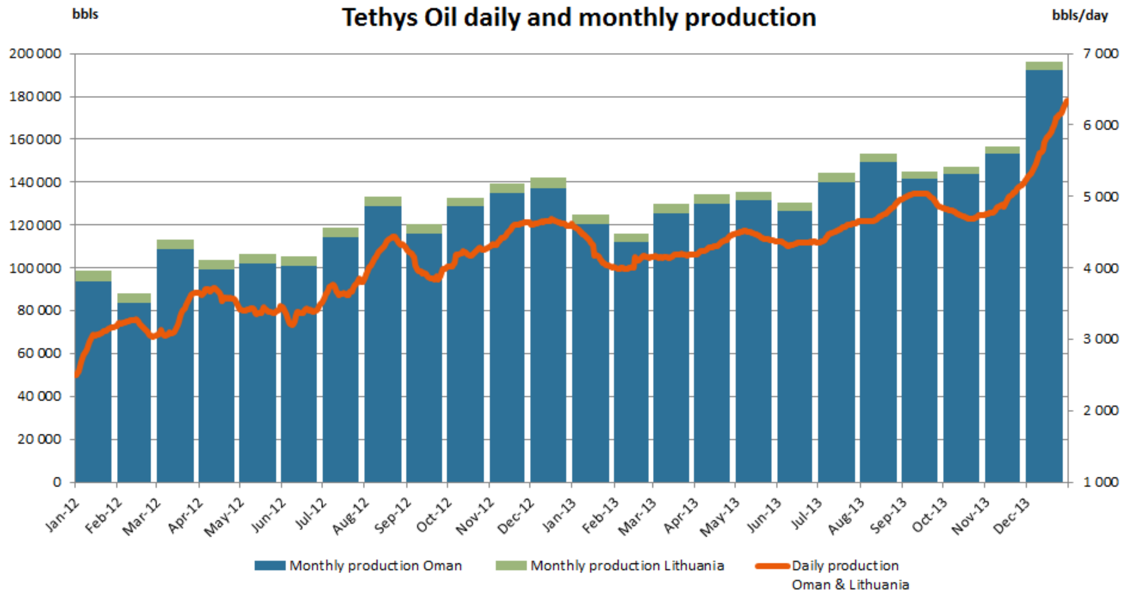
Tethys has production from two areas, Blocks 3 and 4 onshore Oman and the Gargzdai licence onshore Lithuania. Tethys Oil has 30 per cent interest in Block 3 and 4 Oman and an indirect interest of 25 per cent of Gargzdai Lithuania.

Production from Block 3 and 4 onshore Oman comes from two fields - the Farha South and Saiwan East oil fields, and from test production from the exploration well B4EW4 on Block 4. Production rates vary, mainly due to the on-going development and continued fine tuning of the infrastructure. Production from Oman accounts for 98 per cent of total production.

Quarterly volumes Tethys' share of quarterly production before government take, (bbl)	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Oman, Block 3&4					
Production	488,522	430,763	387,734	356,050	400,324
Average daily production	5,310	4,682	4,261	3,956	4,351
Lithuania, Gargzdai					
Production	10,507	11,589	12,105	12,432	13,233
Average daily production	114	126	133	138	144
Total production	**499,028**	**442,352**	**399,839**	**368,482**	**413,557**
Total average daily production	**5,424**	**4,808**	**4,394**	**4,094**	**4,495**

The production in Oman for the full year 2013 amounted to 1,663,069 (1,345,854) barrels, a growth of 24 per cent compared to 2012. During the full year 2013, the Blocks 3&4 Joint Venture's share of production has continued to be 52 per cent of total production, which is the highest possible share of production according to the terms of the EPSA. Tethys Oil's share of the Joint Venture is 30 per cent. (For further information regarding Tethys Oil's share of production, please refer to the Annual Report 2012, page 16.) The high share of production will remain as long as there are remaining recoverable costs, which are created through further investments in the blocks. The estimated recoverable costs as per 31 December 2013, net to Tethys Oil, amounts to MUSD 77.

Production from the Gargzdai licence in western Lithuania has continued to decrease from 144 bopd in fourth quarter 2012 to 114 bopd in fourth quarter 2013, which is in line with the expected depletion of the fields. Tethys Oil's interest of 25 per cent in Gargzdai is held indirectly through Odin Energi A/S, an associated Danish company.



Reserves and resources

Oman

Tethys Oil's net working interest reserves in the Sultanate of Oman as per 31 December 2013, amounted to 10.8 million barrels of oil ("mmbo") of proven reserves (1P), 15.2 mmbo of proven and probable reserves (2P) and 20.0 mmbo of proven, probable and possible reserves (3P).

Development of reserves *(Audited by DeGolyer and MacNaughton)*			
mmbo	**1P**	**2P**	**3P**
Total 31 Dec 2012	5.3	14.3	18.7
Production 2013	-1.7	-1.7	-1.7
Revisions	5.7	0.1	-1.6
Discoveries*	1.5	2.5	4.6
Total 31 Dec 2013	**10.8**	**15.2**	**20.0**

**2P discoveries are almost entirely from B4EW4, Oman.*

In 2013 Tethys Oil added 1P reserves of 7.2 mmbo, representing an increase of 200 per cent. The company added 2P reserves 2.6 mmbo, representing an increase of 21 per cent. The 3P reserves increased with 3.0 mmbo, representing an increase of 16 per cent. The increase in 2P reserves represents an internal reserve replacement ratio of 153 per cent.

Reserves, 31 December 2013 *(Audited by DeGolyer and MacNaughton)*			
mmbo	**1P**	**2P**	**3P**
Farha South Field, Oman	8.9	11.7	13.5
Saiwan East Field, Oman*	0.7	1.3	2.8
B4EW4, Oman	1.2	2.2	3.7
Total**	**10.8**	**15.2**	**20.0**

**Includes B4EW3, Oman. **Numbers may not add up due to rounding.*

The reserves in the Farha South field are from the Barik reservoir section only. The reserves in the Saiwan East field, which includes the B4EW3 area, are in the Khufai reservoir. The reserves in the B4EW4 area are in the Lower Buah reservoir.

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).

Tethys Oil's indirect share of reserves in the Gargzdai license in Lithuania, according to the agreement with Odin Energi A/S, amounts as per 31 December 2012 to 0.8 mmbo of 1P reserves, 1.7 mmbo of 2P and 2.8 mmbo of 3P. The review of the reserves in Lithuania has been conducted by independent petroleum consultant Miller Lents Ltd.

Net sales
During the full year 2013, Tethys Oil sold 850,926 (776,248) barrels of oil after government take from Block 3 and 4 in Oman and 271,175 (225,518) barrels of oil during the fourth quarter.

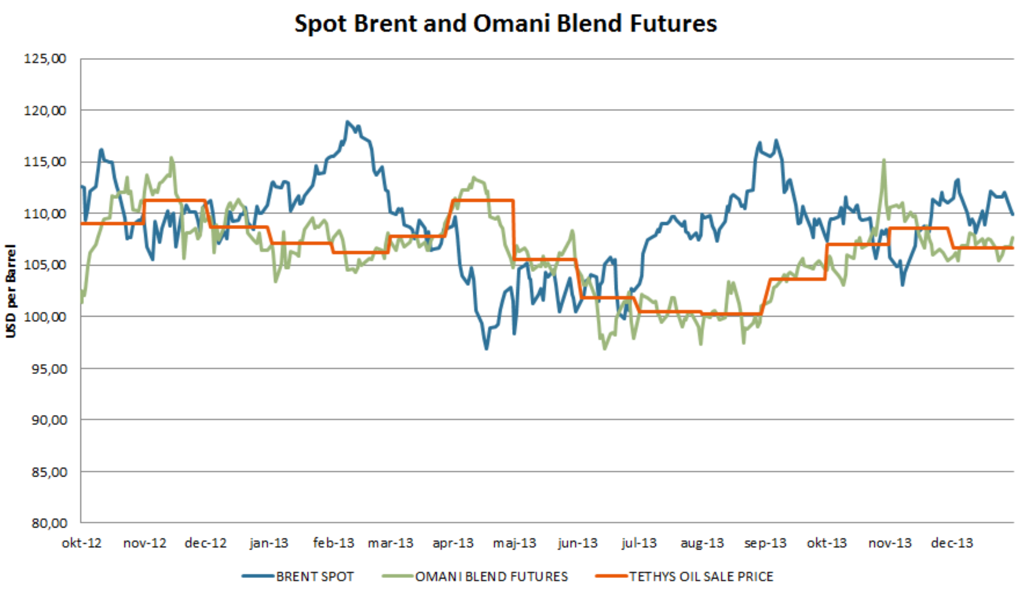
This resulted in net sales during the full year 2013 of MSEK 592 (584) and MSEK 193 (170) during the fourth quarter.

Important factors affecting net sales:

- increase in underlift position during 2013 compared to a significant decrease in 2012
- 3 per cent lower oil price during 2013 compared to 2012
- 4 per cent stronger SEK in relation to USD during 2013 compared to 2012

The increase in underlift position during 2013 is close to 14,000 barrels, whereas during 2012 the decrease in the underlift position was close to 76,000 barrels. During 2012 more oil was sold than the entitlement share of production and the opposite has been true for 2013. This is the most important explanation to why sales increase of 1 per cent between 2013 and 2012 is not as high as the production increase of 24 per cent between the years. The underlift position as per 31 December 2013 amounts to 13,261 barrels.

Tethys average selling price per barrel amounted to USD 107 (110) per barrel during the full year 2013 and USD 108 (112) for the fourth quarter.



Source: Platts, Dubai Merchantile Exchange

The selling price received by Tethys Oil is determined for each calendar month based on the monthly average prices of the two month future price of Omani blend (see chart above). During the full year 2013, Omani blend prices have been trading between high levels of USD 115 per barrel and low levels of USD 97 per barrel. Twelve months 2013 prices are lower compared to equivalent period last year.

Result
Tethys Oil reports a net result after tax for the full year 2013 of MSEK 240 (314) and MSEK 45 (145) for the fourth quarter, representing earnings per share of SEK 6.76 (9.11) for the full year period and SEK 1.26 (4.07) for the fourth quarter.

Earnings before interest, tax, depletion and amortisation (EBITDA) for the full year 2013 amounted to MSEK 479 (509) and MSEK 148 (177) for the fourth quarter.

The result was impacted by an increase in underlift position during 2013 compared to a decrease in 2012. In line with the farmout agreement and presented as *Other income*, Tethys Oil received in the first quarter 2013 from Mitsui a bonus amounting to MSEK 65 (MUSD 10) as commercial production exceeded 10,000 bopd for 30 consecutive days and following the approval of the Field Development Plan ("FDP") in December 2012.

Net result from associated companies
Tethys Oil holds indirect interest in the three Lithuanian licences, through the interests in associated companies Jylland Olie and Odin Energi. Total result from Tethys Oils shares in the associated companies amounted to MSEK 5 (49) for the full year 2013 and MSEK -1 (32) for the fourth quarter. The comparative period's result for full year also includes a received dividend for a whole financial year, which was accounted for in the income statement as the acquisition of the associated companies was still on-going during this period (for more information, please see note 7). The acquisition was completed in December 2012 which is why the result for the whole financial year 2012 was accounted for during the fourth quarter 2012.

Exploration costs
Exploration costs amounting to MSEK 56 (118) has negatively affected the result of the full year 2013. The exploration costs mainly regard Block 15 and are made as a consequence from the negative results from the JAS-1 long term production test. All investments related to the long term well test have been expensed and remaining capitalized costs relate to the general licence which is still being reviewed for prospective structures.

Depletion, depreciation and amortisation
Depletion, depreciation and amortisation ("DD&A") for the full year 2013 amounted to MSEK 138 (55) and MSEK 41 (19) for the fourth quarter. Higher DD&A during the full year 2013 compared to equivalent period last year is referable to depletion of oil and gas properties which furthermore only relate to Blocks 3&4. The increase in the depletion charge resulted from the high level of investments in permanent production facilities and field development on Blocks 3&4 during the full year 2012 which has increased oil and gas properties. Higher production rates during 2013 has also increased the depletion rate.

Operating expenses
Operating expenses (OPEX) amounted during the full year 2013 to MSEK 152 (96) and MSEK 37 (16) for the fourth quarter. Operating expenses are related to oil and gas production on Block 3 and 4 in Oman, including; permanent production costs (more direct production costs e.g. field staff, tariffs); general and administrative costs relating to the office in Muscat; well workovers; other (fees, operator's overhead contribution); and accruals. Furthermore over and underlift adjustments are made within the Operating expenses category. The categories are presented with amounts in note 5.

OPEX amounted during 2013 to USD 13.6 per barrel (USD 10.4 per barrel). The more direct production costs (permanent production costs) amounted to USD 7.5 per barrel (USD 7.8 per barrel). The increase in overall OPEX per barrel is mainly explained by well workovers and transfer of late incoming expenses from 2012. The direct production cost per barrel has been reduced despite the trucking of oil related to B4EW4 area which is more expensive transportation than pipeline.

Furthermore, due to an underlift position as per 31 December 2013 amounting to 13,261 barrels, the Operating expenses during the full year 2013 have been decreased by MSEK 1.

Administrative expenses
Administrative expenses amounted to MSEK 31 (29) for the full year 2013 and MSEK 8 (10) for the fourth quarter. Administrative expenses are mainly salaries, rents, listing costs and outside services. The administrative expenditures during the full year 2013 are higher compared with same period last year mainly due to the main market listing on NASDAQ OMX Stockholm, conducted during the second quarter.

Net financial result
The result for the full year 2013 has been impacted by net foreign exchange losses and interest on long term debt. The currency exchange effect of the group amounts to MSEK -1 and most of the effect relates to the weaker US dollar in relation to the Swedish krona. Currency translation differences between the parent company and subsidiaries are non cash related items. Interest on long term debt amounted to MSEK -38 for the full year and MSEK -10 for the fourth quarter. The currency exchange effect and interest on long term debt is part of net financial result amounting to MSEK -45 (-22) for the full year 2013 and MSEK -7 (-7) for the fourth quarter.

Oil and gas interests

Oil and gas properties as per 31 December 2013 amounted to MSEK 1,012 (919). Investments in oil and gas properties of MSEK 290 (875) were incurred for the twelve month period ended 31 December 2013. The high investments during 2012 include cost oil repayment to Mitsui (for more information please see Annual report 2012 page 37).

Country	Licence name	Book value 31 Dec 2013	Book value 31 Dec 2012	Investments Jan-Dec 2013
Oman	Block 15	0.2	27	25
Oman	Block 3,4	1,011	890	263
France	Attila	-	-	1
France	Alès	-	-	-
Lithuania	Gargzdai[3]	-	-	-
Lithuania	Rietavas[3]	-	-	-
Lithuania	Raiseiniai[3]	-	-	-
New ventures		0.1	0	1
Total		**1,012**	**919**	**290**

Currency exchange effects
The book value of oil and gas properties includes currency exchange effects of MSEK -5 during the full year 2013, which are not cash related items and therefore not included in investments. For more information please see above under *Result - Net financial result.*

Investments

Blocks 3 & 4
During the full year 2013, investments amounting to MSEK 263 were made on Blocks 3 & 4.
Of the total investment amount, MSEK 248 consists of new investments in the blocks and the remaining MSEK 15 emanate from that part of investments previously made by Mitsui on Tethys Oil's behalf under the Carry agreement and was recovered by Mitsui during the first quarter from Tethys Oil's share of cost recovery oil entitlement.

Of the investments of MSEK 248 made by Tethys Oil during the full year 2013, most has been spent on appraisal drilling, seismic and water injection wells.

Investments during 2013 were 12 per cent lower than the original investment budget for 2013 and 26 per cent lower than the revised budget which was communicated in conjunction with the second quarter report 2013. The main reason has been deferred infrastructure investments and the delay of a rig during the year.

Other investments
Other investments amounted during the period to MSEK 27, where Block 15 accounts for most of the investments. On Block 15, a long term production of JAS-1 was launched in June 2013. The result from the production test has been disappointing and the well does not seem to be commercially viable.

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. Regarding licences Rietavas and Raiseiniai, the two Lithuanian holding companies are undergoing reconstruction. Presented in the table is the indirect ownership expected after the reconstruction. As per 31 December 2013 the indirect ownership was 11 per cent and 21 per cent in Rietavas and Raiseiniai respectively.

Liquidity and financing
Cash and bank as at 31 December 2013 amounted to MSEK 295 (248). A large part of cash and cash equivalents are kept in USD which has depreciated against SEK during the reporting period. The currency exchange effect on cash and cash equivalents amounted during the full year 2013 to MSEK -1.

The activity level on Blocks 3&4 is increasing resulting in a higher level of investments. During 2014 there will be an increased focus on exploration and appraisal, following the B4EW4 discovery and the seismic programme conducted during 2013. Tethys Oil's share of the total Joint Venture investment budget (CAPEX) for 2014 on Blocks 3&4 amount to MSEK 400. The investment budget is expected to be fully financed by cash flow from operations.

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

In accordance with the 2010 farmout agreement, Mitsui commenced during first quarter 2012 recovering the MUSD 60 paid on behalf of Tethys Oil from the proceeds of Tethys Oil's share of cost recovery oil entitlement. Under the carry agreement, Tethys Oil has allocated its entire share of cost recovery entitlement to Mitsui until the full MUSD 60 was recovered by Mitsui. As per January 2013 the final balance cost recovery repayment was allocated to Mitsui.

Financial assets
Tethys Oil's interests in three Lithuanian licences are held through two private Danish companies. (For more information regarding the ownership structure, please refer to note 7.) As per 31 December 2013 the shareholding in the two associated Danish companies, Odin Energi and Jylland Olie, amounted to MSEK 184.

Tethys Oil's share of net profit during the full year 2013 from Odin Energi and Jylland Olie, which indirectly hold the Lithuanian licences, amounted to MSEK 5 (49) and MSEK -1 (32) for the fourth quarter. The result was mainly generated from selling 46,637 barrels of oil (Tethys Oil's indirect share) during the full year 2013 and 9,970 barrels of oil during the fourth quarter at an average price of USD 107 (109) per barrel for the full year period and USD 117 (109) per barrel for the fourth quarter. During the second quarter a dividend from the Lithuanian investments was received amounting to MSEK 8 (17).

For the comparative full year period 2012, the dividend received was accounted for in the income statement as the acquisition of the associated companies was still on-going during this period.

Tethys Oil receives cash flow from the Lithuanian investments only through dividends from the associated companies, which is normally received annually. For more information, please see note 7.

Derivative instruments
As per 31 December 2013, Tethys Oil holds oil price put options (Brent) amounting to MSEK 5 (-). The total numbers of put options are 715,000, equalling 65,000 options per month from February to December 2014. The options will expire each month and all have strike price USD 90 per barrel, where one option equals the right to sell one barrel. The put options were acquired to secure oil price at USD 90 per barrel without limiting upside potential should oil prices be higher at each monthly lifting. The acquisition of put options was made to match expected expenditures 2014. The average premium paid was USD 1.37 per barrel.

Parent company
The Parent company reports a net result after tax for the full year 2013 amounting to MSEK -103 (-83) and MSEK -68 (62) for the fourth quarter. Administrative expenses amounted to MSEK 22 (12) for the full year 2013 and MSEK 5 (4) for the fourth quarter. Net financial result amounted to MSEK -91 (-123) during the full year 2013 and MSEK -63 (32) for the fourth quarter. Interest paid on the bond loan and the weaker US dollar has had a negative impact on net financial result during the full year period 2013. The exchange rate losses regard translation differences and are non cash related. Investments during the full year 2013 amounted to MSEK 54 (535). Financial investments are financial loans to subsidiaries for their oil and gas operations. The turnover in the Parent company relates to chargeouts of services to subsidiaries.

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

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 18.

Subsequent events

- **New oil discovery onshore Oman – Exploration well B4EW6 encounters oil, testing in progress**
- **Fourth appraisal well in the Lower Buah layer on the B4EW4 structure drilling**
- **Year-end audited reserves Block 3&4 Oman amounted net to Tethys to**
    - **1P reserves 10.8 million barrels (5.3)**
    - **2P reserves 15.2 million barrels (14.3)**
    - **3P reserves 20.0 million barrels (18.7)**
- **Capex budget 2014 for Blocks 3&4 amounts to MUSD 60 (approximately MSEK 400)**
- **Tethys Oil's share of production from Oman during January 2014 amounted to 198,954 barrels corresponding to 6,418 barrels per day**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

TSEK	Note	1 Jan 2013 - 31 Dec 2013 12 months	1 Oct 2013 - 31 Dec 2013 3 months	1 Jan 2012 - 31 Dec 2012 12 months	1 Oct 2012 - 31 Dec 2012 3 months
Net sales of oil and gas	2,3	591,931	193,138	583,990	169,773
Depletion, depreciation and amortisation	4	-137,834	-40,969	-54,508	-19,343
Exploration costs	4	-56,146	-55,275	-117,521	-4,765
Other income	6	65,235	121	56	-
Operating expenses	5	-151,867	-36,835	-95,518	-15,912
Net profit/loss from associates	7	4,761	-751	49,043	32,425
Other losses/gains, net		-38	-3	-42	-9
Administrative expenses		-30,714	-7,538	-29,200	-9,971
Operating result		**285,329**	**51,889**	**336,300**	**152,199**
Financial income and similar items		4,865	1,187	14,673	6,500
Financial expenses and similar items	9	-49,941	-8,445	-36,798	-13,975
Net financial loss/profit		**-45,076**	**-7,258**	**-22,125**	**-7,474**
Result before tax		**240,253**	**44,630**	**314,175**	**144,725**
Income tax		-68	-1	-213	-120
Result for the period		**240,185**	**44,630**	**313,962**	**144,605**
Other comprehensive result					
Items that may be subsequently reclassified to profit or loss: Currency translation differences		59	8,828	-23,630	140
Other comprehensive result for the period		**59**	**8,828**	**-23,630**	**140**
Total comprehensive result for the period		**240,244**	**53,458**	**290,332**	**144,744**
Number of shares outstanding	8	35,543,750	35,543,750	35,543,750	35,543,750
Number of shares outstanding (after dilution)	8	35,543,750	35,543,750	35,543,750	35,543,750
Weighted number of shares	8	35,543,750	35,543,750	34,464,515	35,543,750
Earnings per share, SEK		6.76	1.26	9.11	4.07
Earnings per share (after dilution), SEK		6.76	1.26	9.11	4.07

CONSOLIDATED BALANCE SHEET IN SUMMARY

TSEK	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non current assets			
Oil and gas properties	4	1,011,559	919,523
Office equipment		1,817	2,086
Investment in associates	7	184,282	188,161
		1,197,658	**1,109,770**
Current assets			
Other receivables		64,935	14,618
Prepaid expenses		997	1,812
Derivative instruments		4,805	-
Cash and cash equivalents		295,011	248,038
		365,748	**264,467**
TOTAL ASSETS		**1,563,406**	**1,374,237**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		5,924	5,924
Additional paid in capital		552,060	552,060
Other reserves		-26,525	-26,585
Retained earnings		568,908	328,723
Total shareholders' equity	8	**1,100,366**	**860,122**
Non current liabilities			
Bond issue	9	393,008	388,862
Provisions	10	29,226	28,279
		422,234	**417,141**
Current liabilities			
Accounts payable		1,274	684
Other current liabilities		24,977	12,762
Accrued expenses		14,556	83,529
		40,807	**96,975**
Total liabilities		**463,040**	**514,115**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,563,406**	**1,374,237**
Pledged assets	11	988,824	625,683
Contingent liabilities	12	-	15,648

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

TSEK	Share Capital	Paid in Capital	Other Reserves	Retained Earnings	Total Equity
Opening balance 1 January 2012	**5,424**	**438,329**	**-2,955**	**14,761**	**455,559**
Comprehensive income					
Result for the first quarter 2012	-	-	-	108,190	**108,190**
Result for the second quarter 2012	-	-	-	15,205	**15,205**
Result for the third quarter 2012	-	-	-	45,963	**45,963**
Result for the fourth quarter 2012	-	-	-	144,605	**144,605**
Period result	**-**	**-**	**-**	**313,962**	**313,962**
Other Comprehensive income					
Currency translation differences first quarter 2012	-	-	-4,451	-	**-4,451**
Currency translation differences second quarter 2012	-	-	9,734	-	**9,734**
Currency translation differences third quarter 2012	-	-	-29,052	-	**-29,052**
Currency translation differences fourth quarter 2012	-	-	140	-	**140**
Total other comprehensive income	**-**	**-**	**-23,630**	**-**	**-23,630**
Total comprehensive income	**-**	**-**	**-23,630**	**313,962**	**290,332**
Transactions with owners					
Share issue 2012	500	119,500	**-**		**120,000**
Issue costs	-	-5,769	**-**	**-**	-5,769
Total transactions with owners	**500**	**113,731**	**-**		**114,231**
Closing balance 31 December 2012	**5,924**	**552,060**	**-26,585**	**328,723**	**860,122**
Opening balance 1 January 2013	**5,924**	**552,060**	**-26,585**	**328,723**	**860,122**
Comprehensive income					
Result for the first quarter 2013	-	-	-	104,529	**104,529**
Result for the second quarter 2013	-	-	-	39,222	**39,222**
Result for the third quarter 2013	-	-	-	51,805	**51,805**
Result for the fourth quarter 2013	-	-	-	44,630	**44,630**
Period result	**-**	**-**	**-**	**240,185**	**240,185**
Other Comprehensive income					
Currency translation differences first quarter 2013	-	-	-15,872	-	**-15,872**
Currency translation differences second quarter 2013	-	-	1,746	-	**1,746**
Currency translation differences third quarter 2013	-	-	5,357	-	**5,357**
Currency translation differences fourth quarter 2013	-	-	8,828	-	**8,828**
Total other comprehensive income	**-**	**-**	**59**	-	**59**
Total comprehensive income	**-**	**-**	**59**	**240,185**	**240,244**
Closing balance 31 December 2013	**5,924**	**552,060**	**-26,525**	**568,908**	**1,100,366**

CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY

TSEK	Note	1 Jan 2013 - 31 Dec 2013 12 months	1 Oct 2013 - 31 Dec 2013 3 months	1 Jan 2012 - 31 Dec 2012 12 months	1 Oct 2012 - 31 Dec 2012 3 months
Cash flow from operations					
Operating result		285,329	51,889	336,300	168,817
Interest received		414	414	550	415
Interest paid	9	-38,000	-	-	-
Income tax		-68	-1	-213	-120
Adjustment for exploration costs	4	56,146	55,275	117,521	4,765
Adjustment for depletion, depreciation and other non cash related items	4	137,797	42,432	12,830	-23,776
Total cash flow from operations before change in working capital		**441,617**	**150,008**	**466,988**	**150,101**
Change in receivables		-49,228	-12,743	-13,850	5,569
Change in liabilities		-56,379	-10,287	76,710	60,371
Cash flow from operations		**336,011**	**126,978**	**529,847**	**216,041**
Investment activity					
Investment in oil and gas properties	4	-274,652	-72,969	-493,364	-153,747
Oil and gas properties from cost oil repayment	12	-15,432	-29	-381,240	-125,994
Dividend from associated companies	7	8,640	-	-	-
Investment in other fixed assets		-614	-585	-697	-338
Investment in derivative instruments		-6,453	-6,453	-	-
Cash flow from investment activity		**-288,511**	**-80,036**	**-875,301**	**-280,079**
Financing activity					
Share issue, net after issue costs		-	-	114,231	-88
Bond issue, net after issue costs	9	-	-	387,553	-12,193
Cash flow from financing activity		**-**	**-**	**501,784**	**-12,281**
Period cash flow		**47,500**	**46,943**	**156,330**	**-76,319**
Cash and cash equivalents at the beginning of the period		248,038	245,550	93,105	322,530
Exchange gains/losses on cash and cash equivalents		-526	2,519	-1,398	1,827
Cash and cash equivalents at the end of the period		295,011	295,011	248,038	248,038

PARENT COMPANY INCOME STATEMENT IN SUMMARY

TSEK	Note	1 Jan 2013 - 31 Dec 2013 12 months	1 Oct 2013 - 31 Dec 2013 3 months	1 Jan 2012 - 31 Dec 2012 12 months	1 Oct 2012 - 31 Dec 2012 3 months
Net sales of oil and gas		-	-	-	-
Depletion, depreciation and amortisation		-70	-20	-	-
Other income		5,142	1,361	2,781	1,313
Net profit/loss of associates	7	4,761	-751	49,043	32,425
Other losses/gains, net		-38	-3	-42	-9
Administrative expenses		-21,644	-5,459	-11,902	-3,502
Operating result		**-11,849**	**-4,871**	**39,880**	**30,227**
Financial income and similar items		20,311	5,442	70,362	58,319
Financial expenses and similar items	9	-49,023	-8,283	-36,363	-13,897
Write down of shares in group company		-62,161	-60,740	-156,673	-12,793
Net financial loss		**-90,873**	**-63,582**	**-122,673**	**31,629**
Result before tax		**-102,722**	**-68,453**	**-82,793**	**61,856**
Income tax		-	-	-	-
Loss for the period*		**-102,722**	**-68,453**	**-82,793**	**61,856**
Number of shares outstanding	8	35,543,750	35,543,750	35,543,750	35,543,750
Number of shares outstanding (after dilution)	8	35,543,750	35,543,750	35,543,750	35,543,750
Weighted number of shares	8	35,543,750	35,543,750	34,464,515	35,543,750

* 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 IN SUMMARY

TSEK	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Total non current assets		551,213	562,763
Total current assets		36,477	189,648
TOTAL ASSETS		**587,690**	**752,411**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	8	178,675	281,397
Total non current liabilities	9	393,008	388,862
Total current liabilities		16,007	82,152
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**587,690**	**752,411**
Pledged assets	11	988,824	625,683
Contingent liabilities	12	-	-

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY IN SUMMARY

TSEK	Restricted equity		Non restricted equity			
	Share capital	Statutory Reserve	Share premium Reserve	Retained Earnings	Net result	Total Equity
Opening balance 1 January 2012	**5,424**	**71,071**	**367,258**	**-179,124**	**-14,669**	**249,960**
Transfer of prior year net result	-	-	-	**-14,669**	**14,669**	-
Comprehensive income						
Loss for the first quarter 2012	-	-	-	-	-1,438	**-1,438**
Loss for the second quarter 2012	-	-	-	-	-126,039	**-126,039**
Loss for the third quarter 2012	-	-	-	-	-17,173	**-17,173**
Profit for the fourth quarter 2012	-	-	-	-	61,856	**61,856**
Period result	**-**	**-**	**-**	**-**	**-82,793**	**-82,793**
Total comprehensive income	**-**	**-**	**-**	**-**	**-82,793**	**-82,793**
Transactions with owners						
Share issue 2012	500	-	119,500	-	**-**	**120,000**
Issue costs	-	-	-5,769	-	**-**	-5,769
Total transactions with owners	**500**	**-**	**113,731**	**-**	**-**	**114,231**
Closing balance 31 December 2012	**5,924**	**71,071**	**480,989**	**-193,794**	**-82,793**	**281,397**
Opening balance 1 January 2013	**5,924**	**71,071**	**480,989**	**-193,794**	**-82,793**	**281,397**
Transfer of prior year net result	-	-	-	**-82,793**	**82,793**	-
Comprehensive income						
Loss for the first quarter 2013	-	-	-	-	-15,080	**-15,080**
Loss for the second quarter 2013	-	-	-	-	-13,853	**-13,853**
Loss for the third quarter 2013	-	-	-	-	-5,336	**-5,336**
Loss for the fourth quarter 2013	-	-	-	-	-68,453	**-68,453**
Period result	**-**	**-**	**-**	**-**	**-102,722**	**-102,722**
Total comprehensive income	**-**	**-**	**-**	**-**	**-102,722**	**-102,722**
Closing balance 31 December 2013	**5,924**	**71,071**	**480,989**	**-276,587**	**-102,722**	**178,675**

NOTES

General information

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

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

Accounting principles

The twelve months report 2013 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The twelve months report 2013 of the Parent company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2 –"Accounting for legal entities", issued by the Swedish Financial Accounting Standards Council. The same accounting principles were used in the Annual report 2012.

As from 1 January 2013, the Tethys Oil Group has applied the following new accounting standards: IFRS 13 Fair value measurement, revised IAS 1 Presentation of financial statements and amendment to IFRS 7 Financial instruments. The accounting policies adopted are in all other aspects consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

Derivative instruments

As per 31 December 2013, Tethys Oil holds oil price put options (Brent) amounting to TSEK 4,805 (-). The total numbers of put options are 715,000, equalling 65,000 options per month from February to December 2014. The options will expire for each month and all have strike price USD 90 per barrel. The put options were acquired to secure oil price at USD 90 per barrel without limiting upside potential should oil prices be higher.

The value of the put options are based on a fair market value at the end of a reporting period and any change to the previous valuation will be accounted for as a financial income or financial expenditure. The put options are acquired to secure oil price and thereby sales and hedge accounting in accordance with IAS 39 will not be applicable.

Exchange rates

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

	31 December 2013		31 December 2012	
Currency	2013 Average	2013 Period end	2012 Average	2012 Period end
SEK/CHF	7.05	7.40	7.38	7.23
SEK/EUR	8.68	9.03	8.78	8.75
SEK/LTL	2.52	2.55	2.56	2.62
SEK/USD	6.52	6.58	6.82	6.61

Effect of currency exchange rates on operating result Comparison with 31December 2012, TSEK	
Net sales of oil and gas	-26,704
Depreciation, depletion and amortization	6,216
Exploration costs	2,336
Other income	-2,943
Operating expenses	6,851
Net profit/loss from associate	-
Other losses/gains, net	-
Administrative expenses	623
Summary of currency exchange rate effect on operating result	**-13,621**

The table above presents the currency exchange effect on operating result compared with 2012, by applying the average exchange rate of 2012 on 2013 accounts.

Fair value

The nominal value of accounts payables, cash and bank and accounts receivables is a fair approximation of those line items. The nominal amount of the bond loan was TSEK 400,000 and issued at a fixed annual interest rate of 9.50 per cent and it was trading at 6.80 per cent as per 31 December 2013 (7.97 per cent).

IAS 39 valuation categories and related balance sheet items

	31 December 2013		
TSEK	Financial assets and liabilities at fair value through profit or loss	Other receivables and cash and bank	Other liabilities
Other receivables	-	64,935	-
Cash and bank	-	295,011	-
Derivative instruments*	4,805	-	-
Debt	-	-	393,008
Accounts payables	-	-	1,274
Other current liabilities	-	-	24,977

	31 December 2012		
TSEK	Financial assets and liabilities at fair value through profit or loss	Other receivables and cash and bank	Other liabilities
Other receivables	-	14,618	-
Cash and bank	-	248,038	-
Derivative instruments	-	-	-
Debt	-	-	388,862
Accounts payables	-	-	684
Other current liabilities	-	-	12,762

* Note that Derivative instruments are put options. These instruments can be sold and are categorized as level 2 in accordance with IFRS 7. The valuation is made based on available market prices of the Brent oil price.

Note 1) Risks and uncertainties

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

<u>Operational risk</u>

At its current stage of development Tethys Oil is partly commercially producing oil and partly exploring for and appraising undeveloped known oil and/or natural gas accumulations. The operational risk is different in these different parts of Tethys Oil's operations. The main operational risk in exploration and appraisal activities is that the activities and investments made by Tethys Oil and its partners will not evolve into commercial reserves of oil and gas. The oil price is of significant importance to Tethys Oil in all parts of operations as income and profitability is and will be dependent on prices prevailing from time to time. Significantly lower oil prices will reduce current and expected profitability in projects and can make projects sub economic. Lower oil prices could also decrease the industry interest in Tethys Oil's projects regarding farmout or sale of assets. As per 31 December 2013, Tethys Oil owns 715,000 put options, equalling 65,000 options per month from February to December 2014. These put options have a strike price of USD 90 per barrel to secure oil price during 2014 without limiting any upside potential should market oil prices be higher. These put options therefore reduce the oil price risk during 2014 significantly.

Another operational risk factor is access to equipment in Tethys Oil's project. Especially in the drilling/development phase of a project the group is dependent on advanced equipment such as rigs, casing, pipes etc. A shortage of theses supplies can present difficulties for Tethys Oil to fulfil projects. Through its operations Tethys Oil is furthermore subject to political risk, environmental risk and the risk of not being able to retain key personnel.

<u>Financial risk</u>

By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. Income is and will also most likely be denominated in foreign currencies, US dollars in particular. Furthermore, Tethys Oil has since inception been equity financed through share issues and financed by asset divestment. Additional capital may be needed to finance Tethys Oil's future operations and/or for acquisition of additional licences. The main risk is that this need may occur during less favourable market conditions.

A more detailed analysis of the Group's risks and uncertainties and how the Group addresses these risks, are given in the Annual report for 2012.

Note 2) Net sales of oil and gas

During the full year 2013, Tethys Oil sold 850,926 (776,248) barrels of oil after government take from Block 3 and 4 in Oman and 271,175 barrels (225,518 barrels) during the fourth quarter. This resulted in net sales during the full year 2013 of TSEK 591,931 (583,990) and TSEK 193,138 (169,773) during the fourth quarter. The average selling price per barrel amounted to USD 106.63 per barrel during the full year 2013 (110.35) and USD 108.47 (111.71) per barrel during the fourth quarter.

Tethys Oil is selling all of its oil through Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. All oil sales come from Blocks 3 & 4 Oman and are made on a monthly basis.

Note 3) Segment reporting

The Group´s accounting principle for segments describes that operating segments are based on geographic perspective. The operating result for each segment is presented below.

	Group income statement Jan-Dec 2012							
TSEK	Dubai	France	Lithuania	Oman	Sweden	Switzerland	Other	Total
Net sales	-	-	-	583,990	-	-	-	**583,990**
Depreciation, depletion and amortisation	-164	-	-	-54,531	-110	-580	-	**-55,386**
Exploration costs	-	-17,664	-	-98,223	-	-840	-793	**-117,521**
Other income	56	-	-	-	-	-	-	**56**
Operating expenses	-	-	-	-95,518	-	-	-	**-95,518**
Net profit/loss from associates	-	-	49,043	-	-	-	-	**49,043**
Other losses/gains, net	-	-	-	-	-42	-	-	**-42**
Administrative expenses	-4,840	-1	-	-2,886	-11,792	-8,205	-600	**-28,323**
Operating result	**-4,948**	**-17,665**	**49,043**	**332,831**	**-11,944**	**-9,624**	**-1,393**	**336,300**
Total financial items								**-22,125**
Result before tax								**314,175**
Income tax								**-213**
Result for the period								**313,962**

	Group income statement Jan-Dec 2013							
TSEK	Dubai	France	Lithuania	Oman	Sweden	Switzerland	Other	Total
Net sales	-	-	-	591,931	-	-	-	**591,931**
Depreciation, depletion and amortisation	-91	-	-	-137,225	-70	-448	-	**-137,834**
Exploration costs	-	-885	-	-51,357	-	-	-3,904	**-56,146**
Other income	-	-	-	65,235	-	-	-	**65,235**
Operating expenses	-	-	-	-151,867	-	-	-	**-151,867**
Net profit/loss from associates	-	-	4,761	-	-	-	-	**4,761**
Other losses/gains, net	-	-	-	-	-38	-	-	**-38**
Administrative expenses	-4,627	-11	-	-2,674	-21,644	-1,563	-193	**-30,714**
Operating result	**-4,717**	**-897**	**4,761**	**314,042**	**-21,753**	**-2,011**	**-4,097**	**285,329**
Total financial items								**-45,076**
Result before tax								**240,253**
Income tax								**-68**
Result for the period								**240,185**

Note 4) Oil and gas properties

Country	Licence name	Phase	Expiration date	Remaining commitments	Tethys Oil	Partners (operator in bold)
Oman	Block 15	Exploration	Oct 2014	None	40%	**Odin Energy**, Tethys Oil
Oman	Block 3,4	Production	Jul 2040	None	30%	**CCED**, Mitsui, Tethys Oil
France	Attila	Exploration	2015[4]	None	40%	**Galli Coz**, Tethys Oil
France	Alès	Exploration	2015	MUSD 1.5[5]	37.5%	**Tethys Oil**, MouvOil
Lithuania	Gargzdai[6]	Production	No expiration date	None	25%	**Odin**, GeoNafta, Tethys Oil
Lithuania	Rietavas[6]	Exploration	Sep 2017	MLTL 6.2	14%	**Chevron**, Odin, Tethys Oil, private investors
Lithuania	Raiseiniai[6]	Exploration	Sep 2017	MLTL 6.6	26%	**Odin**, Tethys Oil, private investors

TSEK	31 Dec 2013	31 Dec 2012
Producing cost pools	1,011,151	889,970
Non-producing cost pools	409	29,553
Total oil and gas properties	**1,011,559**	**919,523**

TSEK	Asset type	Book value 31 Dec 2012	Other non – cash adjustments 1 Jan -31 Dec 2012	Currency exchange diff 1 Jan -31 Dec	DD&A[7] 1 Jan – 31 Dec 2012	Exploration costs 1 Jan -31 Dec 2012	Investments 1 Jan -31 Dec 2012	Book value 1 Jan 2012
Country								
Oman Block 3&4	Producing	889,970	26,428[8]	-17,062	-54,508	–	860,646	74,466
Oman Block 15	Non-producing	26,943	–	930	–	-98,223	10,565	113,671
France Attila	Non-producing	–	–	–	–	-10,118	401	9,717
France Alès	Non-producing	–	–	–	–	-7,546	1,620	5,764
Sweden Gotland	Non-producing	2,397	–	–	–	–	197	2,200
New ventures	Non-producing	214	–	–	–	-1,633	1,249	833
Total		**919,523**	**26,428**	**-16,132**	**-54,508**	**-117,520**	**874,604**	**206,651**

TSEK	Asset type	Book value 31 Dec 2013	Other non – cash adjustments 1 Jan -31 Dec 2013	Currency exchange diff 1 Jan -31 Dec 2013	DD&A 1 Jan – 31 Dec 2013	Exploration costs 1 Jan -31 Dec 2013	Investments 1 Jan -31 Dec 2013	Book value 1 Jan 2013
Country								
Oman Block 3&4	Producing	1,011,151	211	-4,915	-137,834	–	263,080	889,970
Oman Block 15	Non-producing	248	–	-4	–	-51,357	24,666	26,943
France Attila	Non-producing	-	–	–	–	-674	674	–
France Alès	Non-producing	-	–	–	–	-211	211	–
Sweden Gotland	Non-producing	-	–	–	–	-2,498	101	2,397
New ventures	Non-producing	161	–	–	–	-1,405	1,352	214
Total		**1,011,559**	**211**	**-4,918**	**-137,834**	**-56,146**	**290,084**	**919,523**

4 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.
5 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.
6 The interest in the three Lithuanian licences are indirectly held through a shareholding in two Danish private companies, which in turn hold shares in Lithuanian companies holding 100 per cent of the licences. The two Danish companies, Odin Energi and Jylland Olie, are not consolidated in Tethys Oils financial statements due to the ownership structure, which is why there are no oil and gas properties related to the licences. The ownership of Jylland Olie and Odin Energi are presented in the balance sheet under Shares in associated companies. Regarding licences Rietavas and Raiseiniai, the two Lithuanian holding companies are undergoing reconstruction. Presented in the table is the indirect ownership expected after the reconstruction. As per 31 December 2013 the indirect ownership was 11 per cent and 21 per cent in Rietavas and Raiseiniai respectively.
7 Depletion, depreciation and amortisation
8 Other non cash related items regard provision for site restoration.

Note 5) Operating expenses

TSEK Operating expenditures	1 Jan 2013 - 31 Dec 2013 12 months	1 Oct 2013 - 31 Dec 2013 3 months	1 Jan 2012 - 31 Dec 2012 12 months	1 Oct 2012 - 31 Dec 2012 3 months
General & Administrative	25,278	10,813	14,641	5,019
Production cost Early Production Facilities	-	-	44,869	4,470
Production cost Permanent Production Facilities	62,907	26,324	11,409	11,409
Well workovers	19,251	7,326	1,690	415
Over- / Underlift	-1,215	1,701	452	2,115
Other	9,496	2,599	10,165	1,927
Accruals	22,721	-11,952	12,292	-9,442
Transferred costs from previous year	13,428	25	-	-
Total	**151,867**	**36,835**	**95,518**	**15,912**

Note 6) Other income

In accordance with the farmout agreement with Mitsui from 2010, Tethys Oil received from Mitsui a bonus amounting to MSEK 65 (MUSD 10) as commercial production exceeded 10,000 bopd for 30 consecutive days and following the approval of the Field Development Plan ("FDP") December 2012. The bonus was received during the first quarter 2013.

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

Note 7) Associates

Tethys Oil holds an indirect interest of three Lithuanian companies holding three licences; Gargzdai, Rietavas and Raiseiniai licences. The interest is held through two Danish private companies part of the Odin Group of companies, Odin Energi and Jylland Olie. The table below presents the ownership and the result from associates for the full year 2013. There was no result from associates for the equivalent period last year.

Tethys Oil AB	Ownership		Ownership		Ownership
Odin Energi	50%	Jylland Olie	42%[9]	Jylland Olie	42%
UAB Minijos Nafta	50%	UAB TAN Oil	50%	UAB TAN Oil	50%
Gargzdai licence	100%	Raiseiniai licence	100%	UAB LL Investicos	50%
				Rietavas licence	100%
Tethys Oil's indirect interest	**25%**		**21%[9]**		**11%[7]**

9 Tethys Oil's interest in Jylland Olie amounts as per 31 December 2013 to 42 per cent but will after a reconstruction of Jylland Olie amount to 40 per cent.
Tethys Oil's interest in Rietavas and Raiseiniai licences are undergoing a reconstruction. Indirect interests of 14 respectively 26 per cent are expected after the reconstruction has been effectuated. The indirect interests as per 31 December 2013 are 11 respectively 21 per cent in Rietavas and Raiseiniai licences.

Tethys Oil's share of profit loss from associates TSEK	UAB Minijos Nafta 1 Jan – 31 Dec 2013	UAB TAN Oil 1 Jan – 31 Dec 2013	UAB LL Investicos 1 Jan – 31 Dec 2013
Gross revenue	36,740	103	-
Royalty	-3,516	-10	-
Net revenue	**33,224**	**93**	**-**
Depreciation	-5,893	-160	-
Appraisal/development costs	-1,176	-383	-
Operating expenditures	-16,181	-66	-
Administrative expenditures in Lithuanian company	-3,046	-843	-
Operating result	**6,929**	**-1,360**	**-**
Financial income	38	1,526	-
Financial expenditures	-189	-1,167	-
Profit before tax	**6,779**	**-1,001**	**-**
Tax	-1,017	-	-
Tethys share of net profit from associates	**5,762**	**-1,001**	**-**
Total share of net profit from associates	**4,761**		

TSEK	31 Dec 2013	31 Dec 2012
1 January	**188,161**	**-**
Acquisitions	-	188,161
Tethys share of net profit from associates	4,761	-
Dividend from associates	-8,640	-
Balance end of period	**184,282**	**188,161**

For an overview of the ownership structure of Tethys Oil's interest in Lithuania, please see page 33 in the Annual Report 2012.

Note 8) Shareholders' equity
As per 31 December 2013, 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. Tethys Oil does not have any incentive program for employees.

Note 9) Non current liabilities
In September 2012, Tethys Oil issued a secured three-year bond loan of TSEK 400,000. The bonds were issued at 100 per cent of the nominal value and run with a fixed interest rate of 9.50 per cent per year. The maturity date of the bonds is 7 September 2015. The bonds are listed on NASDAQ OMX Stockholm. The transaction costs amounted to TSEK 12,447 and are depreciated during the maturity time of the bond. Non current liabilities amounted at 31 December 2013 to TSEK 393,008 (388,862).

Note 10) Provisions
Tethys Oil estimates that Tethys Oil's share of site restoration regarding Block 3&4 amounts to TSEK 29,226 (28,279). As a consequence of this provision, oil and gas properties have increased with an equal amount.

Note 11) Pledged assets
As per 31 December 2013, pledged assets amounted to TSEK 988,824 (625,683). Pledged assets are mainly a continuing security with regard to the bonds 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 bond holders and the value of the pledge is equal to the shareholders' equity value in Tethys Oil Block 3&4 Ltd. Of pledged assets, TSEK 500 (500) relate to a pledge in relation to office rental.

Note 12) Contingent liabilities

There are no remaining outstanding contingent liabilities as per 31 December 2013. As per 31 December 2012 contingent liabilities amounted to TSEK 15,648. The background for the contingent liability as per 31 December 2012 was an agreement between Tethys Oil and Mitsui from 2010, whereby Mitsui undertook to fund Tethys Oil's share of non exploration related capital expenditure up to MUSD 60 on Blocks 3 and 4 effectively from 1 January 2010. As per 31 December 2011, Mitsui had fulfilled the undertaking and started during the first quarter 2012 to recover the MUSD 60 paid on behalf of Tethys Oil from the proceeds of Tethys Oil's share of cost recovery production entitlement. During the full year 2012, Mitsui received MUSD 58 from Tethys Oil's cost recovery. The remaining MUSD 2 was recovered by Mitsui during the first quarter 2013, which is why there are no outstanding contingent liabilities as per 31 December 2013.

Note 13) Related party transaction

During the first nine months 2013, Tethys Oil Suisse S.A., a wholly owned subsidiary of Tethys Oil AB, has paid rent to Mrs Mona Hamilton amounting to CHF 66,000. Mrs Mona Hamilton is the wife of Vincent Hamilton, the former Chairman of Tethys Oil. The rent of office space is a commercially based agreement between Tethys Oil Suisse S.A. and Mrs Mona Hamilton. The office rental agreement was cancelled as per 31 December 2012 and after the nine month notice period, there have been no further rental payments after 30 September 2013.

KEY RATIOS

Group

	1 Jan 2013 - 31 Dec 2013 12 months	1 Oct 2013 - 31 Dec 2013 3 months	1 Jan 2012 - 31 Dec 2012 12 months	1 Oct 2012 - 31 Dec 2012 3 months
Items regarding the income statement and balance sheet				
Operating result. TSEK	285,329	51,889	336,300	152,159
Operating margin. %	48.20%	26.87%	57.59%	89.65%
Result before tax. TSEK	240,253	44,630	314,175	144,725
Net result. TSEK	240,185	44,630	313,962	144,605
Net margin. %	40.58%	23.11%	53.76%	85.18%
Shareholders' equity. TSEK	1,100,366	1,100,366	860,122	860,122
Balance sheet total. TSEK	1,563,406	1,563,406	1,374,237	1,374,237
Capital structure				
Solvency. %	70.38%	70.38%	62.59%	62.59%
Leverage ratio. %	8.91%	8.91%	n.s	n.s
Adjusted equity ratio. %	70.38%	70.38%	62.59%	62.59%
Interest coverage ratio. %	89.15%	89.15%	23.02%	23.02%
Investments. TSEK	290,084	80,036	875,301	280,079
Profitability				
Return on shareholders' equity. %	21.83%	4.06%	36.50%	16.81%
Return on capital employed. %	15.77%	2.93%	24.58%	11.32%
Key figures per employee				
Average number of employees	17	17	19	19
Number of shares				
Dividend per share. SEK	n.a.	n.a.	n.a.	n.a.
Cash flow used in operations per share. SEK	9.45	3.57	15.37	6.08
Number of shares on balance day. thousands	35,544	35,544	35,544	35,544
Shareholders' equity per share. SEK	30.96	30.96	24.20	24.20
Weighted number of shares on balance day. thousands	35,544	35,544	34,465	35,544
Earnings per share. SEK	6.76	1.26	9.11	4.07
Earnings per share after dilution. SEK	6.76	1.26	9.11	4.07

For definitions of key ratios please refer to the 2012 Annual Report.
The abbreviation n.a. means not applicable.

FINANCIAL INFORMATION

The Company plans to publish the following financial reports:

Annual report 2013 is expected to be available during April 2014

Three month report 2014 (January – March 2014) on 6 May 2014

Annual meeting 2014 is planned to be held in Stockholm on 14 May 2014

Six month report 2014 (January – June 2014) on 19 August 2014

Nine month report 2014 (January – September 2014) on 4 November 2014

Year-end report 2014 (January – December 2014) on 10 February 2015

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Stockholm. 11 February 2014
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