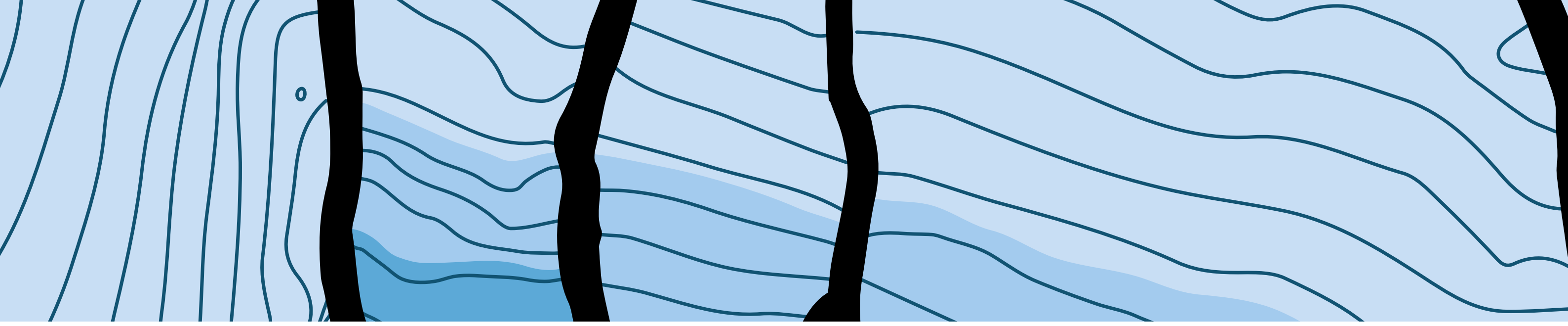
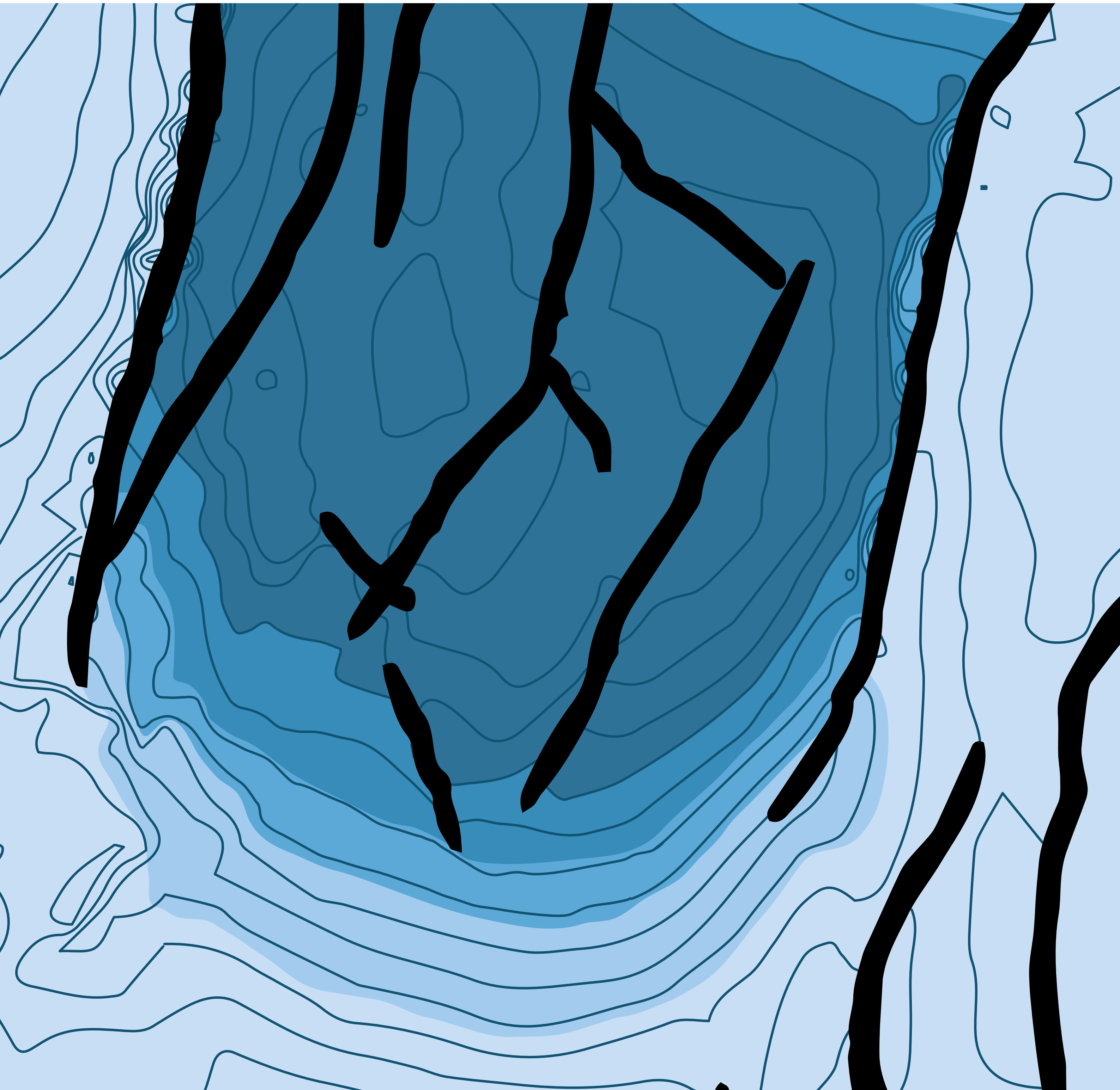


TETHYS OIL

Annual Report 2013



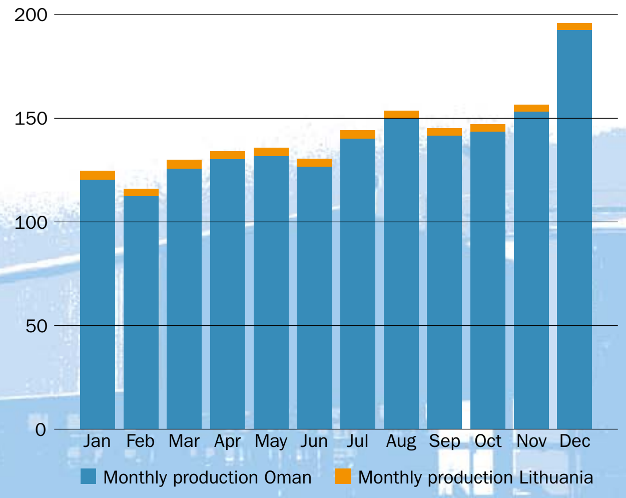
Tethys Oil in brief

Tethys Oil AB is a Swedish upstream energy company focused on oil and gas exploration and production onshore areas with known discoveries. Tethys core area is Oman, where the company is one of the largest licence holders with licence interests in three onshore blocks. Tethys also has licences in Lithuania and France. Tethys Oil has oil reserves and commercial production in Oman and Lithuania.

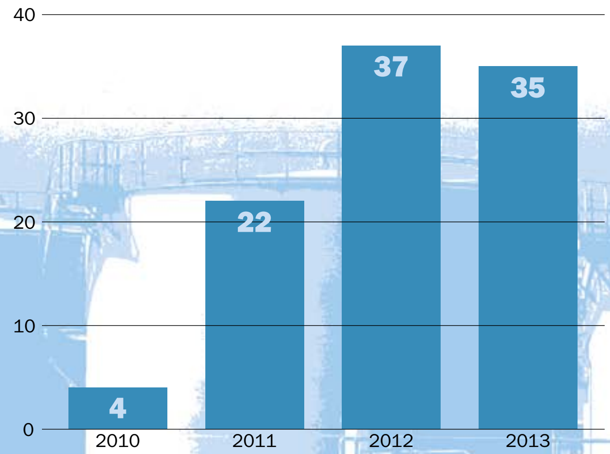
Operational and financial summary

MSEK (unless specifically stated)	**2013**	**2012**	**2011**	**2010**	**2009**
Production, before government take, bbl	1,709,706	1,399,518	423,469	41,764	–
Average daily production, bbl	4,684	3,824	1,160	114	–
Net sales, after government take, bbl	850,926	776,248	147,228	18,898	–
Average selling price per barrel, USD	106.63	110.35	107.37	80.56	–
Net sales of oil and gas	592	584	104	11	–
Operating result	285	336	83	101	-29
EBITDA	479	509	84	101	-13
Result for the period	240	314	69	80	-43
Earnings per share, SEK	6.76	9.11	2.12	2.60	-1.62
Cash and cash equivalents	295	248	93	191	14
Shareholders' equity	1,100	860	456	380	203
Non-current liabilities	422	417	2	–	–
Investments	290	875	208	29	82
Number of shares at the end of the year	35,543,750	35,543,750	32,543,750	32,504,489	32,073,935
Market capitalization at the end of the year	2,399	1,893	1,432	1,845	1,331
Share price at the end of the year, SEK	67.50	53.25	44.00	56.75	41.50
2P-reserves in Oman (million barrels of oil)	15.2	14.3	–	–	–

Oil production (thousand barrels)



Number of wells drilled



2013

- New record production of 1.7 million barrels of oil
- Net sales of oil and gas increased to MSEK 592
- 1P reserves increased with 200 per cent
- 35 wells drilled on Blocks 3 and 4 during 2013
- New oil play discovered – Lower Buah has turned into a major producing reservoir
- Tethys Oil approved for listing on NASDAQ OMX Stockholm

Information regarding Annual General Meeting

The Annual General Meeting of shareholders of Tethys Oil will be held on Wednesday 14 May 2014, 3 p.m. at Van der Nootska Palatset, S:t Paulsgatan 21 in Stockholm. The notice and the complete proposals of the Board of Directors etc. are available at www.tethysoil.com. To be entitled to participate, shareholders must be included in the register of shareholders maintained by Euroclear Sweden AB, in their own names, as of Thursday 8 May 2014 and must notify Tethys Oil no later than Thursday 8 May 2014. According to the Swedish Companies Act, a shareholder who wishes to attend by proxy, must present a proxy in writing, dated and signed by the shareholder.

Dividend Policy

Tethys Oil aims to offer high return on capital through investments and growth in oil and gas projects. Tethys Oil has not paid any dividends since the company was publicly listed in 2004. The board has proposed that no dividends are paid for 2013.

Tethys Oil's dividend policy is reviewed annually, and will be determined by assessment of future growth potential and the company's financial position in combination with the company's long term capital structure targets. When Tethys generates sufficient cash flow to meet all objectives and obligations, excessive cash will be returned to the company's shareholders through dividends or used to buy back Tethys Oil shares. For the AGM 2014, the board has proposed an authorization for the Board to resolve on repurchase of shares.

Long term capital structure targets:

- Debt/equity ratio of 30–40%
- Net debt /EBITDA of up to 2x
- Long term access to capital to enable growth

Operational targets

- Develop Tethys Oil's business as an attractive licence holder and partner
- Focus on developing the assets in Oman
- Evaluation of both conventional and unconventional assets in Lithuania
- Actively evaluate new projects

Financial information

The company plans to publish the following financial reports:

Three month report 2014 (Jan–Mar 2014) on 6 May 2014
Six month report 2014 (Jan–Jun 2014) on 19 August 2014
Nine month report 2014 (Jan–Sep 2014) on 4 November 2014
Year-end report 2014 (Jan–Dec 2014) on 10 February 2015

Tethys Oil provides continuous operations updates and reports major developments in accordance with the listing agreement with NASDAQ OMX Stockholm.

Letter to the shareholders

Dear Friends and Investors

We have closed the books for yet another year. When we summarize 2013, we can conclude that Tethys stands stronger than ever before, both operationally and financially. And let me specially welcome all the new friends and investors that have joined us since Tethys was listed on the MidCap segment of the main market of NASDAQ OMX Stockholm stock exchange in May last year. Since the listing, the overall number of shareholders in Tethys has increased by almost 50 per cent.

2013 was the first year we knew we had all of Blocks 3 and 4 to work on for a long time. Priority number one for 2013 was to stabilize and if possible increase production as water injection and other optimization efforts gained ground. In this respect we were spectacularly successful. We have 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"). With the discovery of the Lower Buah as reservoir in area 4, production at year end reached new heights. In 2014, we have reported record production three month in a row. We are now close to bring our average daily production above 7,000 bopd.

The increased production, combined with continued high average oil prices of USD 107 per barrel, resulted in a revenue growth to MSEK 592. The year ended with record net sales during the fourth quarter and a healthy EBITDA margin of 77 per cent of revenues.

The production increase in late 2013 and early 2014 is primarily a result of the successful exploration and appraisal work on area 4 on Block 4. The producing Lower Buah reservoir has so far exceeded our expectations and is rapidly turning into our best producing reservoir. This illustrates the need for continued exploration on the Blocks to support our growth. Our second priority for 2013 was to expand the seismic coverage. Which we did. We acquired 1,671 square kilometres of 3D seismic and 850 square kilometres of 2D seismic. The results from the studies are very promising and we have mapped a large number of new prospects.

In 2013, we also reported our first reserves, turning Tethys into a real oil upstream oil company with production, reserves and lots of exploration potential. During the year we increased our 1P reserves with 200 per cent and our increase in 2P reserves represents an internal reserve replacement ratio of 153 per cent. We now stand at 10.8 million barrels of oil ("mmbo") of 1P, 15.2 mmbo of 2P and 20.0 mmbo of 3P.

All in all 35 wells were drilled in 2013. A majority of the wells were injection or water wells associated with the water injection programme on the Farha South field.

As we have entered 2014, we are in a position to grow the company faster than we imagined a year ago. We have budgeted for a 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 is planned to be connected to the processing plant at Saiwan East, and facilities will be continually upgraded to handle increased production.

We will increase the exploration / appraisal programme in 2014, and wells will be drilled in many areas of the blocks, including the South Farha South area and the Lower Buah prospects. We also plan to spud the first Masira Graben exploration well before summer. This is a previously undrilled area, and the uncertainty is higher.

At current production and prices we are able to fully fund Block 3 and 4 activities from our cash flow. After years of first developing the infrastructure of our Omani fields and the increase and stabilization of high production through water injection, we will also be able to set money aside for a rainy day. We have called an early redemption of our bond and have put a credit line in place offering leverage. With cash in hand and a strong belief in the growth prospects of Tethys, we believe we should be in a position to return some money to shareholders while still strengthening our exposure to growth. To achieve this, we propose to make available a share buyback facility to be used if opportunity arises. We can see no stronger way to reiterate our strong believe in the growth prospects for Tethys. In Oman, and maybe – in the future – in other parts of the world.

Amid all this success and confidence in the future, we have also faced tragedy on a personal level. Our former chairman and founder Vince Hamilton passed away on 10 March 2014, after losing his battle against cancer. Vince left the day-to-day

business of the company in October last year, but his brilliant geological mind was still with us. And still is. Not least in what is proving to be the largest single discovery in Oman made by us so far, the Lower Buah formation in the B4EW4 structure (exploration area 4). Vince was instrumental in having this structure drilled, and he followed the appraisal drilling as late as February this year. We continue to work in his spirit, and take our lead from his knowledge of geology. Vince has inspired a new generation of Tethys staff, and we are confident we can continue to grow the company along the same line that we have for these this first ten years as a public company.

Tethys was listed on First North in April 2004. Operations evolved quickly, but success was not imminent. But now I put this year's annual report in your hands, which gives evidence of a very successful 2013. So stay with us. We owe it to Vince, and all our friends and investors, to become even more successful in the future. We are here to keep growing and we have the means to do so!

Stockholm in April 2014

Magnus Nordin
Managing Director

Milestones

2001

Tethys Oil was founded

2002

Award of first licence in Denmark

2003

Acquisition interests in Turkey and Denmark

Acquisition of interests in Spain

2004

IPO and listing on First North

2006

Award of licence in France, Attila

Award of licence in Oman, Block 15

First Company-operated well drilled in Denmark

2007

Drilling starts in Block 15. The reservoirs produced hydrocarbons of good quality

Acquisition of interests in Blocks 3 & 4 in Oman.

Award of licence on Gotland in Sweden

2009

Encouraging results from appraisal drilling on Block 3 & 4

2010

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

Early production from Blocks 3 & 4 begins

2011

Farha South field on Block 3 expands rapidly

Acquisition of additional licence in France, Bassin d'Ales

Three year extension of the licence for Block 15

2012

Field development plan approved for Blocks 3 & 4

Vincent Hamilton

Vincent Hamilton, Tethys Oil's co-founder and previous chairman passed away in Geneva on Monday March 10, 2014, at the age of 50. Vincent Hamilton co-founded Tethys Oil in 2001 and was the company's chairman from its inception until October 2013.

Vincent sold his entire holding of Tethys shares and resigned as chairman in October 2013. He left Tethys in order to work to support and fund the medical research foundation Victory NET, which he recently founded. The purpose of the foundation is to find new treatments for neuroendocrine tumors (NETs). Vincent Hamilton passed away after a long battle against neuroendocrine cancer.

He is survived by his wife Mona and their three children.

In Spain, 2007

At Møns Klint in Denmark, 2005

In France, 2007

Business model, goals and strategies

Vision and strategy

Tethys Oil shall have a well-balanced and self-financed portfolio of oil and natural gas assets. The company also aims to conduct business in an economical, socially and environmentally responsible way, to the benefit of all stakeholders.

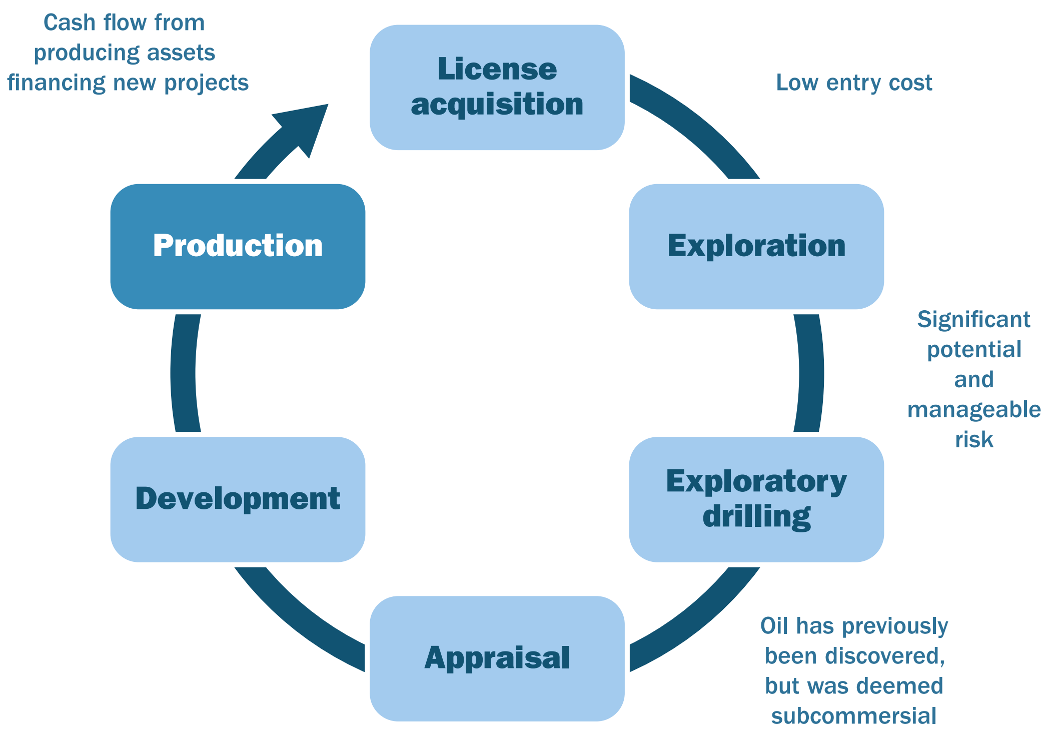
The company's strategy is:

- Organic growth in existing assets by taking a proactive role and by building strategic partnerships to convert acreage to reserves and reserves to production
- Seek new growth platforms, primarily onshore appraisal projects with material impact and low entry cost

In the company's existing assets, a proactive role with strategic partners is key to maximizing the potential of the projects. Growth will primarily come from appraisal projects where oil has previously been discovered, but was deemed sub-commercial for various reasons.

Assets

Tethys Oil has licencens in three countries: Oman, Lithuania and France. Two of the licences are in production, Blocks 3 & 4 in Oman and Gargzdai in Lithuania. During 2013 the company also had licenses in Sweden, which have expired and were not renewed. On the French licences, the work programmes have been delayed primarely for political reasons. It is unclear when the work programme can be resumed.



Overview

Country	Licence	Area km²	Interest %	Phase	Partners
Oman	Blocks 3&4	34,610	30	Production	**CCED,** Mitsui, Tethys Oil
Oman	Block 15	1,389	40	Exploration	**Odin Energy,** Tethys Oil
Lithuania	Gargzdai	884	25*	Production	**Odin,** GeoNafta, Tethys Oil
Lithuania	Rietavas	1,594	14*	Exploration	**Chevron,** Odin, Tethys Oil
Lithuania	Raseiniai	1,535	26*	Production	**Odin,** Tethys Oil, private investors
France	Attila	1,986	40	Exploration	**Galli Coz,** Tethys Oil
France	Alès	215	37,5	Exploration	**Tethys Oil,** Mouvoil

* The interest in the Lithuanian licences are held indirectly

Photo: "Jebel Akhdar" by Ingo (flickr.com/ingopics)

Reserves

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 proved reserves (1P), 15.2 mmbo of proved and probable reserves (2P) and 20.0 mmbo of proved, 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 exploration area 4 on Block 4 (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
Exploration area 4 (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. Tethys share of the Lithuanian production amounted in 2013 to 46,633 barrels. The review of the reserves in Lithuaniahas been conducted by independent petroleum consultant Miller Lents Ltd.

Reserve classification

Proved reserves

Proved reserves are those quantities of petroleum which can be estimated with reasonable certainty (more than 90 per cent) to be commercially recoverable from known reservoirs and under current economic conditions and operating methods.

Probable reserves

Probable reserves are those unproved reserves which are more likely than not to be recoverable. There should be at least a 50 per cent probability that the quantities are technological and commercially recoverable under current or future economic conditions.

Possible reserves

Possible reserves are reserves that are less likely to be available for extraction. Proved plus probable reserves plus possible reserves has a probability of more than 10 per cent that the quantities are technological and commercially recoverable under current or future economic conditions.

Contingent and Prospective Resources

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

Tethys Oil has not announced any current audited numbers of resources in Oman or in Lithuania. A number of in-house estimates however shows 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 in Block 3 and 4 onshore Oman. Tethys believes it is still too early to assign resource numbers to 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.

Production

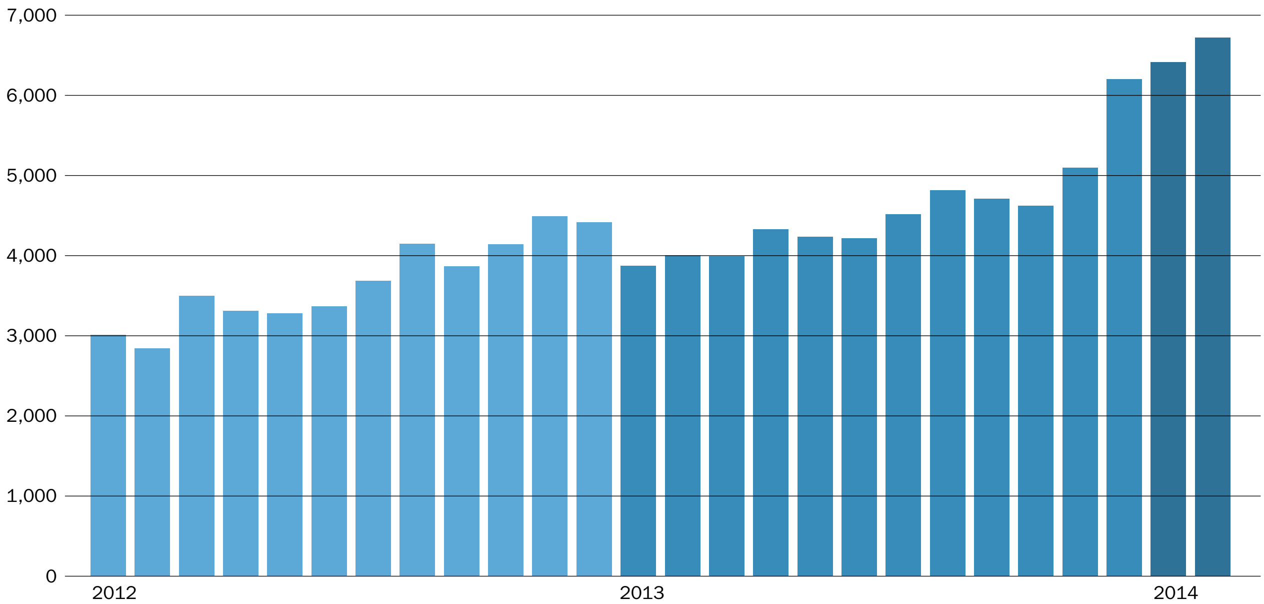
Tethys produces oil from two areas, Blocks 3 and 4 onshore Oman and the Gargzdai licence onshore Lithuania. Tethys Oil has 30 per cent interest in Block 3 and 4 Oman and an indirect interest of 25 per cent of Gargzdai Lithuania.

Production in Oman during 2012 was from the Farha South oil field and the Saiwan East oil field. During the first half year 2013, production from the new discovery on exploration area 4 on Block 4 (B4EW4) was added. The producing Lower Buah reservoir has during the year developed into one of the best producing reservoirs on the Blocks. The implementation of water injection on Farha South has stabilized an increased production from this field. At year end, approximately 70 per cent of the water injection programme was implemented. 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 to the year's production.

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. Compared to December 2012, Block 3 and 4 production increased by 40 per cent from 4,420 bopd to 6,203 bopd in December 2013.

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. This decline is slightly steeper than expected, and remedial efforts are planned. Tethys Oil's interest of 25 per cent in Gargzdai is held indirectly through Odin Energi A/S, an associated Danish company.

Tethys' average daily production in Oman (barrels per day), before government take



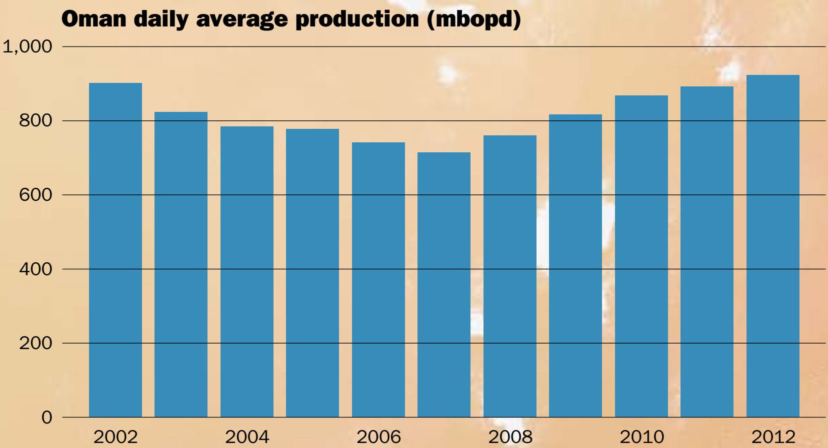
Operations

Sultanate of Oman – Part of the oil fairway

The Sultanate of Oman is located on the tip of the eastern Arabian Peninsula, neighbouring United Arab Emirates in the northwest, Saudi Arabia in the west and Yemen in the southwest. The coast is formed by the Arabian Sea on the south and east and the Gulf of Oman on the northeast, with a coastline of 2,092 kilometres. The area of Oman amounts to 212,500 square kilometres. The capital is Muscat and the population amounts to 3.3 million.

Oman has been an exporting oil country since the early 1970's, but in comparison with other Gulf states the production is smaller. In 2012 about 922,000 barrels per day (BP Statistical Review of World Energy June 2013), about half of the Norwegian oil production. Like many countries in the region, Oman is highly dependent on its hydrocarbons sector.

Oman's Ministry of Oil and Gas coordinates the state's role in the country's hydrocarbon sectors. Petroleum Development Oman (PDO) holds the vast majority of Oman's oil reserves and is responsible for 70 per cent of its production, according to the Middle East Economic Survey. In addition to the government's 60% ownership stake in PDO, Shell (34%), Total (4%), and Portugal's Partex (2%) all own stakes in PDO. The main oil production is concentrated to the western parts of the country. (Source: EIA Independent Statistics & Analysis)



Source: BP Statistical Review of World Energy June 2013

Oman is an important crude oil exporter, particularly to Asian markets. In 2012, over 95 per cent of the country's oil exports went to countries in Asia, with half going to China. The exported crude is called Oman blend.

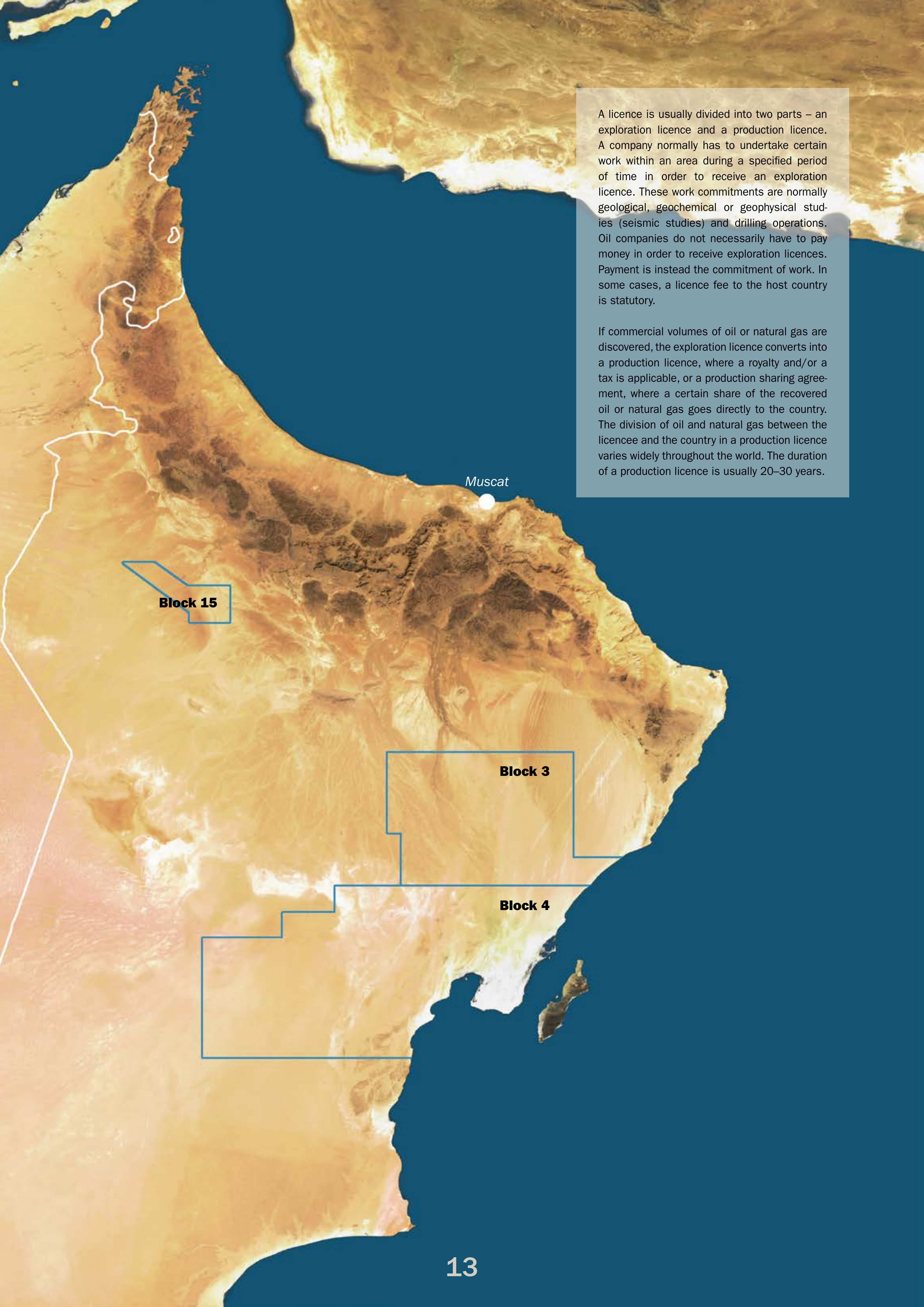
Tethys' Oman

Blocks 3 & 4 are located in the eastern part of Oman and covers an area of 34,610 square kilometres, corresponding to an area the size of Belgium. Tethys Oil is one of the largest concession holders in Oman. Tethys has a 30 per cent interest in the Blocks. Partners are Mitsui (20 per cent) and the operator CC Energy Development S.A.L (Oman branch) (50 per cent). The production licences are valid until 2040. CCED is operator.

Block 15 is situated in the north western part of central Oman and covers an area of about 1,400 square kilometres. Tethys Oil has a 40 per cent interest in the licence and Odin Energi the other 60 per cent. The licence is valid until October 2014.

A licence is usually divided into two parts – an exploration licence and a production licence. A company normally has to undertake certain work within an area during a specified period of time in order to receive an exploration licence. These work commitments are normally geological, geochemical or geophysical studies (seismic studies) and drilling operations. Oil companies do not necessarily have to pay money in order to receive exploration licences. Payment is instead the commitment of work. In some cases, a licence fee to the host country is statutory.

If commercial volumes of oil or natural gas are discovered, the exploration licence converts into a production licence, where a royalty and/or a tax is applicable, or a production sharing agreement, where a certain share of the recovered oil or natural gas goes directly to the country. The division of oil and natural gas between the licencee and the country in a production licence varies widely throughout the world. The duration of a production licence is usually 20–30 years.



Steady production from Block 3

With a steadily increasing production since the field came on stream in 2010, the Farha South oil field has turned into the cash flow generating center of Tethys' Omani operations. The revenues from Farha South has financed the development of the field and the further appraisal and exploration of the blocks.

The first well to be drilled on Block 3 and 4 with Tethys as partner was the Farha South-3 well in early 2009. The well was a delineation well to the discovery well, made by an earlier operator, and the drilling target was the Lower Al Bashir sandstone formation at a depth of around 1,900 metres. A production flow with very high quality oil of some 750 bopd was also recorded from the Lower Al Bashir reservoir. However, oil shows were also observed whilst drilling in the shallower Barik sandstone. The Barik layer was tested with a down hole Electrical Submersible Pump (ESP) and flowed in excess of 1,000 bopd. The oil from the Barik layer is of high quality, more than 40 degrees API and does not contain any sulfur. All though the Lower Al Bashir flowed on test, a long term production test has revealed the reservoir to be tight. The Barik however, has since it was put on long term production test, proved itself to be a reliable producer. The main part of Tethys' oil reserves are located in the producing Barik sandstone at the Farha South oil field.

The Barik sandstone is a fine grained, porous sandstone in several layers, separated by tight layers. The Barik layer in the Fahra South oil field is not one large continuous reservoire. The oil 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. By year end 2013, a total of 16 fault blocks are in production.

The low content of gas combined with the absence of a water drive in the Barik layer, which gives a natural pressure support, make pumps and water injections necessary to reach a satisfactory production and extraction rate. The work programme in 2013 was largely focused on expanding the water injection programme on the Farha South field. A total of 18 water injection wells and 5 water supply wells were drilled on the field.

Further opportunities

A large 3D seismic programme was conducted in 2013, covering 510 square kilometres of the area south of the current production area. In 2014, wells are planned to be drilled in undrilled fault blocks in this southern extension of the field. If the wells drilled in the South Farha South area, as the new area is called, are successful, it will be a strong indication that the Farha trend extends into the south outside the currently producing area.

A completely new pilot programme will also be initiated to better understand the Lower Al Bashir reservoir. In addition to the flows established on the Farha South oil field, it also flowed at the exploration area number 4 area on Block 4. It is however a tricky reservoir. If successful, the Lower Al Bashir could turn into a major asset.

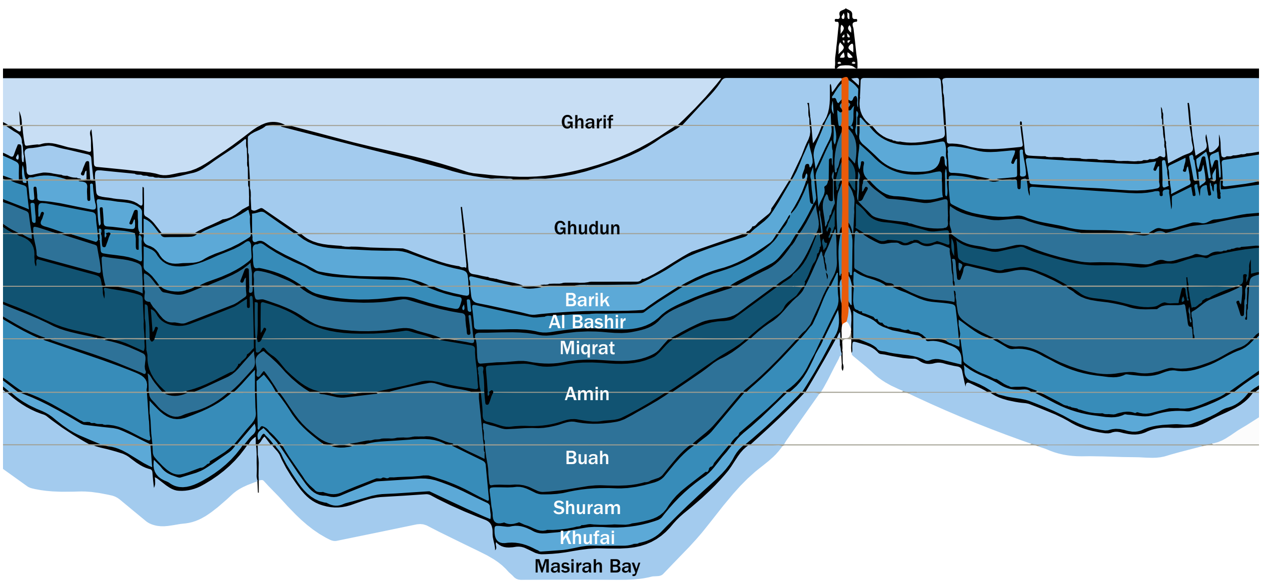
Formations

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

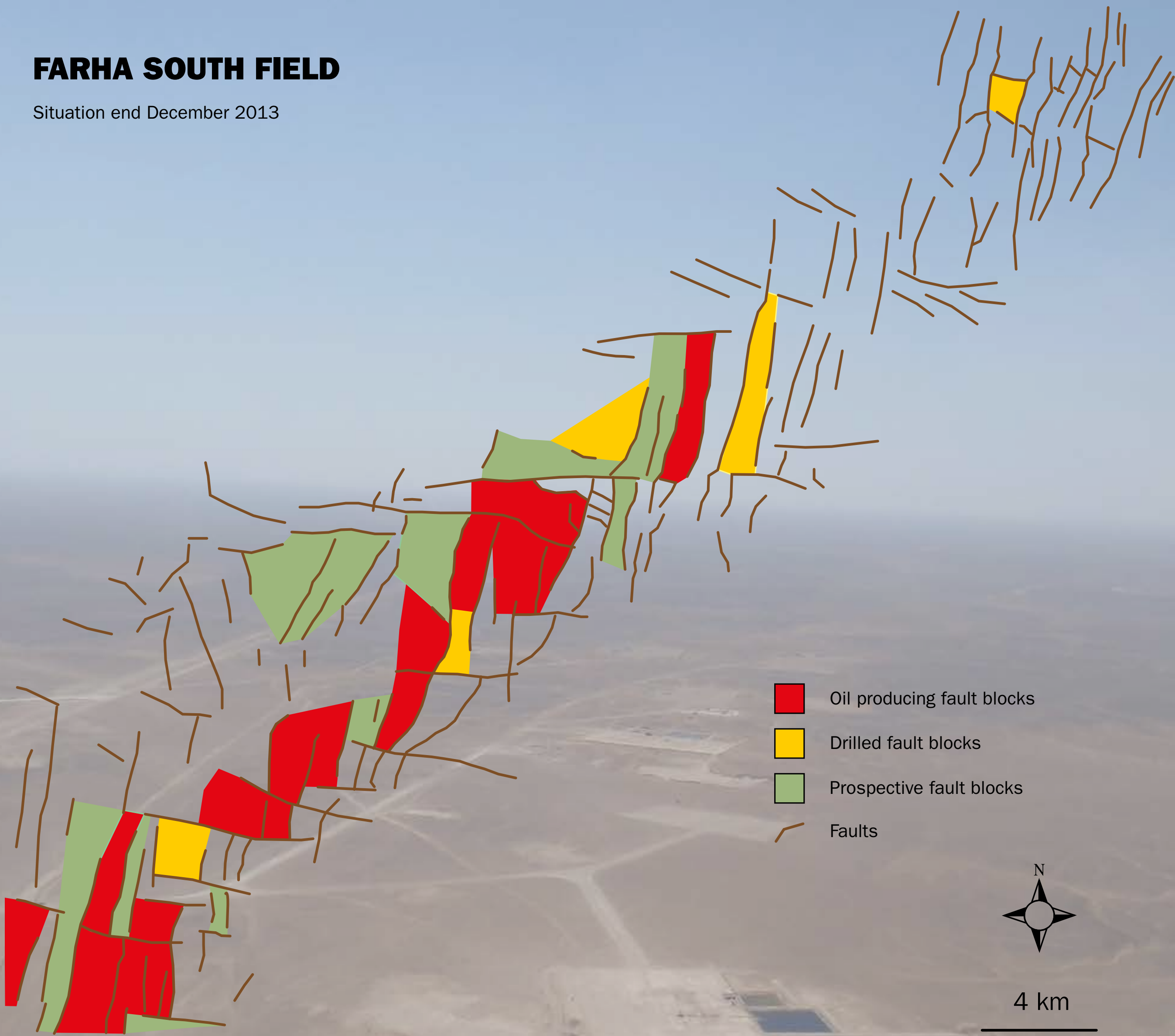
On Blocks 3 & 4 in Oman, reservoirs in formations like Khufai, Barik, Lower Al Bashir, Buah and Masirah Bay have been explored. Currently the production comes from reservoirs in Khufai, Barik and Lower Buah.

Other formations where Tethys Oil has encountered oil is for example Lower Al Bashir and Masirah Bay.



FARHA SOUTH FIELD

Situation end December 2013



Water injection
Water injection is a method to increase oil recovery from an existing reservoir. Water is injected to support pressure of the reservoir and to sweep or displace oil from the reservoir, and push it towards a well. Normally only 30 per cent of the oil in a reservoir can be extracted, but water injection increases that percentage and maintains the production rate of a reservoir over a longer period.

Light and heavy, tricky and promising

The Saiwan East area is both very promising and very complicated. From this area, Tethys has had the highest test flows from a new well, when Saiwan East 3 tested over 10,000 bopd. In addition, the area has been estimated to hold over 1 billion of heavy oil in place. However, the natural decline of the Saiwan East oil field wells have been substantial, and the field is now producing at a modest rate from the Khufai carbonate. And the heavy oil will require enhanced oil recovery techniques in order to maybe be able to flow to surface.

The producing Khufai limestone in the Saiwan East oil field was discovered in 2009. The targets of the Saiwan East-2 well was to evaluate the oil findings made by previous operators in the Miqrat-, Amin- and Buah layers. An over 400 metres column of heavy oil saturation in the target formations was also confirmed. The new oil discovery of lighter oil in the Khufai was however made when the well was drilled deeper than originally planned. In the subsequent Saiwan East-3 well, the Khufai flowed in excess on 10,000 bopd on test. The Khufai limestone at about 1,600 metres depth has however turned out to be more complex than first anticipated. The various densities in different areas of the field seem to have big impact on where conventional oil has been found. The results from the Saiwan East-4 well underscored both the complexity and the potential of the field. SE-4 encountered unexpectedly large quantities of oil with different gravities and viscosities than previously believed possible.

The oil produced at the Saiwan East oil field oil has a density of 32 degrees API with some sulfur content. 3D seismic is essential to identify structures and faults and possible oil bearing fractures.

The heavy oil of Saiwan East

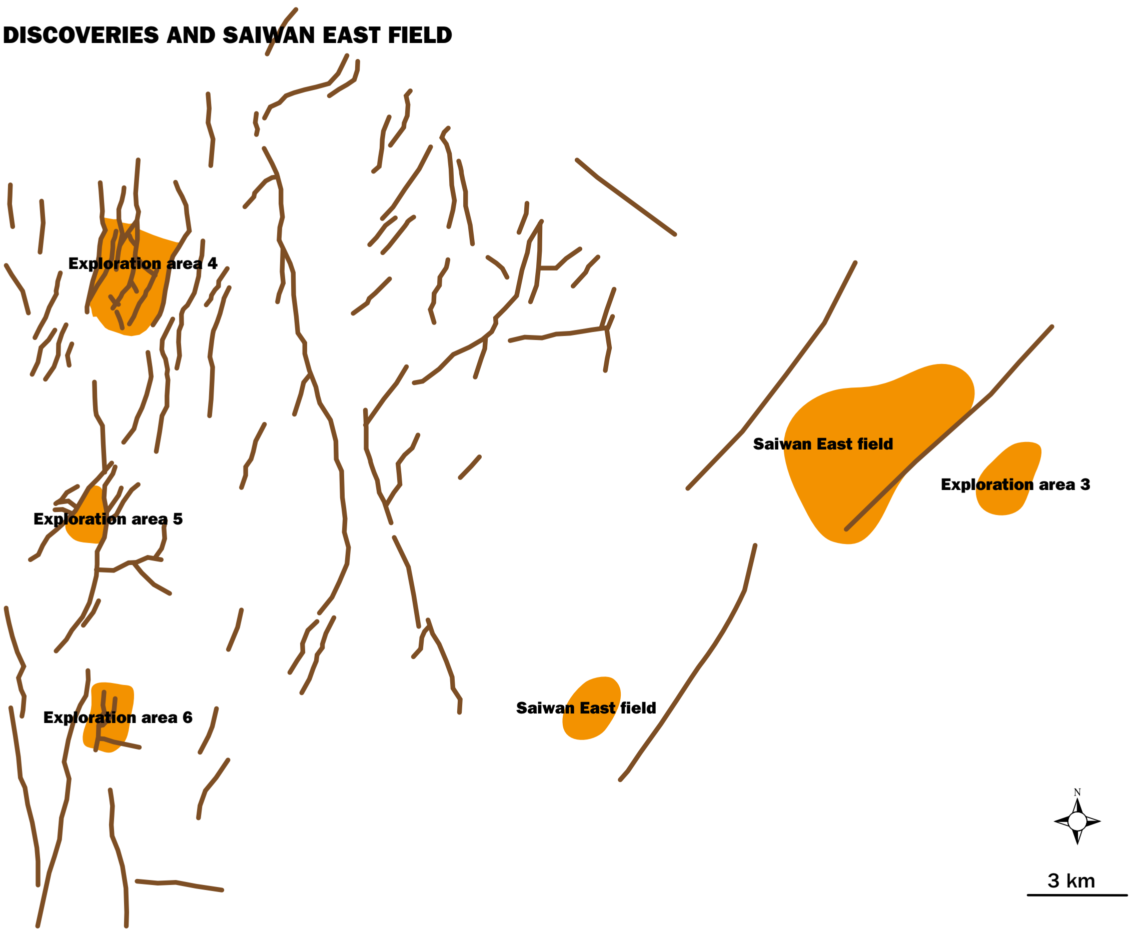
When drilling on Saiwan East, and also on the exploration areas on Block 4 drilled in 2013, more or less heavy oil is encountered. It is estimated that the heavy oil play could hold some 1 billion of oil in place. But heavy oil has a higher density than light crude, and commercial production is often more complicated. Testing operations with the objective to verify mobility of the heavy oil and to assess possible production rates has been conducted. The results were cautiously encouraging. Liquid samples were obtained. However, the results suggest that any potential production from the heavy oil in Saiwan East will require enhanced oil recovery techniques.

No additional tests on the heavy oil are planned for the near future, with plenty of other possibilities on the blocks that have higher chance of resulting in an immediate cash flow. But the heavy oil of the area is a challenge and big opportunity.

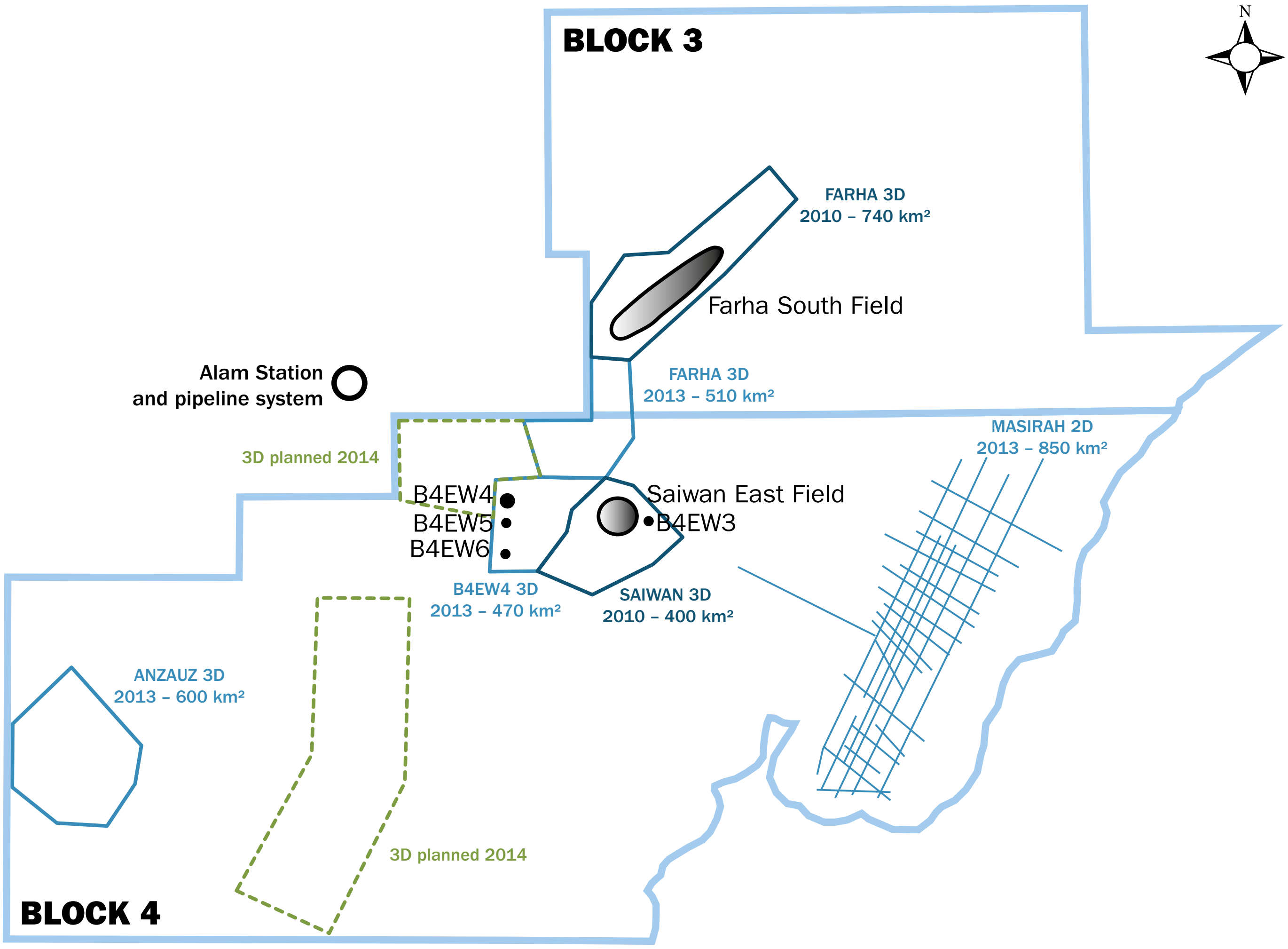
Further opportunities

Both the light sweet crude and the heavy oil constitute large possibilities for the future. In light of the strategy, to priority drilling of wells with high chance of success that could be put on stream fast, no near time activity is planned at the Saiwan East oil field.

NEW DISCOVERIES AND SAIWAN EAST FIELD



Status of seismic coverage, December 31, 2013



A new dish on the smorgasbord

The Lower Buah oil discovery was made in March 2013. During the year, it was appraised with five more wells, and is rapidly turning into a major production area. Not only has the Lower Buah reservoir already created substantial cash flow, it has opened up a totally new oil play. A similar Lower Buah structure was discovered in 2014, and more leads are planned to be tested with the drill bit during 2014.

In late 2012, an exploration well was spudded on area 4 on Block 4 (B4EW4). The well targeted five potential reservoir formations, four of which are proven hydrocarbon bearing reservoirs in other locations in Oman. Three month later, the well flowed close to 3,000 bopd on test from, and a new prolific layer had been discovered, the Lower Buah.

The well was drilled on a dense grid of high quality 2D seismic data approximately 20 km west of the Saiwan East oil field. The well was drilled to a final total depth of 3,030 metres. Strong oil shows were recorded during drilling in the Lower Al Bashir, Buah, Khufai and Masirah Bay formations. The testing program was designed to evaluate the Khufai and Buah reservoirs.

In 2013, the area 4 discovery was appraised with five additional wells. Three wells were drilled in the Lower Buah layer, all of which with good flows ranging from 1,000 to in excess of 3,000 bopd. The strategy with the appraisal has been to gradually expand the appraised area, with the target to first increase production and get cash flow. In the reserve report as per 31 December 2013, Tethys had 2.2 mmbo of proven and probable oil reserves in the area 4 discovery. However, the oil water oil contact has so far not been determined. In 2014, the so far most aggressive step out well was spudded, the B4EW4-7 appraisal well. This well could have a significant effect on the reserves.

The exploration of area 5

A new exploration well spudded in August 2013 on a look alike structure to B4EW4 designated area 5 (B4EW5). The new structure was identified from new 3D seismic and located some 7 km south of B4EW4 also in block 4. The B4EW5 well primarily targeted the Lower Buah and Khufai sections.

The exploration well was drilled to a total depth of around 3,000 metres and recorded oil shows in five separate formations. The well was completed in the Lower Buah. The B4EW5 discovered oil and proved the viability of the Buah play concept, although the initial flows of some 200 BOPD were a bit disappointing.

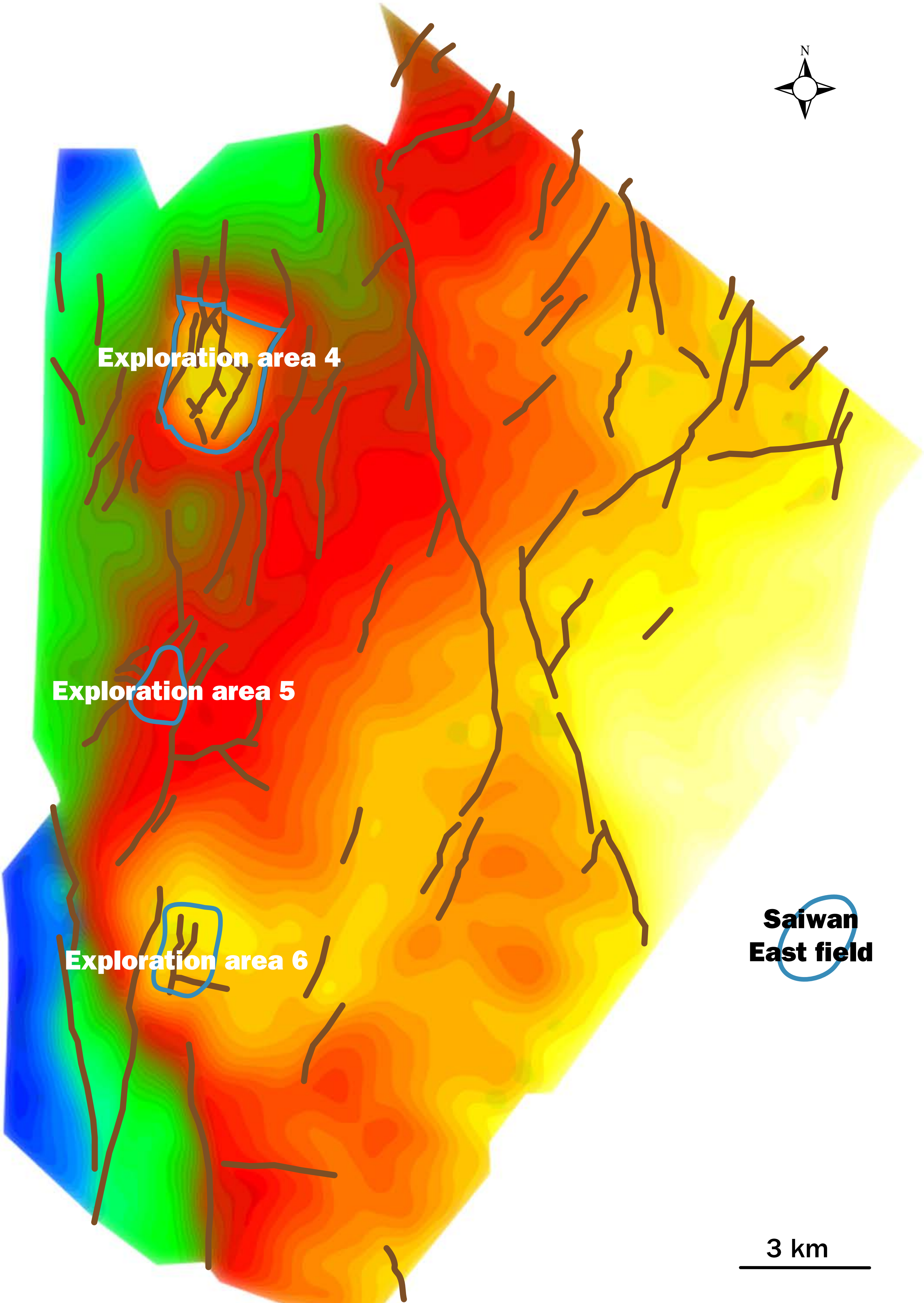
The exploration of area 6

In December 2013, a new Lower Buah exploration well was spudded on the area 6 (B4EW6) structure. with similar characteristics to the B4EW4 structure. B4EW6 is located approximately 13 km south of the B4EW4 discovery. The structure was previously undrilled and showed similar characteristics to the B4EW4 structure.

In February, drilling had finished and the well tested in excess of 2,200 bopd from the Lower Buah formation. The well is hooked up to the production system to undergo a long term production test.

Further opportunities

An active drilling programme will continue to explore and appraise the Lower Buah play in 2014, with several newly mapped similar structures to be tested by the drill bit.


N
Exploration area 4
Exploration area 5
Exploration area 6
Saiwan
East field
3 km

More water than oil

Block 15 is situated in the north western part of central Oman and covers an area of about 1,400 square kilometres. Tethys Oil has a 40 per cent interest in the licence and Odin Energi the other 60 per cent. The licence is valid until October 2014.

Block 15 was Tethys first licence in Oman, and since the drilling of Jebel Aswad-1 (JAS-1) in 2007, which flowed 2,626 boepd on test from the Natih limestone reservoir, Oman has been Tethys core area. JAS-1 was followed by JAS-2 in 2008, which tested only water.

Since 2009, Tethys' investments in Oman have been focused on Block 3 and 4, but in the summer of 2013, a long term production test commenced using a Early Production System. The testing continued into the fourth quarter, however with disappointing results. Production from the JAS-1 well 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.

Development plans 2014

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.

How profit and cash flow in Oman are generated

The terms of the agreement with the Omani government typically allows the holder of the 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 joint venture partners. If there is no cost oil to be recovered, the joint venture partners receive their share of 20 per cent of the oil produced. The terms of the agreement thus result in the joint partnership's share of production in the interval 20–52 per cent, depending on available recoverable cost. So far on Blocks 3 & 4, Tethys and its partners share has been in the high end of the interval, 52 per cent. The estimated recoverable costs as per 31 December 2013, net to Tethys Oil, amounted to MUSD 77.

Pricing

Tethys' share of oil produced on Blocks 3 & 4 is sold to Mitsui and the sales volume is estimated three months in advance. 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. The Omani Blend and hence Tethys Oil's achieved oil price is therefore typically priced with a two month lag to spot prices. During the twelve month period 2013, prices have been trading between high levels of around USD 115 per barrel and low levels of around USD 97 per barrel. The oil produced on Blocks 3 & 4 is of higher quality than Omani Blend. Because of the better quality, Tethys Oil receives a premium compared to Brent. The premium was in 2013 around USD 1.00 per barrel.

Tethys Oil's Partners

Due to high exploration costs, oil companies often co-operate. A typical oil concession could be held by five different companies with 20 per cent each in the licence. The company with the operating responsibility, called the operator, can either carry out the work themselves or acquire the services on contract. The operator is responsible for the day-to-day operations, and has the overall responsibility for implementing the work programme approved by the license partners.

Mitsui

The Japanese company Mitsui is a multilateral company pursuing business that ranges from product sales, worldwide logistics and financing, through to the development of major international infrastructure and other projects in the following fields: Iron & Steel Products, Mineral & Metal Resources, Infrastructure Projects, Motor Vehicles & Construction Machinery, Marine & Aerospace, Chemicals, Energy, Food Resources, Food Products & Services, Consumer Services, IT, Financial & New Business and Transportation Logistics.
www.mitsui.com

CCED

CC Energy Development (CCED) is a part of Consolidated Contractors Company (CCC). CCC is the largest engineering and construction company in the Middle East. The CCC Group has expanded to include several subsidiaries, augmenting CCC's regional and international status. Today, CCC leads the industry in the adoption of new technology to improve construction efficiency and enhance project controls.
www.ccc.gr

Chevron

Chevron is a US based company and one of the world's leading integrated energy companies and conducts business worldwide. Chevron is involved in virtually every facet of the energy industry. Chevron explore for, produce and transport crude oil and natural gas; refine, market and distribute transportation fuels and lubricants; manufacture and sell petrochemical products; generate power and produce geothermal energy; provide energy efficiency solutions; and develop the energy resources of the future, including research for advanced biofuels.
www.chevron.com

Odin Energi

Odin Energi A/S is a privately owned Danish Exploration and Production company with producing assets in Lithuania and Russia and appraisal assets in Oman & offshore Latvia.
www.odinenergi.com

Geonafta

Geonafta is a Lithuanian company and one of the leading oil production companies that is distinguished for the stability and versatility of its activities. The company not only carries out oil exploration, prospecting and production in the licenced areas owned by the company, but also provides deep drilling and other services related to oil works to other oil companies in Lithuania.
www.geonafta.lt


Photo: “Vilnius” by Juozas Šalna (flickr.com/pukomuko)

Exploration in the Baltic neighbourhood

Licence	Area, km²	Interest, %	Partners	Expiration date
Gargzdai	884	25	Odin Energi, Geonafta	Until further notice
Rietavas	1,594	14	Odin Energi, Chevron, private investors	Sept 2017
Raseiniai	1,535	26	Odin Energi, private investors	Sept 2017

Tethys Oil holds indirect interests in three Lithuanian licences. All licences are onshore and cover some 4,000 square kilometres of the Baltic Sedimentary Basin. Tethys Oil has an indirect ownership of 25 per cent in the Gargzdai licence, 14 per cent in the Rietavas licence and 26 per cent in the Raseiniai licence.

In contrast to Oman, where the licences are owned directly by the joint venture company, the Lithuanian interests are owned indirectly through shares in Odin Energi and Jyllands Olie. These companies hold shares in Lithuanian companies UAB Minijos Nafta (Gargzdai) and UAB TAN Oil (Rietavas and Raseiniai).

Lithuania as oil country

Oil was discovered in Lithuania some 60 years ago, but the current production is minor and the production is located in the western part of the country. The oil is located quite deep and the production comes from a number of small fields.

Oil shows were first encountered in Lithuania in sedimentary rocks dated as latest Ordovician to earliest Silurian in well Vilnius-1 in 1949, and extensive oil exploration began in 1958. The first oil commercial accumulation in Silurian carbonate reservoirs, Kudirka, was discovered in 1983.

The carbonate reservoirs were found to vary in quality and the reservoirs in central and southern Lithuania are showing the most favourable characteristics. These reservoir units are considered to be the most prospective for oil exploration. Lithuanian crude oil is of rather high quality and almost without sulphuric impurity and the expenses incurred during the refining process are far lower than the norm.

Lithuanian oil production had its peak at the millennium, when the production amounted to close to 10,000 barrels of crude oil per day. In 2012 the number was 2,000 barrels per day. (EIA) The main reason for the decrease is depletion of the

current oil sources and slow progress in oil exploration.

Gargzdai licence

The Garzdai licence is located in the western part of Lithuania and covers an area of 884 square kilometres. The licence is Tethys Oil's second producing licence. Tethys indirect ownership in the licens is 25 per cent and Lotos Geonafta is operator.

The licence is producing a stable but somewhat declining amount of oil. The oil produced at the Gargzdai licence has an API of about 42 degrees and is normally sold on weekly basis to a nearby refinery. The price is based on and set close to the daily Brent price.

Progress

Tethys share of the Lithuanian production in 2013 was on average 128 barrels of oil per day.

A pilot CO_2 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 Rietavas licence is located east of Gargzdai and covers an area of 1,594 square kilometres. Tethys indirect ownership is currently 14 per cent and Chevron acts as operator. Chevron has further obtained an option to acquire additional interest in the Rietavas licence at a predetermined price, to be exercised within three years. If the option is exercised, Tethys indirect interest in the Rietavas licence will be reduced to 5.6 per cent. The licence is valid until 2017.

The Rietavas licence has oil discoveries in the Cambrian sandstonesand is yet quite unexplored.

Progress

The exploration and appraisal work on the Rietavas license, fully financed by Chevron, 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 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.

Raseiniai licence

The Raseiniai licence is the most eastern of Tethy's licence interests in Lithuania. The

Other

licence covers an area of 1,535 square kilometres and Tethys's indirect ownership is 26 per cent. Odin Energy is the operator. The licence is valid until 2017.

The Raseiniai licence covers a so far unexplored trend of Silurian reefs similar to, but expected to be of larger size, the Ordovician reefs found on Gotland. The Silurian/ Ordovician shale section is present also in the Rietavas and Raseiniai licences.

Progress

On the Raseiniai 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 is partly EU funded and aims to define oil traps and to identify potentially oil bearing fracture systems.

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.

Tethys has interests in two French licences. The licence Permis du Bassin D'Alès, anexploration and production licence in the Alès basin in southern France. The Attila licence is located in the oil and gas producing Paris basin, some 250 kilometres east of Paris.

Currently there are no on-going activities on the French licences. Due to political reasons, it is uncertain if or when any oil and gas exploration can be conducted in France.

Licence	Area km²	Interest %	Partners	Expiry date
Attila	1,986	40	Galli Coz	2015
Alès	215	37,5	MouvOil	2015

Sustainability

An oil company having business in different parts of the world will sooner or later meet issues about Corporate social responsibility ("CSR"), where environment of course is the most obvious. 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 is the main responsible for the day to day work and the business on the site. Tethys Oil is currently not acting as operator in any of its active assets. The activities in Tethys different projects are therefore decided in cooperation with partners and primarily the operator. Assets not operated by Tethys are independently reviewed by Tethys Oil out of a HSES (health, safety, environmental and social) perspective and Tethys 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.

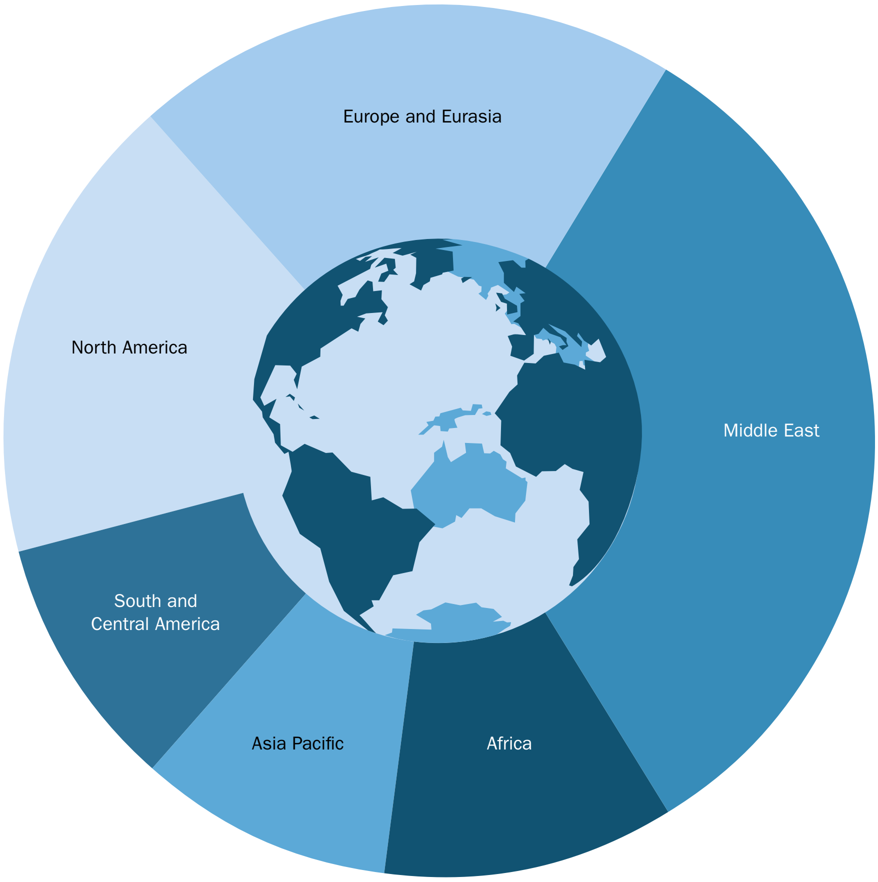
The company's fundamental values are:

- 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 neighborhood who will be affected and all the work in the area will be done by "good oil praxis". All subcontractors that are used are subject to the same conditions. In Oman, preference shall be given to Omani contractors and Omani Nationals. The company shall also establish a fund for the Ministry of Oil and Gas. This fund will be used for internal and external training courses, participation in international seminars, contribution to scholarships etc, which can support the oil industry.

According to the Joint Ventures 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.

The global oil market



Global oil production

Source: BP Statistical Review of World Energy June 2013

Production

The global oil production increased in 2012 by 2.2 per cent. The key drivers of long-run oil supply include oil prices, exploration and development of new and existing reserves, behavior of key OPEC member countries, technological innovation in the petroleum supply chain, and geopolitical events.

Technological innovation in the petroleum and other liquids supply chain is the key component of the shift to diversified supply sources. Increases in supply come inter alia from new ways of appraising wells, such as 3D seismic imaging, from new drilling and completion techniques, such as horizontal drilling and multi-stage hydraulic fracturing.

Advances in technology make production in previously inaccessible regions more feasible, while higher oil prices make production in those regions economically viable. At the same time, the rising complexity of the energy sector increases the costs of oil extraction. Annual capital spending for the industry has more than tripled in the past 10 years, to USD 550 billion in 2011, while the amount of oil produced per dollar of investment has declined.

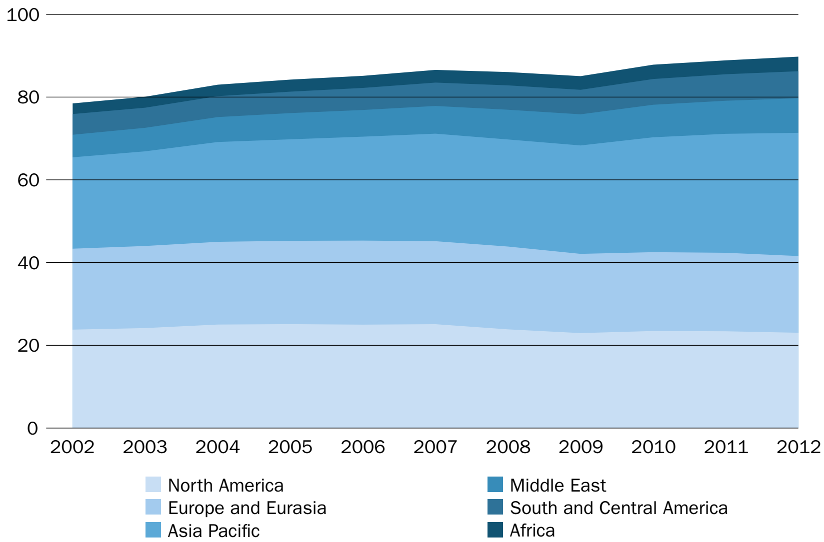
Regardless of other supply developments that have recently gained considerable market attention, including tight oil in the United States and bitumen from oil sands and tar sands in Canada, OPEC petroleum liquids production continues to be critical for world oil markets.

Saudi Arabia, Iran, and Iraq combined have a large share of the world's oil reserves and resources that are relatively easy to produce. Saudi Arabia, for many decades the only holder of substantial spare oil production capacity, has played a critical role as the major swing supplier in response to disruptions in other supply sources and to economic fluctuations affecting oil demand. Both Iraq and Iran have the reserves and other resources needed to raise their capacity and production well above current levels if they can successfully address some of the internal and external "above-ground" challenges that have kept their respective oil sectors from realizing their potential for more than 30 years.

Consumption

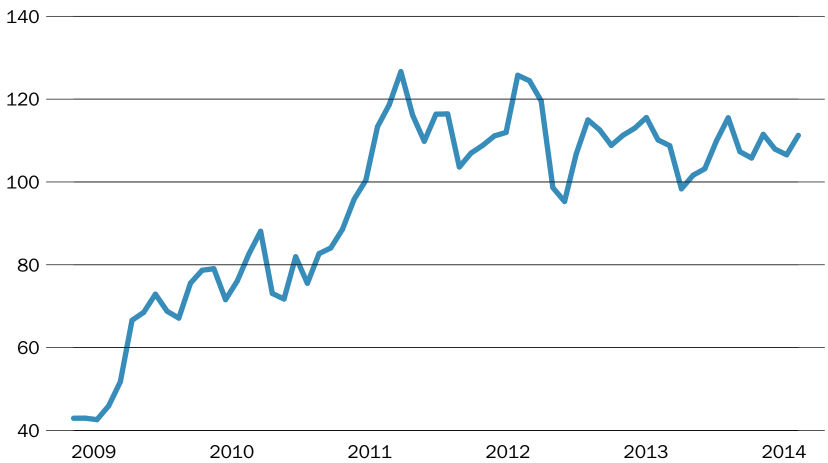
The global oil consumption increased in 2012 by 0.9 per cent. The primary driver of oil consumption growth is the economy, but global demand in the next few years will also be affected by the broader economic impacts of the North American supply revolution. In much of the OECD, relatively slow economic growth and static or declining population levels contribute to declines in liquids consumption. In addition, many OECD governments have

Global consumption (million barrels daily)



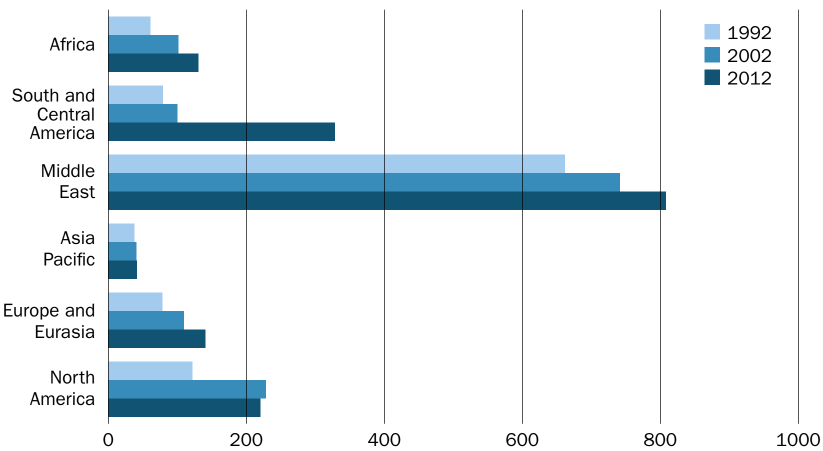
Source: BP Statistical Review of World Energy June 2013

Europe Brent Spot Price FOB (dollars per barrel)



Source: U.S. Energy Information Administration

Global oil reserves (thousand million barrels)



Source: BP Statistical Review of World Energy June 2013

adopted policies that mandate improvements in the efficiency of motor vehicles. The United States is the largest liquid fuels consuming nation in the OECD, and it will probably remain so in the foreseeable future.

Virtually all global liquids demand growth comes from non-OECD countries, particularly China and India, as strong economic growth increases consumption in the transportation and industrial sectors. As China's economy moves from dependence on energy-intensive industrial manufacturing to a more service-oriented economy, the transportation sector becomes the most important source of growth in liquid fuels use. This trend will likely continue in the future, with producers in Russia and Central Asia also increasing production in the eastern regions of the two countries to meet new Asian demand.

Rising prices for liquids increase the cost-competitiveness of other fuels, leading many users of liquids outside the transportation and industrial sectors to switch to other sources of energy when possible.

Oil price

After experiencing exceptional volatility during the 2008 financial crisis, oil prices have been more stable in the last two years. Unrest in North Africa and the Middle East, along with prospects for improved economic growth in the years that followed the global recession of 2008-2009, have helped keep prices relatively high.

The average oil price for Brent oil in 2013 was USD 108.55 per barrel which is lower relative to the 2012 (USD 111.57). The high price level in recent years, has enabled production of oil from discoveries previously not commercial recoverable. Example of such high cost categories are unconventional reservoirs such as shale oil, oil sands and deep water reservoirs.

Different types of oil

Liquid petroleum pumped from a well is called crude oil. Crude oil consists of mostly hydrocarbons, but to different extent also of oxygene, nitrogen and helium. The oil industry normally names the oil from its geographical origin, for example West Texas Intermediate (WTI), Brent and Omani Blend. Crude oil is also classified after its chemical composition, primarily density and sulfur. Crude oil with low sulfur content is classified as sweet and crude oil with low density as light. The density of crude oil is measured in relationship to the density of water according to American Petroleum Institute (API); if the oil's API is higher than 10 it is light and would float on water. If the density is lower than 10, it's heavy and would sink. Sweet and light oil is considered more attractive since it requires less refining than sour and heavy oil.

Global oil reserves

Around one-half of the world's proved oil reserves are located in the Middle East, and 80 per cent are concentrated in eight countries, of which only Canada and Russia are not OPEC members. In the end of 2012, proved world oil reserves, as reported by BP statistical review, were estimated at 1,669 billion barrels – almost 1 per cent higher than the estimate for 2011. Most increases in proved reserves since 2000 have come from revisions to reserves in discovered fields rather than new discoveries. Proved reserves of crude oil are the estimated quantities that geological and engineering data indicate can be recovered in future years from known reservoirs, assuming existing technology and current economic and operating conditions.

Shale Oil and gas resources

Shale oil is a so called non-conventional oil. Unlike conventional drilling, done by a vertical drilling straight down in the underground to the liquid oil, the shale oil is not found in reservoars, but in small porous accumulations in the shale. This means that horizontal drilling must be added and water and chemicals have to be used together with high pressure to crack the shale and release the oil and gas.

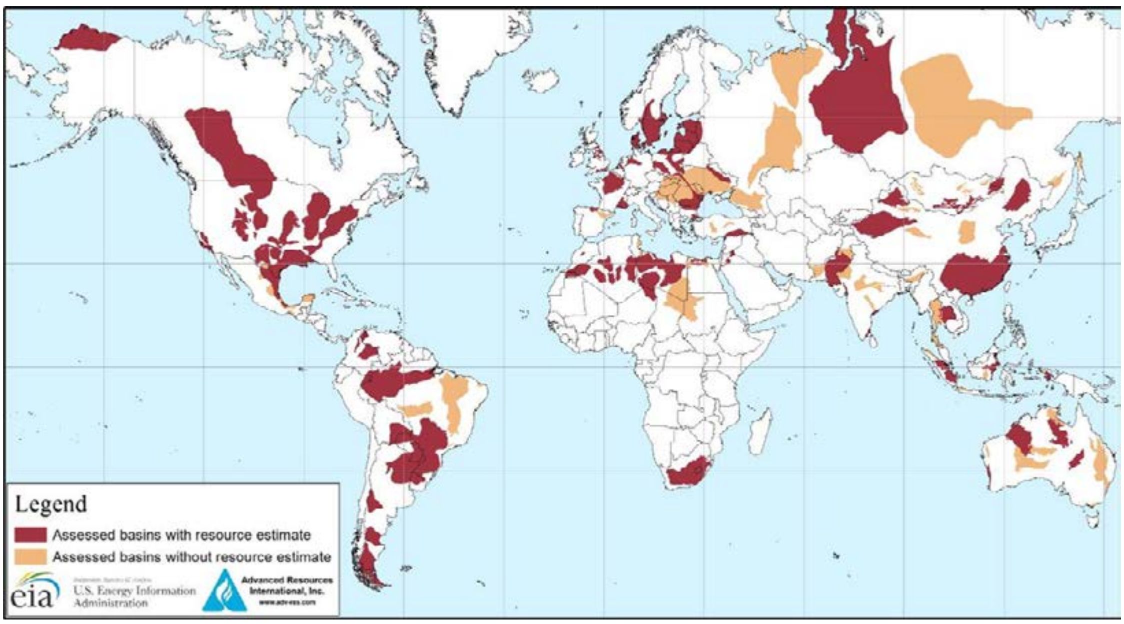
When considering shale resources, it is important to distinguish between technically recoverable resources and economically recoverable resources. Technically recoverable resources represent the volumes of oil and natural gas that could be produced with current technology, regardless of oil and natural gas prices and production costs. Economically recoverable resources are resources that can be produced profitably under current market conditions. The economic recoverability of resources depends on three main factors:

- the costs of drilling and completing wells,
- the amount of oil or natural gas produced from an average well over its lifetime
- the prices received for oil and gas production.

Experience with shale gas in the United States and other countries suggests that economic recoverability can be influenced significantly by both above-ground factors, as well as by geology. Key positive above-ground advantages in the United States and Canada that may not apply in other locations include major private ownership of subsurface rights (often by surface owners) that provides a strong incentive for development, availability of many independent operators and supporting contractors with critical expertise and suitable drill rigs, preexisting gathering and pipeline infrastructure, and availability of water resources for use in hydraulic fracturing.

Given variation across shale formations in both geology and above-ground conditions, it is not clear that similar proportions of technically recoverable resources will prove to be economically recoverable across different shale formations. Tight oil and shale gas resources have been revolutionary in the United States—providing 29 per cent of the country's total crude oil production and 40 per cent of its total dry natural gas production in 2012—because they have proven to be quickly producible in large volumes at relatively lower costs than the large amounts of other types of oil and natural gas resources that had been identified previously.

Source: EIA Energy Outlook if nothing else is quoted



Source: EIA/ARI World Shale Gas and Shale Oil Resource Assessment.
Note that this map shows a distorted projection of the world, where northern landmasses are exaggerated.

Corporate governance report

Corporate governance practices refer to the decision-making systems through which owners, directly or indirectly, control a company. Tethys Oil AB is a publicly traded company listed on NASDAQ OMX 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 2013 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 2013. Tethys Oil does not report any deviations from the code. The report has been reviewed by the company's auditors, please see page 35.

External and internal framework for governance in Tethys Oil

External:

Swedish Companies Act
Accounting legislation (eg Swedish accounting act, Swedish Annual Accounts Act and IFRS)
NASDAQ OMX 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, Hedging Policy, Information Policy, CSR Policy etc

Shareholders

Tethys Oil's shares have been traded on the NASDAQ OMX Stockholm since 2 May 2013. Previously the share was traded on NASDAQ OMX First North since 2004. At year end 2013 the share capital amounted to MSEK 5,924, represented by 35,543,750 shares, each with a par value of SEK 0.17. All shares represent one vote each. At 31 December 2013, the number of shareholders was 3,958 (2,655). Of the total number of shares, foreign shareholders accounted for approximately 56 per cent, approximately 79 per cent of the total shares were owned by legal entities, approximately 21 per cent by private individuals. For further information on share, share capital development and shareholders, see page 37 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 22 May 2013. The AGM was attended by about 70 shareholders, representing about 34 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 2012 and discharge of liability for the Board of Directors and the President.
- Reelection of Vincent Hamilton, Magnus Nordin, Jan Risberg, Katherine Støvring and Staffan Knafve, and election of Per Brilioth as new member. Vincent Hamilton was elected Chairman of the Board. Håkan Ehrenblad and John Hoey left the board.
- The Chairman will be paid a fee of SEK 450,000 and each AGM-elected member not employed by the company will be paid SEK 175,000. The Chairman of the Audit Committee will be paid SEK 50,000 and each of the Committee's members will be paid SEK 25,000. The members of the Remuneration Committee will be paid SEK 25,000. The total fees for Committee work, including Committee Chairmen fees shall not exceed SEK 225,000.
- Auditors will be paid as invoices are approved.
- Principles of remuneration to senior executives.
- 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 con-sideration in kind or by set-off, to enable the company to make business acquisitions and to raise capital for the Company's business operations.

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

Nomination process

In accordance with the Nomination Committee Process approved by the 2013 AGM, the Nomination Committee for the 2014 AGM consists of members appointed by four of the larger shareholders of the Company based on shareholdings as per 30 June 2013. The names of the members of the Nomination Committee were announced and posted on the Company's website on 21 August 2013, i.e. within the time frame of six months before the AGM as prescribed by the Code of Governance.

The Nomination Committee for the 2014 AGM has held 4 meetings during its mandate and informal contacts have taken place between such meetings. The Nomination Committee report, including the final proposals to the 2014 AGM, 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,
- Auditor's fee,
- Proposal regarding procedures and principles for establishing a Nomination Committee and issues pertaining thereto for the 2014 AGM.

The work of the Nomination Committee has during 2013 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 background and experience and also taken part of the board evaluation.

The nomination committee for the AGM 2014 consisted of the following members:

- Dennis Harlin, chairman of the nomination committee, representing himself and Annemarie Danielsson, and
- Håkan Ehrenblad, representing himself. (Håkan Ehrenblad replaced Vincent Hamilton as per 1 January 2014 following the sale of his shares which was announced in a press release 11 October 2013)
- Jan Risberg, representing himself
- Mikael Petersson, representing himself, Niklas Antman and SSE Capital

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 tree deputy board members. Board members are elected for a maximum of one year at a time. The board of directors of Tethys Oil consisted from the AGM 2013 until 11 October 2013 of six directors and no deputies. On 11 October 2013, Vincent Hamilton, the Chairman of the board, resigned. Since then, the board has consisted of five members and Staffan Knafve has been appointed as new Chairman. 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/ interested parties.

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 in 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 2013

During 2013 the board held 7 scheduled meetings and 8 extraordinary meetings.

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. 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 2014, consisting of all board members with the exception of the Managing director Magnus Nordin. Staffan Knafve is the Chairman of the committee. The Remuneration committee convened 3 times in 2013. The work has mainly focused on establishing princip-

Board of Directors attendance

Name	Independence	Board meetings	Audit committee	Remuneration committee
Staffan Knafve	Yes	15/15	5/6	3/3
Magnus Nordin	No	15/15	–	–
Katherine Stövring	Yes	15/15	6/6	3/3
Jan Risberg	Yes	15/15	6/6	3/3
Per Brilioth	Yes	7/8	3/4	2/2
Vincent Hamilton	Yes	13/13	–	–
Håkan Ehrenblad	Yes	7/7	2/2	1/1
John Hoey	Yes	7/7	2/2	1/1

Meetings and items 2013	
February	Year-end report 2012
March	Policies and strategy
April	Annual report 2012, Listing application, Listing prospectus
May	First quarter report 2013; Constituent meeting and adoption of manuals and policies
June	
August	Second quarter report 2013
September	Strategy, financing and hedging
October	Resignation of Vincent Hamilton
November	Third quarter report 2013
December	Budget 2014

les for remuneration to management and to monitor and evaluate variable remuneration. 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 AGM 2014, consisting of all board members with the exception of the Managing director Magnus Nordin. Jan Risberg is the chairman of the committee. The Audit Committee convened 6 times in 2013. The work has mainly focused on supervising the Company's financial reporting and assessing the efficiency of the Company's financial internal controls and internal audit, with the primary objective of providing support to the Board in the decision making processes regarding such matters. 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 Klas Brand as Lead partner and Johan Malmqvist as partner. PricewaterhouseCoopers AB was elected as the Company's auditor at the AGM 2009.

Tethys Oil AB's auditor: PricewaterhouseCoopers AB

	Klas Brand	Johan Malmqvist
Role	Lead partner	Partner
Born	1956	1975
Company Auditor since	2012	2010

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 2013, remuneration to PricewaterhouseCoopers AB amounted to TSEK 1,512. For details on remuneration to auditors, see note 12, Auditor's fees.

Managing director and management

The executive management in Tethys Oil consists of the Managing director and the Chief financial officer.

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 to executive management

Remuneration to the executive management includes four main components:

- Basic salary
- Pension arrangements
- Yearly variable salary
- Other benefits

Basic salary

The basic 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 basic 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 and chief financial officer (CFO).

Variable salary

Variable salary to employees will be based upon their individual contribution to the Compa-ny'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 recom-mendation to the Remuneration Committee regarding the payment of the yearly variable salary to employees. The Remuneration Committee will recommend to the Board of Directors for approval the level of the yearly variable salary of the Managing director, and the CFO. For other employees, the Remuneration Committee will only be involved if the award exceeds USD 10,000 per employee.

Pension Arrangements

The pension benefits comprise a defined contribution scheme with premiums calculated on the full basic salary. The pension contributions shall be in relation to the basic 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 the CFO. Both are entitled to 12 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, TSEK

Executive	Basic salary	Variable salary	Other benefits	Pension arrange-ments	Total 2013	2012
Magnus Nordin	1,545	400	11	243	2,199	1,230
Morgan Sadarangani	1,033	280	11	162	1,485	866

The increase in remuneration to management relate to partly an increase of basic salaries, but mainly to variable salaries and implementation of pension arrangements.

Remuneration to the Board 2013

Remuneration to the board of directors during 2013 amounted to a total of TSEK 1,375, allocated among the board members in the way shown in the below table. The annual general meeting 2013 resolved that remuneration of the chairman of the board of directors shall be TSEK 450 per annum and of the other members TSEK 175 per member per annum.

Remuneration to Board, TSEK	2013	2012
Total approved remuneration	1,375	350
Chairman	450	–
Director	175	100
Chairman Audit committee	50	25
Member Audit committee	25	–
Chairman Remuneration committee	25	25
Member Remuneration committee	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. Furthermore, non-operating partners can and have conducted a JV audit during 2013. The JV audit focused on accuracy and reliability of financial reporting and also on key processes, i.e financial reporting process, budget process and general administra-tive and control processes.

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 internal auditing 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. As an example of special control activities, an in-depth Joint Venture audit was made during 2013 on the operator of Blocks 3&4 together with the other non-operating partner Mitsui.

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

	Staffan Knafve	Magnus Nordin	Jan Risberg	Katherine H. Stövring	Per Brilioth
Function	Chairman of the Board (since Oct 2013), Chairman of the Remuneration committee	Managing Director, Director	Director, Chairman of the Audit Committee	Director	Director
Elected	2012	2001	2004	2012	2013
Born	1958	1956	1964	1965	1969
Education	Bachelor of Law, Stockholm University	Bachelor of Arts, Lund University and Master of Arts, University of California Los Angeles	Bachelor of Science in Economics and business, Stockholm University	Master of Law, University of Oslo and MSc in Business Management, London Business School	Bachelor of Science in Business Administration, Stockholm University and Master of Finance, London Business School
Experience	Several senior positions in different Nordic investment banks	Several executive positions in different oil companies	Several senior position in Corporate Finance	Several executive positions in the energy and shipping industry	Executive positions in companies investing in the Russian oil and gas sector
Other Board duties	Chairman Investment Committee at Coeli Asset Management and Member Finance Committee at Royal Swedish Automobile Club.	Board member of Minotaurus AB, Minotaurus Energi AS and Cassandra Oil AB.	Chairman Ovation Sports SA		Board member of Vostok Nafta Investment Ltd, Black Earth Farming Ltd, RusForest AB, Avito AB, X5 Group AB and Svenska Fotografiska museet AB.
Shares in Tethys Oil as of 31 Decem-ber 2013	70,000	1,464,127	843,419	–	5,000
Board attendance	15/15	15/15	15/15	15/15	7/8
Audit committee attendance	5/6	–	6/6	6/6	3/4
Remuneration committee attendance	3/3	–	3/3	3/3	2/2
Remuneration for board and committee work	475,000	–	225,000	225,000	225,000
Independent of the company and management	Yes	No	Yes	Yes	Yes
Independent of the company's major shareholders	Yes	Yes	Yes	Yes	Yes

Executive management

	Magnus Nordin	Morgan Sadarangani
Function	Managing director	Chief financial officer
With Tethys Oil since	2004	2004
Born	1956	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.
Experience	Several executive positions in different oil companies	Different positions within SEB and Enskilda Securities, Corporate Finance, 1998–2002.
Board duties	Board member of Minotaurus AB, Minotaurus Energi AS and Cassandra Oil AB.	None
Shares in Tethys Oil as of 31 December 2013	1,464,127	144,200

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 2013 on pages 30–34 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, 22 April 2014
PricewaterhouseCoopers AB

Klas Brand	**Johan Malmqvist**
Authorized Public Accountant	*Authorized Public Accountant*
Lead Partner	*Partner*

Board of directors

Staffan Knafve,
born in 1958. Member of the board since 2012 and Chairman of the board since October 2013. Chairman of the remuneration committee and member of the audit committee.

Magnus Nordin,
born in 1956. Managing Director and Member of the Board since 2001.

Jan Risberg,
born 1964. Member of the board since 2004 and Chairman of the audit committee and member of the remuneration committee.

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

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

Auditors

Klas Brand,
born in 1956. Authorized Public Accountant, Lead partner. Company's auditor since 2012. PricewaterhouseCoopers AB, Gothenburg.

Johan Malmqvist,
born in 1975, Authorized Public Accountant. Company's auditor since 2010. Pricewaterhouse-Coopers AB, Gothenburg.

The Tethys Oil share

Tethys Oil's shares have been traded on the NASDAQ OMX Stockholm since 2 May, 2013. Previously the share was traded on NASDAQ OMX First North since 2004. With the purpose of improving liquidity and reducing the spread between buyers and sellers of Tethys Oil shares, the company has assigned Öhman Fondkommission AB to act as a liquidity provider for the shares of the company.

Shares outstanding

Tethys Oil's registered share capital at 31 December 2013 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. Tethys Oil does not have an incentive program for employees. As per 31 December 2013 the Board of Directors had remaining outstanding authorization from the AGM to issue up to 10 per cent of the shares up until the next AGM.

Share capital development

Since the company's inception in September 2001 and up to 31 December 2013 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	501,667	5,925,625

Dividend policy

Tethys Oil aims to offer high return on capital through investments and growth in oil and gas projects and does therefore not expect to pay any dividends during the coming years. Possible future dividend policy will be determined by the company's financial position and an assessment of future growth potential.

Share ownership structure

The 20 largest shareholders in Tethys Oil as per 31 March 2014.

Name	Number of shares	Capital and votes
UBS AG Clients Account	2,989,514	8.4%
MSIL IPB Clients Account	2,444,439	6.9%
SIX SIS AG	2,040,324	5.7%
Nordnet Pensionsförsäkring AB	1,517,040	4.3%
Magnus Nordin[1,2]	1,464,127	4.1%
Pictet & Cie	1,347,980	3.8%
Försäkringsaktiebolaget Avanza Pension	1,250,306	3.5%
Per Bergström	1,000,000	2.8%
JPM Chase NA	892,386	2.5%
Fonden Zenit	870,096	2.4%
Jan Risberg	843,419	2.4%
JP Morgan Bank	651,153	1.8%
Friends Provident International	600,000	1.7%
Handelsbanken Fonder AB	549,573	1.5%
BNY Mellon SA/NV	522,320	1.5%
BK Julius Baer & Co	438,145	1.2%
Grebbeshult Holding AB	406,800	1.1%
Håkan Ehrenblad	400,000	1.1%
Banque Öhman S.A.	386,000	1.1%
Robur Försäkring	376,079	1.1%
Total, 20 largest shareholders	**20,989,701**	**59.1%**
Other, approx. 4,800 shareholders	14,554,049	40.9%
Total	**35,543,750**	**100.0%**

Source: Euroclear Sweden AB and Tethys Oil AB

1 Partly through company
2 Incl 60,000 shares lent to Öhman Fondkommission AB

Distribution of shareholdings

Distribution of shareholdings in Tethys Oil as per 31 March 2014.

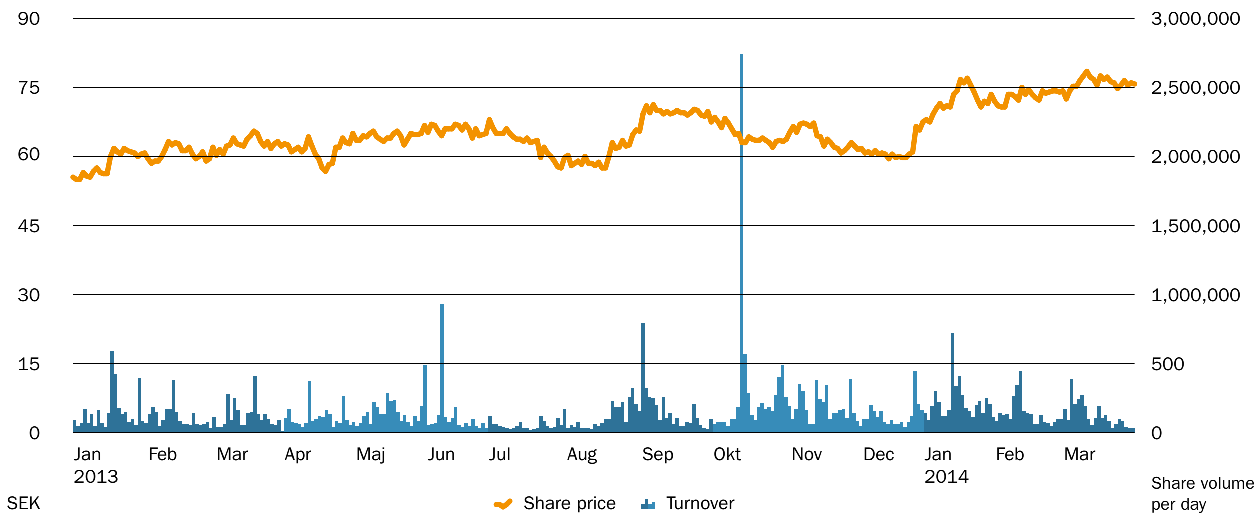
Size categories as of 31 March 2014	Number of shares	Percentage of shares, %	Number of shareholders	Percentage of shareholders, %
1 – 1,500	1,483,333	4.17%	3,857	80.71%
1,501 – 30,000	4,773,236	13.43%	809	16.93%
30,001 – 150,000	5,620,623	15.81%	81	1.69%
150,001 – 300,000	1,867,600	5.25%	9	0.19%
300,001 –	21,798,958	61.33%	23	0.48%
Total	**35,543,750**	**100.00%**	**4,779**	**100.00%**

Source: Euroclear Sweden AB and Tethys Oil AB

Share statistics 2013

The final transaction price in 2013 was SEK 67.50 corresponding to a total market capitalization of MSEK 2,399. During the year the price of Tethys' share rose by 26.8 per cent. During the same period, NASDAQ OMX Stockholm rose by 23.2 per cent. The highest transaction price in 2013 was SEK 72.50 on 4 September and the lowest was SEK 54.25 on 4 January. In the year Tethys' shares were traded for almost SEK 2,286 million. The trading in the share averaged approximately SEK 9,143,758 per day and the turnover velocity was 109 per cent.

Share price development and turnover 2013



Share price development and turnover last five years

Key ratios

Group	2013	2012	2011	2010	2009
Operational items					
Production before government take, bbl	1,709,706	1,399,518	423,469	41,764	n.a.
Production per day, bbl	4,684	3,687	1,160	114	n.a.
Net sales after government take, bbl	850,926	776,248	147,228	18,898	n.a.
Achieved oil price, USD/bbl	106.63	110.35	107.37	80.56	n.a.
Items regarding the income statement and balance sheet					
Net sales, TSEK	591,931	583,990	103,538	11,066	n.a.
EBITDA, TSEK	479,308	529,847	83,750	101,320	n.a.
EBITDA-margin, %	80.97%	90.73%	80.89%	n.m	n.a.
Operating result, TSEK	285,329	336,300	83,057	100,661	-28,985
Operating margin, %	48.20%	57.59%	80.22%	n.a.	n.a.
Net result, TSEK	240,185	313,962	68,991	80,069	-42,503
Net margin, %	40.58%	53.76%	66.63%	n.a.	n.a.
Cash and cash equivalents	295,011	248,038	93,105	190,512	13,620
Shareholders' equity, TSEK	1,100,366	860,122	455,559	380,055	202,770
Balance sheet total, TSEK	1,563,406	1,374,237	464,862	384,069	222,680
Capital structure					
Equity ratio, %	70.38%	62.59%	98.00%	98.95%	91.06%
Leverage ratio, %	11.56%	19.66%	n.a.	n.a.	n.a.
Adjusted equity ratio, %	70.38%	62.59%	98.00%	98.95%	91.06%
Interest coverage ratio	10.63	22.98	n.a.	n.a.	n.a.
Investments, TSEK	288,511	875,301	208,392	-115,282	81,681
Profitability					
Return on shareholders' equity, %	24.50%	47.73%	16.51%	27.48%	neg.
Return on capital employed, %	20.72%	40.44%	20.37%	41.37%	neg.
Employees					
Average number of employees	17	19	12	9	10
Share related data					
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow from operations per share, SEK	9.45	15.37	3.49	5.97	neg.
Number of shares at year end, thousands	35,544	35,544	32,544	32,504	28,049
Shareholders' equity per share, SEK	30.96	24.20	14.00	11.69	7.23
Weighted number of shares for the year, thousands	35,544	34,465	32,521	30,849	26,274
Earnings per share before and after dilution, SEK	6.76	9.11	2.12	2.60	-1.62

Parent	2013	2012	2011	2010	2009
Items regarding the income statement and balance sheet					
Operating result, TSEK	-11,849	39,880	-7,318	-5,366	-5,366
Operating margin, %	neg.	neg.	n.a	n.a.	n.a.
Net result, TSEK	-102,722	-82,793	-14,669	-31,903	-30,327
Net margin, %	neg.	neg.	n.a	n.a.	n.a.
Cash and cash equivalents	30,863	187,263	3,943	51,517	12,278
Shareholders' equity, TSEK	178,675	281,397	249,960	262,901	226,005
Balance sheet total, TSEK	587,690	752,411	302,657	314,746	226,800
Capital structure					
Equity ratio, %	30.40%	37.40%	82.59%	83.53%	99.65%
Leverage ratio, %	202.68%	71.64%	n.a.	n.a.	n.a.
Adjusted equity ratio, %	30.40%	37.40%	82.59%	83.53%	99.65%
Interest coverage ratio	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	53,868	535, 260	47,888	71,982	62,999
Profitability					
Return on shareholders' equity, %	neg.	neg.	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.	neg.	neg.
Employees					
Average number of employees	6	6	6	6	6
Share related data					
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow from operations per share, SEK	neg.	neg.	neg.	0.11	neg.
Number of shares at year end, thousands	35,544	35,544	32,544	32,504	28,049
Shareholders' equity per share, SEK	5.03	7.92	7.68	8.09	8.06
Weighted number of shares for the year, thousands	35,544	34,465	32,521	30,849	26,274
Earnings per share before and after dilution, SEK	-2.89	-2.40	-0.45	-1.03	-1.15

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.

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.

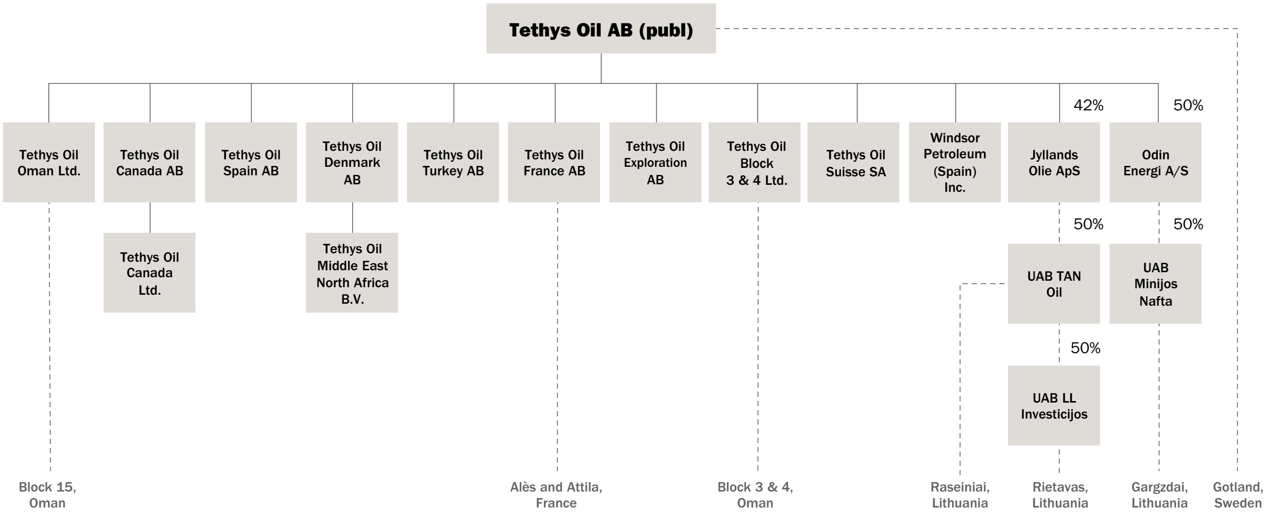
Weighted numbers of shares
Weighted number of shares during the year.

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

n.a.
Not applicable.

Administration report

(An English translation of the Swedish original)



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 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.

OPERATIONS

Tethys Oil is a Swedish company, which together with subsidiaries is focused on exploration for and production of oil and natural gas. Tethys Oil aims to maintain a well balanced portfolio of high risk/high reward exploration opportunities coupled with lower risk exploration and appraisal development assets. The company's strategy is twofold: to explore for oil and natural gas near existing and developing markets; and to develop proven reserves that have previously been sub-economic due to location or technological reasons. As at year end 2013 the company had interests in licences in Oman, France and Lithuania.

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

Production

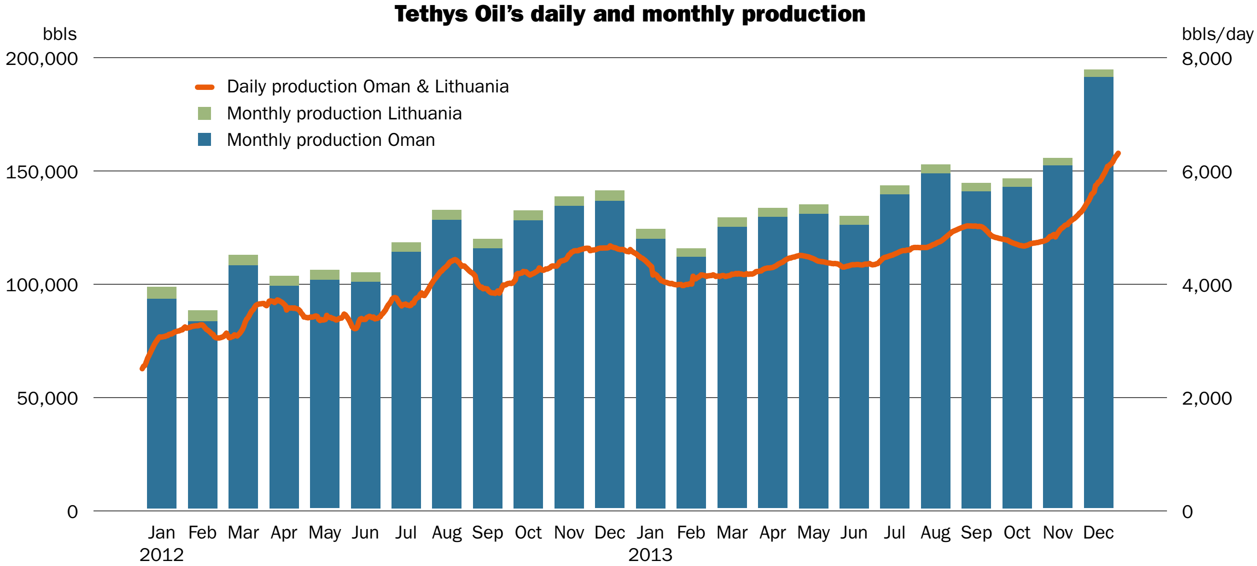
Tethys has production from two areas, Blocks 3 and 4 onshore Oman and the Gargzdai licence onshore Lithuania. Tethys Oil has 30 per cent interest in Block 3 and 4 Oman and an indirect interest of 25 per cent of Gargzdai Lithuania.

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.

The terms of the Exploration and Production Sharing Agreement ("EPSA") on Block 3 and 4 in Oman allows the joint venture partners to recover their costs up to 40 per cent of 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 venture partners. If there are no investments to be recovered the joint venture partners receive after government take 20 per cent of the oil produced. The terms of the EPSA thus result in the Joint venture partners' share of production after government take in the interval 20–52 per cent, depending on available recoverable cost. So far on Block 3 and 4, the joint venture 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 2013, net to Tethys Oil, amounts to MUSD 77.

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

Tethys Oil's daily and monthly production



Net sales

During 2013, Tethys Oil sold 850,926 (776,248) barrels of oil after government take from Block 3 and 4 in Oman.

This resulted in net sales during 2013 of MSEK 592 (584).

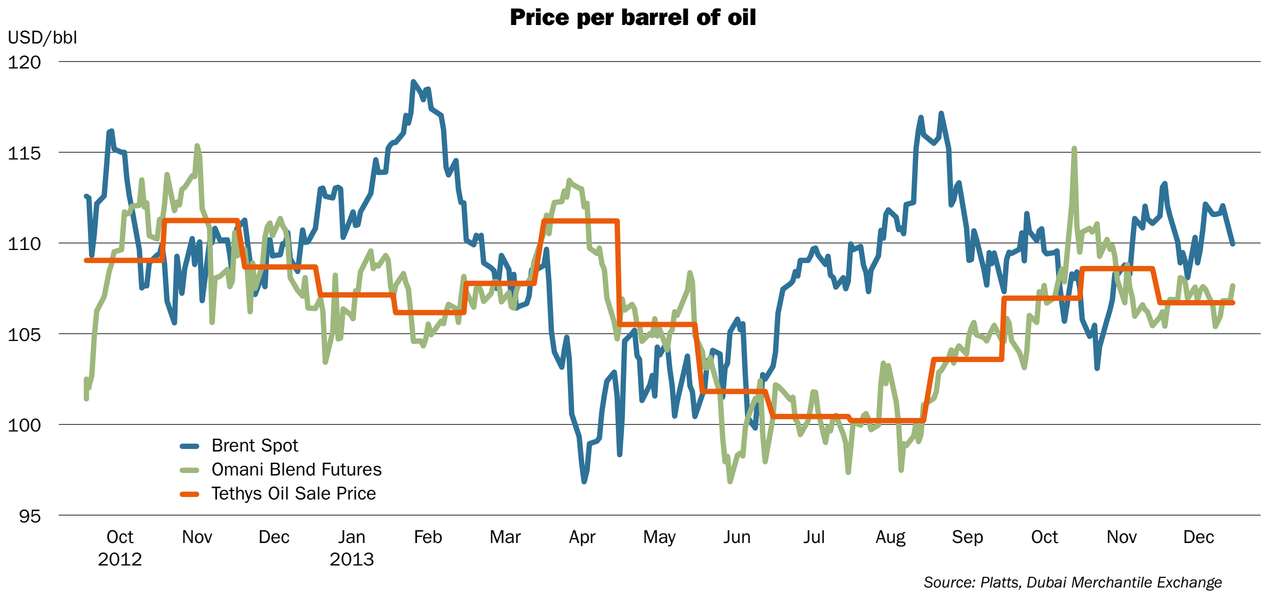
Important factors affecting net sales:

- 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.

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 on next page). 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), representing earnings per share of SEK 6.76 (9.11).

Earnings before interest, tax, depletion and amortisation (EBITDA) during 2013 amounted to MSEK 479 (509).

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 2013. The result for 2012 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 6).

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). 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 have also increased the depletion rate.

Operating expenses

Operating expenses (OPEX) amounted during the full year 2013 to MSEK 152 (96). 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 10.

OPEX amounted during 2013 to USD 14.0 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. 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 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 during 2013. The currency exchange effect and interest on long term debt is part of net financial result amounting to MSEK -45 (-22) during 2013.

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 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	Raseiniai[3]	–	–	–
New ventures		0.1	0	1
Total		**1,012**	**919**	**290**

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.

Currency exchange effects

The book value of oil and gas properties includes currency exchange effects of MSEK -5 (13) 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.*

Reserves

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[4]	1.5	2.5	4.6
Total 31 Dec 2013	**10.8**	**15.2**	**20.0**

4 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 18 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[5]	0.7	1.3	2.8
B4EW4, Oman	1.2	2.2	3.7
Total[6]	**10.8**	**15.2**	**20.0**

5 Includes B4EW3, Oman.
6 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.

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

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.

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 35 wells were completed on the Blocks during 2013. The drilling programme on Farha South on Block 3 has been focused on the water injection programme, with 18 water injector wells, 5 water source wells and 3 producer wells completed during the year. In addition 2 appraisal/exploration wells were drilled and have been put into production.

On Block 4, 2 exploration wells, 5 appraisal wells and one production well were drilled during the year. An exploration well was drilled on area 4 on Block 4 (B4EW4) at the beginning of the year. Several oil bearing reservoir layers were encountered and one of these, in the Lower Buah limestone, has been in production since the discovery. This discovery has been appraised with five appraisal wells in 2013. Three appraisal wells were completed in the Lower Buah layer, and have been in production since completion, contributing significantly to the production from Block 4. The B4EW4-5 well, the second appraisal well into the Lower Buah section of the B4EW4 structure, was drilled some 500 metres 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 metres 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. The production from area 4 is trucked to the processing plant at the Saiwan East field.

An exploration well was also drilled on area 5 on Block 4. The structure is a look-a-like structure to the producing structure on area 4, and was identified from recently completed 3D seismic. The well has been completed in the Lower Buah and produced by natural flow in excess of 200 bopd on 28/64 inch choke.

In 2013, 1,671 square kilometres of 3D seismic and 850 square kilometres of 2D seismic were acquired. The processing of the seismic surveys was completed and interpretation was ongoing as per year-end 2013. The seismic data includes the area 4 on Block 4. The result from the study is being used to guide the drilling programme in 2014, and a number of prospects have already been identified.

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[7]	25%	884	**Odin,** GeoNafta, Tethys Oil
Rietavas[7]	14%	1,594	**Chevron,** Odin, Tethys Oil
Raseiniai[7]	26%	1,535	**Odin,** Tethys Oil, private investors

7 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 Raseiniai, 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 Raseiniai respectively.

Gargzdai licence

The production on the Gargzdai licence is declining according to expectations. A pilot CO_2 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.

Raseiniai licence

On the Raseiniai license, the acquisition of data in a partly EU funded 3D seismic study covering 80 square kilometres was conducted during the year. 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.

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.

Liquidity

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 6.) 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) during 2013. The result was mainly generated from selling 47,485 barrels of oil (Tethys Oil's indirect share) during the full year 2013 at an average price of USD 107 (109) per barrel. 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 6.

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). The result of the year has been significantly impacted by write downs of shares in subsidiaries. The write downs amounted to MSEK -62 (MSEK -157) and are a consequence of exploration costs in the group during the reporting period. The exploration costs mainly relate to Block 15 and are made following the negative results following the extended well test of the Jebel Aswad structure. Administrative expenses amounted to MSEK -22 (-12) for the full year 2013. Net financial result amounted to MSEK -91 (-123) during the full year 2013. 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.

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, France and Sweden. 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 Block 15 and Blocks 3 and 4 in Oman for the current period. 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). Except for Sweden where Tethys Oil is the sole licence holder, 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

- New oil discovery onshore Oman – Exploration well B4EW6 flows in excess of 2,200 bopd
- 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 signed a four-year, up to MUSD 100, Senior Revolving Reserve-Based Lending with BNP Paribas. Security for the facility is Tethys Oil's 30 per cent interest in Block 3&4 Oman. Tethys exercised its option for early redemption of the bonds and redeemed all outstanding bonds. The early redemption price was 104.5 per cent of the nominal amount of the bonds plus accrued unpaid interest and the redemption was conducted in the beginning of April 2014.
  The initial commitment of the new credit facility is MUSD 50. The interest rate of the Facility will be floating, and be in the range of LIBOR + 3.75 per cent to LIBOR + 4.00 per cent per annum, depending on the level of utilization of the Facility.

Board of Directors

At the Annual General Meeting of shareholders on 22 May 2013 Vincent Hamilton, Staffan Knafve, Magnus Nordin, Jan Risberg and Katherine Støvring were re-elected members of the Board. Per Brilioth was elected as new director. No deputy directors were appointed. At the same meeting Vincent Hamilton was appointed Chairman of the Board. In October 2013 it was announced that Vincent Hamilton resigned as Chairman and director of the company for medical reasons. The board of directors resolved to appoint Staffan Knafve to succeed Vincent Hamilton as Chairman of the company.

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 15 meetings during 2013. Most importantly the Board has adopted the interim reports of the year as well as the budget of 2013. Following Vincent Hamilton's resignation, the five member board has consisted of 4 non-executive directors. These four non-executive directors are also members of the Audit committee and the Remuneration committee. Jan Risberg is Chairman of the Audit committee and Staffan Knafve is Chairman of the Remuneration committee.

Remuneration to executive management

The intention of the Board of Directors is to propose to the 2014 AGM the adoption of a Policy on Remuneration for 2014. The Remuneration Committee has adopted a policy that fundamentally will be the proposition to the 2014 AGM, containing the following elements of remuneration for the executive management; basic salary; pension arrangements; yearly variable salary; non-financial benefits.

For a detailed description on Remuneration applied in 2013 and Policy on Remuneration as adopted by the Remuneration Committee, refer to page 33 of the Corporate Governance report and note 14 of the consolidated financial statements.

Organisation

At the end of the year, Tethys Oil had a total of 17 (18) employees. Of these, 7 (5) 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 venture 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 joint venture partnerships, Tethys Oil strives to minimise the environmental impact and avoid the occurrence of accidents.

For more information, see the section Corporate Social Responsibility.

Group structure

Tethys Oil AB (publ), with organizational number 556615-8266, is the parent company in the Tethys Oil Group. The wholly owned subsidiaries Tethys Oil Oman Limited, Tethys Oil Block 3&4 Limited, Windsor Petroleum (Spain) Inc, Tethys Oil Denmark AB, Tethys Oil Canada AB, Tethys Oil Spain AB, Tethys Oil Turkey AB, Tethys Oil France AB, Tethys Oil Suisse S.A., Tethys Oil Exploration AB, Tethys Oil Canada Ltd and Tethys Oil Middle East North Africa BV are part of the group. The Tethys Oil Group was established 1 October 2003.

Share data

As per 31 December 2013, the number of outstanding shares in Tethys Oil amount to 35,543,750 (32,543,750), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program for employees.

Risk and uncertainties

A statement of risks and uncertainties are presented in note 1, page 62.

Dividend

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

Proposed disposition of unrestricted earnings

The Board of Directors propose that the unrestricted earnings of SEK 101,679,894 of which the loss for the year, SEK 102,722,238, be brought forward.

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, 14 May 2014.

Consolidated statement of comprehensive income

TSEK	Note	2013	2012
Net sales of oil and gas	4	591,931	583,990
Depreciation, depletion and amortisation	3	-137,834	-55,385
Exploration costs	9	-56,146	-117,521
Other income	5	65,235	56
Operating expenditures	10	-151,867	-95,518
Net profit/loss from associates	6	4,761	49,043
Other losses/gains, net	11	-38	-42
Administrative expenses	12–14	-30,714	-28,323
Operating result		**285,329**	**336,300**
Financial income and similar items	15	4,865	14,673
Financial expenses and similar items	16	-49,941	-36,798
Net financial result		**-45,076**	**-22,125**
Result before tax		**240,253**	**314,175**
Income tax	17	-68	-213
Result for the year		**240,185**	**313,962**
Other comprehensive result			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		59	-23,630
Other comprehensive result for the year		**59**	**-23,630**
Total comprehensive income for the year		**240,244**	**290,332**
Number of shares outstanding	20	35,543,750	35,543,750
Number of shares outstanding (after dilution)	20	35,543,750	35,543,750
Weighted number of shares	20	35,543,750	34,464,515
Earnings per share, SEK	20	6.76	9.11
Earnings per share (after dilution), SEK	20	6.76	9.11

Consolidated balance sheet

TSEK	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non current assets			
Oil and gas properties	9	1,011,559	919,523
Office equipment	18	1,817	2,086
Investment in associates	6	184,282	188,161
		1,197,658	**1,109,770**
Current assets			
Other receivables	19	64,935	14,618
Prepaid expenses		997	1,812
Derivative instruments	7	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	20		
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		**1,100,366**	**860,122**
Non current liabilities			
Debt	21	393,008	388,862
Provisions	8	29,226	28,279
		422,234	**417,141**
Current liabilities			
Accounts payable		1,274	684
Other current liabilities		24,977	12,762
Accrued expenses	22	14,556	83,529
		40,807	**96,975**
Total liabilities		**463,040**	**514,116**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,563,406**	**1,374,237**
Pledged assets	24	988,824	625,683
Contingent liabilities	25	–	15,648

Consolidated statement of changes in equity

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 year	–	–	–	313,962	**313,962**
Period result	**–**	**–**	**–**	**313,962**	**313,962**
Other Comprehensive income					
Currency translation differences 2012	–	–	-23,630	–	**-23,630**
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 year	–	–	–	240,185	**240,185**
Period result	**–**	**–**	**–**	**240,185**	**240,185**
Other Comprehensive income					
Currency translation differences 2013	–	–	59	–	**59**
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

TSEK	Note	1 Jan 2013–31 Dec 2013	1 Jan 2012–31 Dec 2012
Cash flow from operations			
Operating result		285,329	336,300
Interest received	15	414	550
Interest paid	16	-38,000	
Income tax	17	-68	-213
Adjustment for exploration costs	9	56,146	117,521
Adjustment for depletion, depreciation and amortisation and other non cash related items	9	137,797	12,830
Total cash flow from operations before change in working capital		**441,617**	**466,988**
Change in receivables		-49,228	-13,850
Change in liabilities		-56,379	76,710
Cash flow from operations		**336,011**	**529,847**
Investment activity			
Investment in oil and gas properties	9	-274,652	-493,364
Oil and gas properties from cost oil repayment		-15,432	-381,240
Dividend from associated companies	6	8,640	–
Investment in long term receivables		-614	–
Investments in derivate instruments	7	-6,453	-697
Cash flow from investment activity		**-288,511**	**-875,301**
Financing activity			
Share issue, net after issue costs	20	–	114,231
Bond issue, net after issue costs		–	387,553
Cash flow from financing activity		**–**	**501,784**
Cash flow for the year		**47,500**	**156,330**
Cash and cash equivalents at the beginning of the year		248,038	93,105
Exchange gains/losses on cash and cash equivalents		-526	-1,398
Cash and cash equivalents at the end of the year		295,011	248,038

Parent Company income statement

TSEK	Note	1 Jan 2013–31 Dec 2013	1 Jan 2012–31 Dec 2012
Depreciation and amortisation		-70	-110
Other income		5,142	2,781
Net profit/loss from associates	6	4,761	49,043
Other losses/gains, net	11	-38	-42
Administrative expenses	12–14	-21,644	-11,792
Operating result		**-11,849**	**39,880**
Financial income and similar items	15	20,311	70,362
Financial expenses and similar items	16	-49,023	-36,363
Write down of shares in group company	23	-62,161	-156,673
Net financial result		**-90,873**	**-122,673**
Result before tax		**-102,722**	**-82,793**
Income tax	17	–	–
Result for the year *		**-102,722**	**-82,793**
Number of shares outstanding	20	35,543,750	35,543,750
Number of shares outstanding (after dilution)	20	35,543,750	35,543,750
Weighted number of shares	20	35,543,750	34,464,515

* 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

TSEK	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Other fixed assets	18	64	104
Shares in subsidiaries	23	1,538	1,538
Long term receivables to group companies		365,329	372,960
Investment in associates	6	184,282	188,161
		551,213	**562,763**
Current assets			
Other receivables	19	500	519
Prepaid expenses		309	1,866
Derivative instruments	7	4,805	–
Cash and cash equivalents		30,863	187,263
		36,477	**189,648**
TOTAL ASSETS		**587,690**	**752,411**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Restricted equity:			
Share capital		5,924	5,924
Statutory reserve		71,071	71,071
Unrestricted equity:			
Share premium reserve		480,989	480,989
Retained earnings		-276,587	-193,794
Result for the year		-102,722	-82,793
Total shareholders' equity		**178,675**	**281,397**
Non current liabilities			
Debt	21	393,008	388,862
		393,008	**388,862**
Current liabilities			
Accounts payable		1,247	684
Other current liabilities to group companies		2,044	836
Accrued expenses	22	12,716	80,632
		16,007	**82,152**
Total liabilities		**409,015**	**471,014**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**587,690**	**752,411**
Pledged assets	24	988,824	625,683
Contingent liabilities	25	–	–

Parent Company statement of changes in equity

TSEK	Restricted equity: Share capital	Restricted equity: Statutory reserve	Non restricted equity: Share premium reserve	Non restricted equity: Retained earnings	Non restricted equity: 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 year	–	–	–	–	-82,793	**-82,793**
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 year	–	–	–	–	-102,722	**-102,722**
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**

Parent Company cash flow statement

TSEK	Note	2013	2012
Cash flow from operations			
Operating result		-11,849	39,880
Interest received	15	15,860	6,103
Interest paid	16	-38,000	–
Adjustment for non cash related items	18	-4,691	22,293
Total cash flow from operations before change in working capital		**-38,680**	**68,276**
Change in receivables		1,575	130,859
Change in liabilities		-66,144	16,788
Cash flow from in operations		**-103,249**	**215,923**
Investment activity			
Dividend from associates	6	8,640	–
Investment in long term receivables		-56,026	-535,215
Investment in other fixed assets	18	-30	-45
Investments in derivative instruments		-6,453	–
Cash flow from investment activity		**-53,868**	**-535,260**
Financing activity			
Share issue, net after issue costs	20	–	114,231
Bond issue, net after issue costs		–	387,553
Cash flow from financing activity		**–**	**501,784**
Cash flow for the year		**-157,118**	**182,447**
Cash and cash equivalents at the beginning of the year		187,263	3,943
Exchange gains on cash and cash equivalents		718	873
Cash and cash equivalents at the end of the year		30,863	187,263

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 OMX Stockholm.

These consolidated financial statements have been approved for issue by the Board of Directors on 22 April 2014.

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 2012 and have been consistently applied to all the years presented, unless otherwise stated. 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".

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 Company's accounting policies. These 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 1.

New accounting principles for 2013
The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013: IFRS 13 Fair value measurements and revised IAS 1 Presentations of financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard have implied that new more disclosures have been made in the financial statements but not any significant effect on the consolidated financial statements of the Group.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The amendment includes a requirement to group items presented in Other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

New standards and interpretations not yet adopted
The following new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013. They are not mandatory for the 2013 consolidated financial statements and have not been applied in preparing these consolidated financial statements. These standards might lead to significant changes in the accounting and standard practice for the industry. Careful consideration will be required to assess the practical implication for the Group.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard has not been fully completed and is expected to be effective from 1 January 2018. The Group is yet to assess IFRS 9's full impact.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 from 1 January 2014.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Group has assessed IFRS 11's full effect and the conclusion is that it will have no impact on financial statements of Tethys Oil.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other form of interest. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 from 1 January 2014.

Principles of consolidation
Subsidiaries are all entities (including special purpose companies) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another 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.

Jointly controlled assets

Oil and gas operations are conducted by the Group as co-licencees in unincorporated joint ventures with other companies. The Group's financial statements reflect the relevant proportions of production, capital costs, operating costs and current assets and liabilities of the joint venture applicable to the Group's interests.

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 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 31 December 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.

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. Currently the Group hold derivate instruments in this category as 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 operating cost, and overliftings are recorded in Other current liabilities and accrued at the sales value. Underliftings are reversed from Other receivables when the crude oil is lifted and sold, with the sales proceeds recorded as revenue and the cost of the oil expensed. 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&4, 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 ventures, 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. 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.

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)	240	240
Shift in oil price (USD/barrel)	+5	-5
Total effect on net result (MSEK)	**28**	**-28**

The oil price hedges described above were not included in the effects above as there were no hedges in place relating to 2013.

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. Through its operations Tethys Oil is furthermore subject to political risk, environmental risk and the risk of not being able to retain key personnel.

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 Oils 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 2012, 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:

Net sales 2013	100 per cent in USD
Investments 2013	99 per cent in USD
External financing 2013	no external financing was made during 2013

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)	240	240
Shift in SEK/USD	+10%	-10%
Total effect on net result (MSEK)	**39**	**-39**

Equity in financial statements (MSEK)	1,100	1,100
Shift in SEK/USD	+10%	-10%
Total effect on equity (MSEK)	**133**	**-133**

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.

In September 2012, Tethys Oil issued a secured three-year bond loan of TSEK 400,000, which run with a fixed interest rate of 9.50 per cent per year and the maturity date of the bonds is 7 September 2015. As per the terms and conditions of the bond, the Company shall make semi-annual interest payments, in March and September every year, until the maturity of the bond.

Fall due profile on Tethys Oil's financial liabilities	**31 December 2013**		**31 December 2012**	
TSEK	**<1 year**	**1–3 year**	**<1 year**	**1–3 year**
Interest bearing loans		449,353	–	403,305
Interest	38,000	38,000	38,000	76,000
Accounts payables and other liabilities	26,251	–	13,446	–
Total	**64,251**	**487,353**	**51,446**	**479,305**

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 & C.o Ltd. As at 31 December 2013 the Group's receivables on oil sales amounted to TSEK 62,616 (TSEK 12,589), this also represent 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
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

	2013		
TSEK	**Financial assets and liabilities at fair value through profit or loss**	**Receivables and other receivables**	**Other liabilities**
Other long term receivables	–	–	–
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

	2012		
TSEK	**Financial assets and liabilities at fair value through profit or loss**	**Receivables and other receivables**	**Other liabilities**
Other long term receivables	–	–	–
Other receivables	–	14,618	–
Cash and bank	–	248,038	–
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 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 will use its judgement and make 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 15).

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. Please see note 28.

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 Board of Directors. 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 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**

				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**

As per 31 December 2013 (and comparative periods) in Tethys Oil, the only oil producing area is Oman, from which net sales are recorded. Net sales, operating expenses and depletion, which is presented in notes 4, 9 and 10, therefore only relate to Oman and Block 3 and 4 in particular.

Regarding Oil and gas properties and Office equipment, segment reporting is provided in note 9 and 18. Please refer to note 3 regarding Credit risk exposure on accounts receivables.

Note 4, 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. This resulted in net sales during 2013 of TSEK 591,931 (583,990). The average selling price amounted to USD 106.63 per barrel during 2013 (110.35).

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

Note 5, 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 6, Associated companies

Tethys Oil holds an indirect interest of three Lithuanian companies holding three licences; Gargzdai, Rietavas and Raseiniai 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 2013 and 2012.

Tethys Oil AB		Ownership		Ownership		Ownership
	Odin Energi	50%	Jylland Olie	42%[8]	Jylland Olie	42%
	UAB Minijos Nafta	50%	UAB TAN Oil	50%	UAB TAN Oil	50%
	Gargzdai licence	**100%**	**Raseiniai licence**	**100%**	UAB LL Investicos	50%
					Rietavas licence	**100%**
Tethys Oil's indirect interest		**25%**		**21%[9]**		**11%[9]**

TSEK	UAB Minijos Nafta	UAB TAN Oil	UAB LL Investicos
Tethys Oil's share of profit loss from associates	**1 Jan – 31 Dec 2013**	**1 Jan – 31 Dec 2013**	**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 2013	**4,761**

8 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 Raseiniai 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 Raseiniai licences.

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

Total share of net profit from associates	**32,424**
Tethys Oil's share of dividend paid from Minijos Nafta	**16,618**
Total share of net profit from associates 2012	**49,042**

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**

För en översikt av Tethys Oils ägarstruktur i Litauen, vänligen se sidan 42 i förvaltningsberättelsen.

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.

Note 8, 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 9, 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[9]	None	40%	**Galli Coz,** Tethys Oil
France	Alès	Exploration	2015	MUSD 1.5[10]	37.5%	**Tethys Oil,** MouvOil
Lithuania	Gargzdai[11]	Production	No expiration date	None	25%	**Odin,** GeoNafta, Tethys Oil
Lithuania	Rietavas[11]	Exploration	Sep 2017	MLTL 6.2	14%	**Chevron,** Odin, Tethys Oil, private investors
Lithuania	Raseiniai[11]	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 Country	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[12] 1 Jan–31 Dec 2013	Exploration costs 1 Jan–31 Dec 2013	Investments 1 Jan–31 Dec 2013	Book value 1 Jan 2013
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**

TSEK Country	Asset type	Book value 31 Dec 2012	Other non–cash adjustments 1 Jan–31 Dec 2012	Currency exchange diff 1 Jan–31 Dec 2012	DD&A[12] 1 Jan–31 Dec 2012	Exploration costs 1 Jan–31 Dec 2012	Investments 1 Jan–31 Dec 2012	Book value 1 Jan 2012
Oman Block 3&4	Producing	889,970	26,428[13]	-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**

Impairment testing

In Tethys Oil's impairment testing, the Company uses its best efforts to estimate production profiles, general cost and development environment, an oil price of USD 100 per barrel (USD 100) and a discount rate of 10 per cent (10 per cent) to calculate future free cash flows. There was no impairment of assets required for the financial year ended 31 December 2013.

Exploration costs during 2013 are mainly related to Block 15 where an extended well test did not support commerciality of the project. Other exploration costs mainly relate to projects that were terminated during the year. Exploration costs are further described in the administration report.

TSEK **Investments Block 3&4** **Categories**	**1 Jan 2013– 31 Dec 2013 12 months**	**1 Jan 2012– 31 Dec 2012 12 months**
Drilling – Exploration/Appraisal	58,319	6,869
Drilling – Development	103,350	111,273
G&G	67,252	6,463
Facilities	60,978	138,634
Pipeline	4,787	57,077
Mitsui repayment	15,575	381,240
Tethys sole cost	2,759	5,337
Other capex	-1,191	21,980
Accruals	-48,749	131,767
	263,080	**860,641**

TSEK **Oil & gas properties Block 3&4** **Categories**	**31 Dec 2013**	**31 Dec 2012**
Drilling – Exploration/Appraisal	119,543	61,509
Drilling – Development	349,923	247,719
G&G	109,524	42,469
Facilities	362,068	302,489
Pipeline	74,532	70,069
Other capex	134,960	120,655
Tethys sole cost	22,253	19,585
Abandonment provision	28,215	28,134
Accruals	1,246	50,227
Accumulated depreciation	-191,113	-52,885
	1,011,151	**889,970**

9 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.

10 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.

11 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 Raseiniai, 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 Raseiniai respectively.

12 Depletion, depreciation and amortisation

13 Other non cash related items regard provision for site restoration.

Note 10, Operating expenditures

TSEK	Group		Parent	
Operating expenditures	**2013**	**2012**	**2013**	**2012**
General & Administrative	25,278	14,641	–	–
Production cost Early Production Facilities	–	44,869	–	–
Production cost Permanent Production Facilities	62,907	11,409	–	–
Well workovers	19,251	1,690	–	–
Over- / Underlift	-1,215	452	–	–
Other	9,496	10,165	–	–
Accruals	22,721	12,292	–	–
Transferred costs from previous year	13,428	–	–	–
Total	**151,867**	**95,518**	**–**	**–**

Note 11, Other losses/gains, net

TSEK	Group		Parent	
Other losses/gains, net	**2013**	**2012**	**2013**	**2012**
Foreign exchange gains	24	47	24	47
Foreign exchange losses	-62	-89	-62	-89
Total	**-38**	**-42**	**-38**	**-42**

Other losses/gains, net are losses and gains relate to payment of receivables and payment invoices and are categorized as operational.

Note 12, Remuneration to company auditor

TSEK	Group		Parent	
Remuneration to company auditor include:	**2013**	**2012**	**2013**	**2012**
PwC:				
Audit fee	757	804	644	761
Audit-related fees	290	287	290	287
Tax consultation	–	–	–	–
Other	465	71	460	71
Total	**1,512**	**1,162**	**1,394**	**1,119**

Note 13, Administrative expenses

TSEK	Group		Parent	
Administrative expenses	**2013**	**2012**	**2013**	**2012**
Personnel costs	-12,998	-15,590	-7,099	-4,282
Rent	-2,069	-2,183	-760	-743
Other office costs	-1,463	-2,073	-499	-545
Listing costs	-3,335	-1,275	-3,335	-1,275
Costs of external relations	-1,691	-1,734	-1,647	-1,632
Other costs	-9,158	-5,468	-8,305	-3,315
Total	**-30,714**	**-28,323**	**-21,645**	**-11,792**

Note 14, Employees

Average number of employees per country	**2013**		**2012**	
	Total	**Total men**	**Total**	**Total men**
Parent company				
Sweden	6	3	6	3
Total parent company	**6**	**3**	**6**	**3**
Subsidiary companies in Sweden	**–**	**–**	**–**	**–**
Subsidiary companies foreign				
Oman	6	4	4	3
Switzerland	1	–	4	3
United Arab Emirates	4	3	4	3
Total subsidiary companies foreign	**11**	**7**	**12**	**9**
Total group	**17**	**10**	**18**	**12**

TSEK	2013		2012	
Salaries, other remuneration and social costs	**Salaries, other remuneration**	**Social costs**	**Salaries, other remuneration**	**Social costs**
Parent company				
Sweden	5,212	1,887	3,321	961
Total parent company	**5,212**	**1,887**	**3,321**	**961**
Subsidiary companies in Sweden	**–**	**–**	**–**	**–**
Subsidiary companies foreign				
Oman	2,443	–	1,842	–
Switzerland	432	-50	5,156	1,215
United Arab Emirates	3,074	–	3,096	–
Total subsidiary companies foreign	**5,949**	**-50**	**10,094**	**1,215**
Total group	**11,161**	**1,837**	**13,415**	**2,176**

TSEK	2013		2012	
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	2,199	3,013	1,230	2,091-
Total parent company	**2,199**	**3,013**	**1,230**	**2,091**
Subsidiary companies in Sweden	**–**	**–**	**–**	**–**
Subsidiary companies foreign				
Oman	–	2,443	–	1,842
Switzerland	–	432	2,542	2,614
United Arab Emirates	–	3,074	–	3,096
Total subsidiary companies foreign	**–**	**5,949**	**2,542**	**7,552**
Total group	**2,199**	**8,962**	**3,772**	**9,643**

The group currently has 15 full time employees. In November 2012, Vincent Hamilton resigned as Chief Operating Officer to concentrate on his duties as chairman of the board. As per agreement Vincent Hamilton received twelve months payment which is included in the remuneration 2012.

Magnus Nordin as Managing Director and Morgan Sadarangani as Chief Financial Officer are entitled to twelve months payment and nine months payment respectively if the Company terminates their employment.

In 2013 and 2012 one woman has been a member of the Board of directors and no women has been member of the executive management.

Salaries and other remuneration to management during 2013, TSEK	Salaries	Bonus	Benefits	Pensions	Total 2013
Magnus Nordin	1,545	400	11	243	2,199
Morgan Sadarangani	1,033	280	11	162	1,485
Total	**2,578**	**680**	**22**	**405**	**3,684**

Salaries and other remuneration to management during 2012, TSEK	Salaries	Bonus	Benefits	Pensions	Total 2012
Vincent Hamilton	2,542	–		–	2,542
Magnus Nordin	1,220	–	10	–	1,230
Morgan Sadarangani	826	–	10	30	866
Total	**4,588**	**–**	**20**	**30**	**4,638**

TSEK Salaries and other remuneration to board members (in their capacity as board members)	Salaries	Remuneration	Total 2013	Total 2012	Attendance 2013
Håkan Ehrenblad	–	125	125	100	7/7
Vincent Hamilton	–	180	180	–	13/13
John Hoey	–	125	125	100	7/7
Staffan Knafve	–	322	322	–	15/15
Magnus Nordin	–	–	–	–	15/15
Jan Risberg	–	328	328	150	15/15
Katherine Stovring	–	263	263	–	15/15
Per Brilioth	–	138	138	–	7/8
Total	**–**	**1,481**	**1,481**	**350**	

At the Annual General Meeting of shareholders on 22 May 2013 Vincent Hamilton, Staffan Knafve, Magnus Nordin, Jan Risberg and Katherine Støvring were re-elected members of the Board. Per Brilioth was elected as new director. No deputy directors were appointed. At the same meeting Vincent Hamilton was appointed Chairman of the Board. In October 2013 it was announced that Vincent Hamilton resigned as Chairman and director of the company for medical reasons. The board of directors resolved to appoint Staffan Knafve to succeed Vincent Hamilton as Chairman of the company.

There have not been any agreements on pensions for any of the directors of the board. For the Managing director and the CFO, the pension costs follow a defined contribution plan.

Principles for remuneration and other terms of employment for management 2013

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 and Chief Financial Officer (CFO).

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 four key elements to the remuneration package of executives in the Group:

1) basic salary;
2) pension arrangements;
3) yearly variable salary;
4) non-financial benefits.

The Remuneration committee is evaluating long term share price incentive programme as a fifth element to the remuneration package to executives and other employees.

Basic Salary
The basic 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 basic 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.

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 Managing director, and the CFO and other employees, to the extent that such award is in excess of USD 10,000 per employee. The yearly variable salary for executives shall normally be within the range of 1 – 4 monthly salaries.

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

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 and the CFO are entitled to 12 months and 9 months payments respectively if the Company terminates their contracts.

Note 15, Financial income and similar items

TSEK	Group		Parent	
	2013	**2012**	**2013**	**2012**
Interest income	414	550	15,860	6,102
Gain on currency exchange rates	4,451	14,123	4,451	14,123
Dividend from group companies	–	–	–	50,137[14]
Total	**4,865**	**14,673**	**20,311**	**70,362**

14 Dividend from group companies was received from Tethys Oil Denmark AB and Tethys Oil Exploration AB.

Note 16, Financial expenses and similar items

TSEK	Group		Parent	
	2013	2012	2013	2012
Interest expenses	-38,000	-12,667	-38,000	-12,667
Currency exchange losses	-5,288	-22,626	-5,229	-22,387
Other financial expenses	-6,652	-1,505	-5,794	-1,309
Total	**-49,941**	**-36,798**	**-49,023**	**-36,363**

Note 17, Tax

The group's income tax charge of TSEK 68 (TSEK 213) relate to a tax negotiated in Switzerland by the Swiss subsidiary Tethys Oil Suisse S.A. 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 TSEK 179,806 (TSEK 139,245). There are no time limits to the utilization of the tax losses.

In Oman, Tethys Oil's oil and gas operations is subject to an Exploration and Production Sharing Agreement (EPSA). 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 18, Office equipment

TSEK	Group		Parent	
Office equipment	**2013**	**2012**	**2013**	**2012**
Assets				
1 January	4,890	4,048	1,045	1,000
Additions	418	842	30	45
Disposals	–	–	–	–
31 December	5,308	4,890	1,075	1,045
Depreciations				
1 January	-2,804	-1,750	-941	-831
Depreciation charges of the year	-687	-1,054	-70	-110
Disposals	–	–	–	–
31 December	-3,491	-2,804	-1,011	-941
Net book value	**1,817**	**2,086**	**64**	**104**

TSEK	Net book value, office equipment	
	2013	2012
Dubai	104	459
France	–	–
Lithuania	–	–
Oman	598	24
Sweden	64	104
Switzerland	1,051	1,499
Other	–	–
	1,817	**2,086**

Note 19, Other receivables

TSEK	Group		Parent	
Other receivables	**2013**	**2012**	**2013**	**2012**
VAT	1,280	1,062	355	357
Receivables Oil sales	62,616	12,589	–	–
Other	1,039	967	145	162
Total	**64,935**	**14,618**	**500**	**519**

Note 20, 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.

Other reserves within Shareholders' equity relate only to currency translation reserves.

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 during the year. There are no dilution effects for 2012 and 2013.

Note 21, 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 and it was trading at 6.80 per cent as per 31 December 2013 (7.97 per cent). 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). Commencing in September 2013, Tethys Oil has the option to call an early redemption of the bond loan. The cost of calling the bond from September 2013 to September 2014 is to repay 104.5% of the nominal amount to all bond holders. From September 2014 and onwards, the repayment rate is reduced.

Note 22, Accrued expenses

TSEK	Group		Parent	
Accrued expenses	**2013**	**2012**	**2013**	**2012**
Accrued interest	12,667	12,667	12,667	12,667
Accrued investments in oil and gas properties	–	67,961	–	67,961
Other accrued expenses	1,889	2,901	49	5
Total	**14,556**	**83,529**	**12,716**	**80,632**

Note 24, 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 25, 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 23, Shares in subsidiaries

Company	Reg. Number	Reg. office	Number of shares	Percentage	Nominal value per share	Parent company book amount 31 December 2013, TSEK	Parent company book amount 31 December 2012, TSEK
Tethys Oil Denmark AB	556658-1467	Sweden	1,000	100%	SEK 100	100	100
Tethys Oil Spain AB	556658-1442	Sweden	1,000	100%	SEK 100	100	100
Tethys Oil Turkey AB	556658-1913	Sweden	1,000	100%	SEK 100	100	100
Tethys Oil Exploration AB	556658-1483	Sweden	1,000	100%	SEK 100	100	100
Tethys Oil France AB	556658-1491	Sweden	1,000	100%	SEK 100	100	100
Tethys Oil Canada AB	556788-2872	Sweden	1,000	100%	SEK 100	100	100
Tethys Oil Oman Ltd	95212	Gibraltar	100	100%	GBP 1	362	362
Tethys Oil Block 3&4 Ltd	101981	Gibraltar	1000	100%	USD 1	9	9
Tethys Oil Suisse SA	660-1139007-2	Switzerland	100	100%	CHF 1,000	567	567
Windsor Petroleum (Spain) Inc.	549 282	British Virgin Islands	1	100%	USD 1	–	–
Total						**1,538**	**1,538**

TSEK	Parent company	Parent company
Shares in subsidiaries	**31 December 2013**	**31 December 2012**
1 January	1,538	26,456
Acquisitions	–	–
Shareholder's contribution	62,161	131,755
Write down of shares in group companies	-62,161	-156,673
31 December	**1,538**	**1,538**

The write down of shares in group companies 2013 is related to the exploration costs described in note 9, and further described in the Administration report. The exploration costs during 2013 were mainly related to Block 15 and the negative results from the extended well test on the Jebel Aswad structure.

Note 26, Oil and gas properties from cost oil repayment

In 2010, Mitsui acquired 20 percentage point in Block 3 and 4 Oman. Apart from a cash consideration, Mitsui undertook to pay Tethys Oil's share of non-exploration related capital expenditure up to MUSD 60 on Blocks 3 and 4 effectively from 1 January 2010. As per 31 December 2011, Mitsui had fulfilled the undertaking and additional investments relating to Tethys Oil's share in Blocks 3 and 4 must be paid by Tethys Oil directly.

As per a carry agreement between Tethys Oil and Mitsui, Mitsui has up until has since the first quarter 2012 started to recover the MUSD 60 paid on behalf of Tethys Oil from the proceeds of Tethys Oil's share of cost recovery oil entitlement. Under the carry agreement, Tethys Oil will allocate its entire share of cost recovery entitlement to Mitsui until the full MUSD 60 has been recovered by Mitsui. The allocated cost recovery to Mitsui is treated as investments in oil and gas properties, thereby creating a result effect over a longer period of time through depletion. During the full year 2012, the amount received by Mitsui from Tethys Oil's cost recovery entitlement amounted to TSEK 381,240 (MUSD 58). The remaining cost recovery entitlement to be allocated to Mitsui (MUSD 2 as at 31 December 2012) is presented as a contingent liability. In January 2013 the final balance of MUSD 2 was allocated to Mitsui.

Note, 27 Related party transactions

The Group receives income from the joint venture of Block 15 in Oman where it also holds 40 per cent interest. Tethys Oil charges some administrative expenditure from the subsidiary Tethys Oil Oman Ltd to the joint venture of Block 15. These administrative expenditures are, through the above, also funded by the partner in Oman by 60 per cent. The chargeout to the joint venture is presented in the income statement as "Other income".

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.

Note, 28 Subsequent events

- New oil discovery onshore Oman – Exploration well B4EW6 flows in excess of 2,200 bopd
- 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 signed a four-year, up to MUSD 100, Senior Revolving Reserve-Based Lending with BNP Paribas. Security for the facility is Tethys Oil's 30 per cent interest in Block 3&4 Oman. Tethys exercised its option for early redemption of the bonds and redeemed all outstanding bonds. The early redemption price was 104.5 per cent of the nominal amount of the bonds plus accrued unpaid interest and the redemption was conducted in the beginning of April 2014.
  The initial commitment of the new credit facility is MUSD 50. The interest rate of the Facility will be floating, and be in the range of LIBOR + 3.75 per cent to LIBOR + 4.00 per cent per annum, depending on the level of utilization of the Facility.

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, 22 April 2014

Staffan Knafve, *Chairman of the Board*

Per Brilioth, *Director*

Katherine Støvring, *Director*

Jan Risberg, *Director*

Magnus Nordin, *Managing Director*

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 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 42–72.

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 President, 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 2013 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 2013 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. Our opinions do not cover the corporate governance statement on pages 30–34.

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 2013.

Responsibilities of the Board of Directors and the President

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 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 Directoris liable to the company. We also examined whether any member of the Board of Directors or the Managing Directorhas, 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 Directorbe discharged from liability for the financial year.

Stockholm, 22 April 2014

PricewaterhouseCoopers AB

Klas Brand
Authorized Public Accountant
Lead Partner

Johan Malmqvist
Authorized Public Accountant
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 instru-ment 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 des-ignated 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 re-ferred 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 orig-inal 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 ele-ment 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 inject-ing 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 gov-ernment to explore for and extract oil and natural gas. These permits can be called concessions, permits, pro-duction sharing agreements or licenses depending on the country in question. A license usually consists of two parts an exploration permit and a production licens

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 venture, 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 See page 45

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.

Tethys Oil AB (publ)

Corporate Head Office

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

www.tethysoil.com

TETHYS OIL

Landsten Reklam 2014. Design Henrik Strömberg. Printed in Sweden.