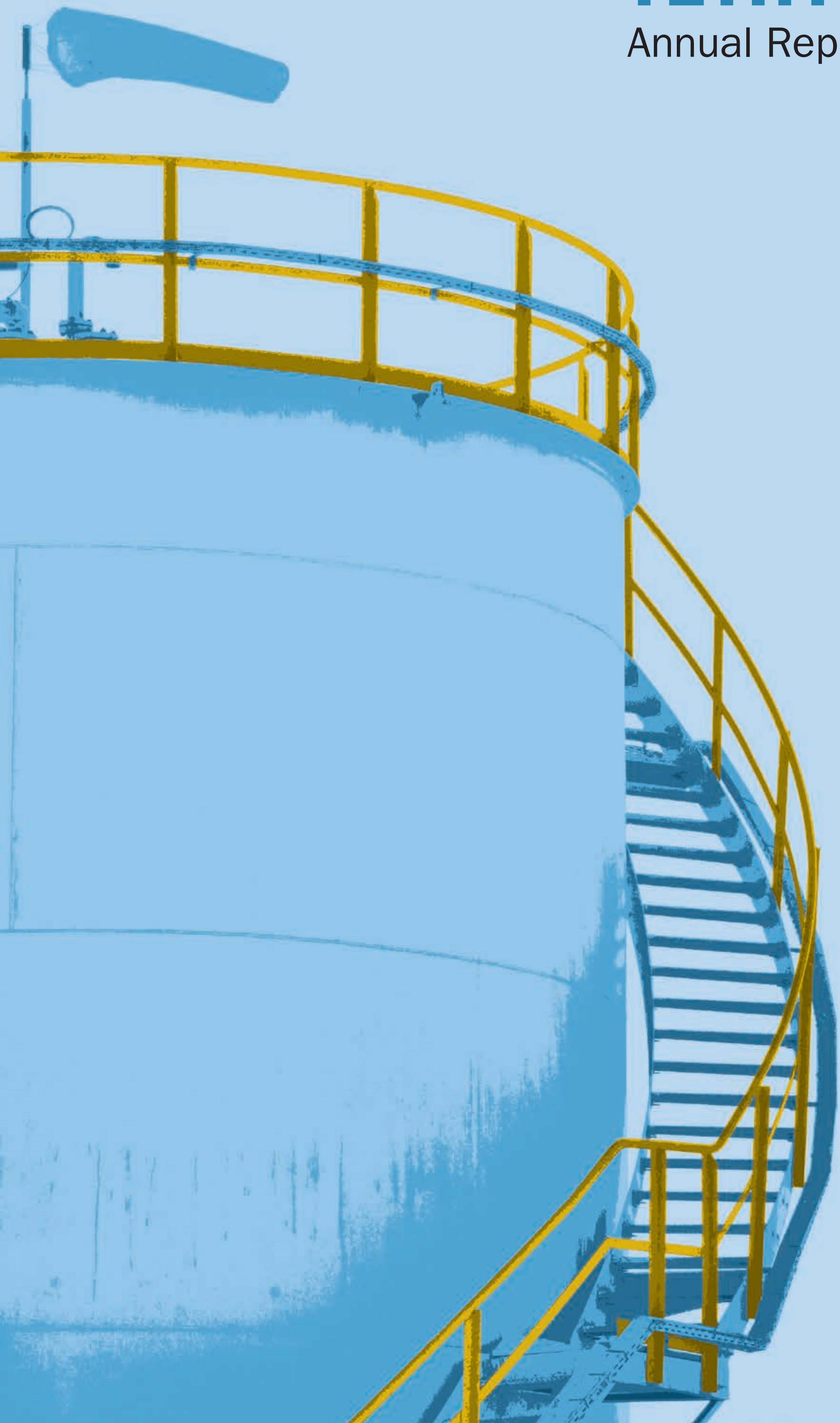
TETHYS OIL
Annual Report 2014

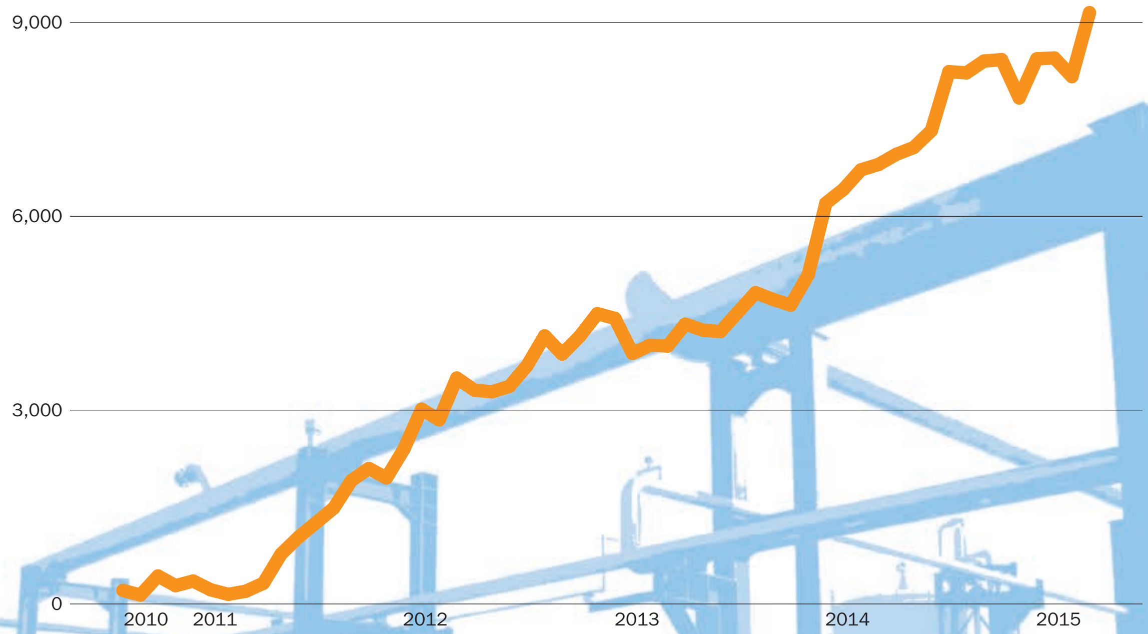


Farha South oil field

Operational and financial summary

MSEK (unless specifically stated)	2014	2013	2012	2011	2010
Production, before government take, bbl	2,804,240	1,709,706	1,399,518	423,469	41,764
Average daily production, before government take, bbl	7,692	4,684	3,824	1,160	114
Net sales, after government take, bbl	1,464,228	850,926	776,248	147,228	18,898
Average selling price per barrel, USD	103.87	106.63	110.35	107.37	80.56
Net sales of oil and gas	1,046	592	584	104	11
Operating result	404	285	336	83	101
EBITDA	753	479	509	84	101
Net result for the period	350	240	314	69	80
Earnings per share, SEK	9.86	6.76	9.11	2.12	2.60
Cash and cash equivalents	372	295	248	93	191
Shareholders' equity	1,675	1,100	860	456	380
Non-current liabilities	25	422	417	2	–
Investments	259	290	875	208	29
Number of shares at the end of the year	35,543,750	35,543,750	35,543,750	32,543,750	32,504,489
Of which repurchased shares at year end	298,160	–	–	–	–
Market capitalization at the end of the year	2,168	2,399	1,893	1,432	1,845
Share price at the end of the year, SEK	61.00	67.50	53.25	44.00	56.75
2P-reserves in Oman (million barrels of oil)	17.8	15.2	14.3	–	–

Production development, August 2010 to March 2015, BOPD net to Tethys Oil before government take



Annual General Meeting

The Annual General Meeting will be held on 13 May 2015, 3 p.m. at Spegelsalen, Grand Hôtel, Södra Blasieholmshamnen 8, in Stockholm. To attend the AGM, please see Tethys Oils website, www.tethysoil.com, for more information.

Letter to the shareholders

Dear Friends and Investors

In 2014, our sales increased with 77 per cent and amounted to MSEK 1,046. Our EBITDA increased with 57 per cent and amounted to MSEK 753. Our net result for the year increased with 46 per cent to the new record level of MSEK 350. We entered 2014 with net debt of MSEK 127 (SEK -3.60 per share) and exited with a net cash position of MSEK 347 (SEK 9.80 per share).

In 12 months our main asset, Blocks 3 and 4 onshore Oman, threw off enough cash to make this transition possible. In total we produced 2.8 million barrels of oil in 2014, which is 64 per cent more than in 2013. And the strong performance continues. Also in the lower oil price environment of 2015 we expect Blocks 3 and 4 to continue to generate free cash, also after taking into account a substantial investment budget on the Blocks.

So at the time of writing in April 2015, Tethys stands stronger than ever:

- We are strong enough to pay a dividend and distribute a total of MSEK 106 (SEK 3.00 per share) back to shareholders.
- We are strong enough to pursue new projects, both in Oman and elsewhere. Post distribution to shareholders we still have ample liquidity and add to that an untapped credit line of up to MUSD 100, should opportunities arise.
- And we are strong enough to continue investing in Blocks 3 and 4 to enable continued grow. Our March production from onshore Oman was a new record: For the first time we produced on average during one month more than 9,000 barrels of oil per day. So far this year average daily production is up by 14 per cent compared to average daily production 2014.

But of course, today's strength follow from the remarkable development we saw during 2014.

2014 was the year Blocks 3 and 4 onshore Oman really showed their true potential. The Farha South oil field on Block 3 continued its strong performance driven by continued development and implementation of the water injection programme. The field expanded with new production wells in producing fault blocks and previously undrilled fault blocks along the Farha trend were successfully drilled and put into production. The production enhancing water injection programme was further increased with new water injector wells.

The Saiwan East field was stable and a new oil field was borne. The successful exploration and appraisal work on the B4EW4 structure and nearby structures in the Lower Buah area has resulted in the formal designation of this area to the status of a new oil field – Shahd.

The Shahd oil field is Tethys' third field on Blocks 3 and 4 in Oman, but most likely not the last. Exploration efforts continue in several parts of the over 30 000 square kilometres large Blocks, both adjacent to current production and in other areas. In 2014 some 1,200 square kilometres of new 3D seismic was shot, which will be continually evaluated. In 2014 we invested a total of MSEK 263 in capital expenditure such as wells, seismic studies and infrastructure. Given the large remaining potential, we expect investments to continue at a fairly high level fully funded from production cash flow.

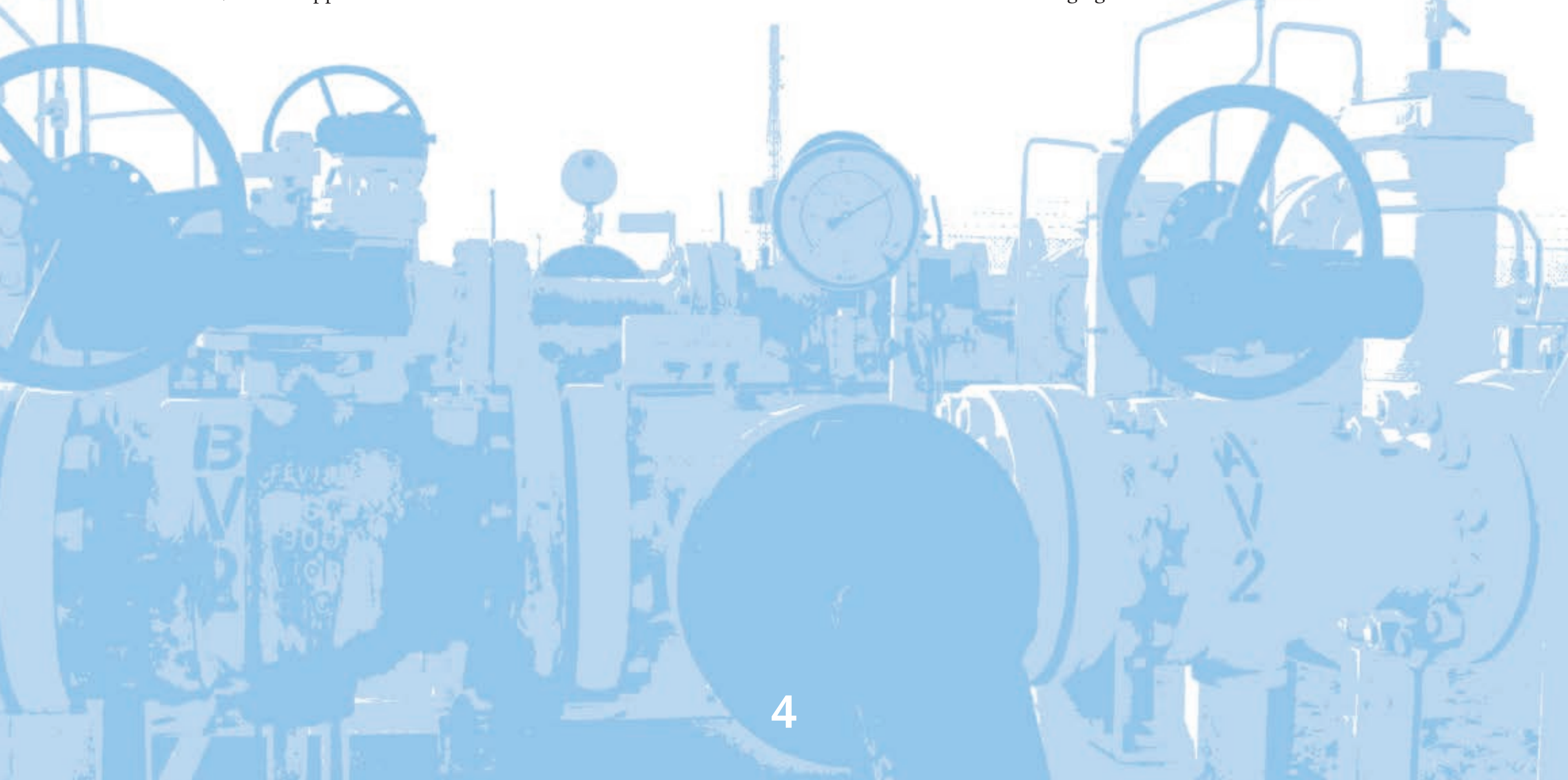
Due to the lower oil prices, we made a write down in 2014 related to our producing Lithuanian assets. Production continues however, and at the time of writing the project is cash flow positive. On the Lithuania exploration side, we look forward to the upcoming drilling programme on the Raseiniai licence.

But enough said here. Please enjoy this annual report covering our most remarkable year 2014.

And stay with us, we are in a strong position and we intend to strengthen it further!

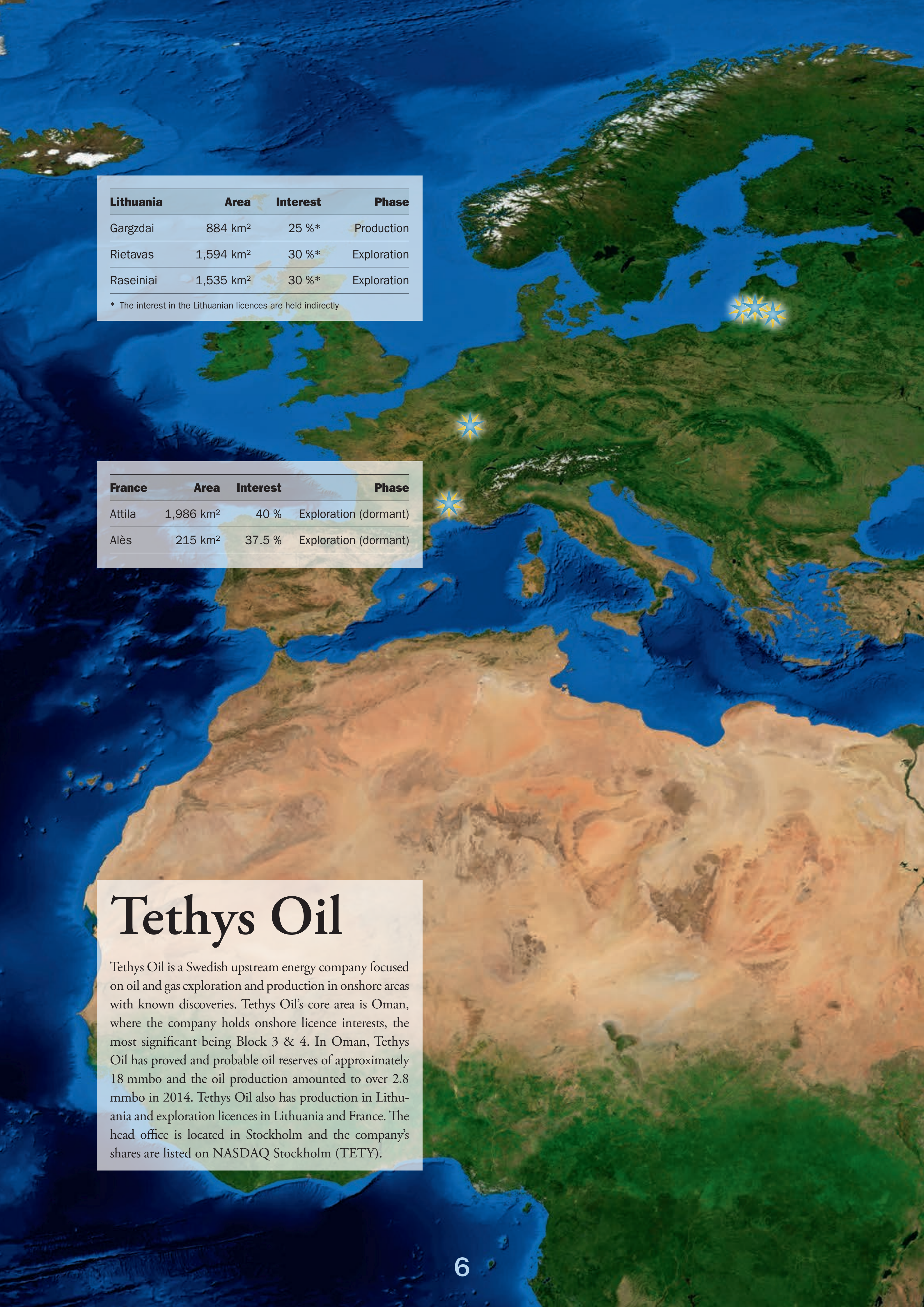
Stockholm in April 2015

Magnus Nordin
Managing Director



Milestones

2001	Tethys Oil was founded
2004	IPO and listing on First North, Stockholm
2006	First Company-operated well drilled in Denmark
2007	Acquisition of interests in Blocks 3 & 4 in Oman
2010	20 per cent of Block 3 & 4 farmed out to Mitsui
	Early production from Block 3 & 4 commences
2012	Oil producing assets onshore Lithuania acquired
	Three year MSEK 400 bond loan issued
	FDP for Block 3 & 4 approved, licence terms extented until 2040
2013	Listing on NASDAQ Stockholm
2014	A four-year, up to USDm 100, Senior Revolving Reserve-Based Lending Facility
	MSEK 400 bond redeemed
	Average daily production exceeds 7,000 bopd



Lithuania	Area	Interest	Phase
Gargzdai	884 km²	25 %*	Production
Rietavas	1,594 km²	30 %*	Exploration
Raseiniai	1,535 km²	30 %*	Exploration

* The interest in the Lithuanian licences are held indirectly

France	Area	Interest	Phase
Attila	1,986 km²	40 %	Exploration (dormant)
Alès	215 km²	37.5 %	Exploration (dormant)

Tethys Oil

Tethys Oil is a Swedish upstream energy company focused on oil and gas exploration and production in onshore areas with known discoveries. Tethys Oil's core area is Oman, where the company holds onshore licence interests, the most significant being Block 3 & 4. In Oman, Tethys Oil has proved and probable oil reserves of approximately 18 mmbo and the oil production amounted to over 2.8 mmbo in 2014. Tethys Oil also has production in Lithuania and exploration licences in Lithuania and France. The head office is located in Stockholm and the company's shares are listed on NASDAQ Stockholm (TETY).

Oman	Area	Interest	Phase
Blocks 3 & 4	34,610 km²	30 %	Production
Block 15	1,389 km²	Under discussion	Exploration

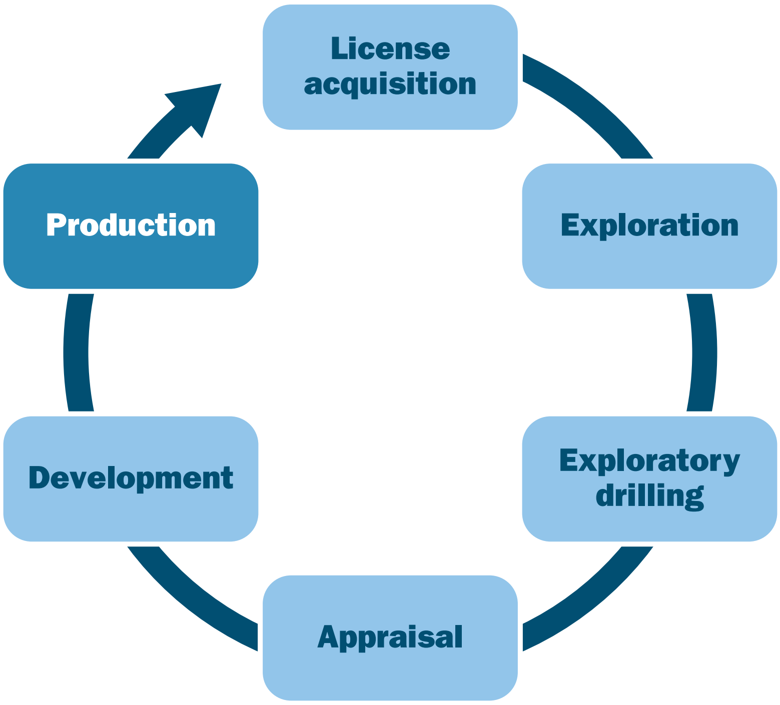
Blocks 3 & 4

18 mmbo 2P reserves as per 31 December 2014

2.8 mmbo production in 2014

Reto Stöckli, NASA Earth Observatory

Vision and strategy



Tethys Oil aims to 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 and focusing on production and cash flow and thereafter on increasing reserves
- 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.

Operational targets

- Focus on increasing production and reserves in Oman
- Evaluation of assets in Lithuania
- Actively evaluate new projects

Reserves

Oman

Tethys Oil's net working interest reserves in the Sultanate of Oman as per 31 December 2014, amounted to 11,794 thousand barrels of oil ("mbo") of proven reserves (1P), 17,779 mbo of proven and probable reserves (2P) and 25,080 mbo of proven, probable and possible reserves (3P).

Development of reserves

(Audited by DeGolyer and MacNaughton)

mbo	1P	2P	3P
Total 31 Dec 2013	10,800	15,201	19,968
Production 2014	-2,759	-2,759	-2,759
Revisions	2,116	2,858	4,136
Discoveries	1,637	2,479	3,735
Total 31 Dec 2014	**11,794**	**17,779**	**25,080**

In 2014 Tethys Oil added 1P reserves of 3,753 mbo, representing an increase of 35 per cent. The company added 2P reserves 5,337 mbo, representing an increase of 35 per cent. The 3P reserves increased with 7,871 mbo, representing an increase of 39 per cent. The increase in 2P reserves represents an internal reserve replacement ratio of 193 per cent.

Reserves, 31 December 2014

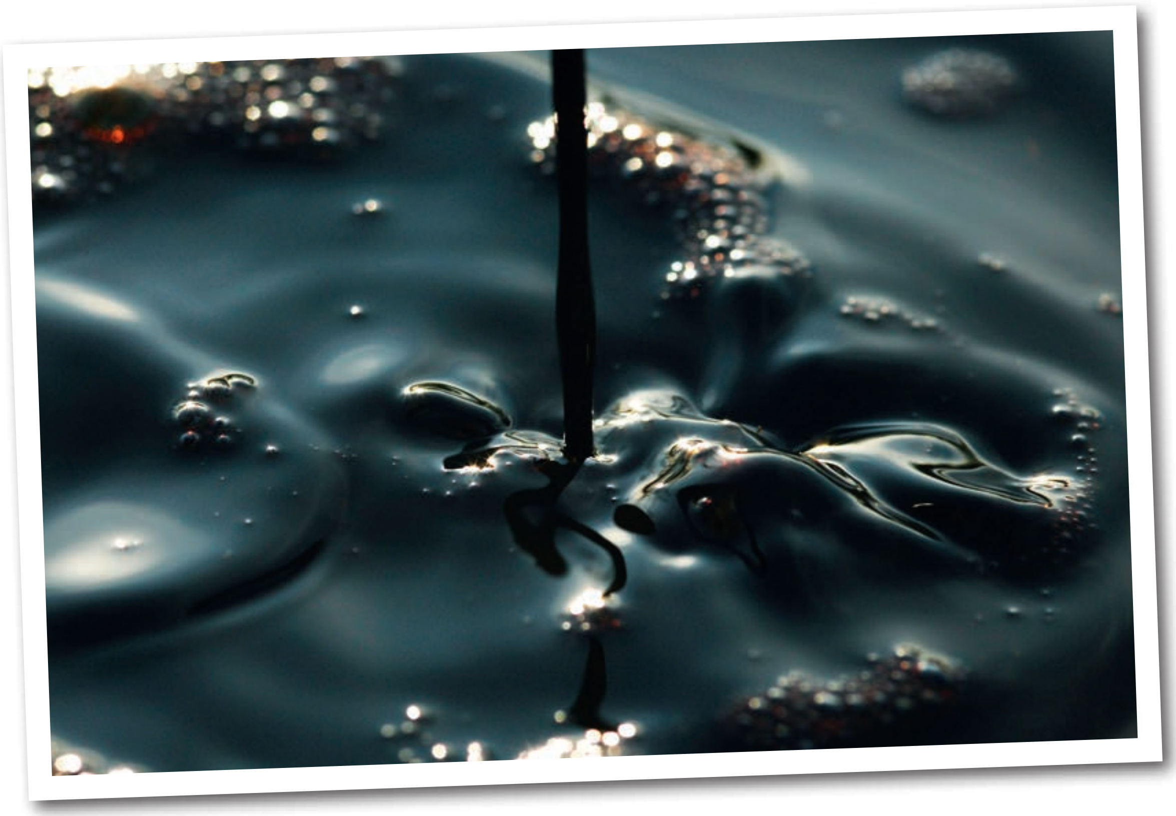
(Audited by DeGolyer and MacNaughton)

mbo	1P	2P	3P
Farha South Field, Oman	8,303	11,186	13,285
Saiwan East Field, Oman	499	1,266	2,940
Shahd Field (Lower Buah area), Oman	2,992	5,327	8,855
Total*	**11,794**	**17,779**	**25,080**

* 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 are in the Khufai reservoir and the reserves in the Shahd field are in the Lower Buah, Khufai and Lower as Bashir reservoirs.

As a consequence of the oil price, the Lithuanian reserves are deemed sub-economic and are not included as reserves as per 31 December 2014.

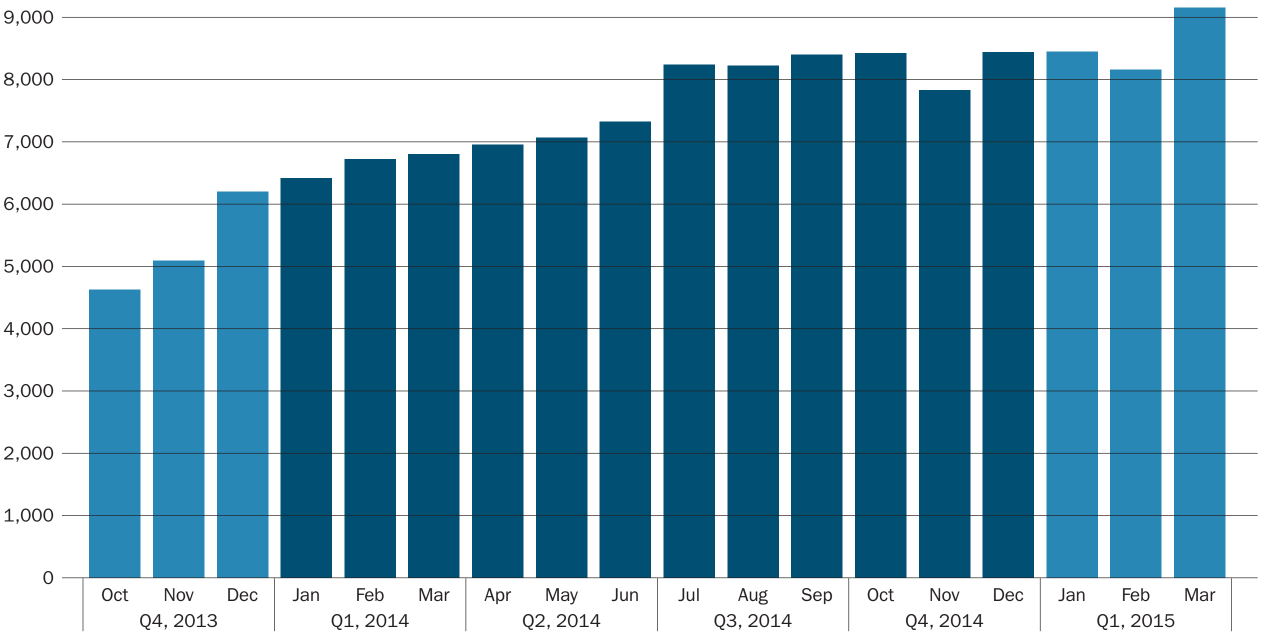


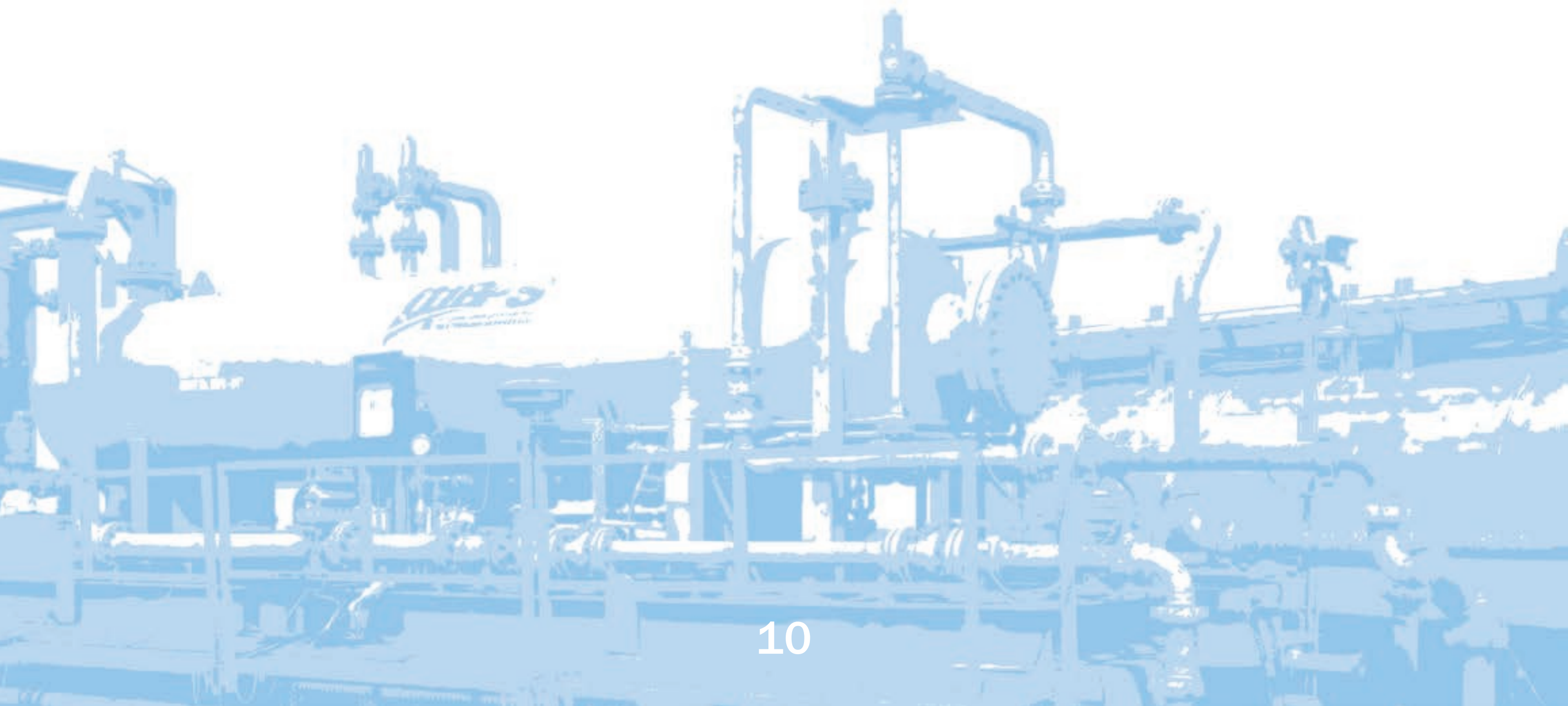
Production

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

Production from Blocks 3 & 4 onshore Oman derives from three fields – the Farha South, the Shahd and the Saiwan East oil fields. The production development has mainly been driven by continued implementation of the water injection programme on Farha South and from the successful exploration and appraisal results from the Shahd oil field. Production from Oman accounts for 99 per cent of total production.

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





Farha South oil field

The Said bin Taimur mosque in Muscat
Photo by Krishnakumar Omanakuttan

Oman

Part of the oil fairway

Tethys Oil's core area is Oman. Oman is strategically located on the tip of the eastern Arabian Peninsula, neighbouring the United Arab Emirates in the northwest, Saudi Arabia in the west and Yemen in the southwest. Oman overlooks the Arabian Sea, the Sea of Oman and the Arabian Gulf. It also controls the Strait of Hormuz, which is one of the most important areas in the region, linking the Sea of Oman with the Arabian Gulf. The coastline amounts to 3,165 kilometres. Oman covers an area of 309,500 square kilometres. The capital is Muscat and the population amounts to 3.3 million.

Oman's first commercial oil discovery came in the early 1960's. In 2013, Oman had 162 active oil fields and 32 active gas field. Oman's neighbouring countries on the Arabian Peninsula, including Iran and Iraq, is producing over 30 per cent of the world's total oil production and holds about 50 per cent of the world's oil reserves. Oman's annual production in 2013 amounted to about 940,000 barrels per day (BP Statistical Review of World Energy June 2014), equivalent to approximately half of the Norwegian oil production.

Licence terms

Licenses are held through Exploration & Production Sharing Agreements (EPSA). The Omani government fiscal terms are attractive and typically allow the holder of a licence to recover their costs up to 40 per cent of the value of total oil production. This is referred to as cost oil. After deducting any allowance for cost oil, the remaining oil production is typically split 80/20 between the government and the partners. If there is no cost oil to be recovered, the 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.


Muscat
Block 15
Block 3
Block 4

Tethys Oil in Oman

Tethys Oil's most significant asset in Oman is Blocks 3 & 4. The blocks are located in the eastern part of Oman and cover an area of 34,610 square kilometres, corresponding to an area the size of Belgium. Tethys Oil acquired the company's interest in the blocks in 2007. In 2010, an early production system was launched. In 2012, the Field Development Plan was approved and the exploration and production terms for the licence were extended until 2040. The oil production amounted to over 2.8 mmbo in 2014. The production from the blocks derives from three fields: Farha South, Saiwan East and Shahd oil fields. Tethys Oil, through its wholly owned subsidiary Tethys Oil Block 3 and 4 Ltd, 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).

Tethys Oil has also interest in Block 15 in the north western part of central Oman. The licence terms for Block 15 expired in 2014. Discussions regarding the future of the block are ongoing.

Size comparison of license area with central Sweden

Muscat Office
Tethys Oil is employing the company's specialists close to the operations. Tethys Oil's office in Muscat is staffed up with senior geologists, geophysicists and engineers. Preference is always given to Omani Nationals.

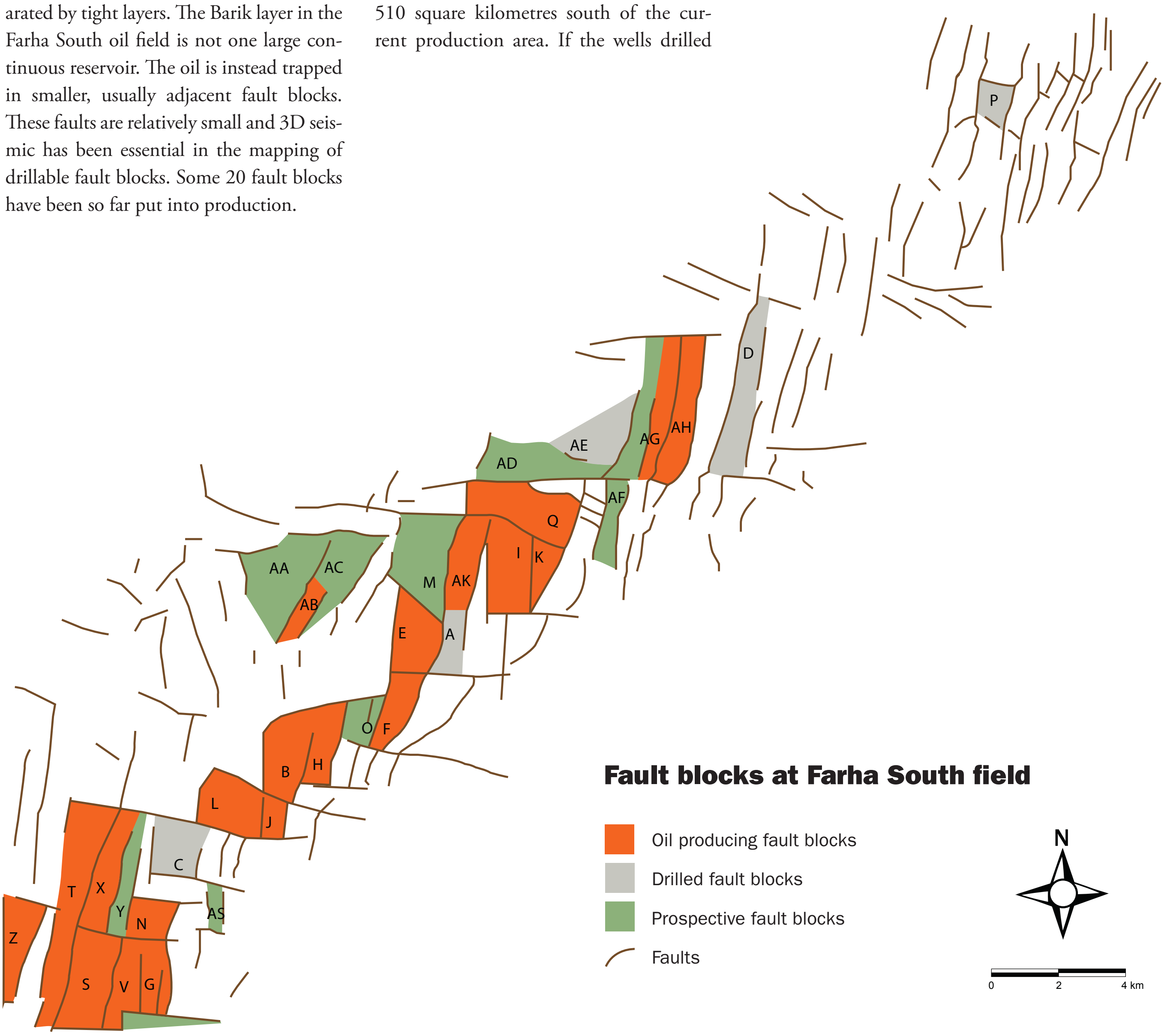
The Farha South Oil Field

The Farha South oil field has produced the majority of the company's total oil production to date. The field also holds the main part of Tethys Oil's oil reserves. The production has grown steadily since the field came on stream in 2010. The oil is extracted from the Barik sandstone in some 20 different fault blocks at an average depths of 1,600 metres.

The first well on the Farha South area, with Tethys Oil as partner, was Farha South-3 which was drilled in early 2009. The producing layer in the field is the Barik sandstone. The Barik sandstone is fine grained and porous sandstone in several layers, separated by tight layers. The Barik layer in the Farha South oil field is not one large continuous reservoir. 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. Some 20 fault blocks have been so far put into production.

The oil from the Barik layer is of high quality, more than 40 degrees API and does not contain any sulphur. The low content of gas combined with the absence of a water drive in the Barik layer, make pumps and water injections necessary to reach a satisfactory production and extraction rate. The work programme over the last years has largely been focused on expanding the water injection programme on the Farha South field with some 35 injector wells drilled on the field.

The fields continue to be expanded when previously undrilled fault blocks are successfully drilled. A large 3D seismic study has been conducted in the area covering 510 square kilometres south of the current production area. If the wells drilled in the South Farha South area, as this area is called, are successful, it may be a strong indication that the Farha trend extends into the south outside the currently producing area. In addition to a potential expansion of the field to the south, the Lower Al Bashir reservoir also holds further potential. Oil has been discovered in the Lower Al Bashir reservoir, but it is a tricky reservoir. It however has the potential to turn into a major asset.



Fault blocks at Farha South field

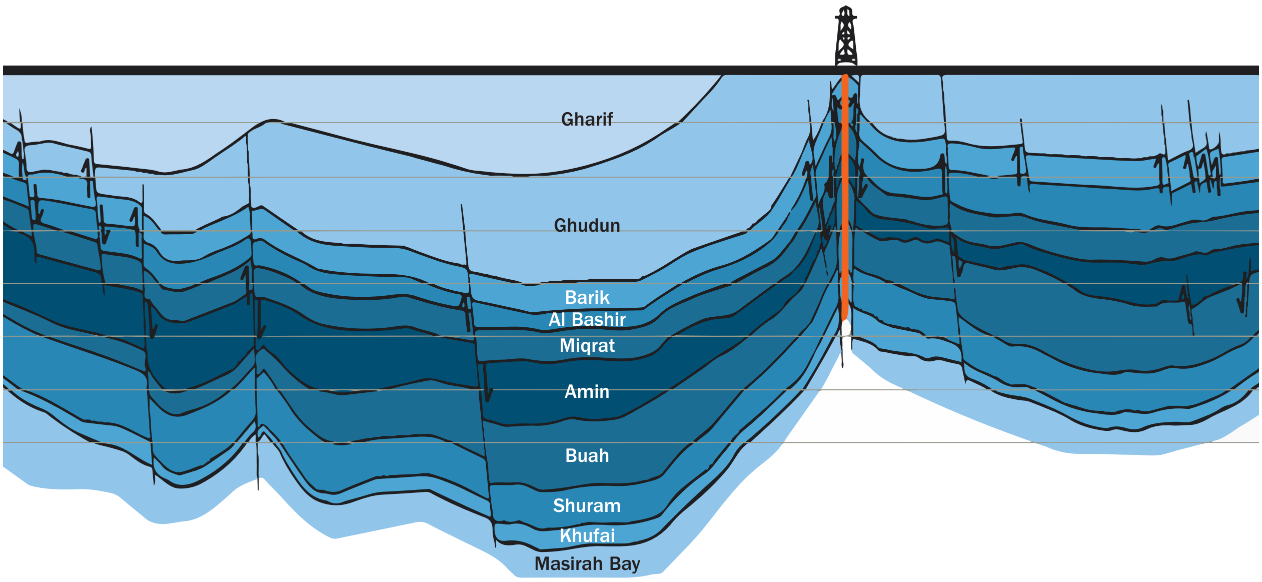
The Shahd Oil Field

The Shahd oil field, previously called "Lower Buah exploration area", has since oil in the Shahd oil field was first discovered in early 2013 quickly turned into a major producing area. The field has delivered the majority of the increase in the company's total reserves the last two years. The oil is extracted from the Lower Buah carbonates at average depths of 2,000 metres. Like the Farha field, this area is also highly faulted.

The oil discovery in the Lower Buah layer at the Shahd oil field was made in March 2013. The first discovery was made approximately 20 kilometres west of the Saiwan East oil field. The oil from the Lower Buah layer holds a quality of approximately 38 degrees API. The Lower Buah layer in the field is not one large continuous reservoir. The oil is instead trapped in separate reservoirs. So far, several Lower Buah reservoirs have been put into production.

The strong growth in reserves and production during the first six months 2014 resulted in an upgrade and revision of the geological model for the Shahd oil field, and focus during the second half of the year was on interpretation of data. A pattern has emerged, suggesting that fractures may play an important role in understanding this highly faulted area. Important insights that have been reached are to be implemented during 2015. Among these insights, water injection is expected to have a significant impact on the production from the Lower Buah reservoire, and an injection programme has been launched early in 2015.

New leads in the Shahd oil field continue to be identified as seismic interpretation goes on and the geological understanding of the area increases. One rig is expected to be employed full time during all of 2015 in this area.



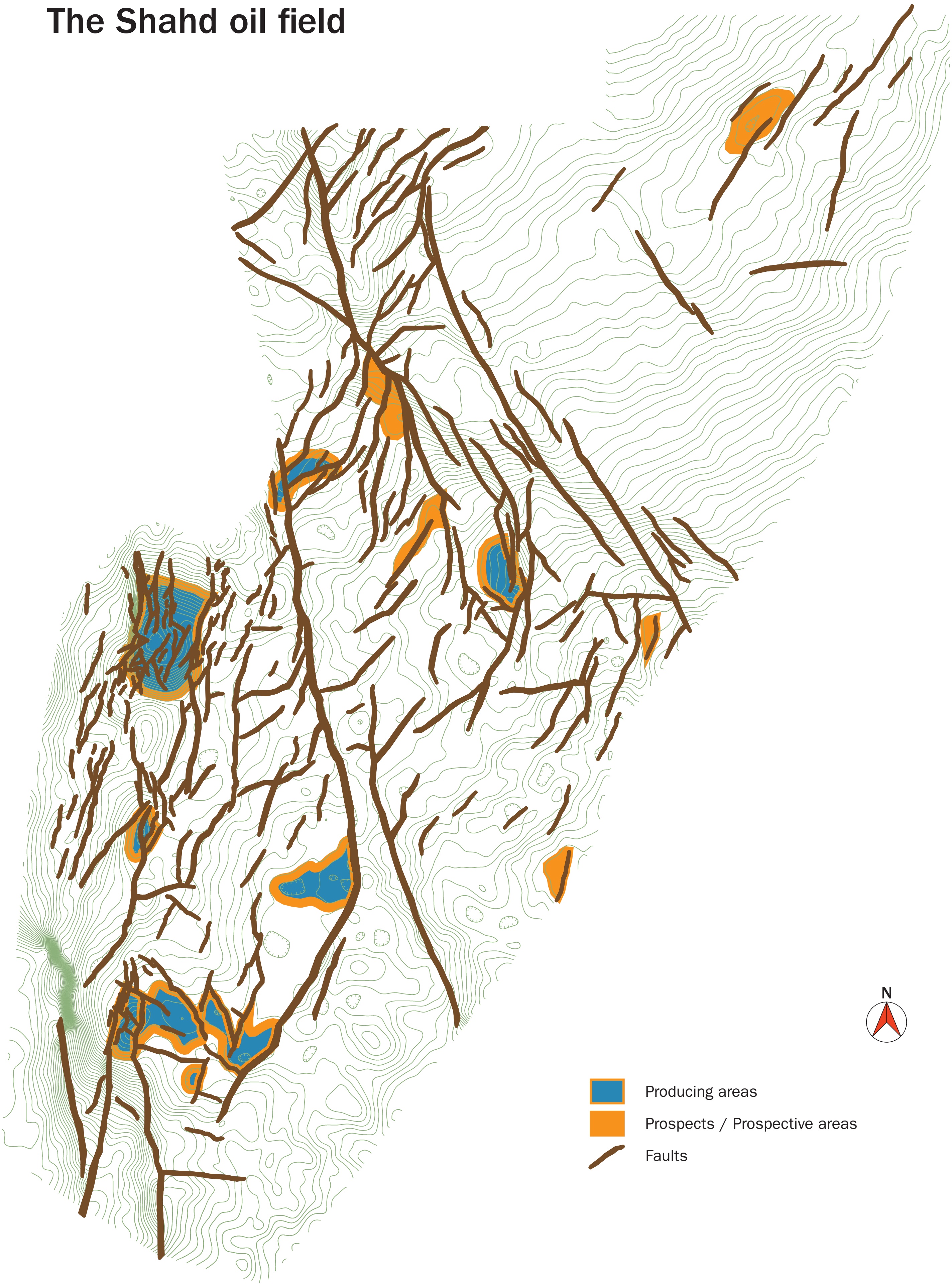
Formations
Geological formations is natural formations and structures in the rock and ground which have occurred as a result of usually very slow geological processes of different kind and ages.

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. Tethys Oil has reserves and production in the reservoirs Khufai, Barik, Lower Al Bashir and Lower Buah.

The Shahd oil field



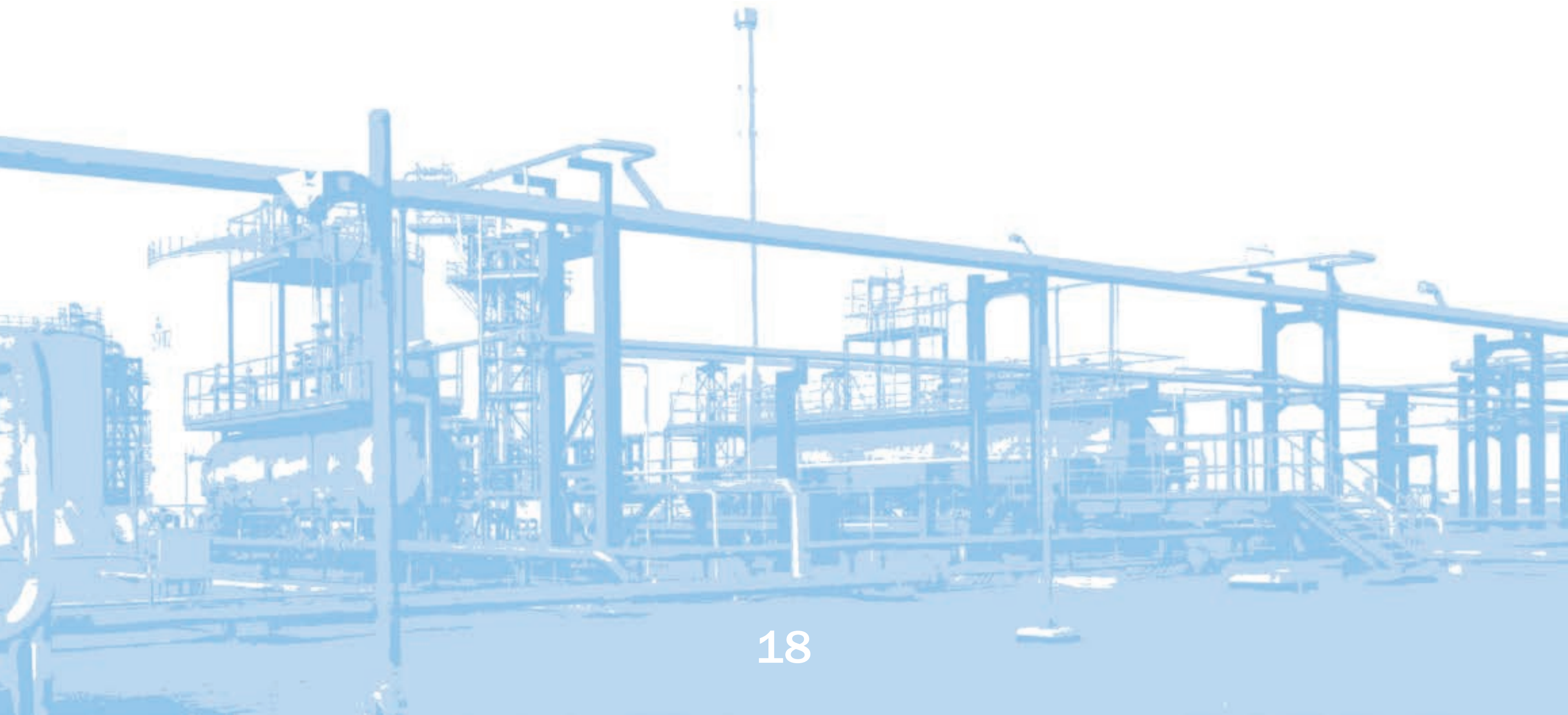
The Saiwan East Oil field

The first commercial oil at the Saiwan East oil field was discovered in 2009. The oil is extracted from the Khufai carbonates at depths ranging from 1,700 to 2,400 metres. The field is today the smallest of Block 3 and 4's fields, both regarding reserves and production.

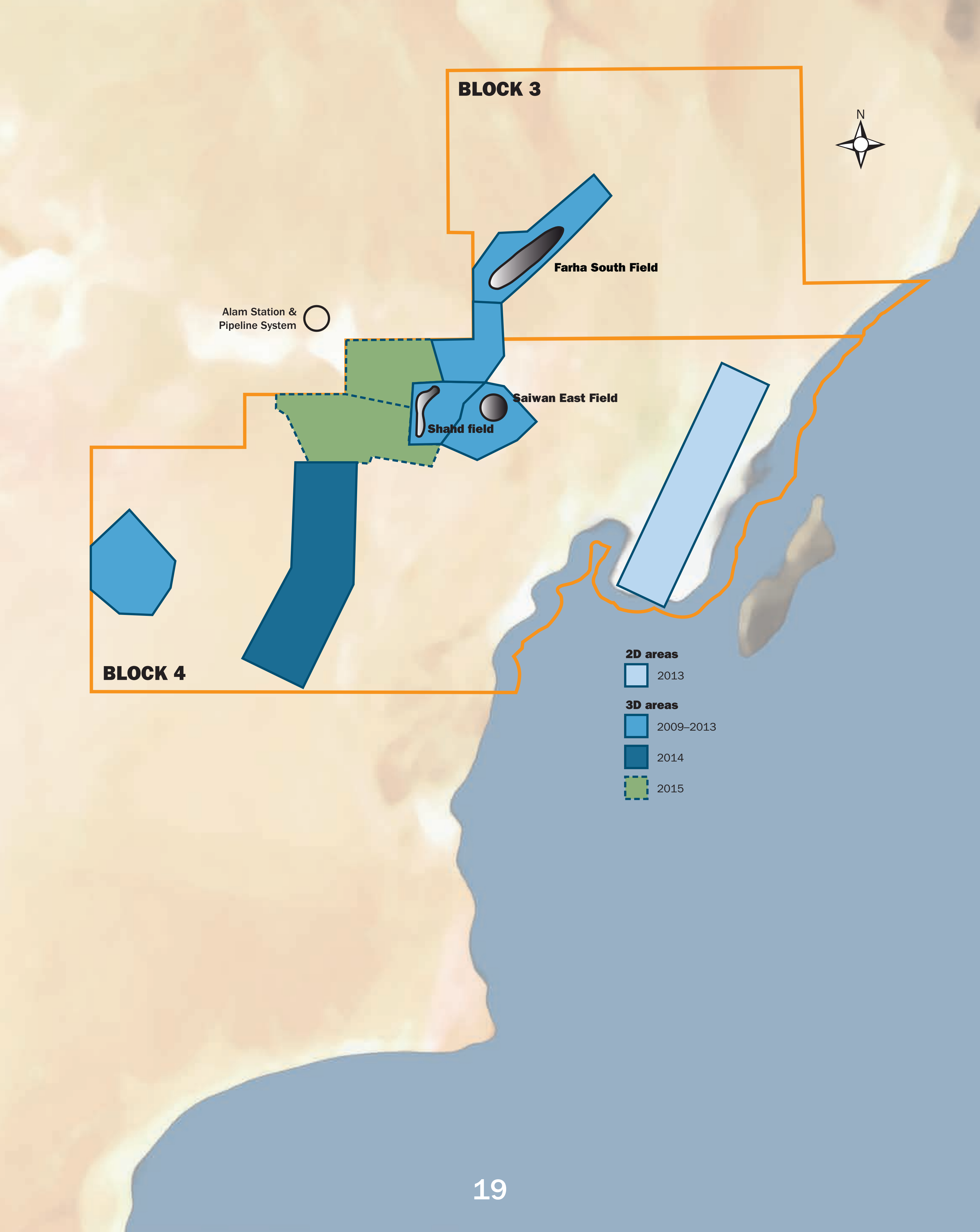
Previous operators had found heavy oil at the Saiwan East oil field, but with the drilling of Saiwan East-2 a new discovery of light oil was made in the Khufai layer. This layer is today in production on the field, producing oil with a density of 32 degrees API and some sulphur content. At this field, Tethys Oil has had the highest test flows from a new well, when Saiwan East-3 tested over 10,000 bopd. The Khufai carbonates at about 1,600 metres depth has however turned out to be more complex than first anticipated and the natural decline of the Saiwan East oil field has been substantial.

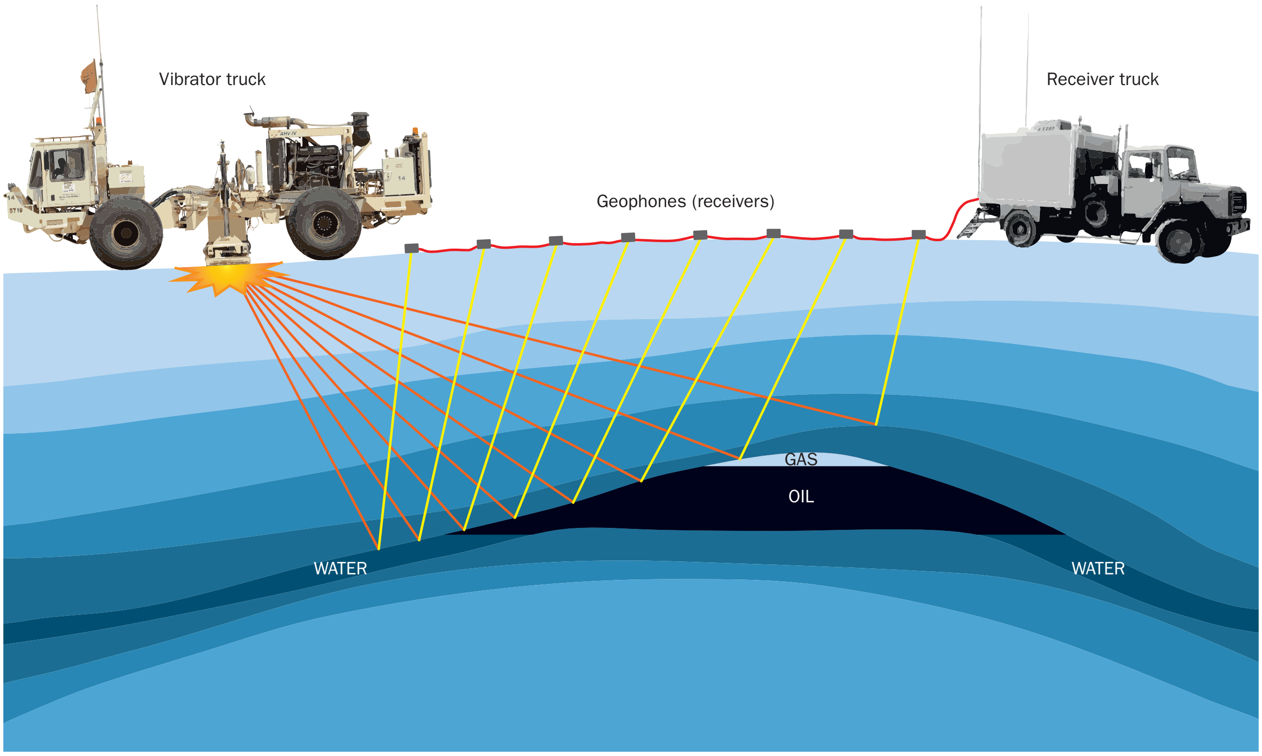
Unexpectedly large quantities of oil with different gravities and viscosities have also been found in the field. However, the findings suggest that any potential production from the heavy oil in Saiwan East will require enhanced oil recovery techniques.

Alam Station pipeline



Seismic mapping Blocks 3 & 4, Oman





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

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


Vibration trucks in operation at Blocks 3 and 4

Geophones in operation at Blocks 3 and 4

Photo by Aaron Peterson

Lithuania

Lithuania is located by the Baltic Sea in the eastern part of Europe and covers an area of 65,300 square kilometres. The neighbours include Latvia in the north, Belarus in the east and Poland and Russia (Kaliningrad) in the south. The capital is Vilnius and the population amounts to 3.5 million.

Oil was discovered in Lithuania some 60 years ago. Oil shows were first encountered in Lithuania in sedimentary rocks from Ordovician to early Silurian age in the well Vilnius-1 drilled in 1949, and extensive oil exploration began in 1958. The first commercial oil accumulation in Silurian carbonate reservoirs, Kudirka, was discovered in 1983. The oil is located quite deep and the production comes from a number of small fields.

The 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 lower than the norm.

Lithuanian oil production had its peak at the turn of the millennium, when the production amounted to close to 10,000 barrels of crude oil per day. In 2012 the production was 2,000 barrels per day (EIA). The production is located in the western part of the country. Lithuania imports about 200,000 barrels of crude oil per day. The Lithuanian tax regime is however very attractive and an oil company is subject to corporate tax and royalty.

Tethys Oil in Lithuania

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 producing Gargzdai licence, and 30 per cent in both the Rietavas and Raseiniai exploration licences. Tethys Oil acquired the company's first interest in Lithuania early in 2012.

Gargzdai licence

The Gargzdai licence is located in the western part of Lithuania on the Baltic coast

and covers an area of 884 square kilometres. Tethys Oil's indirect ownership in the licence is 25 per cent. The licence is producing about 110 barrels of oil per day net to Tethys Oil. The production has been somewhat declining the last years. The oil produced at the Gargzdai licence has a density of about 42 degrees API and is normally sold on weekly basis to a nearby refinery. The price is based on and set close to the daily Brent price. After the sharp decline in oil price in 2014 and 2015, the production at the Gargzdai licence has been deemed sub-commercial. If the oil prices are to recover, these asset could start generating value again, and potential enhanced recovery methods continue to be evaluated.

Rietavas licence

The Rietavas licence is located east of Gargzdai and covers an area of 1,594 square kilometres. The exploration licence is valid until 2017. The Rietavas licence has oil discoveries in the Cambrian sandstones and is yet quite unexplored.

The work programme on the license is focused on evaluation of the licence area for conventional and unconventional hydrocarbon potential. The work programme is fully funded from available funds within the associated company LL Investicos. So far a couple of exploration wells have been drilled and seismic studies been conducted. A new 30 square kilometres 3D seismic study has been launched in the Silale area in the western part of the licence.

Raseiniai licence

The Raseiniai licence is the most eastern of Tethys Oil's licence interests in Lithuania. The licence covers an area of 1,535 square kilometres. 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, than the Ordovician reefs found on Gotland. The Silurian/ Ordovician shale section is present also in the Rietavas licence.

In 2013, reefal prospects were mapped by a 3D seismic study. These prospects have been further investigated and in 2015, three wells are planned to be drilled back to back.

France

Tethys Oil has interests in two French licences. The licence Permis du Bassin d'Alès, an exploration 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.

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

The company's fundamental values are:

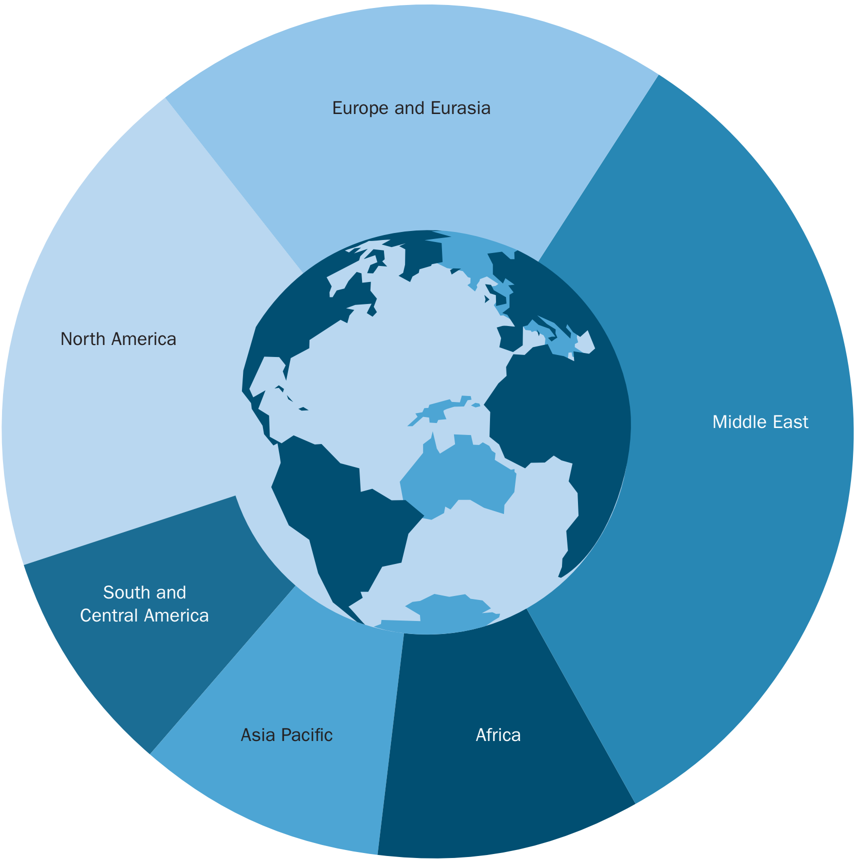
- To act in a fair, honest and equitable way.
- To observe local laws and regulations.
- To respect local customs and traditions.
- To observe applicable international laws and standards.
- To uphold the ten principles of the United Nations Global Compact on human rights, labour standards, environment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

The agreements that Tethys Oil has with the host nation and its partners prescribes that the licence owner commits to be careful with the environment, surroundings and the people in the neighbourhood who will be affected and all the work in the area will be done by "good oil practice". 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 Operating Agreements, the operator must implement a HSE plan that follows both international and local standards for the oil industry. A programme for follow up and evaluation of the HSE plan has to be included.

Photo: "Mountain road from Nizwa to Wadi Bani Awf" by Bilad Sayd

The global oil market



Global oil production

Source: BP Statistical Review of World Energy June 2014

Production

As reported by BP Statistical Review of World Energy dated June 2014, the global oil production increased in 2013 by 0.6 per cent. The key drivers of long-run oil supply include oil prices, exploration and development of new and existing reserves, behaviour 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.

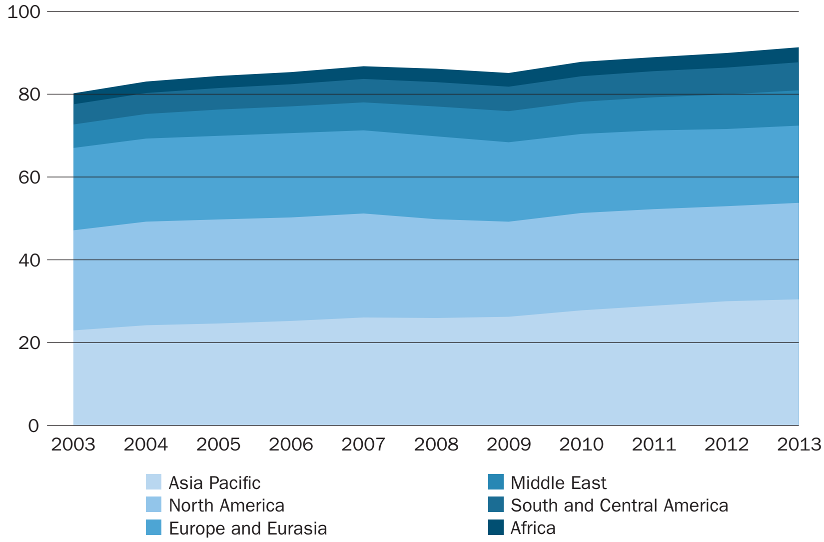
Regardless of other supply developments that have recently gained considerable market attention, including tight oil in the United States and bitumen from oil sands and tar sands in Canada, OPEC petroleum liquids production continues to be critical for world oil markets.

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 2013 by 1.6 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

Global consumption (million barrels daily)

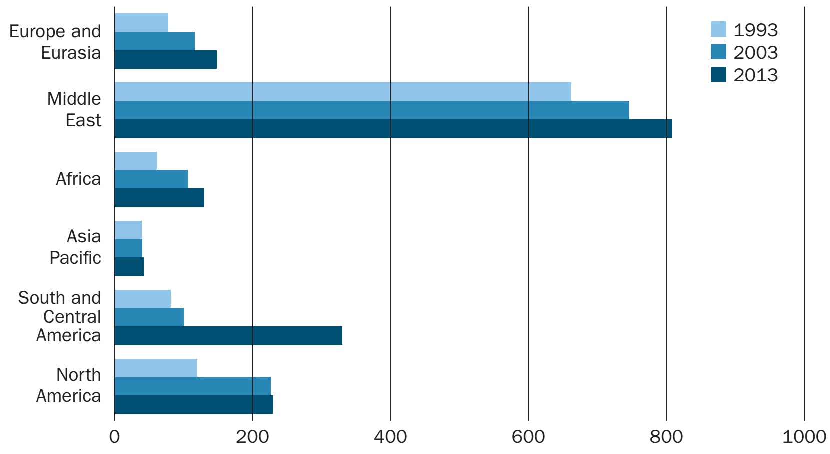


Source: BP Statistical Review of World Energy June 2014

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 2014

or declining population levels contribute to declines in liquids consumption. In addition, many OECD governments have 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 entered a period of relative stability until the middle of 2014. During 2014 Brent oil traded between a high of USD 115.19 per barrel at the end of June and a low of USD 55.27 per barrel at the end of the year giving an increase in volatility and market uncertainty not seen for years. The average oil price for Brent in 2014 was USD 98.97 per barrel which is lower compared to 2013 (USD 108.55).

The high price levels in recent years have enabled production of oil from discoveries previously not commercially recoverable. Examples of such high cost categories are unconventional reservoirs such as shale oil, oil sands and deep water reservoirs. The new oil price environment puts pressure on high cost producers while at the same time boosting the global economy. Low cost producers such as Tethys Oil, operating in conventional reservoirs at lower OPEX levels are less affected by the low prices having break even points substantially lower than unconventional players.

Oil and gas investments and rig count, primarily in North America, is closely monitored by the market and the availability of financing has been impacted by the sharp decline of oil prices. OPEC has so far not taken any action to adjust production levels to counter the falling oil prices. The actions of OPEC continue to be of significant interest to the markets.

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 oxygen, 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 sulphur. Crude oil with low sulphur 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. At the end of 2013, proved world oil reserves, as reported by BP statistical review, were estimated at 1,688 billion barrels – slightly higher than the estimate for 2012. 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.

Corporate governance report

Corporate governance practices refer to the decision-making systems through which owners, directly or indirectly, control a company. Tethys Oil AB (publ) is a publicly traded company listed on NASDAQ Stockholm, mid cap. Tethys Oil adheres to the Swedish code of corporate governance ("the code"). The code is published on www.bolagstyrning.se, where a description of the Swedish corporate governance model can be found. This corporate governance report 2014 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 2014. 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 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 are traded on the NASDAQ Stockholm exchange. At year end 2014 the share capital amounted to MSEK 5.925, represented by 35,543,750 shares, each with a par value of SEK 0.17. All shares represent one vote each. At 31 December 2014, the number of shareholders was 5,410 (3,958). Of the total number of shares, foreign shareholders accounted for approximately 64 per cent. 52 per cent of the Swedish shareholding was held by legal entities. For further information on share, share capital development and shareholders, see page 37 and Tethys Oil's website, www.tethysoil.com.

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 14 May 2014. The AGM was attended by about 102 shareholders, representing about 23.9 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 2013 and discharge of liability for the board of directors and the managing director.
- Re-election of Per Brilioth, Staffan Knafve, Magnus Nordin, Jan Risberg and Katherine Støvring. Staffan Knafve was elected chairman of 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 consideration in kind or by set-off, to enable the company to make business acquisitions and to raise capital for the company's business operations.
- Authorization for the board to resolve to purchase own shares in Tethys Oil AB

The minutes recorded at the annual general meeting can be found at Tethys Oil's website, www.tethysoil.com.

Nomination process

In accordance with the nomination committee process approved by the AGM 2014, the nomination committee for the AGM 2015 consists of members appointed by three of the largest shareholders of the company based on shareholdings as per 30 September 2014. The names of the members of the nomination committee were announced and posted on the company's website on 13 November 2014, i.e. within the time frame of six months before the AGM as prescribed by the code.

The nomination committee for the 2015 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 2015 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 2016 AGM.

The work of the nomination committee has during 2014 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 2015 consisted of the following members:

- Jan Risberg, chairman of the nomination committee, representing himself,
- Mikael Petersson, representing Lansdowne Investment Company Limited,
- Göran Källebo, representing himself and

- Staffan Knafve, chairman in Tethys Oil AB

The board and its work

Board composition

The articles of association stipulate that the board of directors of Tethys Oil shall consist of no less than three and no more than ten board members with no more than tree deputy board members. Board members are elected for a maximum of one year at a time. The board of directors of Tethys Oil has consisted since the AGM 2014 of five directors and no deputies. Staffan Knafve has been chairman of the board. Four board members are independent from the company, the company's management and the company's larger shareholders, and five board members are independent from larger shareholders/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 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 6 planned meetings during the financial year.

The board's work in 2014

During 2014 the board held 6 scheduled meetings and 8 extraordinary meetings.

Board of directors attendance

Name	Independence	Board meetings	Audit committee	Remuneration committee
Staffan Knafve	Yes	14/14	4/4	5/5
Magnus Nordin	No	14/14	–	–
Katherine Stövring	Yes	14/14	4/4	5/5
Jan Risberg	Yes	14/14	4/4	5/5
Per Brilioth	Yes	14/14	4/4	5/5

Meetings and items 2014	
February	Year-end report 2013, Loan facility
April	Annual report 2013 notice to AGM
May	First quarter report 2014; Constituent meeting and adoption of manuals and policies
June	Liquidation of foreign subsidiary
August	Second quarter report 2014
October	Strategy, notice to EGM
November	Third quarter report 2014, repurchase of shares
December	Budget 2015

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 2015, 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 5 times in 2014. The work has mainly focused on establishing principles for remuneration to management, to monitor and evaluate variable remuneration and construct and propose an incentive programme to an extra general meeting (EGM) which was subsequently cancelled. The remuneration committee reports to the board, normally in conjunction with the following board meeting.

Audit committee

The board has established an audit committee for the period up to and including the AGM 2015, 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 4 times in 2014. The work has mainly focused on supervising the company's financial reporting and assessing the efficiency of the company's financial internal controls, with the primary objective of providing support to the board in the decision making processes regarding such matters. 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 Ulrika Ramsvik as co-signing. PricewaterhouseCoopers AB was elected as the company's auditor at the AGM 2014.

Tethys Oil AB's auditor: PricewaterhouseCoopers AB

	Klas Brand	Ulrika Ramsvik
Role	Lead partner	Co-signing
Born	1956	1973
Company auditor since	2012	2014

The auditing firm has, besides the audit, conducted a limited number of other assignments on behalf of Tethys Oil. These assignments mainly consisted of services associated with auditing. Remuneration to the auditors of Tethys Oil is paid in accordance with approved current accounts. In 2014, remuneration to PricewaterhouseCoopers AB amounted to MSEK 1. 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, the chief financial officer and the executive vice president (EVP) corporate development.

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

Remuneration to executive management

Remuneration to the executive management includes four main components:

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

Base salary

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

Variable salary

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

Pension arrangements

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

Severance arrangements

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

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

Remuneration to management, TSEK

Executive	Base salary	Variable salary	Other benefits	Pension arrangements	Total 2014	2013
Magnus Nordin	1,652	540	11	375	2,579	2,199
Morgan Sadarangani	1,102	360	11	217	1,689	1,485
Jesper Alm	566	–	6	129	701	–
Total	**3,320**	**900**	**28**	**721**	**4,969**	**3,684**

The increase in remuneration to management relate to partly an increase of base salaries, but mainly to variable salaries and implementation of pension arrangements. For further information, please see note 19.

Remuneration to the board 2014

Remuneration to the board of directors during 2014 amounted to a total of TSEK 464, allocated among the board members in the way shown in the below table. The annual general meeting 2014 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	2014	2013
Total approved remuneration	1,375	1,375
Chairman	450	450
Director	175	175
Chairman audit committee	50	50
Member audit committee	25	25
Chairman remuneration committee	25	25
Member remuneration committee	25	25

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

Financial reporting and control

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

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

Internal control

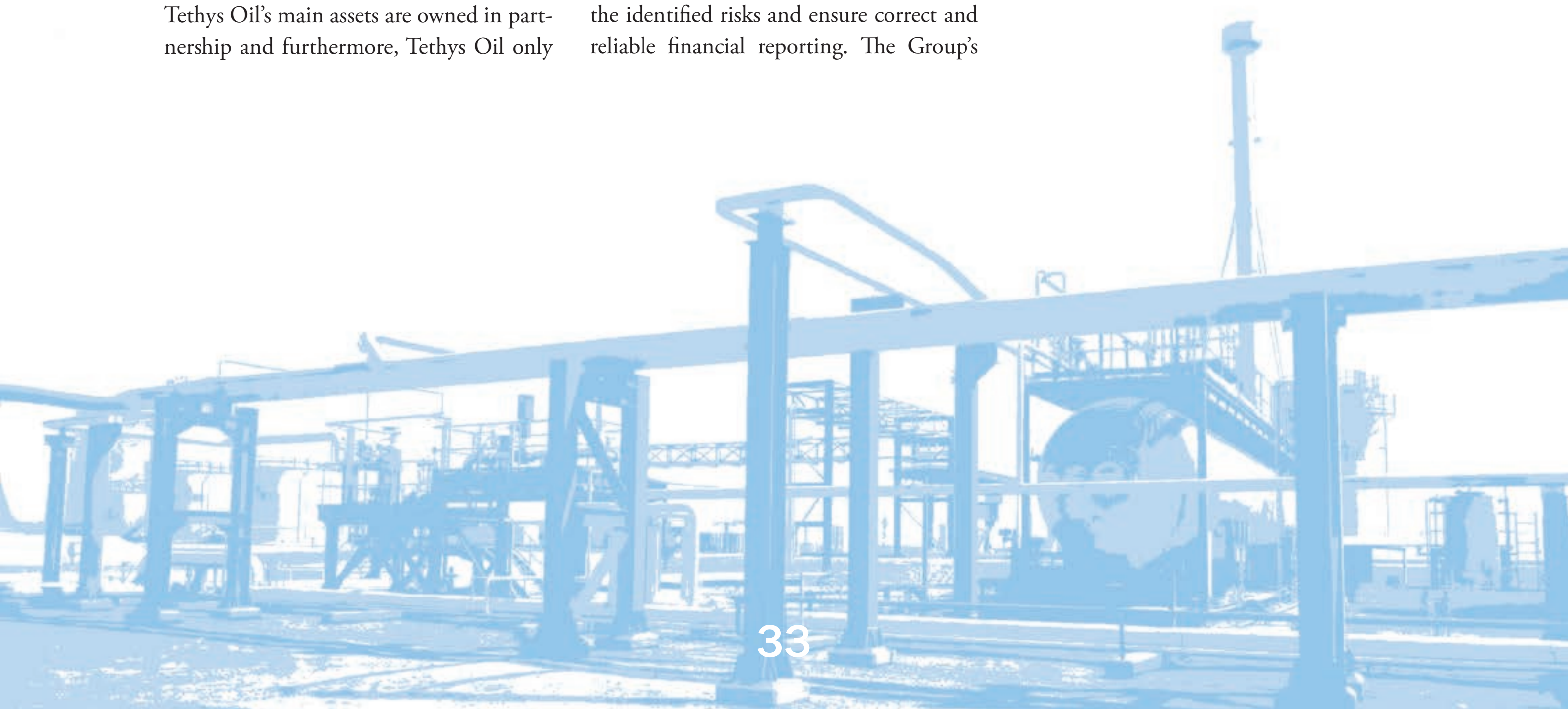
Tethys Oil continually works on improving the financial reporting through evaluating the risk of errors in the financial reporting and related control activities. Control activities include following up on instructions and the application of accounting principles. The board of directors is responsible for and monitors the control activities, which involve all levels of the organisation. The activities limit the identified risks and ensure correct and reliable financial reporting. The Group's central financial department analyses and follows up on budget deviations, draws up forecasts, follows up on significant variations between periods and reports to the board of directors, which minimizes the risks for errors in the financial reporting. The control activities also include following up on the authorization manual and accounting principles. These control activities also include the operators in partnerships. The board of directors further decides on specific control activities and auditing of operators in partnerships. The financial department regularly follows up on deviations and irregularities and report to the audit committee. This structure is considered sufficient and suitable given the size and nature of the company's business.

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, University of Stockholm.	Bachelor of Arts, University of Lund and Master of Arts, University of California Los Angeles.	Bachelor of Science in Economics and business, University of Stockholm.	Master of Law, University of Oslo and MSc in Business Management, London Business School.	Bachelor of Science in Business Administration, University of Stockholm, 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	Member of finance committee at Royal Swedish Automobile Club.	Board member of Minotaurus AB and Minotaurus Energi AS.	Chairman Ovation Sports SA.		Board member of Vostok Nafta AB, member of the board of RusForest AB, Avito Holdings AB, X5 Group AB and Svenska Fotografiska museet AB.
Shares in Tethys Oil as of 31 December 2014	70,000*	1,464,127	843,419	–	5,000
Board attendance	14/14	14/14	14/14	14/14	14/14
Audit committee attendance	4/4	–	4/4	4/4	4/4
Remuneration committee attendance	5/5	–	5/5	5/5	5/5
Remuneration for board and committee work	500,000	–	250,000	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

* Shares held through insurance policy.

Executive management

	Magnus Nordin	Morgan Sadarangani	Jesper Alm
Function	Managing director	Chief financial officer	EVP corporate development
With Tethys Oil since	2004	2004	2014
Born	1956	1975	1975
Education	Bachelor of Arts, University of Lund and Master of Arts, University of California Los Angeles.	Master of Economics in Business Administration, University of Uppsala.	Master of Economics in Business Administration, University of Lund.
Experience	Several executive positions in different oil companies.	Different positions within SEB and Enskilda Securities, Corporate Finance.	Partner, Pareto Securities Corporate Finance (Natural resources).
Board duties	Board member of Minotaurus AB and Minotaurus Energi AS.	None	None
Shares in Tethys Oil as of 31 December 2014	1,464,127	144,200	5,750*

* Including shares held through insurance policy.

Auditor's report on the Corporate Governance Statement

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

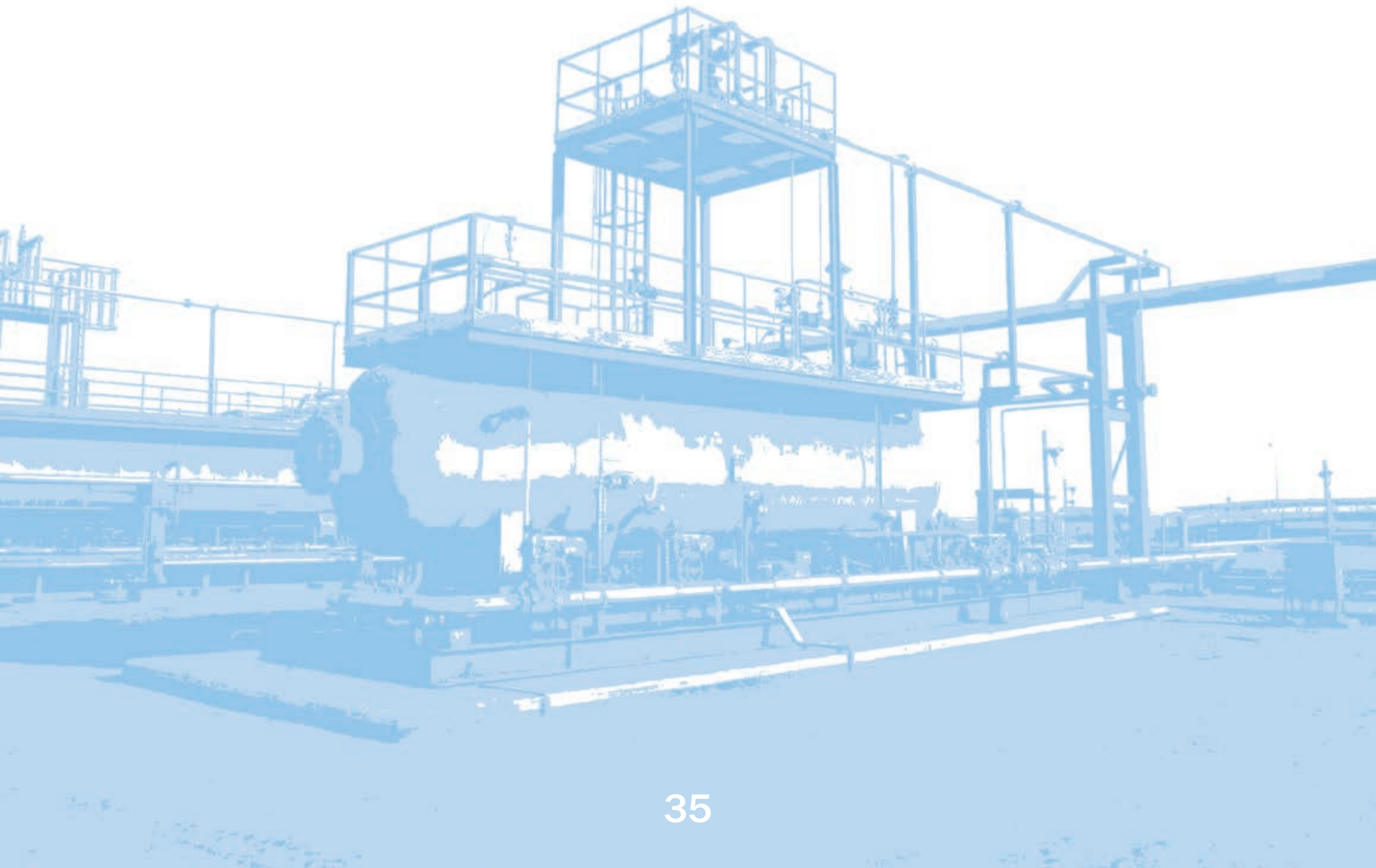
It is the board of directors who is responsible for the Corporate Governance Statement for the year 2014 on pages 30–34 and that it has been prepared in accordance with the Annual Accounts Act. We have read the corporate governance statement and based on that reading and our knowledge of the company 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, 17 April 2015
PricewaterhouseCoopers AB

Klas Brand
Authorized Public Accountant
Lead Partner

Ulrika Ramsvik
Authorized Public Accountant
Co-signing



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 in 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.

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

Auditors

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

Ulrika Ramsvik,
born in 1973. Authorized public accountant. Company's auditor since 2014. PricewaterhouseCoopers AB, Gothenburg

The Tethys Oil share

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

Shares outstanding

Tethys Oil's registered share capital at 31 December 2014 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 2014 the board of directors had remaining outstanding authorization from the AGM to issue up to 10 percent of the shares up until the next AGM.

As per 31 December 2014, Tethys Oil held 298,160 of its own shares which were purchased during the fourth quarter at an average price of SEK 68.0. The share repurchase programme is based on a mandate from the AGM held in May 2014 and repurchased shares are still part of the total number of outstanding shares but however not included in the number of shares in circulation, which amount to 35,245,590.

Share capital development

Since the company's inception in September 2001 and up to 31 December 2014 the parent company's share capital has developed as shown below:

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

Share ownership structure

The 20 largest shareholders in Tethys Oil as per 28 February 2015.

Name	Number of shares	Capital and votes
MSIL IPB CLIENT ACCOUNT	2,837,077	7.98%
NORDNET PENSIONSFÖRSÄKRING AB	1,371,381	3.86%
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	1,143,464	3.22%
SIX SIS AG, W8IMY	915,941	2.58%
SKANDINAVISKA ENSKILDA BANKEN S.A., W8IMY	911,937	2.57%
BANQUE PICTET & CIE SA, W8IMY (WITHOUT P.R.)	875,580	2.46%
MINOTAURUS ENERGI AS*	830,000	2.34%
BNY GCM CLIENT ACCOUNTS (E) ILM	753,002	2.12%
FRIENDS PROVIDENT INTERNATONAL	719,300	2.02%
MORGAN STANLEY AND CO LLC, W9	656,428	1.85%
UBS AG LDN BRANCH A/C CLIENT, IPB	653,131	1.84%
STATE STREET BANK & TRUST COM., BOSTON	637,335	1.79%
NORDIN, MAGNUS**	634,127	1.78%
BNY MELLON SA/NV (FORMER BNY), W8IMY	632,994	1.78%
CBNY-NORGES BANK	611,375	1.72%
BANQUE ÖHMAN S.A.	593,500	1.67%
SOCIETE GENERALE SA	588,087	1.65%
CLEARSTREAM BANKING S.A., W8IMY	584,249	1.64%
MELLON OMNIBUS 30%, AGENT F ITS CLIENTS	423,459	1.19%
SEB	404,116	1.14%
Total, 20 largest shareholders	**16,776,483**	**47.20%**
Own shares (Tethys Oil AB)	352,060	0.99%
Other, approx. 6,022 shareholders	18,415,207	51.81%
Total	**35,543,750**	**100.0%**

Source: Euroclear Sweden AB and Tethys Oil AB

* Company owned by Magnus Nordin
** Incl 60,000 shares lent to Pareto Securities AB

Distribution of shareholdings

Distribution of shareholdings in Tethys Oil as per 28 February 2015.

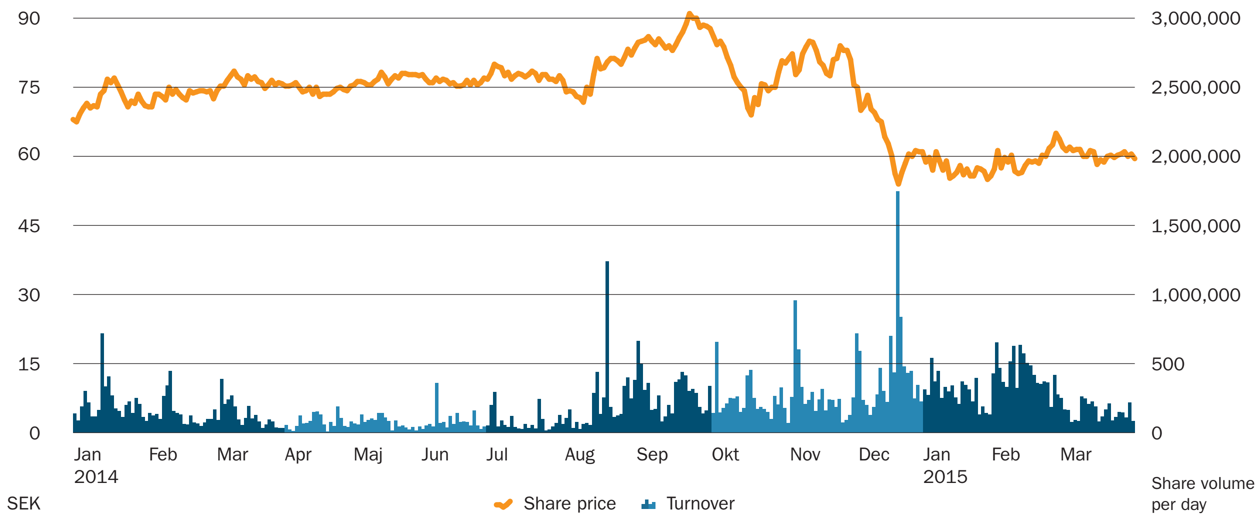
Size categories as of 28 February 2015	Number of shares	Percentage of shares, %	Number of shareholders	Percentage of shareholders, %
1 – 1,500	1,524,884	4.29%	5,064	83.81%
1,501 – 30,000	5,088,924	14.32%	850	14.07%
30,001 – 150,000	5,409,735	15.22%	78	1.29%
150,001 – 300,000	5,276,373	14.84%	26	0.43%
300,001 –	18,243,834	51.33%	24	0.40%
Total	**35,543,750**	**100.0%**	**6,042**	**100.0%**

Source: Euroclear Sweden AB

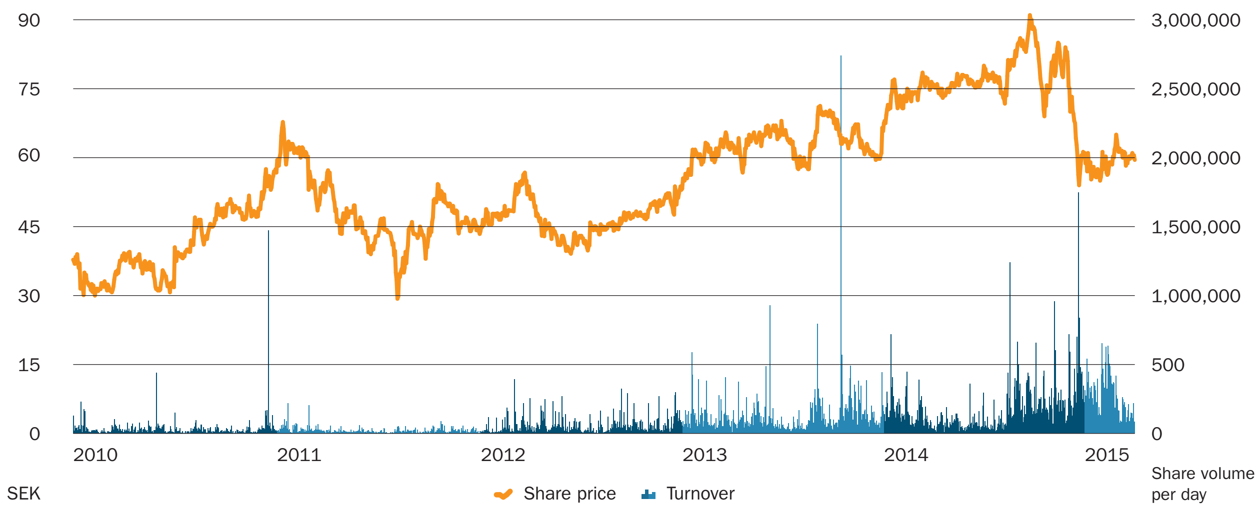
Share statistics 2014

The last transaction price in 2014 was SEK 61.00 corresponding to a total market capitalization of MSEK 2,168. During the year the price of Tethys Oil's share declined by 10 percent. The highest transaction price in 2014 was SEK 92.56 on 22 September 2014 and the lowest was SEK 51.75 on 16 December 2014. The turnover velocity was 135 per cent.

Share price development and turnover 2014



Share price development and turnover last five years



Key ratios

Group	2014	2013	2012	2011	2010
Operational items					
Production before government take, bbl	2,804,240	1,709,706	1,399,518	423,469	41,764
Production per day, bbl	7,692	4,684	3,824	1,160	114
Net sales after government take, bbl	1,464,228	850,926	776,248	147,228	18,898
Achieved oil price, USD/bbl	103.87	106.63	110.35	107.37	80.56
Items regarding the income statement and balance sheet					
Net sales, MSEK	1,046	592	584	104	11
EBITDA, MSEK	753	479	509	84	101
EBITDA-margin, %	72%	81%	87%	81%	n.a
Operating result, MSEK	404	285	336	83	101
Operating margin, %	39%	48%	58%	80%	n.a.
Net result, MSEK	350	240	314	69	80
Net margin, %	33%	41%	54%	67%	n.a.
Cash and cash equivalents, MSEK	372	295	248	93	191
Shareholders' equity, MSEK	1,675	1,100	860	456	380
Balance sheet total, MSEK	1,816	1,563	1,374	465	384
Capital structure					
Equity ratio, %	92.26%	70.38%	62.59%	98.00%	98.95%
Leverage ratio, %	n.a.	11.56%	19.66%	n.a.	n.a.
Adjusted equity ratio, %	92.26%	70.38%	62.59%	98.00%	98.95%
Interest coverage ratio	n.a.	10.63	22.98	n.a.	n.a.
Investments, MSEK	259	289	875	208	29
Net debt/(net cash), MSEK	(347)	127	169	(91)	(191)
Profitability					
Return on shareholders' equity, %	25.24%	24.50%	47.73%	16.51%	27.48%
Return on capital employed, %	26.37%	20.72%	40.44%	20.37%	41.37%
Employees					
Average number of employees	18	17	19	12	9
Number of shares					
Dividend per share, SEK	–	–	–	–	–
Cash flow from operations per share, SEK	19.89	9.45	15.37	3.49	5.97
Number of shares at year end, thousands	35,544	35,544	35,544	32,544	32,504
Shareholders' equity per share, SEK	47.13	30.96	24.20	14.00	11.69
Weighted number of shares for the year, thousands	35,524	35,544	34,465	32,521	30,849
Earnings per share before and after dilution, SEK	9.86	6.76	9.11	2.12	2.60

Parent company	2014	2013	2012	2011	2010
Items regarding the income statement and balance sheet					
Operating result, MSEK	-145	-12	40	-7	-5
Operating margin, %	neg.	neg.	neg.	n.a	n.a.
Net result, MSEK	148	-103	-83	-15	-32
Net margin, %	n.a.	neg.	neg.	n.a	n.a.
Cash and cash equivalents, MSEK	15	31	187	4	52
Shareholders' equity, MSEK	306	179	281	250	263
Balance sheet total, MSEK	313	588	752	303	315
Capital structure					
Equity ratio, %	97.95%	30.40%	37.40%	82.59%	83.53%
Leverage ratio, %	n.a.	202.68%	71.64%	n.a.	n.a.
Adjusted equity ratio, %	97.95%	30.40%	37.40%	82.59%	83.53%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, MSEK	-309	54	535	48	72
Profitability					
Return on shareholders' equity, %	61.00%	neg.	neg.	neg.	neg.
Return on capital employed, %	48.53%	neg.	neg.	neg.	neg.
Employees					
Average number of employees	7	6	6	6	6
Number of shares					
Dividend per share, SEK	–	–	–	–	–
Number of shares at year end, thousands	35,544	35,544	35,544	32,544	32,504
Shareholders' equity per share, SEK	8.62	5.03	7.92	7.68	8.09
Weighted number of shares for the year, thousands	35,524	35,544	34,465	32,521	30,849
Earnings per share before and after dilution, SEK	4.16	-2.89	-2.40	-0.45	-1.03

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.

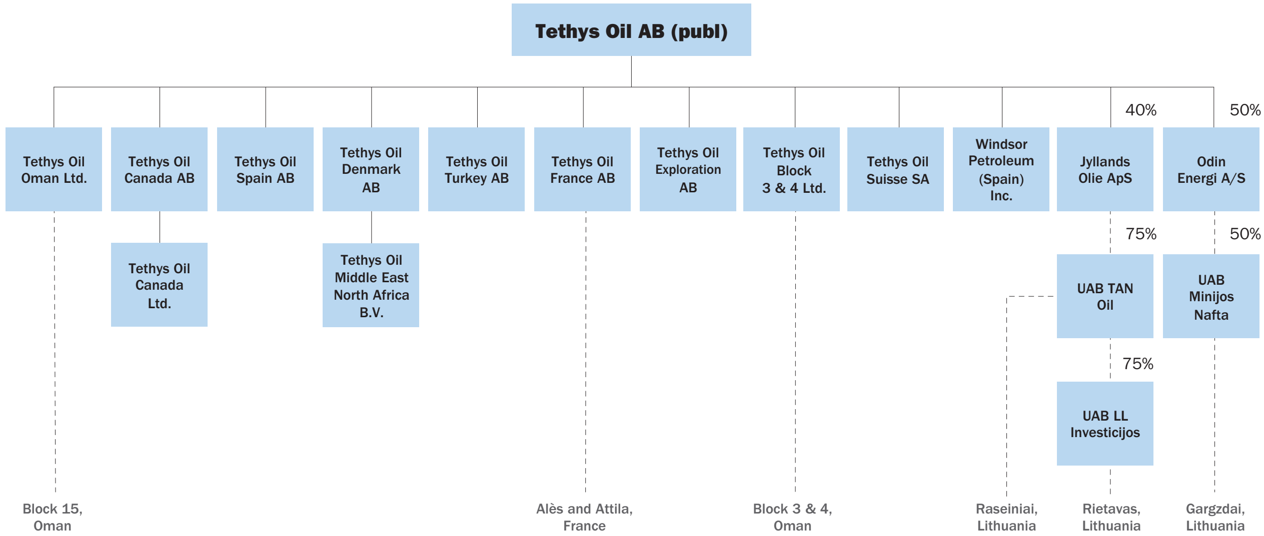
Weighted numbers of shares
Weighted number of shares during the year.

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 period ended 31 December 2014. The amounts relating to the comparative period (equivalent period of last year) are shown in parenthesis after the amount for the current period. Segments of the Group are geographical markets. The numbers in the tables in this report may not add exactly due to rounding.

OPERATIONS

Tethys Oil is a Swedish energy company focused on exploration and production of oil and natural gas. Tethys Oil's core area is Oman, where the company is one of the largest onshore oil and gas concession holders. The company's strategy is twofold: to explore for oil and natural gas near existing and developing markets; and to develop proven reserves that have previously been sub-economic due to location or technological reasons. As at year end 2014 the company had interests in licences in Oman, France and Lithuania.

Production

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

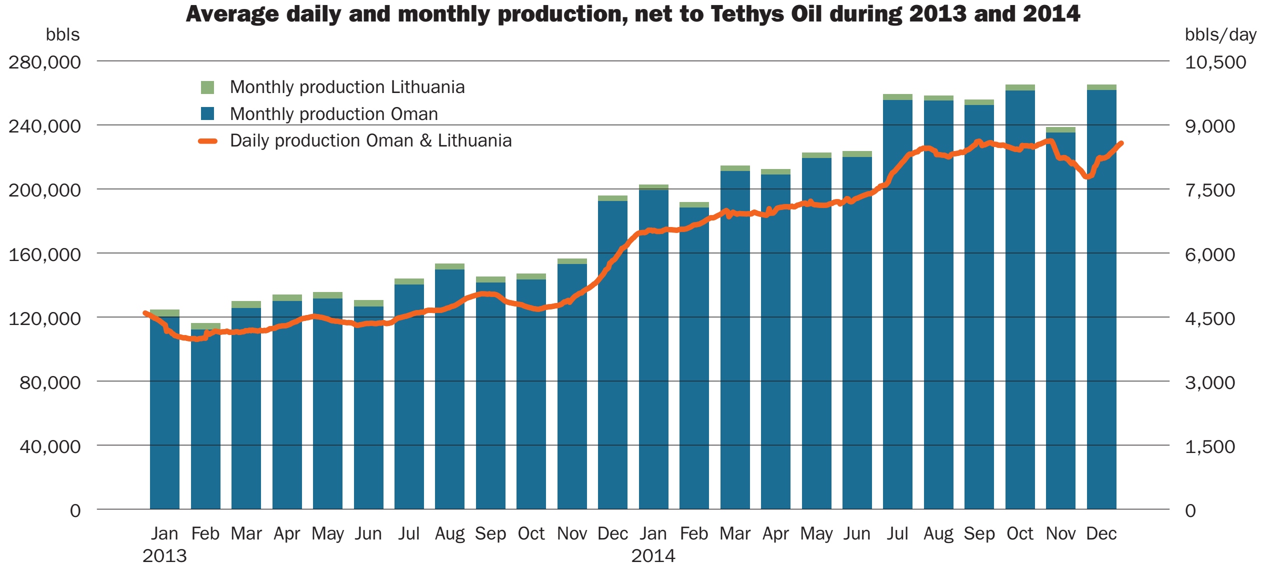
Quarterly volumes	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**
Tethys Oil's share of quarterly production before government take, (bbl)				
Oman, Blocks 3 & 4				
Production	757,730	762,375	647,569	597,979
Average daily production	8,236	8,287	7,116	6,644
Lithuania, Gargzdai				
Production	10,496	10,347	10,554	10,603
Average daily production	114	112	116	118
Total production	**768,226**	**772,722**	**658,123**	**608,582**
Total average daily production	**8,350**	**8,399**	**7,232**	**6,762**

Production from Blocks 3 & 4 onshore Oman derives from three fields – the Farha South, Saiwan East and Shahd oil fields (the Shahd oil field was previously named Lower Buah areas). The production development has mainly been driven by continued implementation of the water injection programme on Farha South and from the successful exploration and appraisal results from the Shahd field. Production from Oman accounts for 99 per cent of total production.

The terms of the Exploration and Production Sharing Agreement ("EPSA") on Blocks 3 & 4 in Oman allows the joint operations 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 operations partners. If there are no investments to be recovered the joint operations partners receive after government take 20 per cent of the oil produced. The terms of the EPSA thus result in the Joint operations partners' share of production after government take in the interval 20 – 52 per cent, depending on available recoverable cost. So far on Blocks 3 & 4, the joint operations partners' share of production after government take has been in the high end of the interval, 52 per cent, as commercial production relatively recently commenced and large investments have been made. The estimated recoverable costs as per 31 December 2014, net to Tethys Oil, amounts to MUSD 49.

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.

Average daily and monthly production, net to Tethys Oil during 2013 and 2014



Net sales

During 2014, Tethys Oil sold 1,464,228 (850,926) barrels of oil after government take from Blocks 3 & 4 in Oman. This resulted in net sales during 2014 of MSEK 1,046 (592).

Important factors affecting net sales:

- Increase of 72 per cent in barrels sold between 2014 and 2013
- 3 per cent lower oil price during 2014 compared to 2013
- 18 per cent stronger USD in relation to SEK during 2014 compared to 2013

The increase in overlift position during 2014 is close to 26,000 barrels, whereas during 2013 the increase in the underlift position was close to 14,000 barrels. During 2014 more oil was sold than the entitlement share of production and the opposite has been true for 2013. The overlift position as per 31 December 2014 amounts to 12,828 barrels.

Tethys Oil's average selling price per barrel amounted to USD 104 (107) during the full year 2014. 2014 achieved prices for Tethys Oil are 3 per cent lower compared to previous year. Due to the two month future price mechanism there is a time lag to the falling oil price during the second half of 2014. The significantly lower oil spot prices during the months of November and December will come in effect during 2015 and should oil prices remain on these levels they will significantly affect net sales and accordingly net result. See also the graph on page 48.

The selling price received by Tethys Oil is determined for each calendar month based on the monthly average prices of the two month future price of Omani blend (see chart above). During the full year 2014, Omani blend prices have been trading between high levels of USD 111 per barrel and low levels of USD 83 per barrel. Twelve months 2014 prices are lower compared to equivalent period last year.

Result

Tethys Oil reports a net result after tax for the full year 2014 of MSEK 350 (240), representing earnings per share of SEK 9.86 (6.76).

The net result for 2014 has mainly been impacted by:

- write down of value in associated companies related to Lithuania of MSEK 127
- strong sales development with an increase of 78 per cent between 2013 and 2014 combined with improved margins

Earnings before interest, tax, depletion and amortisation (EBITDA) during 2014 amounted to MSEK 753 (479).

Net result from associated companies

Tethys Oil holds indirect interest in the three Lithuanian licences; Gargzdai, Rietavas and Raseiniai. Tethys Oil holds a share in these licences through the interests in associated companies Jylland Olie and Odin Energi. Total result from Tethys Oils shares in associated companies Odin Energi and Jylland Olie during 2014 amounted to MSEK -133 compared to MSEK 5 during 2013. The result from associated companies 2014 has been impacted by write down of the value in associated companies related to the Lithuanian production licence Gargzdai. The write down is non-cash related item and is based on an impairment of the Lithuanian asset. The sharp decrease in oil prices is the explanation of the impairment and remaining assets relating to Lithuania amounting to MSEK 41 is related to the exploration potential of the three licenses in Lithuania. Current production from Lithuania is not commercial under current oil prices. (For more information, please see note 6).

Exploration costs

Exploration costs amounting to MSEK 1 (56) has negatively affected the result of the full year 2014. The exploration cost in 2013 mainly regarded Block 15 and were made as a consequence from the negative results from the JAS-1 long term production test.

Depletion, depreciation and amortisation

Depletion, depreciation and amortisation ("DD&A") for the full year 2014 amounted to MSEK 214 (138). Most of the DD&A is related to depletion of oil and gas properties on Blocks 3&4 and the higher level during 2014 compared to 2013 is explained by higher production. An increase in reserves following the DeGolyer and MacNaughton reserves audit as per 30 June 2014 has however resulted in a lower DD&A per barrel starting 1 July 2014.

Operating expenses

Operating expenses (OPEX) amounted during the full year 2014 to MSEK 264 (152). Operating expenses are related to oil and gas production on Blocks 3 & 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 2014 to USD 13.9 per barrel (USD 14.0 per barrel). The more direct production costs (permanent production costs) amounted to around USD 7.1 per barrel (USD 7.6 per barrel).

Furthermore, due to an overlift position as per 31 December 2014 amounting to 12,828 barrels, the Operating expenses during the full year 2014 have been increased by MSEK 9.

There are accrued expenses within the OPEX category amounting to MSEK 56 (MSEK 23) which are accounted for due to expected but not yet billed OPEX. Tethys Oil's OPEX is its share of the joint venture OPEX related to Blocks 3 and 4 and Tethys Oil is depending on information from the operator. Without this information, Tethys Oil has to make reservations based on judgement. For further information regarding OPEX, see note 10.

Administrative expenses

Administrative expenses amounted to MSEK 31 (31) for the full year 2014. Administrative expenses are mainly salaries, rents, listing costs and external services. The administrative expenses are in line with previous year.

Net financial result

The net financial result amount to MSEK -53 (MSEK -45). Included in the net financial result 2014 is the extra ordinary effect of the early redemption of the bond loan amounting to MSEK 23. Since the early redemption of the bond loan and the movement from a net debt position to a net cash position, which took place around mid-year 2014, the fundamentals for the net financial result has been significantly improved. The development of the USD/SEK exchange rate, with the strengthening of the USD of 18 per cent has positively impacted the net financial result.

Oil and gas interests

Oil and gas properties as per 31 December 2014 amounted to MSEK 1,303 (1,012). Investments in oil and gas properties of MSEK 269 (290) were incurred for the twelve month period ended 31 December 2014.

Country	Licence name	Book value 31 Dec 2014	Book value 31 Dec 2013	Investments 2014
Oman	Block 15	7	0.2	6
Oman	Block 3,4	1,296	1,011	263
France	Attila	–	–	1
France	Alès	–	–	–
Lithuania	Gargzdai*	–	–	–
Lithuania	Rietavas*	–	–	–
Lithuania	Raseiniai*	–	–	–
New ventures		–	0.1	–
Total		**1,303**	**1,012**	**269**

* 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 200, which are not cash related items and therefore not included in investments. For more information please see above under *Result – Net financial result* and note 9.

Reserves

Oman

Tethys Oil's net working interest reserves in the Sultanate of Oman as per 31 December 2014, amounted to 11,794 thousand barrels of oil ("mbo") of proven reserves (1P), 17,779 mbo of proven and probable reserves (2P) and 25,080 mbo of proven, probable and possible reserves (3P).

Development of reserves
(Audited by DeGolyer and MacNaughton)

mbo	1P	2P	3P
Total 31 Dec 2013	10,800	15,201	19,968
Production 2014	-2,759	-2,759	-2,759
Revisions	2,116	2,858	4,136
Discoveries	1,637	2,479	3,735
Total 31 Dec 2014	**11,794**	**17,779**	**25,080**

In 2014 Tethys Oil added 1P reserves of 3,753 mbo, representing an increase of 35 per cent. The company added 2P reserves 5,337 mbo, representing an increase of 35 per cent. The 3P reserves increased with 7,871 mbo, representing an increase of 39 per cent. The increase in 2P reserves represents an internal reserve replacement ratio of 193 per cent.

Reserves, 31 December 2014
(Audited by DeGolyer and MacNaughton)

mbo	1P	2P	3P
Farha South field, Oman	8,303	11,186	13,285
Saiwan East field, Oman	499	1,266	2,940
Shahd field, Oman	2,992	5,327	8,855
Total*	**11,794**	**17,779**	**25,080**

* 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 Shahd field are in the Lower Buah and Khufai and Lower al Bashir 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). As a consequence of the low oil price, the Lithuanian reserves are deemed sub-economic and are not included as reserves as per 31 December 2014.

Review of operations

Oman

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

Blocks 3 and 4

During the full year 2014, investments amounting to MSEK 263 were made on Blocks 3 & 4.

During 2014, a total of 39 wells were completed on Blocks 3 & 4. The Farha South field on Block 3 was expanded by the drilling of 9 production wells. In addition, four wells were drilled on previously undrilled fault blocks along the Farha trend, two of which encountered oil and were put into production.

The major drilling activity for the year was in the Shahd field, where the appraisal development programme has been very successful resulting in increased production and increased reserves. A total of 10 wells were drilled in 2014 and the Shahd field will remain in focus in 2015. A vast amount of data was collected during the year, allowing for a major expansion of the geological model of the area with a view to enhance the understanding of the petroleum system.

The production enhancing water injection programme tallied a total of 10 water injector wells and five water source wells during the year.

Block 15

Following the expiry of the Block 15 licence, there are on-going discussions regarding the possibility of an extension of the licence.

Lithuania

Licence name	Tethys Oil, %	Total area, km²	Partners
Gargzdai*	25%	884	Odin, GeoNafta, Tethys Oil
Rietavas*	30%	1,594	Odin, Tethys Oil
Raseiniai*	30%	1,535	Odin, Tethys Oil, private investors

* 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.

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. On the licence, water has been injected in 7 wells averaging 55,000 m³ per month during the fourth quarter. Evaluation is ongoing, but the results are not expected before mid-year 2015.

Rietavas licence

In the Rietavas licence, acquisition of 30 square kilometres of 3D seismic commenced in December 2014 in the Silale area in the western part of the licence and is expected to be completed in the first part of 2015.

Raseiniai licence

In the Raseiniai licence, three out of the eight Silurian reef prospects mapped by last year's 3D seismic study are planned to be drilled back to back with expected start early in the second quarter 2015 after all relevant permits have been obtained.

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 and it is unclear when work programmes can be resumed.

Liquidity

Net cash position as per 31 December 2014 amounted to MSEK 347 compared to a net debt position of MSEK 127 as per 31 December 2013.

The net debt development is explained by the repayment of a bond loan with nominal value MSEK 400 which was conducted during the second quarter. The bond was replaced by a four-year, up to MUSD 100, senior revolving reserve based lending facility with BNP Paribas as facility agent. During the second quarter, Tethys Oil exercised its option for early redemption of the bonds and redeemed all outstanding bonds. The early redemption price was 104.50 per cent of the nominal amount of the bonds plus accrued unpaid interest. The payment and redemption occurred 7 April 2014. The interest rate of the new credit facility is floating between LIBOR + 3.75 per cent to LIBOR + 4.00 per cent per annum, depending on the level of utilization of the facility. As per 31 December 2014, there was no outstanding debt, i.e. nothing was borrowed from the new credit facility.

The reduction of net debt during the full year 2014 is explained by the strong sales development on Blocks 3 & 4, which has been significantly higher than the oil and gas investments during the same period.

The development of Blocks 3 & 4 continues, with a main focus on exploration, appraisal and a water injection programme to enhance production. Lead times to bring discoveries to production remain very short. Tethys Oil's share of the of the original total partnership investment budget for 2014 on Blocks 3 & 4, amounted to around MUSD 60 (MSEK 400). Actual investments in Blocks 3 & 4 during 2014 amounted to MUSD 38 (MSEK 263). Main reasons for investments being lower than budget are

- some infrastructure investments have been pushed forward as the successful Lower Buah appraisal programme has impacted infrastructure planning
- fewer wells have been drilled than anticipated in the budget due to, among other things, changes to the drilling programme following new data

The Blocks 3 & 4 investment budget 2015 will continue to focus on development and appraisal. Following the oil price development, Tethys Oil's investment plans, including the capex budget, for 2015 is currently being revised. The target is however to fund investments on the Blocks from available funds and from cash flow from operations.

Tethys Oil's operations in Lithuania are expected to be self-financed from oil production from the Gargzdai licence and available cash in the associated Lithuanian companies.

A large part of cash and cash equivalents are kept in USD which has appreciated against SEK during the fourth quarter. The currency exchange effect on cash and cash equivalents amounted during the fourth quarter 2014 to MSEK 40.

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 2014 the shareholding in the two associated Danish companies, Odin Energi and Jylland Olie, amounted to MSEK 41. The book value has been affected by a write down of shares in Odin Energi. The write down is based on an impairment test of the production licence Gargzdai where the sharp decline in oil price has affected the value of remaining reserves. The write down amounted to MSEK 127. The remaining amount relate to the exploration potential of the three licences.

Tethys Oil's share of net profit during 2014 from Odin Energi and Jylland Olie, which indirectly hold the Lithuanian licences, amounted to MSEK -133 compared to MSEK 5 during 2013. The write down of MSEK 127 is part of the net result 2014. During 2014, Tethys Oil's indirect share of barrels sold was 38,916 barrels which were sold at an average price of USD 104 per barrel, compared to 47,485 barrels at an average price of USD 107 per barrel during 2013. During the second quarter a dividend from the Lithuanian investments was received amounting to MSEK 11.

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 2014, Tethys Oil have no oil price put options (Brent) outstanding, compared to 31 December 2013 where oil price put options amounted to MSEK 5. During 2014 715,000 put options expired and following the falling oil prices, the put options generated a profit of MSEK 14. The put options were acquired for MSEK 6 to secure oil price at USD 90 per barrel. There are no hedges in place for 2015.

Parent company

The Parent company reports a net result after tax for the full year 2014 amounting to MSEK 148 (-103). Administrative expenses amounted during 2014 to MSEK 20 compared to MSEK 22 during 2013. Net financial profit amounted during 2014 to MSEK 293 compared to MSEK -91 during 2013. The net financial profit is explained by anticipated dividend from group companies of MSEK 334 and gains on put options of MSEK 14 related to the oil price hedge, however reduced by currency exchange losses. The anticipated dividend in the annual report is greater than what was stated in the year-end report, where MSEK 212 was anticipated. The significant improvement of financial expenditures relate to the refinancing of the previous bond loan to a loan facility. The bond loan was held by the parent company and the new loan facility is held by the subsidiary Tethys Oil Blocks 3 & 4 Ltd.

Significant agreements and commitments

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

The agreements that govern the relationship with host countries are referred to as licences or Exploration and production sharing agreements (EPSA or PSA). Tethys Oil holds its interest directly through aforementioned agreements in Oman and France. The agreements with host countries have a time limit and are normally divided into periods. Financial commitments and or work commitments normally relates to the different periods. Tethys Oil has fulfilled its commitments on Block 15 and Blocks 3 & 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). 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

- Year-end audited reserves Blocks 3 & 4 Oman amounted net to Tethys Oil to
  - 1P reserves 11.8 million barrels (10.8)
  - 2P reserves 17.8 million barrels (15.2)
  - 3P reserves 25.1 million barrels (20.0)
- Tethys Oil's share of production from Oman during the first quarter 2015 amounted to 774,315 barrels corresponding to 8,604 barrels per day

Board of directors

At the Annual General Meeting of shareholders on 14 May 2014 Per Brilioth, Staffan Knafve, Magnus Nordin, Jan Risberg and Katherine Støvring were re-elected members of the board. No deputy directors were appointed. At the same meeting Staffan Knafve was appointed chairman of the board.

The work of the board is subject to an established work procedure that defines the distribution of work between the board and the managing director. The work procedure is evaluated each year and revised if deemed appropriate. The board had 14 meetings during 2014. Most importantly the board has adopted the interim reports of the year as well as the budget of 2015. The five members of the board have consisted of 4 non-executive directors. These four non-executive directors are also members of the audit committee and the remuneration committee. 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 2015 AGM the adoption of a policy on remuneration for 2015. The remuneration committee has adopted a policy that fundamentally will be the proposition to the 2015 AGM, containing the following elements of remuneration for the executive management; base salary; pension arrangements; yearly variable salary; non-financial benefits; long term incentive programme.

For a detailed description on remuneration applied in 2014 and policy on remuneration as adopted by the remuneration committee, refer to page 32 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 18 (17) employees. Of these, 7 (7) were women. In addition, contractors and consultants are engaged in Tethys Oil's operations.

The environment

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

Group structure

Tethys Oil AB (publ), with organizational number 556615-8266, is the parent company in the Tethys Oil Group. 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. The subsidiary Tethys Oil Suisse S.A. is in an on-going process of liquidation.

Share data

As per 31 December 2014, the number of outstanding shares in Tethys Oil amount to 35,543,750, with a quota value of SEK 0.17. All shares represent one vote each. Tethys Oil does not have any incentive program for employees. There has been no change in the number of outstanding shares since 31 December 2013.

As per 31 December 2014, Tethys Oil held 298,160 of its own shares which were purchased during the fourth quarter at an average price of SEK 68.0. The share repurchase programme is based on a mandate from the AGM held in May 2014 and repurchased shares are still part of the total number of outstanding shares but however not included in the number of shares in circulation, which amount to 35,245,590.

Risk and uncertainties

A statement of risks and uncertainties are presented in note 1, page 61.

Appropriation of profit

The Board of Directors* proposes to the annual general meeting a total distribution of SEK 3.00 (–) per share, equal to MSEK 106 (–), be paid for the 2014 fiscal year. The distribution is proposed to be made by a cash dividend of SEK 1 per share and by redemption of shares of SEK 2 per share. It is also proposed that the balance of retained earnings after the dividend be retained in the business as described below.

SEK	
Retained earnings	81,366,345
Profit for the year	147,922,589
	229,288,934

The Board of Directors proposes that these earnings be appropriated as follows:	
To the shareholders, a distribution of SEK 3.00 per share	105,575,070
To be retained in the business	123,713,864
Total	229,288,934

Cash dividend and redemption of shares

The board of directors' proposal consists of a cash dividend of SEK 1 per share and a mandatory share redemption procedure, whereby every share is split into one ordinary share and one redemption share. The redemption share is then automatically redeemed at SEK 2.00 per share. This corresponds to a total of distribution to shareholder of SEK 3.00 per share amounting to SEK 105,575,070. The dividend and redemption is subject to approval at the annual general meeting 2015. The preliminary record day for the dividend is 18 May 2015 and preliminary day of payment of dividend is 21 May 2015. Preliminary record date for the share split is 27 May 2015 and payment of the redemption shares would preliminary be made 30 June 2015

As per 31 December 2014, the parent company's and the group's equity ratio amounted to 97.76 per cent and 92.26 per cent, respectively. After the dividend, the parent company's and the group's equity ratio will amount to 96.92 per cent and 91.75 per cent, respectively.

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

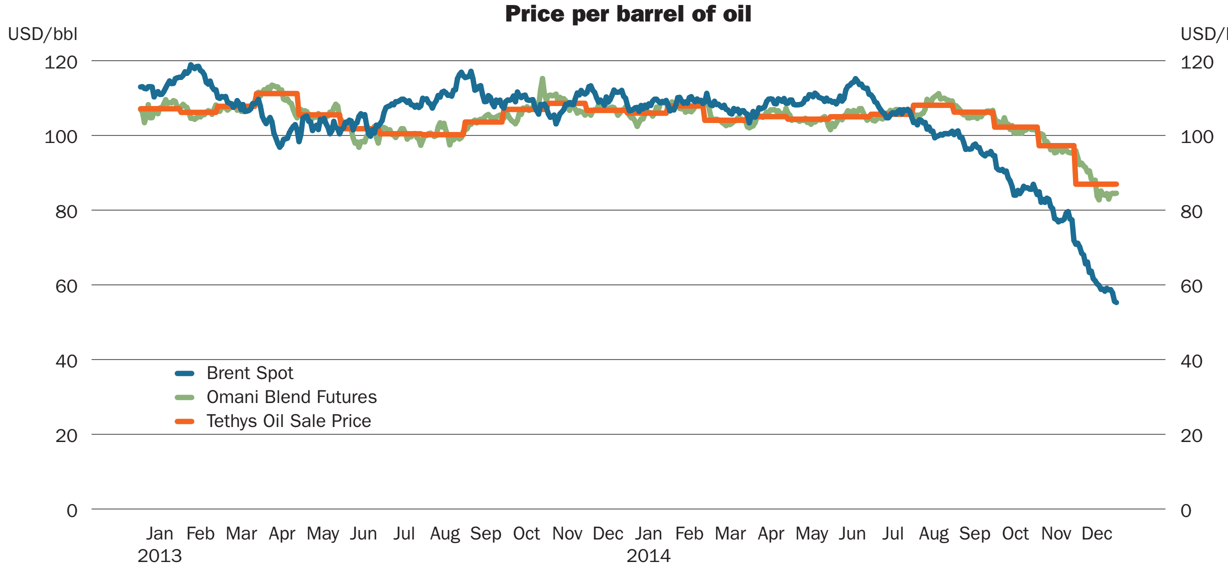
With reference to the above and what has come to the Board's attention, it is the Board's assessment that the parent company's and the group's financial position implies that the proposed dividend is justifiable pursuant to Chapter 17, Section 3 second and third paragraph of the Swedish Companies Act,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

Financial statements

The result of the group's and parent company's operations and the financial position at the end of the financial year is shown in the following income statement, balance sheet, cash flow statement, statement of changes in equity and related notes. Balance sheet and income statement will be resolved at the AGM, 13 May 2015.

* Staffan Knafve and Jan Risberg did not participate in the decision.

Price per barrel of oil



Source: Platts, Dubai Mercantile Exchange

Consolidated statement of comprehensive income

MSEK	Note	2014	2013
Net sales of oil and gas	4	1,046	592
Depreciation, depletion and amortisation	3	-214	-138
Exploration costs	9	-1	-56
Other income	5	–	65
Operating expenditures	10	-264	-152
Net profit/loss from associated companies	6	-133	5
Other losses/gains, net	11	–	–
Administrative expenses	12–14	-31	-31
Operating result		**404**	**285**
Financial income and similar items	15	21	5
Financial expenses and similar items	16	-75	-50
Net financial result		**-53**	**-45**
Result before tax		**350**	**240**
Income tax	17	–	–
Result for the year		**350**	**240**
Other comprehensive result			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		245	0
Other comprehensive result for the year		**245**	**0**
Total comprehensive income for the year		**595**	**240**
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	35,524,316	35,543,750
Earnings per share, SEK	20	9.86	6.76
Earnings per share (after dilution), SEK	20	9.86	6.76

Consolidated balance sheet

MSEK	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non current assets			
Oil and gas properties	9	1,303	1,012
Office equipment	18	1	2
Investment in associated companies	6	41	184
		1,345	**1,198**
Current assets			
Other receivables	19	80	65
Prepaid expenses		19	1
Derivative instruments	7	–	5
Cash and cash equivalents		372	295
		471	**366**
TOTAL ASSETS		**1,816**	**1,563**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Share capital		6	6
Additional paid in capital		552	552
Other reserves		198	-27
Retained earnings		919	569
Total shareholders' equity		**1,675**	**1,100**
Non-current liabilities			
Bond issue	21	–	393
Loan facility		–	–
Provisions	8	25	29
		25	**422**
Current liabilities			
Accounts payable		2	1
Other current liabilities		110	25
Accrued expenses	22	2	15
		115	**41**
Total liabilities		**141**	**463**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,816**	**1,563**
Pledged assets	24	1,789	989
Contingent liabilities	25	–	–

Consolidated statement of changes in equity

MSEK	Share capital	Paid in capital	Other reserves	Retained earnings	Total equity
Opening balance 1 January 2013	**6**	**552**	**-27**	**329**	**860**
Comprehensive income					
Result for the year	–	–	–	240	**240**
Result for the year	**–**	**–**	**–**	**240**	**240**
Other Comprehensive income					
Currency translation differences 2013	–	–	0	–	**–**
Total other comprehensive income	**–**	**–**	**0**	**–**	**–**
Total comprehensive income	**–**	**–**	**0**	**240**	**240**
Closing balance 31 December 2013	**6**	**552**	**-27**	**569**	**1,100**
Opening balance 1 January 2014	**6**	**552**	**-27**	**569**	**1,100**
Comprehensive income					
Result for the year	–	–	–	350	**350**
Result for the year	**–**	**–**	**–**	**350**	**350**
Other Comprehensive income					
Currency translation differences 2014	–	–	245	–	**245**
Total other comprehensive income	**–**	**–**	**245**	**–**	**245**
Total comprehensive income	**–**	**–**	**219**	**919**	**1,696**
Transactions with owners					
Purchase of own shares	–	–	-20	–	**-20**
Total transactions with owners	**–**	**–**	**-20**	**–**	**-20**
Closing balance 31 December 2014	**6**	**552**	**198**	**919**	**1,675**

Consolidated cash flow statement

MSEK	Note	2014	2013
Cash flow from operations			
Operating result		404	285
Interest received	15	–	–
Interest paid		-44	-38
Income tax	17	–	–
Adjustment for exploration costs	9	1	56
Adjustment for non cash related items	9, 17	313	138
Total cash flow from operations before change in working capital		**673**	**442**
Change in receivables		-16	-49
Change in liabilities		49	-56
Cash flow from operations		**707**	**336**
Investment activity			
Investment in oil and gas properties	9	-269	-275
Oil and gas properties from cost oil repayment		–	-15
Dividend from associated companies		11	9
Investment in long term receivables		–	-1
Investment in other fixed assets	18	–	-6
Cash flow from investment activity		**-259**	**-289**
Financing activity			
Purchase of own shares	20	-19	–
Bond repayment		-400	–
Long term credit facility		-21	–
Gain on derivative instruments		14	–
Cash flow from financing activity		**-426**	**–**
Cash flow for the year		**22**	**48**
Cash and cash equivalents at the beginning of the year		295	248
Exchange gains/losses on cash and cash equivalents		55	-1
Cash and cash equivalents at the end of the year		372	295

Parent Company income statement

MSEK	Note	2014	2013
Depreciation and amortisation	9	-0	-0
Other income		9	5
Net profit/loss from associated companies	6	-133	5
Administrative expenses	11–14	-20	-22
Operating result		**-145**	**-12**
Financial income and similar items	15	360	20
Financial expenses and similar items	16	-65	-49
Write down of shares in subsidiaries	23	-2	-62
Net financial result		**293**	**-91**
Result before tax		**148**	**-103**
Income tax	17	–	–
Result for the year *		**148**	**-103**
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	35,524,316	35,543,750

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

Parent Company balance sheet

MSEK	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Oil and gas properties	9	–	–
Other fixed assets	18	–	–
Shares in subsidiaries	23	2	2
Long term receivables from group companies		45	365
Investment in associates	6	41	184
		88	**551**
Current assets			
Short term receivables from group companies		208	–
Other receivables	19	1	1
Prepaid expenses		1	–
Derivative instruments	7	–	5
Cash and cash equivalents		15	31
		224	**36**
TOTAL ASSETS		**313**	**588**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Restricted equity:			
Share capital		6	6
Statutory reserve		71	71
Unrestricted equity:			
Share premium reserve		461	481
Retained earnings		-379	-277
Result for the year		148	-103
Total shareholders' equity		**306**	**179**
Non-current liabilities			
Debt	21	–	393
		–	**393**
Current liabilities			
Accounts payable		2	1
Other current liabilities to group companies		2	–
Other current liabilities		–	2
Accrued expenses	22	2	13
		6	**16**
Total liabilities		**6**	**409**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**313**	**588**
Pledged assets	24	1	989
Contingent liabilities	25	–	–

Parent Company statement of changes in equity

	Restricted equity		Non-restricted equity			
MSEK	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net result	Total equity
Opening balance 1 January 2013	**6**	**71**	**481**	**-194**	**-83**	**281**
Transfer of prior year net result	–	–	–	-83	83	**–**
Comprehensive income						
Loss for the year	–	–	–	–	-103	**-103**
Period result	**–**	**–**	**–**	**–**	**-103**	**-103**
Total comprehensive income	**–**	**–**	**–**	**–**	**-103**	**-103**
Closing balance 31 December 2013	**6**	**71**	**481**	**-277**	**-103**	**179**
Opening balance 1 January 2014	**6**	**71**	**481**	**-277**	**-103**	**179**
Transfer of prior year net result	–	–	–	-103	103	**–**
Comprehensive income						
Result for the year	–	–	–	–	148	**148**
Period result	**–**	**–**	**–**	**–**	**148**	**148**
Total comprehensive income	**–**	**–**	**–**	**–**	**148**	**148**
Transactions with owners						
Purchase of own shares	–	–	-20	–	–	**-20**
Total transactions with owners	**–**	**–**	**-20**	**–**	**–**	**-20**
Closing balance 31 December 2014	**6**	**71**	**461**	**-379**	**148**	**306**

Parent Company cash flow statement

MSEK	Note	2014	2013
Cash flow from operations			
Operating result		-145	-12
Interest received	15	6	16
Interest paid	16	-40	-38
Adjustment for non cash related items	18	133	-5
Adjustment for dividends not yet paid		334	–
Total cash flow from operations before change in working capital		**289**	**-39**
Change in receivables		-209	2
Change in liabilities		1	-66
Cash flow from operations		**81**	**-103**
Investment activity			
Dividend from associated companies	6	11	9
Investment in long term receivables		299	-56
Investment in other fixed assets	18	-1	–
Investments in derivative instruments		–	-6
Cash flow from investment activity		**309**	**-54**
Financing activity			
Purchase of own shares	20	-19	–
Bond repayment		-400	–
Gain on derivative instruments		14	–
Cash flow from financing activity		**-405**	**–**
Cash flow for the year		**-14**	**-157**
Cash and cash equivalents at the beginning of the year		31	187
Exchange gains on cash and cash equivalents		-2	1
Cash and cash equivalents at the end of the year		15	31

Notes

General information
Tethys Oil AB (publ) ("the Company"), corporate identity number 556615-8266, and its subsidiaries (together "the Group" or "Tethys Oil") are focused on exploration for and production of oil and natural gas. The Group has interests in exploration licences in Oman, France and Lithuania. The Company is a limited liability company incorporated and domiciled in Stockholm, Sweden. The Company is listed on NASDAQ Stockholm.

These consolidated financial statements have been approved for issue by the board of directors on 17 April 2015.

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 2013 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".

New accounting principles for 2014
The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the group:

IFRS 10, "Consolidated financial statements" The objective of the standard is to build 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.

IFRS 11, "Joint arrangements" The standard is focusing on the rights and obligations of the joint arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest.

IFRS 12, "Disclosures of interests in other entities" The standard introduces a range of new and expanded disclosure requirements. These will require the disclosure of significant judgements and assumptions made by management in determining whether there is joint control and if there is a joint venture, a joint operation or another form of interest.

Other amendments applicable from 1 January 2014 did not have any impact on the consolidated financial statements of the Group.

New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

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

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

Joint arrangements

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

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.

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 2014		31 December 2013	
Currency	**2014 average**	**2014 period end**	**2013 average**	**2013 period end**
SEK/CHF	7.53	7.91	7.05	7.40
SEK/EUR	9.15	9.53	8.68	9.03
SEK/LTL	2.64	2.70	2.52	2.55
SEK/USD	6.88	7.77	6.52	6.58

Effect of currency exchange rates on operating result Comparison with 31 December 2013, MSEK	
Net sales of oil and gas	54
Depreciation, depletion and amortization	-11
Exploration costs	–
Other income	–
Operating expenses	-14
Net profit/loss from associate	–
Other losses/gains, net	–
Administrative expenses	-1
Summary of currency exchange rate effect on operating result	**29**

The table above presents the currency exchange effect on operating result compared with 2013, by applying the average exchange rate of 2013 on 2014 accounts.

Segment reporting

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

Classification of assets and liabilities

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

Oil and gas properties

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

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

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

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

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

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

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

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

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

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

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

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

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

Valuation principles financial items

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

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

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

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

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

b) Receivables and other receivables
Receivables and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group’s receivables comprise ‘trade and other receivables’ and ‘cash and cash equivalents’ in the balance sheet. Receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Assets are also measured less provision for impairment.

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

d) Impairment of financial assets

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

Fixed assets other than oil and gas

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

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

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

Cash and cash equivalents

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

Equity

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

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

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

Provisions

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

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

Borrowings

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

Revenue

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

Underlift and overlift

Crude oil and natural gas produced and sold, below or above the Company's working interest share in the related oil and gas property, results in production underliftings, or overliftings. Underliftings are recorded as Other receivables valued at 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 operations, is recognised as other income.

Income taxes

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

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

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

Pension obligations

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

Severance pay

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

Related party transactions

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

Parent Company accounting principles

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

Subsidiaries

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

Taxes

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

Note 1, Risk management

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

Operational risk management

Technical and geological risk

At its current stage of development Tethys Oil is partly commercially producing oil and partly exploring for and appraising undeveloped known oil and/or natural gas accumulations. The operational risk is different in these different parts of Tethys Oil's operations. The main operational risk in exploration and appraisal activities is that the activities and investments made by Tethys Oil and its partners will not evolve into commercial reserves of oil and gas.

Oil price

The oil price is of significant importance to Tethys Oil in all parts of operations as income and profitability is and will be dependent on prices prevailing from time to time. Significantly lower oil prices will reduce current and expected profitability in projects and can make projects sub economic. Lower oil prices could also decrease the industry interest in Tethys Oil's projects regarding farmout or sale of assets. There were no oil price hedges in place as per 31 December 2014.

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)	350	350
Shift in oil price (USD/barrel)	+5	-5
Total effect on net result (MSEK)	**50**	**-50**

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. Limited access to drilling rigs has in the past led to cost increases and has in part been the cause of project delays.

Political risk

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

Environment

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

Key personnel

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

Licenses

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

Financial risk management

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

Foreign currency risk

The Group is exposed to fluctuations in the foreign exchange markets as fluctuations in exchange rates can negatively affect the operating profit, cash flow and equity. The major proportion of the Group´s assets relate to international oil and gas discoveries valued in USD and which generate revenues in USD. During 2014, 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 2014	100 per cent in USD
Investments 2014	99 per cent in USD
External financing 2014	no external financing at year-end 2014

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)	350	350
Shift in SEK/USD	+10%	-10%
Total effect on net result (MSEK)	**54**	**-54**
Equity in financial statements (MSEK)	1,675	1,675
Shift in SEK/USD	+10%	-10%
Total effect on equity (MSEK)	**167**	**-167**

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

Fall due profile on Tethys Oil's financial liabilities	**31 December 2014**		**31 December 2013**	
MSEK	**<1 year**	**1–3 year**	**<1 year**	**1–3 year**
Interest bearing loans		–		449
Interest	–	–	38	38
Accounts payables and other liabilities	112	–	26	–
Total	**113**	**–**	**64**	**487**

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 2014 the Group's receivables on oil sales amounted to MSEK 86 (MSEK 63), 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
IAS 39 valuation categories and related balance sheet items

	31 December 2014		
MSEK	**Financial assets and liabilities at fair value through profit or loss**	**Receivables and other receivables**	**Other liabilities**
Other receivables	–	80	–
Cash and bank	–	372	–
Derivative instruments*	–	–	–
Debt	–	–	–
Accounts payables	–	–	2
Other current liabilities	–	–	110

	31 December 2013		
MSEK	**Financial assets and liabilities at fair value through profit or loss**	**Receivables and other receivables**	**Other liabilities**
Other receivables	–	65	–
Cash and bank	–	295	–
Derivative instruments*	5	–	–
Debt	–	–	393
Accounts payables	–	–	1
Other current liabilities	–	–	25

* 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. The company has no derivative instruments as per 31 December 2014.

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 17).

Events after the balance sheet date

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

Note 3, Segment information

The Group's accounting principle for segment describes that operating segments are based on geographic perspective and reported in a manner consistent with the internal reporting provided to the executive management, which is considered to be the chief operating decision maker. Previous years, the company's chief operating decision maker has been considered to be the 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 2014				
MSEK	**Dubai**	**France**	**Lithuania**	**Oman**	**Sweden**	**Switzerland**	**Other**	**Total**
Net sales	–	–	–	1,046	–	–	–	**1,046**
Depreciation, depletion and amortization	–	–	–	-214	–	–	–	**-214**
Exploration costs	–	-1	–	–	–	–	–	**-1**
Other income	–	–	–	–	–	–	–	**–**
Operating expenses	–	–	–	-264	–	–	–	**-264**
Net profit/loss from associates	–	–	-133	–	–	–	–	**-133**
Other losses/gains, net	–	–	–	–	–	–	–	**–**
Administrative expenses	-5	–	–	-5	-20	–	–	**-31**
Operating result	**-5**	**-1**	**-133**	**564**	**-20**	**–**	**–**	**404**
Total financial items								**-53**
Result before tax								**350**
Income tax								**–**
Result for the period								**350**

				Group income statement Jan–Dec 2013				
MSEK	**Dubai**	**France**	**Lithuania**	**Oman**	**Sweden**	**Switzerland**	**Other**	**Total**
Net sales	–	–	–	592	–	–	–	**592**
Depreciation, depletion and amortization	–	–	–	-137	–	–	–	**-138**
Exploration costs	–	-1	–	-51	–	–	-4	**-56**
Other income	–	–	–	65	–	–	–	**65**
Operating expenses	–	–	–	-152	–	–	–	**-152**
Net profit/loss from associates	–	–	5	–	–	–	–	**5**
Other losses/gains, net	–	–	–	–	–	–	–	**–**
Administrative expenses	-5	–	–	-3	-22	-2	–	**-31**
Operating result	**-5**	**-1**	**5**	**314**	**-22**	**-2**	**-4**	**285**
Total financial items								**-45**
Result before tax								**240**
Income tax								**–**
Result for the period								**240**

As per 31 December 2014 (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 Blocks 3 & 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 2014, Tethys Oil sold 1,464,228 (850,926) barrels of oil after government take from Blocks 3 & 4 in Oman. This resulted in net sales during 2014 of MSEK 1,046 (592). The average selling price amounted to USD 103.87 per barrel during 2014 (106.63).

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 Blocks 3 & 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 2014.

Tethys Oil AB		**Ownership**		**Ownership**		**Ownership**
	Odin Energi	50%	Jylland Olie	40%	Jylland Olie	40%
	UAB Minijos Nafta	50%	UAB TAN Oil	75%	UAB TAN Oil	75%
	Gargzdai licence	**100%**	**Raseiniai licence**	**100%**	UAB LL Investicos	100%
					Rietavas licence	**100%**
Tethys Oil's indirect interest		**25%**		**30%**		**30%**

MSEK	**UAB Minijos Nafta**	**UAB TAN Oil**	**UAB LL Investicos**
Income statement in associated companies	**1 Jan – 31 Dec 2014**	**1 Jan – 31 Dec 2014**	**1 Jan – 31 Dec 2014**
Gross revenue	117	–	4
Royalty	-12	–	-0
Net revenue	**105**	**–**	**3**
Depreciation	-21	-1	-7
Appraisal/development costs	-4	-2	-1
Operating expenditures	-54	–	-1
Administrative expenditures in Lithuanian company	-10	-1	-4
Operating result	**16**	**-3**	**-11**
Financial income	2	–	4
Financial expenditures	-1	–	-1
Profit before tax	**17**	**-3**	**-7**
Tax	-2	–	–
Net profit in associated companies	**14**	**-3**	**-7**

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

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

MSEK	UAB Minijos Nafta	UAB TAN Oil	UAB LL Investicos
Income statement in associated companies	**1 Jan – 31 Dec 2013**	**1 Jan – 31 Dec 2013**	**1 Jan – 31 Dec 2013**
Gross revenue	147	–	–
Royalty	-14	–	–
Net revenue	**133**	**–**	**–**
Depreciation	-24	-1	–
Appraisal/development costs	-5	-2	–
Operating expenditures	-65	–	–
Administrative expenditures in Lithuanian company	-12	-4	–
Operating result	**28**	**-6**	**–**
Financial income	0	7	–
Financial expenditures	-1	-6	–
Profit before tax	27	-5	–
Tax	-4	–	–
Net profit from in associated companies	**23**	**-5**	**–**

MSEK	UAB Minijos Nafta	UAB TAN Oil	UAB LL Investicos
Tethys Oil's share of profit loss from associated companies	**1 Jan – 31 Dec 2013**	**1 Jan – 31 Dec 2013**	**1 Jan – 31 Dec 2013**
Gross revenue	37	–	–
Royalty	-4	–	–
Net revenue	**33**	**–**	**–**
Depreciation	-6	–	–
Appraisal/development costs	-1	–	–
Operating expenditures	-16	–	–
Administrative expenditures in Lithuanian company	-3	-1	–
Operating result	**7**	**-1**	**–**
Financial income	–	2	–
Financial expenditures	–	-1	–
Profit before tax	**7**	**-1**	**–**
Tax	-1	–	–
Tethys Oil's share of net profit from associated companies	**6**	**-1**	**–**

Total share of net profit from associated companies 2013	**5**

MSEK	31 Dec 2014	31 Dec 2013
1 January	**184**	**188**
Tethys Oil's share of net profit from associated companies	2	5
Dividend from associated companies	-11	-9
Depletion	-8	–
Impairment cost*	-127	–
Balance end of period	**41**	**184**

* Please find more information regarding impairment in note 9

Note 7, Derivative instruments

As per 31 December 2014, Tethys Oil have no oil price put options (Brent) outstanding, compared to 31 December 2013 where oil price put options amounted to MSEK 5. During 2014 715,000 put options expired and following the falling oil prices, the put options generated a profit of MSEK 14. The put options were acquired for MSEK 6 to secure oil price at USD 90 per barrel. There are no hedges in place for 2015.

Note 8, Provisions

Tethys Oil estimates that Tethys Oil's share of site restoration regarding Blocks 3 & 4 amounts to MSEK 25 (29). As a consequence of this provision, oil and gas properties have increased with an equal amount. The reduction of the provision is related to a more detailed calculation of the site restoration provision affecting the provision's net present value.

Note 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[1]	None	40%	**Galli Coz,** Tethys Oil
France	Alès	Exploration	2015[1]	MUSD 1.5[2]	37.5%	**Tethys Oil,** MouvOil
Lithuania	Gargzdai[3]	Production	No expiration date	None	25%	Odin, GeoNafta, Tethys Oil
Lithuania	Rietavas[3]	Exploration	Sep 2017	MLTL 6.2	30%	Odin, Tethys Oil, private investors
Lithuania	Raseiniai[3]	Exploration	Sep 2017	MLTL 6.6	30%	Odin, Tethys Oil, private investors

MSEK	31 Dec 2014	31 Dec 2013
Producing cost pools	1,296	1,011
Non-producing cost pools	7	0
Total oil and gas properties	**1,303**	**1,012**

MSEK Country	Asset type	Book value 31 Dec 2014	Other non-cash adjustments 1 Jan–31 Dec 2014	Currency exchange diff 1 Jan–31 Dec 2014	DD&A[4] 1 Jan–31 Dec 2014	Exploration costs 1 Jan–31 Dec 2014	Investments 1 Jan–31 Dec 2014	Book value 1 Jan 2014
Oman Blocks 3 & 4	Producing	1,296	36[5]	199	-213	–	263	1,011
Oman Block 15	Non-producing	7	–	1	–	–	6	–
France Attila	Non-producing	–	–	–	–	-1	1	–
France Alès	Non-producing	–	–	–	–	–	–	–
New ventures	Non-producing	–	–	–	–	–	–	–
Total		**1,303**	**36**	**200**	**-213**	**-1**	**269**	**1,012**

MSEK 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[4] 1 Jan–31 Dec 2013	Exploration costs 1 Jan–31 Dec 2013	Investments 1 Jan–31 Dec 2013	Book value 1 Jan 2013
Oman Blocks 3 & 4	Producing	1,011	–	-5	-137	–	263	890
Oman Block 15	Non-producing	–	–	–	–	-51	25	27
France Attila	Non-producing	–	–	–	–	-1	1	–
France Alès	Non-producing	–	–	–	–	–	–	–
Sweden Gotland	Non-producing	–	–	–	–	-2	–	2
New ventures	Non-producing	–	–	–	–	-1	1	–
Total		**1,012**	**–**	**-5**	**-137**	**-56**	**290**	**920**

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

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

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

4 Depletion, depreciation and amortisation.

5 Other non-cash related items regard provision for site restoration.

Impairment testing

In Tethys Oil's impairment testing, the Company uses its best efforts to estimate production profiles, general cost and development environment. To calculate future free cash flows, the forward oil price as traded in the market was used, where the oil price started at USD 50 per barrel and moved up to USD 68 per barrel in a two year period, and thereafter a flat price of USD 68 per barrel. With regard to discount rates, a rate of 7.3 per cent and 9.7 per cent (both before tax) has been used for Omani and Lithuanian assets respectively. During 2014 impairment was made with regard to Lithuanian asset Gargzdai of MSEK 127, following the decline in oil prices the asset was determined to be sub-commercial. The assets in Oman are commercial despite the decline in oil prices and the carried values are deemed defensible. There was no impairment of assets made during 2013. The impairment cost is disclosed in note 6.

Exploration costs during 2014 amounted to MSEK 1 and mainly related to projects which were terminated during the year. Exploration costs during 2013 amounted to MSEK 56 and were mainly related to Block 15 where an extended well test did not support commerciality of the project. Exploration costs are further described in the administration report.

MSEK **Investments Block 3 & 4** **Categories**	**1 Jan 2014– 31 Dec 2014 12 months**	**1 Jan 2013– 31 Dec 2013 12 months**
Drilling – Exploration/Appraisal	-90	-58
Drilling – Development	-87	-103
G&G	-59	-67
Facilities	-62	-61
Pipeline	-44	-5
Mitsui repayment	–	-16
Tethys sole cost	-4	-3
Other capex	29	1
Accruals	54	49
Total	**-263**	**-263**

MSEK **Oil & gas properties Block 3 & 4** **Categories**	**31 Dec 2014**	**31 Dec 2013**
Drilling – Exploration/Appraisal	231	120
Drilling – Development	500	350
G&G	188	110
Facilities	490	362
Pipeline	132	75
Mitsui repayment	174	135
Tethys sole cost	30	22
Other capex	23	28
Accruals	-6	1
Accumulated depreciation	-466	-191
Total	**1,296**	**1,011**

Note 10, Operating expenditures

MSEK	**Group**		**Parent**	
Operating expenditures	**2014**	**2013**	**2014**	**2013**
General & Administrative	-45	-25	–	–
Production cost Permanent Production Facilities	-99	-63	–	–
Well workovers	-31	-19	–	–
Over- / Underlift	-9	1	–	–
Other	-10	-9	–	–
Accruals	-56	-23	–	–
Transferred costs from previous year	-14	-13	–	–
Total	**-264**	**-152**	**–**	**–**

Note 11, Other losses/gains, net

MSEK	**Group**		**Parent**	
Other losses/gains, net	**2014**	**2013**	**2014**	**2013**
Foreign exchange gains	0	0	0	0
Foreign exchange losses	-0.1	-0.1	-0.1	-0.1
Total	**-0.1**	**0**	**-0.1**	**0**

Note 12, Remuneration to company auditor

MSEK	**Group**		**Parent**	
Remuneration to company auditor include:	**2014**	**2013**	**2014**	**2013**
PwC:				
Audit fee	-1	-1	-1	-1
Audit-related fees	–	-0	–	–0
Tax consultation	–	–	–	–
Other	–	-0	–	–0
Total	**-1**	**-1**	**-1**	**-1**

Note 13, Administrative expenses

MSEK	**Group**		**Parent**	
Administrative expenses	**2014**	**2013**	**2014**	**2013**
Personnel costs	-16	-13	-9	-7
Rent	-2	-2	-2	-1
Other office costs	-2	-1	-2	–
Listing costs	-1	-3	-1	-3
Costs of external relations	-2	-2	-2	-2
Other costs	-8	-9	-7	-8
Total	**-31**	**-31**	**-20**	**-22**

Note 14, Employees

Average number of employees per country	2014 Total	2014 Total men	2013 Total	2013 Total men
Parent company				
Sweden	7	4	6	3
Total parent company	**7**	**4**	**6**	**3**
Subsidiary companies in Sweden	**–**	**–**	**–**	**–**
Subsidiary companies foreign				
Oman	6	4	6	4
Switzerland	1	–	1	–
United Arab Emirates	4	3	4	3
Total subsidiary companies foreign	**11**	**7**	**11**	**7**
Total group	**18**	**11**	**17**	**10**

TSEK Salaries, other remuneration and social costs	2014 Salaries, other remuneration	2014 Social costs	2013 Salaries, other remuneration	2013 Social costs
Parent company				
Sweden	6,512	1,993	5,212	1,887
Total parent company	**6,512**	**1,993**	**5,212**	**1,887**
Subsidiary companies in Sweden	**–**	**–**	**–**	**–**
Subsidiary companies foreign				
Oman	4,190	–	2,443	–
Switzerland	–	–	432	-50
United Arab Emirates	3,136	–	3,074	–
Total subsidiary companies foreign	**7,326**	**–**	**5,949**	**-50**
Total group	**13,838**	**1,993**	**11,161**	**1,837**

TSEK Salaries and other remuneration distributed between the board and other employees	2014 Board and Managing Director	2014 Other employees	2013 Board and Managing Director	2013 Other employees
Parent company				
Sweden	2,579	3,933	2,199	3,013
Total parent company	**2,579**	**3,933**	**2,199**	**3,013**
Subsidiary companies in Sweden	**–**	**–**	**–**	**–**
Subsidiary companies foreign				
Oman	–	4,190	–	2,443
Switzerland	–	–	–	432
United Arab Emirates	–	3,136	–	3,074
Total subsidiary companies foreign	**–**	**7,326**	**–**	**5,949**
Total group	**2,579**	**11,259**	**2,199**	**8,962**

The group currently has 18 employees.

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

In 2014 and 2013 one woman has been a member of the board of directors and no women have been members of the executive management.

Salaries and other remuneration to management during 2014, TSEK expensed	Salaries	Bonus	Benefits	Pensions	Total 2014
Magnus Nordin	1,652	540	11	375	2,578
Morgan Sadarangani	1,102	360	11	217	1,690
Jesper Alm	566	–	6	129	701
Total	**3,320**	**900**	**28**	**721**	**4,969**

Salaries and other remuneration to management during 2013, TSEK expensed	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**

TSEK Salaries and other remuneration to board members (in their capacity as board members)	Remuneration	Total 2014	Total 2013	Attendance 2014
Staffan Knafve	193	193	322	14/14
Magnus Nordin	–	–	–	14/14
Jan Risberg	97	97	328	14/14
Katherine Stovring	87	87	263	14/14
Per Brilioth	87	87	138	14/14
Håkan Ehrenblad	–	–	125	–
Vincent Hamilton	–	–	180	–
John Hoey	–	–	125	–
Total	**464**	**464**	**1,481**	

At the Annual General Meeting of shareholders on 14 May 2014 Per Brilioth, Staffan Knafve, Magnus Nordin, Jan Risberg and Katherine Støvring were re-elected members of the board. No deputy directors were appointed. At the same meeting Staffan Knafve was appointed chairman of the board.

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

Principles for remuneration and other terms of employment for management 2014

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

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

Remuneration committee

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

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

1) base 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.

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

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

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

Yearly Variable Salary
The Company considers that a yearly variable salary is an important part of the remuneration package where associated performance targets reflect the key drivers for value creation and growth in shareholder value. At the end of each year, the managing director will make a recommendation to the remuneration committee regarding the payment of the yearly variable salary to employees based upon their individual contribution to the Company's performance. After consideration of the managing director's recommendations, the remuneration committee will recommend to the board of directors for approval the level of the yearly variable salary of the executive management and other employees, to the extent that such award is in excess of USD 10,000 per employee. 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 base salary. The pension contributions shall be in relation to the base salary and is set on an individual basis but shall not be higher than what is tax deductible.

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

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

Note 15, Financial income and similar items

MSEK	Group		Parent	
	2014	**2013**	**2014**	**2013**
Interest income	–	–	6	16
Gain on currency exchange rates	7	4	5	4
Income from derivatives	14	–	14	–
Anticipated dividend	–	–	334	-
Total	**21**	**5**	**359**	**20**

Note 16, Financial expenses and similar items

MSEK	Group		Parent	
	2014	**2013**	**2014**	**2013**
Interest expenses	-32	-38	-28	-38
Currency exchange losses	-26	-5	-26	-5
Other financial expenses	-17	-7	-12	-6
Total	**-75**	**-50**	**-65**	**-49**

Note 17, Tax

The group's income tax charge amount to MSEK – (MSEK 0.1). The income tax 2013 relate to a tax negotiated in Switzerland by the Swiss subsidiary Tethys Oil Suisse S.A. The Swiss subsidiary is undergoing a process of liquidation. 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 363,368 (TSEK 179,806). There are no time limits to the utilization of the tax losses.

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

Note 18, Office equipment

MSEK	Group		Parent	
Office equipment	**2014**	**2013**	**2014**	**2013**
Assets				
1 January	5	5	1	1
Additions	1	–	1	–
Disposals	-3	–	–	–
31 December	4	5	2	1
Depreciations				
1 January	-3	-3	-1	-1
Depreciation charges of the year	-1	-1	–	–
Disposals	2	–	–	–
31 December	-2	-3	-1	-1
Net book value	**1**	**2**	**–**	**–**

MSEK	Net book value, office equipment	
	2014	2013
Dubai	–	–
France	–	–
Lithuania	–	–
Oman	1	1
Sweden	–	–
Switzerland	–	1
Other	–	–
Total	**1**	**2**

Note 19, Other receivables

MSEK	Group		Parent	
Other receivables	**2014**	**2013**	**2014**	**2013**
VAT	2	1	1	–
Receivables oil sales	78	63	–	–
Other	1	1	–	–
Total	**80**	**65**	**1**	**1**

Note 20, Shareholders' equity

As per 31 December 2014, 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.

As per 31 December 2014, Tethys Oil held 298,160 of its own shares which were purchased during the fourth quarter at an average price of SEK 68.0. The share repurchase programme is based on a mandate from the AGM held in May 2014 and repurchased shares are still part of the total number of outstanding shares but however not included in the number of shares in circulation, which amount to 35,245,590.

Earnings per share

Earnings per share before dilution are calculated by dividing profit for the year attributable to ordinary shareholders of the Parent Company by weighted average number of ordinary shares outstanding and in circulation during the year. During 2014 the company has purchased 298,160 of its own shares which have been excluded from shares in circulation. There are no dilution effects for 2014 and 2013.

Note 21, Non-current liabilities

In September 2012, Tethys Oil issued a secured three-year bond loan of MSEK 400. The bonds were issued at 100 per cent of the nominal value and run with a fixed interest rate of 9.50 per cent per year. The maturity dates of the bonds were 7 September 2015. The bonds were listed on NASDAQ Stockholm. The transaction costs amounted to MSEK 12 and are depreciated during the maturity time of the bond.

In February 2014, it was announced that Tethys Oil signed a four-year, up to MUSD 100, senior revolving reserve based lending facility with BNP Paribas. Security for the facility is the interest in the Blocks 3 & 4 licence. In connection with the first drawdown of the facility, Tethys Oil 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. The payment and redemption occurred 7 April 2014.

The interest rate of the new credit facility is floating between LIBOR + 3.75 per cent to LIBOR + 4.00 per cent per annum, depending on the level of utilization of the facility. As per 31 December 2014 there was no outstanding debt, i.e. there was no borrowed amount from the new credit facility.

Note 22, Accrued expenses

MSEK	Group		Parent	
Accrued expenses	**2014**	**2013**	**2014**	**2013**
Accrued interest	–	13	–	13
Other accrued expenses	2	2	2	–
Total	**2**	**15**	**2**	**13**

Note 23, Shares in subsidiaries

Company	Reg. Number	Reg. office	Number of shares	Percentage	Nominal value per share	Parent company book amount 31 December 2014, TSEK	Parent company book amount 31 December 2013, 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**

MSEK	Parent	Parent
Shares in subsidiaries	**31 December 2014**	**31 December 2013**
1 January	2	2
Acquisitions	–	–
Shareholder's contribution	2	62
Write down of shares in subsidiaries	-2	-62
31 December	**2**	**2**

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

Note 24, Pledged assets

As per 31 December 2014, pledged assets amounted to MSEK 1,789 (989). Pledged assets are mainly a continuing security with regard to the credit facility where Tethys Oil has entered into a pledge agreement. The pledge relates to all shares in the subsidiary Tethys Oil Blocks 3 & 4 Ltd for the benefit of the lenders in the credit facility and the value of the pledge is equal to the shareholders' equity value in Tethys Oil Block 3&4 Ltd. Of pledged assets, MSEK 1 (1) relate to a pledge in relation to office rental.

Note 25, Contingent liabilities

There are no outstanding contingent liabilities as per 31 December 2014, nor for the comparative period.

Note 26, Oil and gas properties from cost oil repayment

In 2010, Mitsui acquired 20 percentage point in Blocks 3 & 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 & 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 & 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

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

- Year-end audited reserves Blocks 3 & 4 Oman amounted net to Tethys Oil to
  - 1P reserves 11.8 million barrels (10.8)
  - 2P reserves 17.8 million barrels (15.2)
  - 3P reserves 25.1 million barrels (20.0)
- Tethys Oil's share of production from Oman during the first quarter 2015 amounted to 774,315 barrels corresponding to 8,604 barrels per day

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, 17 April 2015

Staffan Knafve, *chairman of the board*

Per Brilioth, *director*

Katherine Støvring, *director*

Jan Risberg, *director*

Magnus Nordin, *managing director*

Auditors endorsement

Our audit report was submitted on 17 April 2015.

PricewaterhouseCoopers AB

Klas Brand
Authorized Public Accountant
Lead Partner

Ulrika Ramsvik
Authorized Public Accountant

Auditor's report

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

corporate identity number 556615-8266

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Tethys Oil AB (publ) for the year 2014. 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 and consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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 2014 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 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Tethys Oil AB (publ) for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

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

Opinions

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

Stockholm, 17 April 2015
PricewaterhouseCoopers AB

Klas Brand	Ulrika Ramsvik
Authorized Public Accountant	*Authorized Public Accountant*
Lead Partner	

Definitions and abbreviations

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

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

API	A specific gravity scale developed by the American Petroleum Institute (API) for measuring the relative density of various petroleum liquids, expressed in degrees. API gravity is gradated in degrees on a hydrometer 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.
Hydrocar-bons	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 coun-try 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 conces-sions, 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 typi-cally consist of traces and curves. These can be inter-preted 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 shar-ing 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 feld-spar, rock fragments, mica and numerous other min-eral grains held together with silica or another type of cement. The relatively high porosity and permeability of sandstone makes it to a valuable rock in reservoirs.
WTI	West Texas Intermediate – the primary reference oil used as a basis for pricing of oil in North America.

Financial information

The company plans to publish the following financial reports:

Three month report 2015 (January – March 2015) on 5 May 2015
Six month report 2015 (January – June 2015) on 18 August 2015
Nine month report 2015 (January – September 2015) on 3 November 2015
Year-end report 2015 (January – December 2015) on 9 February 2016

TETHYS OIL

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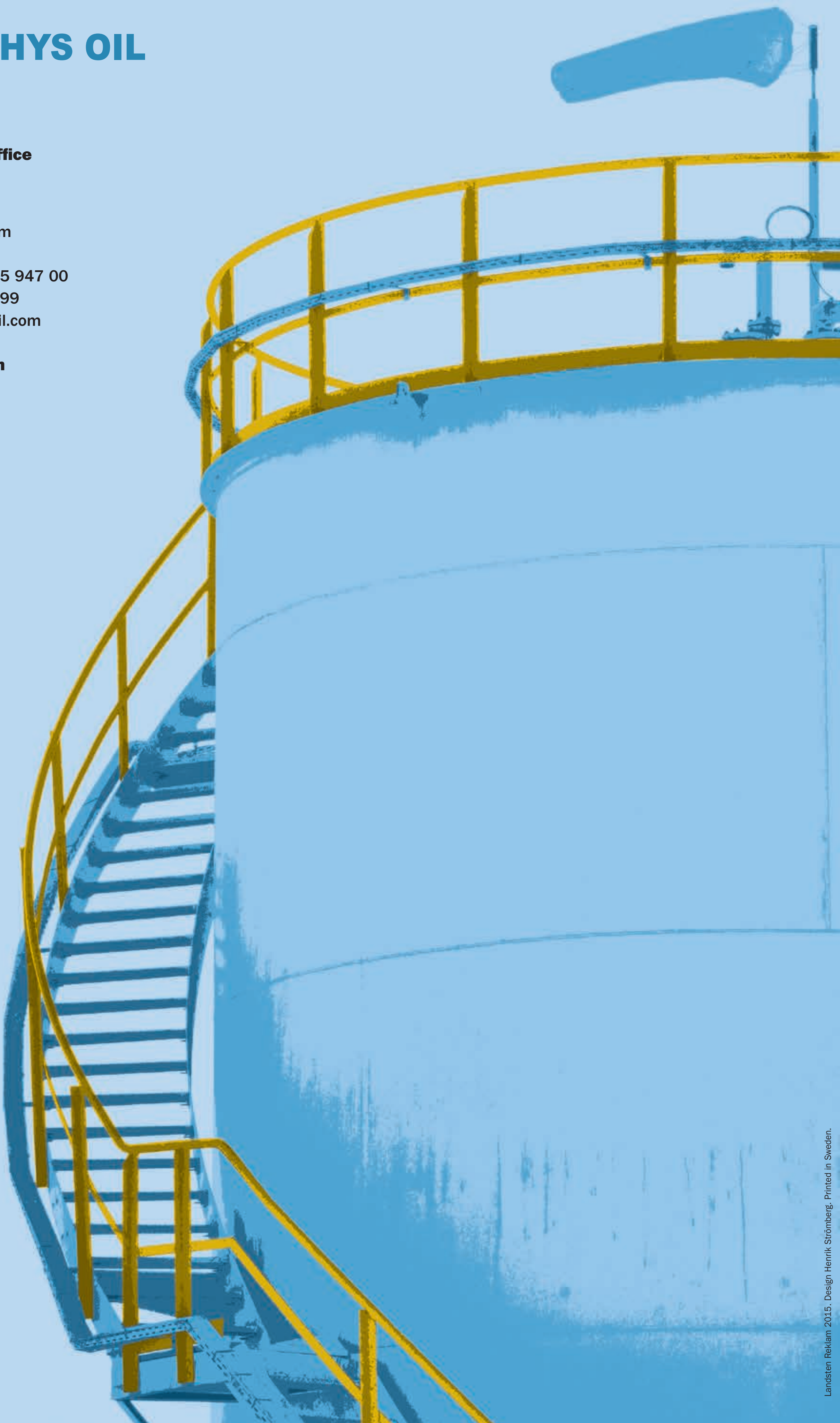

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