



**Tethys Oil AB (publ)**  
**Report for the period 1 January 2004 – 30 June 2004**

## Highlights

Net result for the first half of 2004 was TSEK - 2,353 (TSEK - 235) and TSEK - 1,844 (TSEK - 220) for the second quarter of 2004.<sup>1</sup>

Earnings per share SEK - 0.78 (SEK - 0.23) for the first six months of 2004 and SEK - 0.42 (SEK - 0.22) for the second quarter of 2004.<sup>1</sup>

As at 30 June 2004 there have been no sales of oil and gas in Tethys Oil, nor for the equivalent period of last year.

Preparations for drilling Hoto prospect in Turkey were started in May, with the drilling rig mobilized to location before end of June. The Koctepe-1 well on the Hoto license was started on July 10.

In License 1/02 in Denmark, Tethys Oil received governmental approval to enter into drilling phase of license and be the Operator.

Tethys Oil has put in place a structure of Swedish subsidiaries to hold each license interest.

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<sup>1</sup> The amounts presented in parenthesis after the amounts for the current period is the comparative period of last year for the parent company. See further on page 5.

## Letter to shareholders

Dear friends and investors,

The quarter in question, April – June 2004, saw the creation of Tethys as a publicly traded upstream oil company. MSEK 75 before issue costs was raised during the previous quarter and made available to the company in April. Tethys was listed on the “Nya Marknaden” in Stockholm on April 6.

With money in the bank it was not surprisingly easier to make things happen. April May and June saw immediate activity faster than anticipated in two of Tethys licence areas: Turkey and Denmark.

In Turkey work on the Hoto license resulted in the location decision construction and mobilization of the Koctepe-1 exploration well which was subsequently spudded in mid July. The well marks Tethys first exploration well started in record time just three months after Tethys IPO was completed. Koctepe-1 is not designed to have any major impact on the worlds energy needs but could, if successful, add up to half a barrel of oil per share to Tethys shareholders – on a relative scale no small impact at all.

As this report is finalized the Koctepe-1 well is nearing its completion and we eagerly await the result of Tethys first exploration well.

A disappointment in Turkey would in no way slow Tethys down however. Available funds of more than MSEK 65 less than MSEK 3 remains to be spent on Koctepe-1. Additional investments will for example be needed in Denmark where Tethys and partners saw the results of recent efforts when the Danish Energy Authority granted the license group’s request on Danish license 1/02 to waive the seismic commitment under the first exploration phase and allow the group to apply the money reserved for the seismic study to the

drilling of an exploration well under phase two of the exploration programme.

Tethys and partners are currently reviewing all available data to find the optimal drilling location. A well on license 1/02 in Denmark will mark one of the most exiting and potentially rewarding of all Tethys current projects. A well on 1/02 will certainly be high risk from a geological point of view, but the reward, if the well is successful, is thereafter. Of the necessary conditions for oil or natural gas to be present, reservoir and seal seem highly probable and the uncertainty concerns source rock, where Tethys’ geochemical model indicates that natural gas may have been generated. Any discovery of natural gas onshore Denmark would make a real impact on the energy politics of Scandinavia and an even greater impact on the balance sheet of Tethys.

Tethys first quarter as a public company has seen the Company start of with a frenzy of activity. The project portfolio remains balanced and the money will see us through several exploration wells and hopefully also other projects in the not to distant future.

Stay with us and thank you for your support to date.

Stockholm, 16 August 2004

Magnus Nordin  
*Managing Director*



# Operations

## Overview

Country	Areas	Tethys Oil, %	Total area km <sup>2</sup>	Operator
Denmark	License 1/02	70%	533	Tethys Oil
	License 1/03	70%	1,655	Tethys Oil
Spain	La Lora	22.5%	106	Northern Exploration Ltd.
	Valderredible	50% <sup>1</sup>	241	Northern Exploration Ltd.
	Huermeces	50% <sup>1</sup>	121	Northern Exploration Ltd.
	Basconillos	50% <sup>1</sup>	194	Northern Exploration Ltd.
Turkey	Hoto	45% <sup>2</sup>	15	Aladdin Middle East Ltd.
	Ispandika	10% - 45%	965	Aladdin Middle East Ltd.
<b>Total area</b>			<b>3,830</b>	

<sup>1</sup> The Windsor Group hold the right to, by funding the equivalent share of seismic or drilling, receive up to 10 percent participation in the three exploration licenses. If the Windsor Group utilise its right, Tethys Oil's participation in the licenses will descend to 40 percent at the lowest.

<sup>2</sup> When the current well has been completed.

## Denmark

### License 1/02

The Operating Committee of the license group approved Tethys Oil's recommendation to enter into the second phase of the license that includes a drilling commitment. Approval to do this was subsequently received by the Danish Energy Agency, with Tethys Oil being nominated the Operator of the exploration well.

The seismic acquisition commitment from the first phase of the license was waived in exchange for having tested a new seismic reprocessing technique on one of the existing seismic lines over the Karlebo prospect. The Technical Committee agreed that additional seismic lines were not needed to define the limits of the prospect, and therefore drilling could proceed based on the existing seismic database.

Currently, investigations are underway to identify a suitable surface location for construction of a drilling site. This location must be carefully chosen in order to be able to test all three potential reservoir levels with one vertical well bore. Once a drilling location has been secured and environmental impact study will be undertaken. Drilling is expected to begin during next year.

### License 1/03

After signing of the Joint Operating Agreement for this license with partners DONG and Odin Energy, Tethys Oil as Operator began the work program of technical studies. Thus far all of the existing onshore seismic data has been reprocessed. This data will now be combined with the offshore seismic data and an interpretation made on a computer workstation. This work should result in a better definition of existing prospects as well as identify areas where new seismic could be acquired.

## Spain

The Basconillos-H exploration license was formally awarded in April, in which Tethys Oil will participate with 50% interest in partnership with Northern Petroleum Group, as Operator. Following this award, Northern conducted a geophysical study over all three of our exploration licenses. In addition, petrophysical analysis of the previously drilled wells in these licenses was conducted. Now these results will be combined into a reservoir engineering study that is intended to calculate prospect sizes and oil production capability of the reservoirs that tested oil in the old wells. Once all of the technical studies are finalized a decision about drilling can be reached.

## Turkey

After completing geological and geophysical studies of the Hoto license, Tethys Oil decided to proceed with drilling an exploration

well. Thereafter the Joint Operating Agreement was signed and preparations for drilling the Koctepe-1 well begun. Construction of the drilling site started in mid-May with the drilling rig fully mobilized by the end of June. Actual drilling started on July 10. As of publication date of this report, the well was drilling ahead at around 1,283 meters.

The objective of Koctepe-1 is to test the potential of Cretaceous age limestone reservoirs that produce oil from the nearby Kurkan and Sincan fields. Total drilling depth is expected to be 1,680 meters and be reached during August.

Elsewhere in Turkey, Tethys Oil has completed a geophysical study of the Ispandika licenses. The results of this work are encouraging and now a geological study is being started to define the potential sizes of the prospects.

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## Result and Cash Flow

The consolidated financial statements of the Tethys Oil Group (Tethys Oil) are hereby presented for the six month period ended 30 June 2004. The amounts relating to the comparative period (equivalent period for the parent company of last year) are shown in parenthesis after the amount for the current period. Up until 30 June 2004, Tethys Oil has not reported any sales, which is why there is no segmental information below. Also due to the fact that there are no sales in Tethys Oil, seasonal variations do not significantly impact the result.

### Net profit and sales

Tethys Oil reports a net result for the first six month period of 2004 of TSEK – 2,353 (TSEK – 235) and TSEK – 1,844 (TSEK – 220) for the second quarter of 2004 representing earnings per share of SEK – 0.78 (SEK – 0.23) for the first half of 2004 and SEK – 0.42 (SEK – 0.22) for the second quarter of 2004.

There is no dilution of shares in Tethys Oil. Cash flow from operations before changes in working capital for the first half of 2004 amounted to TSEK – 2,345 (TSEK – 233) and TSEK – 1,840 (TSEK – 219) for the second quarter of 2004.

The net result for the first half has not been significantly impacted by net foreign exchange losses or gains.

There have been no sales or production of oil and gas for the six month period ended 30 June 2004, apart from incidental oil production in the La Lora field, which according to Tethys Oil's accounting principles is offset against capitalised costs of the related cost centre in the balance sheet. Accordingly, there has been no depletion of oil and gas properties as Tethys Oil follows the full cost method of accounting. Furthermore, there has been no write-off of oil and gas properties for the period.

### **Costs of administration and depreciation**

Costs of administration and depreciation amounted to TSEK – 2,375 (TSEK – 249) for the first six month period of 2004 and TSEK – 1,846 (TSEK – 228) for the second quarter of 2004. Depreciation amounted to TSEK 7 (TSEK 2) for the six month period ending 30 June 2004 and TSEK 4 (TSEK 1) for the three month period ending 30 June 2004. Costs of administration are mainly rents, salaries, office supplies, travel expenditures as well as certain IPO related costs. These costs are corporate costs and are accordingly not capitalised. The depreciation in the income statement is referable to computers, phones etc.

### **Investments**

Tangible fixed assets as at 30 June 2004 amounted to TSEK 8,975 (TSEK 444) of which TSEK 8,916 (TSEK 431) relates to oil and gas properties. Oil and gas properties in Denmark amounted to TSEK 937 (431), in Spain TSEK 1,146 (nil), Turkey TSEK 6,733 (nil) and other TSEK 101 (nil). Development and exploration expenditure of TSEK 7,017 (TSEK 61) was incurred for the six month period ended 30 June 2004 of which Denmark TSEK 327, Spain TSEK 17 and Turkey TSEK 6,615. Development and exploration expenditures have mainly been related to the Turkish exploration well Koctepe-1. In Denmark and Spain the development and exploration expenditures have mainly been geological and geophysical studies. The Company follows the full cost method of accounting for investments in oil and gas properties.

Investments in other tangible fixed assets amounted during the period to TSEK 16 (nil) and are referable to investments in computers, phones etc.

### **Liquidity and financing**

Cash and bank as at 30 June 2004 amounted to TSEK 1,485 (TSEK 214). Short-term investments as at 30 June 2004 amounted to TSEK 64,532 (TSEK 834). The short-term

investments are investments in mutual bond funds with short durations. The share issue during the first quarter which was successfully completed on 29 March 2004 resulted in proceeds of MSEK 75 before issue costs. The issue costs are estimated to amount to approximately TSEK 6,000. The share issue was registered on 1 April 2004.

### **Current receivables**

Current receivables amounted to TSEK 919 (TSEK 65) as at 30 June 2004. Current receivables are to a large extent referable to the IPO. TSEK 779 of the share issue proceeds is included in current receivables as at 30 June 2004.

### **Current liabilities**

Current liabilities as at 30 June 2004 amounted to TSEK 5,406 (TSEK 358), of which TSEK 625 (TSEK 218) relates to accounts payable, TSEK 2,176 (TSEK 2) relates to other current liabilities and TSEK 2,604 (TSEK 138) relates to accrued expenses. Other current liabilities are mainly related to the IPO.

### **Parent company**

The parent company reports a result amounting to TSEK – 2,353 (TSEK – 235) for the six month period ended 30 June 2004 and TSEK – 1,844 (TSEK – 220) for the three month period ending 30 June 2004. Costs of administration and depreciation amounted to TSEK – 2,375 (TSEK – 249) for the first half of 2004 and TSEK – 1,846 (TSEK – 228) for the second quarter of 2004. Net financial income amounted to TSEK 22 (TSEK 14) during the first half of 2004 and TSEK 2 (TSEK 8) during the second quarter of 2004. Investments during the first half of 2004 amounted to TSEK 7,533 (TSEK 61).

### **Financial instruments**

Tethys Oil has not during the period used any financial instruments in order to hedge risks (i.e. exchange rate exposure). This is mainly due to the relatively low exchange rate exposure in Tethys Oil's current operations.



### **Board of directors and management**

At the Annual General Meeting of shareholders on 27 February 2004, John Hoey, Vincent Hamilton, Magnus Nordin, Håkan Ehrenblad were re-elected members of the board and Jan Risberg was newly elected and Erik Nerpin resigned. The board members are elected until the end of the next AGM. No deputy directors were appointed. On the board of directors meeting 9 February 2004, Magnus Nordin was appointed Managing Director. At the same meeting Vincent Hamilton was appointed Chief Operating Officer.

### **Group structure**

Tethys Oil AB (publ), with organisational number 556615-8266, is the parent company in the Tethys Oil Group. The wholly owned subsidiaries Windsor Petroleum (Spain) Inc, Tethys Oil Denmark AB, Tethys Oil Spain AB, Tethys Oil Turkey AB, Tethys Oil France AB and Tethys Oil Exploration AB are part of the group. The Tethys Oil Group was established 1 October 2003.

### **Share data**

The total number of shares in Tethys Oil amount to 4,384,800, with a nominal value of SEK 0.50 per share. All shares have one vote each. Tethys Oil does not have any incentive program.

### **Accounting principles**

The six month period report of the Tethys Oil Group has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations and statements (RR 20). The same accounting principles were used in the annual report 2003.

### **Outlook for 2004**

The company's core focus will continue to be growth through exploration and development activity. Tethys Oil is also pursuing opportunities to further expand its oil and gas portfolio through acquisitions. The exploration well in Turkey, Koctepe-1, is drilling ahead. If the results are positive, the well will have a large impact on Tethys Oil.

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## **Subsequent Events**

Hoto license drilling of Koctepe-1 well began on July 10.

In Denmark license 1/02 Tethys Oil and partners DONG and Odin Energy have received government approval to enter into the second phase of the license.

## Consolidated Income Statement

TSEK	1 Jan 2004 – 30 Jun 2004	1 Apr 2004 – 30 Jun 2004	1 Jan 2003 – 30 Jun 2003	1 Apr 2004 – 30 Jun 2003	1 Jan 2003 – 31 Dec 2003
	6 months	3 months	6 months	3 months	12 months
Net sales of oil and gas	–	–	–	–	–
Depletion of oil and gas properties	–	–	–	–	–
Write-off of oil and gas properties	–	–	–	–	–
Administration and depreciation	- 2,375	- 1,846	–	–	- 934
<b>Operating result</b>	<b>- 2,375</b>	<b>- 1,846</b>	–	–	<b>- 934</b>
Interest income and similar items	22	2	–	–	- 43
Interest expenses	–	–	–	–	0
<b>Net financial income</b>	<b>22</b>	<b>2</b>	–	–	<b>- 43</b>
<b>Result before tax</b>	<b>- 2,353</b>	<b>- 1,844</b>	–	–	<b>- 891</b>
Tax	–	–	–	–	–
<b>Net result</b>	<b>- 2,353</b>	<b>- 1,844</b>	–	–	<b>- 891</b>
Number of shares outstanding	4,384,800	4,384,800	–	–	1,500,000
Number of shares outstanding (after full dilution)	4,384,800	4,384,800	–	–	1,500,000
Weighted number of shares	3,021,653	4,384,800	–	–	1,002,740
Earnings per share	- 0.78	- 0.42	–	–	- 0.89
Earnings per share (fully diluted)*	- 0.78	- 0.42	–	–	- 0.89

\* As of the balance sheet date, Tethys Oil had no convertible bonds, options or other instruments which may cause dilution.

\* Tethys Oil conducted, during the first quarter of 2004, a share split of 1:2. Historic number of shares and share related data has been adjusted accordingly.

\* The number of shares at 30 June 2004 includes new shares from the share issue, which were registered 1 April 2004. For the weighted average number of shares calculation they were included as from 26 March 2004.



## Parent Company Income Statement

TSEK	1 Jan 2004 – 30 Jun 2004	1 Apr 2004 – 30 Jun 2004	1 Jan 2003 – 30 Jun 2003	1 Apr 2004 – 30 Jun 2003	1 Jan 2003 – 31 Dec 2003
	6 months	3 months	6 months	3 months	12 months
Net sales of oil and gas	–	–	–	–	–
Depletion of oil and gas properties	–	–	–	–	–
Write-off of oil and gas properties	–	–	–	–	–
Administration and depreciation	- 2,375	- 1,846	- 249	- 228	- 934
<b>Operating result</b>	<b>- 2,375</b>	<b>- 1,846</b>	<b>- 249</b>	<b>- 228</b>	<b>- 934</b>
Interest income and similar items	22	2	14	8	- 43
Interest expenses	–	–	–	–	0
<b>Net financial income</b>	<b>22</b>	<b>2</b>	<b>14</b>	<b>8</b>	<b>- 43</b>
<b>Result before tax</b>	<b>- 2,353</b>	<b>- 1,844</b>	<b>- 235</b>	<b>- 220</b>	<b>- 891</b>
Tax	–	–	–	–	–
<b>Net result</b>	<b>- 2,353</b>	<b>- 1,844</b>	<b>- 235</b>	<b>- 220</b>	<b>- 891</b>
Number of shares outstanding	4,384,800	4,384,800	1,000,000	1,000,000	1,500,000
Number of shares outstanding (after full dilution)	4,384,800	4,384,800	1,000,000	1,000,000	1,500,000
Weighted number of shares	3,021,653	4,384,800	1,000,000	1,000,000	1,002,740
Earnings per share	- 0.78	- 0.42	- 0.23	- 0.22	- 0.89
Earnings per share (fully diluted)*	- 0.78	- 0.42	- 0.23	- 0.22	- 0.89

\* As of the balance sheet date, Tethys Oil had no convertible bonds, options or other instruments which may cause dilution.

\* Tethys Oil conducted, during the first quarter of 2004, a share split of 1:2. Historic number of shares and share related data has been adjusted accordingly.

\* The number of shares at 30 June 2004 includes new shares from the share issue, which were registered 1 April 2004. For the weighted average number of shares calculation they were included as from 26 March 2004.

# Balance Sheet

TSEK	Group			Parent Company		
	30 June 2004	30 June 2003	31 Dec 2003	30 June 2004	30 June 2003	31 Dec 2003
<b>ASSETS</b>						
<b>Tangible fixed assets</b>						
Oil and gas properties	8,916	–	1,899	8,213	431	1,196
Other fixed assets	58	–	50	58	13	50
<b>Total tangible fixed assets</b>	<b>8,975</b>	<b>–</b>	<b>1,949</b>	<b>8,271</b>	<b>444</b>	<b>1,246</b>
<b>Financial assets</b>						
Shares in subsidiary	–	–	–	1,203	–	703
<b>Total financial assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,203</b>	<b>–</b>	<b>703</b>
<b>Current assets</b>						
<i>Current receivables</i>						
Other receivables	911	–	19	911	21	19
Prepaid expenses	8	–	–	8	44	–
<i>Short term investments</i>						
Other short term investments	64,532	–	1,062	64,532	834	1,062
Cash and bank	1,485	–	1,109	985	214	1,109
<b>Total current assets</b>	<b>66,937</b>	<b>–</b>	<b>2,190</b>	<b>66,437</b>	<b>1,112</b>	<b>2,190</b>
<b>TOTAL ASSETS</b>	<b>75,912</b>	<b>–</b>	<b>4,139</b>	<b>75,912</b>	<b>1,566</b>	<b>4,139</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>						
<b>Shareholders' equity</b>						
<i>Restricted equity:</i>						
Share capital	2,192	–	750	2,192	500	750
Restricted reserves/share premium reserve	72,125	–	4,250	72,125	1,500	4,250
<i>Unrestricted equity:</i>						
Retained earnings	- 1,458	–	- 567	- 1,458	- 567	- 567
Net result	- 2,353	–	- 891	- 2,353	- 235	- 891
<b>Total shareholders' equity</b>	<b>70,506</b>	<b>–</b>	<b>3,542</b>	<b>70,506</b>	<b>1,198</b>	<b>3,542</b>
<b>Current liabilities</b>						
Accounts payable	625	–	106	625	218	106
Other current liabilities	2,176	–	–	2,176	2	–
Accrued expenses	2,604	–	491	2,604	138	491
<b>Total current liabilities</b>	<b>5,406</b>	<b>–</b>	<b>597</b>	<b>5,406</b>	<b>358</b>	<b>597</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>75,912</b>	<b>–</b>	<b>4,139</b>	<b>75,912</b>	<b>1,556</b>	<b>4,139</b>
Pledged assets	–	–	–	–	–	–
Contingent liabilities	2,452	–	2,452	2,452	–	2,452

## Statement of changes in equity

### Group

TSEK	Share capital	Restricted Reserves	Retained Earnings	Net Result
Balance at 1 January 2003	-	-	-	-
Transfer of prior year net result	-	-	-	-
Formation of group structure	500	1,500	- 567	-
Share issue	250	2,750	-	-
Net result	-	-	-	- 891
Balance at 1 January 2004	750	4,250	-567	- 891
Transfer of prior year net result	-	-	- 891	891
Registered share issue	1,442	73,562	-	-
Issue costs	-	6,000	-	-
Net result	-	-	-	- 2,353
<b>Balance at 30 June 2004</b>	<b>2,192</b>	<b>72,125</b>	<b>- 1,458</b>	<b>- 2,353</b>

### Parent Company

TSEK	Share Capital	Restricted Reserves	Retained Earnings	Net Result
Balance at 1 January 2003	500	1,500	-	- 567
Transfer of prior year net result	-	-	- 567	567
Share issue	250	2,750	-	-
Net result	-	-	-	- 891
Balance at 1 January 2004	750	4,250	-567	- 891
Transfer of prior year net result	-	-	- 891	891
Registered share issue	1,442	73,562	-	-
Issue costs	-	6,000	-	-
Net result	-	-	-	- 2,353
<b>Balance at 30 June 2004</b>	<b>2,192</b>	<b>72,125</b>	<b>- 1,458</b>	<b>- 2,353</b>

## Cash Flow Statement

TSEK	Group			Parent Company				
	1 Jan 2004 – 30 Jun 2004	1 Apr 2004 – 30 Jun 2004	1 Jan 2003 – 31 Dec 2003	1 Jan 2004 – 30 Jun 2004	1 Apr 2004 – 30 Jun 2004	1 Jan 2003 – 30 Jun 2003	1 Apr 2003 – 30 Jun 2003	1 Jan 2003 – 31 Dec 2003
	6 months	3 months	12 months	6 months	3 months	6 months	3 months	12 months
<b>Cash flow from operations</b>								
Net result	- 2,353	- 1,844	- 891	- 2,353	- 1,844	- 235	- 220	- 891
Adjustment for depreciation and other non cash related items	7	4	6	7	4	2	1	6
<b>Total cash flow used in operations before change in working capital</b>	<b>- 2,345</b>	<b>- 1,840</b>	<b>- 885</b>	<b>- 2,345</b>	<b>- 1,840</b>	<b>- 233</b>	<b>- 219</b>	<b>- 885</b>
Increase in receivables	- 901	- 770	- 9	- 901	- 770	- 54	- 54	- 9
Increase in liabilities	4,809	4,528	412	4,809	4,528	174	211	412
<b>Cash flow from/used in operations</b>	<b>- 1,563</b>	<b>- 1,918</b>	<b>- 482</b>	<b>1,563</b>	<b>1,918</b>	<b>- 114</b>	<b>- 63</b>	<b>- 482</b>
<b>Investment activity</b>								
Investment in oil and gas properties	- 7,017	- 6,754	- 1,529	- 7,017	- 6,754	- 61	- 61	- 826
Investment in financial assets	-	-	-	- 500	- 500	-	-	- 703
Investment in other fixed assets	- 16	-	- 41	- 16	-	-	-	- 41
<b>Cash flow used for investment activity</b>	<b>- 7,033</b>	<b>- 6,754</b>	<b>- 1,570</b>	<b>- 7,533</b>	<b>- 7,254</b>	<b>- 61</b>	<b>- 61</b>	<b>- 1,570</b>
<b>Financing activity</b>								
Share issue	69,317	9,550	3,000	69,317	9,550	-	-	3,000
<b>Cash flow from financing activity</b>	<b>69,317</b>	<b>9,550</b>	<b>3,000</b>	<b>69,317</b>	<b>9,550</b>	<b>-</b>	<b>-</b>	<b>3,000</b>
<b>Period cash flow</b>	<b>63,846</b>	<b>4,714</b>	<b>948</b>	<b>63,346</b>	<b>4,214</b>	<b>- 175</b>	<b>- 124</b>	<b>948</b>
<b>Cash and bank at the beginning of the period</b>	<b>2,171</b>	<b>61,304</b>	<b>1,223</b>	<b>2,171</b>	<b>61,304</b>	<b>1,223</b>	<b>1,172</b>	<b>1,223</b>
<b>Cash and bank at the end of the period</b>	<b>66,017</b>	<b>66,017</b>	<b>2,171</b>	<b>65,517</b>	<b>65,517</b>	<b>1,048</b>	<b>1,048</b>	<b>2,171</b>

\* The Tethys Oil Group was established 1 October 2003 which is why no tables are presented for the previous year for the Group.

# Key Ratios

TSEK	Group			Parent Company				
	1 Jan 2004 – 30 Jun 2004	1 Apr 2004 – 30 Jun 2004	1 Jan 2003 – 31 Dec 2003	1 Jan 2004 – 30 Jun 2004	1 Apr 2004 – 30 Jun 2004	1 Jan 2003 – 30 Jun 2003	1 Apr 2003 – 30 Jun 2003	1 Jan 2003 – 31 Dec 2003
	6 months	3 months	12 months	6 months	3 months	6 months	3 months	12 months
<b>Items regarding the income statement and balance sheet</b>								
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	- 2,375	- 1,846	- 934	- 2,375	- 1,846	- 249	- 228	- 934
Operating margin, %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Result before tax, TSEK	- 2,353	- 1,844	- 891	- 2,353	- 1,844	- 235	- 220	- 891
Net result, TSEK	- 2,353	- 1,844	- 891	- 2,353	- 1,844	- 235	- 220	- 891
Net margin, %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shareholders' equity, TSEK	70,506	70,506	3,542	70,506	70,506	- 1,198	1,198	3,542
Balance sheet total, TSEK	75,912	75,912	4,139	75,912	75,912	- 1,566	1,566	4,139
<b>Capital structure</b>								
Solvency, %	92.88	92.88	85.58	92.88	92.88	77.00	77.00	85.58
Leverage ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted equity ratio, %	92.88	92.88	85.58	92.88	92.88	77.00	77.00	85.58
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	7,033	6,754	1,570	7,533	7,254	61	61	1,570
<b>Profitability</b>								
Return on shareholders' equity, %	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
<b>Key figures per employee</b>								
Average number of employees	2	3	0	2	3	0	0	0
<b>Number of shares</b>								
Number of shares on balance day, thousands	4,385	4,385	1,500	4,385	4,385	1,000	1,000	1,500
Shareholders' equity per share, SEK	16.08	16.08	2.40	16.08	16.08	1.20	1.20	2.40
Weighted number of shares on balance day, thousands	3,022	4,385	1,003	3,022	4,385	1,000	1,000	1,003
Earnings per share, SEK	- 0.78	- 0.42	- 0.89	- 0.78	- 0.42	- 0.23	- 0.22	- 0.89

\* Tethys Oil conducted during the first quarter of 2004 a share split of 1:2. Historic number of shares and share related data has been adjusted accordingly.

\* The number of shares at 30 June 2004 includes new shares from the share issue, which were registered 1 April 2004. For the weighted averaged number of shares calculation they were included as of March 26 2004.

## Definitions of key ratios

### **Margins**

#### *Gross margin*

Operating result before depreciation as a percentage of yearly turnover.

#### *Operating margin*

Operating result as a percentage of yearly turnover.

#### *Net margin*

Net result as a percentage of yearly turnover.

### **Capital structure**

#### *Solvency*

Shareholders' equity as a percentage of total assets.

#### *Leverage ratio*

Interest bearing liabilities as a percentage of shareholders' equity.

#### *Adjusted equity ratio*

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

#### *Interest coverage ratio*

Result before taxes plus financial costs as a percentage of financial costs.

#### *Investments*

Total investments during the year.

### **Profitability**

#### *Return on shareholders' equity*

Net result as percentage of shareholders' equity.

#### *Return on capital employed*

Net result as a percentage of average capital employed (total assets minus non interests-bearing liabilities plus allocations).

### **Other**

#### *Number of employees*

Average number of employees full-time.

#### *Shareholders' equity per share*

Shareholders' equity divided by number of outstanding shares.

#### *Weighted numbers of shares*

Weighted number of shares during the year.

#### *Earnings per share*

Net result divided by number of outstanding shares.

# Definitions and Abbreviations

## General

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

## Petroleum related abbreviations and definitions

<b>BBL</b>	Barrel
<b>BBLs</b>	Barrels
<b>BCF</b>	Billion cubic feet
<b>BOE</b>	Barrels of oil equivalents
<b>BOEPD</b>	Barrels of oil equivalents per day
<b>BOPD</b>	Barrels of oil per day
<b>MBBL</b>	Thousand barrels (in Latin mille)
<b>MMBO</b>	Million barrels of oil
<b>MMBOE</b>	Million barrels of oil equivalents
<b>MMBOEPD</b>	Million barrels of oil equivalents per day
<b>CF</b>	Cubic feet
<b>MCF</b>	Thousand cubic feet
<b>MCFPD</b>	Thousand cubic feet per day
<b>MMCF</b>	Million cubic feet

## Industry specific terms

### Barrel

1 barrel is = 159 litres  
1 cubic foot = 0.028 m<sup>3</sup>

### Basin

Basin is a depression of large size in which sediments have accumulated.

### Farm-in

A joint-venture agreement between companies whereby one company holds the license and the other company joins them by taking a working interest in the license.

## Hydrocarbons

Naturally occurring organic substances composed of hydrogen and carbon. They include crude oil, natural gas and natural gas condensate.

## Licence

Company is granted rights to a concession and bears the cost of exploration and development, in return for paying to the government licence fees and royalties on production.

## Paying interest

Paying interest is the cost-bearing interest arising out of the obligation to bear initial exploration, appraisal and development costs on behalf of a partner.

## Probable reserves

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% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

## Proved reserves

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% probability that the quantities actually recovered will equal or exceed the estimates.

## Seismic

Seismic is a method of geophysical prospecting involving the interaction of sound waves and buried sedimentary rock layers.

## Working interest

The actual interest owned by a party.



## Financial Information

*The Company plans to publish the following financial reports:*

**Nine months report** (January – September 2004) on 5 November 2004

**Year end result 2004** (January – December 2004) on 15 February 2005

**Three months report** (January – March 2005) on 5 May 2005

**Six months report** (January – June 2005) on 15 August 2005

This report has not been subject to review by the auditor of the company.

Stockholm, 16 August 2004

Magnus Nordin, Managing Director

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