Tethys Oil AB (publ)

Report for the period 1 January 2008 – 31 December 2008

HIGHLIGHTS

- **Farha South-3 well on Block 3 in Oman spudded in February 2009**
- **Processing of new 3D seismic data over Block 15 in Oman completed**
- **Tethys Oil increases focus on Tethys' core area Oman**
- **Tethys Oil raises MSEK 13 through a private placement in February 2009**
- **As at 31 December 2008 there have been no sales of oil and gas in Tethys Oil, nor for the equivalent period of last year**
- **Loss for the full year 2008 amounted to TSEK – 16,426 (TSEK – 24,721 for the corresponding period last year) and TSEK – 12,666 (TSEK – 2,340) for the fourth quarter. The loss for the full year 2008 has been significantly impacted by write downs of oil and gas properties amounting to TSEK 21,088 and net foreign exchange gains amounting to TSEK 13,704 due to the strengthened US dollar**
- **Earnings per share amounted to SEK – 0.72 (SEK – 1.41) for the full year 2008 and SEK – 0.53 (SEK – 0.13) for the fourth quarter**
- **Cash and cash equivalents as per 31 December 2008 amounted to TSEK 29,886 (TSEK 12,252)**

Tethys Oil AB (publ)

Tethys Oil is a Swedish energy company focused on identification and development for production of oil and natural gas assets in the Middle East, North Africa and Europe. Tethys' strategy is to primarily invest in projects in areas with known oil and natural gas discoveries that have not been properly appraised using modern technology. In this way, high returns can be achieved with limited risk.

The company has interests in licences in Oman, Morocco, France, Spain, Turkey and Sweden. The shares are listed on First North (TETY) in Stockholm. Remium AB is Certified Adviser.

OPERATIONS

Overview

Tethys Oil has interests in licences in Oman, Morocco, Spain, Turkey, France and Sweden.

Country	Licence areas	Tethys Oil, %	Total area, km²	Operator	Investments 1 Jan-31 Dec 2008, TSEK	Investments 1 Oct-31 Dec 2008, TSEK	Book value 31 Dec 2008, TSEK
Oman	Block 15	40%	1,389	Tethys Oil	59,366	27,228	133,596
	Block 3&4	50%	33,125	CCED			
Morocco	Bouanane	12.5%[1]	2,100	Dana Petroleum	887	108	1,858
Spain	Valderredible	15%[2]	241	Leni Gas&Oil	2,713	50	-
	Huermeces	15%[2]	121	Leni Gas&Oil			
	Basconcillos	15%[2]	194	Leni Gas&Oil			
	Cameros	26%	35	OGSSA			
	Ebro-A	26%	217	OGSSA			
Turkey	Ispandika	10%	965	Aladdin Middle East	3,783	1,227	1,289
	Thrace	25%	994	Aladdin Middle East			
France	Attila	40%	1,986	Galli Coz	4,558	26	3,589
Sweden	Gotland Större	100%	540	Tethys Oil	170	85	429
New ventures					29	9	52
Total			**41,907**		**71,506**	**28,732**	**140,811**

Oman

The appraisal and development of Block 15

In early January 2009, the processing of new 3D seismic data was completed. The processing has been done by specialist firm Hardin International of Dallas, Texas. A total of 285 square kilometres of 3D seismic data was collected in August and September 2008, covering the entire hydrocarbon bearing Jebel Aswad structure. Previous seismic over the Jebel Aswad structure was 2D seismic with relatively low resolution and with sparse coverage over parts of the structure. The new seismic lines cover the whole structure, and are acquired with a geophone spacing of 15 x 15 metres. The processed data is of exceptionally good quality. The new seismic maps now being generated will offer very valuable information for the future development of Jebel Aswad field.

In 2007, Tethys drilled the Jebel Aswad-1 (JAS-1) well, which flowed 2,626 BOEPD. In the summer 2008, Tethys spudded JAS-2, a step out well 1.2 kilometres from JAS-1. By 20 August, JAS-2 was finished after the well had reached a total measured depth of 4,018 metres. A horizontal section of 927 metres was drilled in the reservoir section at a vertical depth of just over 3,000 metres. The horizontal section was drilled in a south easterly direction and has confirmed the reservoir extension in this direction. The testing of JAS-2 was however suspended due to an unintentional crossing of a water producing fault close to the end of the well. The return of a drilling rig will be required to work over the well and to seal off the water producing fault.

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[1] Tethys Oil has a 12.5 per cent interest in the licence. According to the farm-in agreement with Dana Petroleum, Tethys Oil is carried for exploration costs up to MUSD 12. However, for expenditures exceeding these limits Tethys Oil will pay 16 2/3 per cent.

[2] Tethys Oil has, as per agreement with operator Leni Gas&Oil plc, a carried working interest. According to the agreement Tethys Oil will have a 15 per cent interest free of costs for work to be done on the three exploration licences. These costs include licence fees, technical studies and well workovers, but do not include the acquisition of seismic or the drilling of wells.

Future activities on the block are pending the final outcome of the 3D seismic interpretation, which is expected towards the end of March, 2009.

Block 3
On 9 February 2009, the Farha South-3 well was spudded. Drilling target is the Lower Bashair sandstone formation at a depth of around 1,900 metres. Farha South-3 well is being drilled as a vertical pilot hole to test the lateral continuity of the Lower Bashair sandstone after which a 700 metres horizontal sidetrack is planned to boost productivity. Farha South-3 is located about 1.2 kilometres South East of the Farha South-1 oil discovery. Based on data from previous operators, it is estimated that the Farha South structure could contain some 8 to 10 million barrels of recoverable oil. The discovery well tested a total of 260 barrels of 40 degree API oil from the Lower Bashair formation in 1986.

Block 4
Block 4, which Tethys in December 2007 acquired a 50 per cent interest in, holds a number of interesting plays. The first one to be drilled is the appraisal of the heavy oil discovery East Saiwan. When drilled in 2005, the well East Saiwan-1 logged about 42 metres of oil saturated limestones and sandstones. Although the section was evaluated by electric logs it was never drill stem tested. Previously, this oil was considered immobile; however, recent technical studies indicate that it potentially could be produced. Based on current data, calculations show that the East Saiwan area could contain more than 1 billion barrels of oil in place. The drilling of East Saiwan-2 is scheduled to follow as soon as Farha South-3 on Block 3 has been finalized.

Morocco
A drilling rig contract for the drilling of the Tafejjart-1 exploration well on the Bouanane licence onshore Morocco was entered into by the operator Dana Petroleum on behalf of the partner group. In late 2008 and early 2009, the well site and an access road were constructed. The rig is currently drilling a well for another operator in Morocco, which is expected to be finished in late February. Afterwards, the rig mobilization to the Bouanane licence is estimated to take up to 30 days. Spudding of the Tafejjart-1 well will then be in the second half of March.

Tethys has a 12.5 per cent interest in the Bouanane licence and is carried for the first MUSD 12 of drilling cost.

France
The exploration well Pierre Maubeuge 2 (PLM-2) on the Attila licence in France proved the presence of natural gas during the drilling in autumn 2007. Wireline logging confirmed the indications of gas while drilling. In July 2008, well completion and production tests were conducted on the well but only a minor gas flow occurred. An evaluation of the well results was conducted and it was decided to re-test the well during the autumn of 2008. Higher gas flows were recorded during this test; however the results proved the PLM-2 well to be non commercial in its current state. Although disappointing, this result supports the overall prospectivity of the Attila licence.

Turkey
Thrace
In September and October 2008, the Copkoy-1 exploration well in the Thrace Basin was drilled. It was tested at three intervals that showed gas while drilling. The tests were however not successful and the well was plugged and abandoned. A thorough post-drilling analysis was carried out of all the data from the well in cooperation with the operator Aladdin. Based on this analysis, Tethys has decided to withdraw from the licences.

Ispandika
No ground work has been carried out since the first quarter 2007 due to the security situation in the region.

Spain
Tethys has held interests in two onshore projects in Spain: the Sedano Project south of the Cantabrian Mountains and the Cameros project in the Ebro basin of northern Spain. The Sedano project was tested in 2007 with the drilling of the Hontomin-4 well. The well was unsuccessful, and resulted in Tethys lowering its interests in the licences to 15 per cent. Subsequently, Tethys has decided to withdraw from the Spanish projects.

Sweden
Gotland
Tethys has in 2008 conducted a comprehensive study of existing data and a database has been created. The interpretation of new satellite radar data has resulted in new maps, which have supplied better understanding of the land cover and the relief within the licence area. The work to identify reefal trends within the licence area continues.

RESULT AND CASH FLOW

The consolidated financial statements of the Tethys Oil Group (Tethys Oil), where Tethys Oil AB (publ) with organisational number 556615-8266 is the parent company, are hereby presented for the twelve month period ended 31 December 2008. The amounts relating to the comparative period (equivalent period of last year) are shown in parenthesis after the amount for the current period. The share related data have been restated for comparative periods based on the share split 3:1 conducted in March 2008. The primary segment of the group is geographical markets. Within the group there are only assets and write downs for these geographical markets which are presented below.

Loss for the period and sales

Tethys Oil reports a loss for the full year 2008 of TSEK – 16,426 (TSEK – 24,721 for comparative period last year) and TSEK - 12,666 (TSEK – 2,340) for the fourth quarter, representing earnings per share of SEK – 0.72 (SEK – 1.41) for the full year 2008 and SEK – 0.53 (SEK – 0.13) for the fourth quarter.

The loss for the full year 2008 has been significantly impacted by write downs of oil and gas properties and net foreign exchange gains. The write downs amounting to TSEK 21,088 regard all previously incurred investments in Thrace, Turkey and Spain and all well related investments in France. The write downs are described in more detail under *Movement in oil and gas properties*. The currency exchange effect of the group amounts to TSEK 13,704 for the twelve month period and TSEK 10,785 for the fourth quarter and the majority of the effect relates to the strengthened US dollar in relation to the Swedish krona. The background to this is that the majority of Tethys Oil's assets relates to Oman and Block 15 which are held through the subsidiary Tethys Oil Oman Ltd and is financed through an intercompany loan from the parent company denominated in US dollar. These currency translation differences between the parent company and subsidiaries are non cash related items. The currency exchange gain effect is part of net financial income amounting to TSEK 15,565 for the full year 2008 and TSEK 11,451 for the fourth quarter. Apart from net currency exchange gains, net financial income consists of net interest received and return on short term investments of TSEK 1,649 for the full year 2008 and TSEK 569 for the fourth quarter.

Tethys Oil has not recorded any sales or production of oil and gas for the twelve month period that ended 31 December 2008. Accordingly, there has been no depletion of oil and gas properties.

Other income, administrative expenses

Administrative expenses amounted to TSEK – 13,818 (TSEK – 10,563) for the full year 2008 and TSEK – 3,628 (TSEK – 2,466) for the fourth quarter. Depreciation amounted to TSEK 175 (TSEK 122) during the full year 2008 and TSEK 88 (TSEK 59) during the fourth quarter. Administrative expenses are mainly salaries, rents, listing costs and outside services. These costs are corporate costs. Depreciation is referable to office equipment. The increase in administrative expenses compared to 2007 is related to increased corporate activity especially in the subsidiary Tethys Oil Oman Ltd and a strengthened US dollar. Part of the administrative expenses in Tethys Oman Ltd is charged to the joint venture in Block 15 in Oman where the expenses are capitalised and, in line with the Production Sharing Agreement, recoverable. These administrative expenses are, through the above, also funded by the partner in Block 15 in Oman by 60 per cent. The chargeout to the joint venture is presented in the income statement as Other income. Part of the remaining administrative expenses are capitalised in the subsidiaries and in the consolidated income statement these internal transactions are eliminated.

Movement in oil and gas properties

Tethys Oil's oil and gas properties consist of interests in licences in Oman, Morocco, Spain, Turkey, France and Sweden. Oman account for the largest part of the book values of oil and gas properties, around 95 per cent as per 31 December compared to 79 per cent as per 31 December 2007. The focus on Oman has increased due to the write downs of oil and gas properties which were made during the fourth quarter in Spain, France and the Thrace licences in Turkey. Tethys Oil has furthermore, in the light of the focus on Oman, not renewed the option to acquire 11 per cents interest of the Dunalka licence onshore Latvia.

Oil and gas properties as at 31 December 2008 amounted to TSEK 140,811 (TSEK 76,912). Investments in oil and gas properties of TSEK 71,506 (TSEK 29,480) were incurred for the twelve month period ended 31 December 2008.

Investments in oil and gas properties in Oman of TSEK 59,366 have mainly been related to Block 15 for the planning, preparation and drilling of the Jebel Aswad-2 well. After completing the Jebel Aswad-2 well the testing was suspended due to a water producing fault close to the end of the well. Tethys Oil will have to source a rig to be able to complete the testing. Furthermore on Block 15, investments have been incurred relating to 3D seismic acquisition. Investments related to Blocks 3&4 regard the planning and preparation of the Farha South well which commenced during February 2009.

In France, Tethys Oil has invested TSEK 4,558 mainly for the completion and testing of the PLM-2 on the Attila licence. Results from the testing were presented in July and initially no flows were recorded. The operator has continued evaluating data and is confident that sufficient proof of an active gas system with the licence area has been determined to justify the investments that regard the Attila licence. However, all incurred investments relating to the PLM-2 exploration well has been written off as the well is considered sub-commercial. The write downs relating to PLM-2 amount to TSEK 9,812.

In Turkey, Tethys Oil participated in an exploration well in Thrace. Investments have amounted to TSEK 3,783 relating to this well. The Copcoy well spudded in September and reached total depth in mid October. The well was plugged and abandoned and a post drilling analysis was carried out. Based on the analysis, Tethys Oil has decided to withdraw from the Thrace licences and consequently all incurred investments are written off. The write downs relating to Thrace amount to TSEK 7,108.

In Spain Tethys Oil has invested TSEK 2,713 relating to the Sedano project and the majority of these investments were made in the beginning of the year. Tethys Oil has decided to withdraw from all its projects in Spain and has, following from this decision, written off all incurred investments amounting to TSEK 4,168.
In Morocco TSEK 887 have been invested relating to the Bouanane licence and mainly regard previously incurred expenditures.

The book value of oil and gas properties include currency exchange gains of TSEK 13,484 during the full year 2008, which are not cash related items and therefore not included in investments. For more information please see above *Loss for the period and sales*.

Liquidity and financing
Cash and cash equivalents as at 31 December 2008 amounted to TSEK 29,886 (TSEK 12,252) of which cash and bank amounted to TSEK 20,603 (TSEK 12,252) and short term investments amounted to TSEK 9,283 (TSEK -). Short term investments are investments in money market funds.

At the beginning of 2008 Tethys Oil received proceeds from the set off issue which was registered in December 2007. The set off issue regarded 226,000 shares and the amount received in January 2008 was TSEK 12,656. Based on an authorization from the EGM held 20 February 2008, the Board of Directors resolved to issue 4,800,000 shares through a private placement directed to primarily international investors in the Middle East, Asia and France. The private placement was made at SEK 19 per share, which was in line with the prevailing market price at the time. Total proceeds from this issue amounting to TSEK 91,200, before issue costs, were received between the first and second quarter. Issue costs amounted to approximately TSEK 4,979. The shares were registered on 9 April 2008. The Dubai based brokerage house MAC Capital Limited acted as advisor for the private placement.

Furthermore, the Board of Directors decided to issue up to 4,800,000 warrants based on authorization from the EGM held 20 February 2008. The decision was made 31 March 2008 and the warrants were issued with preferential right to existing shareholders as per record date 15 April 2008. The total number of warrants issued was 4,795,649. All shareholders received, free of charge, one warrant for every fifth share held. The warrants can be exercised during the period 1 June 2008 to 30 June 2010 and the subscription price is SEK 23. The warrant started to trade on First North 17 April 2008. On full exercise of the warrants Tethys Oil will issue 4,795,649 shares and receive about MSEK 110 before issue costs.

Current receivables
Current receivables amounted to TSEK 7,239 (TSEK 15,777) as at 31 December 2008. The reduction of short term receivables is explained by the set off issue described above, where proceeds from the issue were recorded as current receivables as per 31 December 2007 and received in January 2008. The majority of the receivables as per 31 December 2008 relate to partner receivables on Block 15 in Oman.

Current liabilities
Current liabilities as at 31 December 2008 amounted to TSEK 2,832 (TSEK 2,390), of which TSEK 1,358 (TSEK 1,251) relates to accounts payable, TSEK 385 (TSEK 733) relates to other current liabilities and TSEK 1,088 (TSEK 406) relates to accrued expenses.

Parent company
The parent company reports a loss for the full year 2008 amounting to TSEK – 12,389 (TSEK – 22,558) and TSEK – 13,961 (TSEK – 1,760) for the fourth quarter. Administrative expenses amounted to TSEK – 8,503 (TSEK – 7,225) for the full year 2008 and TSEK – 2,338 (TSEK – 1,104) for the fourth quarter. Net financial income amounted to TSEK – 5,536 (TSEK – 18,561) during the full year 2008 and TSEK - 12,131 (TSEK – 907) for the fourth quarter. Write downs of shares in group companies have significantly impacted the loss for the twelve and three month periods and are made as a consequence of the write downs of oil and gas properties in the group. Write downs of shares in group companies amounted to TSEK - 24,859 and are included in net financial income. The strengthened US dollar has had a significantly positive impact on net financial income. The majority of the exchange rate gains regard translation differences and are non cash related. Investments and loans to subsidiaries during the full year 2008 amounted to TSEK 82,743 (TSEK 42,005). Loans are financial loans to subsidiaries for their oil and gas operations, investments are mainly in oil and gas operations related to Blocks 3&4 in Oman. The turnover in the parent company relates to chargeouts of services to subsidiaries.

Board of Directors
At the Annual Meeting of shareholders on 8 May 2008 Håkan Ehrenblad, Vincent Hamilton, John Hoey, Jonas Lindvall, Magnus Nordin and Jan Risberg were re-elected members of the board. Carl-Gustaf Ingelman declined re-election. No deputy directors were appointed. At the same meeting Vincent Hamilton was appointed Chairman.

Share data
As per 31 December 2008, the number of outstanding shares in Tethys Oil amount to 23,978,286 (19,178,286), with a quota value of SEK 0.17 (SEK 0.17). As per 1 January 2008, Tethys Oil had 6,392,762 shares. The EGM held 20 February 2008 resolved to carry out a share split whereby each share was divided into three shares (a share split 3:1). The share split was conducted 3 March 2008 and increased the number of shares to 19,178,286. The share issue conducted between the first and second quarter increased the number of shares with 4,800,000 to 23,978,286. The shares from the share issue are included as per registration dated 9 and 16 April 2008. The warrants from the rights issue described above amount to 4,795,649 with an exercise price of SEK 23 and where one warrant gives the right to one share. The warrants can be exercised continuously up until 30 June 2010. The average share price during the twelve month period and three month period ended 31 December were below the exercise price which is why the related numbers of shares are not included in the fully diluted number of shares.

Risks and uncertainties
A statement of risk and uncertainties are presented in note 1, page 14.

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

Subsequent events
The Board of Directors resolved 17 February 2009 to issue 1,300,000 new shares, corresponding to approximately 5.4 per cent of the number of shares outstanding, at a price of SEK 10 through a private placement directed to approximately 10 Swedish and international investors. The private placement is done with authorizations from the AGM held on 8 May 2008. The private placement is fully subscribed and the proceeds will amount to MSEK 13 (approximately MUSD 1.5) before issue costs.

After the private placement the number of shares in Tethys will amount to 25,280,086. The share capital of the company will increase by SEK 216,667 to SEK 4,213,348. The subscription price was in line with Tethys Oil's current price on the stock market.

The proceeds from the private placement will be used to facilitate the ongoing work programme in Tethys Oil's core area onshore Oman.

CONSOLIDATED INCOME STATEMENT

TSEK	1 Jan 2008 - 31 Dec 2008 12 months	1 Oct 2008 - 31 Dec 2008 3 months	1 Jan 2007 - 31 Dec 2007 12 months	1 Oct 2007 - 31 Dec 2007 3 months
Net sales of oil and gas	-	-	-	-
Write off of oil and gas properties	-21,088	-20,988	-16,220	60
Other income	3,450	628	3,195	923
Other losses/gains, net	-293	-9	55	-112
Administrative expenses	-13,818	-3,628	-10,563	-2,466
Operating result	**-31,748**	**-23,997**	**-23,533**	**-1,596**
Financial income and similar items	15,565	11,451	417	150
Financial expenses and similar items	-212	-97	-1,587	-878
Net financial income	**15,353**	**11,354**	**-1,170**	**-727**
Result before tax	**-16,395**	**-12,643**	**-24,704**	**-2,323**
Income tax	-30	-23	-17	-17
Loss for the period	**-16,426**	**-12,666**	**-24,721**	**-2,340**
Number of shares outstanding *	23,978,286	23,978,286	19,178,286	19,178,286
Number of shares outstanding (after dilution) *	23,978,286	23,978,286	19,178,286	19,178,286
Weighted number of shares *	22,668,450	23,978,286	17,591,889	17,591,889
Earnings per share, SEK *	-0.72	-0.53	-1.41	-0.13
Earnings per share (after dilution), SEK *	-0.72	-0.53	-1.41	-0.13

** The share related data have been restated for comparative periods based on the share split 3:1 conducted in March 2008.*

CONSOLIDATED BALANCE SHEET

TSEK	31 Dec 2008	31 Dec 2007
ASSETS		
Fixed assets		
Oil and gas properties	140,811	76,932
Office equipment	1,128	308
Total fixed assets	**141,940**	**77,240**
Current assets		
Other receivables	7,239	15,777
Prepaid expenses	843	316
Short term investments	9,283	-
Cash and bank	20,603	12,252
Total current assets	**37,969**	**28,346**
TOTAL ASSETS	**179,909**	**105,586**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	3,997	3,196
Additional paid in capital	262,982	177,555
Other reserves	1,897	-2,182
Retained earnings	-91,799	-75,374
Total shareholders' equity	**177,077**	**103,196**
Non interest bearing current liabilities		
Accounts payable	1,358	1,251
Other current liabilities	385	733
Accrued expenses	1,088	406
Total non interest bearing current liabilities	**2,832**	**2,390**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**179,909**	**105,586**
Pledged assets	500	500
Contingent liabilities	43,230	36,509

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Share Capital	Paid in Capital	Other reserves	Retained Earnings	Total Equity
Opening balance 1 January 2007	**2,871**	**143,050**	**-21**	**-50,690**	**95,230**
Currency translation difference	-	-	-2,160	-	-2,160
Total income and expenses recognised directly in equity	**-**	**-**	**-2,160**	**-**	**-2,160**
Loss for the first quarter 2007	-	-	-	-4,461	-4,461
Loss for the second quarter 2007	-	-	-	-14,165	-14,165
Loss for the third quarter 2007	-	-	-	-3,755	-3,755
Loss for the fourth quarter 2007	-	-	-	- 2,340	-2,340
Directed issue	150	16,650	-	-	16,800
Issue costs	-	-1,076	-	-	-1,076
Directed issue	63	6,937	-	-	7,000
Issue costs	-	-88	-	-	-88
Set off issue	113	12,543	-	-	12,656
Issue costs	-	-88	-	-	-88
Issue costs private placement	-	-394	-	-	-394
Closing balance at 31 December 2007	**3,196**	**177,555**	**-2,182**	**-75,374**	**103,196**
Opening balance 1 January 2008	**3,196**	**177,555**	**-2,182**	**-75,374**	**103,196**
Currency translation difference	**-**	**-**	4,079	**-**	4,079
Total income and expenses recognised directly in equity	**-**	**-**	**4,079**	**-**	**4,079**
Loss for the first quarter 2008	-	-	-	- 5,458	- 5,458
Loss for the second quarter 2008	-	-	-	- 3,173	- 3,173
Result for the third quarter 2008	-	-	-	4,872	4,872
Loss for the fourth quarter 2008	-	-	-	- 12,666	-12,666
Issue costs set off issue	-	-107	-	-	-107
Private placement	801	90,441	-	-	91,242
Issue costs private placement	-	- 4,585	-	-	- 4,585
Issue costs warrant issue	-	-322	-	-	- 322
Closing balance at 31 December 2008	**3,997**	**262,982**	**1,897**	**- 91,799**	**177,077**

CONSOLIDATED CASH FLOW STATEMENT

TSEK	1 Jan 2008 - 31 Dec 2008 12 months	1 Oct 2008 - 31 Dec 2008 3 months	1 Jan 2007 - 31 Dec 2007 12 months	1 Oct 2007 - 31 Dec 2007 3 months
Cash flow from operations				
Operating result	-31,748	-23,997	-23,532	-1,595
Interest received	1,233	229	374	92
Interest paid	-1	-	-	-814
Income tax	-30	-23	-17	-17
Adjustment for write down of oil and gas properties	21,088	20,988	16,220	-60
Adjustment for depreciation and other non cash related items	251	239	-1,461	59
Total cash flow used in operations before change in working capital	**-9,207**	**-2,564**	**-8,416**	**-2,334**
Decrease/increase in receivables	-4,646	-4,345	13,408	-7,126
Decrease/increase in liabilities	442	-4,716	-21,363	-5,599
Cash flow used in operations	**-13,411**	**-11,625**	**-16,371**	**-15,059**
Investment activity				
Investment in oil and gas properties	-71,506	-28,732	-51,481	-15,542
Investment in other fixed assets	-995	-972	-284	-184
Cash flow used for investment activity	**-72,501**	**-29,703**	**-51,765**	**-15,726**
Financing activity				
Share issue, net after issue costs	98,884	11	22,267	19,146
Return on short term investments	417	340	43	-
Cash flow from financing activity	**99,301**	**352**	**22,310**	**19,146**
Period cash flow	**13,390**	**-40,977**	**-45,827**	**-11,640**
Cash and cash equivalents at the beginning of the period	12,252	66,991	58,085	23,898
Exchange gains/losses on cash and cash equivalents	4,245	3,866	-5	-6
Cash and cash equivalents at the end of the period	29,886	29,886	12,252	12,252

PARENT COMPANY INCOME STATEMENT CONDENSED

TSEK	1 Jan 2008 - 31 Dec 2008 12 months	1 Oct 2008 - 31 Dec 2008 3 months	1 Jan 2007 - 31 Dec 2007 12 months	1 Oct 2007 - 31 Dec 2007 3 months
Net sales of oil and gas	-	-	-	-
Other income	1,881	565	2,923	313
Other losses/gains, net	-231	-57	306	-62
Administrative expenses	-8,503	-2,338	-7,225	-1,104
Operating result	**-6,853**	**-1,829**	**-3,996**	**-853**
Financial income and similar items	19,457	12,825	3,145	1,002
Financial expenses and similar items	-134	-98	-1,587	-1,542
Write down of shares in group company	-24,859	-24,859	-20,119	-367
Net financial income	**-5,536**	**-12,131**	**-18,561**	**-907**
Result before tax	**-12,389**	**-13,961**	**-22,558**	**-1,760**
Income tax	-	-	-	-
Loss for the period	**-12,389**	**-13,961**	**-22,558**	**-1,760**
Number of shares outstanding *	23,978,286	23,978,286	19,178,286	19,178,286
Number of shares outstanding (after dilution) *	23,978,286	23,978,286	19,178,286	19,178,286
Weighted number of shares *	22,668,450	23,978,286	17,591,889	17,591,889

** The share related data have been restated for comparative periods based on the share issue 3:1 conducted in March 2008.*

PARENT COMPANY BALANCE SHEET CONDENSED

TSEK	31 Dec 2008	31 Dec 2007
ASSETS		
Subscribed capital unpaid	-	12,656
Total fixed assets	35,767	13,090
Total financial fixed assets	123,545	79,093
Total current assets	29,097	10,341
TOTAL ASSETS	**188,409**	**115,179**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	187,035	113,197
Total non interest bearing current liabilities	1,374	1,982
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**188,409**	**115,179**
Pledged assets	500	500
Contingent liabilities	43,230	36,245

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

TSEK	Restricted equity		Non restricted equity			
	Share capital	Statutory Reserve	Share premium Reserve	Retained Earnings	Net result	Total Equity
Opening balance at 1 January 2007	**2,871**	**71,071**	**72,000**	**- 16,820**	**-28,178**	**100,945**
Transfer of prior year net result	-	-	-	-28,178	28,178	-
Loss for the first quarter 2007	-	-	-	-	-3,141	-3,141
Loss for the second quarter 2007	-	-	-	-	-492	-492
Loss for the third quarter 2007	-	-	-	-	-17,165	-17,165
Loss for the fourth quarter 2007	-	-	-	-	- 1,760	-1,760
	2,871	**71,071**	**72,000**	**-44,997**	**-22,558**	**78,387**
Directed issue	150	-	16,650	-	-	16,800
Issue costs	-	-	-1,076	-	-	-1,076
Directed issue	63	-	6,937	-	-	7,000
Issue costs	-	-	-88	-	-	-88
Set off issue	113	-	12,543	-	-	12,656
Issue costs	-	-	-88	-	-	-88
Issue costs private placement	-	-	-394	-	-	-394
Closing balance at 31 December 2007	**3,196**	**71,071**	**106,484**	**-44,997**	**-22,558**	**113,197**
Opening balance at 1 January 2008	**3,196**	**71,071**	**106,484**	**-44,997**	**-22,558**	**113,197**
Transfer of prior year net result	-	-	-	- 22,558	22,558	-
Loss for the first quarter 2008	-	-	-	-	- 3,503	- 3,503
Loss for the second quarter 2008	-	-	-	-	- 1,310	- 1,310
Result for the third quarter 2008	-	-	-	-	6,384	6,384
Loss for the fourth quarter 2008	-	-	-	-	-13,961	-13,961
	3,196	**71,071**	**106,484**	**- 67,555**	**-12,389**	**100,807**
Issue costs set off issue	-	-	-107	-	-	-107
Private placement	801	-	90,441	-	-	91,242
Issue costs	-	-	- 4,585	-	-	- 4,585
Issue costs warrants issue	-	-	-322	-	-	-322
Closing balance at 31 December 2008	**3,997**	**71,071**	**191,911**	**-67,555**	**-12,389**	**187,035**

NOTES

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

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

Accounting principles
The twelve months report 2008 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The twelve months report 2008 of the parent company has been prepared in accordance with the Annual Accounts Act and Recommendation RFR 2.1 – Accounting for legal entities, issued by the Swedish Financial Accounting Standards Council. The same accounting principles were used as in the annual report 2007.

During 2008 three new interpretations from IFRIC have become effective, none of them have had any impact on the financial statements for the group.

Financial instruments
Tethys Oil has not during the period used any derivative financial instruments in order to hedge risks.

Note 1) Risks and uncertainties
The Group's activities expose it to a number of risks and uncertainties which are continuously monitored and reviewed. The main risks and uncertainties are operational and financial risk described below.

Operational risk

The main operational risk is of technical and geological nature. At its current stage of development the group is exploring for oil and gas and appraising undeveloped known oil and/or gas accumulations. The main risk is that the interest the Group has in oil and gas assets will not evolve into commercial reserves of oil and gas. Tethys Oil is furthermore exposed to oil price risk as income and profitability will depend on prevailing oil prices from time to time. As the Group currently does not produce oil and gas the direct effect is limited. Significantly lower oil prices would reduce expected profitability and could make projects sub economic even if discoveries are made. Another operational risk is access to equipment in Tethys Oil's projects. Especially in the drilling phase of a project the Group is dependent on advanced equipment such as rigs, casing, pipes etc. A shortage of these supplies can present difficulties for Tethys Oil to fulfil its projects. Through its operations Tethys Oil is furthermore subject to political risk, environment risk and the risk of not being able to retain key personnel.

Financial risk

By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. Possible future income will also most likely be denominated in foreign currencies, most likely US dollars. Furthermore, Tethys Oil has since inception been entirely equity financed and as the Group has not presented any revenues the financing of the Group has been through share issues. It cannot be ruled out that additional capital may be needed to finance Tethys Oil's current operations and/or for acquisition of additional licences. The main risk is that this need can occur during difficult market conditions.

A more detailed analysis of the Group's risks and uncertainties and how the Group addresses these risks, are given in the Annual report for 2007.

Note 2) Oil and gas properties

Country	Book value 1 Jan 2007, TSEK	Investments 1 Jan-31 Dec 2007, TSEK	Write downs 1 Jan -31 Dec 2007, TSEK	Book value 31 Dec 2007, TSEK	Book value 1 Jan 2008, TSEK	Investments 1 Jan-31 Dec 2008, TSEK	Write downs 1 Jan -31 Dec 2008, TSEK	Book value 31 Dec 2008, TSEK
Denmark	**687**	**5,236**	**- 5,923**	**-**	**-**	**-**	**-**	**-**
Oman	**26,700**	**36,213**	**-**	**60,746**	**60,746**	**59,366**	**-**	**133,596***
Morocco	**2,912**	**-1,941[3]**	**-**	**971**	**971**	**887**	**-**	**1,858**
Spain	**1,878**	**418**	**- 9,269**	**1,455**	**1,455**	**2,713**	**- 4,168**	**-**
Turkey	**1,270**	**3,047**	**-**	**4,614**	**4,614**	**3,783**	**- 7,108**	**1,289**
France	**1,033**	**7,810**	**-**	**8,844**	**8,844**	**4,558**	**- 9,812**	**3,589**
Sweden	**-**	**259**	**-**	**259**	**259**	**170**	**-**	**429**
New ventures	**612**	**439**	**- 1,028**	**23**	**23**	**29**	**-**	**52**
Total	**35,072**	**51,481**	**-16,220**	**76,912**	**76,912**	**71,506**	**- 21,088**	**140,811**

** The book value of oil and gas properties include currency exchange gains of TSEK 13,461 during the full year 2008, which are not cash related items and therefore not included in investments. For more information please see above Loss for the period and sales.*

Oil and gas properties	**Group**			**Parent**		
TSEK	**1 Jan 2008 - 31 Dec 2008 12 months**	**1 Oct 2008 - 31 Dec 2008 3 months**	**1 Jan 2007 - 31 Dec 2007 12 months**	**1 Jan 2008 - 31 Dec 2008 12 months**	**1 Oct 2008 - 31 Dec 2008 3 months**	**1 Jan 2007 - 31 Dec 2007 12 months**
Investments in oil and gas properties						
Opening balance	124,518	167,291	66,459	12,782	18,096	-
Investments in Denmark	-	-	5,236	-	-	-
Investments in France	4,558	26	7,810	-	-	-
Investments in Morocco	887	108	-1,941	-	-	-
Investments in Oman	59,366	27,228	36,213	22,085	16,771	12,782
Investments in Spain	2,713	50	418	-	-	-
Investments in Turkey	3,783	1,227	3,047	-	-	-
Investments in Sweden	170	85	259			-
Other investments in oil and gas properties	29	9	439	-	-	-
Closing balance	196,024	196,024	117,940	34,867	34,867	12,782
Currency exchange effect	13,461	13,461	6,578	-	-	-
Depletion						
Depletion	-	-	-	-	-	-
Write down						
Opening balance	47,586	47,686	31,366	-	-	-
Write down	21,088	20,988	16,220	-	-	-
Closing balance	68,674	68,674	47,586	-	-	-
Net book value	**140,811**	**140,811**	**76,932**	**34,867**	**34,867**	**12,782**

[3] The negative investments are explained by reimbursement of past costs following the Dana farm-in agreement.

Note 3) Other income
Part of the administrative expenses in Tethys Oman Ltd is charged to the joint venture in Block 15 Oman where the expenditures are capitalised and, in line with the Production Sharing Agreement, recoverable. These administrative expenditures are, through the above, also funded by the partner in Oman by 60 per cent. The chargeout to the joint venture is presented in the consolidated income statement as Other income.

Note 4) Shareholders' equity
As per 31 December 2008, the number of outstanding shares in Tethys Oil amount to 23,978,286 (19,178,286), with a quota value of SEK 0.17 (SEK 0.17). As per 1 January 2008, Tethys Oil had 6,392,762 shares. The EGM held 20 February 2008 resolved to carry out a share split whereby each share was divided into three shares (a share split 3:1). The share split was conducted 3 March 2008 and increased the number of shares to 19,178,286. The share issue conducted between the first and second quarter increased the number of shares with 4,800,000 to 23,978,286. The shares from the share issue are included as per registration dated 9 and 16 April 2008. The warrants from the rights issue described above amount to 4,795,649 with an exercise price of SEK 23 and where one warrant gives the right to one share. The warrants can be exercised continuously up until 30 June 2010. The average share price during the twelve month period and three month period ended 31 December were below the exercise price which is why the related numbers of shares are not included in the fully diluted number of shares.

Note 5) Contingent liabilities
The contingent liabilities as per 31 December 2008 amount to TSEK 43,230 (TSEK 36,509). The contingent liabilities regard Blocks 3&4 where Tethys Oil has a work commitment, the fulfilment of which is estimated to cost MUSD 5.5. The difference between contingent liabilities 31 December 2008 and 31 December 2007 mainly relate to currency exchange differences and the fulfilment of previous work commitments.

KEY RATIOS

Group

	1 Jan 2008 - 31 Dec 2008 12 months	1 Oct 2008 - 31 Dec 2008 3 months	1 Jan 2007 - 31 Dec 2007 12 months	1 Oct 2007 - 31 Dec 2007 3 months
Items regarding the income statement and balance sheet				
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	-31,748	-23,997	-23,533	-1,596
Operating margin, %	neg.	neg.	neg.	neg.
Result before tax, TSEK	-16,395	-12,643	-24,704	-2,323
Net result, TSEK	-16,426	-12,666	-24,721	-2,340
Net margin, %	neg.	neg.	neg.	neg.
Shareholders' equity, TSEK	177,077	177,077	103,196	103,196
Balance sheet total, TSEK	179,909	179,909	105,586	105,586
Capital structure				
Solvency, %	98.43%	98.43%	97.74%	97.74%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	98.43%	98.43%	97.74%	97.74%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	72,501	29,703	51,765	15,726
Profitability				
Return on shareholders' equity, %	neg.	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.	neg.
Key figures per employee				
Average number of employees	10	10	9	10
Number of shares				
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	neg.	neg.	neg.	neg.
Number of shares on balance day, thousands	23,978	23,978	19,178	19,178
Shareholders' equity per share, SEK	7.38	7.38	5.38	5.38
Weighted number of shares on balance day, thousands	22,668	23,978	17,592	17,592
Earnings per share, SEK	-0.72	-0.53	-1.41	-0.13
Earnings per share after dilution, SEK	-0.72	-0.53	-1.41	-0.13

For definitions of key ratios please refer to the 2007 Annual Report.
The abbreviation n.a. means not available.

FINANCIAL INFORMATION

The Company plans to publish the following financial reports:

Annual Report 2008 is expected to be available at Tethys Oil's office beginning of April, 2009

Annual meeting is planned to be held in Stockholm on 20 May 2009

Three month report 2009 (January - March 2009) on 20 May 2009

Six month report 2009 (January - June 2009) on 20 August 2009

Nine month report 2009 (January - September 2009) on 13 November 2009

Year end report 2009 (January – December 2009) on 16 February 2010

Stockholm, 19 February 2009

Tethys Oil AB (publ)
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