
Report for the period 1 January 2010 – 31 March 2010

HIGHLIGHTS

- Farha South-3 well:
 - flowed 1,010 bopd on pump test in the Barik layer in January 2010
- Saiwan East-2 well:
 - the 2009 oil discovery in the Khufai reservoir with substantial reserve potential is being tested again with the drilling of Saiwan East-3
 - measured more than 400 metres of gross heavy oil column
- 3D Seismic surveys:
 - conducted 400 square kilometres 3D-seismic survey covering the entire Saiwan East structure on Block 4
 - initiated 740 square kilometres 3D-seismic survey covering the Farha trend on Block 3
- Gaffney, Cline & Associates contracted for a third party resources and reserves audit of the Farha South and Saiwan East oil discoveries
- Tethys Oil has during the first quarter of 2010 received proceeds of TSEK 42,142 before issue costs from two private placements of 500,000 shares conducted in March and from 1,144,451 exercised warrants
- As at 31 March 2010 there have been no sales of oil and gas in Tethys Oil, nor for the equivalent period of last year
- Result for the first quarter of 2010 amounted to TSEK -6,685 (TSEK 1,568 for the corresponding period last year)
- Earnings per share amounted to SEK -0.24 (SEK 0.06) for the first quarter of 2010
- Cash and cash equivalents as per 31 March 2010 amounted to TSEK 3,305 (TSEK 13,620). Oil and gas investments amounted to TSEK 31,443 (TSEK 17,677) mainly related to Oman, Blocks 3 and 4

Tethys Oil AB (publ)

Tethys Oil is a Swedish energy company focused on identification and development for production of oil and natural gas assets. Tethys Oil's core area is Oman, where the company is the second largest onshore oil and gas concession-holder with licence interest in three onshore blocks. Tethys Oil's strategy is to 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, France and Sweden. The shares are listed on First North (TETY) in Stockholm. Remium AB is the company's Certified Adviser.

Dear friends and investors,

The date for publishing a quarterly report is set long in advance and thus does not necessarily correspond well with the unfolding of events. Such is in particular the case this time. This report brings us up to date with the company's financial situation as at 31 March 2010, but for the operational events we all eagerly await not so much new can be said.

We are looking at bringing the Farha South-3 well into production as soon as possible and hopefully this summer. We are awaiting a resource/reserve report from Gaffney Cline and we are eagerly awaiting news from the ongoing Saiwan East-3 well appraising the Khufai.

Tethys has hardly been in a more exciting position. But at this time you have to be content with the financial information in this report and keep following our press releases for news on the other items which hopefully we will be able to present soon.

Stockholm in May 2010

Magnus Nordin
Managing director

OPERATIONS

Overview

Tethys Oil has interest in licences in Oman, France and Sweden.

Country	Licence name	Tethys Oil, %	Total area, km ²	Partners (operator in bold)	Book value 31 Mar 2010	Book value 31 Dec 2009	Investments Jan-Mar 2010
Oman	Block 15	40%	1,389	Tethys Oil , Odin Energi	98,058	99,064	995
Oman	Block 3, 4	50%	33,125	CCED , Tethys Oil	129,554	101,615	30,007
France	Attila	40%	1,986	Galli Coz , Tethys Oil	3,753	3,628	125
Sweden	Gotland Större	100%	540	Tethys Oil	1,413	1,142	272
New ventures					188	174	14
Total			37,040		232,995	205,623	31,443

Oman

With the successful drillings on Block 3 and 4 in the spring 2009 and on Block 15 in the summers of 2007 and 2008, Oman has become Tethys Oil's undisputed core area. Oman accounts for almost 100 per cent of Tethys' value in oil and gas assets. The three blocks have a combined gross area of almost 35,000 square kilometres, which makes Tethys the second largest onshore oil and gas concession-holder in Oman.

Block 3 – Farha South

Drilling of Farha South-3

Farha South-3, a delineation well to Farha South-1, was spudded on 9 February 2009. Drilling target was the Lower Al Bashir sandstone formation at a depth of around 1,900 metres. Farha South-3 was drilled from a drill site 1.2 kilometres south east of Farha South-1. In April, drilling of the Farha South-3 well was completed. The well was drilled to a total depth of 2,723 metres, corresponding to a true vertical depth of 1,857 metres. The two main sandstone stringers, that produced oil in Farha South-1, were penetrated both in the vertical pilot hole and in the subsequent horizontal sidetrack. Preliminary production flow of 754 bopd was recorded from the horizontal reservoir section. The oil is of very good quality (40 degree API) with a low gas oil ratio. Whilst drilling Farha South-3, oil shows similar to those recorded in the deeper Lower Al Bashir sandstone were also observed in the shallower potentially oil bearing Barik sandstone. The Barik layer was neither logged nor tested at the time of drilling. When Tethys returned to the well in November 2009 with a 450 hp MB 49 work over rig, the Barik layer flowed 379 bopd from a 4 meter zone of perforations at the top of the vertical section of

the Farha South-3 well. The oil had a density of 42 degree API and a low gas-oil-ratio. In January 2010, a production test using a down hole Electrical Submersible Pump (ESP) was completed in the Barik formation. With the pump, the Barik layer flowed 1,010 bopd, almost three times the original rate.

3D Seismic survey

In March 2010, an extended seismic survey over the Farha South trend was launched. The survey will cover the entire Farha trend, where a number of structures similar to Farha South have been identified but as yet have not been drilled. The entire survey will encompass 740 square kilometres, starting with an area surrounding the Farha South-3 well and then continuing on to the rest of the trend. The acquisition is expected to be completed in May 2010. The objective of the survey is to further define and map the oil bearing Farha South structure. The study will also map the extension of the Barik formation along the entire Farha trend.

Block 4, Saiwan East

Drilling of Saiwan East-2

The Saiwan East-2 well was drilled in the second quarter of 2009 with the objective to delineate the areal extent of the three heavy oil bearing zones discovered by the previous license holders in the Saiwan East-1 well drilled in 2005. Saiwan East-2 was drilled 12 kilometres from Saiwan East-1. Electric logging confirmed the presence of heavy oil in all three primary target formations. A gross hydrocarbon bearing column of more than 400 metres covering the Miqrat, Amin and Buah reservoirs was measured.

The well was deepened and a previously undrilled target was encountered at a depth of around 1,600 metres. The Khufai limestone, a 30 metres thick oil bearing reservoir, was drill stem tested and flowed 280 bbls per day of 33 degree API oil on a 24/64" choke. No water was produced during the test and the oil has a very low gas oil ratio. Pressure gauges left in the hole was recovered and analysed in July 2009. Preliminary analysis of the data suggests the Khufai to suffer from skin damage (+20) as a result of the heavy drilling mud used whilst drilling. The true, undamaged, production potential from the vertical well is estimated to yield higher flow rates.

Testing of the heavy oil zones

Tethys returned to the well in late 2009 to conduct testing operations with the objective to verify mobility of the heavy oil and to assess possible production rates. The results were cautiously encouraging. Liquid samples were obtained from 3 of the 4 zones tested. Further evaluation of these samples is being conducted. However, the results suggest that any potential production from the heavy oil in Saiwan East will require enhanced oil recovery techniques. No recovery factors can be established with the current data.

Saiwan East-3

In May 2010, Saiwan East-3 was spudded. The drill site is located 1,200 metres to the southeast of SE-2 and was based on the results of the recently acquired 3D seismic in Block 4. A vertical pilot hole will be drilled to a depth of 1,800 metres and then logged extensively. The pilot will be plugged back and a horizontal well is planned to be drilled to a maximum length of 1,000 metres. Once completed, a submersible pump will be run and production testing will be conducted. The objectives of the well are to extend the hydrocarbon potential of the Khufai formation, to acquire a core from the Khufai, to acquire a complete set of electrical logs in the Khufai and to carry out a submersible pump test to measure the productivity of the Khufai.

3D seismic survey

In the fourth quarter 2009, BGP Oil and Gas Services of China were awarded the contract to conduct a 400 square kilometres 3D seismic survey covering the entire Saiwan East structure. The objective of the survey is to define and map the extension of both the light oil and the heavy oil reservoirs. The seismic data acquired is now being processed. Accelerated processing of an area around the Saiwan East-2 well has been completed.

Block 15, Jebel Aswad

Tethys' re-entry of Jebel Aswad-1 in 2007

The history of Block 15 includes two wells drilled by a previous operator in 1994 and 1997. Both wells indicated hydrocarbons, and Jebel Aswad-1 tested 204 barrels of oil from the Natih limestone reservoir. The re-entry of Jebel Aswad-1 commenced in April, 2007. The drilling was designed to appraise both the Shuaiba and Natih reservoir intervals in order to determine well deliverability and a likely recovery factor. Both reservoirs did also produce hydrocarbons to surface.

The well penetrated a total of 848 metres of hydrocarbon bearing Natih limestone in a horizontal sidetrack that measured 3,830 metres from the surface. On testing, the Natih flowed 11.03 mmscfpd and 793 bopd of 57 degree API condensate (total of 2,626 boepd) through a 1 inch choke. The Shuaiba could not be fully tested, but wet gas was produced and flared during the underbalanced drilling phase.

The drilling of JAS-2 in 2008

In the summer 2008, Tethys drilled a step out well 1.2 kilometres from JAS-1 and in August, JAS-2 was completed after the well had reached a total measured depth of 4,018 metres. The vertical pilot hole encountered good hydrocarbon shows in the Natih A and C reservoirs during drilling and logging. A horizontal section of 927 metres was drilled in the Natih A 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 penetration of a water producing fault. The return of a drilling rig will be required to work over the well and to seal off the water producing fault.

3D seismic survey

In 2008, a 3D seismic survey covering the entire Jebel Aswad structure commenced. A total of 285 square kilometres of 3D seismic data was acquired. Processing, interpretation and preliminary results the survey was completed in the first quarter 2009. The data is of excellent quality. Final structural maps have been drawn, and a revised "in house" resource base has been initiated. The 3D seismic revealed a smaller structure compared to the previous 2D based structure. Additionally, the structural sealing element on the south eastern part of the structure has become somewhat uncertain. However, the deepest logged hydrocarbons in JAS-2 confirm hydrocarbon presence deeper than the questionable sealing element therefore highlighting the complexity of the structure.

Sweden, Gotland Större

In 2009, seismic lines covering the licence area have been selected, scanned and processed. A LiDAR survey (Light detection and ranging / high resolution elevation measures) was performed over the licence area during the summer 2009. The data from the LiDAR survey will be integrated with the seismic data.

In 2008, Tethys conducted a comprehensive study of the existing data over the license area and a detailed database has been created. The interpretation of existing satellite radar data has resulted in new maps, which have provided better understanding of the land cover and the relief within the licence area.

The work to identify reefal trends within the licence area continues. Future plans include acquisition of new geophysical and geological data.

RESULT AND CASH FLOW

The consolidated financial statements of the Tethys Oil Group (hereafter referred to as “Tethys Oil” or the “Group”), where Tethys Oil AB (publ) (the “Company”) with organisational number 556615-8266 is the parent company, are hereby presented for the first quarter of 2010 ended 31 March 2010. The amounts relating to the comparative period (equivalent period of last year) are shown in parenthesis after the amount for the current period. 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.

Result for the period and sales

Tethys Oil reports a result for the first quarter of 2010 of TSEK -6,685 (TSEK 1,568 for last year), representing earnings per share of SEK -0.24 (SEK 0.06) for the three month period. The result for the first quarter 2010 has been significantly impacted by net foreign exchange losses. The currency exchange effect of the group amounts to TSEK -3,891 and almost all of the effect relates to the weaker US dollar in relation to the Swedish krona. The background to this is that the majority of Tethys Oil’s assets relate to Block 15 and Blocks 3 and 4 in Oman which are held through two foreign subsidiaries and financed through intercompany loans 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 loss effect is part of net financial result amounting to TSEK – 3,891 for the first quarter 2010

There have been no write downs of oil and gas properties for the first quarter of 2010 (TSEK 1,364). Cash flow from operations before changes in working capital during the first quarter of 2010 amounted to TSEK -2,886 (TSEK -3,078).

Tethys Oil has not recorded any sales or production of oil and gas for the first quarter that ended 31 March 2010. Accordingly, there has been no depletion of oil and gas properties.

Other income, administrative expenses

Administrative expenses amounted to TSEK -3,747 (TSEK -3,697) for the first quarter of 2010. Depreciation amounted to TSEK 73 (TSEK 62) for the three month period. Administrative expenses are mainly salaries, rents, listing costs and outside services. These costs are corporate costs and are accordingly not capitalised.

Depreciation is referable to office equipment. The administrative expenditures during the first quarter of 2010 are in line with the equivalent period last year. Part of the administrative expenses in Tethys Oman Ltd. is charged to the joint venture in Block 15 in Oman where the expenditures are capitalised and, in line with the Exploration & Production Sharing Agreement, recoverable. These administrative expenditures 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 if Tethys is the operator these expenses are funded by partners. In the consolidated income statement these internal transactions are eliminated.

Movement in oil and gas properties

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

Country	Licence name	Tethys Oil, %	Total area, km ²	Partners (operator in bold)	Book value 31 Mar 2010	Book value 31 Dec 2009	Investments Jan-Mar 2010
Oman	Block 15	40%	1,389	Tethys Oil , Odin Energy	98,058	99,064	995
Oman	Block 3,4	50%	33,125	CCED , Tethys Oil	129,554	101,615	30,007
France	Attila	40%	1,986	Galli Coz , Tethys Oil	3,753	3,628	125
Sweden	Gotland Större	100%	540	Tethys Oil	1,413	1,142	272
New ventures					188	174	14
Total			37,040		232,995	205,623	31,443

Oil and gas properties as at 31 March 2010 amounted to TSEK 232,995 (TSEK 205,623). Investments in oil and gas properties of TSEK 31,443 (TSEK 17,677) were incurred for the three month period ending 31 March 2010. Investments during the first quarter 2010 mainly regard Blocks 3 and 4. During the quarter, Tethys Oil and partner have conducted a 3D seismic survey over Saiwan East on Block 4 and commenced a 3D seismic survey over Farha South on Block 3. Furthermore, production tests were conducted on the Barik reservoir on Block 3, which produced 1,010 barrels per day with a pump.

Investments in other licence areas have during the first quarter of 2010 amounted to TSEK 1,405 and have mainly regarded licence administration. The book value of oil and gas properties include currency exchange effects of TSEK -4,072 during the first quarter 2010, which are not cash related items and therefore not included in investments. For more information please see above *Result for the period and sales*.

Liquidity and financing

Cash and bank as at 31 March 2010 amounted to TSEK 3,305 (TSEK 13,620).

During the first quarter of 2010, Tethys Oil received proceeds of TSEK 26,322 from 1,144,451 exercised warrants, which increased the total number of shares to 29,193,542.

Based on an authorization from the AGM held 20 May 2009, the Board of Directors resolved to issue 500,000 shares through two private placements. The private placements were made at SEK 30.75 and SEK 33.75 per share, which were in line with the prevailing market price at the time. The total proceeds from this issue amounted to TSEK 15,820 before issue costs. The newly issued shares in the private placement were registered in April 2010 and the total number of shares after the private placements amounted to 29,693,542.

Current receivables

Current receivables amounted to TSEK 3,029 (TSEK 1,810) as at 31 March 2010.

Current liabilities

Current liabilities as at 31 March 2010 amounted to TSEK 3,162 (TSEK 19,911), of which TSEK 1,475 (TSEK 1,080) relates to accounts payable, TSEK 685 (TSEK 18,448) relates to other current liabilities and TSEK 1,002 (TSEK 383) relates to accrued expenses. To a large extent the reduction of current liabilities regard payments made for incurred investments on Blocks 3 and 4. These payments were made in the beginning of the first quarter 2010.

Parent company

The Parent company reports a result for the first quarter of 2010 amounting to TSEK -3,427 (TSEK 5,927). Administrative expenses amounted to TSEK -1,866 (TSEK -1,973) for the first quarter of 2010. Net financial result amounted to TSEK -2,216 (TSEK 7,278) during the first quarter of 2010. The weaker US dollar has had a negative impact on net financial result. The exchange rate losses regard translation differences and are non cash related. Investments during the first quarter of 2010 amounted to TSEK 51,623 (TSEK 18,620). Financial investments are financial loans to subsidiaries for their oil and gas operations. The turnover in the Parent company relates to chargeouts of services to subsidiaries.

Board of Directors

At the Annual General Meeting of shareholders on 20 May 2009 Håkan Ehrenblad, Vincent Hamilton, John Hoey, Jonas Lindvall, Magnus Nordin and Jan Risberg were re-elected members of the Board. No deputy directors were appointed. At the same meeting Vincent Hamilton was appointed Chairman of the Board.

Share data

As per 31 March 2010, the number of outstanding shares in Tethys Oil amount to 29,193,542 (28,049,091), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program for employees.

As per 1 January 2010, Tethys Oil had 28,049,091 shares. During the first quarter of 2010, 1,144,451 warrants were exercised and accordingly an equivalent number of shares were issued by Tethys Oil. Tethys Oil received proceeds of TSEK 26,322 before issue costs. The shares were registered in February and in March 2010 and the total number of outstanding shares increased to 29,193,542.

The 500,000 shares from the private placement conducted in March 2010 are not included in the total number of shares as per 31 March 2010 as the shares were registered in April 2010, after the reporting period.

The warrants from the rights issue conducted 2008 amounted as per 31 March 2010 to 2,880,393 with an exercise price of SEK 23 and where one warrant gives the right to purchase one new share. The warrants can be exercised continuously up until 30 June 2010. The average share price during the first three months of 2010 was above the exercise price. The fully diluted number of shares therefore amounts to 32,073,935.

Risks and uncertainties

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

Subsequent events

In April 2010, the 500,000 shares from the two private placements conducted in March were registered and the number of outstanding shares as per publication of this report amounts to 29,693,542. The two private placements were conducted by authorization from the AGM and were made in line with the market price prevailing at the time, SEK 30.75 and SEK 33.75.

In April and May 2010, after the reporting period, 582,708 warrants have been exercised and an equivalent number of shares have been issued. This has resulted in proceeds of TSEK 13,402 before issue costs.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	1 Jan 2010 - 31 Mar 2010 3 months	1 Jan 2009 - 31 Mar 2009 3 months	1 Jan 2009 - 31 Dec 2009 12 months
Net sales of oil and gas	-	-	-
Depreciation of oil and gas properties	-	-	-
Write off of oil and gas properties	-	-1,364	-15,872
Other income	952	613	2,287
Other losses/gains, net	20	-27	-56
Administrative expenses	-3,747	-3,697	-15,343
Operating result	-2,775	-4,474	-28,985
Financial income and similar items	-	6,894	2,234
Financial expenses and similar items	-3,891	-839	-15,696
Net financial income	-3,891	6,055	-13,461
Result before tax	-6,666	1,581	-42,446
Income tax	-19	-13	-57
Result for the period	-6,685	1,568	-42,503
Other comprehensive result			
Currency translation differences	-370	1,682	-1,103
Other comprehensive result for the period	-370	1,682	-1,103
Total comprehensive result for the period	-7,055	3,250	-43,607
Number of shares outstanding	29,193,542	25,280,086	28,049,091
Number of shares outstanding (after dilution)	32,073,935	25,280,086	32,073,935
Weighted number of shares	28,388,893	24,283,419	26,274,023
Earnings per share, SEK	-0.24	0.06	-1.62
Earnings per share (after dilution), SEK	-0.21	0.06	-1.33

CONSOLIDATED BALANCE SHEET

TSEK	31 Mar 2010	31 Dec 2009
ASSETS		
Fixed assets		
Oil and gas properties	232,995	205,623
Office equipment	967	1,045
Total fixed assets	233,962	206,668
Current assets		
Other receivables	3,029	1,810
Prepaid expenses	363	581
Short term investments	-	-
Cash and bank	3,305	13,620
Total current assets	6,697	16,011
TOTAL ASSETS	240,659	222,679
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	4,866	4,675
Additional paid in capital	373,191	331,601
Other reserves	424	794
Retained earnings	-140,984	-134,300
Total shareholders' equity	237,496	202,770
Non interest bearing current liabilities		
Accounts payable	1,475	1,080
Other current liabilities	685	18,448
Accrued expenses	1,002	383
Total non interest bearing current liabilities	3,162	19,911
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	240,659	222,680
Pledged assets	500	500
Contingent liabilities	25,314	25,804

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Share Capital	Paid in Capital	Other reserves	Retained Earnings	Total Equity
Opening balance 1 January 2009	3,997	262,982	1,897	-91,799	177,077
Total comprehensive result for the first quarter 2009	-	-	1,682	1,568	3,250
Total comprehensive result for the second quarter 2009	-	-	-1,618	-29,740	-31,358
Total comprehensive result for the third quarter 2009	-	-	-2,479	-24,442	-26,921
Total comprehensive result for the fourth quarter 2009	-	-	1,312	10,109	11,421
Private placement February	217	12,783	-	-	13,000
Issue costs	-	-83	-	-	-83
Private placement June	333	39,667	-	-	40,000
Issue costs warrant issue	-	-1,307	-	-	-1,307
Warrant exercise July	29	4,023	-	-	4,052
Warrant exercise October	99	13,536	-	-	13,536
Closing balance at 31 December 2009	4,675	331,601	794	-134,300	202,770
Opening balance 1 January 2010	4,675	331,601	794	-134,300	202,770
Total comprehensive result for the first quarter 2010	-	-	-370	-6,685	-7,055
Subscription of warrants February	65	8,894	-	-	8,959
Subscription of warrants March	126	17,238	-	-	17,364
Issue costs warrant issue	-	-367	-	-	-367
Not completed private placement	-	15,825	-	-	15,825
Closing balance 31 March 2010	4,866	373,191	424	-140,984	237,496

CONSOLIDATED CASH FLOW STATEMENT

TSEK	1 Jan 2010 - 31 Mar 2010 3 months	1 Jan 2009 - 31 Mar 2009 3 months	1 Jan 2009 - 31 Dec 2009 12 months
Cash flow from operations			
Operating result	-2,775	-4,474	-28,985
Interest received	-	41	67
Interest paid	-	-	-5
Income tax	-19	-13	-57
Adjustment for write down of oil and gas properties	-	1,364	15,872
Adjustment for depreciation and other non cash related items	-93	5	251
Total cash flow used in operations before change in working capital	-2,886	-3,078	-12,856
Decrease/increase in receivables	-1,000	1,478	5,691
Decrease/increase in liabilities	-16,749	-741	1,752
Cash flow used in operations	-20,635	-2,340	-5,413
Investment activities			
Investments in oil and gas properties	-31,443	-17,677	-81,480
Investments in other fixed assets	4	-37	-201
Cash flow used for investment activities	-31,439	-17,713	-81,681
Financing activities			
Share issues, net after issue costs	41,781	12,917	69,297
Return on short term investments	-	7	4
Cash flow from financing activities	41,781	12,924	69,301
Period cash flow	-10,294	-7,130	-17,793
Cash and cash equivalents at the beginning of the period	13,620	29,886	29,886
Exchange gains/losses on cash and cash equivalents	-23	752	1,524
Cash and cash equivalents at the end of the period	3,303	23,509	13,620

PARENT COMPANY INCOME STATEMENT CONDENSED

TSEK	1 Jan 2010 - 31 Mar 2010 3 months	1 Jan 2009 - 31 Mar 2009 3 months	1 Jan 2009 - 31 Dec 2009 12 months
Net sales of oil and gas	-	-	-
Depreciation of oil and gas properties	-	-	-
Write off of oil and gas properties	-	-	-
Other income	635	650	2,625
Other losses/gains, net	20	-27	-56
Administrative expenses	-1,866	-1,973	-7,934
Operating result	-1,211	-1,350	-5,366
Financial income and similar items	1,653	8,117	7,962
Financial expenses and similar items	-3,869	-839	-15,641
Write down of shares in group company	-	-	-17,282
Net financial income	-2,216	7,278	-24,961
Result before tax	-3,427	5,927	-30,327
Income tax	-	-	-
Result for the period	-3,427	5,927	-30,327
Number of shares outstanding	29,193,542	25,280,086	28,049,091
Number of shares outstanding (after dilution)	32,073,935	25,280,086	32,073,935
Weighted number of shares	28,388,893	24,283,419	26,274,023

PARENT COMPANY BALANCE SHEET CONDENSED

TSEK	31 Mar 2010	31 Dec 2009
ASSETS		
Total fixed assets	202	225
Total financial fixed assets	261,537	213,782
Total current assets	4,111	12,793
TOTAL ASSETS	265,850	226,800
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	264,360	226,005
Total non interest bearing current liabilities	1,491	794
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	265,850	226,800
Pledged assets	500	500
Contingent liabilities	25,314	25,804

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

TSEK	Restricted equity		Non restricted equity			Total Equity
	Share capital	Statutory Reserve	Share premium Reserve	Retained Earnings	Net result	
Opening balance at 1 January 2009	3,997	71,071	191,911	-67,555	-12,389	187,035
Transfer of prior year net result	-	-	-	-12,389	12,389	-
Result for the first quarter 2009	-	-	-	-	5,927	5,927
Loss for the second quarter 2009	-	-	-	-	-12,151	-12,151
Loss for the third quarter 2009	-	-	-	-	-20,065	-20,065
Loss for the fourth quarter 2009	-	-	-	-	-4,037	-4,037
Private placement March	217	-	12,783	-	-	13,000
Issue costs	-	-	-83	-	-	-83
Private placement June	333	-	39,667	-	-	40,000
Issue costs warrant exercise	-	-	-1,307	-	-	-1,307
Warrant exercise July	29	-	4,023	-	-	4,052
Warrant exercise October	99	-	13,536	-	-	13,635
Closing balance 31 December 2009	4,675	71,071	260,530	-79,944	-30,327	226,005
Opening balance 1 January 2010	4,675	71,071	260,530	-79,944	-30,327	226,005
Transfer of prior year net result	-	-	-	-30,327	30,327	-
Loss for the first quarter 2010	-	-	-	-	-3,427	-3,427
Subscription of warrants February	65	-	8,894	-	-	8,959
Subscription of warrants March	126	-	17,238	-	-	17,364
Issue costs warrant issue	-	-	-367	-	-	-367
Not completed private placement	-	-	15,825	-	-	15,825
Closing balance 31 March 2010	4,866	71,071	302,120	-110,270	-3,427	264,360

NOTES

General information

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

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 three month report 2010 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The three month report 2010 of the Parent company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2.1 “Accounting for legal entities”, issued by the Swedish Financial Accounting Standards Council. The same accounting principles were used in the Annual report 2009.

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. Additional capital will be needed to finance Tethys Oil’s future operations and/or for acquisition of additional licences. The main risk is that this need may occur during less favourable market conditions.

A more detailed analysis of the Group’s risks and uncertainties and how the Group addresses these risks, are given in the Annual report for 2009.

Note 2) Oil and gas properties

Country	Book value			Book value 1 Jan 2010, TSEK	Book value			Book value 1 Jan 2009, TSEK
	31 Mar 2010, TSEK	Write downs 2010, TSEK	Investments 2010, TSEK		31 Dec 2009, TSEK	Write downs 2009, TSEK	Investments 2009, TSEK	
Oman Block 15	98,058 ¹	-	995	99,064 ²	99,064 ²	-	11,480	98,729
Oman Blocks 3, 4	129,554 ¹	-	30,007	101,615 ²	101,615 ²	-	56,401	34,867
France Attila	3,753	-	125	3,628	3,628	-	38	3,589
Morocco Bouanane	-	-	-	-	-	-14,076	12,218	1,858
Turkey Ispandika	-	-	-	-	-	-1,364	75	1,289
Spain Cameros	-	-	-	-	-	-433	433	-
Sweden Gotland Större	1,413	-	272	1,142	1,142	-	712	429
New ventures	188	-	14	174	174	-	122	52
Total	232,995	-	31,443	205,623	205,623	-15,872	81,480	140,811

Oil and gas properties TSEK	Group			Parent		
	1 Jan 2010 - 31 Mar 2010 3 months	1 Jan 2009 - 31 Mar 2009 3 months	1 Jan 2009 - 31 Dec 2009 12 months	1 Jan 2010 - 31 Mar 2010 3 months	1 Jan 2009 - 31 Mar 2009 3 months	1 Jan 2009 - 31 Dec 2009 12 months
	Investments in oil and gas properties					
Opening balance	290,168	209,485	209,485	-	34,867	34,867
Investments in France	125	27	38	-	-	-
Investments in Morocco	-	3	12,218	-	-	-
Investments in Oman	31,002	17,467	67,881	-	-34,867 ³	-34,867 ³
Investments in Spain	-	-	433	-	-	-
Investments in Turkey	-	75	75	-	-	-
Investments in Sweden	272	92	712	-	-	-
Other investments in oil and gas properties	14	12	122	-	-	-
Adjustment	-4,072	7,306	-796	-	-	-
Closing balance	317,509	234,467	290,168	-	-	-
Depletion						
Depletion	-	-	-	-	-	-
Write down						
Opening balance	84,546	68,674	68,674	-	-	-
Write down	-	1,364	15,872	-	-	-
Closing balance	84,546	70,038	84,546	-	-	-
Net book value	232,995	163,432	205,623	-	-	-

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 Exploration and 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*.

¹ The book value of oil and gas properties include non cash items of TSEK -4,072 during the first quarter 2010, which are not included in investments.

² The book value of oil and gas properties include non cash items of TSEK -796 during the full year 2009, which are not included in investments.

³ Oil and gas properties were sold from the Parent company to a wholly owned subsidiary during the first quarter 2009.

Note 4) Shareholders' equity

As per 31 March 2010, the number of outstanding shares in Tethys Oil amount to 29,193,542 (25,280,086), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program for employees.

As per 1 January 2010, Tethys Oil had 28,049,091 shares. During the first quarter of 2010, 1,144,451 warrants were exercised and accordingly an equivalent number of shares were issued by Tethys Oil. Tethys Oil received proceeds of TSEK 26,322 before issue costs. The shares were registered in February and March 2010 and the total number of outstanding shares increased to 29,193,542.

The warrants from the rights issue conducted 2008 amounted as per 31 March 2010 to 2,880,393 with an exercise price of SEK 23 and where one warrant gives the right to purchase one new share. The warrants can be exercised continuously up until 30 June 2010. The average share price during the first quarter of 2010 was above the exercise price. The fully diluted number of shares therefore amounts to 32,073,935.

Note 5) Contingent liabilities

The contingent liabilities as per 31 March 2010 amounted to TSEK 25,314 (TSEK 25,804). The contingent liabilities regard Blocks 3 and 4 where Tethys Oil has a work commitment, the fulfilment of which is estimated to cost MUSD 3.5. The difference between contingent liabilities 31 March 2010 and 31 December 2009 relates to currency exchange differences.

Note 6) Subsequent events

In April 2010, the 500,000 shares from the two private placements conducted in March were registered and the number of outstanding shares as per publication of this report amounts to 29,693,542. The two private placements were conducted by authorization from the AGM and were made in line with the market price prevailing at the time, SEK 30.75 and SEK 33.75.

In April and May 2010, after the reporting period, 582,708 warrants have been exercised and an equivalent number of shares have been issued. This has resulted in proceeds of TSEK 13,402 before issue costs.

KEY RATIOS

Group

	1 Jan 2010 - 31 Mar 2010 3 months	1 Jan 2009 - 31 Mar 2009 3 months	1 Jan 2009 - 31 Dec 2009 12 months
Items regarding the income statement and balance sheet			
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.
Operating result, TSEK	-2,775	-4,474	-28,985
Operating margin, %	n.a.	n.a.	n.a.
Result before tax, TSEK	-6,666	1,581	-42,446
Net result, TSEK	-6,666	1,568	-42,503
Net margin, %	n.a.	n.a.	n.a.
Shareholders' equity, TSEK	237,496	193,127	202,770
Balance sheet total, TSEK	240,659	195,217	222,680
Capital structure			
Equity ratio, %	98.69%	98.93%	91.06%
Leverage ratio, %	n.a.	n.a.	n.a.
Adjusted equity ratio, %	98.69%	98.93%	91.06%
Interest coverage ratio, %	n.a.	n.a.	n.a.
Investments, TSEK	31,439	17,713	81,681
Profitability			
Return on shareholders' equity, %	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.
Key figures per employee			
Average number of employees	9	10	10
Number of shares			
Dividend per share, SEK	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	neg.	neg.	neg.
Number of shares on balance day, thousands	29,194	25,280	28,049
Shareholders' equity per share, SEK	8.14	7.64	7.23
Weighted number of shares on balance day, thousands	28,389	24,283	26,274
Earnings per share, SEK	-0.24	0.06	-1.62
Earnings per share after dilution, SEK	-0.21	0.06	-1.33

For definitions of key ratios please refer to the 2009 Annual Report.

The abbreviation n.a. means not applicable.

FINANCIAL INFORMATION

The Company plans to publish the following financial reports:

Annual General Meeting will be held at 3 p.m. on 19 May 2010 in Stockholm

Six month report (January - June 2010) on 20 August 2010

Nine month report (January - September 2010) on 12 November 2010

Year end report 2010 (January – December 2010) on 17 February 2011

Three month report (January - March 2011) on 11 May 2011

This report has not been subject to review by auditors of the Company.

Stockholm, 12 May 2010
Tethys Oil AB (publ)
Org. No. 556615-8266

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Internet information

Follow the development of Tethys Oil during the year by visiting the corporate website www.tethysoil.com.

The website contains press releases, published reports, photos from operations, description of operations and general corporate information.

