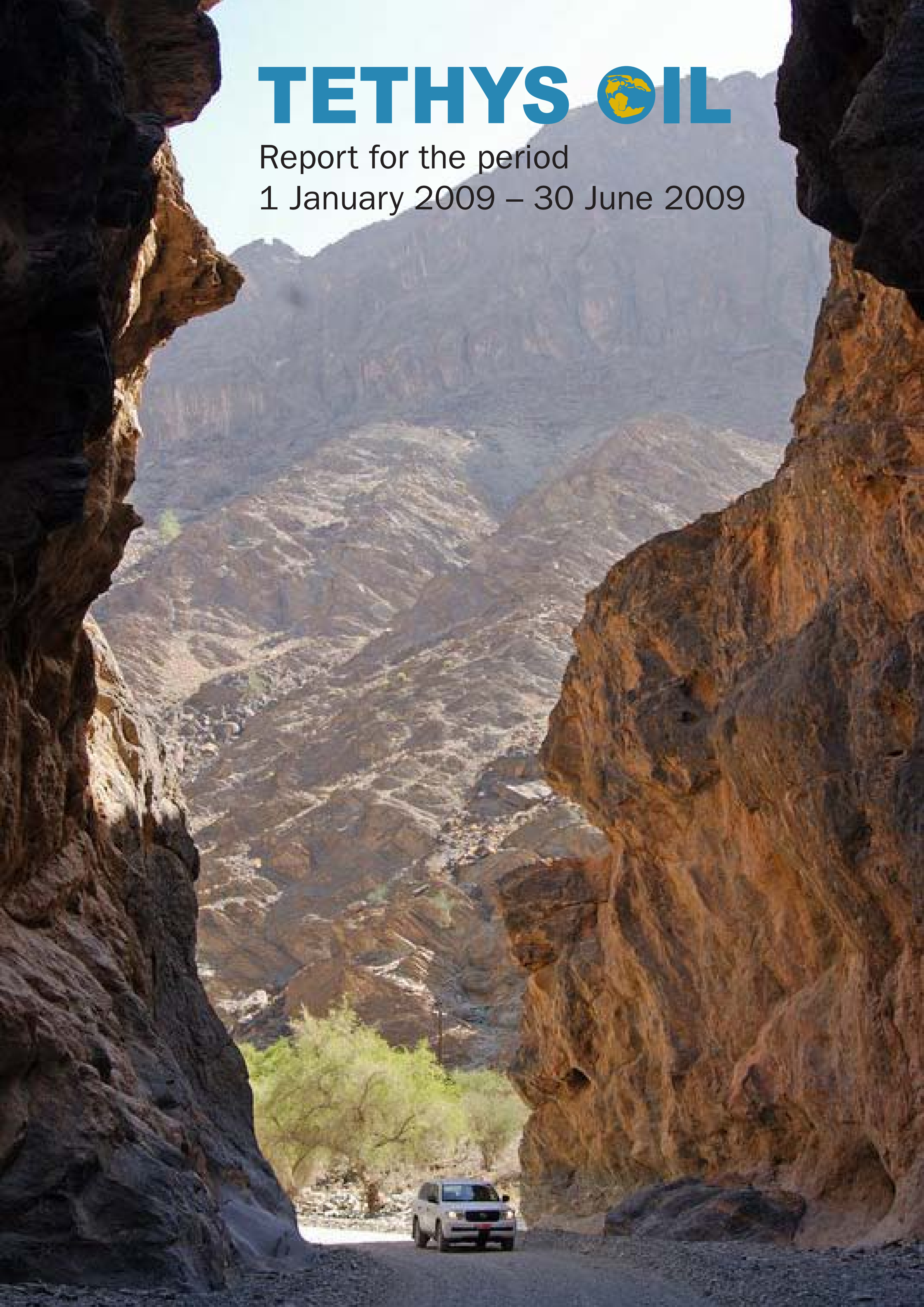
TETHYS OIL

Report for the period 1 January 2009 – 30 June 2009



Highlights

- Initial evaluation of Saiwan East – 2 completed:
  – over 400 metres column of heavy oil saturation in the upper target formations confirmed
  – a deeper lighter oil zone confirmed, which produced 280 BOPD on test

- Farha South-3 well onshore Oman drilled with excellent results – flowed 754 BOPD

- The Tafejjart-1 well onshore Morocco concluded at a depth of 3,274 metres

- Tethys Oil completed a private placement of 2,000,000 shares in June – proceeds of MSEK 40 before issue costs

- As of June 18, 2009, the shares of Tethys Oil AB are traded on First North Premier

- As at 30 June 2009 there have been no sales of oil and gas in Tethys Oil, nor for the equivalent period of last year

- Result for the first half 2009 amounted to TSEK -28,172 (TSEK -8,631 for the corresponding period last year) and TSEK -29,740 (TSEK -3,173) for the second quarter 2009. The result for the first half 2009 has been significantly impacted by net foreign exchange losses amounting to TSEK -6,370 due to a weaker US dollar. The majority of these exchange rate losses are translation differences and are therefore non cash related items. Furthermore, write downs of TSEK 15,559, mainly regarding Morocco, have negatively affected the result of the first half 2009

- Earnings per share amounted to SEK -1.13 (SEK -0.40) for the first half 2009 and SEK -1.17 (SEK -0.13) for the second quarter 2009

- Cash and cash equivalents as per 30 June 2009 amounted to TSEK 29,249 (TSEK 29,886). Oil and gas investments amounted to TSEK 51,983 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 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 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, France and Sweden. Tethys has decided to withdraw from its licenses in Spain and Turkey.

Country	Licence name	Tethys Oil, %	Total area, km²	Partners (operator in bold)	Book value 30 Jun 2009	Book value 31 Dec 2008	Investments Jan-Jun 2009
Oman	Block 15	40%	1,389	**Tethys Oil,** Odin Energy	103,191	98,729	5,618
Oman	Block 3,4	50%	33,125	**CCED,** Tethys Oil	74,587	34,867	45,222
France	Attila	40%	1,986	**Galli Coz,** Tethys Oil	3,628	3,589	38
Morocco	Bouanane	12.5%	2,100	**Dana Petroleum,** Tethys Oil, Eastern Petroleum	–	1,858	21
Turkey	Ispandika project	–	–	**Aladdin Middle East,** Tethys Oil	–	1,289	75
Sweden	Gotland Större	100%	540	**Tethys Oil**	870	429	441
New ventures					78	52	26
Total			**39,140**		**181,529**	**140,811**	**51,983**

Oman

With the successful drillings on Block 3 and 4 in the spring 2009 and on Block 15 in the summer of 2007, 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-holders in Oman.

Block 3 – The Farha South structure

Farha South-3, a delineation well to the Farha South-1 discovery, was spudded in early February 2009. The drilling target was the Lower Bashair 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 the Farha South-1 oil discovery, which was drilled by a previous license holder in 1986.

On April 6, 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 Deg API) with a low gas oil ratio.

Data recorded so far confirm the extension and continuity of the Farha structure's oil bearing sandstones and prove their productivity. Additionally, several previously unidentified oil bearing sandstone stringers were also penetrated.

Furthermore, whilst drilling Farha South-3, oil shows similar to those recorded in the deeper Lower Bashiar sandstone were observed in the shallower potentially oil bearing Barik sandstone. This was not anticipated nor expected. As a result of these encouraging oil and gas shows, the vintage 2D seismic data was revised with a view to understand these unexpected shows. Seismic data suggest that the oil shows recorded in the Barik might be due to a fault compartment subsequently observed on the old seismic. Plans are underway to test the Barik sandstone in the Farha South-3 well. The Barik sandstone is one of Oman's best producing reservoirs. Farha South-3 will be completed with a pump in either the Lower Al Bashiar sandstone, or the Barik sandstone, depending on the results of the upcoming test. Farha South-3 is an excellent candidate for an early production system. The crude is sweet and light and has very little associated gas, making it an ideal candidate for trucking.

3D seismic will be required to fully evaluate the Farha South discovery and adjacent trend structures.

Block 4

Drilling of the Saiwan East-2 well commenced in late April 2009 with the objective to delineate the areal extent of the three heavy oil bearing zones discovered in the Saiwan East-1 well. Saiwan East-1 was drilled in 2005 by the previous license holders to a depth of 1,333 metres and encountered heavy oil shows. Saiwan East-2 was drilled 12 kilometres from Saiwan East-1.

In May 2009, the Saiwan East-2 well had reached a depth of approximately 1,450 metres and an initial evaluation, including electric logging, confirmed the presence of heavy oil in all three primary target formations. A gross heavy oil column of more than 400 metres covering the Miqrat, Amin and Buah reservoirs was measured.

Encouraged by the initial results, the well was deepened to test a previously undrilled target at approximately 2,300 metres. Whilst deepening the well and at a depth of around 1,600 metres a 30 metres thick oil bearing limestone reservoir was penetrated. The Khufai limestone was subsequently tested using standard drill stem testing tools. Upon completion of the Khufai testing, it was decided to postpone testing the heavy oil targets until sufficient information had been extracted from the three cores obtained across the most promising heavy oil intervals. The Khufai limestone flowed 280 bbls a day of 33 degree API oil on a 24/64" choke. No water was produced during the test and has a very low gas oil ratio. Upon completion of the drill stem test, the well was suspended with pressure gauges in the hole.

Pressure gauge data was recovered and analysed from Saiwan East-2 in July. 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. Analysis suggest that the true production potential from the Khufai, provided the reservoir is undamaged, to be in excess of 900 bbls per day. A horizontal well in this relatively thick interval should easily yield substantially higher flow rates.

Current future plans include the full testing of the heavy oil zones in Saiwan East-2. A workover rig will be contracted in the near future to run the specially designed test equipment to test all three heavy oil zones. Additionally, Saiwan East-1, drilled by Encana in 2005, will also be re-entered using a drilling rig and deepened to test the Khufai prospect, some 12 km south west of Saiwan East-2.

A 3D seismic survey will be required to determine the true size of the Saiwan East discovery.

The appraisal and development of Block 15

The data processing of the 285 km² Jebel Aswad 3D seismic survey was completed at the end of January, 2009. Interpretation of the processed data commenced immediately thereafter and preliminary results were generated by the beginning of March. Interpretation refinement and the decision to further process the excellent quality data was completed in May, 2009. Final structural maps have now been drawn, and a revised "in house" resource base have 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.

As a result of the 3D survey and the new structural maps, further seismic inversion processing commenced in July with an objective to map porosity occurrence in the Natih limestone. Preliminary results suggest that this is possible, and may provide further information regarding the location of producible hydrocarbons and structural seal. Once the inversion study has been finalised it should be possible to finally determine an up to date resources base for Jebel Aswad.

Following the successful drilling of Jebel Aswad-1 (JAS-1) in 2007, Tethys spudded JAS-2 in the summer 2008. JAS-2 is a step out well 1.2 kilometres from JAS-1. JAS-2 reached a total measured depth of 4,018 metres with a horizontal section of 927 metres at a vertical depth of about 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. Future work will focus on sealing the water producing fault and place JAS-2 on production. Further plans include placing JAS-1 and JAS-2 on an extended well test to determine and confirm the hydrocarbon bearing size of Jebel Aswad through production. Preliminary work to secure a workover unit to conduct these operations has started.

Morocco

In late March 2009, Tethys Oil announced commencement of drilling operations on the Tafejjart-1 (TAJ-1) well on the Bouanane licence. The drilling target was a potential natural gas accumulation in the very large Taffejart structure.

On August 4th, the Operator Dana Petroleum announced that the well had been concluded at a depth of 3,274 metres (measured depth below ground level). Indications of gas were obtained during drilling of the primary Ordovician sandstone target. However, cuttings information and wireline log data indicated poor reservoir quality with low porosity. Therefore, the preliminary interpretation of the well data indicated that the gas discovered at this location is not considered to be in commercial quantities. The well has been plugged and abandoned.

Tethys has a 12.5% net interest in the licence and was carried by the operator, Dana Petroleum, through the first MUSD 12 of total expenditure in the licence, after which Tethys paid 16.7% of costs. Tethys expects its share of the total well cost to amount to approximately MUSD 1.4. Tethys intends to withdraw from the licence.

France

The exploration well Pierre Maubeuge 2 (PLM-2) on the Attila licence in France proved the presence of natural gas. Wireline logging confirmed the indications of gas while drilling in 2007. In 2008, well completion and production tests were conducted. Subsequent analysis of the results however suggests the PLM-2 well to be non commercial in its current state.

Sweden

Gotland

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.

Turkey and Spain

A decision has been taken to focus even more on Oman and, at least for now, limit exposure to other areas. Consequently, Tethys has decided to withdraw from its licenses in Spain and Turkey. Tethys also intends to withdraw from the Morocco licence.

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 six month period ended 30 June 2009. 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 half 2009 of TSEK -28,172 (TSEK -8,631 for last year) and TSEK -29,740 (TSEK -3,173) for the second quarter, representing earnings per share of SEK -1.13 (SEK -0.40) for the first half 2009 and SEK -1.17 (SEK -0.13) for the second quarter. The result for the first half 2009 has been significantly impacted by net foreign exchange losses. The currency exchange effect of the group amounts to TSEK -6,370 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 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 -6,324 for the first half 2009 and TSEK -12,379 for the second quarter 2009. Apart from net currency exchange gains, net financial income consist of net interest received and return on short term investments of TSEK 46 for the first half 2009 and TSEK -2 for the second quarter 2009.

Write downs of oil and gas properties of TSEK 15,559 has negatively affected the result of the first six months of 2009. The write down regards previously made investments regarding the Bouanane project in Morocco and the Ispandika project in Turkey. The write down of the Bouanane project is a consequence of the exploration well made during the second quarter which did not prove commercial quantities of natural gas. The write down of the Ispandika assets in Turkey is made in the light of the group's increased focus on Oman, whereby Tethys Oil decided not to continue with the licence which expired during the first quarter 2009. Cash flow from operations before changes in working capital during the first six months of 2009 amounted to TSEK -6,447 (TSEK -5,953).

Tethys Oil has not recorded any sales or production of oil and gas for the six month period that ended 30 June 2009. Accordingly, there has been no depletion of oil and gas properties.

Other income, administrative expenses

Administrative expenses amounted to TSEK -7,510 (TSEK -7,380) for the first six months 2009 and TSEK -3,814 (TSEK -4,216) for the second quarter 2009. Depreciation amounted to TSEK 133 (TSEK 61) during the first half 2009 and TSEK 71 (TSEK 31) during the second quarter. 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 six months 2009 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 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 theses expenses are funded by partners. In the consolidated income statement these internal transactions are eliminated.

Movement in oil and gas properties

Oil and gas properties as at 30 June 2009 amounted to TSEK 181,527 (TSEK 140,811). Investments in oil and gas properties of TSEK 51,983 (TSEK 19,718) were incurred for the six month period ending 30 June 2009. Investments in oil and gas properties in Block 15 Oman of TSEK 5,618 have mainly been related to the completion and interpretation of the 3D seismic acquisition which was conducted during the last part of 2008. Investments related to Blocks 3 and 4 amounted during the period to TSEK 45,222 and accounts for most of the oil and gas investments during the first half 2009. Investments on Blocks 3 and 4 relate to Tethys Oil's share of the Farha South 3 (FS3) well and Tethys Oil's share of the East Saiwan 2 (ES2) well. In April 2009, Tethys Oil announced that FS3 flowed 754 barrels per day during production test. Furthermore, ES2 proved the presence of heavy oil and the presence of lighter oil which produced 280 barrels per day during production test.

In Morocco Tethys Oil has booked a liability of MUSD 1.4 relating to the exploration well Taffejart-1 which as per publication of this report has been completed. In light of the disappointing results, Tethys Oil decided to write down all previously incurred investments relating to the Bouanane licence in Morocco amounting to TSEK 13,655.

Investments in other licence areas have during the first half 2009 amounted to TSEK 1,122 and mainly regard licence administration. The book value of oil and gas properties include currency exchange gains of TSEK 6,658 during the six month period, 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 bank as at 30 June 2009 amounted to TSEK 29,249 (TSEK 29,886).

Based on an authorization from the AGM held 8 May 2008, the Board of Directors resolved to issue 1,300,000 shares through a private placement. The private placement was made at SEK 10 per share, which was in line with the prevailing market price at the time. The total proceeds from this issue amounted to TSEK 13,000 before issue costs. The newly issued shares in the private placement were registered 10 March 2009 and the total number of shares after the private placement amounted to 25,280,086.

Based on an authorization from the AGM held 20 May 2009, the Board of Directors resolved to issue 2,000,000 shares through a private placement. The private placement was made at SEK 20 per share, which was in line with the prevailing market price at the time. The total proceeds from this issue amounted to TSEK 40,000 before issue costs. The newly issued shares in the private placement were registered 26 June 2009 and the total number of shares after the private placement amounts to 27,280,086.

Current receivables

Current receivables amounted to TSEK 2,845 (TSEK 7,239) as at 30 June 2009.

Current liabilities

Current liabilities as at 30 June 2009 amounted to TSEK 14,633 (TSEK 2,832), of which TSEK 1,966 (TSEK 1,358) relates to accounts payable, TSEK 11,767 (TSEK 385) relates to other current liabilities and TSEK 900 (TSEK 1,088) relates to accrued expenses. The high level of liabilities compared to the equivalent period last year relates to operation in Morocco and the exploration well Taffejart-1.

Parent company

The parent company reports a result for the first half 2009 amounting to TSEK -6,224 (TSEK -4,812) and TSEK -12,151 (TSEK -1,310) for the second quarter 2009. Administrative expenses amounted to TSEK -4,150 (TSEK -4,636) for the first six months of 2009 and TSEK -2,176 (TSEK -2,625) for the second quarter. Net financial income amounted to TSEK -3,444 (TSEK -869) during the first half 2009 and TSEK -10,722 (TSEK 1,070) for the second quarter 2009. The weaker US dollar has had a negative impact on net financial income. The exchange rate losses regard translation differences and are non cash related. Investments during the first six months 2009 amounted to TSEK 53,456 (TSEK 18,565). 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 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.

Share data

As per 30 June 2009, the number of outstanding shares in Tethys Oil amount to 27,280,086 (23,980,086), 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.

As per 1 January 2009, Tethys Oil had 23,980,086 shares. In March 2009, Tethys Oil conducted a share issue which increased the number of shares with 1,300,000 to 25,280,086. The shares from the share issue are included as per registration dated 10 March 2009. In June 2009, Tethys Oil conducted a second share issue of 2,000,000 which increased the number of shares to 27,280,086.

The warrants from the rights issue conducted 2008 amount to 4,795,649 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 2009 was above the exercise price for both the first and the second quarter 2009. The fully diluted number of shares therefore amounts to 32,075,735.

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 15.

Subsequent events

In July 2009, after the reporting period, 176,186 warrants were exercised and accordingly an equivalent number of shares were issued by Tethys Oil. Tethys Oil received proceeds of TSEK 4,052 before issue costs. The shares were registered 10 July 2009 and the total number of outstanding shares thereafter amount to 27,456,272. The number of outstanding warrants after the exercise amount to 4,617,663.

Consolidated income statement

TSEK	1 Jan 2009 – 30 Jun 2009 6 months	1 Apr 2009 – 30 Jun 2009 3 months	1 Jan 2008 – 30 Jun 2008 6 months	1 Apr 2008 – 30 Jun 2008 3 months	1 Jan 2008 – 31 Dec 2008 12 months
Net sales of oil and gas	–	–	–	–	–
Depreciation of oil and gas properties	–	–	–	–	–
Write off of oil and gas properties	-15,559	-14,196	-100	–	-21,088
Other income	1,282	668	1,366	846	3,450
Other losses/gains, net	-30	-3	6	11	-293
Administrative expenses	-7,510	-3,814	-7,380	-4,216	-13,818
Operating result	**-21,818**	**-17,344**	**-6,108**	**-3,359**	**-31,748**
Financial income and similar items	809	-6,085	17	1	15,565
Financial expenses and similar items	-7,132	-6,293	-2,533	185	-212
Net financial income	**-6,324**	**-12,379**	**-2,516**	**186**	**15,353**
Result before tax	**-28,142**	**-29,723**	**-8,624**	**-3,173**	**-16,395**
Income tax	-30	-17	-7	–	-30
Loss for the period	**-28,172**	**-29,740**	**-8,631**	**-3,173**	**-16,426**
Number of shares outstanding	27,280,086	27,280,086	23,978,286	23,978,286	23,980,086
Number of shares outstanding (after dilution)	32,075,735	32,075,735	23,978,286	28,773,935	23,980,086
Weighted number of shares	24,859,530	25,435,642	21,344,220	23,510,154	22,668,770
Earnings per share, SEK	-1.13	-1.17	-0.40	-0.13	-0.72
Earnings per share (after dilution), SEK	-1.13	-1.17	-0.40	-0.11	-0.72

Consolidated balance sheet

TSEK	30 Jun 2009	31 Dec 2008
ASSETS		
Fixed assets		
Oil and gas properties	181,527	140,811
Office equipment	1,137	1,128
Total fixed assets	**182,664**	**141,940**
Current assets		
Other receivables	2,845	7,239
Prepaid expenses	1,118	843
Short term investments	–	9,283
Cash and bank	29,249	20,603
Total current assets	**33,211**	**37,969**
TOTAL ASSETS	**215,875**	**179,909**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	4,213	3,997
Additional paid in capital	315,157	262,982
Other reserves	1,961	1,897
Retained earnings	-120,088	-91,799
Total shareholders' equity	**201,243**	**177,077**
Non interest bearing current liabilities		
Accounts payable	1,966	1,358
Other current liabilities	11,767	385
Accrued expenses	900	1,088
Total non interest bearing current liabilities	**14,633**	**2,832**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**215,876**	**179,909**
Pledged assets	500	500
Contingent liabilities	43,024	43,230

Consolidated statement of changes in equity

TSEK	Share capital	Paid in capital	Other reserves	Retained earnings	Total equity
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**
Opening balance 1 January 2009	**3,997**	**262,982**	**1,897**	**-91,799**	**177,077**
Currency translation difference	–	–	1,682	–	1,682
Total income and expenses recognised directly in equity			**3,579**		**3,579**
Result for the first quarter 2009	–	–	–	1,568	1,568
Loss for the second quarter 2009	–	–	–	-28,172	-28,172
Private placement February	217	12,783	–	–	13,000
Issue costs	–	-83	–	–	-83
Private placement June	333	39,667	–	–	40,000
Closing balance 30 June 2009	**4,213**	**315,157**	**1,961**	**120,088**	**201,243**

Consolidated cash flow statement

TSEK	1 Jan 2009 – 30 Jun 2009 6 months	1 Apr 2009 – 30 Jun 2009 3 months	1 Jan 2008 – 30 Jun 2008 6 months	1 Apr 2008 – 30 Jun 2008 3 months	1 Jan 2008 – 31 Dec 2008 12 months
Cash flow from operations					
Operating result	-21,818	-17,344	-6,108	-3,359	-31,748
Interest received	42	2	1	–	1,233
Interest paid	–	–	-1	-1	-1
Income tax	-30	-17	-7	–	-30
Adjustment for write down of oil and gas properties	15,559	14,196	100	–	21,088
Adjustment for depreciation and other non cash related items	-230	-235	61	31	263
Total cash flow used in operations before change in working capital	**-6,477**	**-3,399**	**-5,953**	**-3,330**	**-9,195**
Decrease/increase in receivables	4,119	2,641	15,819	24,343	-4,646
Decrease/increase in liabilities	851	1,592	4,312	377	442
Cash flow used in operations	**-1,507**	**834**	**14,178**	**21,390**	**-13,399**
Investment activity					
Investment in oil and gas properties	-51,982	-34,306	-19,718	-11,476	-71,506
Investment in other fixed assets	-142	-105	7	–	-1,007
Cash flow used for investment activity	**-52,124**	**-34,411**	**-19,711**	**-11,476**	**-72,512**
Financing activity					
Share issue, net after issue costs	52,391	39,474	86,249	-1,083	98,884
Return on short term investments	4	-3	–	–	417
Cash flow from financing activity	**52,395**	**39,471**	**86,249**	**-1,083**	**99,301**
Period cash flow	**-1,235**	**5,894**	**80,716**	**8,308**	**13,390**
Cash and cash equivalents at the beginning of the period	29,886	23,080	12,252	83,810	12,252
Exchange gains/losses on cash and cash equivalents	520	-233	-64	-20	4,245
Cash and cash equivalents at the end of the period	29,171	28,742	92,903	92,097	29,886

Parent company income statement condensed

TSEK	1 Jan 2009 – 30 Jun 2009 6 months	1 Apr 2009 – 30 Jun 2009 3 months	1 Jan 2008 – 30 Jun 2008 6 months	1 Apr 2008 – 30 Jun 2008 3 months	1 Jan 2008 – 31 Dec 2008 12 months
Net sales of oil and gas	–	–	–	–	–
Depreciation of oil and gas properties	–	–	–	–	–
Write off of oil and gas properties	–	–	–	–	–
Other income	1,400	750	646	237	1,881
Other losses/gains, net	-30	-3	46	8	-231
Administrative expenses	-4,150	-2,176	-4,636	-2,625	-8,503
Operating result	-2,780	-1,429	-3,944	-2,380	-6,853
Financial income and similar items	3,681	-4,435	1,587	849	19,457
Financial expenses and similar items	-7,126	-6,287	-2,455	221	-134
Write down of shares in group company	–	–	–	–	-24,859
Net financial income	-3,444	-10,722	-869	1,070	-5,536
Result before tax	-6,224	-12,151	-4,812	-1,310	-12,389
Income tax	–	–	–	–	–
Loss for the period	**-6,224**	**-12,151**	**-4,812**	**-1,310**	**-12,389**
Number of shares outstanding	27,280,086	27,280,086	23,978,286	23,978,286	23,980,086
Number of shares outstanding (after dilution)	32,075,735	32,075,735	23,978,286	28,773,935	23,980,086
Weighted number of shares	24,859,530	25,435,642	21,344,220	23,510,154	22,668,770

Parent company balance sheet condensed

TSEK	30 Jun 2009	31 Dec 2008
ASSETS		
Total fixed assets	238	35,767
Total financial fixed assets	205,578	123,545
Total current assets	29,515	29,097
TOTAL ASSETS	**235,331**	**188,409**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	233,202	187,035
Total non interest bearing current liabilities	2,129	1,374
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**235,331**	**188,409**
Pledged assets	500	500
Contingent liabilities	43,024	43,230

Parent company statement of changes in equity

TSEK	Restricted equity Share capital	Restricted equity Statutory reserve	Non restricted equity Share premium reserve	Non restricted equity Retained earnings	Non restricted equity Net result	Total equity
Opening balance 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**
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
Private placement March	217	–	12,783	–	–	13,000
Issue costs	–	–	-83	–	–	-83
Private placement June	333	39,667	–	–	–	40,000
Closing balance at 30 June 2009	**4,213**	**71,071**	**244,086**	**-79,944**	**-6,224**	**233,202**

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 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 half year report 2009 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The half year report 2009 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 2008.

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 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 2008.

Note 2, Oil and gas properties

Country	Book value 30 Jun 2009, TSEK	Write downs 2009, TSEK	Investments 1 Jan–30 Jun, TSEK	Book value 1 Jan 2009, TSEK	Book value 31 Dec 2008, TSEK	Write downs 2008, TSEK	Investments 2008, TSEK	Book value 1 Jan 2008, TSEK
Oman Block 15	103,191[1]	–	5,618	98,729	98,729	–	37,282	47,984
Oman Blocks 3,4	74,587	–	45,222	34,867	34,867	–	22,085	12,782
France Attila	3,628	–	38	3,589	3,589	-9,813	4,558	8,844
Morocco Bouanane	–	-13,655	21	1,858	1,858	–	887	971
Turkey Ispandika	–	-1,364	75	1,289	1,289	–	–	1,289
Turkey Thrace	–	–	–	–	–	-7,108	3,783	3,325
Spain Sedano	–	–	–	–	–	-3,702	2,505	1,197
Spain Cameros	–	-541	541	–	–	-466	208	258
Sweden Gotland Större	870	–	441	429	429	–	170	259
New ventures	78	–	26	52	52	–	29	23
Total	**181,527**	**-15,559**	**51,982**	**140,811**	**140,811**	**-21,088**	**71,506**	**76,932**

1 *The book value of oil and gas properties include currency exchange losses of TSEK – 6,658 during the first half 2009, which are not cash related items and therefore not included in investments. For more information please see the Administration report under the heading "Loss for the period and sales".*

Oil and gas properties	**Group**			**Parent**		
TSEK	**1 Jan 2009 – 30 Jun 2009 6 months**	**1 Apr 2009 – 30 Jun 2009 3 months**	**1 Jan 2008 – 31 Dec 2008 12 months**	**1 Jan 2009 – 30 Jun 2009 6 months**	**1 Apr 2009 – 30 Jun 2009 3 months**	**1 Jan 2008 – 31 Dec 2008 12 months**
Investments in oil and gas properties						
Opening balance	209,485	243,791	124,518	34,867	–	12,782
Investments in France	38	27	4,558	–	–	–
Investments in Morocco	21	3	887	–	–	–
Investments in Oman	50,840	17,468	59,366	-34,867	–	22,085
Investments in Spain	541	–	2,713	–	–	–
Investments in Turkey	75	75	3,783	–	–	–
Investments in Sweden	441	92	170			
Other investments in oil and gas properties	26	12	29	–	–	–
Closing balance	261,467	261,467	196,024	–	–	34,867
Adjustment	4,294	4,294	13,461	–	–	–
Depletion						
Depletion	–	–	–	–	–	–
Write down						
Opening balance	68,674	70,038	47,586	–	–	–
Write down	15,559	14,195	21,088	–	–	–
Closing balance	84,233	84,233	68,674	–	–	–
Net book value	**181,527**	**181,527**	**140,811**	**–**	**–**	**34,867**

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 30 June 2009, the number of outstanding shares in Tethys Oil amount to 27,280,086 (23,980,086), 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.

As per 1 January 2009, Tethys Oil had 23,980,086 shares. In March 2009, Tethys Oil conducted a share issue which increased the number of shares with 1,300,000 to 25,280,086. The shares from the share issue are included as per registration dated 10 March 2009. In June 2009, Tethys Oil conducted a second share issue of 2,000,000 which increased the number of shares to 27,280,086.

The warrants from the rights issue conducted 2008 amount to 4,795,649 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 2009 was above the exercise price for both the first and the second quarter 2009. The fully diluted number of shares therefore amounts to 32,075,735.

Note 5, Contingent liabilities

The contingent liabilities amount to TSEK 43,024 (TSEK 43,230). 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 30 June 2009 and 31 December 2008 relate to currency exchange differences.

Note 6, Subsequent events

In July 2009, after the reporting period, 176,186 warrants were exercised and accordingly an equivalent number of shares were issued by Tethys Oil. Tethys Oil received proceeds of TSEK 4,052 before issue costs. The shares were registered 10 July 2009 and the total number of outstanding shares thereafter amount to 27,456,272. The number of outstanding warrants after the exercise amount to 4,617,663.

Key ratios

Group

	1 Jan 2009 – 30 Jun 2009 6 months	1 Apr 2009 – 30 Jun 2009 3 months	1 Jan 2008 – 30 Jun 2008 6 months	1 Apr 2008 – 30 Jun 2008 3 months	1 Jan 2008 – 31 Dec 2008 12 months
Items regarding the income statement and balance sheet					
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	-21,818	-17,344	-6,108	-3,359	-31,748
Operating margin, %	neg.	neg.	neg.	neg.	neg.
Result before tax, TSEK	-28,142	-29,723	-8,624	-3,173	-16,395
Net result, TSEK	-28,172	-29,740	-8,631	-3,173	-16,426
Net margin, %	neg.	neg.	neg.	neg.	neg.
Shareholders' equity, TSEK	201,243	201,243	179,165	179,165	177,077
Balance sheet total, TSEK	215,875	215,875	185,867	185,867	179,909
Capital structure					
Solvency, %	93.22%	93.22%	96.39%	96.39%	98.43%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	93.22%	93.22%	96.39%	96.39%	98.43%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	52,124	34,411	19,711	12,000	72,512
Profitability					
Return on shareholders' equity, %	neg.	neg.	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.	neg.	neg.
Key figures per employee					
Average number of employees	10	10	9	9	9
Number of shares					
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	neg.	neg.	neg.	neg.	neg.
Number of shares on balance day, thousands	27,280	27,280	23,978	23,978	23,980
Shareholders' equity per share, SEK	7.38	7.38	7.47	7.47	7.38
Weighted number of shares on balance day, thousands	24,860	25,436	21,344	23,510	22,669
Earnings per share, SEK	-1.13	-1.17	-0.40	-0.13	-0.72
Earnings per share after dilution, SEK	-0.88	-0.93	-0.36	-0.11	-0.68

For definitions of key ratios please refer to the 2008 Annual Report.
The abbreviation n.a. means not available.

Financial information

The Company plans to publish the following financial reports:
Nine month report 2009 (January – September 2009) on 13 November 2009
Year end report 2009 (January – December 2009) on 16 February 2010
Three month report 2010 (January – March 2010) on 12 May 2010
Six month report 2010 (January – June 2010) on 20 August 2010

Stockholm, 20 August 2009

Magnus Nordin
Managing Director

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

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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 inter alia press releases, published reports, photos from operations, description of operations and general corporate information.