



Tethys Oil AB (publ)

Report for the period

1 January 2006 – 30 September 2006

Highlights

- Exploration well in Denmark
- Dana Petroleum new partner in Morocco
- Drilling preparations in Oman
- As at 30 September 2006 there have been no sales of oil and gas in Tethys Oil, nor for the equivalent period of last year
- Net result for the first nine months of 2006 amounted to TSEK -5,640 (TSEK -12,466 for the corresponding period last year) and TSEK -1,940 (TSEK -1,570) for the third quarter
- Earnings per share amounted to SEK -1.13 (SEK -2.84) for the first nine months of 2006 and SEK -0.34 (SEK -0.36) for the third quarter
- Cash and cash equivalents as per 30 September 2006 amounted to TSEK 71,203 (TSEK 44,083)

Tethys Oil AB (publ)

Tethys Oil is a Swedish company focused on exploration for and production of oil and natural gas. Tethys Oil aims to maintain a well balanced portfolio of high risk/high reward exploration opportunities coupled with lower risk exploration and appraisal development assets. The company has interests in licenses in Oman, Denmark, Morocco, Spain, Turkey and France. The shares are listed on First North (TETY) in stockholm.

Letter to shareholders

Dear friends and investors,

After almost five years of preparatory work, Tethys Oil is finishing its first well as operator. Exploration well Karlebo-1 on License 1/02 onshore Zealand north of Copenhagen in Denmark spudded in late September. We have at the time of writing reached a depth of 2,489 metres, and are now waiting for the results from the electrical logs. Regardless of whether hydrocarbons have been found or not, the accomplishment in itself has firmly put Tethys on the map as an operator capable of conducting a complicated operation in one of the technically and environmentally most demanding jurisdictions in the world – the European Union. This fact will be a major asset going forward in forming our relationships with host governments as well as with other oil companies. We have gained invaluable experience that will enable Tethys to grow and develop.

Turning to our other operated license, Block 15 in Oman, the suspense is a little less obvious in that we know oil is present here. However appraisal opportunities also hold their share of excitement. The point of the Omani operations is to prove that sufficient quantities of oil can be produced economically from the two wells that were drilled in the 1990's. We are hopeful that horizontal, under-balanced drilling will indeed produce healthy flow rates, but we must of course wait for the results of the re-entry operations before we know.



All necessary permits are in place, the well sites have been surveyed and the old well casing excavated and found in good condition. Our operations office in



Muscat has been staffed up and we are ready to go. Tenders for rigs and supporting equipment have been sent out and we are expecting answers over the next couple of weeks. The rig market remains tight but given the large amount of activity in Oman and the large number of rig contractors make us remain confident that a rig can be contracted during the first or second quarter of next year.

In the meantime we may be able to turn our attention to Spain before yearend where operator Ascent Resources are preparing to drill wells to evaluate the Tozo and Hontomin structures in December. We are 50-50 partners with Ascent and would welcome good results from these operations as they could have very positive impacts for the company.

So stay with us. We have only just started and Karlebo has firmly established our reputation as a first class Operator.

Stockholm, 14 November 2006

Magnus Nordin
Managing Director

Vincent Hamilton
Chairman

Operations

Tethys Oil has interests in licenses in Oman, Denmark, Morocco, Spain, Turkey and France.

Overview

Country	Licence areas	Tethys Oil %	Total area km ²	Operator	Investments 1 Jan–30 June 2006, TSEK	Investments 1 Jul–30 Sep 2006, TSEK	Book value 30 Sep 2006, TSEK
Oman	Block 15	40%	1,389	Tethys Oil	25,501	4	25,501
Denmark	Licence 1/02	50% ¹	533	Tethys Oil	1,705	-716 ²	6,824
	Licence 1/03	50%	1,655	Tethys Oil			
Morocco	Bouanane	50%	2,100	Tethys Oil	1,924	541	2,477
Spain	La Lora	22.5% ³	106	Ascent Resources	104	3	3,256
	Valderredible	50%	241	Ascent Resources			
	Huermececes	50%	121	Ascent Resources			
	Basconcillos	50%	194	Ascent Resources			
Turkey	Ispandika	10–45%	965	Aladdin Middle East	677	128	1 404
	Trakien	25%	897	Aladdin Middle East			
France	Attila	40% ⁴	1,986	Galli Coz	197	4	887
New ventures					1,112	236	2,138
Total			10,187		31,220	200	42,487

¹ Tethys Oil has 30 per cent paying interest over one well.

² Negative investment in Denmark during the third quarter 2006 is explained by the farm out to Star Energy and their debt to Tethys Oil regarding back costs.

³ See further Operations Spain

⁴ Tethys Oil pays 44 per cent of costs through an exploration well.

Oman

During the second quarter of 2006, Tethys Oil acquired GotOil Resources (Oman) Ltd, holding a 40 per cent interest in Block 15 in the north central area of Oman. Tethys Oil is operator through the wholly owned subsidiary GotOil Resources (Oman) Limited. The name of this company will be changed to Tethys Oil Oman Ltd.

Block 15 is an appraisal project with exploration upside. The estimated oil in-place is more than 50 million barrels, with an expected recovery ratio of between 5 and 20 per cent. Two previously drilled exploration wells on the Block 15, Jebel Aswad and Wadi Saylah were drilled in 1994 and 1997 respectively. Jebel Aswad-1 has tested 704 bbls of high quality oil, after being re-entered in 1995. Wadi Saylah was never tested but has oil indicated on well logs. Tethys Oil will participate in a work programme that

will involve the re-entry of the two previously drilled wells and drilling horizontal sidetracks using under-balanced drilling technology to evaluate the full potential of the wells.

All necessary permits, including environmental permits, have been obtained and tendering for rig and associated services are ongoing. In October the cellars of the old wells were excavated and found in good shape so only minimal site preparation will be required. Preparations are well underway and Tethys is ready to drill as soon as a rig and associated services have been contracted. In parallel to the re-entries, the geological and geophysical work continues with the re-mapping of the Jebel Aswad and Wadi Saylah structures with a view to optimize the drilling program further.



Prospecting for oil among Danish horse pastures and fruit orchards, requires massive undertakings to be environmentally approved.

In addition to Jebel Aswad and Wadi Saylah the block contains a dozen leads for other potential fields, and in order to gain a better understanding of these, some of the more than 2,500 kilometres of existing 2D seismic on the licence will be re-processed and re-interpreted.

Denmark

With Tethys Oil as operator, the drilling of exploration well Karlebo-1 on Licence 1/02 onshore Zealand north of Copenhagen in Denmark started during the third quarter 2006. Partners are DONG Energy A/S and Odin Energi A/S. Since July 2006, Star Energy Group Plc is also a partner with a 20 per cent partner interest in Licences 1/02 and 1/03. Through the farmout, Tethys reduced its interest in the licences from 70 to 50 per cent. The farmout arrangement calls for Star Energy to pay 20 per cent of historical costs and 40 per cent of the cost of the exploration well on Licence 1/02.

The construction of the drilling location started in June and was completed in August. To construct the 5,000 square metres site, a total of 100 trucks carrying a total of 3,200 cubic metres of gravel and 50 trucks carrying 600 cubic metres of asphalt were required. The location includes a complete closed drainage system to handle rain water. The drilling pad was designed to handle a drilling load of over 615,000

kilograms and was reinforced with sixty-seven 10 meter piles.

In early September, the mobilization of the drilling equipment commenced when the first of a total of 45 drilling rig loads arrived. On September 27, the drilling operations were officially inaugurated by Olav Aaen, the major of Karlebo. Some 100 invited guests were also present at the official opening.

The well is designed to penetrate and evaluate three potential hydrocarbon bearing zones consisting of sandstones of Cretaceous, Jurassic and Triassic age. The extensive evaluation that will be conducted to determine whether hydrocarbons are present in these zones will include the running of wire line logs.





Henrik Strömberg

On October 17 the well had been drilled to about 1,700 meters. The well was secured by casing that was set and cemented in place. On November 14 the well had reached a depth of 2,489 metres after having encountered problems at 1,916 metres, forcing a sidetrack to be drilled below the 7" casing shoe. Wireline logs will now be run in the hole before any additional work will be undertaken. So far no significant shows of hydrocarbons have been detected while drilling. Final results will be press released once all work has been completed and logs have been evaluated.

On Licence 1/03, the interpretation of the surface geochemical survey over onshore Jutland in Denmark was finalized earlier in the year. The result was encouraging, but final interpretation of the possibilities of the Licence will be conducted after the result of the exploration well of Licence 1/02 is in hand.

Morocco

During 2006, Tethys Oil completed all of the required work programme for the Bouanane Reconnaissance Licence in Morocco. The results confirmed the prospectivity of the area, in particular for natural gas and better defined the potential of the giant Tafejart structure.



In September, 2006, Tethys and partner Eastern Petroleum (Cyprus) Limited signed an agreement with UK oil and gas company Dana Petroleum Plc, for Dana to acquire a 50 per cent working interest in the Exploration and Production agreement resulting from the Bouanane Reconnaissance Licence area, onshore Morocco. Dana will pay Tethys' and Eastern's share of the costs in relation to the licence in return for being assigned the interest. Subsequent to the end

of the Reconnaissance Licence, Tethys and Eastern have the exclusive right to enter into an agreement for Exploration and Production in the Bouanane area. Dana is currently leading the negotiations with Moroccan state oil company, ONHYM, over a Petroleum Agreement for the Exploration and Exploitation of Hydrocarbons in the Bouanane area. Following completion of the transaction and the signing of a Petroleum Agreement, Dana will assume operatorship. Tethys will then have a 12.5 per cent interest in the licence.

Spain

In October Tethys agreed with Ascent Resources to exchange its interest in La Lora and Ayoluengo for a 20 per cent interest in the Cameros licences. Therefore the company will no longer be part of the oil production from Ayoluengo. However the company maintains its 50 per cent interest in the surrounding exploration licences.

The Cameros licence is located in the Ebro basin of northern Spain within the state of La Rioja. This licence is of interest for a large natural gas prospect that has been identified in it through the reprocessing of existing seismic data. Three other gas fields have been discovered and produced in the Ebro basin before. The Ebro river valley also holds one of the countries main gas pipelines passing within 10 kilometres of the licence. An application to the government for additional licence areas surrounding Cameros has been filed by the partnership and is expected to be awarded. Tethys will have 20 per cent in both licences with partners: Union Fenosa (operator), SHESA, Teredo, and Nuelgas.

For the exploration licences Huermece, Basconillos, and Valderredible, the operator Ascent Resources is continuing drilling preparations for the Hontomin-4 well and the Tozo-1 re-entry.

Turkey

Existing seismic data shows two strong leads in the Thrace licences. Additional seismic will however be required to confirm the presence of drillable prospects. The seismic programme has been agreed with partners and a seismic contractor has been engaged. Due to a shortage of crews in the area, and the onset of winter, seismic acquisition will likely take place in

spring 2007. Drilling will then take place in summer-time.

Together with Tethys' Turkish partner, farm out discussions concerning the Ispandika licences are ongoing. If these are successful, Tethys will maintain its 10 per cent interest in the Ispandika licences and not increase its cost commitment further.

France

Earlier during the year, a comprehensive work programme was completed confirming the structural integrity of the prospect and the prospectivity of the area. During the quarter in question, a drilling location has been contracted and relevant local permits are being obtained. In parallel, discussions are ongoing with drilling rig contractors and tenders are being prepared for this and associated services.

Other potential licence areas

Through the acquisition of the licence interest in Oman, Tethys Oil also received options to acquire a 30 per cent interest in an exploration concession on the Swedish island of Gotland and an 11 per cent interest in the Dunalka production licence onshore Latvia. The options expire in November 2006 and Tethys Oil is now evaluating these opportunities.



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 nine month period ended 30 September 2006. The amounts relating to the comparative period (equivalent period of last year for result and cash flow items and 31 December 2005 for balance sheet items) are shown in parenthesis after the amount for the current period. Up until 30 September 2006, Tethys Oil has not reported any sales of oil and gas, which is why there is no segmental information below. Also due to the fact that there have been no sales in Tethys Oil, seasonal variations do not impact the result.

Acquisition of GotOil Resources (Oman) Ltd

The Group acquired 100 per cent of the share capital of GotOil Resources (Oman) Ltd on 24 May 2006 from Maha Resources Ltd. Got Oil Resources (Oman) Ltd, registered in Gibraltar, has 40 per cent interest in an Exploration and Production Sharing Agreement in Block 15, Oman. As consideration for the acquisition Tethys Oil paid USD 600,000 (SEK 4,383,900) in cash and issued 400,000 new shares of Tethys Oil. The value of the shares is based on the market price of SEK 49.50 for the Tethys Oil share at the effective date of acquisition, 24 May 2006 as from which date GotOil Resources (Oman) Ltd is consolidated. The total value of the consideration therefore amounts to SEK 24,183,900. The share issue was registered on 5 June 2006.

Net profit and sales

Tethys Oil reports a net result for the first nine month period of 2006 of TSEK -5,640 (TSEK -12,466 for the corresponding period last year) and TSEK -1,940 (TSEK -1,570) for the third quarter 2006, representing earnings per share of SEK -1.13 (SEK -2.84) for the first nine months of 2006 and SEK -0.34 (SEK -0.36) for the third quarter 2006. Write downs of oil and gas properties of TSEK 137 has negatively affected the result of the first nine months of 2006. Cash flow from operations before changes in working capital for the first nine months of 2006 amounted to TSEK -5,394 (TSEK -3,663) and TSEK -1,925 (TSEK -1,546) for the third quarter 2006.

The net result for the first nine months of 2006 has not been significantly impacted by net foreign exchange losses or gains.

There have been no sales or production of oil and gas for the nine month period ended 30 September 2006, apart from incidental oil production in the La Lora field, which according to Tethys Oil's accounting principles is offset against capitalized costs of the related cost centre in the balance sheet. Accordingly, there has been no depletion of oil and gas properties.

Costs of administration and depreciation

Costs of administration and depreciation amounted to TSEK -6,424 (TSEK -4,834) for the first nine months of 2006 and TSEK -2,450 (TSEK -1,645) for the third quarter 2006. Depreciation amounted to TSEK 108 (TSEK 22) for the first nine months of 2006 and TSEK 16 (TSEK 8) for the third quarter. Costs of administration are mainly rents, salaries, office supplies and travel expenditures. These costs are corporate costs and are accordingly not capitalised. Depreciation is referable to computers, phones etc. The increase in costs of administration is related to an increased overall corporate activity during 2006 compared to 2005.

Investments

Fixed assets as at 30 September 2006 amounted to TSEK 42,649 (TSEK 11,599) of which TSEK 42,487 (TSEK 11,404) relates to oil and gas properties. Oil and gas properties in Denmark amounted to TSEK 6,824 (TSEK 5,119), France TSEK 887 (TSEK 690), Morocco TSEK 2,477 (TSEK 553), Oman TSEK 25,501 (TSEK -), Spain TSEK 3,256 (TSEK 3,152), Turkey TSEK 1,404 (TSEK 727) and other TSEK 2,138 (TSEK 1,163). Expenditures for oil and gas properties of TSEK 31,220 (TSEK 4,962) was incurred for first nine months of 2006 of which Denmark TSEK 1,705, France TSEK 197, Morocco TSEK 1,924, Oman TSEK 25,501, Spain TSEK 104, Turkey TSEK 677 and other TSEK 1,112. Investments in oil and gas properties have mainly been the acquisition of GotOil Resources (Oman) Ltd. Other investments have been the exploration well in Karlebo, Denmark, however reduced by the debt of back



costs from Star Energy as a result of the farm out of Danish licenses.

Investments in other fixed assets during the nine month period that ended 30 September 2006 amounted to TSEK 75 (TSEK 72). These investments are referable to office related equipment.

Liquidity and financing

Cash and bank as at 30 September 2006 amounted to TSEK 58,515 (TSEK 657). Short-term investments as at 30 September 2006 amounted to TSEK 12,689

(TSEK 40,445). The short-term investments are investments in mutual bond funds with short durations, less than three months from acquisition date.

At an Extraordinary General Meeting of Tethys Oil on 19 May 2006 a resolution was made to issue new shares with associated warrants carrying preferential rights for existing share holders. Five existing shares entitled the holder to subscribe for one Unit, which consisted of one newly issued share and one newly issued warrant. The price for each Unit was set to SEK 60 per Unit. On 22 June 2006 Tethys

Oil announced the rights issue fully subscribed. Through this rights issue the company raised around MSEK 52.6 before issue costs and increased the number of shares with 876,960 shares. The issue costs are estimated to approximately MSEK 4.5.

Current receivables

Current receivables amounted to TSEK 11,239 (TSEK 1,681) as at 30 September 2006. Current receivables are mainly receivables from partners regarding operations. In particular the high level of current receivables is a result of the farm out of the Danish licenses to Star Energy.

Current liabilities

Current liabilities as at 30 September 2006 amounted to TSEK 7,726 (TSEK 2,458), of which TSEK 4,901 (TSEK 2,055) relates to accounts payable, TSEK 1,728 (TSEK 117) relates to other current liabilities and TSEK 1,097 (TSEK 286) relates to accrued expenses.

Parent company

The parent company reports a result amounting to TSEK -2,241 (TSEK -11,128) for the first nine months of 2006 and TSEK -653 (TSEK -9,555) for the third quarter. Write down of shares in group companies of TSEK 141 has negatively affected the result of the nine month period. Costs of administration and depreciation amounted to TSEK -5,720 (TSEK -4,834) for the first nine months of 2006 and TSEK -1,917 (TSEK -1,645) for the third quarter. Net financial income amounted to TSEK 1,268 (TSEK -8,301) during the first nine months of 2006 and TSEK 639 (TSEK 8,601) for the third quarter. Investments during the first nine months of 2006 amounted to TSEK 47,977 (TSEK 2,441). Investments are mainly related to the acquisition of GotOil Resources (Oman) Ltd. Apart from the acquisition, 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 and management

At the Annual Meeting of shareholders on 4 May 2006 Håkan Ehrenblad, Vincent Hamilton, John Hoey, Carl-Gustaf Ingelman, 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. At the Extraordinary General Meeting of shareholders on 19 May 2006 Jonas Lindvall was newly elected member of the board. Mr. Lindvall is a petroleum engineer with over 20 years experience from the oil and gas industry. He is also an employee of the group and will be in charge of the group's operations in Oman.

Share data

The number of shares in Tethys Oil amount to 5,741,760 (4,384,800), with a quota value of SEK 0.50 (SEK 0.50). The number of shares includes 400,000 shares from the non-cash issue in connection with the acquisition of GotOil Resources (Oman) Ltd that were registered on 5 June 2006. It further includes 876,960 shares from the rights issue that were registered on 10 July 2006. For the weighted number of shares calculation they were included from the issue date, 28 June 2006. A directed issue to Maha Resources of 80,000 shares is also included in the number of shares and in the weighted number of share calculation they were included from 7 August 2006.

In the rights issue described above, Tethys Oil issued a warrant for every issued share, amounting to 876,960 warrants. These warrants were listed on First North on 17 July 2006. The warrants can be exercised during two fixed periods. The first period is between 1 December 2006 – 31 January 2007 and has a subscription price of SEK 72 and the second period is between 1 September 2007 – 30 September 2007 and has a subscription price of SEK 78. As the share price at the end of the reporting period was below subscription prices, these warrants are not included in the fully diluted number of shares.

Consolidated income statement

TSEK	Note	1 Jan 2006 -30 Sep 2006 9 months	1 Jul 2006 -30 Sep 2006 3 months	1 Jan 2005 -30 Sep 2005 9 months	1 Jul 2005 -30 Sep 2005 3 months	1 Jan 2005 -31 Dec 2005 12 months
Net sales of oil and gas		-	-	-	-	-
Depreciation of oil and gas properties	1	-	-	-	-	-
Write downs of oil and gas properties	1	-137	-	-8,196*	-17	-8,412*
Other income		259	196	-	-	23
Administration and depreciation**		-6,424	-2,450	-4,834	-1,645	-6,609
Operating result		-6,302	-2,254	-13,030	-1,662	-14,998
Financial income and similar items		1,285	736	648	114	774
Financial expenses and similar items		-623	-423	-85	-23	-144
Net financial income		662	313	564	92	630
Result before tax		-5,640	-1,940	-12,466	-1,570	-14,368
Income tax		-	-	-	-	-
Net result		-5,640	-1,940	-12,466	-1,570	-14,368
Number of shares outstanding	2	5,741,760	5,741,760	4,384,800	4,384,800	4,384,800
Number of shares outstanding (after full dilution)	2	5,741,760	5,741,760	4,384,800	4,384,800	4,384,800
Weighted number of shares	2	4,976,797	5,708,076	4,384,800	4,384,800	4,384,800
Earnings per share, SEK	2	-1.13	-0.34	-2.84	-0.36	-3.28
Earnings per share (after full dilution), SEK	2	-1.13	-0.34	-2.84	-0.36	-3.28

* The write down of oil and gas properties in 2005 mainly regards Hoto in Turkey.

** These costs regard corporate costs.

Consolidated balance sheet

TSEK	Note	30 Sep 2006	30 Sep 2005	30 Sep 2004	31 Dec 2005
ASSETS					
Fixed assets					
Oil and gas properties	1	42,487	10,183	11,696	11,404
Other fixed assets		162	144	124	195
Total fixed assets		42,649	10,327	11,820	11,599
Current assets					
Other receivables		11,239	666	1,957	1,681
Prepaid expenses		2,029	77	88	451
Short term investments*		12,689	43,439	56,942	40,445
Cash and cash equivalents		58,515	644	604	657
Total current assets		84,472	44,826	59,591	43,234
TOTAL ASSETS		127,121	55,153	71,411	54,833
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
	2				
Share capital		2,871	2,192	2,192	2,192
Other contributed equity		143,051	71,071	71,812	71,071
Retained earnings		-26,528	-18,987	-4,500	-20,888
Total shareholders' equity		119,394	54,277	69,505	52,375
Non interest bearing current liabilities					
Accounts payable		4,901	502	486	2,055
Other current liabilities		1,728	304	1,075	117
Accrued expenses		1,097	70	345	286
Total non interest bearing current liabilities		7,726	876	1,906	2,458
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		127,121	55,153	71,411	54,833
Pledged assets		186	780	-	780
Contingent liabilities	3	29,370	14,527	2,452	14,527

* The short term investments are investments in mutual bond funds with short durations, less than three months from acquisition date.

Consolidated statement of changes in equity

TSEK	Share capital	Paid in capital	Retained Earnings
Opening balance at 1 January 2005	2,192	71,071	-6,520
Net result	-	-	-14,368
Closing balance at 31 December 2005	2,192	71,071	-20,888
Opening balance at 1 January 2006	2,192	71,071	-20,888
Period result first quarter 2006	-	-	-1,256
Non-cash issue	200	19,600	-
Rights issue	438	52,179	-
Estimated issue costs	-	-4,559	-
Directed issue	40	4,760	-
Period result second quarter 2006	-	-	-2,443
Period result third quarter 2006	-	-	-1,940
Closing balance at 30 September 2006	2,871	143,051	-26,528

Consolidated cash flow statement

TSEK	Note	1 Jan 2006 -30 Sep 2006 9 months	1 Jul 2006 -30 Sep 2006 3 months	1 Jan 2005 -30 Sep 2005 9 months	1 Jul 2005 -30 Sep 2005 3 months	1 Jan 2005 -31 Dec 2005 12 months
Cash flow from operations						
Operating result		6,302	-2,254	-13,030	-1,662	-14,998
Financial income and similar items		1,285	736	648	114	774
Financial expenses and similar items		-623	-423	-85	-23	-144
Adjustment for write down of oil and gas properties		137	-	8,196	17	8,412
Adjustment for depreciation		108	16	607	7	35
Total cash flow used in operations before change in working capital		-5,394	-1,925	-3,663	-1,546	-5,921
Decrease/increase in receivables		-11,136	-12,336	162	90	-622
Increase in liabilities		5,268	2,364	-1,482	362	99
Cash flow used in operations		-11,262	-11,897	-4,983	-1,094	-6,444
Investment activity						
Investment in oil and gas properties	1	-31,220	-200	-4,962	-2,442	-6,420
Investment in other fixed assets		-75	-	-9	-5	-72
Cash flow used for investment activity		-31,296	-200	-4,971	-2,447	-6,492
Financing activity						
Share issue		72,659	19,337	-	-	-
Cash flow from financing activity		72,659	19,337	-	-	-
Period cash flow		30,101	7,240	-9,954	-3,541	-12,936
Cash and cash equivalents at the beginning of the period*		41,102	63,963	54,037	47,625	54,037
Cash and cash equivalents at the end of the period*		71,203	71,203	44,083	44,084	41,102

* Presented as cash and bank and short term investments in the balance sheet.

Parent company income statement condensed

TSEK	Note	1 Jan 2006 -30 Sep 2006 9 months	1 Jul 2006 -30 Sep 2006 3 months	1 Jan 2005 -30 Sep 2005 9 months	1 Jul 2005 -30 Sep 2005 3 months	1 Jan 2005 -31 Dec 2005 12 months
Net sales of oil and gas		-	-	-	-	-
Depreciation of oil and gas properties	1	-	-	-	-	-
Write downs of oil and gas properties	1	-	-	-	-	-
Other income		2,212	626	2,008	692	2,812
Administration and depreciation		-5,720	-1,917	-4,834	-1,645	-6,598
Operating result		-3,509	-1,291	-2,827	-954	-3,786
Financial income and similar items		2,032	1,064	1,000	203	1,226
Financial expenses and similar items		-623	-426	-83	-21	-139
Write down of shares in group company		-141	-	-9,218	-8,783	-9,692
Net financial income		1,268	639	-8,301	-8,601	-8,605
Result before tax		-2,241	-653	-11,128	-9,555	-12,391
Income tax		-	-	-	-	-
Net result		-2,241	-653	-11,128	-9,555	-12,391
Number of shares outstanding	2	5,741,760	5,741,760	4,384,800	4,384,800	4,384,800
Number of shares outstanding (after full dilution)	2	5,741,760	5,741,760	4,384,800	4,384,800	4,384,800
Weighted number of shares	2	4,976,797	5,708,076	4,384,800	4,384,800	4,384,800
Earnings per share, SEK	2	-0.45	-0.11	-2.54	-2.18	-2.83
Earnings per share (after full dilution), SEK	2	-0.45	-0.11	-2.54	-2.18	-2.83

Parent company balance sheet condensed

TSEK	Note	30 Sep 2006	30 Sep 2005	30 Sep 2004	31 Dec 2005
ASSETS					
Total fixed assets		162	144	124	195
Total financial assets		65,919	14,628	12,196	17,997
Total current assets		68,338	43,742	59,091	40,789
TOTAL ASSETS		134,419	58,515	71,411	58,981
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	2	126,862	57,707	69,505	56,444
Total non interest bearing current liabilities		7,558	808	1,906	2,538
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		134,419	58,515	71,411	58,981
Pledged assets		186	780	–	780
Contingent liabilities	3	4,833	–	2,452	–

Parent company statement of changes in equity

TSEK	Restricted equity		Unrestricted equity	
	Share capital	Share premium Reserve	Retained Earnings	Net result
Opening balance at 1 January 2005	2,192	71,071	-1,458	-2,970
Transfer of prior year net result	–	–	-2,970	2,970
Net result	–	–	–	-12,391
Closing balance at 31 December 2005	2,192	71,071	-4,428	-12,391
Opening balance at 1 January 2006	2,192	71,071	-4,428	-12,391
Transfer of prior year net result	–	–	-12,391	12,391
Period result first quarter 2006	–	–	–	-402
Non-cash issue	200	19,600	–	–
Rights issue	438	52,179	–	–
Estimated issue costs	–	-4,559	–	–
Directed issue	40	4,760	–	–
Period result second quarter 2006	–	–	–	-1,186
Period result third quarter 2006	–	–	–	-653
Closing balance at 30 September 2006	2,871	143,051	-16,820	-2,241

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 licenses in Denmark, France, Morocco, Oman, Spain and Turkey and in a production license in Spain.

The Company is a limited liability company incorporated and domiciled in Stockholm, Sweden. The Company is listed on First North (previously called Nya Marknaden) in Stockholm.

These consolidated financial statements have been approved for issue by the Board of Directors on 14 November 2006.

Accounting principles

The nine month report of the Tethys Oil Group has been prepared in accordance with the Swedish Financial Accounting Standards Council's RR31 and IAS 34. The nine month report of the parent company has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standards Council's RR32. The same accounting principles were used in the annual report 2005.

Financial instruments

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

Note 1) Oil and gas properties

TSEK	Group			Parent		
	1 Jan 2006	1 Jul 2006	1 Jan 2005	1 Jan 2006	1 Jul 2006	1 Jan 2005
	-30 Sep 2006	-30 Sep 2006	-31 Dec 2005	-30 Sep 2006	-30 Sep 2006	-31 Dec 2005
	9 months	3 months	12 months	9 months	3 months	12 months
Investments in oil and gas properties						
Opening balance	20,251	51,271	14,437	-	-	-
Investments in Denmark	1,705	-716	3,412	-	-	-
Investments in France	197	4	690	-	-	-
Investments in Morocco	1,924	541	544	-	-	-
Investments in Oman	25,501	4	-	-	-	-
Investments in Spain	104	3	33	-	-	-
Investments in Turkey	677	128	615	-	-	-
Other investments in oil and gas properties	1,112	236	1,125	-	-	-
Closing balance	51,471	51,471	20,856	-	-	-
Reclassification of assets in Turkey	-	-	-605	-	-	-
Depreciation						
Depreciation	-	-	-	-	-	-
Write down						
Opening balance	8,847	8,984	435	-	-	-
Write down	137	-	8,412	-	-	-
Closing balance	8,984	8,984	8,847	-	-	-
Net book value	42,487	42,487	11,404	-	-	-

Note 2) Shareholders' equity

The number of shares in Tethys Oil amount to 5,741,760 (4,384,800), with a quota value of SEK 0.50 (SEK 0.50). The number of shares includes 400,000 shares from the non-cash issue in connection with the acquisition of GotOil Resources (Oman) Ltd that were registered on 5 June 2006. It further includes 876,960 shares from the rights issue that were registered on 10 July 2006. For the weighted number of shares calculation they were included from the issue date, 28 June 2006. A directed issue to Maha Resources of 80,000 shares is also included in the number of shares and in the weighted number of share calculation they were included from 7 August 2006.

In the rights issue described above, Tethys Oil issued a warrant for every issued share, amounting to 876,960 warrants. These warrants were listed on First North on 17 July 2006. The warrants can be exercised during two fixed periods. The first period is between 1 December 2006 – 31 January 2007 and has a subscription price of SEK 72 and the second period is between 1 September 2007 – 30 September 2007 and has a subscription price of SEK 78. As the share price at the end of the reporting period was below subscription prices, these warrants are not included in the fully diluted number of shares.

Note 3) Contingent liabilities

The contingent liabilities amount to TSEK 29,370 (TSEK 14,527). In Denmark, the Group has a contingent liabilities amounting to TSEK 10,000 regarding an exploration well, in Spain the Group has a contingent liability of TSEK 543 regarding abandonment in the La Lora concession in Spain, in France the Group has a financial work commitment of TSEK 4,833 and in Oman the Group has a financial work commitment of TSEK 13,994. The parent company has a contingent liability of TSEK 4,833 (TSEK –) for the financial work commitment in France.

Note 4) Acquisition

The Group acquired 100 per cent of the share capital of GotOil Resources (Oman) Ltd on 24 May 2006 from Maha Resources Ltd. Got Oil Resources (Oman) Ltd, registered in Gibraltar, has 40 per cent interest in an Exploration and Production Sharing Agreement in Block 15, Oman. As consideration for the acquisition Tethys Oil paid USD 600,000 (SEK 4,383,900) in cash and issued 400,000 new shares of Tethys Oil. The value of the shares is based on the market price of SEK 49.50 for the Tethys Oil share at the effective date of acquisition, 24 May 2006. The total value of the consideration therefore amounts to SEK 24,183,900. The share issue was registered on 5 June 2006.

GotOil Resources (Oman) Ltd contributed revenues of TSEK 260 and net profit of TSEK - 442 to the Group for the period from acquisition to 30 September 2006. If acquisition had occurred on 1 January 2006 consolidated revenue and consolidated net profit for the nine month period ended 30 September 2006 would have been TSEK 1,438 and TSEK - 406 respectively. If acquisition had occurred on 1 July 2006 consolidated revenue and consolidated net profit for the third quarter ended 30 September 2006 would have been TSEK 165 and TSEK - 335 respectively. Revenues in GotOil Resources (Oman) Ltd are attributable to chargeouts to the joint venture regarding Block 15 in Oman.

Items	TSEK
Total purchase consideration	24,184
Costs related to acquisition	1,147
Fair value of assets acquired (see below)	-397
Excess value over acquired net assets allocated to oil and gas properties	24,934

The excess value over acquired net assets is allocated to oil and gas properties in the consolidated balance sheet and is referable to the Group's interest in Block 15 in Oman.

TSEK	Fair value	Acquiree's carrying amount
Capitalised costs	459	459
Receivables	17	17
Other current liabilities	-54	-54
Accrued expenses	-25	-25
Net assets acquired	397	397

Note 5) Related party transactions

In connection with the rights issue during the second and third quarter TSEK 819 was paid to the guarantors of the rights issue. The guarantors were Håkan Ehrenblad, Vincent Hamilton, John Hoey, Carl-Gustaf Ingelman, Jan Risberg, Magnus Nordin and Lorito Holdings Limited.

Key ratios

Group

	1 Jan 2006 -30 Sep 2006 9 months	1 Jul 2006 -30 Sep 2006 3 months	1 Jan 2005 -30 Sep 2005 9 months	1 Jul 2005 -30 Sep 2005 3 months	1 Jan 2005 -31 Dec 2005 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	-6,302	-2,254	-13,030	-1,662	-14,998
Operating margin, %	neg.	neg.	neg.	neg.	neg.
Result before tax, TSEK	-5,640	-1,940	-12,466	-1,570	-14,368
Net result, TSEK	-5,640	-1,940	-12,466	-1,570	-14,368
Net margin, %	neg.	neg.	neg.	neg.	neg.
Shareholders' equity, TSEK	119,394	119,394	54,277	54,277	52,375
Balance sheet total, TSEK	127,121	127,121	55,153	55,153	54,833
Capital structure					
Solvency, %	93.92%	93.92%	98.41%	98.41%	95.52%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	93.92%	93.92%	98.41%	98.41%	95.52%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	31,296	200	4,971	2,447	6,492
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	4.9	6.0	3.2	3.4	3.5
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	5,742	5,742	4,385	4,385	4,385
Shareholders' equity per share, SEK	20.79	20.79	12.38	12.38	11.94
Weighted number of shares on balance day, thousands	4,977	5,708	4,385	4,385	4,385
Earnings per share, SEK	-1.13	-0.34	-2.48	-0.36	-3.28

For definitions of key ratios please refer to the 2005 Annual Report. The abbreviation n.a. means not available

Financial information

The Company plans to publish the following financial reports:

- Year end report (January – December 2006) on 15 February 2007
- Three month report (January – March 2007) on 3 May 2007
- Annual meeting on 16 May 2007 in Stockholm
- Six month report (January – June 2007) on 15 August 2007
- Nine month report (January – September 2007) on 13 November 2007

Stockholm, 14 November 2006

Magnus Nordin
Managing Director

Review report

We have reviewed the interim report for the period 1 January – 30 September 2006 for Tethys Oil AB (publ). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do

not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act.

Gothenburg 14 November 2006

PricewaterhouseCoopers AB

Klas Brand
Authorised Public Accountant



TETHYS OIL

Corporate Head Office

Blasieholmsgatan 2A
SE-111 48 Stockholm
Sweden

Phone +46 8 679 4990
Fax +46 8 678 8901
E-mail: info@tethysoil.com

Technical Office

4 Rue de Rive
CH-1204 Geneva
Switzerland

Phone +41 22 318 8600
Fax +41 22 318 8609
E-mail: info@tethysoil.com

www.tethysoil.com