Tethys Oil AB (publ)

Report for the period

1 January 2007 – 30 September 2007

Highlights

- Successful drilling of PLM-2 in France – 10.5 metres net natural gas pay
- Tethys has decided to apply for secondary listing on Dubai International Financial Exchange and has started the application process
- Tethys signs agreement to take over 50 per cent interest in Blocks 3 and 4 onshore Oman
- Private placement of 300,000 shares completed in July – proceeds of MSEK 16.8 before placement costs
- As at 30 September 2007 there have been no sales of oil and gas in Tethys Oil, nor for the equivalent period of last year
- Loss for the first nine months 2007 amounted to TSEK -22,381 (TSEK -5,640 for the corresponding period last year) and TSEK -3,755 (TSEK -1,940) for the third quarter. Write downs of TSEK 16,280 have negatively affected the result of first nine months 2007
- Earnings per share amounted to SEK -3.70 (SEK -1.13) for the first nine months 2007 and SEK -0.62 (SEK -0.34) for the third quarter
- Cash and cash equivalents as per 30 September 2007 amounted to TSEK 23,898 (TSEK 57,112). Oil and gas investments for the nine month period ended 30 September 2007 amounted to TSEK 35,939 mainly in France and Oman and current liabilities have been reduced by TSEK 15,764 as invoices for the Karlebo well have come due. Receivables as per 30 September 2007 amounted to TSEK 8,843 (TSEK 16,853)

Dear friends and investors,

The highlight of third quarter 2007 was the successful drilling of the PLM-2 exploration well on the Attila licence in France which so far indicates that a gas discovery is in the making. PLM-2 is the second well in a row with Tethys' participation to suggest a discovery, following the successful Tethys operated re-entry of Jebel Aswad in Oman, which flowed 2,626 boepd when tested in June.

PLM-2 was drilled during some 20 days in September/October, and encountered a 80 metres gross pay zone with a total of 10.5 metres net natural gas pay as measured on well logs. The results were quite encouraging. It is however too early to draw any kind of commercial conclusions as we need to perform a production test, which we plan for the first quarter of 2008.

Our Oman project progressed steadily during the third quarter and in November we will perform additional well tests on Jebel Aswad. The results will be an important part of the development plan for the field.

But in addition to Block 15 and Jebel Aswad, Tethys wishes to grow in Oman. In November, we signed an agreement with Norwegian Energy Company to take over 50 per cent interest in Blocks 3 and 4 onshore Oman. The Blocks cover a vast area in Oman and hold great potential.

The Block 3 and 4 transaction is subject to government and partner approvals. However, it underlines Tethys' strong interest in Oman and our desire and ambition to become a dedicated and successful player in the Omani oil and gas industry.

To further emphasise our commitment to the Middle East region, Tethys decided in September to apply for a secondary listing of our shares on the Dubai International Financial Exchange (DIFX). For Tethys Oil this should become a vital step in securing increased participation in one of the world's most dynamic and fastest growing areas and also establishing a presence in the Gulf Region's financial markets.

So stay with us. We are beginning to map out the near future, a future when Tethys will be an oil producer.

Stockholm in November 2007

Magnus Nordin
Managing Director

Operations

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

Overview

Country	Licence areas	Tethys Oil, %	Total area, km^2	Operator	Investments 1 Jan–30 Sep 2007, TSEK	Investments 1 Jul–30 Sep 2007, TSEK	Book value 30 Sep 2007, TSEK
Oman	Block 15	40%	1,389	Tethys Oil	23,200	1,715	49,889
Denmark[1]	Licence 1/02 Licence 1/03	– –	– –	– –	5,295	43	–
Morocco	Bouanane	12.5%[2]	2,100	Dana Petroleum	-2,676	121	236
Spain	Valderredible Huermeces Basconcillos Cameros Ebro-A	50% 50% 50% 26% 26%	241 121 194 35 217	Ascent Resources Ascent Resources Ascent Resources SHESA SHESA	187	-111	1,224
Turkey	Ispandika Thrace	10% 25%	965 994	Aladdin Middle East Aladdin Middle East	3,108	467	4,674
France	Attila	40%[3]	1,986	Galli Coz	6,163	5,462	7,197
New ventures					662	186	246
Total			**8,242**		**35,939**	**7,883**	**63,465**

[1] *Licence 1/02 and 1/03 were relinquished on 22 May 2007. Tethys Oil has commitments amounting to TDKK 1,000 regarding construction work still to be fulfilled.*

[2] *Tethys has a 12.5 per cent interest in the licence. According to the farm-in agreement with Dana, Tethys is carried for seismic cost up to MUSD 5 and well costs up to MUSD 7. However, for expenditures exceeding these limits, Tethys Oil will pay 16 2/3 per cent of exceeding expenditures. The negative investments are explained by reimbursement of past costs following the Dana farm-in agreement.*

[3] *Tethys Oil pays 44 per cent of costs through an exploration well.*

Oman

The re-entry of Jebel Aswad was drilled with Tethys as Operator during the second quarter of 2007. The Jebel Aswad well was originally drilled in 1994 and encountered oil in two limestone intervals, the Natih and Shuaiba. The re-entry was designed to appraise both intervals and underbalanced drilling fluids were used in order to minimize damage to the reservoir and maximize oil production.

The testing of both limestone sections were completed in June. Both reservoirs produced hydrocarbons to surface. On testing the Natih flowed 11.03 mmscfpd and 793 bpd of 57API condensate (total of 2,626 boepd) through a 1 inch choke. The Shuaiba could not be fully tested due to a faulty down hole motor, but Shuaiba produced wet gas during the underbalanced drilling.

Tethys own preliminary in-house reserve estimate of the Natih 'A' reservoir indicates some 138 BCF of gas and some 7.0 MM barrels of condensate, of which Tethys' share of 40 per cent corresponds to 55 BCF and 2.8 MM barrels of condensate. No hydrocarbon reserves were attributed to the underlying reservoirs, despite firm indications of hydrocarbons in these two separate reservoirs.

Tethys Oil also commissioned Helix RDS (UK) Ltd. to model the test results along with the original data from the 1995 test. In their study, they did not do an economic analysis for the profiles created and as such the recoverable hydrocarbon should be cataloged as

resources. Following the Helix report, Tethys' share of 40 per cent before government take equates to:

Tethys Oil's share, 40%	Low	Mid	High
Gas Cumulative (BSCF)	5.54	52.26	174.40
Condensate cumulative (MMbbls)	0.28	2.61	8.72
Tethys Oil's share expressed in million barrels of oil equivalents (MMBOE)	1.20	11.32	37.79

(Conversion factor: 1 boe = 6 MSCF)

In November, Tethys Oil entered into a contract with oil service company MB Petroleum Services for additional well testing on the Jebel Aswad well. The testing will involve acquiring downhole samples of the reservoir fluid. The testing operations including flow tests and will be carried out in the second half of November and are expected to take seven days. The aim is to gain a better understanding of the true condensate gas ratio (CGR), which is required in order to determine the physical and chemical characteristics of the gas condensate and to model the reservoir performance over the field life. The results will be a part of the development plan for the field, and will be used to determine the number of production wells and to optimize the pipeline steel and the capacity of the separators.

On 9 November 2007, Tethys announced that the company has signed an agreement with Norwegian Energy Company (Noreco) affiliate Altinex for Tethys to take over its 50 per cent interest in blocks 3 and 4 onshore Oman. In consideration for Noreco assigning its interest to Tethys, Tethys will pay USD 2 million in cash or in newly issued Tethys shares upon the closing of the transaction. The transaction is subject to government and partner approvals. The remaining 50 per cent of the licence is held by Canadian energy company EnCana, who is the operator.

The EPSA covering the Blocks carry a minimum work commitment of acquiring 800 kilometres of 2D seismic and the drilling of 3 exploration wells and the acquisition of 400 square kilometres of 3D seismic or the drilling of a fourth exploration well over a three year period.

Blocks 3 and 4 cover a combined area of over 30,000 square kilometres. So far more than 30,000 kilometres of 2D seismic has been collected and 27 wells have been drilled on the Blocks. 18 wells have encountered oil shows. Block 3 contains the South Farha oil discovery, containing an estimated 4-6 million barrels of recoverable oil from thin sandstone layers.

During the third quarter, Tethys decided to apply for a secondary listing of the Company's shares on the Dubai International Financial Exchange (DIFX).

Through the listing, Tethys aims to increase its activities in the Arabian Gulf region including establishing a presence in the Gulf Region's financial markets. This listing process has started and Tethys is in the process of submitting all necessary documents.

France

After a comprehensive work programme at the Attila licence in France in 2006, which confirmed the prospectivity of the area, a decision to carry on with an exploration drilling of the Pierre Maubeuge 2 well (PLM-2) was taken. The construction of the drill site commenced during the summer and was completed in September 2007. The mobilization of the MR-7000 drilling rig from French contractor COFOR commenced on September 18.

After less than three weeks of drilling operations, the well was finalized at a total depth of 1,310 metres. During the drilling gas shows were recorded in the Triassic formation. The well was subsequently logged and an 80 metre zone of gross pay was identified. Over this mainly limestone section, a total of 10.5 metres net natural gas pay was encountered. This result is sufficiently promising, and a decision to carry out a production test was taken. Based on detailed analysis of the well logs, the PLM-2 well is expected to be able to produce gas to surface. Therefore the operator will run completion tubing in the well in anticipation of commercially viable production rates. The completion and subsequent testing will be done with a workover rig which is a smaller and less expensive rig than the one used for the exploration drilling. This test is planned to be done in the first quarter of next year after the necessary equipment is purchased and the rig contracted.

Morocco

In June 2007, a Petroleum Agreement was formalized and signed between Tethys Oil, the Moroccan state oil and mining company, ONHYM, and partners Dana Petroleum and Eastern Petroleum for the Bouanane Exploration Permits.

According to the agreement, Dana will be the Operator holding a 50 per cent interest in the licence, with Tethys and Eastern holding 12.5 per cent each. ONHYM has a carried 25 per cent interest. The Agreement is valid for a term of 8 years, divided into 3 periods. During the first period either 2D seismic needs to be acquired, or an exploration well needs to be drilled. Dana will pay all of Tethys' and Easterns' costs associated with the remaining exploration work planned to consist of seismic work up to MUSD 5 and the drilling of one exploration well up to MUSD 7. In addition Dana has reimbursed Tethys for all expenditures associated with the licence so far including the seismic reprocessing and gravimetric study Tethys has conducted in the area.

Dana is currently evaluating the potential cost of acquiring seismic, and the cost of drilling an exploration well, in anticipation of carrying out either of these operations in 2008.

Turkey

Thrace

A seismic survey acquiring about 100 kilometres of new 2D seismic data on the Trace licences in Turkey was conducted in the first and second quarter of 2007. A first processing and interpretation of the data was completed during the summer, which confirms the integrity of the prospect and the presence of a four way trap. It however raised the need for some additional processing and interpretation, which is now ongoing. According to plan, one exploration well targeting shallow natural gas will be drilled during the first half of 2008. In June Tethys obtained 25 per cent in a third licence in Thrace, licence 4187, adjacent to the two previous licences. The licence covers 84 square kilometres and increases the total area of the Thrace project to 994 square kilometres.

Ispandika

Given the comparative shortage of seismic data, a shallow stratigraphic (geological research) well was drilled around the year end in order to gain a better knowledge of the near surface lithology in the area. Geological information gained from this well did not increase the knowledge of the area substantially. The security situation in the region has deteriorated, and no ground work has been carried out during the second and third quarters.

Spain

With Ascent Resources as operator, the Hontomin-4 well on the Huermeces licence onshore Spain was completed in the second quarter of 2007. The well

was logged but no oil was encountered. The planned re-entry of the Tozo-1 well in the Basconcillos-H exploration permit has been postponed for operational reasons. On Valderredible exploration licence, a company has been contracted to conduct a study on several possible leads in the licence. In the third quarter, Ascent announced an agreement to sell its 50 per cent interest in the exploration licences to Leni Gas and Oil Plc.

The Cameros project, in the Ebro basin of northern Spain, is of interest for a large natural gas prospect that has been identified. When the government in February 2007 awarded the partner group the second licence Ebro-A, in an area surrounding the original licence Cameros-2, the total area of the Cameros project expanded to 252 square kilometres. An environmental impact study has now been completed over the area and an exploration well will be drilled. Future work remaining to be done now is detailed well planning and finding a suitable drilling rig.

Potential licence areas – Gotland and Latvia

In connection with the acquisition of Block 15 in Oman in 2006, Tethys Oil received options to acquire a 30 per cent interest in an exploration concession on the Swedish island of Gotland called “North Gotland” and an 11 per cent interest in the Dunalka production licence onshore Latvia.

Tethys has come to the conclusion that the “North Gotland” licence covered by the option may be too small to motivate a project on its own. The island of Gotland however remains interesting, and Tethys has instead submitted an application to the Swedish Mining Inspector requesting a licence to explore for oil and gaseous hydrocarbons over a larger area of the northern island.

The Latvian licence remains under review and the option covering that licence has been extended until 1 July 2008.

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 period ended 30 September 2007. The amounts relating to the comparative period (equivalent period of last year) are shown in parenthesis after the amount for the current period. Up until 30 September 2007, 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.

Loss for the period and sales

Tethys Oil reports a loss for the first nine months 2007 of TSEK -22,381 (TSEK -5,640 for last year) and TSEK -3,755 (TSEK -1,940) for the third quarter, representing earnings per share of SEK -3.70 (SEK -1.13) for the first nine months 2007 and SEK -0.62 (SEK -0.34) for the third quarter. Write downs of oil and gas properties of TSEK 16,280 has negatively affected the result of first nine month period 2007. TSEK 9,269 of the write downs regards previous investments in the well Hontomin on the Huermeces licence in Spain. Also part of the write downs are previous investments in licence 1/02 and 1/03 in Denmark where the two licences have been relinquished. Cash flow from operations before changes in working capital during the first nine months of 2007 amounted to TSEK -6,038 (TSEK -5,394) and TSEK -3,452 (TSEK -1,925) for the third quarter.

The loss for the first nine months 2007 has not been significantly impacted by net foreign exchange losses or gains.

Tethys Oil has not recorded any sales or production of oil and gas for the three month period that ended 30 September 2007. Accordingly, there has been no depletion of oil and gas properties.

Other income, administrative expenses

Administrative expenses including depreciation amounted to TSEK -8,097 (TSEK -6,424) for the first nine months 2007 and TSEK -3,103 (TSEK -2,450) for the third quarter. Depreciation amounted to TSEK 63 (TSEK 108) during the first nine months 2007 and TSEK 21 (TSEK 16) for the third quarter. Administrative expenses are mainly salaries, rents, listing costs and outside services. These costs are corporate costs and are accordingly not capitalised. Depreciation and write downs are referable to office equipment. The increase in administrative expenses compared to last year is related to an increased overall corporate activity as well as new administration costs referable to the acquired company Tethys Oman Ltd. Most of the administrative expenses in Tethys Oman Ltd are charged to the joint venture 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 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 September 2007 amounted to TSEK 63,465 (TSEK 35,072). Investments in oil and gas properties of TSEK 35,939 (TSEK 31,220) were incurred for the nine month period ended 30 September 2007. Of the investments TSEK 23,200 are referable to Oman where Tethys Oil drilled an appraisal well during the second quarter. Tethys Oil is operator and pays 40 per cent of expenditures. TSEK 6,163 has been invested in France where an exploration well was commenced during September. Tethys Oil has 40 per cent interest in the French licence, but pays 44 per cent through an exploration well. TSEK 5,295 of investments regard operations in Denmark and to a large extent it regards additional expenditures for the Karlebo-1 exploration well drilled during 2006. Total investment in licence 1/02 including the Karlebo well came close to MUSD 8. To the extent this is related to the drilling of the Karlebo-1 well Tethys Oil's share was 30 per cent and other partners funded the remaining 70 per cent. Part of the Danish investments still affects current

receivables. Negative investments of TSEK -2,676 in Morocco are reimbursement of past cost following from the Dana Petroleum farm-in agreement. TSEK 3,108 relate to investments in Turkey, mainly seismic acquisition in Thrace. As per 31 December 2006 prepayment of oil and gas properties amounted to TSEK 8,723. The prepayments mainly regard the Hontomin well drilled in Spain, which commenced during the first quarter 2007. The prepayment has during the first half 2007 consequently moved to oil and gas properties but is not included in consolidated cash flow investments as it is a non-cash item.

Liquidity and financing

Cash and bank as at 30 September 2007 amounted to TSEK 23,898 (TSEK 57,112). Short-term investments as at 30 September 2007 amounted to TSEK – (TSEK 973). Tethys Oil has significant outstanding receivables which are expected to add to the liquidity during the fourth quarter 2007.

Current receivables

Current receivables amounted to TSEK 8,843 (TSEK 16,853) as at 30 September 2007. Current receivables are mainly remaining receivables from partners regarding operations. In particular the high levels of current receivables regard the operations in Denmark on licence 1/02 where Tethys Oil Denmark was the operator of the licence. Tethys Oil expects the receivables during the fourth quarter 2007, which will add to corporate liquidity.

Current liabilities

Current liabilities as at 30 September 2007 amounted to TSEK 7,989 (TSEK 23,752), of which TSEK 545 (TSEK 22,282) relates to accounts payable, TSEK 495 (TSEK 787) relates to other current liabilities and TSEK 6,949 (TSEK 684) relates to accrued expenses. Accounts payable have been significantly reduced since 31 December 2006 as invoices for the Karlebo well have come due. To a large extent accrued expenses as per 30 September 2007 regards investments in France for the exploration well drilled between third and fourth quarter 2007.

Parent company

The parent company reports a loss for the first nine months 2007 amounting to TSEK -20,798 (TSEK -2,241) and TSEK -17,165 (TSEK -653) for the third quarter. Write down of shares in group companies of TSEK 19,752 has negatively affected the result of the first nine months 2007. Administrative expenses including depreciation amounted to TSEK -6,122 (TSEK -5,720) for the first nine months of 2007 and TSEK -2,354 (TSEK -1,917) for the third quarter. Net financial income amounted to TSEK -17,286 (TSEK 1,268) during the first nine months 2007 and TSEK -15,764 (TSEK 639) for the third quarter. The write down of shares in group companies are included in the net financial income. Investments during the first nine months 2007 amounted to TSEK 4,459 (TSEK 47,977). 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 16 May 2007 Håkan Ehrenblad, Vincent Hamilton, John Hoey, Carl-Gustaf Ingelman, 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

The number of shares in Tethys Oil amount to 6,041,760 (5,741,760), with a quota value of SEK 0.50 (SEK 0.50). On 16 July 2007, following authorisation from the AGM of shareholders held on the 16 May 2007, Tethys Oil conducted a private placement of 300,000 shares at a price of SEK 56 corresponding to just under 5 per cent of the number of shares in issue after the completion of the private placement. These shares were registered 8 August 2007. The share capital of the company has increased by SEK 150,000 to SEK 3,020,880. The basis for the issue price has been the Company's market price defined as the average price during ten trading days before the placement. Proceeds to the company amounted to TSEK 16,800 before issue costs.

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 18.

Subsequent events

Tethys Oil has signed an agreement with Norwegian Energy Company (Noreco) affiliate Altinex for Tethys to take over its 50 per cent interest in blocks 3 and 4 onshore Oman. According to the agreement Tethys will enter into the second exploration phase of an EPSA covering Blocks 3 and 4. The first phase expires on 15 December 2007 and under the agreement Noreco will enter into the second phase on Tethys behalf awaiting necessary approvals for Tethys to be assigned the interest. In consideration for Noreco assigning its interest to Tethys, Tethys will pay Noreco USD 2 million to be paid in cash or in newly issued Tethys shares upon the closing of the transaction. If payment is effectuated by Tethys' shares, Tethys has undertaken to place these with third parties on Noreco's behalf. Tethys will post a bank guarantee to Noreco for the full USD 2 million. The transaction is subject to government and partner approvals. In the event Tethys is not accepted into the licence or the licence is not extended into the second phase the transaction with Noreco will be cancelled and the bank guarantee released. The remaining 50 per cent of the licence is held by Canadian energy company EnCana, who is the operator.

Consolidated income statement

TSEK	1 Jan 2007–30 Sep 2007 9 months	1 Jul 2007–30 Sep 2007 3 months	1 Jan 2006–30 Sep 2006 9 months	1 Jul 2006–30 Sep 2006 3 months	1 Jan 2006–31 Dec 2006 12 months
Net sales of oil and gas	–	–	–	–	–
Depreciation of oil and gas properties	–	–	–	–	–
Write off of oil and gas properties	-16,280	-281*	-137	–	-22,519
Other income	2,272	375	259	196	543
Administrative expenses	-8,097	-3,103	-6,424	-2,450	-9,000
Operating result	**-22,105**	**-3,009**	**-6,302**	**-2,254**	**-30,976**
Financial income and similar items	1,202	88	1,285	736	2,204
Financial expenses and similar items	-1,479	-834*	-623	-423	-1,030
Net financial income	**-276**	**-746**	**662**	**313**	**1,174**
Result before tax	**-22,381**	**-3,755**	**-5,640**	**-1,940**	**-29,802**
Income tax	–	–	–	–	–
Loss for the period	**-22,368**	**-3,755**	**-5,640**	**-1,940**	**-29,802**
Number of shares outstanding	6,041,760	6,041,760	5,741,760	5,741,760	5,741,760
Number of shares outstanding (after dilution)	6,041,760	6,041,760	5,741,760	5,741,760	5,741,760
Weighted number of shares	6,041,760	6,041,760	4,976,797	5,708,076	5,109,599
Earnings per share, SEK	-3.70	-0.62	-1.13	-0.34	-5.83
Earnings per share (after dilution), SEK	-3.70	-0.62	-1.13	-0.34	-5.83

* *A write down of receivables of TSEK 1,463 was made in the six months report 2007 which was included in Financial expenses and similar items. This write down has been moved to Write off of oil and gas properties and the consolidated income statement for the third quarter has been adjusted accordingly.*

Consolidated balance sheet

TSEK	30 Sep 2007	30 Sep 2006	31 Dec 2006
ASSETS			
Fixed assets			
Oil and gas properties	63,465	42,487	35,072
Office equipment	182	162	145
Prepayment of oil and gas properties	–	–	8,723
Total fixed assets	**63,647**	**42,649**	**43,940**
Current assets			
Other receivables	8,843	11,239	16,853
Prepaid expenses	125	2,029	105
Short term investments	–	12,689	973
Cash and bank	23,898	58,515	57,112
Total current assets	**32,866**	**84,472**	**75,043**
TOTAL ASSETS	**96,513**	**127,121**	**118,983**
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ equity			
Share capital	3,021	2,871	2,871
Additional paid in capital	158,585	143,051	143,071
Retained earnings	-73,082	-26,528	-50,711
Total shareholders’ equity	**88,524**	**119,394**	**95,230**
Non interest bearing current liabilities			
Accounts payable	545	4,901	22,282
Other current liabilities	495	1,728	787
Accrued expenses	6,949	1,097	684
Total non interest bearing current liabilities	**7,989**	**7,726**	**23,752**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**96,513**	**127,121**	**118,983**
Pledged assets	500	186	–
Contingent liabilities	88	29,370	18,193

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**
Loss for the period 2005	–	–	-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**
Loss for the period 2006	–	–	-29,802
	2,192	**71,071**	**-50,690**
Non-cash issue	200	19,600	–
Rights issue	438	52,179	–
Issue costs	–	-4,539	–
Directed issue	40	4,760	–
Currency translation difference	–	–	-21
Closing balance at 31 December 2006	**2,871**	**143,071**	**-50,711**
Opening balance 1 January 2007	**2,871**	**143,071**	**-50,711**
Loss for the first quarter 2007	–	–	-4,461
Loss for the second quarter 2007	–	–	-14,165
Loss for the third quarter 2007	–	–	-3,755
	2,871	**143,071**	**-73,092**
Directed issue	150	16,650	–
Issue costs	–	-1,136	–
Currency translation difference	–	–	10
Closing balance at 30 September 2007	**3,021**	**158,585**	**-73,082**

Consolidated cash flow statement

TSEK	1 Jan 2007–30 Sep 2007 9 months	1 Jul 2007–30 Sep 2007 3 months	1 Jan 2006–30 Sep 2006 9 months	1 Jul 2006–30 Sep 2006 3 months	1 Jan 2006–31 Dec 2006 12 months
Cash flow from operations					
Operating result	-22,105	-3,009	-6,302	-2,255	-30,976
Financial income and similar items	1,202	88	1,285	736	2,204
Financial expenses and similar items	-1,479	-834*	-623	-423	-1,030
Adjustment for write down of oil and gas properties	16,280	281*	137	–	22,519
Adjustment for depreciation	63	21	108	16	125
Total cash flow used in operations before change in working capital	**-6,038**	**-3,452**	**-5,394**	**-1,925**	**-7,157**
Decrease/increase in receivables	7,990	5,333	-11,136	-12,336	-14,825
Decrease/increase in liabilities	-15,764	-1,362	5,268	2,364	21,294
Cash flow used in/from operations	**-13,812**	**518**	**-11,262**	**-11,897**	**-689**
Investment activity					
Investment in oil and gas properties	-35,939	-7,883	-31,220	-200	-26,408
Investment in other fixed assets	-100	–	-75	–	-75
Prepayment of oil and gas properties	–	–	–	–	-8,723
Cash flow used for investment activity	**-36,039**	**-7,883**	**-31,296**	**-200**	**-35,206**
Financing activity					
Share issue, net after issue costs	15,664	15,871	72,659	19,337	52,879
Cash flow from financing activity	**15,664**	**15,871**	**72,659**	**19,337**	**52,879**
Period cash flow	**-34,187**	**8,507**	**30,101**	**7,240**	**16,983**
Cash and cash equivalents at the beginning of the period**	58,085	15,391	41,102	63,963	41,102
Cash and cash equivalents at the end of the period**	23,898	23,898	71,203	71,203	58,085

* *A write down of receivables of TSEK 1,463 was made in the six months report 2007 which was included in Financial expenses and similar items. This write down has been moved to Write off of oil and gas properties and the consolidated cash flow statement for the third quarter has been adjusted accordingly.*

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

Parent company income statement condensed

TSEK	1 Jan 2007– 30 Sep 2007 9 months	1 Jul 2007– 30 Sep 2007 3 months	1 Jan 2006– 30 Sep 2006 9 months	1 Jul 2006– 30 Sep 2006 3 months	1 Jan 2006– 31 Dec 2006 12 months
Net sales of oil and gas	–	–	–	–	–
Depreciation of oil and gas properties	–	–	–	–	–
Write off of oil and gas properties	–	–	–	–	–
Other income	2,610	953	2,212	626	3,253
Administrative expenses	-6,122	-2,355	-5,720	-1,917	-7,742
Operating result	**-3,511**	**-1,402**	**-3,509**	**-1,291**	**-4,488**
Financial income and similar items	2,894	862	2,032	1,064	3,503
Financial expenses and similar items	-429	-14	-623	-426	-646
Write down of shares in group company	-19,752	-16,611	-141	–	-26,546
Net financial income	**-17,286**	**-15,763**	**1,268**	**639**	**-23,689**
Result before tax	**-20,798**	**-17,165**	**-2,241**	**-653**	**-28,178**
Income tax	–	–	–	–	–
Loss for the period	**-20,798**	**-17,165**	**-2,241**	**-653**	**-28,178**
Number of shares outstanding	6,041,760	6,041,760	5,741,760	5,741,760	5,741,760
Number of shares outstanding (after dilution)	6,041,760	6,041,760	5,741,760	5,741,760	5,741,760
Weighted number of shares	6,041,760	6,041,760	4,976,797	5,708,076	5,109,599

Parent company balance sheet condensed

TSEK	30 Sep 2007	30 Sep 2006	31 Dec 2006
ASSETS			
Total fixed assets	182	162	145
Total financial fixed assets	74,631	65,919	70,272
Total current assets	22,901	68,338	50,814
TOTAL ASSETS	**97,713**	**134,419**	**121,232**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	95,811	126,862	100,945
Total non interest bearing current liabilities	1,903	7,558	20,287
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**97,713**	**134,419**	**121,232**
Pledged assets	500	186	–
Contingent liabilities	–	4,833	4,696

Parent company statement of changes in equity

TSEK	Restricted equity Share capital	Statutory reserve	Non restricted equity 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
Loss for the period 2005	–	–	–	–	-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
Loss for the period 2006	–	–	–	–	-28,178
	2,192	**71,071**	**–**	**-16,820**	**-28,178**
Non-cash issue	200	–	19,600	–	–
Rights issue	438	–	52,179	–	–
Issue costs	–	–	-4,539	–	–
Directed issue	40	–	4,760	–	–
Closing balance at 31 December 2006	**2,871**	**71,071**	**72,000**	**-16,820**	**-28,178**
Opening balance at 1 January 2007	**2,871**	**71,071**	**72,000**	**-16,820**	**-28,178**
Transfer of prior year net result	–	–	–	-28,178	28,178
Loss for the first quarter 2007	–	–	–	–	-3,141
Loss for the second quarter 2007	–	–	–	–	-492
Loss for the third quarter 2007	–	–	–	–	-17,165
	2,871	**71,071**	**72,000**	**-44,997**	**-20,798**
Directed issue	150	–	16,650	–	–
Issue costs	–	–	-1,136	–	–
Closing balance at 30 September 2007	**3,021**	**71,071**	**87,514**	**-44,997**	**-20,798**

Notes

General information

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

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

Accounting principles

The nine months report 2007 of the Tethys Oil Group has been prepared in accordance with the Swedish Financial Accounting Standards Council's RR31 and IAS 34. The nine months report 2007 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 2006.

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) 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 2006.

Note 2) Oil and gas properties

Country	Book value 1 Jan 2006, TSEK	Investments 1 Jan–31 Dec 2006, TSEK	Write downs 1 Jan–31 Dec 2006, TSEK	Book value 31 Dec 2006, TSEK	Book value 1 Jan 2007, TSEK	Investments 1 Jan–30 Sep 2007, TSEK	Write downs 1 Jan–30 Sep 2007, TSEK	Book value 30 Sep 2007, TSEK
Oman	–	26,700	–	26,700	26,700	23,200	–	49,889
Denmark	5,119	14,553	18,985	687	687	5,295	-5,982	–
Morocco	553	2,359	–	2,912	2,912	-2,676*	–	236
Spain	3,152	214	1,487	1,878	1,878	187	-9,269	1,224
Turkey	727	735	192	1,270	1,270	3,108	–	4,674
France	690	343	–	1,033	1,033	6,163	–	7,197
New ventures	1,163	1,304	1,855	612	612	662	-1,028	246
Total	**11,404**	**46,208**	**22,519**	**35,072**	**35,072**	**35,939**	**-16,280**	**63,465**

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

Oil and gas properties	**Group**			**Parent**		
TSEK	**1 Jan 2007– 30 Sep 2007 9 months**	**1 Jul 2007– 30 Sep 2007 3 months**	**1 Jan 2006 31 Dec 2006 12 months**	**1 Jan 2007– 30 Sep 2007 9 months**	**1 Jul 2007– 30 Sep 2007 3 months**	**1 Jan 2006– 31 Dec 2006 12 months**
Investments in oil and gas properties						
Opening balance	66,459	94,515	20,251	–	–	–
Investments in Denmark	5,295	48	14,553	–	–	–
Investments in France	6,163	5,462	343	–	–	–
Investments in Morocco	-2,676	121	2,359	–	–	–
Investments in Oman	23,200	1,715	26,700			
Investments in Spain	187	-111	214	–	–	–
Investments in Turkey	3,108	467	735	–	–	–
Other investments in oil and gas properties	662	186	1,304	–	–	–
Closing balance	102,398	102,398	66,459	–	–	–
Movement from prepayment to oil and gas properties	8,723	8,723	–	–	–	–
Depletion						
Depletion	–	–	–	–	–	–
Write down						
Opening balance	31,366	47,365	8,847	–	–	–
Write down	16,280	281	22,519	–	–	–
Closing balance	47,646	47,646	31,366	–	–	–
Net book value	**63,465**	**63,465**	**35,072**	**–**	**–**	**–**

Note 3) Shareholders' equity

The number of shares in Tethys Oil amount to 6,041,760 (5,741,760), with a quota value of SEK 0.50 (SEK 0.50). On 16 July 2007, following authorisation from the AGM of shareholders held on the 16 May 2007, Tethys Oil conducted a private placement of 300,000 shares at a price of SEK 56 corresponding to just under 5 per cent of the number of shares in issue after the completion of the private placement. These shares were registered 8 August 2007. The share capital of the company has increased by SEK 150,000 to SEK 3,020,880. The basis for the issue price has been the Company's market price defined as the average price during ten trading days before the placement. Proceeds to the company amounted to TSEK 16,800 before issue costs.

Note 4) Contingent liabilities

The contingent liabilities as per 30 September 2007 amounted to TSEK 88 (TSEK 18,193). The contingent liabilities regard financial work commitments in Spain. The reduction of contingent liabilities since 31 December 2006 is related to the operations in Oman and France where Tethys Oil has fulfilled its work commitments.

Note 5) Subsequent events

On 9 November 2007, Tethys Oil signed an agreement with Norwegian Energy Company (Noreco) affiliate Altinex for Tethys to take over its 50 per cent interest in blocks 3 and 4 onshore Oman. According to the agreement Tethys will enter into the second exploration phase of an EPSA covering Blocks 3 and 4. The first phase expires on 15 December 2007 and under the agreement Noreco will enter into the second phase on Tethys behalf awaiting necessary approvals for Tethys to be assigned the interest. In consideration for Noreco assigning its interest to Tethys, Tethys will pay Noreco USD 2 million to be paid in cash or in newly issued Tethys shares upon the closing of the transaction. If payment is effectuated by Tethys' shares, Tethys has undertaken to place these with third parties on Noreco's behalf. Tethys will post a bank guarantee to Noreco for the full USD 2 million. The transaction is subject to government and partner approvals. In the event Tethys is not accepted into the licence or the licence is not extended into the second phase the transaction with Noreco will be cancelled and the bank guarantee released. The remaining 50 per cent of the licence is held by Canadian energy company EnCana, who is the operator.

Key ratios

Group

	1 Jan 2007– 30 Sep 2007 9 months	1 Jul 2007– 30 Sep 2007 3 months	1 Jan 2006– 30 Sep 2006 9 months	1 Jul 2006– 30 Sep 2006 3 months	1 Jan 2006– 31 Dec 2006 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	-22,105	-3,009	-6,302	-2,254	-30,976
Operating margin, %	neg.	neg.	neg.	neg.	neg.
Result before tax, TSEK	-22,381	-3,755	-5,640	-1,940	-29,802
Net result, TSEK	-22,381	-3,755	-5,640	-1,940	-29,802
Net margin, %	neg.	neg.	neg.	neg.	neg.
Shareholders' equity, TSEK	88,524	88,524	119,394	119,394	95,230
Balance sheet total, TSEK	96,513	96,513	127,121	127,121	118,983
Capital structure					
Solvency, %	91.72%	91.72%	93.92%	93.92%	80.04%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	91.72%	91.72%	93.92%	93.92%	80.04%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	36,039	7,882	31,296	200	35,206
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	6.0	6.0	4.9	6.0	4.0
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	6,042	6,042	5,742	5,742	5,742
Shareholders' equity per share, SEK	14.65	14.65	20.79	20.79	16.59
Weighted number of shares, thousands	6,042	6,042	4,977	5,708	5,110
Earnings per share, SEK	-3.70	-0.62	-1.13	-0.34	-5.83
Earnings per share after dilution, SEK	-3.70	-0.62	-1.13	-0.34	-5.83

For definitions of key ratios please refer to the 2006 Annual Report. The abbreviation n.a. means not available.

Financial information

The Company plans to publish the following financial reports:
- Year end report 2007 (January–December 2007) on 14 February 2008
- Three month report 2008 (January–March 2008) on 15 May 2008
- Six month report (January–June 2008) on 21 August 2008
- Nine month report (January–September 2008) on 13 November 2008

Stockholm, 13 November 2007

Tethys Oil AB (publ)
Org. No. 556615-8266

Magnus Nordin
Managing Director

Review Report

We have conducted a limited review of the attached interim financial statements for Tethys Oil AB (publ) for the period 1 January 2007 – 30 September 2007. The preparation and presentation of these financial statements in accordance with IAS 34 and the Swedish Annual Accounts Act are the responsibility of the company's management. Our responsibility is to report our conclusions concerning these interim financial statements on the basis of our limited review.

We have conducted our limited review in accordance with the Standard for Limited Review (SÖG) 2410 Limited review of interim financial information conducted by the company's appointed auditor, issued by FAR. A limited review consists of making inquiries, primarily of individuals having responsibility for financial and accounting matters, as well as performing analytical procedures and taking other limited review procedures. A limited review has a different focus and is significantly smaller in scope than an audit according to Auditing Standards in Sweden, RS, and generally accepted auditing practice. The review procedures undertaken during a limited review do not enable us to obtain a level of assurance at which we would be aware of all important circumstances which would have been identified had an audit been conducted. Therefore, a conclusion reported on the basis of a limited review does not reach the level of certainty of a conclusion reported on the basis of an audit.

Based on our limited review, no conditions have come to our attention which would give us reason to believe that the attached interim financial statements are not, in all material respects, prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the group and the Swedish Annual Accounts Act, regarding the parent company.

Gothenburg, 13 November 2007

Klas Brand
Authorized Public Accountant
PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant
PricewaterhouseCoopers AB

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

TETHYS OIL

Corporate Head Office

Hovslagargatan 5B
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