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**Report for the period 1 January 2007 – 31 March 2007**

**HIGHLIGHTS**

- Rig contracted for Omani re-entry well
- Block 15 drill site completed
- Hontomin-4 well drilled in Spain, no oil encountered
- Jebel Aswad re-entry commenced
- As at 31 March 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 quarter 2007 amounted to TSEK – 4,461 (TSEK – 1,256 for the corresponding period last year). Write downs of TSEK 2,896 have negatively affected the result of the first quarter
- Earnings per share amounted to SEK – 0.78 (SEK – 0.29) for the first quarter 2007
- Cash and cash equivalents as per 31 March 2007 amounted to TSEK 27,640 (TSEK 58,085). Oil and gas investments have amounted to TSEK 11,901 and current liabilities have been reduced by TSEK 15,333 as invoices for the Karlebo well have come due. Receivables as per 31 March 2007 amounted to TSEK 18,735 (TSEK 16,853)

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

**Dear friends and investors,**

the first quarter offered continued high operational activity. In Spain the Hontomin-4 well was drilled by Ascent Resources and resulted in a disappointment. Main focus however has been the mobilization in Oman, where the Jebel Aswad re-entry commenced in early April. We are shortly awaiting the results from the first underbalanced horizontal section in the lower of the two zones we intend to test.

So stay with us. The oil business does not offer more suspense and excitement then we offer at the moment.

Stockholm in May 2007

Magnus Nordin  
Managing Director

## OPERATIONS

### Overview

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

Country	Licence areas	Tethys Oil, %	Total area, km <sup>2</sup>	Operator	Investments 1 Jan-31 Mar 2007, TSEK	Book value 31 Mar 2007, TSEK
Oman	Block 15	40%	1,389	Tethys Oil	5,338	32,038
Denmark	Licence 1/02	50%	533	Tethys Oil	3,086	877
	Licence 1/03	50%	1,655	Tethys Oil		
Morocco	Bouanane	*1	*2	Tethys Oil	253	3,166
Spain	Valderredible	50%	241	Ascent Resources	140	10,446
	Huermece	50%	121	Ascent Resources		
	Basconcillos	50%	194	Ascent Resources		
	Cameros-2	26%	35	SHESA		
	Ebro-A	26%	217	SHESA		
Turkey	Ispandika	10%	965	Aladdin Middle East	2,724	4,290
	Thrace		897	Aladdin Middle East		
France	Attila	40% <sup>2</sup>	1,986	Galli Coz	63	1,096
New ventures					297	909
Total			8,233		11,901	52,811

### Oman

In March 2007, Tethys Oil signed a Deed of Assignment for a drilling rig for the re-entry of Jebel Aswad. Under the contract, Tethys will be able to use the Dalma Rig #3 for 50 days. The agreement provides for the Jebel

<sup>1</sup> Under negotiations. See operations Morocco.

<sup>2</sup> Tethys Oil pays 44 per cent of costs through an exploration well.

Aswad work to be completed. On March 25, the mobilization of the rig commenced. The transport of the rig and camp included in all 126 loads.

The Jebel Aswad well was originally drilled in 1994 and encountered oil in two limestone intervals, the Natih and Shuaiba, ranging from depths of 2,977-3,108 metres and 3,448-3,550 metres., respectively.

The well was re-entered on 9 April 2007, and started with the drilling of the old cement plugs. On May 8, the well has reached a true vertical depth of 3,397 metres and the well was some 40 meters above the Shuaiba reservoir. The Shuaiba reservoir is thereby expected 10 metres higher to prognosis. The geological information obtained so far has confirmed earlier information, but the drilling operation was 11 days behind schedule.

Subsequently, a 7" liner has been run and cemented in the top of the Shuaiba. At the time of writing, the evaluation of the Shuaiba limestone reservoir through horizontal underbalanced drilling is about to start. A similar evaluation of the shallower Natih section will follow.

The re-entry of the Jebel Aswad well will be designed to appraise both the Natih and the Shuaiba reservoir sections in order to determine reserves in place and a likely recovery factor. Underbalanced drilling fluids are used in order to minimize damage to the reservoir and maximize oil production. Anticipated reserves of approximately 50 mmbbl oil in place are based on the Natih limestone section. The Natih flowed over 200 bbls of 40 degree oil during a production test in 1995. In addition, detailed log analysis has suggested that the Shuaiba reservoir rock also is oil saturated. The Shuaiba is the main producing rock in the region, but was not re-tested in 1995. It is thus less certain as a producer than is the Natih. However should the Shuaiba produce, reserves in the field would increase significantly.

### **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 in the end of the third quarter 2006. The partner group also includes Star Energy Group Plc., DONG Energy A/S and Odin Energi A/S. The Karlebo-1 well was drilled to a total depth of 2,489 metres. As expected, all necessary elements were found with the Karlebo borehole except for the source rock. The well penetrated a total of 300 metres of net reservoir sands, but failed to encounter hydrocarbons, and was plugged and abandoned as a dry hole.

Using data gathered from the Karlebo well the company has conducted a post-drilling appraisal of Licences 1/02. Additionally regional data and studies were analyzed for the Licence 1/03 area. In brief, the results are negative for continued exploration in these licences.

### **Morocco**

During 2006, Tethys Oil as operator completed 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**

On March 17, the drilling of the Hontomin-4 well on the Huermece licence onshore Spain commenced with Ascent Resources as operator. The well was designed to appraise potential reserves on the Hontomin structure. The well was drilled to a depth of 1,610 metres and was completed at the end of April. The well was logged but no oil was encountered although the target formations were present. Preliminary analysis carried out by the operator suggests that the complexity of the faulting in the formations above the target has resulted in the lack of an adequate seal for the reservoir. Tethys holds 50 per cent interest.

In the Basconillos-H exploration permit, the planned re-entry of the Tozo-1 well 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. The aim is to drill an exploration well later this year.

During the end of 2006, Tethys agreed to exchange its interest in the La Lora concession including the Ayoluengo field for interests in the Cameros project. The Cameros project is located in the Ebro basin of northern Spain within the state of Rioja. The project is of interest for a large natural gas prospect that has been identified. In February 2007, the Cameros project expanded when the government awarded the partner group a second licence, Ebro-A, in an area surrounding the original licence Cameros-2. Future work to be done prior to drilling will include revision and analysis of prior well logs. Tethys has 26 per cent in both licences. Operator of the licences is the Basque oil company SHESA.

### **France**

The comprehensive work programme in 2006 confirmed the structural integrity of the prospect and 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 operator, Galli Coz S.A., has evaluated a number of possible surface locations from the perspective of suitability and accessibility. In this process, two primary locations were chosen and a dialogue is ongoing with local authorities to receive the permits necessary to commence drilling preparations. In parallel, discussions are ongoing with drilling rig contractors and tenders are being prepared for this and associated services. On April 24, 2007, drilling permission was received from the French local administration.

### **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. The seismic acquisition will likely take place in spring and summer 2007. If the results of the new seismic are encouraging, an exploration well could be drilled later during the year.

In the Ispandika area onshore southeastern Turkey, Tethys and operator Aladdin Middle East were in the fourth quarter 2006 joined by US group Terralliance as a new partner. Tethys maintains a 10 per cent interest in the licence. Given the comparative shortage of seismic data, a shallow stratigraphic (geological research) well was drilled in order to gain a better knowledge of the near surface lithology in the area. This well encountered difficulties in both drilling and in results. Surface access was constrained due to security issues and to weather related problems. Geological information gained from this well did not increase our knowledge of the area substantially.

### **Potential licence areas – Gotland and Latvia**

In connection with the Oman acquisition in 2006, Tethys Oil 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 has been prolonged in stages and will expire at the end of October this year. Tethys has however come to the conclusion that the 'Norra Gotland' licence alone is too small to motivate a project. Tethys has therefore 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. While the application now submitted is pending, Tethys will continue to evaluate the merits of the existing option regarding Gotland. Tethys Oil is also evaluating the opportunity in Latvia.

Based on data Tethys has evaluated there is no evidence that systematic exploration for hydrocarbons has taken place on Gotland since the 1980s and Tethys is convinced that new technology will prove to be very important when applied to reinterpreting existing data and conducting supplemental surveys.

## **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 year ended 31 March 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 31 March 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 quarter 2007 of TSEK – 4,461 (TSEK – 1,256 for last year), representing earnings per share of SEK – 0.78 (SEK – 0.29) for the first quarter 2007. Write downs of oil and gas properties of TSEK 2,896 has negatively affected the result of the first quarter of 2007. The write down regards investments in licence 1/02 Denmark where Tethys Oil drilled an exploration well during the third and fourth quarter 2006. Licence 1/02 was written down in the fourth quarter after impairment testing in accordance with Tethys Oil's accounting policies as the well was abandoned. The investments during the first quarter 2007 are well related expenditures and are therefore immediately written down. Cash flow from operations before changes in working capital during the first three months of 2007 amounted to TSEK – 1,541 (TSEK – 1,186).

The loss for the first quarter 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 31 March 2007. Accordingly, there has been no depletion of oil and gas properties.

### **Other income, administrative expenses**

Administrative expenses amounted to TSEK – 2,434 (TSEK – 1,447) for the first three months 2007. Depreciation amounted to TSEK 24 (TSEK 70) during the first quarter 2007. 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 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 these 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 31 March 2007 amounted to TSEK 52,796 (TSEK 35,072). Investments in oil and gas properties of TSEK 11,907 (TSEK 3,183) were incurred for the three month period ending 31 March 2007. TSEK 2,896 regard additional expenditure 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 effects current receivables and liabilities. In Oman Tethys Oil has invested TSEK 5,338 relating primarily to mobilisation and construction in preparation for drilling operations in Oman which commenced in April 2007. TSEK 2,724 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 quarter 2007 consequently moved to oil and gas properties but is not included in investments as it is a non-cash item.

### **Liquidity and financing**

Cash and bank as at 31 March 2007 amounted to TSEK 27,640 (TSEK 57,112). Short-term investments as at 31 March 2007 amounted to TSEK - (TSEK 973). Tethys Oil has significant outstanding receivables which are expected to add to the liquidity during the second quarter 2007.

### **Current receivables**

Current receivables amounted to TSEK 18,735 (TSEK 16,853) as at 31 March 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 is the operator of the licence. Part of the current receivables is Danish VAT, amounting to TSEK 7,067, which was been built up during the fourth quarter 2006 and first quarter 2007. Tethys Oil expects these receivable during second quarter 2007, which will add to corporate liquidity.

### **Current liabilities**

Current liabilities as at 31 March 2007 amounted to TSEK 8,420 (TSEK 23,752), of which TSEK 7,651 (TSEK 22,282) relates to accounts payable, TSEK 213 (TSEK 787) relates to other current liabilities and TSEK 556 (TSEK 684) relates to accrued expenses. Accounts payable relates to licence 1/02. During the first quarter 2007 current liabilities have been reduced by TSEK 15,333 as invoices for the Karlebo well have come due.

### **Parent company**

The parent company reports a loss for the first quarter 2007 amounting to TSEK – 3,141 (TSEK – 402). Write down of shares in group companies of TSEK 3,140 has negatively affected the result of the first quarter. This is an effect of the group write down of oil and gas properties described above. Administrative expenses amounted to TSEK – 1,756 (TSEK – 1,447) for the first three months of 2007. Net financial income amounted to TSEK – 2,270 (TSEK – 380) during the first quarter 2007. The write down of shares in group companies are included in the net financial income. Investments during the first three months 2007 amounted to TSEK 7,870 (TSEK 3,112). 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 Tethys Oman 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 could be exercised during two fixed periods. The first period was between 1 December 2006 – 31 January 2007 and had 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 diluted number of shares.

### **Subsequent events**

The Hontomin-4 well on the Huermece licence onshore Spain was completed after the reporting period. The well, operated by Ascent Resources plc. with Tethys holding a 50 per cent interest, was drilled to a depth of 1,610 metres. The well was logged but no oil was encountered although the target formations were present. Preliminary analysis carried out by the operator suggests that the complexity of the faulting in the formations above the target has resulted in the lack of an adequate seal for the reservoir. Investments incurred on the Huermece licence will be written down during the second quarter of 2007.

## CONSOLIDATED INCOME STATEMENT

TSEK	1 Jan 2007 - 31 Mar 2007 3 months	1 Jan 2006 - 31 Mar 2006 3 months	1 Jan 2006 - 31 Dec 2006 12 months	1 Jan 2005 - 31 Dec 2005 12 months
Net sales of oil and gas	-	-	-	-
Depreciation of oil and gas properties	-	-	-	-
Write off of oil and gas properties	-2,896	-	-22,519	-8,412
Other income	591	-	543	23
Administrative expenses	-2,434	-1,447	-9,000	-6,609
<b>Operating result</b>	<b>-4,739</b>	<b>-1,447</b>	<b>-30,976</b>	<b>-14,998</b>
Financial income and similar items	786	197	2,204	774
Financial expenses and similar items	-508	-6	-1,030	-144
<b>Net financial income</b>	<b>278</b>	<b>191</b>	<b>1,174</b>	<b>630</b>
<b>Result before tax</b>	<b>-4,461</b>	<b>-1,256</b>	<b>-29,802</b>	<b>-14,368</b>
Income tax	-	-	-	-
<b>Loss for the period</b>	<b>-4,461</b>	<b>-1,256</b>	<b>-29,802</b>	<b>-14,368</b>
Number of shares outstanding	5,741,760	4,384,800	5,741,760	4,384,800
Number of shares outstanding (after dilution)	5,741,760	4,384,800	5,741,760	4,384,800
Weighted number of shares	5,741,760	4,384,800	5,109,599	4,384,800
Earnings per share, SEK	-0.78	-0.29	-5.83	-3.28
Earnings per share (after dilution), SEK	-0.78	-0.29	-5.83	-3.28

## CONSOLIDATED BALANCE SHEET

TSEK	31 Mar 2007	31 Mar 2006	31 Dec 2006
<b>ASSETS</b>			
<b>Fixed assets</b>			
Oil and gas properties	52,796	14,587	35,072
Office equipment	213	125	145
Prepayment of oil and gas properties	-	-	8,723
<b>Total fixed assets</b>	<b>53,009</b>	<b>14,712</b>	<b>43,940</b>
<b>Current assets</b>			
Other receivables	18,735	600	16,853
Prepaid expenses	86	222	105
Short term investments	-	36,072	973
Cash and bank	27,640	1,144	57,112
<b>Total current assets</b>	<b>46,461</b>	<b>38,038</b>	<b>75,043</b>
<b>TOTAL ASSETS</b>	<b>99,470</b>	<b>52,750</b>	<b>118,983</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	2,871	2,192	2,871
Additional paid in capital	143,023	71,071	143,071
Retained earnings	-55,183	-22,144	-50,711
<b>Total shareholders' equity</b>	<b>90,711</b>	<b>51,119</b>	<b>95,230</b>
<b>Non interest bearing current liabilities</b>			
Accounts payable	7,651	895	22,282
Other current liabilities	213	68	787
Accrued expenses	556	668	684
<b>Total non interest bearing current liabilities</b>	<b>8,420</b>	<b>1,631</b>	<b>23,752</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>99,470</b>	<b>52,750</b>	<b>118,983</b>
Pledged assets	-	780	-
Contingent liabilities	18,692	14,527	18,193

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Share capital	Paid in capital	Retained Earnings
<b>Opening balance at 1 January 2005</b>	<b>2,192</b>	<b>71,071</b>	<b>- 6,520</b>
Loss for the period 2005	-	-	- 14,368
<b>Closing balance at 31 December 2005</b>	<b>2,192</b>	<b>71,071</b>	<b>- 20,888</b>
<b>Opening balance at 1 January 2006</b>	<b>2,192</b>	<b>71,071</b>	<b>- 20,888</b>
Loss for the period 2006	-	-	- 29,802
	<b>2,191</b>	<b>71,071</b>	<b>-50,690</b>
Non- cash issue	200	19,600	-
Rights issue	438	52,179	-
Issue costs	-	- 4,539	-
Directed issue	40	4,760	-
Currency translation difference	-	-	- 21
<b>Closing balance at 31 December 2006</b>	<b>2,871</b>	<b>143,071</b>	<b>50,711</b>
<b>Opening balance 1 January 2007</b>	<b>2,871</b>	<b>143,071</b>	<b>50,711</b>
Loss for the first quarter 2007	-	-	-4,461
Currency translation difference	-	-	-11
<b>Closing balance at 31 March 2007</b>	<b>2,871</b>	<b>143,071</b>	<b>-55,183</b>



## CONSOLIDATED CASH FLOW STATEMENT

TSEK	1 Jan 2007 - 31 Mar 2007 3 months	1 Jan 2006 - 31 Mar 2006 3 months	1 Jan 2006 - 31 Dec 2006 12 months	1 Jan 2005 - 31 Dec 2005 12 months
<b>Cash flow from operations</b>				
Operating result	-4,739	-1,447	-30,976	-14,998
Financial income and similar items	786	197	2,204	774
Financial expenses and similar items	-508	-6	-1,030	-144
Adjustment for write down of oil and gas properties	2,896	-	22,519	8,412
Adjustment for depreciation and other non cash related items	24	70	125	640
<b>Total cash flow used in operations before change in working capital</b>	<b>-1,541</b>	<b>-1,186</b>	<b>-7,157</b>	<b>-5,315</b>
Decrease/increase in receivables	-1,863	1,310	-14,825	-1,228
Decrease/increase in liabilities	-15,333	-827	21,294	99
<b>Cash flow used in operations</b>	<b>-18,737</b>	<b>-703</b>	<b>-689</b>	<b>-6,444</b>
<b>Investment activity</b>				
Investment in oil and gas properties	-11,907	-3,183	-26,408	-6,420
Investment in other fixed assets	-92	-	-75	-72
Prepayment of oil and gas properties	-	-	-8,723	-
<b>Cash flow used for investment activity</b>	<b>-12,000</b>	<b>-3,183</b>	<b>-35,206</b>	<b>-6,491</b>
<b>Financing activity</b>				
Share issue, net after issue costs	-48	-	52,879	-
<b>Cash flow from financing activity</b>	<b>-48</b>	<b>-</b>	<b>52,879</b>	<b>-</b>
<b>Period cash flow</b>	<b>-30,785</b>	<b>-3,886</b>	<b>16,983</b>	<b>-12,936</b>
Cash and cash equivalents at the beginning of the period *	58,085	41,102	41,102	54,037
Cash and cash equivalents at the end of the period *	27,300	37,216	58,085	41,101

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

## PARENT COMPANY INCOME STATEMENT CONDENSED

TSEK	1 Jan 2007 - 31 Mar 2007 3 months	1 Jan 2006 - 31 Mar 2006 3 months	1 Jan 2006 - 31 Dec 2006 12 months	1 Jan 2005 - 31 Dec 2005 12 months
Net sales of oil and gas	-	-	-	-
Depreciation of oil and gas properties	-	-	-	-
Write off of oil and gas properties	-	-	-	-
Other income	886	665	3,253	2,812
Administrative expenses	-1,756	-1,447	-7,742	-6,598
<b>Operating result</b>	<b>-871</b>	<b>-782</b>	<b>-4,488</b>	<b>-3,786</b>
Financial income and similar items	1,234	391	3,503	1,226
Financial expenses and similar items	-364	-6	-646	-139
Write down of shares in group company	-3,140	-4	-26,546	-9,692
<b>Net financial income</b>	<b>-2,270</b>	<b>380</b>	<b>-23,689</b>	<b>-8,605</b>
<b>Result before tax</b>	<b>-3,141</b>	<b>-402</b>	<b>-28,178</b>	<b>-12,391</b>
Income tax	-	-	-	-
<b>Loss for the period</b>	<b>-3,141</b>	<b>-402</b>	<b>-28,178</b>	<b>-12,391</b>

## PARENT COMPANY BALANCE SHEET CONDENSED

TSEK	31 Mar 2007	31 Mar 2006	31 Dec 2006
<b>ASSETS</b>			
Total fixed assets	213	125	145
Total financial assets	75,002	21,105	70,272
Total current assets	24,764	36,616	50,814
<b>TOTAL ASSETS</b>	<b>99,979</b>	<b>57,846</b>	<b>121,232</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	97,841	56,042	100,945
Total non interest bearing current liabilities	2,138	1,804	20,287
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>99,980</b>	<b>57,846</b>	<b>121,232</b>
Pledged assets	-	780	-
Contingent liabilities	4,847	4,860	4,696

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

TSEK	Share capital	Statutory Reserve	Share premium Reserve	Retained Earnings	Net result
<b>Opening balance at 1 January 2005</b>	<b>2,192</b>	<b>71,071</b>	-	<b>- 1,458</b>	<b>- 2,970</b>
Transfer of prior year net result	-	-	-	- 2,970	2,970
Loss for the period 2005	-	-	-	-	- 12,391
<b>Closing balance at 31 December 2005</b>	<b>2,192</b>	<b>71,071</b>	-	<b>- 4,428</b>	<b>- 12,391</b>
<b>Opening balance at 1 January 2006</b>	<b>2,192</b>	<b>71,071</b>	-	<b>- 4,428</b>	<b>- 12,391</b>
Transfer of prior year net result	-	-	-	- 12,391	12,391
Loss for the period 2006	-	-	-	-	- 28,178
	<b>2,192</b>	<b>71,071</b>	-	<b>- 16,820</b>	<b>- 28,178</b>
Non-cash issue	200	-	19,600	-	-
Rights issue	438	-	52,179	-	-
Issue costs	-	-	- 4,539	-	-
Directed issue	40	-	4,760	-	-
<b>Closing balance at 31 December 2006</b>	<b>2,871</b>	-	<b>72,000</b>	<b>- 16,820</b>	<b>-28,178</b>
<b>Opening balance at 1 January 2007</b>	<b>2,871</b>	-	<b>72,000</b>	<b>- 16,820</b>	<b>-28,178</b>
Transfer of prior year net result	-	-	-	-28,178	28,178
Loss for the first quarter 2007	-	-	-	-	-3,141
<b>Closing balance at 31 March 2007</b>	<b>2,871</b>	<b>71,071</b>	<b>72,000</b>	<b>-44,912</b>	<b>-3,141</b>

## 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 Denmark, 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.

These consolidated financial statements have been approved for issue by the Board of Directors on 16 May 2007.

### Accounting principles

The first quarter 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 first quarter 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) 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-31 Mar 2007, TSEK	Write downs Jan -31 Mar 2007, TSEK	Book value 31 Mar 2007, TSEK
Oman	-	26,700	-	26,700	26,700	5,338	-	32,027
Denmark	5,119	14,553 <sup>3</sup>	18,985	687	687	3,086	2,896	877
Morocco	553	2,359	-	2,912	2,912	253	-	3,166
Spain	3,152	214	1,487	1,878	1,878	140	-	10,446
Turkey	727	735	192	1,270	1,270	2,724	-	4,290
France	690	343	-	1,033	1,033	63	-	1,096
New ventures	1,163	1,304	1,855	612	612	297	-	909
<b>Total</b>	<b>11,404</b>	<b>46,208</b>	<b>22,519</b>	<b>35,072</b>	<b>35,072</b>	<b>11,907</b>	<b>2,896</b>	<b>52,811</b>

<sup>3</sup> Investments in Denmark are reduced as a consequence of the farm out to Star Energy during the third quarter and their payment of back costs.

Oil and gas properties TSEK	Group			Parent		
	1 Jan 2007 - 31 Mar 2007	1 Jan 2006 - 31 Mar 2006	1 Jan 2006 - 31 Dec 2006	1 Jan 2007 - 31 Mar 2007	1 Jan 2006 - 31 Mar 2006	1 Jan 2006 - 31 Dec 2006
	3 months	3 months	12 months	3 months	3 months	12 months
<b>Investments in oil and gas properties</b>						
Opening balance	66,459	20,251	20,251	-	-	-
Investments in Denmark	3,086	1,456	14,553	-	-	-
Investments in France	63	115	343	-	-	-
Investments in Morocco	253	670	2,359	-	-	-
Investments in Oman	5,338	-	26,700	-	-	-
Investments in Spain	140	34	214	-	-	-
Investments in Turkey	2,724	207	735	-	-	-
Other investments in oil and gas properties	297	701	1,304	-	-	-
Closing balance	78,359	23,434	66,459	-	-	-
Reclassification of assets in Turkey	-	-	-	-	-	-
<b>Depletion</b>						
Depletion	-	-	-	-	-	-
<b>Write down</b>						
Opening balance	31,366	8,847	8,847	-	-	-
Write down	2,896	-	22,519	-	-	-
Closing balance	40,537	8,847	31,366	-	-	-
<b>Net book value</b>	<b>52,811</b>	<b>14,587</b>	<b>35,072</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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 Tethys Oman Ltd (previously 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 could be exercised during two fixed periods. The first period was between 1 December 2006 – 31 January 2007 and had 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 diluted number of shares.

## Note 3) Contingent liabilities

The contingent liabilities amount to TSEK 18,692 (TSEK 18,193). In Denmark, the Group has a contingent liability amounting to TSEK 1,251 regarding remaining work commitment on the Danish drill site according to the agreement with the landowner, in France the parent company has a financial work commitment of TSEK 4,847 and in Oman the group has a financial work commitment of TSEK 12,503.

## KEY RATIOS

### Group

	1 Jan 2007 - 31 Mar 2007 3 months	1 Jan 2006 - 31 Mar 2006 3 months	1 Jan 2006 - 31 Dec 2006 12 months	1 Jan 2005 - 31 Dec 2005 12 months
<b>Items regarding the income statement and balance sheet</b>				
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	-4,739	-1,447	-30,976	-14,998
Operating margin, %	neg.	neg.	neg.	neg.
Result before tax, TSEK	-4,461	-1,256	-29,802	-14,368
Loss for the period, TSEK	-4,461	-1,256	-29,802	-14,368
Net margin, %	neg.	neg.	neg.	neg.
Shareholders' equity, TSEK	90,711	51,120	95,230	52,375
Balance sheet total, TSEK	99,470	52,750	118,983	54,833
<b>Capital structure</b>				
Solvency, %	91.19%	96.91%	80.04%	95.52%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	91.19%	96.91%	80.04%	95.52%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	12,000	3,183	3,207	6,491
<b>Profitability</b>				
Return on shareholders' equity, %	neg.	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.	neg.
<b>Key figures per employee</b>				
Average number of employees	6	4	5	4
<b>Number of shares</b>				
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	neg.	neg.	neg.	neg.
Number of shares on balance day, thousands	5,742	4,385	5,742	4,385
Shareholders' equity per share, SEK	15.80	11.66	16.59	11.94
Weighted number of shares on balance day, thousands	5,742	4,385	5,110	4,385
Earnings per share, SEK	-0.78	-0.29	-5.83	-3.28
Earnings per share after dilution, SEK	-0.78	-0.29	-5.83	-3.28

*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:

**Six month report** (January - June 2007) on 23 August 2007

**Nine month report** (January - September 2007) on 13 November 2007

**Year end report 2007** (January - December 2007) on 14 February 2008

**Three month report 2008** (January - March 2008) on 15 May 2008

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

Stockholm, 16 May 2007

Magnus Nordin  
Managing Director

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### Addresses

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#### Corporate Head Office

Blasieholmsgatan 2A  
111 48 Stockholm  
Sweden  
Tel. +46 8 679 49 90  
Fax +46 8 678 89 01  
E-mail: [info@tethysoil.com](mailto:info@tethysoil.com)

#### Technical Office

4 Rue de Rive  
CH-1204 Geneva  
Switzerland  
Tel. +41 22 318 86 00  
Fax +41 22 318 86 09  
E-mail: [info@tethysoil.com](mailto:info@tethysoil.com)

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[www.tethysoil.com](http://www.tethysoil.com)