Tethys Oil AB (publ)

Report for the period 1 January 2009 – 31 March 2009

HIGHLIGHTS

- **Farha South well onshore Oman drilled with excellent results – flowed 754 BOPD**
- **Saiwan East-2 well onshore Oman drilled to final depth - logging ongoing – preliminary indications of oil bearing zones in both upper and deeper part of the well**
- **Spud of Tafejjart-1 well onshore Morocco**
- **Tethys Oil completed a private placement of 1,300,000 shares in February – proceeds of MSEK 13 before issue costs**
- **Result for the first quarter 2009 amounted to TSEK 1,568 (TSEK – 5,458 for the corresponding period last year). The result for the first quarter 2009 has been significantly impacted by net foreign exchange gains amounting to TSEK 6,008 due to a stronger US dollar. The majority of these exchange rate gains are translation differences and are therefore non cash related items. Furthermore, write downs of TSEK 1,364 have negatively affected the result of the first quarter**
- **Earnings per share amounted to SEK 0.06 (SEK – 0.28) for the first quarter 2009**
- **Cash and cash equivalents as per 31 March 2009 amounted to TSEK 23,080 (TSEK 29,886). Oil and gas investments amounted to TSEK 17,677 mainly related to Oman, Blocks 3 and 4.**
- **As at 31 March 2009 there have been no sales of oil and gas in Tethys Oil, nor for the equivalent period of last year**

Tethys Oil AB (publ)

Tethys Oil is a Swedish energy company focused on identification and development for production of oil and natural gas assets. Tethys' core area is Oman, where the company is the second largest onshore oil and gas concession-holder with licence interests in three onshore blocks. Tethys' strategy is to invest in projects in areas with known oil and natural gas discoveries that have not been properly appraised using modern technology. In this way, high returns can be achieved with limited risk.

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

OPERATIONS

Overview

Tethys Oil has interests in licences in Oman, Morocco, France and Sweden. Tethys has decided to withdraw from its licenses in Spain and Turkey.

Country	Licence name	Tethys Oil, %	Total area, km²	Partners (operator in bold)	Book value 31 Mar 2009	Book value 31 Dec 2008	Investments Jan-Mar 2009
Oman	Block 15	40%	1,389	**Tethys Oil**, Odin Energi	109,007	98,729	2,189
Oman	Block 3,4	50%	33,125	**CC Energy Development (Oman) SAL**, Tethys Oil	49,362	34,867	15,278
France	Attila	40%	1,986	**Galli Coz**, Tethys Oil	3,616	3,589	27
Morocco	Bouanane	12.5%	2,100	**Dana Petroleum**, Tethys Oil, Eastern Petroleum	1,860	1,858	3
Turkey	Ispandika project	-	-	**Aladdin Middle East**, Tethys Oil	-	1,289	75
Sweden	Gotland Större	100%	540	**Tethys Oil**	521	429	92
New ventures					64	52	12
Total			**39,140**		**164,432**	**140,811**	**17,677**

Oman

The appraisal and development of Block 15

In early January 2009, the processing of new 3D seismic data was completed. The processing has been done by specialist firm Hardin International of Dallas, Texas. A total of 285 square kilometres of 3D seismic data was collected in August and September 2008, covering the entire hydrocarbon bearing Jebel Aswad structure. Previous seismic over the Jebel Aswad structure was 2D seismic with relatively low resolution and with sparse coverage over parts of the structure. The new seismic lines cover the whole structure, and are acquired with a geophone spacing of 15 x 15 metres. The interpretation commenced immediately after the processing was completed. Final seismic interpretation of the structure is almost complete and will provide valuable information about the future of the Jebel Aswad discovery.

Following the successful drilling of Jebel Aswad-1 (JAS-1) in 2007, Tethys spudded JAS-2 in the summer 2008. JAS-2 is a step out well 1.2 kilometres from JAS-1. JAS-2 reached a total measured depth of 4,018 metres with a horizontal section of 927 metres at a vertical depth of about 3,000 metres. The horizontal section was drilled in a south easterly direction and has confirmed the reservoir extension in this direction. The testing of JAS-2 was however suspended due to an unintentional penetration of a water producing fault.

Next step on Block 15 is to await the final analysis of the 3D seismic interpretation to determine the future course of action. Further work might include to continue the aborted testing of JAS-2 and to drill a new well – JAS-3, and to stimulate JAS-1. Due to the cost synergies – the testing of JAS-2 will require the return of a drilling rig – these two activities will most likely be combined. The information from the testing of JAS-2, like reservoir and hydrocarbon characteristics, will be an essential base in the preliminary field development plan. The work with this plan was initiated last year, but has been postponed until the testing of JAS-2 can be completed.

Block 3 – The Farha South structure

Farha South-3, a delineation well to Farha South-1 discovery, was spudded in early February 2009. Drilling target was the Lower Bashair sandstone formation at a depth of around 1,900 metres. Farha South-3 was drilled from a drill site 1.2 kilometres south east of the Farha South-1 oil discovery, which was drilled by a previous license holder in 1986.

On April 6, drilling of the Farha South-3 well was completed. The well was drilled to a total depth of 2,723 metres, corresponding to a true vertical depth of 1,857 metres. The two main sandstone stringers, that produced oil in Farha South-1, were penetrated both in the vertical pilot hole and in the subsequent horizontal sidetrack. Preliminary production flow of 754 bopd was recorded from the horizontal reservoir section. The oil is of very good quality (40 Deg API) with a low gas oil ratio.

Data recorded so far confirm the extension and continuity of the Farha structure's oil bearing sandstones and proves their productivity. In addition, several previously unidentified sandstone stringers were penetrated, some of which have good oil shows. The current plan is to re-enter Farha South-3 with a view to test a previously untested sandstone layer and then complete the well as a producer.

Block 4
Drilling of the Saiwan East-2 well commenced in late April 2009 with the objective to delineate the areal extent of the three hydrocarbon bearing zones found in the Saiwan East-1 well. Saiwan East-1 was drilled in 2005 by the previous license holders to a depth of 1,333 metres and encountered low gravity oil hydrocarbon shows (heavy oil). Saiwan East-2 is being drilled 12 kilometres from Saiwan East-1.

In early May, the Saiwan East-2 well had reached a depth of about 1,400 metres. The three main target zones had been penetrated and heavy oil saturation was found to be present in all three zones. Cores have been obtained from all three zones. The results were in line with expectations based on data from the East Saiwan-1 well and indicate that the Saiwan structure may contain a large accumulation of heavier hydrocarbons.

Following the encouraging results, a decision was taken to continue drilling operations to evaluate deeper targets, such as the Shuram and the Abu Mahara sandstone formations.

By the date of this report the well has reached a total depth of 2,443 metres. Electric logging operations are ongoing and indicate possible lighter oil bearing zones in the deeper part of the well, in addition to the heavy oil zones previously identified in the upper part of the well. Production testing will be required to determine the mobility of the oil.

Morocco
In late March 2009, Tethys Oil announced commencement of drilling operations on the Tafejjart-1 well on the Bouanane licence. The drilling target is a potential natural gas accumulation in the very large Taffejart structure. Drilling operations are expected to last for three months.

A successful exploration well in Morocco could unlock very large quantities of hydrocarbons, which could be tied back to the trans-Morocco gas pipeline that supplies the Moroccan domestic markets as well as Spain.

Tethys has a 12.5 percent net working interest, and is carried by the Operator through MUSD 12 of total expenditure in the licence.

France
The exploration well Pierre Maubeuge 2 (PLM-2) on the Attila licence in France proved the presence of natural gas. Wireline logging confirmed the indications of gas while drilling in the fall of 2007. In July 2008, well completion and production tests were conducted on the well with minor amounts of gas flowing to surface. Evaluations of the well results were conducted and it was decided to re-test the well later that year. Higher gas rates were observed during this test; however subsequent analysis of the results suggests the PLM-2 well to be non commercial in its current state. Although disappointing, the result supports the overall prospectivity of the Attila licence.

Sweden
Gotland
In 2008, Tethys conducted a comprehensive study of the existing data over the license area and a detailed database has been created. The interpretation of existing satellite radar data has resulted in new maps, which have provided better understanding of the land cover and the relief within the licence area. The work to identify reefal trends within the licence area continues. Future plans include acquisition of new geophysical and geological data.

Turkey and Spain
Tethys has gradually evolved to become a Swedish company with operations in Oman. This has mostly been driven by the successful drilling of Jebel Aswad on Block 15, and the subsequent acquisition of Blocks 3 and 4, all projects located onshore Oman. With so much opportunity and success vested in Oman a decision has been taken to focus even more on Oman and, at least for now, limit exposure to other areas. Consequently, Tethys has decided to withdraw from its licenses in Spain and Turkey.

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 three month period ended 31 March 2009. The amounts relating to the comparative period (equivalent period of last year) are shown in parenthesis after the amount for the current period. The primary segment of the group is geographical markets. Within the group there are only assets and write downs for these geographical markets which are presented below.

Result for the period and sales

Tethys Oil reports a result for the first quarter 2009 of TSEK 1,568 (TSEK – 5,458 for last year), representing earnings per share of SEK 0.06 (SEK – 0.28) for the first quarter 2009. The result for the first quarter 2009 has been significantly impacted by net foreign exchange gains. The currency exchange effect of the group amounts to TSEK 6,008 and almost all of the effect relates to the stronger US dollar in relation to the Swedish krona. The background to this is that the majority of Tethys Oil's assets relates to Oman and Block 15 which are held through the subsidiary Tethys Oil Oman Ltd and is financed through an intercompany loan from the parent company denominated in US dollar. These currency translation differences between the parent company and subsidiaries are non cash related items. The currency exchange gain effect is part of net financial income amounting to TSEK 6,055 for the first quarter 2009. Apart from net currency exchange gains, net financial income consist of net interest received and return on short term investments of TSEK 48 for the first quarter 2009.

Write downs of oil and gas properties of TSEK 1,364 has negatively affected the result of the first quarter of 2009. The write down regards previously made investments regarding the Ispandika project in Turkey. In light of the group's increased focus on Oman Tethys Oil decided not to continue with the licence which has expired during the first quarter 2009. Cash flow from operations before changes in working capital during the first three months of 2009 amounted to TSEK – 3,078 (TSEK – 2,609).

Tethys Oil has not recorded any sales or production of oil and gas for the three month period that ended 31 March 2009. Accordingly, there has been no depletion of oil and gas properties.

Other income, administrative expenses

Administrative expenses amounted to TSEK – 3,697 (TSEK – 3,165) for the first three months 2009. Depreciation amounted to TSEK 62 (TSEK 31) during the first quarter 2009. 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 the first quarter 2008 is related to a weaker Swedish krona in relation to the US dollar and the Swiss franc. Part of the administrative expenses in Tethys Oman Ltd is charged to the joint venture in Block 15 in Oman where the expenditures are capitalised and, in line with the Production Sharing Agreement, recoverable. These administrative expenditures are, through the above, also funded by the partner in Block 15 in Oman by 60 per cent. The chargeout to the joint venture is presented in the income statement as Other income. Part of the remaining administrative expenses are capitalised in the subsidiaries and if Tethys is the operator theses expenses are funded by partners. In the consolidated income statement these internal transactions are eliminated.

Movement in oil and gas properties

Oil and gas properties as at 31 March 2009 amounted to TSEK 164,430 (TSEK 140,811). Investments in oil and gas properties of TSEK 17,677 (TSEK 8,242) were incurred for the three month period ending 31 March 2009. Investments in oil and gas properties in Block 15 Oman of TSEK 2,189 have mainly been related to the completion and interpretation of the 3D seismic acquisition which was conducted during the last part of 2008. Investments related to Blocks 3 and 4 amounted during the period to TSEK 15,278 and accounts for most of the oil and gas investments during the first quarter 2009. Investments on Blocks 3 and 4 relate to Tethys Oil's share of the Farha South-3 (FS3) well. In April 2009, Tethys Oil announced that FS3 flowed 754 barrels per day during production test. Furthermore in April 2009, Tethys Oil announced the commencement of the Saiwan East-2 well, which as per publication of this report still is continuing.

Investments in other licence areas have during the first quarter 2009 amounted to TSEK 209 and mainly regard licence administration. The book value of oil and gas properties include currency exchange gains of TSEK 7,306 during the quarter, which are not cash related items and therefore not included in investments. For more information please see above Loss for the period and sales.

Liquidity and financing
Cash and bank as at 31 March 2009 amounted to TSEK 23,080 (TSEK 29,886). Based on an authorization from the AGM held 8 May 2008, the Board of Directors resolved to issue 1,300,000 shares through a private placement. The private placement was made at SEK 10 per share, which was in line with the prevailing market price at the time. The total proceeds from this issue amounted to TSEK 13,000 before issue costs. The newly issued shares in the private placement were registered 10 March 2009 and the total number of shares after the private placement amounts to 25,280,086.

Current receivables
Current receivables amounted to TSEK 5,452 (TSEK 7,239) as at 31 March 2009. The receivables mainly relate to partner receivables on Block 15 in Oman

Current liabilities
Current liabilities as at 31 March 2009 amounted to TSEK 2,090 (TSEK 2,832), of which TSEK 1,022 (TSEK 1,358) relates to accounts payable, TSEK 207 (TSEK 385) relates to other current liabilities and TSEK 861 (TSEK 1,088) relates to accrued expenses.

Parent company
The parent company reports a result for the first quarter 2009 amounting to TSEK 5,927 (TSEK – 3,503). Administrative expenses amounted to TSEK – 1,973 (TSEK – 2,011) for the first three months of 2009. Net financial income amounted to TSEK 7,278 (TSEK – 1,939) during the first quarter 2009. The stronger US dollar has had a positive impact on net financial income. The exchange rate gains regard translation differences and are non cash related. Investments during the first three months 2009 amounted to TSEK 18,620 (TSEK 3,078). Financial investments are financial loans to subsidiaries for their oil and gas operations. The turnover in the parent company relates to chargeouts of services to subsidiaries.

Board of Directors
At the Annual Meeting of shareholders on 8 May 2008 Håkan Ehrenblad, Vincent Hamilton, John Hoey, Jonas Lindvall, Magnus Nordin and Jan Risberg were re-elected members of the board. Carl-Gustaf Ingelman declined re-election. No deputy directors were appointed. At the same meeting Vincent Hamilton was appointed Chairman. The Annual General Meeting 2009 will be held 20 May 2009.

Share data
As per 31 March 2009, the number of outstanding shares in Tethys Oil amount to 25,280,086 (23,980,086), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program.

As per 1 January 2009, Tethys Oil had 23,980,086 shares. Tethys Oil conducted a share issue during the first quarter 2009 which increased the number of shares with 1,300,000 to 25,280,086. The shares from the share issue are included as per registration dated 10 March 2009. The warrants from the rights issue conducted 2008 amount to 4,795,649 with an exercise price of SEK 23 and where one warrant gives the right to purchase one new share. The warrants can be exercised continuously up until 30 June 2010. The average share price during 2009 was below the exercise price which is why the related numbers of shares are not included in the fully diluted number of shares.

Risks and uncertainties
A statement of risk and uncertainties are presented in note 1, page 12.

CONSOLIDATED INCOME STATEMENT

TSEK	1 Jan 2009 - 31 Mar 2009 3 months	1 Jan 2008 - 31 Mar 2008 3 months	1 Jan 2008 - 31 Dec 2008 12 months
Net sales of oil and gas	-	-	-
Depreciation of oil and gas properties	-	-	-
Write off of oil and gas properties	-1,364	-100	-21,088
Other income	613	520	3,450
Other losses/gains, net	-27	-4	-293
Administrative expenses	-3,697	-3,165	-13,818
Operating result	**-4,474**	**-2,749**	**-31,748**
Financial income and similar items	6,894	16	15,565
Financial expenses and similar items	-839	-2,718	-212
Net financial income	**6,055**	**-2,702**	**15,353**
Result before tax	**1,581**	**-5,451**	**-16,395**
Income tax	-13	-7	-30
Loss for the period	**1,568**	**-5,458**	**-16,426**
Number of shares outstanding	25,280,086	19,178,286	23,980,086
Number of shares outstanding (after dilution)	25,280,086	19,178,286	23,980,086
Weighted number of shares	24,283,419	19,178,286	22,668,770
Earnings per share, SEK	0.06	-0.28	-0.72
Earnings per share (after dilution), SEK	0.06	-0.28	-0.72

CONSOLIDATED BALANCE SHEET

TSEK	31 Mar 2009	31 Dec 2008
ASSETS		
Fixed assets		
Oil and gas properties	164,430	140,811
Office equipment	1,103	1,128
Total fixed assets	**165,533**	**141,940**
Current assets		
Other receivables	5,452	7,239
Prepaid expenses	1,152	843
Short term investments	7,790	9,283
Cash and bank	15,290	20,603
Total current assets	**29,684**	**37,969**
TOTAL ASSETS	**195,217**	**179,909**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	4,214	3,997
Additional paid in capital	275,682	262,982
Other reserves	3,579	1,897
Retained earnings	-90,348	-91,799
Total shareholders' equity	**193,127**	**177,077**
Non interest bearing current liabilities		
Accounts payable	1,022	1,358
Other current liabilities	207	385
Accrued expenses	861	1,088
Total non interest bearing current liabilities	**2,090**	**2,832**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**195,217**	**179,909**
Pledged assets	500	500
Contingent liabilities	46,365	43,230

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Share Capital	Paid in Capital	Other reserves	Retained Earnings	Total Equity
Opening balance 1 January 2008	**3,196**	**177,555**	**-2,182**	**-75,374**	**103,196**
Currency translation difference	**-**	**-**	4,079	**-**	4,079
Total income and expenses recognised directly in equity	**-**	**-**	**4,079**	**-**	**4,079**
Loss for the first quarter 2008	-	-	-	- 5,458	- 5,458
Loss for the second quarter 2008	-	-	-	- 3,173	- 3,173
Result for the third quarter 2008	-	-	-	4,872	4,872
Loss for the fourth quarter 2008	-	-	-	- 12,666	-12,666
Issue costs set off issue	-	-107	-	-	-107
Private placement	801	90,441	-	-	91,242
Issue costs private placement	-	- 4,585	-	-	- 4,585
Issue costs warrant issue	-	-322	-	-	- 322
Closing balance at 31 December 2008	**3,997**	**262,982**	**1,897**	**- 91,799**	**177,077**
Opening balance 1 January 2009	**3,997**	**262,982**	**1,897**	**- 91,799**	**177,077**
Currency translation difference	**-**	**-**	**1,682**	**-**	**1,682**
Total income and expenses recognised directly in equity			**3,579**		**3,579**
Result for the first quarter 2009	**-**	**-**	**-**	**1,568**	**1,568**
Private placement February	**217**	**12,783**	**-**	**-**	**13,000**
Issue costs	**-**	**-83**	**-**	**-**	**-83**
Closing balance 31 March 2009	**4,214**	**275,682**	**3,579**	**90,348**	**193,127**

CONSOLIDATED CASH FLOW STATEMENT

TSEK	1 Jan 2009 - 31 Mar 2009 3 months	1 Jan 2008 - 31 Mar 2008 3 months	1 Jan 2008 - 31 Dec 2008 12 months
Cash flow from operations			
Operating result	-4,474	-2,749	-31,748
Interest received	41	16	1,233
Interest paid	-	-	-1
Income tax	-13	-7	-30
Adjustment for write down of oil and gas properties	1,364	100	21,088
Adjustment for depreciation and other non cash related items	5	31	263
Total cash flow used in operations before change in working capital	**-3,078**	**-2,609**	**-9,195**
Decrease/increase in receivables	1,478	-8,524	-4,646
Decrease/increase in liabilities	-741	3,935	442
Cash flow used in operations	**-2,340**	**-7,198**	**-13,399**
Investment activity			
Investment in oil and gas properties	-17,677	-8,242	-71,506
Investment in other fixed assets	-37	7	-1,007
Cash flow used for investment activity	**-17,713**	**-8,235**	**-72,512**
Financing activity			
Share issue, net after issue costs	12,917	87,332	98,884
Return on short term investments	7	0	417
Cash flow from financing activity	**12,924**	**87,332**	**99,301**
Period cash flow	**-7,130**	**71,899**	**13,390**
Cash and cash equivalents at the beginning of the period	29,886	12,252	12,252
Exchange gains/losses on cash and cash equivalents	752	-44	4,245
Cash and cash equivalents at the end of the period	23,509	84,107	29,886

PARENT COMPANY INCOME STATEMENT CONDENSED

TSEK	1 Jan 2009 - 31 Mar 2009 3 months	1 Jan 2008 - 31 Mar 2008 3 months	1 Jan 2008 - 31 Dec 2008 12 months
Net sales of oil and gas	-	-	-
Depreciation of oil and gas properties	-	-	-
Write off of oil and gas properties	-	-	-
Other income	650	409	1,881
Other losses/gains, net	-27	38	-231
Administrative expenses	-1,973	-2,011	-8,503
Operating result	**-1,350**	**-1,564**	**-6,853**
Financial income and similar items	8,117	738	19,457
Financial expenses and similar items	-839	-2,677	-134
Write down of shares in group company	0	0	-24,859
Net financial income	**7,278**	**-1,939**	**-5,536**
Result before tax	**5,927**	**-3,503**	**-12,389**
Income tax	-	-	-
Loss for the period	**5,927**	**-3,503**	**-12,389**
Number of shares outstanding	25,280,086	19,178,286	23,980,086
Number of shares outstanding (after dilution)	25,280,086	19,178,286	23,980,086
Weighted number of shares	24,283,419	19,178,286	22,668,770

PARENT COMPANY BALANCE SHEET CONDENSED

TSEK	31 Mar 2009	31 Dec 2008
ASSETS		
Total fixed assets	213	35,767
Total financial fixed assets	183,842	123,545
Total current assets	22,720	29,097
TOTAL ASSETS	**206,775**	**188,409**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	205,880	187,035
Total non interest bearing current liabilities	895	1,374
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**206,775**	**188,409**
Pledged assets	500	500
Contingent liabilities	46,365	43,230

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

TSEK	Restricted equity		Non restricted equity			
	Share capital	Statutory Reserve	Share premium Reserve	Retained Earnings	Net result	Total Equity
Opening balance at 1 January 2008	**3,196**	**71,071**	**106,484**	**-44,997**	**-22,558**	**113,197**
Transfer of prior year net result	-	-	-	- 22,558	22,558	-
Loss for the first quarter 2008	-	-	-	-	- 3,503	- 3,503
Loss for the second quarter 2008	-	-	-	-	- 1,310	- 1,310
Result for the third quarter 2008	-	-	-	-	6,384	6,384
Loss for the fourth quarter 2008	-	-	-	-	-13,961	-13,961
	3,196	**71,071**	**106,484**	**- 67,555**	**-12,389**	**100,807**
Issue costs set off issue	-	-	-107	-	-	-107
Private placement	801	-	90,441	-	-	91,242
Issue costs	-	-	- 4,585	-	-	- 4,585
Issue costs warrants issue	-	-	-322	-	-	-322
Closing balance at 31 December 2008	**3,997**	**71,071**	**191,911**	**-67,555**	**-12,389**	**187,035**
Transfer of prior year net result	**-**	**-**	**-**	**-12,389**	**12,389**	**-**
Result for the first quarter 2009	**-**	**-**	**-**	**-**	**5,927**	**5,927**
Private placement	**217**	**-**	**12,783**	**-**		**13,000**
Issue costs	**-**	**-**	**-83**	**-**	**-**	**-83**
Closing balance at 31 March 2009	**4,214**	**71,071**	**204,611**	**-79,944**	**5,927**	**205,880**

NOTES

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

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

Accounting principles
The three months report 2009 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The three months report 2009 of the parent company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2.1 –Accounting for legal entities, issued by the Swedish Financial Accounting Standards Council. The same accounting principles were used in the annual report 2008.

Financial instruments
Tethys Oil has not during the period used any derivative financial instruments in order to hedge risks.

Note 1) Risks and uncertainties
The Group's activities expose it to a number of risks and uncertainties which are continuously monitored and reviewed. The main risks and uncertainties are operational and financial risk described below.

<u>Operational risk</u>
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.

<u>Financial risk</u>
By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. Possible future income will also most likely be denominated in foreign currencies, most likely US dollars. Furthermore, Tethys Oil has since inception been entirely equity financed and as the Group has not presented any revenues the financing of the Group has been through share issues. It cannot be ruled out that additional capital may be needed to finance Tethys Oil's current operations and/or for acquisition of additional licences. The main risk is that this need may occur during less favourable market conditions.

A more detailed analysis of the Group's risks and uncertainties and how the Group addresses these risks, are given in the Annual report for 2008.

Note 2) Oil and gas properties

Country	Book value 31 Mar 2009, TSEK	Write downs 2009, TSEK	Investments 1 Jan – 31 Mar, TSEK	Book value 1 Jan 2009, TSEK	Book value 31 Dec 2008, TSEK	Write downs 2008, TSEK	Investments 2008, TSEK	Book value 1 Jan 2008, TSEK
Oman Block 15	**109,007**[1]	**-**	**2,189**	**98,729**	**98,729**	**-**	**37,282**	**47,984**
Oman Blocks 3,4	**49,362**	**-**	**15,278**	**34,867**	**34,867**	**-**	**22,085**	**12,782**
France Attila	**3,616**	**-**	**27**	**3,589**	**3,589**	**- 9,813**	**4,558**	**8,844**
Morocco Bouanane	**1,860**	**-**	**3**	**1,858**	**1,858**	**-**	**887**	**971**
Turkey Ispandika	**-**	**- 1,364**	**75**	**1,289**	**1,289**	**-**	**-**	**1,289**
Turkey Thrace	**-**	**-**	**-**	**-**	**-**	**- 7,108**	**3,783**	**3,325**
Spain Sedano	**-**	**-**	**-**	**-**	**-**	**- 3,702**	**2,505**	**1,197**
Spain Cameros	**-**	**-**	**-**	**-**	**-**	**- 466**	**208**	**258**
Sweden Gotland Större	**521**	**-**	**92**	**429**	**429**	**-**	**170**	**259**
New ventures	**64**	**-**	**12**	**52**	**52**	**-**	**29**	**23**
Total	**164,432**	**- 1,364**	**17,677**	**140,811**	**140,811**	**- 21,088**	**71,506**	**76,932**

Oil and gas properties	**Group**			**Parent**		
TSEK	**1 Jan 2009 - 31 Mar 2009 3 months**	**1 Jan 2008 - 31 Mar 2008 3 months**	**1 Jan 2008 - 31 Dec 2008 12 months**	**1 Jan 2009 - 31 Mar 2009 3 months**	**1 Jan 2008 - 31 Mar 2008 3 months**	**1 Jan 2008 - 31 Dec 2008 12 months**
Investments in oil and gas properties						
Opening balance	209,485	124,518	124,518	34,867	12,782	12,782
Investments in France	27	-	4,558	-	-	-
Investments in Morocco	3	678	887	-	-	-
Investments in Oman	17,467	4,861	59,366	- 34,867	104	22,085
Investments in Spain	-	2,629	2,713	-	-	-
Investments in Turkey	75	74	3,783	-	-	-
Investments in Sweden	92	-	170			
Other investments in oil and gas properties	12	-	29	-	-	-
Closing balance	213,700	125,911	196,024	-	12,970	34,867
Currency exchange effects	7,306	- 6,849	13,461	-	-	-
Depletion						
Depletion	-	-	-	-	-	-
Write down						
Opening balance	68,674	47,586	47,586	-	-	-
Write down	1,364	100	21,088	-	-	-
Closing balance	70,038	47,686	68,674	-	-	-
Net book value	**163,432**	**78,225**	**140,811**	**-**	**12,970**	**34,867**

[1] The book value of oil and gas properties include currency exchange gains of TSEK 7,306 during the first quarter 2009, which are not cash related items and therefore not included in investments. For more information please see the Administration report under the heading "Loss for the period and sales"

Note 3) Other income
Part of the administrative expenses in Tethys Oman Ltd is charged to the joint venture in Block 15 Oman where the expenditures are capitalised and, in line with the Production Sharing Agreement, recoverable. These administrative expenditures are, through the above, also funded by the partner in Oman by 60 per cent. The chargeout to the joint venture is presented in the consolidated income statement as Other income.

Note 4) Shareholders' equity
As per 31 March 2009, the number of outstanding shares in Tethys Oil amount to 25,280,086 (23,980,086), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program.

As per 1 January 2009, Tethys Oil had 23,980,086 shares. Tethys Oil conducted a share issue during the first quarter 2009 which increased the number of shares with 1,300,000 to 25,280,086. The shares from the share issue are included as per registration dated 10 March 2009. The warrants from the rights issue described above amount to 4,795,649 with an exercise price of SEK 23 and where one warrant gives the right to purchase one new share. The warrants can be exercised continuously up until 30 June 2010. The average share price during 2009 was below the exercise price which is why the related numbers of shares are not included in the fully diluted number of shares.

Note 5) Contingent liabilities
The contingent liabilities amount to TSEK 46,365 (TSEK 43,230). The contingent liabilities regard Blocks 3&4 where Tethys Oil has a work commitment, the fulfilment of which is estimated to cost MUSD 5.5. The difference between contingent liabilities 31 March 2009 and 31 December 2008 relate to currency exchange differences.

KEY RATIOS

Group

	1 Jan 2009 - 31 Mar 2009 3 months	1 Jan 2008 - 31 Mar 2008 3 months	1 Jan 2008 - 31 Dec 2008 12 months
Items regarding the income statement and balance sheet			
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.
Operating result, TSEK	-4,474	-2,749	-31,748
Operating margin, %	neg.	neg.	neg.
Result before tax, TSEK	1,581	-5,451	-16,395
Net result, TSEK	1,568	-5,458	-16,426
Net margin, %	neg.	neg.	neg.
Shareholders' equity, TSEK	193,127	183,287	177,077
Balance sheet total, TSEK	195,217	189,611	179,909
Capital structure			
Solvency, %	98.93%	96.66%	98.43%
Leverage ratio, %	n.a.	n.a.	n.a.
Adjusted equity ratio, %	98.93%	96.66%	98.43%
Interest coverage ratio, %	n.a.	n.a.	n.a.
Investments, TSEK	17,713	8,235	72,512
Profitability			
Return on shareholders' equity, %	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.
Key figures per employee			
Average number of employees	10	11	9
Number of shares			
Dividend per share, SEK	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	neg.	neg.	neg.
Number of shares on balance day, thousands	25,280	19,178	23,980
Shareholders' equity per share, SEK	7.64	9.56	7.38
Weighted number of shares on balance day, thousands	24,283	19,178	22,669
Earnings per share, SEK	0.06	-0.28	-0.72
Earnings per share after dilution, SEK	0.06	-0.28	-0.68

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

FINANCIAL INFORMATION

The Company plans to publish the following financial reports:

Six month report 2009 (January - June 2009) on 20 August 2009

Nine month report 2009 (January - September 2009) on 13 November 2009

Year end report 2009 (January – December 2009) on 16 February 2010

Three month report 2010 (January - March 2010) on 11 May 2010

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

Stockholm, 20 May 2009

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Managing Director

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Internet information

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

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