Tethys Oil AB (publ)

Report for the period

1 January 2007 – 30 June 2007

Highlights

- Jebel Aswad re-entry completed – flowed 2,626 BOEPD on test
- Tethys' share of estimated preliminary reserves on Jebel Aswad in Oman amounts to 12 MMBOE
- Well site construction for French exploration well Pierre Maubeuge-2 started in August, drilling operations planned to start in September
- Farm out to Dana of Morocco Bouanane licence completed, Tethys retains 12.5 per cent carried interest
- Spanish exploration well Hontomin-4 completed in April – no oil discovered
- Private placement of 300,000 shares completed in July for proceeds of MSEK 16.8 before placement costs
- As at 30 June 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 six months 2007 amounted to TSEK -18,626 (TSEK -3,699 for the corresponding period last year) and TSEK -14,165 (TSEK -2,443) for the second quarter. Write downs of TSEK 14,575 have negatively affected the result of the first half 2007
- Earnings per share amounted to SEK -3.24 (SEK -0.82) for the first six months 2007 and SEK -2.47 (SEK -0.53) for the second quarter
- Cash and cash equivalents as per 30 June 2007 amounted to TSEK 15,391 (TSEK 58,085). Oil and gas investments have amounted to TSEK 26,633 and current liabilities have been reduced by TSEK 14,402 as invoices for the Karlebo well have come due. Receivables as per 30 June 2007 amounted to TSEK 14,020 (TSEK 16,853)

Dear friends and investors,

The second quarter of 2007 can be summarised in three words and four digits:

Oman, Jebel Aswad, 2 626

Oman is the country where we now see that a lot of Tethys' future will be.

Jebel Aswad is the name of the geological structure and well that Tethys re-entered and drilled.

2,626 is the number of barrels of oil equivalents the Jebel Aswad well produced on test.

After more than two months of drilling operations, the Jebel Aswad re-entry well was finally crowned by success on Midsummer's eve. As late as the day before results were still inconclusive, but once testing operations came fully underway the flow rates quickly turned conclusive with more than 11 million cubic feet a day of rich natural gas and almost 800 barrels per day of condensate.

These rates surpassed expectations, but confirmed what we had been hoping for; that modern horizontal drilling coupled with underbalanced drilling technique was the way to uncover the secrets of this 1990's discovery.

It is still early days and additional tests will be performed to determine the gas/condensate composition and probable plateau production rates, but already we have enough to strengthen the project team and start planning for Tethys to become an oil producer perhaps as early as towards the end of 2008.

Increased certainty on reserves will come with more data but indications so far are that we are looking at recoverable reserves for Tethys of 55 BCF of gas and 2.8 million barrels of condensate, a total of 12 mmboe, from the top (Natih) reservoir layer of Jebel Aswad alone. Leaving upside for the deeper layers (the Shuaiba and the Natih C) as well as from half a dozen other leads and prospects on Block 15.

So stay with us, we are only just beginning to see the first signs of the creation of serious shareholder value.

Stockholm in August 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, km²	Operator	Investments 1 Jan–30 Jun 2007, TSEK	Investments 1 Apr–30 Jun 2007, TSEK	Book value 30 Jun 2007, TSEK
Oman	Block 15	40%	1,389	Tethys Oil	21,486	16,148	48,154
Denmark[1]	Licence 1/02 Licence 1/03	– –	– –	– –	3,823	737	–
Morocco	Bouanane	12.5%[2]	2,100	Tethys Oil	-2,797	-3,050	116
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	298	158	1,356
Turkey	Ispandika Thrace	10% 25%	965 897	Aladdin Middle East Aladdin Middle East	2,641	83	4,207
France	Attila	40%[3]	1,986	Galli Coz	701	638	1,734
New ventures					476	179	272
Total			**8,145**		**26,633**	**14,725**	**55,843**

[1] *Licence 1/02 and 1/03 were relinquished on 22 May 2007. Tethys Oil has commitments 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

Almost on the day, 1 year after Tethys acquired the 40 per cent interest in Block 15 onshore Oman, the re-entry of Jebel Aswad commenced with Tethys as Operator on 9 April, 2007. The mobilization of the 126 truck-loads of rig and camp had started some two weeks before.

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 in order to determine reserves in place and a likely recovery factor. Underbalanced drilling fluids were used in order to minimize damage to the reservoir and maximize oil production.

On 25 June, the testing of both the Shuaiba and the Natih limestone sections were completed. Both reservoirs produced hydrocarbons to surface. The Natih limestone penetrated a total of 848 metres of hydrocarbon bearing limestone in a horizontal sidetrack that had a total measured depth of 3,830 metres. 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 that prevented the well from being steered horizontally into the productive layers of the Shuaiba. However, wet gas was produced during the underbalanced drilling phase of the Shuaiba.

During the summer, the rig was de-mobilized and released and the evaluation of the result of the drilling started. Helix RDS (UK) Ltd. was contracted to conduct a preliminary reserve study and to design a conceptual development plan.

Reserve estimates

Based on information obtained in June this year from the Jebel Aswad Sidetrack 2 (JAS-STK2) and the original well test from 1995, a preliminary in-house reserve estimate of the Natih 'A' reservoir is calculated at 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 have been attributed to the underlying Natih 'C' reservoir and the deeper Shuaiba reservoir, despite firm indications of hydrocarbons in these two separate reservoirs. Gas was flowed to surface whilst drilling underbalanced in the Shuaiba.

Condensate Gas Ratio

Based on the results of JAS-STK2 and evidence from the original JAS well test in 1995, it is believed that the reservoir fluid is a 'wet gas'. Due to equipment limitations on site in June 2007, it was not possible to collect the required samples to conclusively determine the reservoir hydrocarbon phase. Further tests will be conducted later this fall to conclusively establish the Natih 'A' hydrocarbon phase. The implication is that currently it is difficult to accurately determine the true condensate gas ratio (CGR). The reserve numbers above are calculated using a constant CGR of 50 bbl/mmscf. The different CGR values measured so far are detailed below (at initial reservoir conditions):

Source	CGR bbl/mmscf
JAS June 2007	72.5
JAS Sept 1995	100
Wadi Rafash 1981	73

Once the hydrocarbon phase and CGR have been determined a more accurate assessment of the condensate volumes are possible.

Tethys Oil commissioned Helix RDS (UK) Ltd. to model the test results from JAS-STK1 & 2 along with the original data from the 1995 test. The study provides for the following:

"Using the volumetrics supplied by Tethys and assuming this is a gas/condensate reservoir with a constant CGR of 50 bbl/mmscf, Helix RDS developed a series of production profiles which would encompass potential results of developing the Natih 'A" formation in Jebel Aswad Shuaiba formation has not been satisfactorily tested as yet, and as such it is still in a prospect level. No economic analysis has been done for the profiles created and as such the recoverable hydrocarbon should be cataloged as resources."

	Low	Mid	High
Gas Cumulative (Bscf)	13.84	130.64	435.99
Condensate Cumulative (MMbbls)	0.69	6.53	21.80
Recovery Factor (%)	70.35	77.45	88.02
Number of wells	5	10	16
Recovery per well	2.77	13.06	27.25
Plateau level (MMscf/d)	20	50	100
Time on Plateau (years)	1.1	4.8	8.5

(Source: Helix RDS, Jebel Aswad test interpretation & conceptual development plan, August 2007)

Following from the above, 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)

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 license, 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 will reimburse Tethys for all expenditures associated with the license so far including the seismic reprocessing and gravimetric study Tethys has conducted in the area.

The signing of the Petroleum Agreement is the result of a process that started in July 2005, when Tethys as operator was awarded 50 per cent in a one year Reconnaissance Licence over the Bouanane area. During 2006, the work programme associated with the licence was completed confirming the prospectivity of the area for natural gas, as well as confirmed the potential of the giant Tafejjart structure.

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. In April 2007, drilling permission was received from the French local administration and in the summer a drilling contract for the drilling of PLM-2 was signed. The drilling rig MR-7000 from French contractor COFOR will be used. All necessary permits have been obtained and preparations at the drill site have started. The drilling pad will be cemented in late August, and drilling operations are planned to commence in September.

The purpose of the exploration well is to explore for gas fields like the neighbouring 100 BCF Trois-Fontaines field.

Turkey

Thrace

A seismic survey acquiring 98 kilometres of new 2D seismic data on licenses 3998 and 3999, onshore the European part of Turkey, was conducted in the spring and summer of 2007. Processing and interpretation of the data has now been completed, confirming the integrity of the prospect and the presence of a four way trap. One strong lead previously identified has now been upgraded to a firm prospect, which is scheduled to be tested later this year through the drilling of an exploration well targeting shallow natural gas. In June Tethys obtained 25 per cent in a third licence in Thrace, licence 4187, adjacent to the two previous licences.

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 was carried out during the second quarter.

Denmark

With Tethys Oil as Operator, the exploration well Karlebo-1 on Licence 1/02 onshore Zealand was drilled at the end of last year. All necessary elements were found with the Karlebo borehole except for the source rock and the well failed to encounter hydrocarbons. Karlebo-1 was plugged and abandoned as a dry hole.

The company has conducted a post-drilling appraisal of Licences 1/02 and 1/03. In brief, the results are negative for continued exploration in these licences and the Danish licenses have been relinquished

Spain

With Ascent Resources as Operator, the Hontomin-4 well on the Huermeces licence onshore Spain was drilled in the first and second quarter of 2007. The well was logged but no oil was encountered although the target formations were present. In the Basconcillos-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 Cameros project in the Ebro basin of northern Spain, is of interest for a large natural gas prospect that has been identified. In February 2007, 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 and an environmental impact study.

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. The board of Tethys is evaluating these options that 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.nspecexplore for oil and gaseous hydrocarbons over a larger area of the northern island.

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 30 June 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 June 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 half 2007 of TSEK -18,626 (TSEK -3,699 for last year) and TSEK -14,165 (TSEK -2,443) for the second quarter, representing earnings per share of SEK -3.24 (SEK -0.82) for the first half 2007 and SEK -2.47 (SEK -0.53) for the second quarter. Write downs of oil and gas properties of TSEK 14,575 has negatively affected the result of the second quarter of 2007. TSEK 9,248 of the write downs are previous investments in the Hontomin well in Spain which was drilled between first and second quarter 2007 but no oil encountered. Write downs of TSEK 4,510 regard investments in licence 1/02 and licence 1/03 where Tethys Oil has relinquished both licences following from the results of the Karlebo well drilled 2006. Tethys Oil has furthermore adjusted currencies and made final settlement of receivables regarding the Danish well. These adjustment of receivables amounts to TSEK 1,463 and has affected the result negatively. Cash flow from operations before changes in working capital during the first six months of 2007 amounted to TSEK -4,009 (TSEK -3,470) and TSEK -2,468 (TSEK -2,284) for the second quarter.

The loss for the first half 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 June 2007. Accordingly, there has been no depletion of oil and gas properties.

Other income, administrative expenses

Administrative expenses amounted to TSEK -4,995 (TSEK -3,974) for the first six months 2007 and TSEK -2,560 (TSEK -2,527) for the second quarter. Depreciation amounted to TSEK 42 (TSEK 92) during the first half 2007 and TSEK 18 (TSEK 22) for the second quarter. Administrative expenses are mainly salaries, rents, listing costs and outside services. These costs are corporate costs and are accordingly not capitalised. Depreciation is referable to office equipment. The 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 June 2007 amounted to TSEK 55,843 (TSEK 35,072). Investments in oil and gas properties of TSEK 26,633 (TSEK 31,020) were incurred for the six month period ending 30 June 2007. Of the investments TSEK 21,486 are referable to Oman where Tethys Oil drilled a well during the second quarter. Tethys Oil was operator and paid 40 per cent of expenditures. TSEK 3,823 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 effects current receivables. Negative investments of

TSEK -2,797 in Morocco are reimbursement of past cost following from the Dana Petroleum farm-in agreement. TSEK 2,641 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 investments as it is a non-cash item.

Liquidity and financing

Cash and bank as at 30 June 2007 amounted to TSEK 15,391 (TSEK 57,112). Short-term investments as at 30 June 2007 amounted to TSEK – (TSEK 973). Tethys Oil has significant outstanding receivables which are expected to add to the liquidity during the third quarter 2007.

Current receivables

Current receivables amounted to TSEK 14,020 (TSEK 16,853) as at 30 June 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. Tethys Oil has adjusted currencies and made final settlement of receivables regarding the Danish well. These adjustments have decreased receivables with TSEK 1,463. Current receivable also regards reimbursement of past costs in Morocco following from the Dana Petroleum farm-in agreement. Receivables regarding Morocco amounts to TSEK 3,228 and were received during August 2007. Tethys Oil expects the remainder of the receivables during the third quarter 2007, which will add to corporate liquidity.

Current liabilities

Current liabilities as at 30 June 2007 amounted to TSEK 9,351 (TSEK 23,752), of which TSEK 2,607 (TSEK 22,282) relates to accounts payable, TSEK 5,855 (TSEK 787) relates to other current liabilities and TSEK 889 (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.

Parent company

The parent company reports a loss for the first half 2007 amounting to TSEK -3,633 (TSEK -1,588) and TSEK -492 (TSEK -1,186) for the second quarter. Write down of shares in group companies of TSEK 3,140 has negatively affected the result of the first half 2007. Administrative expenses amounted to TSEK -3,767 (TSEK -3,803) for the first six months of 2007 and TSEK -2,011 (TSEK -2,356) for the second quarter. Net financial income amounted to TSEK -1,523 (TSEK 629) during the first half 2007 and TSEK 747 (TSEK 249) for the second quarter. The write down of shares in group companies are included in the net financial income. Investments during the first six months 2007 amounted to TSEK 15,052 (TSEK 59,096). 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 5,741,760 (4,384,800), with a quota value of SEK 0.50 (SEK 0.50). In a rights issue 2006 Tethys Oil also 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.

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 16.

Subsequent events

On 16 July 2007, following authorisation from the AGM of shareholders held on the 16th of 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 and after the private placement the number of shares in Tethys amounts to 6,041,760. 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 SEK 16,800,000 before issue costs.

Consolidated income statement

TSEK	1 Jan 2007– 30 Jun 2007 6 months	1 Apr 2007– 30 Jun 2007 3 months	1 Jan 2006– 30 Jun 2006 6 months	1 Apr 2006– 30 Jun 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	-14,575	-11,679	-137	-137	-22,519
Other income	1,897	1,306	63	63	543
Administrative expenses	-4,995	-2,560	-3,974	-2,527	-9,000
Operating result	**-17,672**	**-12,934**	**-4,047**	**-2,601**	**-30,976**
Financial income and similar items	1,115	329	548	351	2,204
Financial expenses and similar items	-2,068	-1,561	-200	-193	-1,030
Net financial income	**-954**	**-1,232**	**349**	**158**	**1,174**
Result before tax	**-18,626**	**-14,165**	**-3,699**	**-2,443**	**-29,802**
Income tax	–	–	–	–	–
Loss for the period	**-18,626**	**-14,165**	**-3,699**	**-2,443**	**-29,802**
Number of shares outstanding	5,741,760	5,741,760	5,661,760	5,661,760	5,741,760
Number of shares outstanding (after dilution)	5,741,760	5,741,760	5,661,760	5,661,760	5,741,760
Weighted number of shares	5,741,760	5,741,760	4,483,313	4,580,744	5,109,599
Earnings per share, SEK	-3.24	-2.47	-0.82	-0.53	-5.83
Earnings per share (after dilution), SEK	-3.24	-2.47	-0.82	-0.53	-5.83

Consolidated balance sheet

TSEK	30 Jun 2007	30 Jun 2006	31 Dec 2006
ASSETS			
Fixed assets			
Oil and gas properties	55,843	42,287	35,072
Office equipment	203	178	145
Prepayment of oil and gas properties	–	–	8,723
Total fixed assets	**56,046**	**42,465**	**43,940**
Current assets			
Other receivables	14,020	16,892	16,853
Prepaid expenses	280	221	105
Short term investments	–	26,594	973
Cash and bank	15,391	37,370	57,112
Total current assets	**29,692**	**81,076**	**75,043**
TOTAL ASSETS	**85,738**	**123,542**	**118,983**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	2,871	2,830	2,871
Additional paid in capital	142,864	138,350	143,071
Retained earnings	-69,347	-24,587	-50,711
Total shareholders' equity	**76,388**	**116,594**	**95,230**
Non interest bearing current liabilities			
Accounts payable	2,607	3,379	22,282
Other current liabilities	5,855	2,742	787
Accrued expenses	889	827	684
Total non interest bearing current liabilities	**9,351**	**6,948**	**23,752**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**85,738**	**123,542**	**118,983**
Pledged assets	500	723	–
Contingent liabilities	4,984	33,222	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
	2,191	**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
Currency translation difference	–	–	-11
Closing balance at 30 June 2007	**2,871**	**143,071**	**-69,347**

Consolidated cash flow statement

TSEK	1 Jan 2007– 30 Jun 2007 6 months	1 Apr 2007– 30 Jun 2007 3 months	1 Jan 2006– 30 Jun 2006 6 months	1 Apr 2006– 30 Jun 2006 3 months	1 Jan 2006– 31 Dec 2006 12 months
Cash flow from operations					
Operating result	-17,672	-12,934	-4,047	-2,601	-30,976
Financial income and similar items	1,115	329	548	351	2,204
Financial expenses and similar items	-2,068	-1,561	-200	-193	-1,030
Adjustment for write down of oil and gas properties	14,575	11,679	137	137	22,519
Adjustment for depreciation and other non cash related items	42	18	92	22	125
Total cash flow used in operations before change in working capital	**-4,009**	**-2,468**	**-3,470**	**-2,284**	**-7,157**
Decrease/increase in receivables	2,657	4,520	1,200	-110	-14,825
Decrease/increase in liabilities	-14,402	931	2,905	3,732	21,294
Cash flow used in operations	**-15,754**	**2,983**	**635**	**1,338**	**-689**
Investment activity					
Investment in oil and gas properties	-26,633	-14,725	-31,020	-27,837	-26,408
Investment in other fixed assets	-100	-8	-75	-75	-75
Prepayment of oil and gas properties	–	–	–	–	-8,723
Cash flow used for investment activity	**-26,733**	**-14,733**	**-31,096**	**-27,912**	**-35,206**
Financing activity					
Share issue, net after issue costs	-207	-159	53,322	53,322	52,879
Cash flow from financing activity	**-207**	**-159**	**53,322**	**53,322**	**52,879**
Period cash flow	**-42,694**	**-11,909**	**22,861**	**26,747**	**16,983**
Cash and cash equivalents at the beginning of the period*	58,085	27,300	41,102	37,215	41,102
Cash and cash equivalents at the end of the period*	15,391	15,391	63,963	63,963	58,085

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

Parent company income statement condensed

TSEK	1 Jan 2007– 30 Jun 2007 6 months	1 Apr 2007– 30 Jun 2007 3 months	1 Jan 2006– 30 Jun 2006 6 months	1 Apr 2006– 30 Jun 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	1,657	772	1,586	922	3,253
Administrative expenses	-3,767	-2,011	-3,803	-2,356	-7,742
Operating result	**-2,110**	**-1,239**	**-2,217**	**-1,435**	**-4,488**
Financial income and similar items	2,032	797	967	577	3,503
Financial expenses and similar items	-415	-50	-197	-191	-646
Write down of shares in group company	-3,140	–	-141	-137	-26,546
Net financial income	**-1,523**	**747**	**629**	**249**	**-23,689**
Result before tax	**-3,633**	**-492**	**-1,588**	**-1,186**	**-28,178**
Income tax	–	–	–	–	–
Loss for the period	**-3,633**	**-492**	**-1,588**	**-1,186**	**-28,178**

Parent company balance sheet condensed

TSEK	30 Jun 2007	30 Jun 2006	31 Dec 2006
ASSETS			
Total fixed assets	203	178	145
Total financial assets	85,224	49,257	70,272
Total current assets	13,595	79,507	50,814
TOTAL ASSETS	**99,022**	**128,943**	**121,232**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	97,190	122,773	100,945
Total non interest bearing current liabilities	1,831	6,170	20,287
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**99,022**	**128,943**	**121,232**
Pledged assets	500	723	–
Contingent liabilities	4,893	4,838	4,696

Parent company statement of changes in equity

TSEK	Share capital	Statutory reserve	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**		**72,000**	**-16,820**	**-28,178**
Opening balance at 1 January 2007	**2,871**		**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
Closing balance at 30 June 2007	**2,871**	**71,071**	**72,000**	**-44,912**	**-3,633**

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 23 August 2007.

Accounting principles

The half year 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 half year 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 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 is 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 Jun 2007, TSEK	Write downs 1 Jan -30 Jun 2007, TSEK	Book value 30 Jun 2007, TSEK
Oman	–	26,700	–	26,700	26,700	21,486	–	48,154
Denmark	5,119	14,553	18,985	687	687	3,823	-4,510	–
Morocco	553	2,359	–	2,912	2,912	-2,797	–	116
Spain	3,152	214	1,487	1,878	1,878	298	-9,248	1,356
Turkey	727	735	192	1,270	1,270	2,641	–	4,207
France	690	343	–	1,033	1,033	701	–	1,734
New ventures	1,163	1,304	1,855	612	612	476	-816	272
Total	**11,404**	**46,208**	**22,519**	**35,072**	**35,072**	**26,633**	**-14,575**	**55,843**

Oil and gas properties	Group			Parent		
	1 Jan 2007– 30 Jun 2007	1 Apr 2007– 30 Jun 2007	1 Jan 2006– 31 Dec 2006	1 Jan 2007– 30 Jun 2007	1 Apr 2007– 30 Jun 2007	1 Jan 2006– 31 Dec 2006
TSEK	6 months	3 months	12 months	6 months	3 months	12 months
Investments in oil and gas properties						
Opening balance	66,459	78,359	20,251	–	–	–
Investments in Denmark	3,823	737	14,553	–	–	–
Investments in France	701	638	343	–	–	–
Investments in Morocco	-2,797	-3,050	2,359	–	–	–
Investments in Oman	21,486	16,148	26,700			
Investments in Spain	298	158	214	–	–	–
Investments in Turkey	2,641	83	735	–	–	–
Other investments in oil and gas properties	476	179	1,304	–	–	–
Closing balance	93,087	93,087	66,459	–	–	–
Movement from prepayment to oil and gas properties	8,723	8,723	–	–	–	–
Depletion						
Depletion	–	–	–	–	–	–
Write down						
Opening balance	31,366	34,262	8,847	–	–	–
Write down	14,575	11,679	22,519	–	–	–
Closing balance	45,941	45,941	31,366	–	–	–
Net book value	**55,843**	**55,843**	**35,072**	**–**	**–**	**–**

Note 3) 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). In a rights issue 2006 Tethys Oil also 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 4) Contingent liabilities

The contingent liabilities amount to TSEK 4,984 (TSEK 18,193). In France the parent company has a financial work commitment of TSEK 4,893 and the remainder is contingent liabilities in Spain. The reduction of contingent liabilities since 31 December 2006 is related to the operations in Oman where Tethys Oil has fulfilled its work commitment.

Note 5) Subsequent events

On 16 July 2007, following authorisation from the AGM of shareholders held on the 16th of 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 and after the private placement the number of shares in Tethys amounts to 6,041,760. 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 SEK 16,800,000 before issue costs.

Key ratios

Group

	1 Jan 2007– 30 Jun 2007 6 months	1 Apr 2007– 30 Jun 2007 3 months	1 Jan 2006– 30 Jun 2006 6 months	1 Apr 2006– 30 Jun 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	-17,672	-12,934	-4,047	-2,601	-30,976
Operating margin, %	neg.	neg.	neg.	neg.	neg.
Result before tax, TSEK	-18,626	-14,165	-3,699	-2,443	-29,802
Net result, TSEK	-18,626	-14,165	-3,699	-2,443	-29,802
Net margin, %	neg.	neg.	neg.	neg.	neg.
Shareholders' equity, TSEK	76,388	51,120	116,594	116,594	52,375
Balance sheet total, TSEK	85,738	52,750	123,542	123,542	54,833
Capital structure					
Solvency, %	89.09%	96.91%	94.38%	94.38%	95.52%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	89.09%	96.91%	94.38%	94.38%	95.52%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	26,733	14,733	31,096	27,912	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	3.5	4.3	4.7	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	5,742	5,742	5,662	5,662	5,742
Shareholders' equity per share, SEK	13.30	8.90	20.59	20.59	9.12
Weighted number of shares on balance day, thousands	5,742	5,742	4,483	4,581	5,110
Earnings per share, SEK	-3.24	-2.47	-0.82	-0.53	-5.83
Earnings per share after dilution, SEK	-3.24	-2.47	-0.82	-0.53	-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:

- 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
- Six month report (January–June 2008) on 21 August 2008

Board Assurance

The Board of Directors and the Managing Director certify that the half year report gives a fair review of the performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm, 23 August 2007

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

Vincent Hamilton *Chairman*	Håkan Ehrenblad	John Hoey	Carl-Gustaf Ingelman
Jonas Lindvall	Jan Risberg	Magnus Nordin *Managing Director*	

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

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.

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