TETHYS OIL

Report for the period 1 January 2008 – 30 June 2008

Highlights

- JAS 2 drills 927 metres horizontal leg on Oman Block 15
- 3D seismic acquisition commences on Oman Block 15
- Drilling rig signed for Morocco exploration well
- Well site prepared for Turkish exploration well
- Minor gas flow from French well test
- As at 30 June 2008 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 2008 amounted to TSEK -8,631 (TSEK -18,626 for the corresponding period last year) and TSEK -3,173 (TSEK -14,165) for the second quarter. The loss for the first six months 2008 has been significantly impacted by net foreign exchange losses amounting to TSEK -2,452 due to weaker US dollar. The majority of these exchange rate losses are translation differences and are therefore non cash related items
- Earnings per share amounted to SEK -0.40 (SEK -1.08) for the first six months 2008 and SEK -0.13 (SEK -0.82) for the second quarter
- In a private placement conducted during the first and second quarter 2008, Tethys Oil raised TSEK 91,200 before issue costs. Issue costs for the private placement have amounted to TSEK 4,964. Cash and cash equivalents as per 30 June 2008 amounted to TSEK 92,814 (TSEK 12,252).

Tethys Oil AB (publ)

Tethys Oil is a Swedish energy company focused on identification and development for production of oil and natural gas assets in the Middle East, North Africa and Europe. Tethys' strategy is to primarily 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, Spain, Turkey and Sweden. The shares are listed on First North (TETY) in Stockholm. Remium AB is Certified Adviser.

Dear friends and investors,

We are in a period of intense activity. Several of our exploration permits are up for test by the drill bit while our star development project on Block 15 onshore Oman so far moves ahead according to plan or even slightly better than planned. So let us briefly summarise the situation.

Block 15 Onshore Oman has seen some crucial developments. Our second well on the Jebel Aswad (JAS) structure started in June and by mid August a 927 metres horizontal section had been completed. JAS 2 was drilled in the opposite direction from JAS 1 at a location 1.2 kilometres to the south east. The combined horizontal sections now amount to close to 2 kilometres and the data obtained while drilling JAS 2 indicates that the reservoir quality is slightly better in this direction. JAS 2 is still to be tested and we are eagerly waiting for this to happen. JAS 1 flowed 2,626 BOEPD and we are naturally hoping that JAS2 will flow even better.

To further enhance our understanding of the JAS structure the existing geological maps based on 2D seismic needs to be upgraded and to achieve this acquisition of 3D seismic started in early August. The entire JAS structure will be covered and the acquisition and processing of the raw data should be completed by end September. Interpretation and the creation of new maps based on this data will be crucial in determining future production well locations as well as to solidify the reserve estimates.

Drilling wells is not the only component in a development however. The conceptual development plan aimed at bringing first production by July 2009 calls for pipelines tanks, and facilities. In order to expand and implement the plan we have increased our staff in Muscat and we hope to see a more detailed development plan in the next couple of months coupled with the first tenders and orders for production related equipment.

Outside of Oman we are about to enter the drilling phase in exploration blocks acquired by Tethys in 2005 and 2006. Both Thrace in Turkey and Bouanane in Morocco are scheduled to be drilled in the near term. Both licenses are part of Tethys non-operated portfolio and the plays are very different in nature. The Copkoy well in Thrace will test a very well defined seismic structure in an area with known natural gas occurrence. The well is not expensive and the geological risk is fairly limited but the reservoir size in case of a discovery is expected to be rather small. The low cost well coupled with high gas prices and a good infrastructure however, still makes the play for Tethys 25 per cent interest worthwhile.

Bouanane in Morocco is a different story. It is frontier exploration at its best. A potentially giant structure in an unproven basin with features similar to nearby gas producing basins will be tested by a complicated and expensive exploration well where the reward could be tremendous. Tethys has a 12.5 per cent interest and the best part of the story is that we are carried for all costs associated with the well up to MUSD 12. For an exploration play the risk reward setup can hardly be better. No date has been set yet but we would expect to see the well start within the next 6 months.

Oman clearly emerges as the main focus for the Company. Our acreage position onshore Oman is on par with some of the largest companies in the region and we plan to be in production within a year. As a host government Oman is second to none in offering support assistance and good dialogue with the licence holder. But as we have pointed out above, we will soon see some interesting action also in our other exploration licenses.

So stay with us.

Our journey has not been boring in the past and it should be even less so going forward.

Stockholm in August 2008

Magnus Nordin	Vincent Hamilton
Managing Director	*Chairman*

Operations

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

Oil and gas properties

Country	Licence areas	Tethys Oil, %	Total area, km²	Operator	Investments 1 Jan–30 Jun 2008, TSEK	Investments 1 Apr–30 Jun 2008, TSEK	Book value 30 Jun 2008, TSEK
Oman	Block 15 Block 3&4	40% 50%	1,389 33,125	Tethys Oil CCED	11,586	6,725	65,868
Morocco	Bouanane	12.5%[1]	2,100	Dana Petroleum	770	92	1,741
Spain	Valderredible Huermeces Basconcillos Cameros Ebro-A	15%[2] 15%[2] 15%[2] 26% 26%	241 121 194 35 217	Leni Gas&Oil Leni Gas&Oil Leni Gas&Oil SHESA SHESA	2,643	15	3,998
Turkey	Ispandika Thrace	10% 25%	965 994	Aladdin Middle East Aladdin Middle East	115	40	4,729
France	Attila	40%	1,986	Galli Coz	4,522	4,522	13,366
Sweden	Gotland Större	100%	540	Tethys Oil	81	81	340
New ventures					–	–	23
Total			**41,907**		**19,718**	**11,476**	**90,066**

[1] *Tethys Oil has a 12.5 per cent interest in the licence. According to the farm-in agreement with Dana, Tethys Oil is carried for exploration costs up to MUSD 12. However, for expenditures exceeding these limits, Tethys Oil will pay 16 2/3 per cent of exceeding expenditures.*

[2] *Tethys Oil has, per agreement with operator Leni Gas&Oil plc, a carried working interest. According to the agreement Tethys Oil will have a 15 per cent interest free of costs for work to be done on the three exploration licences. This includes licence fees, technical studies and well workovers, but does not include the acquisition of seismic or the drilling of wells.*

Oman

The appraisal and development of Block 15

In the beginning of June, Tethys spudded Jebel Aswad-2 (JAS-2) on Block 15 onshore Oman. JAS-2 is step out well 1.2 km from the original Jebel Aswad-1 well re-entered last year. Jas-2 is targeting the hydrocarbon producing Natih A reservoir on the south-eastern part of the structure and the well is drilled to further delineate the Natih A limestone reservoir and it is designed to optimize production rates.

In the end of July, the vertical pilot hole drilled in the JAS-2 well had been electrically logged. The logs confirm hydrocarbon presence in both the Natih A and Natih C reservoirs. By August 20, JAS-2 was finished after the well had reached a total measured depth of 4,018 metres. A horizontal section of 927 metres was drilled in the reservoir section at a vertical depth of just over 3,000 metres. The horizontal section was drilled in a south easterly direction and has confirmed the reservoir extension in this direction. The reservoir characteristics measured while drilling are as expected or better compared with data from the JAS-1 well which flowed 2,626 BOEPD last year. The horizontal section in JAS-2 is about 10 per cent longer then that achieved in JAS 1. The well will be completed as a producer and an extensive test programme, including production flow measurements, will be conducted in September.

Previous activity in 2008 has included an additional comprehensive programme of flow and pressure tests

The drilling of the Jebel Aswad-2 well on Block 15 onshore Oman

and collection of gas and oil samples from the Jebel Aswad-1 well. With the result from the additional testing, Helix RDS re-modelled (still using Tethys´ volumetrics) the estimated resources of the Natih 'A' reservoir. The new Helix study derives a higher condensate to gas ratio resulting in an increase in the estimated amount of recoverable condensate resources from the reservoir. The mid-case condensate resource estimated is for Tethys share 3.5 million barrels, which is almost 34 per cent higher than previously estimated.

According to the present development plan, early production is planned to commence in July 2009 with full field production following during the fourth quarter 2010. Engineering Firm WS Atkins have been contracted to design the field facilities. Al Safa Environmental Company have also been contracted to commence the environmental impact assessment for the field development. In addition Tethys has increased its staff in Muscat in order to manage activities in relation to the development planning.

In early August, a 3D seismic study over the Jebel Aswad structure commenced with Chinese company BGP Oil and Gas Services as contractor. The seismic survey will completely cover the JAS structure and a total of 285 square kilometres of seismic is planned to be acquired. The purpose with the study is to better define and map the structure, which is needed for more detailed reserve calculations and to optimize drilling location placements for future wells. The seismic acquisition is estimated to take 6 weeks to complete.

Block 3 and 4

During the last quarter of 2007, Tethys Oil's operations in Oman were significantly enlarged when the 50 per cent interest acquisition of Block 3 and 4 was finalized. Block 3 contains the South Farha oil discovery with an estimated 9 million barrels of recoverable oil. Block 4 contains the East Saiwan heavy oil discovery. Together the blocks hold several exploration plays for both oil and natural gas.

The database over the blocks has during the second quarter been reviewed and upgraded. This has lead to increased expectations both regarding the South Farha structure and the Farha trend of structures on Block 3 and for the East Saiwan discovery on Block 4. The operator plans to drill a well on the South Farha structure on Block 3 during the fourth quarter of this year.

The drilling of the Jebel Aswad-2 well on Block 15 onshore Oman

France

The exploration well Pierre Maubeuge 2 (PLM-2) on the Attila licence in France proved the presence of gas in the Triassic formation during the drilling in September and October 2007, and the wireline logging confirmed the gas indications. In July 2008, well completion and production tests were conducted on the well.

The production tests were conducted on July 15 and 16 with a Schlumberger test unit. Both hydrochloric acid and nitrogen injections were used in order to help the well clean-up but no flow appeared. This result was disappointing and lowered the overall expectations on the well. It is not impossible however that horizontal drilling or other measures could be successfully applied. Further evaluation of the well has therefore continued both to learn more about PLM-2 and also to understand the overall prospectivity of the entire Attila licence.

In order to observe the pressure build-up, the well was left open, but the well-head pressure was nearing zero and remaining low for hours. However, PLM-2 started to show some signs of productivity and the testing unit from Schlumberger performed a final bleed-off test before leaving the site. During this test, a flare could be turned on. A gas sample was collected to be analyzed.

Production testing of Pierre Maubeuge 2 on the Attila licence onshore France

On July 24, the well was reopened to gain more data and to conduct some additional tests. Schlumberger returned to the site at 31 July for some additional testing, during which, the operator estimates, a flow rate of 1 mmcft per day was calculated (at the start of the operations). Liquids were detected in the well, which could be water or possibly condensate. On August 1, operations were finished and the well was suspended. Evaluation of the well test results as well as analyses are currently underway.

Morocco

A drilling rig contract for the drilling of an exploration well on the Bouanane licence onshore Morocco has been entered into by the operator Dana Petroleum on behalf of the partner group. The drilling rig, owned by Aladdin Middle East – Tethys' partner in Turkey – is an American built 2,000 horsepower model with a depth capacity of 5,000 meters. The rig is currently being mobilized from Turkey to Morocco. It will first drill a well for another operator in Morocco before being mobilized to Bouanane to drill the Tafejjart-1 exploration well.

Tethys has a 12.5 per cent interest in the Bouanane licence and is carried for the first MUSD 12 of drilling cost.

Turkey

Thrace

Preparations for drilling the Copkoy-1 well in the Thrace Basin onshore Turkey are underway. The drilling location construction has been completed. Targeting shallow natural gas, the well will be drilled by the operator Aladdin Middle East Ltd. The Copkoy-1 exploration well will be drilled on an anticlinal structure that was identified on 2D seismic acquired in 2007.

Ispandika

The security situation in the region has deteriorated, and no ground work has been carried out since the first quarter 2007.

Spain

The Sedano Project

In the first quarter 2008, an agreement was signed with the operator whereby Tethys retains a 15 per cent carried working interest, including licence fees, technical studies and well workovers. The carried interest does not include the acquisition of seismic or the drilling of wells.

The present activity on the licences includes subsurface re-interpretation of all available seismic and well logs in order to evaluate prospectivity. An extended well test is also planned on the Hontomin 2 well on the Huermeces permit in order to appraise further recovery from the Hontomin structure.

The Cameros Project

The Cameros project is of interest for a large natural gas prospect that has been identified. An environmental impact study has now been completed over the area and this has been submitted to the government for review. Once the relevant permissions are received, an exploration well is planned to be drilled.

Sweden

Gotland

In December, 2007, the Swedish Mining Inspector granted Tethys' application to explore for oil and gaseous hydrocarbons on the Swedish island of Gotland. In 2008 Tethys has conducted a comprehensive study of existing data and a database has been created. The result so far is encouraging. New satellite radar data has been acquired. The interpretation of this data has resulted in new maps, which have supplied better understanding of the land cover and the relief within the licence area. The work to identify reefal trends within the licence area will continue with integration of information from the literature, seismic lines and wells. Once the reefal trends have been sufficiently mapped a geochemical surface study will likely be carried out to further define and limit in size, areas that may contain undrilled pinnacle reefs.

Potential licence areas – Latvia

Tethys Oil has an option to acquire a 11 per cent interest in the Dunalka production licence onshore Latvia. The licence remains under review and the option covering that licence has been extended until 31 December 2008.

Result and cash flow

The consolidated financial statements of the Tethys Oil Group (Tethys Oil), where Tethys Oil AB (publ) with organisational number 556615-8266 is the parent company, are hereby presented for the six month period ended 30 June 2008. The amounts relating to the comparative period (equivalent period of last year) are shown in parenthesis after the amount for the current period. The share related data have been restated for comparative periods based on the share split 3:1 conducted in March 2008. 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.

Loss for the period and sales

Tethys Oil reports a loss for the first half 2008 of TSEK -8,631 (TSEK -18,626 for last year) and TSEK -3,173 (TSEK -14,165) for the second quarter, representing earnings per share of SEK -0.40 (SEK -1.08) for the first half 2008 and SEK -0.13 (SEK -0.82) for the second quarter. The loss for the first half 2008 has been significantly impacted by net foreign exchange losses. The currency exchange effect of the group amounts to TSEK -2,452 and almost all of the effect relates to the weaker 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.

Write downs of oil and gas properties of TSEK 100 has negatively affected the result of the first half 2008. The write down regards previously made investments in a new venture licence application which was awarded another company. Cash flow from operations before changes in working capital during the first six months of 2008 amounted to TSEK -5,953 (TSEK -4,009).

Tethys Oil has not recorded any sales or production of oil and gas for the six month period that ended 30 June 2008. Accordingly, there has been no depletion of oil and gas properties.

Other income, administrative expenses

Administrative expenses amounted to TSEK -7,380 (TSEK -4,995) for the first six months 2008 and TSEK -4,216 (TSEK -2,560) for the second quarter. Depreciation amounted to TSEK 61 (TSEK 42) during the first half 2008 and TSEK 31 (TSEK 18) during 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 the first half 2007 is related to increased corporate activity especially in the subsidiary Tethys Oil Oman Ltd. Part of the administrative expenses in Tethys Oman Ltd are 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 30 June 2008 amounted to TSEK 90,073 (TSEK 76,932). Investments in oil and gas properties of TSEK 19,718 (TSEK 26,633) were incurred for the six month period ending 30 June 2008. Investments in oil and gas properties in Oman of TSEK 11,586 have mainly been related to Block 15 for the planning, preparation and drilling of the Jebel Aswad-2 well. In France, Tethys Oil has invested TSEK 4,522 mainly for the completion and testing of the PLM-2 on the Attila licence. Results from the testing were presented in July and initially no flows were recorded. The operator has continued evaluating data and is confident that sufficient proof of an active gas system with the licence area has been determined to justify the investments incurred and to continue the evaluation. Consequently, Tethys Oil will not write off previously incurred investments in France. Other investments have been in Spain of TSEK 2,643 relating to the Sedano project. On the Sedano project, an agreement was signed with the operator, Leni Gas and Oil plc whereby Tethys Oil retains a 15 per cent carried working interest. The carried interest includes licence fees, technical studies and well workovers, but does not include the acquisition of seismic or the drilling of wells. In Morocco TSEK 770 have been invested relating to the Bouanane licence and mainly regard previously incurred expenditures. The book value of oil and gas properties include currency exchange losses of TSEK 6,463 during the first six months 2008, 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 cash equivalents as at 30 June 2008 amounted to TSEK 92,814 (TSEK 12,252) of which cash and bank amounted to TSEK 31,814 (TSEK 12,252) and short term investments amounted to TSEK 61,000 (TSEK –). Short term investments are investments in money market funds.

At the beginning of 2008 Tethys Oil received proceed from the set off issue which was registered in December 2007. The set off issue regarded 226,000 shares and the amount received in January 2008 was TSEK 12,656. Based on an authorization from the EGM held 20 February 2008, the Board of Directors resolved to issue 4,800,000 shares through a private placement directed to primarily international investors in the Middle East, Asia and France. The private placement was made at SEK 19 per share, which was in line with the prevailing market price at the time. Total proceeds from this issue amounting to TSEK 91,200, before issue costs, were received between the first and second quarter. Issue costs amounted to approximately TSEK 4,964. The shares were registered on 9 April 2008. The Dubai based brokerage house MAC Capital Limited acted as advisor for the private placement.

Furthermore, the Board of Directors decided to issue up to 4,800,000 warrants based on authorization from the EGM held 20 February 2008. The decision was made 31 March 2008 and the warrants were issued with preferential right to existing shareholders as per record date 15 April 2008. The total number of warrants issued was 4,795,649. All shareholders received, free of charge, one warrant for every fifth share held. The warrants can be exercised during the period 1 June 2008 to 30 June 2010 and the subscription price is SEK 23. The warrant started to trade on First North 17 April 2008. On full exercise of the warrants the Tethys Oil will issue 4,795,649 shares and receive about MSEK 110 before issue costs.

Current receivables

Current receivables amounted to TSEK 1,875 (TSEK 15,777) as at 30 June 2008. The reduction of short term receivables is explained by the set off issue described above, where proceeds from the issue were recorded as current receivables as per 31 December 2007 and received in January 2008.

Current liabilities

Current liabilities as at 30 June 2008 amounted to TSEK 6,702 (TSEK 2,390), of which TSEK 4,456 (TSEK 1,251) relates to accounts payable, TSEK 1,969 (TSEK 733) relates to other current liabilities and TSEK 277 (TSEK 406) relates to accrued expenses. To a large extent current liabilities and accounts payables specifically regards investments in France and the Attila licence.

Parent company

The parent company reports a loss for the first six months 2008 amounting to TSEK -4,812 (TSEK -3,633) and TSEK -1,310 (TSEK -492) for the second quarter. Administrative expenses amounted to TSEK -4,636 (TSEK -3,767) for the first half 2008 and TSEK -2,625 (TSEK -2,011) for the second quarter. Net financial income amounted to TSEK -869 (TSEK -1,523) during the first half 2008 and TSEK 1,070 (TSEK 747) for the second quarter. The weaker US dollar has had a negative impact on net financial income. The exchange rate losses regard translation differences and are non cash related. Investments during the first six months 2008 amounted to TSEK 18,565 (TSEK 15,052). 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.

Production testing of Pierre Maubeuge 2 on the Attila licence onshore France

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.

Share data

As per 30 June 2008, the number of outstanding shares in Tethys Oil amount to 23,978,286 (17,225,280), with a quota value of SEK 0.17 (SEK 0.17). As per 1 January 2008, Tethys Oil had 6,392,762 shares. The EGM held 20 February 2008 resolved to carry out a share split whereby each share was divided into three shares (a share split 3:1). The share split was conducted 3 March 2008 and increased the number of shares to 19,178,286. The share issue conducted between the first and second quarter raised the number of shares with 4,800,000 to 23,978,286. The shares from the share issue are included as per registration date 9 and 16 April 2008. 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 one share. The warrants can be exercised continuously up until 30 June 2010. The average share price during the six months ended 30 June where below the exercise price which is why the related number of shares are not included in the fully diluted number of shares. The average share price during the three months that ended 30 June 2008 were above strike price and the fully diluted number of shares therefore include 4,795,649 shares related to the warrants. The fully diluted number of shares in the second quarter 2008 amounts to 28,773,935.

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 19.

Listing of shares in Dubai

Tethys Oil has been informed that the Dubai International Financial Exchange (DIFX) is currently developing a listing framework for mineral exploration companies. Once the above rules are completed and approved, Tethys Oil may continue with its application to list on the DIFX.

Consolidated income statement

TSEK	1 Jan 2008 –30 Jun 2008 6 months	1 Apr 2008 –30 Jun 2008 3 months	1 Jan 2007 –30 Jun 2007 6 months	1 Apr 2007 –30 Jun 2007 3 months	1 Jan 2007 –31 Dec 2007 12 months
Net sales of oil and gas	–	–	–	–	–
Depreciation of oil and gas properties	–	–	–	–	–
Write off of oil and gas properties	-100	–	-14,575	-11,679	-16,220
Other income	1,366	846	1,897	1,306	3,195
Other losses/gains, net	6	11	–	–	55
Administrative expenses	-7,380	-4,216	-4,995	-2,560	-10,563
Operating result	**-6,108**	**-3,359**	**-17,672**	**-12,934**	**-23,533**
Financial income and similar items	17	1	1,115	329	417
Financial expenses and similar items	-2,533	185	-2,068	-1,561	-1,587
Net financial income	**-2,516**	**186**	**-954**	**-1,232**	**-1,170**
Result before tax	**-8,624**	**-3,173**	**-18,626**	**-14,165**	**-24,704**
Income tax	-7	–	–	–	-17
Loss for the period	**-8,631**	**-3,173**	**-18,626**	**-14,165**	**-24,721**
Number of shares outstanding*	23,978,286	23,978,286	17,225,280	17,225,280	19,178,286
Number of shares outstanding (after dilution)*	23,978,286	28,773,935	17,225,280	17,225,280	19,178,286
Weighted number of shares*	21,344,220	23,510,154	17,225,280	17,225,280	17,591,889
Earnings per share, SEK*	-0.40	-0.13	-1.08	-0.82	-1.41
Earnings per share (after dilution), SEK*	-0.40	-0.11	-1.08	-0.82	-1.41

* *The share related data have been restated for comparative periods based on the share split 3:1 conducted in March 2008*

Consolidated balance sheet

TSEK	30 Jun 2008	31 Dec 2007
ASSETS		
Fixed assets		
Oil and gas properties	90,073	76,932
Office equipment	254	308
Total fixed assets	**90,327**	**77,240**
Current assets		
Other receivables	1,875	15,777
Prepaid expenses	851	316
Short term investments	61,000	–
Cash and bank	31,814	12,252
Total current assets	**95,540**	**28,346**
TOTAL ASSETS	**185,867**	**105,586**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	3,996	3,196
Additional paid in capital	263,003	177,555
Other reserves	-3,821	-2,182
Retained earnings	-84,014	-75,374
Total shareholders' equity	**179,165**	**103,196**
Non interest bearing current liabilities		
Accounts payable	4,456	1,251
Other current liabilities	1,969	733
Accrued expenses	277	406
Total non interest bearing current liabilities	**6,702**	**2,390**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**185,867**	**105,586**
Pledged assets	500	500
Contingent liabilities	33,586	36,509

Consolidated statement of changes in equity

TSEK	Share Capital	Paid in Capital	Other reserves	Retained Earnings	Total Equity
Opening balance 1 January 2007	**2,871**	**143,050**	**-21**	**-50,690**	**95,230**
Currency translation difference	–	–	-2,160	–	-2,160
Total income and expenses recog-nised directly in equity	**–**	**–**	**-2,160**	**–**	**-2,160**
Loss for the first quarter 2007	–	–	–	-4,461	-4,461
Loss for the second quarter 2007	–	–	–	-14,165	-14,165
Loss for the third quarter 2007	–	–	–	-3,755	-3,755
Loss for the fourth quarter 2007	–	–	–	-2,340	-2,340
Directed issue	150	16,650	–	–	16,800
Issue costs	–	-1,076	–	–	-1,076
Directed issue	63	6,937	–	–	7,000
Issue costs	–	-88	–	–	-88
Set off issue	113	12,543	–	–	12,656
Issue costs	–	-88	–	–	-88
Issue costs private placement	–	-394	–	–	-394
Closing balance at 31 December 2007	**3,196**	**177,555**	**-2,182**	**-75,374**	**103,196**
Opening balance 1 January 2008	**3,196**	**177,555**	**-2,182**	**-75,374**	**103,196**
Currency translation difference	–	–	-1,639	–	-1,639
Total income and expenses recog-nised directly in equity	**–**	**–**	**-1,639**	**–**	**-1,639**
Loss for the first quarter 2008	–	–	–	-5,458	-5,458
Loss for the second quarter 2008	–	–	–	-3,173	-3,173
Issue costs set off issue	–	-107	–	–	-107
Private placement	800	90,400	–	–	91,200
Issue costs private placement	–	-4,570	–	–	-4,570
Issue costs warrant issue	–	-275	–	–	-275
Closing balance at 30 June 2008	**3,996**	**263,003**	**-3,821**	**-84,014**	**179,165**

Consolidated cash flow statement

TSEK	1 Jan 2008 –30 Jun 2008 6 months	1 Apr 2008 –30 Jun 2008 3 months	1 Jan 2007 –30 Jun 2007 6 months	1 Apr 2007 –30 Jun 2007 3 months	1 Jan 2007 –31 Dec 2007 12 months
Cash flow from operations					
Operating result	-6,108	-3,359	-17,672	-12,934	-23,532
Interest received	1	–	1,115	329	374
Interest paid	-1	-1	-2,068	-1,561	–
Income tax	-7	–	–	–	-17
Adjustment for write down of oil and gas properties	100	–	14,575	11,679	16,220
Adjustment for depreciation and other non cash related items	61	31	42	18	-1,461
Total cash flow used in operations before change in working capital	**-5,953**	**-3,330**	**-4,009**	**-2,468**	**-8,416**
Decrease/increase in receivables	15,819	24,343	2,657	4,520	13,408
Decrease/increase in liabilities	4,312	377	-14,402	931	-21,363
Cash flow from/used in operations	**14,178**	**21,390**	**-15,754**	**2,983**	**-16,371**
Investment activity					
Investment in oil and gas properties	-19,718	-11,476	-26,633	-14,725	-51,481
Investment in other fixed assets	7	–	-100	-8	-284
Cash flow used for investment activity	**-19,711**	**-12,000**	**-26,733**	**-14,733**	**-51,765**
Financing activity					
Share issue, net after issue costs	86,249	-1,083	-207	-159	22,267
Return on short term investments	–	–	–	–	43
Cash flow from/used in financing activity	**86,249**	**-1,083**	**-207**	**-159**	**22,310**
Period cash flow	**80,716**	**8,308**	**-42,694**	**-11,909**	**-45,827**
Cash and cash equivalents at the beginning of the period	12,252	83,810	58,085	27,300	58,085
Exchange gains/losses on cash and cash equivalents	-64	-20	–	–	-5
Cash and cash equivalents at the end of the period	92,903	92,097	15,391	15,391	12,252

Parent company income statement condensed

TSEK	1 Jan 2008 –30 Jun 2008 6 months	1 Apr 2008 –30 Jun 2008 3 months	1 Jan 2007 –30 Jun 2007 6 months	1 Apr 2007 –30 Jun 2007 3 months	1 Jan 2007 –31 Dec 2007 12 months
Net sales of oil and gas	–	–	–	–	–
Depreciation of oil and gas properties	–	–	–	–	–
Write off of oil and gas properties	–	–	–	–	–
Other income	646	237	1,657	772	2,923
Other losses/gains, net	46	8	–	–	306
Administrative expenses	-4,636	-2,625	-3,767	-2,011	-7,225
Operating result	**-3,944**	**-2,380**	**-2,110**	**-1,239**	**-3,996**
Financial income and similar items	1,587	849	2,032	797	3,145
Financial expenses and similar items	-2,455	221	-415	-50	-1,587
Write down of shares in group company	–	–	-3,140	–	-20,119
Net financial income	**-869**	**1,070**	**-1,523**	**747**	**-18,561**
Result before tax	**-4,812**	**-1,310**	**-3,633**	**-492**	**-22,558**
Income tax	–	–	–	–	–
Loss for the period	**-4,812**	**-1,310**	**-3,633**	**-492**	**-22,558**
Number of shares outstanding*	23,978,286	23,978,286	17,225,280	17,225,280	19,178,286
Number of shares outstanding (after dilution)*	23,978,286	28,773,935	17,225,280	17,225,280	19,178,286
Weighted number of shares*	21,344,220	23,510,154	17,225,280	17,225,280	17,591,889

** The share related data have been restated for comparative periods based on the share issue 3:1 conducted in March 2008.*

Parent company balance sheet condensed

TSEK	30 Jun 2008	31 Dec 2007
ASSETS		
Subscribed capital unpaid	–	12,656
Total fixed assets	13,323	13,090
Total financial fixed assets	94,927	79,093
Total current assets	90,865	10,341
TOTAL ASSETS	**199,115**	**115,179**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	194,633	113,197
Total non interest bearing current liabilities	4,482	1,982
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**199,115**	**115,179**
Pledged assets	500	500
Contingent liabilities	33,344	36,245

Parent company statement of changes in equity

	Restricted equity		Non restricted equity			
TSEK	Share capital	Statutory reserve	Share premi-um reserve	Retained earnings	Net result	Total Equity
Opening balance at 1 January 2007	**2,871**	**71,071**	**72,000**	**-16,820**	**-28,178**	**100,945**
Transfer of prior year net result	–	–	–	-28,178	28,178	–
Loss for the first quarter 2007	–	–	–	–	-3,141	-3,141
Loss for the second quarter 2007	–	–	–	–	-492	-492
Loss for the third quarter 2007	–	–	–	–	-17,165	-17,165
Loss for the fourth quarter 2007	–	–	–	–	-1,760	-1,760
	2,871	**71,071**	**72,000**	**-44,997**	**-22,558**	**78,387**
Directed issue	150	–	16,650	–	–	16,800
Issue costs	–	–	-1,076	–	–	-1,076
Directed issue	63	–	6,937	–	–	7,000
Issue costs	–	–	-88	–	–	-88
Set off issue	113	–	12,543	–	–	12,656
Issue costs	–	–	-88	–	–	-88
Issue costs private placement	–	–	-394	–	–	-394
Closing balance at 31 December 2007	**3,196**	**71,071**	**106,484**	**-44,997**	**-22,558**	**113,197**
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
	3,196	**71,071**	**106,484**	**-67,555**	**-4,813**	**108,383**
Issue costs set off issue	–	–	-107	–	–	-107
Private placement	800	–	90,400	–	–	91,200
Issue costs	–	–	-4,570	–	–	-4,570
Issue costs warrants issue	–	–	-275	–	–	-275
Closing balance at 30 June 2008	**3,896**	**71,071**	**191,932**	**-67,555**	**-4,813**	**194,633**

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 France, Morocco, Oman, Spain, Sweden and Turkey.

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

Accounting principles

The half year report 2008 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The half year report 2008 of the parent company has been prepared in accordance with the Annual Accounts Act and 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 2007.

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.

Operational risk

The main operational risk is of technical and geological nature. At its current stage of development the group is exploring for oil and gas and appraising undeveloped known oil and/or gas accumulations. The main risk is that the interest the Group has in oil and gas assets will not evolve into commercial reserves of oil and gas. Tethys Oil is furthermore exposed to oil price risk as income and profitability will depend on prevailing oil prices from time to time. As the Group currently does not produce oil and gas the direct effect is limited. Significantly lower oil prices would reduce expected profitability and could make projects sub economic even if discoveries are made. Another operational risk is access to equipment in Tethys Oil's projects. Especially in the drilling phase of a project the Group is dependent on advanced equipment such as rigs, casing, pipes etc. A shortage of these supplies can present difficulties for Tethys Oil to fulfil its projects. Through its operations Tethys Oil is furthermore subject to political risk, environment risk and the risk of not being able to retain key personnel.

Financial risk

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

A more detailed analysis of the Group's risks and uncertainties and how the Group addresses these risks, are given in the Annual report for 2007.

Note 2) Oil and gas properties

Country	Book value 1 Jan 2007, TSEK	Investments 1 Jan–31 Dec 2007, TSEK	Write downs 1 Jan–31 Dec 2007, TSEK	Book value 31 Dec 2007, TSEK	Book value 1 Jan 2008, TSEK	Investments 1 Jan–30 Jun 2008, TSEK	Write downs 1 Jan–30 Jun 2008, TSEK	Book value 30 Jun 2008, TSEK
Oman	26,700	36,213	–	60,746	60,746	11,586	–	65,868[1]
Morocco	2,912	-1,941[2]	–	971	971	770	–	1,741
Spain	1,878	418	-9,269	1,455	1,455	2,643	-100	3,998
Turkey	1,270	3,047	–	4,614	4,614	115	–	4,729
France	1,033	7,810	–	8,844	8,844	4,522	–	13,366
Sweden	–	259	–	259	259	81	–	340
New ventures	612	439	-1,028	23	23	–	–	23
Total	**35,072**	**51,481**	**-16,220**	**76,932**	**76,932**	**19,718**	**-100**	**90,073**

[1] *The book value of oil and gas properties include currency exchange losses of TSEK 6,463 during the first half 2008, which are not cash related items and therefore not included in investments. For more information please see above Loss for the period and sales.*

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

Oil and gas properties		**Group**			**Parent**	
TSEK	**1 Jan 2008 –30 Jun 2008 6 months**	**1 Apr 2008 –30 Jun 2008 3 months**	**1 Jan 2007 –31 Dec 2007 12 months**	**1 Jan 2008 –30 Jun 2008 6 months**	**1 Apr 2008 –30 Jun 2008 3 months**	**1 Jan 2007 –31 Dec 2007 12 months**
Investments in oil and gas properties						
Opening balance	124,518	132,760	66,459	12,782	12,886	–
Investments in Denmark	–	–	5,236	–	–	–
Investments in France	4,522	4,522	7,810	–	–	–
Investments in Morocco	770	92	-1,941	–	–	–
Investments in Oman	11,586	6,725	36,213	287	183	12,782
Investments in Spain	2,643	15	418	–	–	–
Investments in Turkey	115	40	3,047	–	–	–
Investments in Sweden	81	81	259			–
Other investments in oil and gas properties	–	–	439	–	–	–
Closing balance	144,236	144,236	117,940	13,069	13,069	12,782
Reclassification of assets	-6,463	-6,477	6,578	–	–	–
Depletion						
Depletion	–	–	–	–	–	–
Write down						
Opening balance	47,586	47,586	31,366	–	–	–
Write down	100	100	16,220	–	–	–
Closing balance	47,686	47,686	47,586	–	–	–
Net book value	**90,073**	**90,073**	**76,932**	**13,069**	**13,069**	**12,782**

Note 3) Other income

Part of the administrative expenses in Tethys Oman Ltd are 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 30 June 2008, the number of outstanding shares in Tethys Oil amount to 23,978,286 (17,225,280), with a quota value of SEK 0.17 (SEK 0.17). As per 1 January 2008, Tethys Oil had 6,392,762 shares. The EGM held 20 February 2008 resolved to carry out a share split whereby each share was divided into three shares (a share split 3:1). The share split was conducted 3 March 2008 and increased the number of shares to 19,178,286. The share issue conducted between the first and second quarter raised the number of shares with 4,800,000 to 23,978,286. The shares from the share issue are included as per registration date 9 and 16 April 2008. 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 one share. The warrants can be exercised continuously up until 30 June 2010. The average share price during the six months ended 30 June where below the exercise price which is why the related number of shares are not included in the fully diluted number of shares. The average share price during the three months that ended 30 June 2008 were above strike price and the fully diluted number of shares therefore include 4,795,649 shares related to the warrants. The fully diluted number of shares in the second quarter 2008 amounts to 28,773,935.

Note 5) Contingent liabilities

The contingent liabilities as per 30 June 2008 amount to TSEK 33,586 (TSEK 36,509). The contingent liabilities mainly regard the newly acquired 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 30 June 2008 and 31 December 2007 relate to currency exchange differences.

Key ratios

Group

	1 Jan 2008 –30 Jun 2008 6 months	1 Apr 2008 –30 Jun 2008 3 months	1 Jan 2007 –30 Jun 2007 6 months	1 Apr 2007 –30 Jun 2007 3 months	1 Jan 2007 –31 Dec 2007 12 months
Items regarding the income statement and balance sheet					
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	-6,108	-3,359	-17,672	-12,934	-23,533
Operating margin, %	neg.	neg.	neg.	neg.	neg.
Result before tax, TSEK	-8,624	-3,173	-18,626	-14,165	-24,704
Net result, TSEK	-8,631	-3,173	-18,626	-14,165	-24,721
Net margin, %	neg.	neg.	neg.	neg.	neg.
Shareholders' equity, TSEK	179,165	179,165	76,388	76,388	103,196
Balance sheet total, TSEK	185,867	185,867	85,738	85,738	105,586
Capital structure					
Solvency, %	96.39%	96.39%	89.09%	89.09%	97.74%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	96.39%	96.39%	89.09%	89.09%	97.74%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	19,711	12,000	26,733	14,733	51,765
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	10	10	6	6	9
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	23,978	23,978	17,225	17,225	19,178
Shareholders' equity per share, SEK	7.47	7.47	4.43	4.43	5.38
Weighted number of shares on balance day, thousands	21,344	23,510	17,225	17,225	17,592
Earnings per share, SEK	-0.40	-0.13	-1.08	-0.82	-1.41
Earnings per share after dilution, SEK	-0.36	-0.11	-1.08	-0.82	-1.41

For definitions of key ratios please refer to the 2007 Annual Report. The abbreviation n.a. means not available

Financial information

The Company plans to publish the following financial reports:

- Nine month report 2008(January–September 2008) on 13 November 2008
- Year end report 2008 (January–December 2008) on 16 February 2009
- Three month report 2009 (January–March 2009) on 20 May 2009
- Six month report 2009(January–June 2009) on 20 August 2009

Board Assurance

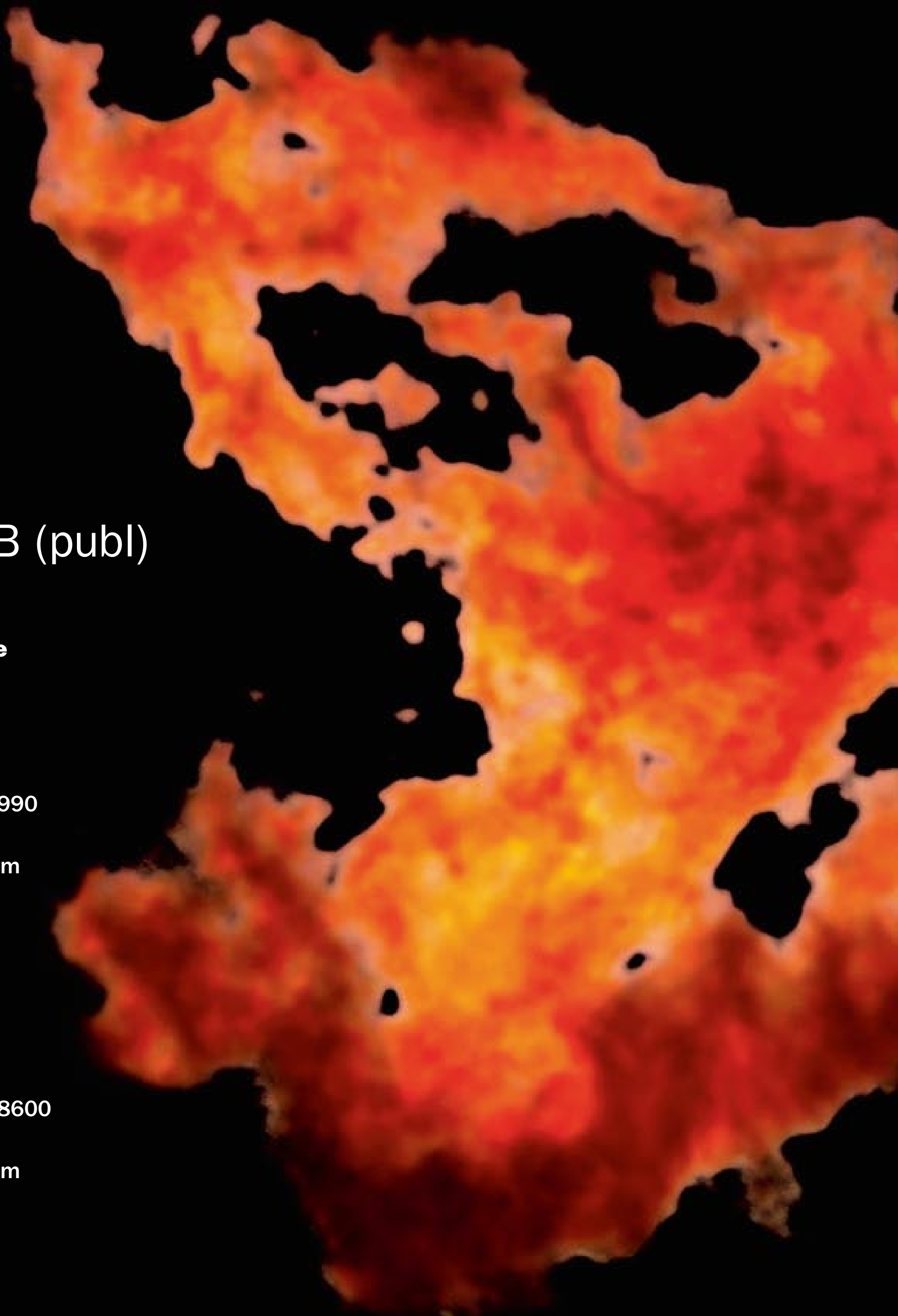
The Board of Directors and the Managing Director certify that the half year report gives a fair review of the performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm, 21 August 2008

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

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

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



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