

TETHYS OIL

Report for the period
1 January – 30 June 2010



Highlights

- On May 19th, Tethys entered into a Farmout Agreement with Mitsui E&P Middle East B.V., a subsidiary of Mitsui & Co. Ltd., whereby Mitsui acquired 20 percent of the licence covering Blocks 3 and 4. The purchase price amounted to MUS\$ 20 in cash, which Tethys received upon completion of the deal after the reporting period. In addition Mitsui undertook to fund Tethys' share of capital expenditures up to MUS\$ 60 on the Blocks effectively from January 1st 2010
- The Saiwan East-3 well tested 10,714 barrels of oil per day
- Independent third party resource audit over Blocks 3 and 4 gives an on Block contingent resource of 42 million barrels of conventional oil
- Saiwan East-4 successfully drilled – encounters several oil bearing layers
- Farha South Early Production System commences pilot production from Farha South-3 well
- Tethys Oil has in early July, after the reporting period, received TSEK 47,326 from 2,057,653 exercised warrants. Total number of shares in Tethys Oil after the dilution from the exercise of warrants amounts to 32,504,489 shares
- As at 30 June 2010 there have been no sales of oil and gas in Tethys Oil, nor for the equivalent period of last year
- Result for the first half year of 2010 amounted to TSEK 8,333 (TSEK -28,172 for the corresponding period last year) and TSEK 15,017 (TSEK -29,740) for the second quarter
- Earnings per share amounted to SEK 0.28 (SEK -1.13) for the first half of 2010 and SEK 0.50 (SEK -1.17) for the second quarter
- Cash and cash equivalents as per 30 June 2010 amounted to TSEK 3,604 (TSEK 13,620). As per reporting date, 20 August 2010, cash and cash equivalents amount to MSEK 220 following from the completion of the farmout of Blocks 3 and 4. Oil and gas investments amounted to TSEK 42,695 (TSEK 51,982) mainly related to Oman, Blocks 3 and 4



Dear Friends and Investors

In the second quarter 2010, Tethys - received the company's first independent third party resource audit over Blocks 3 and 4 - secured foreseeable investment needs relating to Blocks 3 and 4 through a farm-out agreement with Mitsui - saw the launching of the 2010 work programme - drilled our most successful oil well to date.

So far in the third quarter, we have finished the drilling of our second well this year and spudded the third.

Farmout agreement secures foreseeable investment needs relating to Blocks 3 and 4

On May 19, Tethys entered into a farmout agreement with Mitsui E&P Middle East B.V., a subsidiary of Mitsui & Co. Ltd., whereby Mitsui acquired 20 percent of the license covering Blocks 3 and 4. The purchase price amounted to USD 20 million in cash. In addition, Mitsui has undertaken to fund Tethys' share of capital expenditures up to USD 60 million on the Blocks effective from January 1st 2010. The transaction closed during the summer and at the time of writing Tethys has received the purchase price and has been reimbursed all capital expenditure outlays incurred since January 1st 2010.

Tethys could further receive a bonus payment under the farmout agreement with Mitsui of USD 10 million when and if the combined future commercial production from the two Blocks come to exceed 10,000 barrels of oil per day for a period of 30 days. After the transaction, Tethys holds a 30 per cent interest in Blocks 3 and 4.

The Saiwan East -3 well tested 10,714 barrels per day

The drilling of the first well in the 2010 work programme, Saiwan East-3 ("SE-3") well on Block 4, commenced in early May. SE-3 was designed as an appraisal well drilled to appraise and further the development of the discovery of oil in the Khufai formation made in the Saiwan East-2 ("SE-2") well in 2009. The SE-3 was drilled 1,200 metres to the southeast of SE-2 and the drill site was picked based on the results of the newly acquired 3D seismic.

The appraisal pilot hole was drilled to a total depth of 1,800 metres. The well penetrated a 61 metres gross oil column in the Khufai reservoir. After the pilot hole was drilled, a horizontal sidetrack was drilled and was then tested. The maximum rate achieved during the test was 10,714 barrels per day of 32.4 degree API gravity oil through a 38 millimetre choke size.

The SE-3 well also encountered shows of 'heavy' oil in the Buah, Amin and Miqrat formations.

The well is of course our most successful oil well to date. The 10,714 barrels completely exceeded our expectations and fully establishes the productivity of the Khufai reservoir.

The Saiwan East-4 well successfully drilled

The Saiwan East-4 ("SE-4") on Block 4 has successfully been drilled and preliminary results evaluated. The well was drilled 2.9 kilometres to the southeast of the Saiwan East-3 well to a total depth of 2,463 metres. Several oil bearing layers were encountered

including the Khufai limestone formation from which 78 metres of core was extracted. Above the Khufai formation, oil was also encountered in the Buah and Miqrat formations. Exploration objectives below the Khufai were drilled without any significant oil shows.

As yet the properties and quality of the oils encountered in the various layers have not been ascertained but the results are sufficiently encouraging to warrant production tests that will be carried out later this year using a smaller rig.

Independent third party resource audit

Tethys announced in May the result of Gaffney, Cline & Associates' (GCA) independent third party resource audit of Blocks 3 and 4. The resource report is based on data available as at May 1 and covers the Farha South structure on Block 3 and the Saiwan East structure on Block 4.

The Best Estimate (2C) of Gross Contingent Resources on Block 3, Farha South, is estimated to amount to 8.9 million barrels in the Barik layer and 12.2 million barrels in the Lower Al Bashir. On Block 4, Saiwan East, the 2C Gross Contingent Resources within the Khufai layer is estimated to amount to 20.8 million barrels. In addition the Miqrat and Amin heavy oil layers in Saiwan East are estimated to hold 2C Contingent Resources of 32.7 million barrels gross. Contingent Resources net to Tethys are 30 per cent of the gross number before government take.

The numbers are very encouraging and show that we are heading the right way with our plans for Blocks 3 and 4. This is an excellent start in proving the potential of Blocks 3 and 4 and as the year moves on and appraisal drilling continues we are confident we can increase the resource base further and also move up into the reserves category. It is also worth noting that already at this early stage we are able to include a small resource number for the Saiwan East heavy oils.

Early Production from Farha South

Production facilities and other infrastructure associated with the Farha South Early Production system on Block 3 have been completed. The system entails mostly 'off the shelf' facilities and in this way the capital costs have been kept low and construction

time has been short. Pilot production from the Farha South-3 well ("FS-3") has commenced. The produced oil is trucked from the Farha South facilities 80 kilometres to the Alam station, where the oil is loaded into the National Omani pipeline system.

Continued autumn drilling

The drilling of Farha South-4 ("FS-4") has commenced with the same rig used for the drilling of SE-3 and SE-4. The FS-4 well is being drilled close to FS-3. During autumn drilling activity is planned to continue both with further wells in the Farha South area as well as continued appraisal and exploration drilling in the Saiwan East area.

Our other projects

Jebel Aswad on Block 15 onshore Oman, the Atilla Block onshore France and also of course the Norra Gotland license on Gotland have all been overshadowed by the success of Blocks 3 and 4. But they are all still very much part of our portfolio of assets and we expect increased activity and further appraisal work in all three areas later this year.

This year 2010 has so far been outright spectacular. Drawbacks will occur, they always do, but for now let us rejoice at what the year has brought to date. Tethys is part of a great adventure in a magnificent country with a supportive host government, with excellent partners and an extremely competent and successful operator in Blocks 3 and 4. But none of these achievements had been possible without the support of you, our investors and financiers. Without your unwavering belief in eventual success we would not have been where we are today.

So, dear Friends and Investors, stay with us, we may be on the path for something big...

Stockholm in August 2010

Magnus Nordin
Managing Director

Vince Hamilton
Chairman of the Board

Result and cash flow

The consolidated financial statements of the Tethys Oil Group (Hereafter referred to as “Tethys Oil” or the “Group”), where Tethys Oil AB (publ) (the “Company”) with organisational number 556615-8266 is the parent company, are hereby presented for the first half year of 2010 ended 30 June 2010. 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 six months of 2010 of TSEK 8,333 (TSEK -28,172 for last year) and TSEK 15,017 (TSEK -29,740) for the second quarter, representing earnings per share of SEK 0.28 (SEK -1.13) for the first half year 2010 and SEK 0.50 (SEK -1.17) for the second quarter. The result for the first half year 2010 has been significantly impacted by net foreign exchange gains. The currency exchange effect of the group amounts to TSEK 14,368 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 relate to Block 15 and Blocks 3 and 4 in Oman which are held through two foreign subsidiaries and financed through intercompany loans 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 result amounting to TSEK 14,368 for the first half year 2010 and TSEK 18,258 for the second quarter.

There have been no write downs of oil and gas properties for the first six months of 2010 (TSEK 15,559).

Cash flow from operations before changes in working capital during the first half of 2010 amounted to TSEK -5,726 (TSEK -6,477) for the first six months 2010 and TSEK -2,840 (TSEK -3,399) for the second quarter.

Tethys Oil has not recorded any sales or production of oil and gas for the first six months that ended 30 June 2010. Accordingly, there has been no depletion of oil and gas properties.

Other income, administrative expenses

Administrative expenses amounted to TSEK -6,930 (TSEK -7,510) for the first half of 2010 and TSEK -3,183 (TSEK -3,814) for the second quarter. Depreciation amounted to TSEK 135 (TSEK 133) for the half year period and TSEK 62 (TSEK 71) 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 administrative expenditures during the first half of 2010 are in line with the equivalent period last year. 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 Exploration & 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 these expenses are funded by partners. In the consolidated income statement these internal transactions are eliminated.

Movement in oil and gas properties

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

Country	License name	Tethys Oil	Total area, km ²	Partners (operator in bold)	Book value 30 Jun 2010	Book value 31 Dec 2009	Investments Jan-Jun 2010
Oman	Block 15	40%	1,389	Tethys Oil , Odin Energy	105,649	99,064	832
Oman	Block 3, 4	50% ¹	33,125	CCED , Mitsui, Tethys Oil	153,100	101,615	39,980
France	Attila	40%	1,986	Galli Coz , Tethys Oil	6,889	3,628	3,262
Sweden	Gotland Större	100%	540	Tethys Oil	1,419	1,142	277
New ventures					182	174	8
Total			37,040		267,238	204,623	42,695

1) Following the farmout agreement with Mitsui, Tethys Oil's interest in Blocks 3 and 4 is 30 per cent. The farmout agreement was completed after the reporting period.

Oil and gas properties as at 30 June 2010 amounted to TSEK 267,238 (TSEK 205,623). Investments in oil and gas properties of TSEK 42,695 (TSEK 51,982) were incurred for the six month period ending 30 June 2010. Investments during the first half 2010 mainly regard Blocks 3 and 4. During the first six months, Tethys Oil and partner have conducted a 3D seismic survey over Saiwan East on Block 4 and over Farha South on Block 3. Furthermore, production tests were conducted on the Barik reservoir in Farha South on Block 3 and the drilling of an appraisal well, SE-3, commenced in Saiwan East on Block 4. The focus of the 2010 work programme is to continue to appraise the Khufai reservoir on Block 4 and to bring the Barik and Lower Al-Bashir reservoirs into production in Farha South on Block 3.

Investments in other licence areas have during the first half year of 2010 amounted to TSEK 4,379 and have mainly regarded licence administration and an evaluation of the exploration well PLM-2 in France. The book value of oil and gas properties include currency exchange effects of TSEK 18,920 during the first half year 2010, which are not cash related items and therefore not included in investments. For more information please see above *Result for the period and sales*.

Liquidity and financing

Cash and bank as at 30 June 2010 amounted to TSEK 3,604 (TSEK 13,620).

During the first half year of 2010, Tethys Oil received proceeds of TSEK 43,648 from 1,897,745 exercised warrants, which equivalently increased the total number of shares.

Based on an authorization from the AGM held 20 May 2009, the Board of Directors resolved to issue 500,000 shares through two private placements. The private placements were made in March 2010 at SEK 0.75 and SEK 33.75 per share, which were in line with the prevailing market price at the time. The total proceeds from these issue amounted to TSEK 15,820 before issue costs. The newly issued shares in the private placement were registered in April 2010.

Current receivables

Current receivables amounted to TSEK 3,926 (TSEK 1,810) as at 30 June 2010. Current receivables mainly regard receivables on partners in oil and gas operations.

Current liabilities

Current liabilities as at 30 June 2010 amounted to TSEK 5,571 (TSEK 19,911), of which TSEK 5,028 (TSEK 1,080) relates to accounts payable, TSEK 326 (TSEK 18,448) relates to other current liabilities and TSEK 217 (TSEK 383) relates to accrued expenses. To a large extent the reduction of current liabilities regard payments made for incurred investments on Blocks 3 and 4. These payments were made in the beginning of the first quarter 2010.

Parent company

The Parent company reports a result for the first half year of 2010 amounting to TSEK 15,123 (TSEK -6,224) and TSEK 18,550 (TSEK -12,151) for the second quarter. Administrative expenses amounted to TSEK -4,252 (TSEK -4,150) for the first half year of 2010 and TSEK -2,386 (TSEK -2,176) for the second quarter. Net financial result amounted to TSEK 17,958 (TSEK -3,444) during the first half year of 2010 and TSEK 20,174 (TSEK -10,722) for the second quarter. The stronger US dollar has had a positive impact on net financial result. The exchange rate gains regard translation differences and are non cash related. Investments during the first half of 2010 amounted to TSEK 67,746 (TSEK 53,456). 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 General Meeting of shareholders on 19 May 2010 Håkan Ehrenblad, Vincent Hamilton, John Hoey, Magnus Nordin and Jan Risberg were re-elected members of the Board. Jonas Lindvall declined re-election. No deputy directors were appointed. At the same meeting Vincent Hamilton was appointed Chairman of the Board.

Share data

As per 30 June 2010, the number of outstanding shares in Tethys Oil amount to 30,446,836 (28,049,091), 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 for employees.

As per 1 January 2010, Tethys Oil had 28,049,091 shares. During the first half year of 2010, 1,897,745 warrants were exercised and accordingly an equivalent number of shares were issued by Tethys Oil. Tethys Oil received proceeds of TSEK 43,648 before issue costs. Several registrations of shares from the exercised warrants have been made during the first six months of 2010.

Furthermore, two private placements have been made during the first half of 2010, based on an authorization from the AGM held 20 May 2009. These two private placements of 500,000 shares together were

made in March 2010 at SEK 30.75 and SEK 33.75 per share, which were in line with the prevailing market price at the time. The total proceeds from these issues amounted to TSEK 15,820 before issue costs. The newly issued shares in the private placement were registered in April 2010.

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 13.

Subsequent events

Tethys Oil has after the reporting period, in early July 2010, received TSEK 47,326 from 2,057,653 exercised warrants. The warrants which were issued with preferential right to existing shareholders in 2008 could be exercised up until 30 June 2010. Around 98 per cent of all issued warrants were exercised. Total number of shares in Tethys Oil after the dilution from the exercised warrants amounts to 32,504,489 shares.

On May 19th, Tethys Oil announced that its wholly owned subsidiary Tethys Oil Blocks 3&4 Ltd. entered into an agreement with Mitsui E&P Middle East B.V., a subsidiary of Mitsui & Co., Ltd., whereby Mitsui acquired a 20 per cent interest in Blocks 3 and 4 onshore Oman. The transaction was completed after the reporting period and consequently Tethys Oil's interest in Blocks 3 and 4 has been reduced to 30 per cent and Tethys Oil has received MUSD 20 in cash. The farmout results in capital gains of MUSD 14.1 during the third quarter in the wholly owned subsidiary Tethys Oil Blocks 3&4 Ltd. Tethys Oil has furthermore been reimbursed all capital expenditure outlays incurred since January 1st 2010 following the carry provision whereby Mitsui has undertaken to fund Tethys Oil's share of capital expenditures up to MUSD 60 on Blocks 3 and 4 effectively from 1 January 2010. In the event combined future production from the two Blocks come to exceed 10,000 barrels of oil per day for a period of 30 days, Mitsui will pay to Tethys Oil a production bonus amounting to MUSD 10.

As per reporting date, 20 August 2010, cash and cash equivalents amount to MSEK 220.

Statement of Comprehensive Income

TSEK	Note	1 Jan 2010– 30 Jun 2010 6 Months	1 Apr 2010– 30 Jun 2010 3 Months	1 Jan 2009– 30 Jun 2009 6 Months	1 Apr 2009– 30 Jun 2009 3 Months	1 Jan 2009– 31 Dec 2009 12 Months
Net sales of oil and gas	2	–	–	–	–	–
Depreciation of oil and gas properties	2	–	–	–	–	–
Write off of oil and gas properties	2	–	–	-15,559	-14,196	-15,872
Other income	3	936	-15	1,282	668	2,287
Other losses/gains, net		-18	-38	-30	-3	-56
Administrative expenses		-6,930	-3,183	-7,510	-3,814	-15,343
Operating result		-6,011	-3,236	-21,818	-17,344	-28,985
Financial income and similar items		18,259	18,259	809	-6,085	2,234
Financial expenses and similar items		-3,891	–	-7,132	-6,293	-15,696
Net financial income		14,368	18,258	-6,324	-12,379	-13,461
Result before tax		8,357	15,023	-28,142	-29,723	-42,446
Income tax		-24	-5	-30	-17	-57
Result for the period		8,333	15,017	-28,172	-29,740	-42,503
Other comprehensive result						
Currency translation differences		838	1,208	64	-1,618	-1,103
Other comprehensive result for the period		838	1,208	64	-1,618	-1,103
Total comprehensive result for the period		9,170	16,225	-28,108	-31,358	-43,607
Number of shares outstanding	4	30,446,836	30,446,836	27,280,086	27,280,086	28,049,091
Number of shares outstanding (after dilution)	4	32,573,935	32,573,935	32,075,735	32,075,735	32,073,935
Weighted number of shares	4	29,257,494	30,107,213	24,859,530	25,435,642	26,274,023
Earnings per share, SEK		0.28	0.50	-1.13	-1.17	-1.62
Earnings per share (after dilution), SEK		0.26	-0.46	-1.13	-1.17	-1.33

Consolidated Balance Sheet

TSEK	Note	30 Jun 2010	31 Dec 2009
ASSETS			
Fixed assets			
Oil and gas properties	2	267,238	205,623
Office equipment		926	1,045
Total fixed assets		268,165	206,668
Current assets			
Other receivables		3,926	1,810
Prepaid expenses		341	581
Cash and bank		3,604	13,620
Total current assets		7,871	16,011
TOTAL ASSETS		276,036	222,680
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
	4		
Share capital		5,074	4,675
Additional paid in capital		389,726	331,601
Other reserves		1,632	794
Retained earnings		-125,967	-134,300
Total shareholders' equity		270,466	202,770
Non interest bearing current liabilities			
Accounts payable		5,028	1,080
Other current liabilities		326	18,448
Accrued expenses		217	383
Total non interest bearing current liabilities		5,571	19,911
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		276,036	222,680
Pledged assets		500	500
Contingent liabilities	5	27,230	25,804

Consolidated Statement of Changes in Equity

TSEK	Share Capital	Paid in Capital	Other reserves	Retained Earnings	Total Equity
Opening balance 1 January 2009	3,997	262,982	1,897	-91,799	177,077
Total comprehensive result for the first quarter 2009	-	-	1,682	1,568	3,250
Total comprehensive result for the second quarter 2009	-	-	-1,618	-29,740	-31,358
Total comprehensive result for the third quarter 2009	-	-	-2,479	-24,442	-26,921
Total comprehensive result for the fourth quarter 2009	-	-	1,312	10,109	11,421
Private placement February	217	12,783	-	-	13,000
Issue costs	-	-83	-	-	-83
Private placement June	333	39,667	-	-	40,000
Issue costs warrant issue	-	-1,307	-	-	-1,307
Warrant exercise July	29	4,023	-	-	4,052
Warrant exercise October	99	13,536	-	-	13,536
Closing balance at 31 December 2009	4,675	331,601	794	-134,300	202,770
Opening balance 1 January 2010	4,675	331,601	794	-134,300	202,770
Total comprehensive result for the first quarter 2010	-	-	-370	-6,685	-7,055
Total comprehensive result for the second quarter 2010	-	-	1,208	-15,017	16,225
Subscription of warrants February	65	8,894	-	-	8,959
Subscription of warrants March	126	17,238	-	-	17,364
Subscription of warrants April	80	11,018	-	-	11,098
Subscription of warrants May	31	4,242	-	-	4,273
Subscription of warrants June	14	1,940	-	-	1,954
Issue costs warrant issue	-	-949	-	-	-949
Private placement March	83	15,742	-	-	15,825
Closing balance 30 June 2010	5,074	389,726	1,632	-125,967	270,466

Consolidated Cash Flow Statement

TSEK	Note	1 Jan 2010– 30 Jun 2010 6 Months	1 Apr 2010– 30 Jun 2010 3 Months	1 Jan 2009– 30 Jun 2009 6 Months	1 Apr 2009– 30 Jun 2009 3 Months	1 Jan 2009– 31 Dec 2009 12 Months
Cash flow from operations						
Operating result		-6,011	-3,236	-21,818	-17,344	-28,985
Interest received		-	-	42	2	67
Interest paid		-	-	-	-	-5
Income tax		-24	-5	-30	-17	-57
Adjustment for write down of oil and gas properties		-	-	15,559	14,196	15,872
Adjustment for depreciation and other non cash related items		309	402	-230	-235	251
Total cash flow used in operations before change in working capital		-5,726	-2,840	-6,477	-3,399	-12,856
Decrease/increase in receivables		-1,875	-875	4,119	2,641	5,691
Decrease/increase in liabilities		-14,340	2,409	851	1,592	1,752
Cash flow used in operations		-21,941	-1,306	-1,507	834	-5,413
Investment activity						
Investment in oil and gas properties	2	-42,695	-11,252	-51,982	-34,306	-81,480
Investment in other fixed assets		-17	-21	-142	-105	-200
Cash flow used for investment activity		-42,712	-11,273	-52,124	-34,411	-81,681
Financing activity						
Share issue, net after issue costs	4	58,525	16,744	52,391	39,474	69,297
Return on short term investments		-	-	4	-3	4
Cash flow from financing activity		58,525	16,744	52,395	39,471	69,301
Period cash flow		-6,129	4,165	-1,235	5,894	-17,793
Cash and cash equivalents at the beginning of the period		13,620	3,305	29,886	23,080	29,886
Exchange gains/losses on cash and cash equivalents		-3,887	-3,864	520	-233	1,524
Cash and cash equivalents at the end of the period		3,604	3,606	29,171	28,742	13,620

Parent Company Income Statement Condensed

TSEK	Note	1 Jan 2010– 30 Jun 2010 6 Months	1 Apr 2010– 30 Jun 2010 3 Months	1 Jan 2009– 30 Jun 2009 6 Months	1 Apr 2009– 30 Jun 2009 3 Months	1 Jan 2009– 31 Dec 2009 12 Months
Net sales of oil and gas	2	–	–	–	–	–
Depreciation of oil and gas properties	2	–	–	–	–	–
Write off of oil and gas properties	2	–	–	–	–	–
Other income		1,434	799	1,400	750	2,625
Other losses/gains, net		-18	-38	-30	-3	-56
Administrative expenses		-4,252	-2,386	-4,150	-2,176	-7,934
Operating result		-2,835	-1,624	-2,780	-1,429	-5,366
Financial income and similar items		21,827	20,174	3,681	-4,435	7,962
Financial expenses and similar items		-3,869	–	-7,126	-6,287	-15,641
Write down of shares in group company		–	–	–	–	-17,282
Net financial income		17,958	20,174	-3,444	-10,722	-24,961
Result before tax		15,123	18,550	-6,224	-12,151	-30,327
Income tax		–	–	–	–	–
Loss for the period		15,123	18,550	-6,224	-12,151	-30,327
Number of shares outstanding	4	30,446,836	30,446,836	27,280,086	27,280,086	28,049,091
Number of shares outstanding (after dilution)	4	32,573,935	32,573,935	32,075,735	32,075,735	32,073,935
Weighted number of shares	4	29,257,494	30,107,213	24,859,530	25,435,642	26,274,023

Parent Company Balance Sheet Condensed

TSEK	Note	30 June 2010	31 Dec 2009
ASSETS			
Total fixed assets	2	172	225
Total financial fixed assets		299,783	213,782
Total current assets		3,600	12,793
TOTAL ASSETS		303,555	226,800
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	4	299,653	226,005
Total non interest bearing current liabilities		3,902	794
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		303,555	226,800
Pledged assets		500	500
Contingent liabilities	5	–	25,804

Parent Company Statement of Changes in Equity

TSEK	Restricted equity		Non restricted equity			Total Equity
	Share capital	Statutory Reserve	Share premium Reserve	Retained Earnings	Net result	
Opening balance at 1 January 2009	3,997	71,071	191,911	-67,555	-12,389	187,035
Transfer of prior year net result	-	-	-	-12,389	12,389	-
Profit for the first quarter 2009	-	-	-	-	5,927	5,927
Loss for the second quarter 2009	-	-	-	-	-12,151	-12,151
Loss for the third quarter 2009	-	-	-	-	-20,065	-20,065
Loss for the fourth quarter 2009	-	-	-	-	-4,037	-4,037
Private placement March	217	-	12,783	-	-	13,000
Issue costs	-	-	-83	-	-	-83
Private placement June	333	-	39,667	-	-	40,000
Issue costs warrant exercise	-	-	-1,307	-	-	-1,307
Warrant exercise July	29	-	4,023	-	-	4,052
Warrant exercise October	99	-	13,536	-	-	13,635
Closing balance 31 December 2009	4,675	71,071	260,530	-79,944	-30,327	226,005
Opening balance 1 January 2010	4,675	71,071	260,530	-79,944	-30,327	226,005
Transfer of prior year net result	-	-	-	-30,327	30,327	-
Loss for the first quarter 2010	-	-	-	-	-3,427	-3,427
Profit for the second quarter 2010	-	-	-	-	18,550	18,550
Subscription of warrants February	65	-	8,894	-	-	11,098
Subscription of warrants March	126	-	17,238	-	-	13,000
Subscription of warrants April	80	-	11,018	-	-	11,098
Subscription of warrants May	31	-	4,242	-	-	4,273
Subscription of warrants June	14	-	1,940	-	-	1,954
Issue costs warrant issue	-	-	-949	-	-	-949
Private placement March	83	-	15,742	-	-	15,825
Closing balance 30 June 2010	5,074	71,071	318,669	-110,270	15,123	299,653

Notes

General information

Tethys Oil AB (publ) (“the Company”), organisation number 556615-8266, and its subsidiaries (together “the Group” or “Tethys Oil”) are focused on exploration for and production of oil and natural gas. The Group has interests in exploration licences in France, 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 half year report 2010 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The half year report 2010 of the Parent company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2.3 –“Accounting for legal entities”, issued by the Swedish Financial Accounting Standards Council. The same accounting principles were used in the Annual report 2009.

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. Additional capital will be needed to finance Tethys Oil’s future 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 2009.

Note 2) Oil and gas properties

TSEK Country	Book value 30 Jun 2010	Write downs 2010	Investments 2010	Book value 1 Jan 2009	Book value 31 Dec 2009	Write downs 2009	Investments 2009	Book value 1 Jan 2009
Oman Block 15	105,649 ²	-	832	99,064 ³	99,064 ³	-	11,480	98,729
Oman Block 3,4	153,100 ²	-	39,980	101,615 ³	101,615 ³	-	56,401	34,867
France Attila	6,889	-	3,262	3,628	3,628	-	38	3,589
Morocco Bouanane	-	-	-	-	-	-14,076	12,218	1,858
Turkey Ispandika	-	-	-	-	-	-1,364	75	1,289
Spain Cameros	-	-	-	-	-	-433	433	-
Sverige Gotland Större	1,419	-	277	1,142	1 142	-	712	429
New ventures	182	-	8	174	174	-	122	52
Total	267,240	-	42,695	205,623	205,623	-15,872	81,480	140,811

Oil and gas properties	Group			Parent		
	1 Jan 2010–30 June 2010 6 Months	1 Jan 2009–30 June 2009 6 Months	1 Jan 2009–31 Dec 2009 12 Months	1 Jan 2010–30 June 2010 6 Months	1 Jan 2009–30 June 2009 6 Months	1 Jan 2009–31 Dec 2009 12 Months
TSEK						
Investments in oil and gas properties						
Opening balance	209,168	209,485	209,485	-	34,867	34,867
Investments in France	3,262	27	38	-	-	-
Investments in Morocco	-	3	12,218	-	-	-
Investments in Oman	39,148	17,467	67,881	-	-34,867 ⁴	-34,867 ⁴
Investments in Spain	-	-	433	-	-	-
Investments in Turkey	-	75	75	-	-	-
Investments in Sweden	277	92	712	-	-	-
Other investments in oil and gas properties	8	12	122	-	-	-
Adjustment	18,920	7,306	-796	-	-	-
Closing balance	351,783	234,467	290,168	-	-	-
Depletion						
Depletion	-	-	-	-	-	-
Write down						
Opening balance	84,546	68,674	68,674	-	-	-
Write down	-	1,364	15,872	-	-	-
Closing balance	84,546	70,038	84,546	-	-	-
Net book value	267,240	163,432	205,623	-	-	-

2) The book value of oil and gas properties include non cash items of TSEK 18,920 during the first half year 2010, which are not included in investments.

3) The book value of oil and gas properties include non cash items of TSEK -796 during the full year 2009, which are not included in investments.

4) Oil and gas properties were transferred from the Parent company to a wholly owned subsidiary during the year.

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 Exploration and 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 2010, the number of outstanding shares in Tethys Oil amount to 30,446,836 (28,049,091), 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 for employees.

As per 1 January 2010, Tethys Oil had 28,049,091 shares. During the first half year of 2010, 1,897,745 warrants were exercised and accordingly an equivalent number of shares were issued by Tethys Oil. Tethys Oil received proceeds of TSEK 43,648 before issue costs. Several registrations of shares from the exercised warrants have been made during the first six months of 2010.

Furthermore, two private placements have been made during the first half of 2010, based on an authorization from the AGM held 20 May 2009. These two private placements of 500,000 shares together were made in March 2010 at SEK 30.75 and SEK 33.75 per share, which were in line with the prevailing market price at the time. The total proceeds from these issues amounted to TSEK 15,820 before issue costs. The newly issued shares in the private placement were registered in April 2010.

Note 5) Contingent liabilities

The contingent liabilities amount to TSEK 27,230 (TSEK 25,804). The contingent liabilities regard Blocks 3 and 4 where Tethys Oil has a work commitment, the fulfilment of which is estimated to cost MUS\$ 3.5. The difference between contingent liabilities 31 December 2009 and 30 June 2010 relates to currency exchange differences.

Note 6) Subsequent events

Tethys Oil has after the reporting period, in early July 2010, received TESK 47,326 from 2,057,653 exercised warrants. The warrants which were issued with preferential right to existing shareholders in 2008 could be exercised up until 30 June 2010. Around 98 per cent of all issued warrants were exercised. Total number of shares in Tethys Oil after the dilution from the exercised warrants amounts to 32,504,489 shares.

On May 19th, Tethys Oil announced that its wholly owned subsidiary Tethys Oil Blocks 3&4 Ltd. entered into an agreement with Mitsui E&P Middle East B.V., a subsidiary of Mitsui & Co., Ltd., whereby Mitsui acquired a 20 per cent interest in Blocks 3 and 4 onshore Oman. The transaction was completed after the reporting period and consequently Tethys Oil's interest in Blocks 3 and 4 has been reduced to 30 per cent and Tethys Oil has received MUS\$ 20 in cash. The farmout results in capital gains of MUS\$ 14.1 during the third quarter in the wholly owned subsidiary Tethys Oil Blocks 3&4 Ltd. Tethys Oil has furthermore been reimbursed all capital expenditure outlays incurred since January 1st 2010 following the carry provision whereby Mitsui has undertaken to fund Tethys Oil's share of non exploration related capital expenditures up to MUS\$ 60 on Blocks 3 and 4 effectively from 1 January 2010. In the event combined future production from the two Blocks come to exceed 10,000 barrels of oil per day for a period of 30 days, Mitsui will pay to Tethys Oil a production bonus amounting to MUS\$ 10.

As per the reporting date, 20 August 2010, cash and bank amount to MSEK 220.

Key Ratios

Group

TSEK	1 Jan 2010– 30 Jun 2010 6 Months	1 Apr 2010– 30 Jun 2010 3 Months	1 Jan 2009– 30 Jun 2009 6 Months	1 Apr 2009– 30 Jun 2009 3 Months	1 Jan 2009– 31 Dec 2009 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	-6,011	-3,236	-21,818	-17,344	-28,985
Operating margin, %	neg.	neg.	neg.	neg.	neg.
Result before tax, TSEK	8,357	15,023	-28,142	-29,723	-42,446
Net result, TSEK	8,333	15,017	-28,172	-29,740	-42,503
Net margin, %	neg.	neg.	neg.	neg.	neg.
Shareholders' equity, TSEK	270,466	270,466	201,243	201,243	202,770
Balance sheet total, TSEK	276,035	276,035	215,875	215,875	222,679
Capital structure					
Solvency, %	97.98%	97.98%	93.22%	93.22%	91.06%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	97.98%	97.98%	93.22%	93.22%	91.06%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	42,712	11,273	52,124	34,411	81,681
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	9	10	10	10	10
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	29,194	29,194	24,860	25,280	28,049
Shareholders' equity per share, SEK	9.26	9.26	7.38	7.38	7.23
Weighted number of shares on balance day, thousands	29,257	30,107	24,860	25,436	26,274
Earnings per share, SEK	0.28	0.50	-1.13	-1.17	-1.62
Earnings per share after dilution, SEK	0.26	0.46	-0.88	-0.93	-1.33

For definitions of key ratios please refer to the 2009 Annual Report. The abbreviation n.a. means not applicable

Financial information

The Company plans to publish the following financial reports:

Nine month report 2010 (January - September 2010) on 12 November 2010

Year end report 2010 (January – December 2010) on 17 February 2011

Three month report 2011 (January - March 2011) on 11 May 2011

Six month report 2011 (January - June 2011) on 23 August 2011

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

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, 20 August 2010

Tethys Oil AB (publ)

Org. No 556615-8266

Vincent Hamilton
Chairman of the Board

Håkan Ehrenblad
Director

John Hoey
Director

Jan Risberg
Director

Magnus Nordin
Managing Director

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 Oil's 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 Oil's 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, France and Sweden. The shares are listed on First North (TETY) in Stockholm. Remium AB is the company's Certified Adviser.

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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 press releases, published reports, photos from operations, description of operations and general corporate information.

