Tethys Oil AB (publ)

Report for the period
1 January 2005 – 30 September 2005

Highlights

- Tethys Oil has signed a farm-in agreement with Aladdin Middle East regarding two onshore exploration licenses in Thrace. The licenses cover an area of 897 square kilometres and contain two strong leads

- Tethys and Eastern Petroleum Cyprus have jointly signed a reconnaissance license in Morocco. The license covers over 2,100 square kilometres and the area is recognized to be prone for natural gas. Work program is focused on the Tafejjart prospect, a large geologic structure identified on existing seismic data

- Drilling preparations in Denmark continues – well planned for the first half of 2006

- As at 30 September 2005 there have been no sales of oil and gas in Tethys Oil, nor for the equivalent period of last year

- Net result for the first nine months of 2005 amounted to TSEK -12,466 (TSEK -3,042 for the corresponding period last year) and TSEK -1,570 (TSEK -689) for the third quarter of 2005

- Earnings per share amounted to SEK -2.84 (SEK -0.87) for the first nine months of 2005 and SEK -0.36 (SEK -0.16) for the third quarter of 2005

- Liquid funds as per 30 September 2005 amount to TSEK 44,083 (TSEK 57,545)

Letter to shareholders

Dear friends and investors,

During the third quarter of 2005 Tethys' universe of licenses has expanded. Morocco has been added and in October we finalised a farm in agreement in the Thrace area of Turkey. Both of these new licenses cover gas prone regions where the infrastructure to handle natural gas has been upgraded in recent years. In Morocco we are operators with a 50% share of a study license for one year over an area, Bouanane, which seems to contain a large, potentially gas prone structure. We intend to spend this year doing preliminary work to demonstrate the prospectivity of the area with a view to have attracted additional partners before we must commit to a production sharing contract with a full work programme. Bouanane is clearly on the high risk - high reward side of our licence portfolio, just like Ispandika in Turkey – both offer great potential but additional partners will most likely be needed to finally assess that potential.

Thrace is on a smaller scale and with a budget that is within Tethys means today. There are now three partners in the licenses, operator Aladdin Middle East with 50% and London listed independent JKX and Tethys with 25% each. Thrace does not offer the spectacular potential of Bouanane or Ispandika but any gas discoveries in this prolific area of Turkey should offer healthy cash flows and robust returns on capital.

In our Spanish licenses certain changes are happening. We have been informed that Northern Petroleum will exit both the Ayoluengo field, and the exploration areas where we have 50% interest. The new operators are both AIM-listed companies, Gold Oil Plc and Ascent Resources Plc. Maybe this will signal an increase in the exploration activity for next year. The field continues a slow decline and Tethys has therefore, in line with our overall gas strategy, negotiated with one of the Ayoluengo partners to possibly swap our interest in the field area for a non-operated interest in a gas prospect known as Cameros. Whether this swap will happen is as yet unclear, and until further notice we maintain our 22.5% beneficial interest in Ayoluengo which we hope will give a modest but yet positive cash contribution this year.

Activities in our Danish license onshore Zealand continues to firm up. We plan to be able to start drill site construction work in late January with a view to drill our first well as operator, the Karlebo-1 well during the first half of 2006.

Tethys is expanding and hopefully upgrading its exploration portfolio and as work is carried out some license will bear fruit and other will be dropped. This is part of the game and as such we are making progress. On the production end of things progress is less obvious. We have been reviewing and negotiating over several production opportunities but so far unsuccessfully and one major obstacle has actually been the oil price. Prospective sellers generally become less prospective when prices keep rising as you talk to them. We would therefore welcome a drop in the oil price, at least for a while, to increase our chances of acquiring some production to offset the exploration risk in our asset portfolio.

However if this does not happen we must continue to focus on that which adds real value to oil companies and to energy hungry consumers – adding reserves through successful exploration.

Stockholm, 3 November 2005

Magnus Nordin
Managing Director

Operations

Tethys Oil

Tethys Oil is a Swedish company focused on exploration for and production of oil and natural gas. The main geographic focus of Tethys Oil is countries within the European Union and candidate countries, as well as select countries in Africa. The shares are listed on Nya Marknaden (TETY) in Stockholm. The company has interests in exploration licenses in Denmark, Spain and Turkey, a production license in Spain, and a reconnaissance license in central Morocco. Tethys Oil has further more filed a number of license applications, among others for the Attila license in France. The company is actively aiming to hold a well balanced portfolio of oil and natural gas interests, in different development stages.

Overview

Country	License areas	Tethys Oil, %	Total area, km²	Operator	Investments 9 months 2005, TSEK	Investments third quarter 2005, TSEK	Book value 30 Sept 2005, TSEK
Denmark	License 1/02 License 1/03	70% 70%	533 1,655	Tethys Oil Denmark Tethys Oil Denmark	2,640	1,266	4,347
Morocco	Bouanane	50%	2,100	Tethys Oil	285	153	294
Spain	La Lora Valderredible Huermeces Basconcillos	22.5%[1] 50%[2] 50%2 50%2	106 241 121 194	Northern Exploration Ltd. Northern Exploration Ltd. Northern Exploration Ltd. Northern Exploration Ltd.	184	110	3,303
Turkey	Ispandika Thrace	10% — 45% 0% — 25%	965 897	Aladdin Middle East Ltd. Aladdin Middle East Ltd.	370	49	486
New ventures					1,482	864	1,752
Total			6,812		4,962	2,443	10,182

[1] *Beneficial interest*

[2] *The Windsor Group hold the right to, by funding the equivalent share of seismic or drilling, receive up to 10 percent participation in the three exploration licenses. If the Windsor Group utilise its right, Tethys Oil's participation in the licenses will decrease to 40 percent at the lowest.*

Denmark

Licence 1/02

During the third quarter pre drilling activities for the Karlebo-1 well have continued. Casing has been ordered and tendering for a drilling rig and other long lead items are in progress. A constructive dialogue with Karlebo Municipality about practicalities on the ground continues and another public meeting is scheduled for late January. After this meeting Tethys expects to be able to begin the construction of the well site, weather permitting, with an aim to drill Karlebo-1 during the first half of 2006. According to the license from the Danish Energy Authority the well must be completed and evaluated before the end of 2006.

Licence 1/03

In license 1/03, Tethys has initiated a surface geochemical survey over onshore Jutland. Modules, that can detect minute quantities of hydrocarbon gasses in the soil, have been set out in the ground. Positive results from this study would indicate the presence of an active petroleum system working in the area.

Turkey

Hoto

Tethys Oil has relinquished the licence interest and as a result made a write down of oil and gas properties regarding Hoto during the second quarter.

Ispandika

On one hand, the south-eastern part of Turkey, where the Ispandika licenses are located, is an area with potential for very large discoveries. A successful exploration well here would be quite significant. On the other hand, the geological uncertainties of the area, coupled with the high cost of drilling, increase the risk to an unacceptable level. Together with Tethys' Turkish partner, the company has decided to seek additional partners in the Ispandika licenses. A farm-out campaign will be conducted during the beginning of 2006.

Thrace

On September 1, Tethys announced an agreement with Aladdin Middle East Ltd. regarding two onshore exploration licenses in Thrace, the European part of Turkey. By funding 50 percent of a data review and a 100 kilometres 2D seismic programme up to a maximum of USD 415,000, Tethys will earn a 25 percent interest in the licenses. Aladdin Middle East is the operator, and the UK oil and gas company JKX Oil & Gas Plc. has farmed-in to the same licenses under the same conditions as Tethys.

The licenses cover 897 square kilometres and are located in the middle of the Thrace basin. The target formations are Tertiary sands which produce gas from a number of fields in Thrace. Two strong leads have been identified within the license area, but additional seismic is required to confirm the presence of a drillable prospect. The seismic is planned for 2006 and a first exploration well in 2007.

Spain

The production in the Ayoluengo oil field remains insignificant. Based on the operator's proposed work program no significant production changes are expected but the field will continue to slowly decline. The decline is however offset by higher oil prices and if current oil prices remain, a small positive cash contribution will be expected for the full year. Following the overall disappointing results from the field, Tethys has sought other projects in the area and has, in this regard, signed an agreement with one of its partners in the Ayoluengo field, La Lora Concession, for an exchange of license interests. In return for its 22.5 percent beneficial interest in La Lora, Tethys will receive a 20 percent working interest in an existing exploration license elsewhere in Spain. This exchange of interest is subject to that license being granted an extension by the government, and the approval of license partners. This exploration license contains a large natural gas prospect that has considerable potential for the company. Until all conditions of the exchange have been satisfied, Tethys keeps its interest in the field.

In October, Northern Petroleum announced that they were in the process of selling both their interests in the field and the exploration areas to respectively Gold Petroleum Plc. and Ascent Resources Plc. Tethys intends to meet with the new operators shortly to discuss, in particular the reactivation of the exploration work in the three exploration licenses.

France

During the second quarter, Tethys announced that the competition period for Tethys' license application for the Attila license in France had expired without counteroffers being made over the same area. The final award of the license, subject to decision by the French authorities, has been late in coming. Tethys however, expects the approval at the meeting with the French Council General of Mines in November. We hope to be on the agenda and receive approval.

Tethys and Galli Coz S.A., the operator, has initiated parts of the work program. A geochemical survey has been completed, and the results corresponded successfully to the geological model. A re-processing of all seismic data has been initiated. With no further delays in the award process, an exploration well can be drilled during the first half of 2006.

Morocco

In July, Tethys was awarded a one year reconnaissance license over an exploration area in eastern Morocco known as Bouanane. The license gives Tethys, as operator with a 50 percent interest, the exclusive right for one year to investigate the license area and grants Tethys the right during this time to elect to convert the license into a regular eight year exploration license on terms and conditions to be negotiated. The exploration license will automatically become a production license in case of successful exploration.

This license covers nearly 2,100 square kilometres in eastern Morocco, on the border with Algeria. This area is recognized to be prone for natural gas. The work program is focused on the Tafejjart prospect. This large geologic structure has been identified on existing seismic data. Currently, Tethys is compiling a database of all regional technical data, including satellite photo and radar data. As part of the required work program, over 400 kilometres of 2D seismic is being reprocessed. The major task of the work program is the acquisition of gravity and magnetic data over an area of 900 square kilometres. The objective of this survey will be to define the depth and extent of the Tafejjart prospect. Tethys is now analyzing tenders from geophysical companies for this program. It is expected that field work will commence first quarter 2006.

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 nine month period ended 30 September 2005. 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 September 2005, Tethys Oil has not reported any sales, 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.

Net profit and sales

Tethys Oil reports a net result for the first nine month period of 2005 of TSEK -12,466 (TSEK -3,042 for the corresponding period last year) and TSEK -1,570 (TSEK -689) for the third quarter of 2005, representing earnings per share of SEK -2.84 (SEK -0.87) for the nine month period and SEK -0.36 (SEK -0.16) for the third quarter. A write down of oil and gas properties of TSEK 8,196 was made during the first nine month period of 2005 and has negatively affected the result for the nine month period of 2005. Cash flow from operations before changes in working capital for the first nine months of 2005 amounted to TSEK -3,663 (TSEK -3,017) and TSEK -1,546 (TSEK -671) for the third quarter.

The net result for the first nine months has not been significantly impacted by net foreign exchange losses or gains.

There have been no sales or production of oil and gas for the nine month period ended 30 September 2005, apart from incidental oil production in the La Lora field, which according to Tethys Oil's accounting principles is offset against capitalised costs of the related cost centre in the balance sheet. Accordingly, there has been no depletion of oil and gas properties as Tethys Oil follows the full cost method of accounting.

Costs of administration and depreciation

Costs of administration and depreciation amounted to TSEK -4,834 (TSEK -3,469) for the first nine month period of 2005 and TSEK -1,645 (TSEK -1,094) for the third quarter. Depreciation amounted to TSEK 22 (TSEK 25) for the nine month period of 2005 and TSEK 8 (TSEK 18) for the third quarter. Costs of administration are mainly rents, salaries, office supplies and travel expenditures. These costs are corporate costs and are accordingly not capitalised. Depreciation in the income statement is referable to computers, phones etc.

Investments

Tangible fixed assets as at 30 September 2005 amounted to TSEK 10,327 (TSEK 11,820) of which TSEK 10,183 (TSEK 11,696) relates to oil and gas properties. Oil and gas properties in Denmark amounted to TSEK 4,347 (TSEK 1,153), Spain TSEK 3,303 (TSEK 1,231), Turkey TSEK 486 (TSEK 8,880) and other TSEK 2,046 (TSEK 431). Expenditures for oil and gas properties of TSEK 4,962 (TSEK 9,797) was incurred for the nine month period of 2005 of which Denmark TSEK 2,640, Spain TSEK 184, Turkey TSEK 370 and other TSEK 1,767. Investments in oil and gas properties has mainly been drilling preparation in Denmark license 1/02, geochemical work in Denmark license 1/03 as well as investments in new venture areas. The company follows the full cost method of accounting for investments in oil and gas properties.

Investments in other tangible fixed assets amounted during the period to TSEK 9 (TSEK 99) and are referable to investments in office equipment.

Liquidity and financing

Cash and bank as at 30 September 2005 amounted to TSEK 644 (TSEK 604). Short-term investments as at 30 September 2005 amounted to TSEK 43,439 (TSEK 56,942). The short-term investments are investments in mutual bond funds with short durations, less than three months from acquisition date.

Current receivables

Current receivables amounted to TSEK 743 (TSEK 2,045) as at 30 September 2005.

Current liabilities

Current liabilities as at 30 September 2005 amounted to TSEK 876 (TSEK 1,906), of which TSEK 502 (TSEK 486) relates to accounts payable, TSEK 304 (TSEK 1,075) relates to other current liabilities and TSEK 70 (TSEK 345) relates to accrued expenses.

Parent company

The parent company reports a result amounting to TSEK -11,128 (TSEK -3,042) for the first nine months of 2005 and TSEK -9,555 (TSEK -689) for the third quarter. Costs of administration and depreciation amounted to TSEK -4,834 (TSEK -3,469) for the first nine months of 2005 and TSEK -1,645 (TSEK -1,094) for the third quarter. Net financial income amounted to TSEK -8,301 (TSEK 427) during the first nine months of 2005 and TSEK -8,601 (TSEK 405) for the third quarter. Investments during the first nine months of 2005 amounted to TSEK 2,441 (TSEK 10,396).

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.

Accounting principles

Tethys Oil applies as from January 1, 2005 IFRS, whereas also comparative figures shall be accounted for in accordance with IFRS. The opening balance for 2004 has not been restated since the change of accounting principles has not had any effect on the income statement and the balance sheet. No reconciliations according to IFRS 1 between IFRS and previous GAAP have therefore been presented.

The nine month period report of the Tethys Oil Group has been prepared in accordance with Swedish Financial Accounting Standards Council's recommendation 31 and IAS 34, Interim Financial Reporting and is covered by IFRS 1, First-time Adoption of International Financial Reporting Standards, since the report contains part of the financial year, which is the first of the company for which financial reports are prepared according to the principles of International Financial Reporting Standards, IFRS. This nine month period report has been prepared in accordance with the IFRS standards and IFRIC interpretations issued and effective as at the time of preparing this nine month report and that are endorsed by the EU commission. Since some IAS/IFRIC standards still are reviewed and additional IFRIC interpretations may be expected for 2005, the accounting principles described below are preliminary and may be modified.

The nine month period report for the parent company is prepared in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation 32.

The parent company and the group have up to and including 2004 applied the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations. The applied accounting principles, which are described in the Annual Report for 2004, are to a great extent overlapped with the principles used under IFRS. Within certain areas, IFRS diverges from earlier applied principles. An overview is presented below regarding the changes of accounting, valuation and consolidation methods that the transition has implied.

Accounting for costs of exploration and appraisal

Under GAAP used for the preparation of the 2004 financial statements, Tethys Oil has based their impairment testing on a country by country cost pool basis under the full cost method of accounting. IAS 36 requires that impairment testing be carried out on a field by field basis. The change in method of impairment means that exploration costs can no longer be carried as capitalised costs within a country cost pool unless those costs can be supported by future cash flows on their own merits. If there is no decision to continue with a field specific exploration programme then the expenditure must be expensed. This will be evaluated continuously. For the current period the company has made write-offs of oil and gas properties based on such evaluations.

Financial instruments

Financial instruments are accounted for in accordance with IAS 32 and IAS 39. Financial instruments include securities, derivative instruments, receivables, liabilities and borrowings. Financial assets available-for-sale and derivative instruments are recognised at fair value where appropriate. Change in value of assets available-for-sale during the period is recorded in the equity until the asset is realised. Change in value of derivative instruments is recognised in the income statement if hedging instruments are not used. Receivables are recorded at amortised cost and using the interest method. Short-term investments as a financial asset designated at fair value to profit and loss and any changes in value affect income on a current basis. No effect on shareholders' equity arises at transition to IAS 39 on January 1, 2005 since the company has had no derivative instruments during 2004. There was no effect on the year of transition at 31 December 2004 or for the periods then ended, as a consequence no information is provided in this report.

Other fixed assets

All other fixed assets are carried at cost less depreciation. Expenditures for repairs and maintenance are recognised as costs. Subsequent costs, which imply that future financial advantages associated with the asset are enhanced, are balanced as an asset and possible remaining residual value of the replaced equipment is expensed.

Component depreciation is applied for other fixed assets. This method implies that every significant part of a fixed asset is depreciated according to a separate plan.

Useful lives, residual values and depreciation principles are in accordance with the earlier applied principles.

There are no transition effects from previous GAAP to IFRS.

Consolidated income statement

TSEK	1 Jan 2005 – 30 Sep 2005 9 months	1 Jul 2005 – 30 Sep 2005 3 months	1 Jan 2004 – 30 Sep 2004 9 months	1 Jul 2004 – 30 Sep 2004 3 months	1 Jan 2004 – 31 Dec 2004 12 months
Net sales of oil and gas	–	–	–	–	–
Depletion of oil and gas properties	–	–	–	–	–
Write off of oil and gas properties	-8,196*	-17	–	–	-435
Administration and depreciation**	-4,834	-1,645	-3,469	-1,094	-5,375
Operating result	**-13,030**	**-1,662**	**-3,469**	**-1,094**	**-5,810**
Interest income	648	114	427	405	764
Interest expenses	-85	-23	–	–	-16
Net financial income	**564**	**92**	**427**	**405**	**748**
Result before tax	**-12,466**	**-1,570**	**-3,042**	**-689**	**-5,062**
Tax	–	–	–	–	–
Net result	**-12,466**	**-1,570**	**-3,042**	**-689**	**-5,062**
Number of shares outstanding	4,384,800	4,384,800	4,384,800	4,384,800	4,384,800
Number of shares outstanding (after full dilution)	4,384,800	4,384,800	4,384,800	4,384,800	4,384,800
Weighted number of shares***	4,384,800	4,384,800	3,479,352	4,384,800	3,705,094
Earnings per share, SEK***	-2.84	-0.36	-0.87	-0.16	-1.37
Earnings per share (after full dilution), SEK***	-2.84	-0.36	-0.87	-0.16	-1.37

** The write down of oil and gas properties mainly regards Hoto in Turkey.*

*** These costs regard corporate costs.*

**** As of the balance sheet date, Tethys Oil had no convertible bonds, options or other instruments which may cause dilution. Tethys Oil conducted, during the first quarter of 2004, a share split of 2:1. Historic numbers of shares and share related data have been adjusted accordingly. The number of shares at 30 September 2005 includes new shares from the share issue, which were registered 1 April 2004. For the weighted average number of shares calculation they were included as from 26 March 2004.*

Consolidated balance sheet

TSEK	30 Sep 2005	30 Sep 2004	31 Dec 2004
ASSETS			
Tangible fixed assets			
Oil and gas properties	10,183	11,696	14,002
Other fixed assets	144	124	158
Total tangible fixed assets	**10,327**	**11,820**	**14,160**
Current assets			
Other receivables	666	1,957	766
Pre paid expenses	77	88	139
Short term investments*	43,439	56,942	53,525
Cash and bank	644	604	513
Total current assets	**44,826**	**59,591**	**54,942**
TOTAL ASSETS	**55,153**	**71,411**	**69,102**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	2,192	2,192	2,192
Premium reserve	71,071	71,812	71,071
Retained earnings	-6,520	-1,458	-1,458
Net result	-12,466	-3,042	-5,062
Total shareholders equity	**54,277**	**69,505**	**66,743**
Current liabilities (non interest bearing)			
Accounts payable	502	486	751
Other current liabilities	304	1,075	95
Accrued expenses	70	345	1,513
Total current liabilities	**876**	**1,906**	**2,359**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**55,153**	**71,411**	**69,102**
Pledged assets**	780	–	–
Contingent liabilities	14,527	2,452	14,527

** The short term investments are investments in mutual bond funds with short durations, less than three months from acquisition date.*

*** Pledged assets of TSEK 780 regard a bank guarantee for operations in Morocco of TUSD 100.*

Consolidated cash flow statement

TSEK	1 Jan 2005 – 30 Sep 2005 9 months	1 Jul 2005 – 30 Sep 2005 3 months	1 Jan 2004 – 30 Sep 2004 9 months	1 Jul 2004 – 30 Sep 2004 3 months	1 Jan 2004 – 31 Dec 2004 12 months
Cash flow from operations					
Net result	-12,466	-1,570	-3,042	-689	-5,062
Adjustment for write down of oil and gas properties	8,196	17	–	–	435
Adjustment for depreciation and other non cash related items	607	7	25	18	50
Total cash flow used in operations before change in working capital	**-3,663**	**-1,546**	**-3,017**	**-671**	**-4,577**
Increase in receivables	162	90	-2,026	-1,125	-886
Increase in liabilities	-1,482	362	1,309	-3,500	1,762
Cash flow used in operations	**-4,983**	**-1,094**	**-3,734**	**-5,297**	**-3,701**
Investment activity					
Investment in oil and gas properties	-4,962	-2,442	-9,797	-2,780	-12,538
Investment in other fixed assets	-9	-5	-99	-83	-158
Cash flow used for investment activity	**-4,971**	**-2,447**	**-9,896**	**-2,863**	**-12,696**
Financing activity					
Share issue	–	–	69,005	-312	68,263
Cash flow from financing activity	**–**	**–**	**69,005**	**-312**	**68,263**
Period cash flow	**-9,954**	**-3,541**	**55,374**	**-8,472**	**51,866**
Cash and bank and cash equivalents at the beginning of the period*	54,037	47,625	2,171	66,017	2,171
Cash and bank and cash equivalents at the end of the period*	44,083	44,084	57,545	57,545	54,037

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

Parent company income statement condensed

TSEK	1 Jan 2005 – 30 Sep 2005 9 months	1 Jul 2005 – 30 Sep 2005 3 months	1 Jan 2004 – 30 Sep 2004 9 months	1 Jul 2004 – 30 Sep 2004 3 months	1 Jan 2004 – 31 Dec 2004 12 months
Net sales of oil and gas	–	–	–	–	–
Depletion of oil and gas properties	–	–	–	–	–
Write off of oil and gas properties	–	–	–	–	–
Other income	2,008	692	–	–	1,472
Administration and depreciation	-4,834	-1,645	-3,469	-1,094	-5,375
Operating result	**-2,827**	**-954**	**-3,469**	**-1,094**	**-3,903**
Interest income and similar items	1,000	203	427	405	948
Interest expenses	-83	-21	–	–	-16
Write down of shares in group company	-9,218	-8,783	–	–	–
Net financial income	**-8,301**	**-8,601**	**427**	**405**	**933**
Result before tax	**-11,128**	**-9,555**	**-3,042**	**-689**	**-2,970**
Tax	–	–	–	–	–
Net result	**-11,128**	**-9,555**	**-3,042**	**-689**	**-2,970**
Number of shares outstanding	4,384,800	4,384,800	4,384,800	4,384,800	4,384,800
Number of shares outstanding (after full dilution)	4,384,800	4,384,800	4,384,800	4,384,800	4,384,800
Weighted number of shares*	4,384,800	4,384,800	3,479,352	4,384,800	3,705,094
Earnings per share, SEK*	-2.54	-2.18	-0.87	-0.16	-0.80
Earnings per share (after full dilution), SEK*	-2.54	-2.18	-0.87	-0.16	-0.80

** As of the balance sheet date, Tethys Oil had no convertible bonds, options or other instruments which may cause dilution. Tethys Oil conducted, during the first quarter of 2004, a share split of 2:1. Historic numbers of shares and share related data have been adjusted accordingly. The number of shares at 30 September 2005 includes new shares from the share issue, which were registered 1 April 2004. For the weighted average number of shares calculation they were included as from 26 March 2004.*

Parent company balance sheet condensed

TSEK	30 Sep 2005	30 Sep 2004	31 Dec 2004
ASSETS			
Total tangible fixed assets	144	124	158
Total financial fixed assets	14,628	12,196	12,196
Total current assets	43,742	59,091	57,993
TOTAL ASSETS	**58,515**	**71,411**	**70,346**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	57,707	69,505	68,835
Total current liabilities	808	1,906	1,511
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**58,515**	**71,411**	**70,346**
Pledged assets*	780	–	–
Contingent liabilities	–	2,452	–

** Pledged assets of TSEK 780 regard a bank guarantee for operations in Morocco of TUSD 100.*

Statement of changes in equity

Group

TSEK	Share capital	Share premium reserve	Retained earnings	Net result
Balance at 1 January 2004	750	4,250	-567	-891
Transfer of prior year net result	–	–	-891	891
Share issue	1,442	73,562	–	–
Issue costs	–	6,741	–	–
Net result	–	–	–	-5,062
Balance at 1 January 2005	2,192	71,071	-1,458	-5,062
Transfer of prior year net result	–	–	-5,062	5,062
Period result first quarter 2005	–	–	–	-1,147
Period result second quarter 2005	–	–	–	-9,749
Period result third quarter 2005	–	–	–	-1,570
Balance at 30 September 2005	**2,192**	**71,071**	**-6,520**	**-12,466**

ParentCompany

TSEK	Share capital	Share premium reserve	Retained Earnings	Net result
Balance at 1 January 2004	750	4,250	-567	-891
Transfer of prior year net result	–	–	-891	891
Share issue	1,442	73,562	–	–
Issue costs	–	6,741	–	–
Net result	–	–	–	-2,970
Balance at 1 January 2005	2,192	71,071	-1,458	-2,970
Transfer of prior year net result	–	–	-2,970	2,970
Period result first quarter 2005	–	–	–	-1,136
Period result second quarter 2005	–	–	–	-437
Period result third quarter 2005	–	–	–	-9,555
Balance at 30 September 2005	**2,192**	**71,071**	**-4,428**	**-11,128**

Key ratios

Group

	1 Jan 2005 – 30 Sep 2005 9 months	1 Jul 2005 – 30 Sep 2005 3 months	1 Jan 2004 – 30 Sep 2004 9 months	1 Jul 2004 – 30 Sep 2004 3 months	1 Jan 2004 – 31 Dec 2004 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	-13,030	-1,662	-3,469	-1,094	-5,810
Operating margin, %	Neg.	Neg.	Neg.	Neg.	Neg.
Result before tax, TSEK	-12,466	-1,570	-3,042	-689	-5,062
Net result, TSEK	-12,466	-1,570	-3,042	-689	-5,062
Net margin, %	Neg.	Neg.	Neg.	Neg.	Neg.
Shareholders' equity, TSEK	54,277	54,277	69,505	69,505	66,743
Balance sheet total, TSEK	55,153	55,153	71,411	71,411	69,102
Capital structure					
Solvency, %	98.41%	98.41%	97.33%	97.33%	96.59%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	98.41%	98.41%	97.33%	97.33%	96.59%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	4,971	2,447	9,896	2,863	12,696
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	3.15	3.44	2.30	3.00	2.50
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	4,385	4,385	4,385	4,385	4,385
Shareholders' equity per share, SEK	12.38	12.38	15.85	15.85	15.22
Weighted number of shares on balance day, thousands*	4,385	4,385	3,476	4,385	3,705
Earnings per share, SEK*	-2.84	-0.36	-0.87	-0.16	-1.37

** As of the balance sheet date, Tethys Oil had no convertible bonds, options or other instruments which may cause dilution. Tethys Oil conducted, during the first quarter of 2004, a share split of 2:1. Historic numbers of shares and share related data have been adjusted accordingly. The number of shares at 30 September 2005 includes new shares from the share issue, which were registered 1 April 2004. For the weighted average number of shares calculation they were included as from 26 March 2004.*

Definitions of key ratios

Margins

Gross margin
Operating result before depreciation as a percentage of yearly turnover.

Operating margin
Operating result as a percentage of yearly turnover.

Net margin
Net result as a percentage of yearly turnover.

Capital structure

Solvency
Shareholders' equity as a percentage of total assets.

Leverage ratio
Interest bearing liabilities as a percentage of shareholders' equity.

Adjusted equity ratio
Shareholders' equity plus untaxed reserves as a percentage of total assets.

Interest coverage ratio
Result before taxes plus financial costs as a percentage of financial costs.

Investments
Total investments during the year.

Profitability

Return on shareholders' equity
Net result as percentage of shareholders' equity.

Return on capital employed
Net result as a percentage of average capital employed (total assets minus non interests-bearing liabilities plus allocations).

Other

Number of employees
Average number of employees full-time.

Dividend per share
Dividend divided by the number of outstanding shares.

Cash flow used in operations per share
Cash flow used in operations divided by the number of outstanding shares.

Shareholders' equity per share
Shareholders' equity divided by number of outstanding shares.

Weighted numbers of shares
Weighted number of shares during the year.

Earnings per share
Net result divided by number of outstanding shares.

Financial information

The Company plans to publish the following financial reports:

Year end report (January - December 2005) on 15 February 2006
Three months report (January - March 2006) on 4 May 2006
Six months report (January - June 2006) on 15 August 2006
Nine months report (January - September 2006) on 31 October 2006

Stockholm, 3 November 2005

Magnus Nordin
Managing Director

Auditors review report

I have reviewed the nine months interim report ended 30 September 2005 for Tethys Oil AB (publ). I conducted my review in accordance with the recommendation issued by FAR.

A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my review, nothing has come to my attention that causes me to believe that the interim report does not comply with the requirements for interim reports in the Annual Accounts Act and IAS 34.

Stockholm, 3 November 2005

Klas Brand
Authorized Public Accountant
PricewaterhouseCoopers AB

Definitions and abbreviations

General

AGM	Annual General Meeting
EGM	Extraordinary General Meeting
IPO	Initial Public Offering
SEK	Swedish krona
TSEK	Thousands of Swedish kronor
USD	US dollar
CHF	Swiss francs
TUSD	Thousands of US dollars
TCHF	Thousands of Swiss francs
MUSD	Million US dollars

Petroleum related abbreviations and definitions

BBL	Barrel
BBLS	Barrels
BCF	Billion cubic feet
BOE	Barrels of oil equivalents
BOEPD	Barrels of oil equivalents per day
BOPD	Barrels of oil per day
MBBL	Thousand barrels (in Latin mille)
MMBO	Million barrels of oil
MMBOE	Million barrels of oil equivalents
MMBOEPD	Million barrels of oil per day
CF	Cubic feet
MCF	Thousand cubic feet
MCFPD	Thousand cubic feet per day
MMCF	Million cubic feet

Industry specific terms

Barrel
1 barrel = 159 liters.
1cubic foot = 0.028 m3

Basin
Basin is a depression of large size in which sediments have accumulated.

Farm-in
A joint-venture agreement between companies whereby one company holds the license and the other company joins them by taking a working interest in the license.

Hydrocarbons
Naturally occurring organic substances composed of hydrogen and carbon. They include crude oil, natural gas and natural gas condensate.

License
Company is granted rights to a concession and bears the cost of exploration and development, in return for paying to the government license fees and royalties on production.

Paying interest
Paying interest is the cost-bearing interest arising out of the obligation to bear initial exploration, appraisal and development costs on behalf of a partner.

Probable reserves
Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

Proved reserves
Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorized as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimates.

Seismic
Seismic is a method of geophysical prospecting involving the interaction of sound waves and buried sedimentary rock layers.

Working interest
The actual interest owned by a party.

TETHYS OIL

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