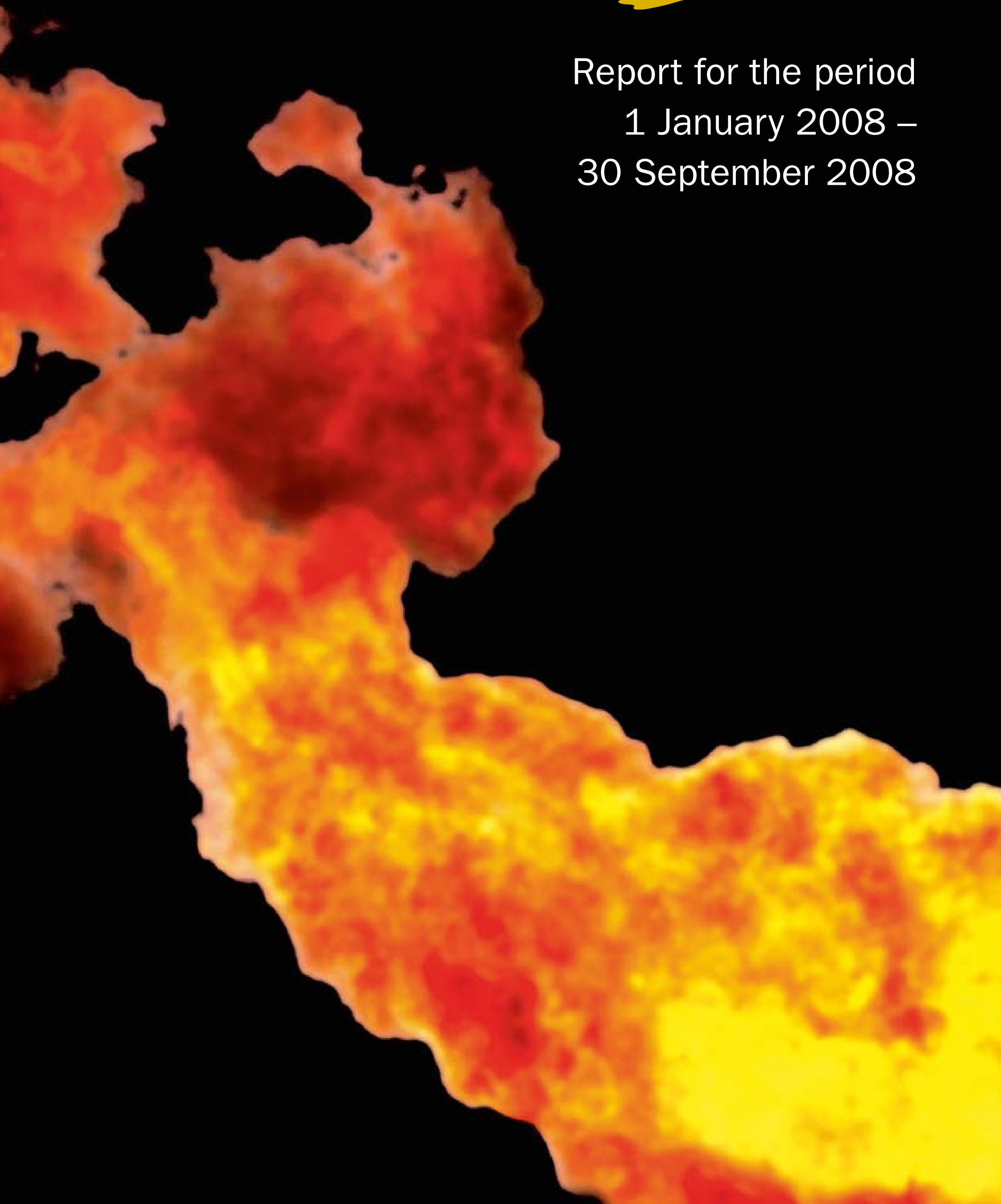
TETHYS OIL

Report for the period 1 January 2008 – 30 September 2008



Highlights

- Successful 3D seismic acquisition in Block 15 onshore Oman completed
- No production flow from Copkoy-1 exploration well in Turkey
- JAS-2 drilled to total depth of 4,018 metres – suspended awaiting production test
- Upcoming spud of Tafejjart-1 in Morocco
- As at 30 September 2008 there have been no sales of oil and gas in Tethys Oil, nor for the equivalent period of last year
- Result for the first nine months 2008 amounted to TSEK -3,759 (TSEK -22,381 for the corresponding period last year) and TSEK 4,872 (TSEK -3,755) for the third quarter. The loss for the first nine months 2008 has been significantly impacted by net foreign exchange gains amounting to TSEK 2,919 due to the strengthened US dollar. The majority of these exchange rate gains are translation differences and are therefore non cash related items
- Earnings per share amounted to SEK -0.17 (SEK -1.23) for the first nine months 2008 and SEK 0.20 (SEK -0.21) for the third quarter
- Cash and cash equivalents as per 30 September 2008 amounted to TSEK 66,991 (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,

The third quarter 2008 was a turbulent quarter for the financial markets globally. The turmoil also spread to the oil and gas markets, and world oil prices have fallen dramatically from record levels seen this summer. In this quarter, Tethys announced a delay in our activities on the Jebel Aswad structure on Block 15 in Oman. We also informed that the Copkoy-1 exploration well in the Thrace Basin in Turkey did not show any production flows when tested in late October.

All in all, Tethys has had better quarters. However, the result of the Turkish well is naturally a disappointment albeit, a minor one. And the Omani delay on Block 15 is just that – a delay. We are in the meanwhile busy processing the 3D seismic that was successfully acquired over the Jebel Aswad structure on Block 15 late in the third quarter. The 3D seismic data is of high quality and will provide us with new important insights for the planning and the designing of the continued work programme. In addition, we also look forward to a comprehensive work programme on Blocks 3 and 4.

And let us not forget that we now have about the same oil price as we had when we acquired our first licence asset in Oman. We should also remember that oil prices have always been volatile and we are likely to see prices both below and above today's price. There is also strong evidence suggesting that average oil prices over time will increase strongly. Couple that with relatively stable local gas prices in Oman, and we feel no need to diminish our hopes and expectations for our Omani licenses!

Oman is now our undisputed core area! With the aim to reaching production on at least one of our blocks during next year, we are evaluating the prospects on all three Omani licences in order to identify the one's we could fast-track for production.

The falling oil price is not necessarily bad, especially for an exploration company. The cost inflation on service companies has been broken. Upcoming activities in Oman, like drilling, seismic acquisition or field development, is likely to cost less.

So stay with us.

Good things come to those who wait,

Stockholm in November 2008

Magnus Nordin
Managing Director

Vincent Hamilton
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 Sep 2008, TSEK	Investments 1 Jul–30 Sep 2008, TSEK	Book value 30 Sep 2008, TSEK
Oman	Block 15 Block 3&4	40% 50%	1,389 33,125	Tethys Oil CCED	32,139	20,553	100,178
Morocco	Bouanane	12.5%[1]	2,100	Dana Petroleum	779	9	1,750
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 OGSSA OGSSA	2,663	20	4,018
Turkey	Ispandika Thrace	10% 25%	965 994	Aladdin Middle East Aladdin Middle East	2,556	2,442	7,170
France	Attila	40%	1,986	Galli Coz	4,531	9	13,375
Sweden	Gotland Större	100%	540	Tethys Oil	85	4	344
New ventures					20	20	43
Total			**41,907**		**42,774**	**23,056**	**126,879**

[1] *Tethys Oil has a 12.5 per cent interest in the licence. According to the farm-in agreement with Dana Petroleum, 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

Tethys spudded in June the Jebel Aswad-2 (JAS-2) well on Block 15, onshore Oman. JAS-2 is a step out well 1.2 km from the original Jebel Aswad-1 (JAS-1) well that was re-entered last year. The target for JAS-2 was the hydrocarbon producing Natih A reservoir on the southeastern part of the structure.

By 20 August, 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 were 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 than that achieved in JAS-1.

The Drilling rig was returned to Oilex on 26 August and stimulating and testing of JAS-2 commenced on 5 September, 2008 using a coiled tubing unit. Ten days later, the testing was suspended. Results from the well tests suggest that a water producing fault has been crossed at 3,953 metres, close to the end of the well. Three attempts to seal this fault with tubing packers proved unsuccessful. No free hydrocarbons were produced during the test. The return of a drilling rig will be required to work over the well and to seal off the water producing fault.

In October, a 3D seismic acquisition programme over the Jebel Aswad structure was successfully completed and processing started. The survey was conducted by Chinese seismic contractor BGP Oil and Gas Services. A total of 285 km² of 3D seismic data was collected covering the entire hydrocarbon bearing Jebel Aswad structure. The data is of very high quality and should, when processed and interpreted, offer very valuable information for the development of Jebel Aswad. Processing will be done by specialist firm Hardin International of Dallas, Texas, and is expected to be completed during December 2008.

Previous activity in 2008 has included an additional comprehensive programme of flow and pressure tests and collection of gas and oil samples from the JAS-1 well.

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 2008 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 is negotiating a drilling rig contract to drill two wells on South Farha and East Saiwan respectively.

France

The exploration well Pierre Maubeuge 2 (PLM-2) on the Attila licence in France proved the presence of gas during the drilling in autumn 2007. Wireline logging confirmed the indications of gas while drilling. In July 2008, well completion and production tests were conducted on the well. Both hydrochloric acid and nitrogen injections were used in order to help the well clean-up but no flow appeared. Before the test crew left the site, a final bleed-off test was done. During this test, a flare could be ignited. On August 1, operations were finished and the well was suspended. The result was disappointing and lowered the overall expectations on the well. However, it is possible that horizontal drilling or other completion techniques 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.

Morocco

A drilling rig contract for the drilling of the Tafejjart-1 exploration well on the Bouanane licence onshore Morocco was entered into by the operator Dana Petroleum on behalf of the partner group. The rig is currently drilling a well for another operator in Morocco. When this well is finished, the rig will be mobilized to Bouanane. 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

In the beginning on September, the drilling of the Copkoy-1 exploration well in the Thrace Basin commenced. The well was drilled on an anticlinal structure that was identified on 2D seismic acquired in 2007. Two sandstone reservoirs of Tertiary age were the drilling targets. In mid October, the well reached its final depth of 1,447 metres. It was tested at three intervals that showed gas while drilling. The deepest zone, at 1,332–1,349 metres, produced gas to surface and burned with a 2 meter flare. However, the flow quickly subsided and the test was abandoned. Further tests of the other two shallower zones were less successful and produced no flow of gas to surface.

As a result of these tests, the well has been plugged and abandoned. A thorough post-drilling analysis will be done of all the data from the well in cooperation with the operator Aladdin.

Ispandika

No ground work has been carried out since the first quarter 2007 due to the security situation in the region.

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 operator of the licenses has conducted a re-interpretation of the exploration licenses. The study included a review and assess of all available area seismic. Well information and existing discoveries were also studied to develop an integrated geoscience and reservoir model. The assessment also included an identification of all exploration and development prospects with relative chance of success and probable volumetrics. The result of the re-interpretation will be evaluated in order to identify the highest potential prospects for further exploration activities.

The Cameros Project

The main focus on the Cameros project is a large natural gas prospect that has been identified. An environmental impact study has been completed and submitted to the government for review.

Sweden

Gotland

Tethys has in 2008 conducted a comprehensive study of existing data and a database has been created. The interpretation of new satellite radar 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 continues.

Potential licence areas – Latvia

Tethys Oil has an option to acquire an 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 nine month period ended 30 September 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.

Result for the period and sales

Tethys Oil reports a result for the first nine months 2008 of TSEK -3,759 (TSEK -22,381 for comparative period last year) and TSEK 4,872 (TSEK -3,755) for the third quarter, representing earnings per share of SEK -0.17 (SEK -1.23) for the first nine months 2008 and SEK 0.20 (SEK -0.21) for the third quarter.

The loss for the first nine months 2008 has been significantly impacted by net foreign exchange gains. The positive result of the third quarter is also explained by the net foreign exchange gains. The currency exchange effect of the group amounts to TSEK 2,919 for the nine month period and TSEK 5,435 for the third quarter and the majority of the effect relates to the strengthened US dollar in relation to the Swedish krona. The background to this is that the majority of Tethys Oil's assets relates to Oman and Block 15 which are held through the subsidiary Tethys Oil Oman Ltd and is financed through an intercompany loan from the parent company denominated in US dollar. These currency translation differences between the parent company and subsidiaries are non cash related items. The currency exchange gain effect is part of net financial income amounting to TSEK 3,998 for the first nine months 2008 and TSEK 6,514 for the third quarter. Apart from net currency exchange gains, net financial income consists of net interest received and return on short term investments of TSEK 1,080 for the first nine months 2008 and TSEK 1,080 for the third quarter.

Write downs of oil and gas properties of TSEK 100 has negatively affected the result of the first nine months 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 nine months of 2008 amounted to TSEK -6,643 (TSEK -6,038).

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

Other income, administrative expenses

Administrative expenses amounted to TSEK -10,190 (TSEK -8,097) for the first nine months 2008 and TSEK -2,810 (TSEK -3,103) for the third quarter. Depreciation amounted to TSEK 88 (TSEK 63) during the first nine months 2008 and TSEK 27 (TSEK 21) during the third 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 nine months 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 September 2008 amounted to TSEK 126,879 (TSEK 76,932). Investments in oil and gas properties of TSEK 42,774 (TSEK 29,480) were incurred for the nine month period ending 30 September 2008. Investments in oil and gas properties in Oman of TSEK 32,139 have mainly been related to Block 15 for the planning, preparation and drilling of the Jebel Aswad-2 well. After completing the Jebel Aswad-2 well the testing was suspended due to a water producing fault close to the end of the well. Tethys Oil will have to source a rig to be able to complete the testing. In France, Tethys Oil has invested TSEK 4,531 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, pending the ongoing technical review. In Turkey, Tethys Oil participated in an exploration well in Thrace. Investments have amounted to TSEK 2,556 relating to this well. The Copcoy well spudded in September and reached total depth in mid October. The well was plugged and abandoned and a post drilling analysis will be carried out. Other investments have been in Spain of TSEK 2,663 relating to the Sedano project and were made in the beginning of the year. 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 779 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 gains of TSEK 3,398 during the first nine months 2008, 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 cash equivalents as at 30 September 2008 amounted to TSEK 66,991 (TSEK 12,252) of which cash and bank amounted to TSEK 36,015 (TSEK 12,252) and short term investments amounted to TSEK 30,977 (TSEK –). Short term investments are investments in money market funds.

At the beginning of 2008 Tethys Oil received proceeds 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 4,979. 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 1,678 (TSEK 15,777) as at 30 September 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 September 2008 amounted to TSEK 11,496 (TSEK 2,390), of which TSEK 368 (TSEK 1,251) relates to accounts payable, TSEK 6,864 (TSEK 733) relates to other current liabilities and TSEK 4,263 (TSEK 406) relates to accrued expenses. The high level of other current liabilities and accrued expenses relate to investments in Oman, both Block 15 and Blocks 3&4.

Parent company

The parent company reports a profit for the first nine months 2008 amounting to TSEK 1,572 (TSEK -20,798) and TSEK 6,384 (TSEK -17,165) for the third quarter. Administrative expenses amounted to TSEK -6,166 (TSEK -6,122) for the first nine months 2008 and TSEK -1,530 (TSEK -2,355) for the third quarter. Net financial income amounted to TSEK 6,596 (TSEK -17,286) during the first nine months 2008 and TSEK 7,464 (TSEK -15,763) for the third quarter. The strengthened US dollar has had a significantly positive impact on net financial income. The exchange rate gains regard translation differences and are non cash related. Investments during the first nine months 2008 amounted to TSEK 38,938 (TSEK 4,459). Investments are mainly financial loans to subsidiaries for their oil and gas operations. The turnover in the parent company relates to chargeouts of services to subsidiaries.

Board of Directors

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

Share data

As per 30 September 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 dated 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 nine month period and three month period ended 30 September were below the exercise price which is why the related numbers of shares are not included in the fully diluted number of shares.

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 17.

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 Sep 2008 9 months	1 Jul 2008– 30 Sep 2008 3 months	1 Jan 2007– 30 Sep 2007 9 months	1 Jul 2007– 30 Sep 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	–	-16,280	-281	-16,220
Other income	2,823	1,457	2,272	375	3,195
Other losses/gains, net	-284	-290	–	–	55
Administrative expenses	-10,190	-2,810	-8,097	-3,103	-10,563
Operating result	**-7,751**	**-1,643**	**-22,105**	**-3,009**	**-23,533**
Financial income and similar items	4,114	4,097	1,202	88	417
Financial expenses and similar items	-115	2,418	-1,479	-834	-1,587
Net financial income	**3,998**	**6,514**	**-276**	**-746**	**-1,170**
Result before tax	**-3,752**	**4,872**	**-22,381**	**-3,755**	**-24,704**
Income tax	-7	–	–	–	-17
Result for the period	**-3,759**	**4,872**	**-22,381**	**-3,755**	**-24,721**
Number of shares outstanding*	23,978,286	23,978,286	18,125,280	18,125,280	19,178,286
Number of shares outstanding (after dilution)*	23,978,286	23,978,286	18,125,280	18,125,280	19,178,286
Weighted number of shares*	22,228,651	23,978,286	18,125,280	18,125,280	17,591,889
Earnings per share, SEK*	-0.17	0.20	-1.23	-0.21	-1.41
Earnings per share (after dilution), SEK*	-0.17	0.20	-1.23	-0.21	-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 Sep 2008	31 Dec 2007
ASSETS		
Fixed assets		
Oil and gas properties	126,879	76,932
Office equipment	243	308
Total fixed assets	**127,122**	**77,240**
Current assets		
Other receivables	1,678	15,777
Prepaid expenses	2,060	316
Short term investments	30,977	–
Cash and bank	36,015	12,252
Total current assets	**70,729**	**28,346**
TOTAL ASSETS	**197,852**	**105,586**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	3,996	3,196
Additional paid in capital	262,972	177,555
Other reserves	-1,479	-2,182
Retained earnings	-79,133	-75,374
Total shareholders' equity	**186,356**	**103,196**
Non interest bearing current liabilities		
Accounts payable	368	1,251
Other current liabilities	6,864	733
Accrued expenses	4,263	406
Total non interest bearing current liabilities	**11,496**	**2,390**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**197,852**	**105,586**
Pledged assets	500	500
Contingent liabilities	37,381	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 recognised 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	–	–	703	–	703
Total income and expenses recognised directly in equity	**–**	**–**	**703**	**–**	**703**
Loss for the first quarter 2008	–	–	–	-5,458	-5,458
Loss for the second quarter 2008	–	–	–	-3,173	-3,173
Result for the third quarter 2008	–	–	–	4,872	4,872
Issue costs set off issue	–	-107	–	–	-107
Private placement	800	90,400	–	–	91,200
Issue costs private placement	–	-4,585	–	–	-4,585
Issue costs warrant issue	–	-291	–	–	-291
Closing balance at 30 September 2008	**3,996**	**262,972**	**-1,479**	**-79,133**	**186,356**

Consolidated cash flow statement

TSEK	1 Jan 2008– 30 Sep 2008 9 months	1 Jul 2008– 30 Sep 2008 3 months	1 Jan 2007– 30 Sep 2007 9 months	1 Jul 2007– 30 Sep 2007 3 months	1 Jan 2007– 31 Dec 2007 12 months
Cash flow from operations					
Operating result	-7,751	-1,643	-22,105	-3,009	-23,532
Interest received	1,004	1,003	1,202	88	374
Interest paid	-1	–	-1,479	-834	–
Income tax	-7	–	–	–	-17
Adjustment for write down of oil and gas properties	100	–	16,280	281	16,220
Adjustment for depreciation and other non cash related items	12	-49	63	21	-1,461
Total cash flow used in operations before change in working capital	**-6,643**	**-689**	**-6,038**	**-3,452**	**-8,416**
Decrease/increase in receivables	12,355	-3,464	7,990	5,333	13,408
Decrease/increase in liabilities	5,158	846	-15,764	-1,362	-21,363
Cash flow used in operations	**10,870**	**-3,307**	**-13,812**	**518**	**-16,371**
Investment activity					
Investment in oil and gas properties	-42,774	-23,056	-35,939	-7,883	-51,481
Investment in other fixed assets	-23	-31	-100	–	-284
Cash flow used for investment activity	**-42,797**	**-23,087**	**-36,039**	**-7,883**	**-51,765**
Financing activity					
Share issue, net after issue costs	86,217	-32	15,664	15,871	22,267
Return on short term investments	77	77	–	–	43
Cash flow from financing activity	**86,294**	**45**	**15,664**	**15,871**	**22,310**
Period cash flow	**54,366**	**-26,349**	**-34,187**	**8,507**	**-45,827**
Cash and cash equivalents at the beginning of the period	12,252	92,903	58,085	15,391	58,085
Exchange gains/losses on cash and cash equivalents	379	443	–	–	-5
Cash and cash equivalents at the end of the period	66,991	66,991	23,898	23,898	12,252

Parent company income statement condensed

TSEK	1 Jan 2008– 30 Sep 2008 9 months	1 Jul 2008– 30 Sep 2008 3 months	1 Jan 2007– 30 Sep 2007 9 months	1 Jul 2007– 30 Sep 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	1,316	670	2,610	953	2,923
Other losses/gains, net	-174	-220	–	–	306
Administrative expenses	-6,166	-1,530	-6,122	-2,355	-7,225
Operating result	**-5,024**	**-1,080**	**-3,511**	**-1,402**	**-3,996**
Financial income and similar items	6,632	5,045	2,894	862	3,145
Financial expenses and similar items	-36	2,419	-429	-14	-1,587
Write down of shares in group company	–	–	-19,752	-16,611	-20,119
Net financial income	**6,596**	**7,464**	**-17,286**	**-15,763**	**-18,561**
Result before tax	**1,572**	**6,384**	**-20,798**	**-17,165**	**-22,558**
Income tax	–	–	–	–	–
Result for the period	**1,572**	**6,384**	**-20,798**	**-17,165**	**-22,558**
Number of shares outstanding*	23,978,286	23,978,286	18,125,280	18,125,280	19,178,286
Number of shares outstanding (after dilution)*	23,978,286	23,978,286	18,125,280	18,125,280	19,178,286
Weighted number of shares*	22,228,651	23,978,286	18,125,280	18,125,280	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 Sep 2008	31 Dec 2007
ASSETS		
Subscribed capital unpaid	–	12,656
Total fixed assets	22,355	13,090
Total financial fixed assets	115,166	79,093
Total current assets	67,867	10,341
TOTAL ASSETS	**205,388**	**115,179**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	200,985	113,197
Total non interest bearing current liabilities	4,403	1,982
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**205,388**	**115,179**
Pledged assets	500	500
Contingent liabilities	37,111	36,245

Parent company statement of changes in equity

TSEK	Restricted equity Share capital	Restricted equity Statutory reserve	Non restricted equity Share premium reserve	Non restricted equity Retained earnings	Non restricted equity 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
Result for the third quarter 2008	–	–	–	–	6,384	6,384
	3,196	**71,071**	**106,484**	**-67,555**	**1,572**	**114,768**
Issue costs set off issue	–	–	-107	–	–	-107
Private placement	800	–	90,400	–	–	91,200
Issue costs	–	–	-4,585	–	–	-4,585
Issue costs warrants issue	–	–	-291	–	–	-291
Closing balance at 30 September 2008	**3,996**	**71,071**	**191,901**	**-67,555**	**1,572**	**200,985**

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 nine months report 2008 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The nine months 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 Sep 2008, TSEK	Write downs 1 Jan–30 Sep 2008, TSEK	Book value 30 Sep 2008, TSEK
Oman	26,700	36,213	–	60,746	60,746	32,139	–	100,178[1]
Morocco	2,912	-1,941[2]	–	971	971	779	–	1,750
Spain	1,878	418	-9,269	1,455	1,455	2,663	-100	4,018
Turkey	1,270	3,047	–	4,614	4,614	2,556	–	7,170
France	1,033	7,810	–	8,844	8,844	4,531	–	13,375
Sweden	–	259	–	259	259	85	–	344
New ventures	612	439	-1,028	23	23	20	–	43
Total	**35,072**	**51,481**	**-16,220**	**76,932**	**76,932**	**42,774**	**-100**	**126,879**

[1] *The book value of oil and gas properties include currency exchange gains of TSEK 3,398 during the first nine months 2008, which are not cash related items and therefore not included in investments. For more information please see above Result 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 Sep 2008 9 months**	**1 Jul 2008–30 Sep 2008 3 months**	**1 Jan 2007–31 Dec 2007 12 months**	**1 Jan 2008–30 Sep 2008 9 months**	**1 Jul 2008–30 Sep 2008 3 months**	**1 Jan 2007–31 Dec 2007 12 months**
Investments in oil and gas properties						
Opening balance	124,518	144,235	66,459	12,782	12,901	–
Investments in Denmark	–	–	5,236	–	–	–
Investments in France	4,531	9	7,810	–	–	–
Investments in Morocco	779	9	-1,941	–	–	–
Investments in Oman	32,139	20,553	36,213	5,230	5,111	12,782
Investments in Spain	2,663	20	418	–	–	–
Investments in Turkey	2,556	2,442	3,047	–	–	–
Investments in Sweden	85	4	259			–
Other investments in oil and gas properties	20	20	439	–	–	–
Closing balance	167,291	167,291	117,940	18,012	18,012	12,782
Reclassification of assets	7,273	7,273	6,578	3,876	3,876	–
Depletion						
Depletion	–	–	–	–	–	–
Write down						
Opening balance	47,586	47,686	31,366	–	–	–
Write down	100	–	16,220	–	–	–
Closing balance	47,686	47,686	47,586	–	–	–
Net book value	**126,879**	**126,879**	**76,932**	**22,128**	**22,128**	**12,782**

Note 3) Other income

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

Note 4) Shareholders' equity

As per 30 September 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 dated 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 nine month period and three month period ended 30 September were below the exercise price which is why the related numbers of shares are not included in the fully diluted number of shares.

Note 5) Contingent liabilities

The contingent liabilities as per 30 September 2008 amount to TSEK 37,381 (TSEK 36,509). The contingent liabilities mainly regard Blocks 3&4 where Tethys Oil has a work commitment, the fulfilment of which is estimated to cost MUSD 5.5. The difference between contingent liabilities 30 September 2008 and 31 December 2007 relate to currency exchange differences.

Key ratios

Group

TSEK	1 Jan 2008– 30 Sep 2008 9 months	1 Jul 2008– 30 Sep 2008 3 months	1 Jan 2007– 30 Sep 2007 9 months	1 Jul 2007– 30 Sep 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	-7,751	-1,643	-22,105	-3,009	-23,533
Operating margin, %	neg.	neg.	neg.	neg.	neg.
Result before tax, TSEK	-3,752	4,872	-22,381	-3,755	-24,704
Net result, TSEK	-3,759	4,872	-22,381	-3,755	-24,721
Net margin, %	neg.	neg.	neg.	neg.	neg.
Shareholders' equity, TSEK	186,356	186,356	88,524	88,524	103,196
Balance sheet total, TSEK	197,852	197,852	96,513	96,513	105,586
Capital structure					
Solvency, %	94.19%	94.19%	91.72%	91.72%	97.74%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	94.19%	94.19%	91.72%	91.72%	97.74%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	42,797	23,087	36,039	7,882	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	18,125	18,125	19,178
Shareholders' equity per share, SEK	7.77	7.77	4.88	4.88	5.38
Weighted number of shares on balance day, thousands	22,229	23,978	18,125	18,125	17,592
Earnings per share, SEK	-0.17	0.20	-1.23	-0.21	-1.41
Earnings per share after dilution, SEK	-0.16	0.20	-1.23	-0.21	-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:

- Year end report 2008 (January – December 2008) on 19 February 2009
- Annual meeting is planned to be held in Stockholm on 20 May 2009
- Three month report 2009 (January – March 2009) on 20 May 2009
- Six month report 2009 (January – June 2009) on 20 August 2009
- Nine month report 2009 (January – September 2009) on 13 November 2009

Stockholm, 13 November 2008

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

Magnus Nordin
Managing Director

Review Report

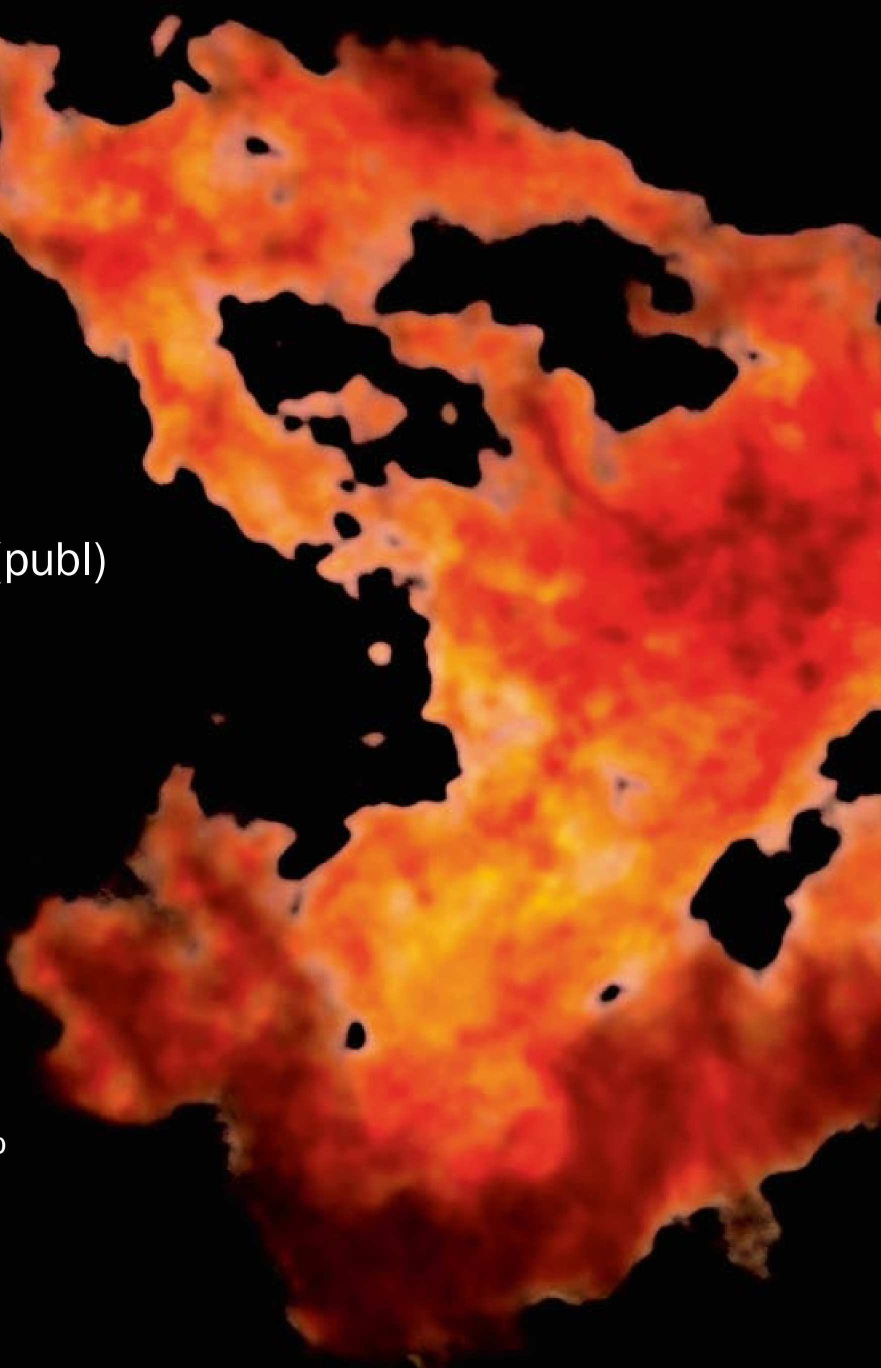
We have reviewed this report for the period 1 January 2008 to 30 September 2008 for Tethys Oil AB (publ). The board of directors and the managing director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Gothenburg, 13 November 2008

Klas Brand	Johan Rippe
Authorized Public Accountant	*Authorized Public Accountant*
PricewaterhouseCoopers AB	PricewaterhouseCoopers AB



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