Tethys Oil AB (publ)

Report for the period 1 January 2007 – 31 December 2007

HIGHLIGHTS

- **Oman – Jebel Aswad re-entry completed flowed 2,626 BOEPD on test**
- **France - participated in Pierre Maubeuge 2 exploration well - potential gas discovery to be tested in 2008**
- **Spain - participated in Hontomin 4 well – no hydrocarbons encountered**
- **Acquisition of 50 per cent interest of Block 3&4 onshore Oman**
- **Received exploration permit over northern part of Swedish Baltic island Gotland**
- **Proposed directed share issue primarily to investors in Asia and Middle East to be followed by secondary listing in Dubai**
- **As at 31 December 2007 there have been no sales of oil and gas in Tethys Oil, nor for the equivalent period of last year**
- **Loss for the full year 2007 amounted to TSEK – 24,721 (TSEK – 29,802 for the corresponding period last year) and TSEK – 2,340 (TSEK – 24,162) for the fourth quarter. Write downs of TSEK 16,220 have negatively affected the result of the full year 2007**
- **Earnings per share amounted to SEK – 4.22 (SEK – 5.83) for the full year 2007 and SEK – 0.40 (SEK – 4.21) for the fourth quarter**
- **Cash and cash equivalents as per 31 December 2007 amounted to TSEK 12,252 (TSEK 58,085). Oil and gas investments for the twelve month period ended 31 December 2007 amounted to TSEK 51,481, mainly in France and Oman**

Tethys Oil AB (publ)

Tethys Oil is a Swedish company focused on exploration for and production of oil and natural gas. Tethys Oil aims to maintain a well balanced portfolio of high risk/high reward exploration opportunities coupled with lower risk exploration and appraisal development assets. The company has interests in licences in Oman, Morocco, Spain, Turkey, Sweden and France. The shares are listed on First North (TETY) in Stockholm. Remium AB is Certified Adviser.

OPERATIONS

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

Country	Licence areas	Tethys Oil, %	Total area, km²	Operator	Investments 1 Jan-31 Dec 2007, TSEK	Investments 1 Oct-31 Dec 2007, TSEK	Book value 31 Dec 2007, TSEK
Oman	Block 15	40%	1,389	Tethys Oil	36,213	13,012	60,746
	Block 3&4	50%	33,125	Consolidated Contractors Company			
Denmark[1]	Licence 1/02	-	-	-	5,236	-60	-
	Licence 1/03	-	-	-			
Morocco	Bouanane	12.5%[2]	2,100	Dana Petroleum	-1,941	735	971
Spain	Valderredible	50%	241	Ascent Resources	418	231	1,455
	Huermeces	50%	121	Ascent Resources			
	Basconcillos	50%	194	Ascent Resources			
	Cameros	26%	35	SHESA			
	Ebro-A	26%	217	SHESA			
Turkey	Ispandika	10%	965	Aladdin Middle East	3,047	-61	4,614
	Thrace	25%	994	Aladdin Middle East			
France	Attila	40%[3]	1,986	Galli Coz	7,810	1,647	8,844
Sweden	Greater Gotland	100%	540	Tethys Oil	259	19	259
New ventures					439	17	23
Total			**41,907**		**51,481**	**15,542**	**76,932**

Oman
Block 15

The re-entry of Jebel Aswad was drilled with Tethys as Operator during the second quarter of 2007. The Jebel Aswad well was originally drilled in 1994 and encountered oil in two limestone intervals, the Natih and Shuaiba. The re-entry was designed to appraise both intervals and underbalanced drilling fluids were used in order to minimize damage to the reservoir and maximize production.

The testing of both limestone sections were completed in June. Both reservoirs produced hydrocarbons to surface. On testing the Natih flowed 11.03 mmscfpd and 793 bpd of 57 API condensate (total of 2,626 boepd) through a 1 inch choke. The Shuaiba could not be fully tested due to a faulty down hole motor, but Shuaiba produced wet gas during the underbalanced drilling.

Tethys' own preliminary in-house reserve estimate of the Natih 'A' reservoir indicates some 138 BCF of gas and some 7.0 MM barrels of condensate, of which Tethys' share of 40 per cent corresponds to 55 BCF and 2.8 MM

[1] Licence 1/02 and 1/03 were relinquished on 22 May 2007.

[2] Tethys has a 12.5 per cent interest in the licence. According to the farm-in agreement with Dana, Tethys is carried for seismic cost up to MUSD 5 and well costs up to MUSD 7. However, for expenditures exceeding these limits, Tethys Oil will pay 16 2/3 per cent of exceeding expenditures. The negative investments are explained by reimbursement of past costs following the Dana farm-in agreement.

[3] Tethys Oil paid 44 per cent of expenditures up to the exploration well drilled between third and fourth quarter 2007. Onwards, Tethys will pay its interest share of any future expenditure.

barrels of condensate. No hydrocarbon reserves were attributed to the underlying reservoirs, despite firm indications of hydrocarbons in these two separate reservoirs.

Tethys Oil also commissioned Helix RDS (UK) Ltd. to model the test results along with the original data from the 1995 test. In their study, they did not do an economic analysis for the profiles created and as such the recoverable hydrocarbon should be catalogued as resources. Following the Helix report, Tethys' share of 40 per cent before government take equates to:

Tethys Oil's share, 40%	**Low**	**Mid**	**High**
Gas Cumulative (BSCF)	5.54	52.26	174.40
Condensate cumulative(MMbbIs)	0.28	2.61	8.72
Tethys Oil's share expressed in million barrels of oil equivalents (MMBOE)	1.20	11.32	37.79

(Conversion factor: 1 boe = 6 MSCF)

In the fourth quarter 2007, oil service company MB Petroleum Services conducted additional well testing on the Jebel Aswad well. The testing involved a comprehensive programme of flow tests and collection of gas and oil samples.

A total of 13 surface samples, 4 down hole samples and over 240 litres of condensate have been collected for further analysis. Fluid samples have been sent for detailed laboratory analysis and the results are expected at the end of February. A higher condensate gas ratio (up to 25 per cent higher) was measured during the test. The data confirms the production results obtained in June 2007. Pressure gauges were also installed at the bottom of the hole for an extended pressure test, which was completed in January 2008.

The preparations of the preliminary field development plan continue. Engineering Firm WS Atkins have been contracted to design the field facilities. Al Safa Environmental Company have also been contracted to commence the environmental impact assessment for the field development.

A 3D seismic survey is currently being planned over the Jebel Aswad structure. Tenders for this have been sent out to seismic contractors and if availability allows, then the acquisition will be done later this year.

Block 3 and 4
During the last quarter of 2007, Tethys Oil's operations in Oman were significantly enlarged when the acquisition of Block 3 and 4 from Norwegian Energy Company affiliate Altinex was finalized. Tethys holds 50 per cent interest in the Blocks that cover a combined area of over 30,000 square kilometres onshore Oman. Tethys is through the acquisition now the second largest onshore land holder in Oman.

Block 3 contains the South Farha oil discovery with an estimated 4-6 million barrels of recoverable oil from thin sandstone layers. More than 30,000 kilometres of 2D seismic has been collected and 27 wells have been drilled on the Blocks, of which 18 wells have encountered oil shows. A large number of prospects have been identified on the blocks. The remaining 50 per cent of the Blocks is held by Consolidated Contractors, who is the operator.

In the third quarter 2007, Tethys announced the plans to apply for listing Dubai International Financial Exchange (DIFX). After the reporting period, Tethys called an Extraordinary General Meeting of Shareholders to approve the issuance of new shares and warrants. The aim with the issue is to broaden the capital base and to attract strategic investors within the sphere of the DIFX. The Dubai based brokerage house MAC Capital Limited has been appointed as advisor for the private placement and to act as sponsor for Tethys on DIFX. Tethys' secondary Listing on the DIFX is planned to be executed shortly after the closing of the placement.

France
After a comprehensive work programme at the Attila licence in France in 2006, which confirmed the prospectivity of the area, a decision to carry on with an exploration drilling of the Pierre Maubeuge 2 well (PLM-2) was taken. The construction of the drill site commenced during the summer and was completed in September 2007. The mobilization of the MR-7000 drilling rig from French contractor COFOR commenced on September 18, 2007.

After less than three weeks of drilling operations, the well was finalized in the last quarter 2007 at a depth of 1,310 metres. During the drilling gas shows were recorded in the Triassic formation. The well was subsequently logged and an 80 metre zone of gross pay was identified. Over this mainly limestone section, a total of 10.5 metres net natural gas pay was calculated.

This result is sufficiently promising, and a decision to carry out a production test was taken. Based on detailed analysis of the well logs, the PLM-2 well is expected to be able to produce gas to surface. Therefore the operator will run completion tubing in the well in anticipation of commercially viable production rates. The completion and subsequent testing will be done with a workover rig which is a smaller and less expensive rig than the one used for the exploration drilling. This test is now planned to be done in April or May 2008, depending on equipment availability.

Morocco

In June 2007, a Petroleum Agreement was formalized and signed between Tethys Oil, the Moroccan state oil and mining company, ONHYM, and partners Dana Petroleum and Eastern Petroleum for the Bouanane Exploration Permits.

According to the agreement, Dana is the Operator holding a 50 per cent interest in the licence, with Tethys and Eastern holding 12.5 per cent each. ONHYM has a carried 25 per cent interest. The Agreement is valid for a term of 8 years, divided into 3 periods. During the first period either 2D seismic needs to be acquired, or an exploration well needs to be drilled. Dana will pay all of Tethys' and Easterns' costs associated with the remaining exploration work planned to consist of seismic work up to MUSD 5 and the drilling of one exploration well up to MUSD 7. In addition Dana has reimbursed Tethys for expenditures associated with the licence so far including the seismic reprocessing and gravimetric study Tethys has conducted in the area.

Dana is currently checking for the availability of drilling rigs to mobilize to Morocco. The drilling of an exploration well could be carried out in late 2008 or early 2009.

Turkey

Thrace

A seismic survey acquiring about 100 kilometres of new 2D seismic data on the Trace licences in Turkey was conducted in the first and second quarter of 2007. A first processing and interpretation of the data was completed during the summer, which confirms the integrity of the prospect and the presence of a four way trap. Additional processing and interpretation was carried out on the seismic in order to identify a drilling location. According to plan, one exploration well targeting shallow natural gas will be drilled during the first half of 2008.

In June Tethys obtained 25 per cent in a third licence in Thrace, licence 4187, adjacent to the two previous licences. The licence covers 84 square kilometres and increases the total area of the Thrace project to 994 square kilometres.

Ispandika

Given the comparative shortage of seismic data, a shallow stratigraphic (geological research) well was drilled around the year end 2006 in order to gain a better knowledge of the near surface lithology in the area. Geological information gained from this well did not increase the knowledge of the area substantially. The security situation in the region has deteriorated, and no ground work has been carried out since the first quarter 2007.

Spain

The Sedano Project

With Ascent Resources as operator, the Hontomin-4 well on the Huermeces licence onshore Spain was completed in the second quarter 2007. The well was logged but no oil was encountered. The planned re-entry of the Tozo-1 well in the Basconcillos-H exploration permit has been postponed. In the end of 2007, Ascent sold its 50 per cent interest in the exploration licences to Leni Gas and Oil Plc.

The Cameros Project

The Cameros project, in the Ebro basin of northern Spain, is of interest for a large natural gas prospect that has been identified. When the government in February 2007 awarded the partner group the second licence Ebro-A, in an area surrounding the original licence Cameros-2, the total area of the Cameros project expanded to 252 square kilometres. An environmental impact study has now been completed over the area and an exploration well will be drilled. Future work remaining to be done now is detailed well planning and sourcing a suitable drilling rig.

Sweden

Gotland

In December, 2007, the Swedish Mining Inspector granted Tethys' application to explore for oil and gaseous hydrocarbons on the Swedish island of Gotland. The licence, called "Gotland Större" (Greater Gotland), covers an area of almost 540 square kilometres of the northern part of the Baltic island. The licence is valid for three years and is subject to customary conditions relating to work programme and environmental assessments.

Oil has previously been produced on Gotland, proving the existence of a viable petroleum system within the licence area. Production has occurred from Ordovician reef structures that can be traced along a trend line originating on the other side of the Baltic Sea and terminating on Gotland. A limited review of historic data suggests that only a limited number of the reeves present on Gotland have actually been mapped and drilled. It is Tethys' intention to conduct additional work based on historic data and supplemented by new technology such as modern gravimetry and radar technology, to further the understanding of the distribution of the reeves.

Potential licence areas –Latvia

In connection with the acquisition of Block 15 in Oman in 2006, Tethys Oil received options to acquire a 11 per cent interest in the Dunalka production licence onshore Latvia. The licence remains under review and the option covering that licence has been extended until 1 July 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 period ended 31 December 2007. The amounts relating to the comparative period (equivalent period of last year) are shown in [parenthesis] after the amount for the current period. Up until 31 December 2007, Tethys Oil has not reported any sales of oil and gas, which is why there is no segmental information below. Also due to the fact that there have been no sales in Tethys Oil, seasonal variations do not impact the result.

Loss for the period and sales

Tethys Oil reports a loss for the full year 2007 of TSEK – 24,721 (TSEK – 29,802 for last year) and TSEK – 2,340 (TSEK – 24,162) for the fourth quarter, representing earnings per share of SEK – 4.22 (SEK – 5.83) for the full year 2007 and SEK – 0.40 (SEK – 4.21) for the fourth quarter. Write downs of oil and gas properties of TSEK 16,220 has negatively affected the result of the full year 2007. TSEK 9,269 of the write downs regards previous investments in the well Hontomin on the Huermeces licence in Spain which was drilled between first and second quarter and where no oil was encountered. Also part of the write downs are previous investments in licence 1/02 and 1/03 in Denmark where the two licences have been relinquished. Cash flow used in operations before changes in working capital during the full year 2007 amounted to TSEK – 8,372 (TSEK – 7,129) and TSEK – 2,334 (TSEK – 1,763) for the fourth quarter.

The loss for the full year 2007 has not been significantly impacted by net foreign exchange losses or gains.

Tethys Oil has not recorded any sales or production of oil and gas for the twelve month period that ended 31 December 2007. Accordingly, there has been no depletion of oil and gas properties.

Other income, administrative expenses

Administrative expenses including depreciation amounted to TSEK – 10,563 (TSEK – 9,000) for the full year 2007 and TSEK – 2,466 (TSEK – 2,576) for the fourth quarter. Depreciation amounted to TSEK 122 (TSEK 125) during the full year 2007 and TSEK 59 (TSEK 17) for the fourth quarter. Administrative expenses are mainly salaries, rents, listing costs and outside services. These costs are not capitalised. Depreciation is referable to office equipment. The increase in administrative expenses compared to last year is related to an increased overall corporate activity as well as new administration costs relating to the acquired company Tethys Oman Ltd. Most of the administrative expenses in Tethys Oman Ltd are charged to the joint venture in Oman where the expenditures are capitalised and, in line with the Production Sharing Agreement, recoverable. These administrative expenditures are, through the above, also funded by the partner in Oman by 60 per cent. The chargeout to the joint venture is presented in the income statement as Other income. Part of the parent company's administrative expenditures are capitalised in the subsidiaries. In the consolidated income statement these internal transactions are eliminated.

Movement in oil and gas properties
Oil and gas properties as at 31 December 2007 amounted to TSEK 76,932 (TSEK 35,072). Investments in oil and gas properties of TSEK 51,481 (TSEK 26,408) were incurred for the twelve month period ended 31 December 2007. Of the investments TSEK 36,213 are referable to Oman. Out of these expenditures in Oman TSEK 23,431 were spent on Block 15 Oman where Tethys Oil drilled an appraisal well during the second quarter. Tethys Oil is operator on Block 15 and pays 40 per cent of expenditures. Remaining expenditures in Oman, TSEK 12,782, has been invested in Block 3 & 4 in Oman through the acquisition of 50 percent of these blocks from Altinex which was made during the fourth quarter. TSEK 7,810 has been invested in France where an exploration well was drilled during the third and fourth quarter. Tethys Oil has 40 per cent interest in the French licence, but has paid 44 per cent through the exploration well. TSEK 5,236 of investments regard operations in Denmark and to a large extent it regards additional expenditures for the Karlebo-1 exploration well drilled during 2006. Total investment in licence 1/02 including the Karlebo well came close to MUSD 8. To the extent this is related to the drilling of the Karlebo-1 well Tethys Oil's share was 30 per cent and other partners funded the remaining 70 per cent. The two licences in Denmark have now been relinquished. Negative investments of TSEK – 1,941 in Morocco regard reimbursement of past costs following from the Dana Petroleum farm-in agreement. TSEK 3,047 relate to investments in Turkey, mainly seismic acquisition in Thrace. As per 31 December 2006 prepayment of oil and gas properties amounted to TSEK 8,723. The prepayments mainly regard the Hontomin well drilled in Spain, which commenced during the first quarter 2007. The prepayment has during the first half 2007 consequently moved to oil and gas properties but is not included in consolidated cash flow investments as it is a non-cash item.

Liquidity and financing
Cash and bank as at 31 December 2007 amounted to TSEK 12,252 (TSEK 57,112). Short-term investments as at 31 December 2007 amounted to TSEK - (TSEK 973). In December 2007, Tethys Oil acquired 50 per cent interest in Blocks 3 and 4 onshore Oman from Norwegian Energy Company (Noreco) affiliate Altinex. The consideration for the acquisition amounted to MUSD 2, which was paid through a set off issue of 226,000 Tethys Oil shares at SEK 56 in December 2007. Tethys Oil assisted Altinex according to the agreement in placing those shares, the proceeds for which was received in January 2008. As a consequence, the proceeds from this issue amounting to TSEK 12,656 before issue costs are not included in cash and bank in the year-end accounts, but they are instead part of receivables. After the closing of these year-end accounts, proceeds from this issue were received on 7 January 2008.

In December an additional private placement was completed in order to strengthen company liquidity. From this issue, 125,000 shares were placed at SEK 56 which strengthened the liquidity with TSEK 7,000 before issue costs and are included in cash and bank as per 31 December 2007. These share issues were conducted in line with authorizations from the AGM in May 2007.

Current receivables
Current receivables amounted to TSEK 15,777 (TSEK 16,853) as at 31 December 2007. Current receivables at 31 December 2006 mainly regarded partners' share of previous expenditures in licence 1/02 Denmark, where Tethys Oil Denmark was the operator of the licence. These receivables have all been settled, mainly during the fourth quarter 2007. As per 31 December 2007 current receivables mainly regard proceeds from the share issue of 226,000 shares amounting to TSEK 12,656, which is described above. The proceeds were received 7 January 2008 and have significantly added to liquidity.

Current liabilities
Current liabilities as at 31 December 2007 amounted to TSEK 2,390 (TSEK 23,752), of which TSEK 1,251 (TSEK 22,282) relates to accounts payable, TSEK 733 (TSEK 787) relates to other current liabilities and TSEK 406 (TSEK 684) relates to accrued expenses. Accounts payable have been significantly reduced since 31 December 2006 as operations in Denmark was finalized.

Parent company

The parent company reports a loss for the full year 2007 amounting to TSEK – 22,558 (TSEK – 28,178) and TSEK – 1,760 (TSEK – 25,937) for the fourth quarter. Write down of shares in group companies of TSEK 20,119 has negatively affected the result of the full year 2007. Administrative expenses including depreciation amounted to TSEK – 7,225 (TSEK – 7,742) for the full year 2007 and TSEK – 1,104 (TSEK – 2,022) for the fourth quarter. Net financial income amounted to TSEK – 18,561 (TSEK - 24,551) during full year 2007 and TSEK -907 (TSEK - 25,683) for the fourth quarter. The write down of shares in group companies are included in the net financial income. Investments during the full year 2007 amounted to TSEK 21,887 (TSEK 52,350). Financial investments are financial loans to subsidiaries for their oil and gas operations. Other income in the parent company relates to chargeouts of services to subsidiaries.

Board of Directors and management
At the Annual Meeting of shareholders on 16 May 2007 Håkan Ehrenblad, Vincent Hamilton, John Hoey, Carl-Gustaf Ingelman, Jonas Lindvall, Magnus Nordin and Jan Risberg were re-elected members of the board. No deputy directors were appointed. At the same meeting Vincent Hamilton was appointed Chairman.

Share data
As per 31 december 2007, the number of shares in Tethys Oil amount to 6,392,762 (5,741,760), with a quota value of SEK 0.50 (SEK 0.50). Following from the authorisation from the AGM of shareholders held on 16 May 2007, Tethys Oil has conducted three private placements during the year which have increased the number of shares with 651,000. 300,000 shares were placed in July and in December two placements were made of 226,000 and 125,000 shares. These private placements were all made at a share price of SEK 56. Additionally, two (2) warrants were exercised from the rights issue in 2006 at SEK 78. Following from these issues, the share capital has during the year increased with SEK 325,501 to SEK 3,196,381 (SEK 2,870,880).

Risks and uncertainties
A statement of risk and uncertainties are presented in note 1, page 14.

Dividend
The Directors propose that no dividend be paid for the year.

Subsequent events
In anticipation of the planned secondary listing of the Company's shares on the Dubai International Financial Exchange ("DIFX") the Board of Directors of Tethys Oil decided 22 January 2008 to call an Extraordinary General Meeting of Shareholders to approve the issuance of up to 1.6 million new shares and to approve the issuance of warrants to enable subscription of up to an additional 1.6 million shares. The new shares and part of the warrants are intended to be placed with international investors primarily in the Middle East and Asia. Remaining warrants will be given out to existing shareholders free of charge. According to the proposal, existing as well as new shareholders will be entitled to subscribe for one new share for every five warrants held, at a price to be determined at the time of the private placement.

In order to enhance liquidity in the trading of the shares, not least in anticipation of the Dubai listing, the Board also proposes a share split of three for one.

The capital raised through the placement will primarily be invested to ramp-up the operational schedule for the Company's concessions in Oman where Tethys holds interests in three onshore Blocks. These blocks have a combined area of over 30,000 square kilometres, which currently makes Tethys one of the largest onshore oil and gas concession-holders in Oman. The private placement is planned for early March and will be priced at a level corresponding to the market price of the shares. The private placement will aim to render proceeds of close to MUSD 15 corresponding to more than MSEK 90.

The Dubai based brokerage house MAC Capital Limited ("MAC") has been appointed as advisor for the private placement. MAC has also been appointed to act as sponsor for Tethys on DIFX. Tethys' secondary Listing on the DIFX is planned to be executed shortly after the closing of the placement.

CONSOLIDATED INCOME STATEMENT

TSEK	1 Jan 2007 - 31 Dec 2007 12 months	1 Oct 2007 - 31 Dec 2007 3 months	1 Jan 2006 - 31 Dec 2006 12 months	1 Oct 2006 - 31 Dec 2006 3 months
Net sales of oil and gas	-	-	-	-
Depreciation of oil and gas properties	-	-	-	-
Write off of oil and gas properties	-16,220	60	-22,519	-22,382
Other income	3,195	923	543	283
Other losses/gains, net	55	-112	868	732
Administrative expenses	-10,563	-2,466	-9,000	-2,576
Operating result	**-23,533**	**-1,596**	**-30,108**	**-23,942**
Financial income and similar items	417	150	1,276	165
Financial expenses and similar items	-1,587	-878	-970	-385
Net financial income	**-1,170**	**-727**	**306**	**-220**
Result before tax	**-24,704**	**-2,323**	**-29,802**	**-24,162**
Income tax	-17	-17	-	-
Loss for the period	**-24,721**	**-2,340**	**-29,802**	**-24,162**
Number of shares outstanding	6,392,762	6,392,762	5,741,760	5,741,760
Number of shares outstanding (after dilution)	6,392,762	6,392,762	5,741,760	5,741,760
Weighted number of shares	5,863,963	5,863,963	5,109,599	5,741,760
Earnings per share, SEK	-4.22	-0.40	-5.83	-4.21
Earnings per share (after dilution), SEK	-4.22	-0.40	-5.83	-4.21

CONSOLIDATED BALANCE SHEET

TSEK	31 Dec 2007	31 Dec 2006
ASSETS		
Fixed assets		
Oil and gas properties	76,932	35,072
Office equipment	308	145
Prepayment of oil and gas properties	-	8,723
Total fixed assets	**77,240**	**43,940**
Current assets		
Other receivables	15,777	16,853
Prepaid expenses	316	105
Short term investments	-	973
Cash and bank	12,252	57,112
Total current assets	**28,346**	**75,043**
TOTAL ASSETS	**105,586**	**118,983**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	3,196	2,871
Additional paid in capital	177,555	143,071
Other reserves	-2,182	-
Retained earnings	-75,374	-50,711
Total shareholders' equity	**103,196**	**95,230**
Non interest bearing current liabilities		
Accounts payable	1,251	22,282
Other current liabilities	733	787
Accrued expenses	406	684
Total non interest bearing current liabilities	**2,390**	**23,752**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**105,586**	**118,983**
Pledged assets	500	-
Contingent liabilities	36,509	18,193

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Share capital	Paid in Capital	Other reserves	Retained Earnings	Total Equity
Opening balance at 1 January 2005	**2,192**	**71,071**		**- 6,520**	**66,743**
Loss for the period 2005	-	-		- 14,368	-14,368
Closing balance at 31 December 2005	**2,192**	**71,071**		**- 20,888**	**52,375**
Opening balance at 1 January 2006	**2,192**	**71,071**		**- 20,888**	**52,375**
Loss for the period 2006	-	-		- 29,802	-29,802
Currency translation difference	-	-	-21	-	-21
Total income and expenses recognised directly in equity	**-**	**-**	**-21**	**-29,802**	**-29,823**
Non- cash issue	200	19,600	-	-	19,800
Rights issue	438	52,179	-	-	52,617
Issue costs	-	- 4,539	-	-	-4,539
Directed issue	40	4,760	-	-	4,800
Closing balance at 31 December 2006	**2,871**	**143,050**	**-21**	**-50,690**	**95,230**
Opening balance 1 January 2007	**2,871**	**143,050**	**-21**	**-50,690**	**95,230**
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
Currency translation difference	-	-	-2,160	-	-2,160
Total income and expenses recognised directly in equity	**-**	**-**	**-2,160**	**-24,721**	**26,881**
Directed issue	150	16,650	-	-	16,800
Issue costs	-	-1,076	-	-	-1,076
Directed issue	63	6,937	-	-	7,000
Issue costs	-	-88	-	-	-88
Directed issue	113	12,543	-	-	12,656
Issue costs	-	-88	-	-	-88
On-going share issue	-	-394	-	-	-394
Closing balance at 31 December 2007	**3,196**	**177,555**	**-2,182**	**-75,374**	**103,196**

CONSOLIDATED CASH FLOW STATEMENT

TSEK	1 Jan 2007 - 31 Dec 2007 12 months	1 Oct 2007 - 31 Dec 2007 3 months	1 Jan 2006 - 31 Dec 2006 12 months	1 Oct 2006 - 31 Dec 2006 3 months
Cash flow from operations				
Operating result	-23,532	-1,595	-30,976	-24,674
Financial income and similar items	358	92	2,186	919
Financial expenses and similar items	-1,523	-814	-983	-407
Income tax	-17	-17	-	-
Adjustment for write down of oil and gas properties	16,220	-60	22,519	22,382
Adjustment for depreciation and other non cash related items	122	59	125	17
Total cash flow used in operations before changes in working capital	**-8,372**	**-2,334**	**-7,129**	**-1,763**
Decrease/increase in receivables	865	-7,126	-14,825	-3,689
Decrease/increase in liabilities	-21,363	-5,599	21,294	16,026
Cash flow used in operations	**-28,871**	**-15,059**	**-660**	**10,573**
Investment activity				
Investment in oil and gas properties	-51,481	-15,542	-26,408	-14,988
Investment in other fixed assets	-284	-184	-75	-
Prepayment of oil and gas properties	-	-	-8,723	-8,723
Cash flow used for investment activity	**-51,765**	**-15,726**	**-35,206**	**-23,711**
Financing activity				
Share issue, net after issue costs	34,810	19,146	52,879	20
Cash flow from financing activity	**34,810**	**19,146**	**52,879**	**20**
Cash flow for the period	**-45,827**	**-11,640**	**17,013**	**-13,118**
Cash and cash equivalents at the beginning of the period*	58,085	23,898	41,102	71,203
Exchange gains/losses on cash and cash equivalents	-5	-6	-29	-
Cash and cash equivalents at the end of the period*	12,252	12,251	58,086	58,085

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

PARENT COMPANY INCOME STATEMENT CONDENSED

TSEK	1 Jan 2007 - 31 Dec 2007 12 months	1 Oct 2007 - 31 Dec 2007 3 months	1 Jan 2006 - 31 Dec 2006 12 months	1 Oct 2006 - 31 Dec 2006 3 months
Net sales of oil and gas	-	-	-	-
Depreciation of oil and gas properties	-	-	-	-
Write off of oil and gas properties	-	-	-	-
Other income	2,923	313	3,253	1,042
Other losses/gains, net	306	-62	862	726
Administrative expenses	-7,225	-1,104	-7,742	-2,022
Operating result	**-3,996**	**-853**	**-3,627**	**-254**
Financial income and similar items	3,145	1,002	2,581	723
Financial expenses and similar items	-1,587	-1,542	-586	-1
Write down of shares in group company	-20,119	-367	-26,546	-26,405
Net financial income	**-18,561**	**-907**	**-24,551**	**-25,683**
Result before tax	**-22,558**	**-1,760**	**-28,178**	**-25,937**
Income tax	-	-	-	-
Loss for the period	**-22,558**	**-1,760**	**-28,178**	**-25,937**
Number of shares outstanding	6,392,762	6,392,762	5,741,760	5,741,760
Number of shares outstanding (after dilution)	6,392,762	6,392,762	5,741,760	5,741,760
Weighted number of shares	5,863,963	5,863,963	5,109,599	5,741,760

PARENT COMPANY BALANCE SHEET CONDENSED

TSEK	31 Dec 2007	31 Dec 2006
ASSETS		
Total fixed assets	13,090	145
Total financial fixed assets	79,093	70,272
Total current assets	22,996	50,814
TOTAL ASSETS	**115,179**	**121,232**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	113,197	100,945
Total non interest bearing current liabilities	1,982	20,287
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**115,179**	**121,232**
Pledged assets	500	-
Contingent liabilities	36,245	4,696

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

TSEK	Restricted equity			Non restricted equity		
	Share capital	Statutory Reserve	Share premium Reserve	Retained Earnings	Net result	Total Equity
Opening balance at 1 January 2005	**2,192**	**71,071**	**-**	**- 1,458**	**- 2,970**	**68,835**
Transfer of prior year net result	-	-	-	- 2,970	2,970	-
Loss for the period 2005	-	-	-	-	- 12,391	-12,391
Closing balance at 31 December 2005	**2,192**	**71,071**	**-**	**- 4,428**	**- 12,391**	**56,444**
Opening balance at 1 January 2006	**2,192**	**71,071**	**-**	**- 4,428**	**- 12,391**	**56,444**
Transfer of prior year net result	-	-	-	- 12,391	12,391	-
Loss for the period 2006	-	-	-	-	- 28,178	-28,178
	2,192	**71,071**	**-**	**- 16,820**	**- 28,178**	**28,266**
Non-cash issue	200	-	19,600	-	-	19,800
Rights issue	438	-	52,179	-	-	52,617
Issue costs	-	-	- 4,539	-	-	-4,539
Directed issue	40	-	4,760	-	-	4,800
Closing balance at 31 December 2006	**2,871**	**71,071**	**72,000**	**- 16,820**	**-28,178**	**100,945**
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
Directed issue	113	-	12,543	-	-	12,656
Issue costs	-	-	-88	-	-	-88
On-going share issue	-	-	-394	-	-	-394
Closing balance at 31 December 2007	**3,196**	**71,071**	**106,484**	**-44,997**	**-22,558**	**113,197**

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 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 twelve months report 2007 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The twelve months report 2007 of the parent company has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standards Council's RR32. The same accounting principles were used in the annual report 2006.

Financial instruments

Tethys Oil has not during the period used any derivative financial instruments in order to hedge risks.

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 2006.

Note 2) Oil and gas properties

Country	Book value 1 Jan 2006, TSEK	Investments 1 Jan-31 Dec 2006, TSEK	Write downs 1 Jan-31 Dec 2006, TSEK	Book value 31 Dec 2006, TSEK	Book value 1 Jan 2007, TSEK	Investments 1 Jan-31 Dec 2007, TSEK	Write downs 1 Jan -31 Dec 2007, TSEK	Book value 31 Dec 2007, TSEK
Oman	**-**	26,700	-	**26,700**	**26,700**	**36,213**	**-**	**60,746**
Denmark	**5,119**	14,553	18,985	**687**	**687**	**5,236**	**- 5,923**	**-**
Morocco	**553**	2,359	-	**2,912**	**2,912**	**-1,941**[4]	**-**	**971**
Spain	**3,152**	214	1,487	**1,878**	**1,878**	**418**	**- 9,269**	**1,455**
Turkey	**727**	735	192	**1,270**	**1,270**	**3,047**	**-**	**4,614**
France	**690**	343	-	**1,033**	**1,033**	**7,810**	**-**	**8,844**
Sweden	**-**	-	-	**-**	**-**	**259**	**-**	**259**
New ventures	**1,163**	1,304	1,855	**612**	**612**	**439**	**- 1,028**	**23**
Total	**11,404**	**46,208**	**22,519**	**35,072**	**35,072**	**51,481**	**-16,220**	**76,932**

Oil and gas properties TSEK	**Group 1 Jan 2007 - 31 Dec 2007 12 months**	**Group 1 Oct 2007 - 31 Dec 2007 3 months**	**Group 1 Jan 2006 - 31 Dec 2006 12 months**	**Parent 1 Jan 2007 - 31 Dec 2007 12 months**	**Parent 1 Oct 2007 - 31 Dec 2007 3 months**	**Parent 1 Jan 2006 - 31 Dec 2006 12 months**
Investments in oil and gas properties						
Opening balance	66,459	102,398	20,251	-	-	-
Investments in Denmark	5,236	-60	14,553	-	-	-
Investments in France	7,810	1,647	343	-	-	-
Investments in Morocco	-1,941	735	2,359	-	-	-
Investments in Oman	36,213	13,012	26,700	12,782	12,782	-
Investments in Spain	418	231	214	-	-	-
Investments in Turkey	3,047	-61	735	-	-	-
Investments in Sweden	259	19	-	-	-	-
Other investments in oil and gas properties	439	17	1,304	-	-	-
Closing balance	117,940	117,940	66,459	12,782	12,782	-
Movement from prepayment to oil and gas properties	6,578	6,578	-	-	-	-
Depletion						
Depletion	-	-	-	-	-	-
Write down						
Opening balance	31,366	47,646	8,847	-	-	-
Write down	16,220	-60	22,519	-	-	-
Closing balance	47,586	47,586	31,366	-	-	-
Net book value	**76,932**	**76,932**	**35,072**	**12,782**	**12,782**	**-**

Note 3) Other income

Most of the administrative expenses in Tethys Oman Ltd are charged to the joint venture in Block 15 Oman where the expenditures are capitalised and, in line with the Production Sharing Agreement, recoverable. These

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

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
The number of shares in Tethys Oil amount to 6,392,762 (5,741,760), with a quota value of SEK 0.50 (SEK 0.50). Following from the authorisation from the AGM of shareholders held on 16 May 2007, Tethys Oil has conducted three private placements during the year which have increased the number of shares with 651,000. In July 300,000 shares were placed and in December 351,000 shares were placed. These private placements were all made at a share price of SEK 56. Additionally, two (2) warrants were exercised from the rights issue in 2006 at SEK 78. The share capital has therefore during the year increased with SEK 325,501 to SEK 3,196,381 (SEK 2,870,880).

Note 5) Contingent liabilities
The contingent liabilities as per 31 December 2007 amounted to TSEK 36,509 (TSEK 18,193). The contingent liabilities mainly regard the newly acquired assets Block 3&4 in Oman were Tethys Oil has a contingent liability of MUSD 5.5. The contingent liability is a minimum financial commitment in the Exploration and Production Sharing Agreement (EPSA).

Note 6) Subsequent events
In anticipation of the planned secondary listing of the Company's shares on the Dubai International Financial Exchange ("DIFX") the Board of Directors of Tethys Oil decided 22 January 2008 to call an Extraordinary General Meeting of Shareholders to approve the issuance of up to 1.6 million new shares and to approve the issuance of warrants to enable subscription of up to an additional 1.6 million shares. The new shares and part of the warrants are intended to be placed with international investors primarily in the Middle East and Asia. Remaining warrants will be given out to existing shareholders free of charge. According to the proposal, existing as well as new shareholders will be entitled to subscribe for one new share for every five warrants held, at a price to be determined at the time of the private placement.

In order to enhance liquidity in the trading of the shares, not least in anticipation of the Dubai listing, the Board also proposes a share split of three for one.

The capital raised through the placement will primarily be invested to ramp-up the operational schedule for the Company's concessions in Oman where Tethys holds interests in three onshore Blocks. These blocks have a combined area of over 30,000 square kilometres, which currently makes Tethys one of the largest onshore oil and gas concession-holders in Oman. The private placement is planned for early March and will be priced at a level corresponding to the market price of the shares. The private placement will aim to render proceeds of close to MUSD 15 corresponding to more than MSEK 90.

The Dubai based brokerage house MAC Capital Limited ("MAC") has been appointed as advisor for the private placement. MAC has also been appointed to act as sponsor for Tethys on DIFX. Tethys' secondary Listing on the DIFX is planned to be executed shortly after the closing of the placement.

KEY RATIOS

	1 Jan 2007 - 31 Dec 2007 12 months	1 Oct 2007 - 31 Dec 2007 3 months	1 Jan 2006 - 31 Dec 2006 12 months	1 Oct 2006 - 31 Dec 2006 3 months
Items regarding the income statement and balance sheet				
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	-23,533	-1,596	-30,108	-23,942
Operating margin, %	neg.	neg.	neg.	neg.
Result before tax, TSEK	-24,704	-2,323	-29,802	-24,162
Net result, TSEK	-24,721	-2,340	-29,802	-24,162
Net margin, %	neg.	neg.	neg.	neg.
Shareholders' equity, TSEK	103,196	103,196	95,230	95,230
Balance sheet total, TSEK	105,586	105,586	118,983	118,983
Capital structure				
Solvency, %	97.74%	97.74%	80.04%	80.04%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	97.74%	97.74%	80.04%	80.04%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	51,765	15,726	35,206	23,711
Profitability				
Return on shareholders' equity, %	neg.	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.	neg.
Key figures per employee				
Average number of employees	9.4	11.0	5.2	6.0
Number of shares				
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	neg.	neg.	neg.	neg.
Number of shares on balance day, thousands	6,393	6,393	5,742	5,742
Shareholders' equity per share, SEK	16.14	16.14	16.59	16.59
Weighted number of shares on balance day, thousands	5,864	5,864	5,110	5,742
Earnings per share, SEK	-4.22	-0.40	-5.83	-4.21
Earnings per share after dilution, SEK	-4.22	-0.40	-5.83	-4.21

For definitions of key ratios please refer to the 2006 Annual Report.
The abbreviation n.a. means not available.

FINANCIAL INFORMATION

Extra general meeting – 20 February 2008

Annual Report 2007 is expected to be available at Tethys Oil's office beginning of March, 2008

Annual general meeting – 8 May 2008

Three month report 2008 (January - March 2008) on 8 May 2008

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

Nine month report (January - September 2008) on 13 November 2008

Year end report 2007 (January – December 2008) on 16 February 2009

Stockholm, 14 February 2008

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

Magnus Nordin
Managing Director

For further information, please contact
Magnus Nordin
Managing Director, phone +46 8 679 4990

Corporate Head Office

Hovslagargatan 5B
111 48 Stockholm
Sweden

Tel. +46 8 679 49 90

Fax +46 8 678 89 01

E-mail: info@tethysoil.com

Technical Office

4 Rue de Rive
CH-1204 Geneva
Switzerland

Tel. +41 22 318 86 00

Fax +41 22 318 86 09

E-mail: info@tethysoil.com

www.tethysoil.com