Tethys Oil AB (publ)

Report for the period
1 January 2006 – 31 March 2006

Highlights during the first quarter

- Tethys Oil was awarded 40% interest in Attila exploration license in the Paris Basin

- A gravity-magnetic survey and geology field work commenced on the Bouanane reconnaissance license in Morocco

- After the reporting period, Tethys Oil acquired a 40% interest in an appraisal project in Oman

- On May 4 Tethys' board of directors announced an EGM for May 19 2006 to approve a rights issue and a private placement

- As at 31 March 2006 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 three months of 2006 amounted to TSEK -1,256 (TSEK -1,147 for the corresponding period last year)

- Earnings per share amounted to SEK -0.29 (SEK -0.26) for the first three months of 2006

- Cash and cash equivalents as per 31 March 2006 amount to TSEK 37,216 (TSEK 41,102)

Letter to shareholders

Dear friends and investors,

As frustrating as it can be when hard work and well laid plans do not lead to tangible results, it is equally rewarding when those results finally materialise. During the first part of 2006 Tethys has seen exactly that. We have been awarded a new license in France and field work commenced in Morocco. Denmark progressed steadily and we now expect a well to be drilled towards the end of this summer. Finally in April a much sought after acquisition was announced – a 40% interest in Block 15 in Oman. This transaction is still subject to final closing, which we expect in mid May, after which Tethys will be operator of a promising appraisal project within one of the world's major oil regions.

Oman does not share its neighbour's massive oil reserves but the country offers many interesting opportunities with under explored areas for smaller discoveries that are highly interesting at current oil prices. In short Oman is a perfect place for Tethys to be in, fitting well within our core strategy. Block 15 in particular offers both known oil in need of appraisal and multiple exploration opportunities. We expect to be able to say a lot more about Block 15 over the coming months.

While 2006 has been primarily positive, we are not yet quite complete in how we would like our 'model portfolio of assets' to look. We would like to further increase our exposure to appraisal/development opportunities in particular. Block 15 in Oman is a great step in that direction but we are hoping to add additional assets. However we have found our financial resources to be on the small side to really gain access to the opportunities we would like. The Board of Directors therefore decided to propose a strengthening of the balance sheet by issuing shares and warrants both to current shareholders, and in a move to broaden the shareholder base, also to a small number of new investors. The rights issue to current shareholders is fully guaranteed, and hereby Tethys will receive between 50 and 100 million SEK of new liquid funds before summer. An increase that we expect will better our chances to implement the growth strategy we are pursuing for Tethys.

We are hopeful of an interesting and successful summer and fall, both corporately and with the drill bit.

Stockholm, 4 May 2006

Magnus Nordin
Managing Director

Operations

Tethys Oil

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 exploration licenses in Denmark, France, Morocco, Spain and Turkey and in a production license in Spain. The shares are listed on Nya Marknaden (TETY) in Stockholm.

Overview

Oil and gas properties

Country	License areas	Tethys Oil, %	Total area, km²	Operator	Investments first quarter 2006, TSEK	Book value 31 Mar 2006, TSEK
Denmark	License 1/02	70%	533	Tethys Oil Denmark	1,456	6,575
	License 1/03	70%	1,655	Tethys Oil Denmark		
France	Attila	40%[1]	1,986	Galli Coz S.A.	115	805
Morocco	Bouanane	50%	2,100	Tethys Oil	670	1,223
Spain	La Lora	22.5%[2]	106	Ascent Resources Plc.	34	3,186
	Valderredible	50%[3]	241	Ascent Resources Plc.		
	Huermeces	50%[3]	121	Ascent Resources Plc.		
	Basconcillos	50%[3]	194	Ascent Resources Plc.		
Turkey	Ispandika	10%–45%	965	Aladdin Middle East Ltd.	207	934
	Thrace	25%	897	Aladdin Middle East Ltd.		
New ventures					701	1,864
Total			**8,798**		3,183	14,587

[1] *Tethys Oil pays 44% of costs through an exploration well.*

[2] *Beneficial interest*

[3] *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

The preparations on license 1/02 for the Karlebo-1 well entered into the final stage in the first quarter of 2006. With Tethys as operator, the drilling is expected to commence during the summer of 2006. Since the previous report, casing has been received and contracting for other drilling items and services is in progress. In January a contract for the construction of the drilling site was signed. The first phase of the tendering for a rig has been finalized, and a shortlist of contractors has been established. The positive dialogue with the Karlebo authorities has continued, and a public meeting was held on April 19. According to the license from the Danish Energy Authority the well must be completed and evaluated before the end of 2006.

The surface geochemical survey of license 1/03 over onshore Jutland in Denmark was finalized in the end of 2005. The interpretation of the data has started. Positive results from this study would indicate the presence of an active petroleum system working in the area.

France

In February, Tethys was awarded 40% interest in the Attila exploration license in France in consideration for a financial work commitment of TEUR 520. Technical work has started with a view to drill an exploration well during 2006. To identify fault trends, satellite and radar data was acquired and analyzed. Existing seismic data of 180 kilometres has been reprocessed. Geochemical surface samples have been collected and analyzed, confirming the prospectivity of the area. The seismic data has been interpreted and mapped on a computer workstation, confirming the structural integrity of the prospect. A number of surface locations are being screened for suitable drill sites, and an exploration well may be drilled on the license during 2006.

Morocco

The field work on the Bouanane license in Morocco started in February 2006 with a gravity-magnetic survey, and geology field work. Tethys personnel along with ONHYM (Office National des Hydrocarbures et des Mines) geologists have started re-examining the geology at the surface, and collecting rock samples for source rock and reservoir properties.

Tethys, as the license operator, has contracted a geophysical survey of gravity and magnetic data acquisition over a 1,536 square kilometre area. ONHYM is the contractor for the gravity-magnetic survey. A total of 429 gravity measurements and over 1,700 magnetic measurements will be made over the survey area.

Oman

In April, Tethys acquired a 40% interest in Block 15 onshore Oman. Block 15 is an appraisal project and covers an area of 1,389 square kilometres in the North Central area of Oman. It contains two discovery wells and estimated oil in-place of more than 50 million barrels, with an expected recovery ratio of between 5 and 20%. The acquisition is subject to approval by relevant authorities.

Tethys will participate in a work programme aiming to test the production capacity of the reservoir. The work programme will involve the re-entry of two previously drilled wells and drilling horizontal sidetracks using under-balanced drilling technology to fully evaluate the reservoir intervals already identified by flow tests and well logs.

Spain

The production in the Ayoluengo oil field remains small but a small positive cash contribution was achieved for the first quarter of 2006. The new operator has indicated that new investment proposals may be forthcoming. If so, Tethys will consider such proposals when accessing its overall strategy for Spain.

Tethys has sought other projects in the area and has signed an agreement for an exchange of license interests. In return for Tethys interest in La Lora the company will receive a 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. Until all conditions of the exchange have been satisfied, Tethys keeps its interest in the field.

The new operator for the exploration blocks, Ascent Resources Plc, and Tethys are discussing an increased work programme in the Huermeces, Valderredible and Basconcillos exploration licenses which could include the drilling of one to two exploration wells during 2006.

Turkey

Together with Tethys' Turkish partner, the company has decided that the risks with the Ispandika license are too big in relation to the costs at this stage. Hence a decision to launch a farm out campaign was made. The preparations for the setup of a virtual computer room are underway. This virtual data room will offer potential partners easy access to data for evaluation at a low cost.

In the Thrace licenses, two strong leads have been identified. Additional seismic is however required to confirm the presence of a drillable prospect. The seismic programme is planned for the summer of 2006 and a first exploration well may be drilled in 2007.

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 three month period ended 31 March 2006. The amounts relating to the comparative period (equivalent period of last year for result and cash flow items and 31 December 2005 for balance sheet items) are shown in parenthesis after the amount for the current period. Up until 31 March 2006, 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 three month period of 2006 of TSEK -1,256 (TSEK -1,147 for the corresponding period last year), representing earnings per share of SEK -0.29 (SEK -0.26) for the period. There have been no write downs of oil and gas properties during the first three months of 2006. Cash flow from operations before changes in working capital for the first quarter 2006 amounted to TSEK -1,186 (TSEK -1,140).

The net result for the first quarter 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 three month period ended 31 March 2006, apart from incidental oil production in the La Lora field, which according to Tethys Oil's accounting principles is offset against capitalized costs of the related cost centre in the balance sheet. Accordingly, there has been no depletion of oil and gas properties.

Costs of administration and depreciation

Costs of administration and depreciation amounted to TSEK -1,447 (TSEK -1,337) for the first three months of 2006. Depreciation and write downs amounted to TSEK 70 (TSEK 7) for the first three month period of 2006. Costs of administration are mainly rents, salaries, office supplies and travel expenditures. These costs are corporate costs and are accordingly not capitalised. Depreciation and write downs are referable to computers, phones etc.

Investments

Fixed assets as at 31 March 2006 amounted to TSEK 14,712 (TSEK 11,599) of which TSEK 14,587 (TSEK 11,404) relates to oil and gas properties. Oil and gas properties in Denmark amounted to TSEK 6,575 (TSEK 5,119), France TSEK 805 (TSEK 690), Morocco TSEK 1,223 (TSEK 553), Spain TSEK 3,186 (TSEK 3,152), Turkey TSEK 934 (TSEK 727) and other TSEK 1,864 (TSEK 1,163). Expenditures for oil and gas properties of TSEK 3,183 (TSEK 936) was incurred for first three months of 2006 of which Denmark TSEK 1,456, France TSEK 115, Morocco TSEK 670, Spain TSEK 34, Turkey TSEK 207 and other TSEK 701. Investments in oil and gas properties has mainly been drilling preparations in Denmark license 1/02, field work on the Bouanane license in Morocco and investments in new venture areas.

There have been no investments in other tangible fixed assets during the period (TSEK 4).

Liquidity and financing

Cash and bank as at 31 March 2006 amounted to TSEK 1,144 (TSEK 657). Short-term investments as at 31 March 2006 amounted to TSEK 36,072 (TSEK 40,445). 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 822 (TSEK 2,132) as at 31 March 2006. To a large extent these are receivables due from partners in licenses.

Current liabilities

Current liabilities as at 31 March 2006 amounted to TSEK 1,631 (TSEK 2,458), of which TSEK 895 (TSEK 2,055) relates to accounts payable, TSEK 68 (TSEK 117) relates to other current liabilities and TSEK 668 (TSEK 286) relates to accrued expenses.

Parent company

The parent company reports a result amounting to TSEK -402 (TSEK -1,136) for the first three months of 2006. Costs of administration and depreciation amounted to TSEK -1,447 (TSEK -1,337) for the first three months of 2006. Net financial income amounted to TSEK 380 (TSEK -119) during the first quarter of 2006. Investments during the first quarter 2006 amounted to TSEK 3,112 (TSEK 5,688). Financial investments are financial loans to subsidiaries for their oil and gas operations. The turnover in the parent company is forwarded invoices to subsidiaries.

This report has been subject to review by the auditor of the company.

Consolidated income statement

TSEK	Note	**1 Jan 2006– 31 Mar 2006 3 months**	**1 Jan 2005– 31 Mar 2005 3 months**	**1 Jan 2005– 31 Dec 2005 12 months**
Net sales of oil and gas		–	–	–
Depreciation of oil and gas properties	1	–	–	–
Write off of oil and gas properties	1	–	–	-8,412 *
Other income		–	–	23
Administration and depreciation **		-1,447	-1,337	-6,609
Operating result		**-1,447**	**-1,337**	**-14,998**
Financial income and similar items		197	193	774
Financial expenses and similar items		-6	-3	-144
Net financial income		**191**	**190**	**630**
Result before tax		**-1,256**	**-1,147**	**-14,368**
Income tax		–	–	–
Net result		**-1,256**	**-1,147**	**-14,368**
Number of shares outstanding	2	4,384,800	4,384,800	4,384,800
Number of shares outstanding (after full dilution)	2	4,384,800	4,384,800	4,384,800
Weighted number of shares	2	4,384,800	4,384,800	4,384,800
Earnings per share, SEK	2	-0.29	-0.26	-3.28
Earnings per share (after full dilution), SEK	2	-0.29	-0.26	-3.28

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

*** These costs regard corporate costs.*

Consolidated balance sheet

TSEK	Note	31 Mar 2006	31 Mar 2005	31 Dec 2005
ASSETS				
Fixed assets				
Oil and gas properties	1	14,587	14,938	11,404
Other fixed assets		125	154	195
Total fixed assets		**14,712**	**15,091**	**11,599**
Current assets				
Other receivables		600	429	1,681
Prepaid expenses		222	223	451
Short term investments *		36,072	50,104	40,445
Cash and bank		1,144	836	657
Total current assets		**38,038**	**51,592**	**43,234**
TOTAL ASSETS		**52,750**	**66,683**	**54,833**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	2			
Share capital		2,192	2,192	2,192
Other contributed equity		71,071	71,071	71,071
Retained earnings		-22,144	-7,667	-20,888
Total shareholders' equity		**51,119**	**65,596**	**52,375**
Non interest bearing current liabilities				
Accounts payable		895	600	2,055
Other current liabilities		68	226	117
Accrued expenses		668	261	286
Total non interest bearing current liabilities		**1,631**	**1,087**	**2,458**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**52,750**	**66,683**	**54,833**
Pledged assets		780	–	780
Contingent liabilities	3	19,387	14,527	14,527

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

Consolidated statement of changes in equity

TSEK	Share capital	Other contributed equity	Retained earnings
Opening balance at 1 January 2005	**2,192**	**71,071**	**- 6,520**
Net result	–	–	- 14,368
Closing balance at 31 December 2005	**2,192**	**71,071**	**- 20,888**
Opening balance at 1 January 2006	**2,192**	**71,071**	**- 20,888**
Period result first quarter 2006	–	–	- 1,256
Closing balance at 31 March 2006	**2,192**	**71,071**	**- 22,144**

Consolidated cash flow statement

TSEK	Note	1 Jan 2006– 31 Mar 2006 3 months	1 Jan 2005– 31 Mar 2005 3 months	1 Jan 2005– 31 Dec 2005 12 months
Cash flow from operations				
Operating result		-1,447	-1,337	-14,998
Financial income and similar items		197	193	774
Financial expenses and similar items		-6	-3	-144
Adjustment for write down of oil and gas properties		–	–	8,412
Adjustment for depreciation		70	7	35
Total cash flow used in operations before change in working capital		**-1,186**	**-1,140**	**-5,921**
Decrease/increase in receivables		1,310	253	-622
Increase in liabilities		-827	-1,271	99
Cash flow used in operations		**-703**	**-2,158**	**-6,444**
Investment activity				
Investment in oil and gas properties	1	-3,183	-936	-6,420
Investment in other fixed assets		–	-4	-72
Cash flow used for investment activity		**-3,183**	**-939**	**-6,492**
Financing activity				
Share issue		–	–	–
Cash flow from financing activity		**–**	**–**	**–**
Period cash flow		**-3,886**	**-3,097**	**-12,936**
Cash and cash equivalents at the beginning of the period *		41,102	54,037	54,037
Cash and cash equivalents at the end of the period *		37,216	50,940	41,102

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

Parent company income statement condensed

TSEK	Note	1 Jan 2006– 31 Mar 2006 3 months	1 Jan 2005– 31 Mar 2005 3 months	1 Jan 2005– 31 Dec 2005 12 months
Net sales of oil and gas		–	–	–
Depreciation of oil and gas properties	1	–	–	–
Write off of oil and gas properties	1	–	–	–
Other income		665	320	2,812
Administration and depreciation		-1,447	-1,337	-6,598
Operating result		**-782**	**-1,016**	**-3,786**
Financial income and similar items		391	319	1,226
Financial expenses and similar items		-6	-3	-139
Write down of shares in group company		-4	-435	-9,692
Net financial income		**380**	**-119**	**-8,605**
Result before tax		**-402**	**-1,136**	**-12,391**
Income tax		–	–	–
Net result		**-402**	**-1,136**	**-12,391**
Number of shares outstanding	2	4,384,800	4,384,800	4,384,800
Number of shares outstanding (after full dilution)	2	4,384,800	4,384,800	4,384,800
Weighted number of shares	2	4,384,800	4,384,800	4,384,800
Earnings per share, SEK	2	-0.09	-0.26	-2.83
Earnings per share (after full dilution), SEK	2	-0.09	-0.26	-2.83

Parent company balance sheet condensed

TSEK	Note	31 Mar 2006	31 Mar 2005	31 Dec 2005
ASSETS				
Total fixed assets		125	154	195
Total financial assets		21,105	17,880	17,997
Total current assets		36,616	50,752	40,789
TOTAL ASSETS		**57,846**	**68,787**	**58,981**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	2	56,042	67,699	56,444
Total non interest bearing current liabilities		1,804	1,087	2,538
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**57,846**	**68,787**	**58,981**
Pledged assets		780	–	780
Contingent liabilities	3	4,860	–	–

Parent company statement of changes in equity

TSEK	Restricted equity		Unrestricted equity	
	Share capital	Share premium reserve	Retained Earnings	Net result
Opening balance at 1 January 2005	**2,192**	**71,071**	**-1,458**	**-2,970**
Transfer of prior year net result	–	–	-2,970	2,970
Net result	–	–	–	-12,391
Closing balance at 31 December 2005	**2,192**	**71,071**	**-4,428**	**-12,391**
Opening balance at 1 January 2006	**2,192**	**71,071**	**-4,428**	**-12,391**
Transfer of prior year net result	–	–	-12,391	12,391
Period result first quarter 2006	–	–	–	-402
Closing balance at 31 March 2006	**2,192**	**71,071**	**-16,819**	**-402**

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 licenses in Denmark, France, Morocco, Spain and Turkey and in a production license in Spain.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 3 May 2006.

Accounting principles

The three month report of the Tethys Oil Group has been prepared in accordance with the Swedish Financial Accounting Standards Council's RR31 and IAS 34. The three month report 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 2005.

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.

Note 1) Oil and gas properties

TSEK	Group		Parent	
	1 Jan 2006– 31 Mar 2006 3 months	**1 Jan 2005– 31 Dec 2005 12 months**	**1 Jan 2006– 31 Mar 2006 3 months**	**1 Jan 2005– 31 Dec 2005 12 months**
Investments in oil and gas properties				
Opening balance	20,251	14,437	–	–
Investments in Denmark	1,456	3,412	–	–
Investments in France	115	690	–	–
Investments in Morocco	670	544	–	–
Investments in Spain	34	33	–	–
Investments in Turkey	207	615	–	–
Other investments in oil and gas properties	701	1,125	–	–
Closing balance	23,434	20,856	–	–
Reclassification of assets in Turkey	–	-605	–	–
Depreciation				
Depreciation	–	–	–	–
Write down				
Opening balance	8,847	435	–	–
Write down	–	8,412	–	–
Closing balance	8,847	8,847	–	–
Net book value	**14,587**	**11,404**	**–**	**–**

Note 2) Shareholders' equity

The total number of shares amounts to 4,384,800 (4,384,800). All shares have at quota value of 0.50 (0.50). As of the balance sheet date, Tethys Oil had no convertible bonds, options or other instruments which may cause dilution.

Note 3) Contingent liabilities

Contingent liabilities amount to TSEK 19,387 (TSEK 14,527). In Denmark, the Group has a contingent liabilities amounting to TSEK 14,000 regarding an exploration well, in Spain the Group has a contingent liability of TSEK 527 regarding abandonment in the La Lora concession in Spain and in France the Group has a financial work commitment of TSEK 4,860. The parent company has a contingent liability of TSEK 4,860 (TSEK -) for the financial work commitment in France.

Note 4) Subsequent events

Oman

After the reporting period Tethys Oil has signed a sales and purchase agreement to acquire a 40% interest in Block 15 onshore Oman. Block 15 is an appraisal project and covers an area of 1,389 square kilometres in the North Central area of Oman. It contains two discovery wells and estimated oil in-place of more than 50 million barrels, with an expected recovery ratio of between 5 and 20%. Under the sales and purchase agreement Tethys Oil will pay USD 600,000 in cash and issue a total of 400,000 new Tethys Oil shares for the 40% interest. The acquisition is subject to approval by relevant authorities.

Tethys Oil will participate in a work programme of MUSD 5 of which Tethys Oil's share amounts to MUSD 2. The objective of the work programme is to test the production capacity of the reservoir. The work programme will involve the re-entry of the two previously drilled wells and drilling horizontal sidetracks using under-balanced drilling technology to fully evaluate the reservoir intervals already identified by flow tests and well logs.

Financing

After the reporting period the Board of Directors of Tethys decided to call an EGM for Friday May 19, 2006, in order to propose a rights issue and a private placement.

The board proposes a rights issue of one unit for each five shares held at SEK 60. Record day for participation in rights issue is proposed to be May 26, 2006*. The unit consists of one share and one full purchase warrant where the warrant can be exercised for one new share of Tethys at SEK 72 between 1 December 2006 and 31 January 2007 or at SEK 78 between 1 September and 30 September 2007. If the rights are fully taken up 876,960 units will be issued for proceeds of approximately MSEK 52 before issue cost. If the warrants following from the units will be exercised an additional 876,960 shares will then be issued for proceeds of between MSEK 63.2 to MSEK 68.4.

The right issue is fully guaranteed by a consortium consisting of the Board of Directors of Tethys Oil and Tethys Oil shareholder Adolf H. Lundin.

In addition to the rights issue the Board of Directors proposes to conduct a private placement, a directed issue of 600,000 units to a small group of investors. These units carry the same terms as those issued under the right issue, but the subscription price will be determined through a book building procedure arranged by HQ Bank AB. If the private placement is placed at the same price as the units under the rights issue Tethys will receive additional proceeds of MSEK 36.

If both the units issued in the right issue and the units issued in the private placement are fully taken up and all warrants are exercised a total of 2,953,920 new shares will be issued for proceeds of approximately MSEK 200.

The main reasons for the Board's proposal is to strengthen the balance sheet of the company in order for the company to better be able to take advantage of acquisition opportunities of appraisal/development assets as well as to be able to undertake additional commitments in exploration licences the company has been awarded over the last year.

** In the interim report for the period 1 January – 31 March 2006 which was published on 4 May, 2006, it was incorrectly stated that the record date for the rights issue is 24 May, 2006. The correct date is 26 May, 2006. The record date has been corrected in this version.*

Key ratios

Group

	1 Jan 2006– 31 Mar 2006 3 months	1 Jan 2005– 31 Mar 2005 3 months	1 Jan 2005– 31 Dec 2005 12 months
Items regarding the income statement and balance sheet			
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.
Operating result, TSEK	-1,447	-1,337	-14,998
Operating margin, %	Neg.	Neg.	Neg.
Result before tax, TSEK	-1,256	-1,147	-14,368
Net result, TSEK	-1,256	-1,147	-14,368
Net margin, %	Neg.	Neg.	Neg.
Shareholders' equity, TSEK	51,120	65,596	52,375
Balance sheet total, TSEK	52,750	66,683	54,833
Capital structure			
Solvency, %	96.91%	98.37%	95.52%
Leverage ratio, %	n.a.	n.a.	n.a.
Adjusted equity ratio, %	96.91%	98.37%	95.52%
Interest coverage ratio, %	n.a.	n.a.	n.a.
Investments, TSEK	3,183	939	6,492
Profitability			
Return on shareholders' equity, %	Neg.	Neg.	Neg.
Return on capital employed, %	Neg.	Neg.	Neg.
Key figures per employee			
Average number of employees	3.5	3.0	3.5
Number of shares *			
Dividend per share, SEK	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	Neg.	Neg.	Neg.
Number of shares on balance day, thousands	4,385	4,385	4,385
Shareholders' equity per share, SEK	11.66	14.96	11.94
Weighted number of shares on balance day, thousands	4,385	4,385	4,385
Earnings per share, SEK	-0.29	-0.26	-3.28

** As of the balance sheet date, Tethys Oil had no convertible bonds, options or other instruments which may cause dilution.*

Financial information

The Company plans to publish the following financial reports:

- Six months report (January – June 2006) on 15 August 2006
- Nine months report (January – September 2006) on 31 October 2006
- Year end report (January – December 2006) on 15 February 2007
- Three months report (January – March 2007) on 3 May 2007

Stockholm, 4 May 2006

Magnus Nordin
Managing Director

Review Report

Introduction

I have reviewed the accompanying interim report of Tethys Oil AB (publ) (556615-8266) for the period January 1 - March 31, 2006. The board of directors and the managing director are responsible for the fair preparation and presentation of this interim report in accordance with the Annual Accounts Act and IAS 34. My responsibility is to express a conclusion on this interim financial information based on my review.

The purpose and scope of the review

I conducted my review in accordance with the review standard, SÖG 2410, “Review of Interim Financial Information Performed by the Auditor of the Company” issued by FAR (the institute for the accountancy profession in Sweden). A review of interim financial information 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 The Standard of Auditing in Sweden, RS and generally accepted accounting principles and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim report is not, in substance, in accordance with the Annual Accounts Act and IAS 34.

Stockholm 4 May, 2006
PricewaterhouseCoopers AB

Klas Brand
Authorised Public Accountant

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