

# TETHYS OIL

Report for the period  
1 January – 30 September 2009



# *Highlights*

- Autumn work programme onshore Oman agreed:
  - Testing of the potentially oil bearing Barik reservoir on Block 3
  - Additional tests on the Lower Al Bashir layer on Block 3, which flowed 754 bopd on test in April
  - Testing of the heavy oil zones encountered in Saiwan East-2 on Block 4
  - A comprehensive 3D-seismic programme on the Saiwan East structure on Block 4
- Tethys Oil received TSEK 13,616 (approximately MUSD 1.9) from the exercise of 592,000 warrants. Proceeds were received in October 2009
- As at 30 September 2009 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 2009 amounted to TSEK -52,612 (TSEK -3,759 for the corresponding period last year) and TSEK -24,442 (TSEK 4,872) for the third quarter 2009. The result for the first nine months 2009 has been significantly impacted by net foreign exchange losses amounting to TSEK 27,143 due to a weaker US dollar. The majority of these exchange rate losses are translation differences and are therefore non cash related items. Furthermore, write downs of TSEK 15,778, mainly regarding Morocco, have negatively affected the result of the first nine months 2009
- Earnings per share amounted to SEK -2.04 (SEK -0.17) for the first nine months 2009 and SEK -0.89 (SEK 0.20) for the third quarter 2009
- Cash and cash equivalents as per 30 September 2009 amounted to TSEK 13,864 (TSEK 29,886). Proceeds of TSEK 13,616 from the warrant exercise mentioned above were received after the reporting period and are not included in cash and cash equivalents as per this report. Oil and gas investments amounted to TSEK 73,612 mainly related to Oman, Blocks 3 and 4



**Dear friends and investors,**

Almost six months of 'desk work' seems to be over, and hands on operations start again on our very interesting and promising areas in Oman, Blocks 3 and 4. Between now and the end of the year we will follow up where we left off before summer. The Barik zone in Farha South-3 will be tested. Good oil shows while drilling suggests it will flow, but with oil and geology nothing is certain. Confirmation of oil also in the Barik should however have an important impact on Farha South reserves – and will also help determine which of our three potential Omani production projects will be given first priority.

As soon as testing operations in Farah South are completed, the work over unit will move to Saiwan East-2 to conduct attempts to make the massive amounts of heavy oil encountered there move to surface. If successful, a heavy oil project can be added to our project portfolio. We know the oil is there – we believe we

can speak of more than one billion barrels in place. If we can show moveable oil reserves, the rewards could be dramatic. But if recovery is zero, the reserves will be zero.

Successful or not at first attempt – the testing programme will give us a wealth of new data, that will increase our understanding of the heavy oil for further tests.

Whatever happens, Tethys has hardly been in a more exciting position. So stay with us – something great(er) could be happening soon.

Stockholm in November 2009

*Magnus Nordin*  
Managing Director

# Operations

## Overview

Tethys Oil has interests in licences in Oman, France and Sweden. Tethys Oil has decided to withdraw from its licenses in Morocco, Spain and Turkey.

Country	Licence name	Tethys Oil, %	Total area, km <sup>2</sup>	Partners (operator in bold)	Book value 30 Sep 2009	Book value 31 Dec 2008	Investments Jan-Sep 2009
Oman	Block 15	40%	1,389	<b>Tethys Oil</b> , Odin Energy	90,604	98,729	10,432
Oman	Block 3,4	50%	33,125	<b>CCED</b> , Tethys Oil	73,482	34,867	49,989
France	Attila	40%	1,986	<b>Galli Coz</b> , Tethys Oil	3,628	3,589	38
Morocco	Bouanane	12.5%	2,100	<b>Dana Petroleum</b> , Tethys Oil, Eastern Petroleum	–	1,858	12,016
Turkey	Ispandika project	–	–	<b>Aladdin Middle East</b> , Tethys Oil	–	1,289	75
Sweden	Gotland Större	100%	540	<b>Tethys Oil</b>	870	429	441
New ventures					128	52	75
<b>Total</b>			<b>39,140</b>		<b>168,715</b>	<b>140,811</b>	<b>73,612</b>

## Oman

With the successful drillings on Block 3 and 4 in the spring 2009 and on Block 15 in the summers of 2007 and 2008, Oman has become Tethys Oil's undisputed core area. Oman accounts for almost 100 per cent of Tethys' value in oil and gas assets. The three blocks have a combined gross area of almost 35,000 square kilometres, which makes Tethys the second largest onshore oil and gas concession-holder in Oman.

### Block 3 – The Farha South structure

The Farha South-3 well was drilled in the first quarter of 2009 to appraise the Farha South oil discovery. The drilling target was the Lower Al Bashir sandstone formation at a depth of around 1,900 metres. The well was drilled to a total depth of 2,723 metres, corresponding to a true vertical depth of 1,857 metres. The two main sandstone stringers, that produced oil in Farha South-1, were penetrated both in the vertical pilot hole and in the subsequent horizontal sidetrack. Preliminary production flow of 754 bopd was

recorded from the horizontal reservoir section. The oil is of very good quality (40 Deg API) with a low gas oil ratio.

Whilst drilling Farha South-3, oil shows similar to those recorded in the deeper Lower Al Bashir sandstone were also observed in the shallower potentially oil bearing Barik sandstone. The Barik layer, that was neither logged nor tested at the time of drilling, will in November 2009 be tested. Tethys and its partner have contracted MB Petroleum LLC to provide the 450 hp MB 49 work over rig to conduct the testing operations. The main objective of this test is to assess the fluid content and the productivity of the reservoir. Additional tests will also be performed on the Lower Al Bashir layer.

Based on data from previous operators, it is estimated that the Lower Al Bashir layer could contain some 8 to 10 million barrels of recoverable oil. Data obtained while drilling suggest that the Barik sandstone is considerably thicker than the Lower Al Bashir layer. If the

testing of the Barik sandstone is successful, it could have an important impact on the reserve potential of the Farha South structure.

Tethys has a 50 per cent interest in Block 3. Consolidated Contractors Energy Development (Oman) Ltd holds the remaining 50 per cent and is operator.

#### *Block 4 – Saiwan East structure*

The Saiwan East-2 well was drilled in the second quarter of 2009 with the objective to delineate the areal extent of the three heavy oil bearing zones discovered by the previous license holders in the Saiwan East-1 well drilled in 2005. Saiwan East-2 was drilled 12 kilometres from Saiwan East-1. Electric logging confirmed the presence of heavy oil in all three primary target formations. A gross hydrocarbon bearing column of more than 400 metres covering the Miqrat, Amin and Buah reservoirs was measured.

The well was deepened and a previously undrilled target was encountered at a depth of around 1,600 metres. The Khufai limestone, a 30 metres thick oil bearing reservoir, was drill stem tested and flowed 280 bbls per day of 33 degree API oil on a 24/64" choke. No water was produced during the test and the oil has a very low gas oil ratio. Pressure gauges left in the hole was recovered and analysed in July. Preliminary analysis of the data suggests the Khufai to suffer from skin damage (+20) as a result of the heavy drilling mud used whilst drilling. The true, undamaged, production potential from the vertical well is estimated to be in excess of 900 bbls per day. A horizontal well in this relatively thick interval should yield substantially higher flow rates.

Testing the heavy oil layers was postponed until sufficient information had been extracted from the three cores obtained across the most promising heavy oil intervals. After work on the Farha South structure has been completed, the MB 49 work over rig will move to test the heavy oil zones of East Saiwan.

In the fourth quarter, BGP Oil and Gas Services of China were awarded the contract to conduct a 400 square kilometres 3D seismic survey covering the entire Saiwan East structure. The objective of the survey is to define and map the extension of both the light oil and the heavy oil reservoirs. The acquisition

of the seismic data has commenced and is estimated to take approximately 90 days to complete.

Tethys has a 50 per cent interest in Block 4. Consolidated Contractors Energy Development (Oman) Ltd holds the remaining 50 per cent and is operator.

#### *Block 15 – The appraisal and development of Jebel Aswad*

Processing, interpretation and preliminary results of the 285 km<sup>2</sup> Jebel Aswad 3D seismic survey was completed in the first quarter 2009. The data is of excellent quality. Final structural maps have been drawn, and a revised "in house" resource base has been initiated. The 3D seismic revealed a smaller structure compared to the previous 2D based structure. Additionally, the structural sealing element on the south eastern part of the structure has become somewhat uncertain. However, the deepest logged hydrocarbons in JAS-2 confirm hydrocarbon presence deeper than the questionable sealing element therefore highlighting the complexity of the structure.

As a result of the 3D survey and the new structural maps, further seismic inversion processing commenced in July with an objective to map porosity occurrence in the Natih limestone. Preliminary results suggest that this is possible, and may provide further information regarding the location of producible hydrocarbons and structural seal. Once the inversion study has been finalised it should be possible to finally determine an up to date resources base for Jebel Aswad.

Following the successful drilling of Jebel Aswad-1 (JAS-1) in 2007, Tethys spudded JAS-2 in the summer 2008. JAS-2 is a step out well 1.2 kilometres from JAS-1. JAS-2 reached a total measured depth of 4,018 metres with a horizontal section of 927 metres at a vertical depth of about 3,000 metres. The horizontal section was drilled in a south easterly direction and has confirmed the reservoir extension in this direction. The testing of JAS-2 was however suspended due to an unintentional penetration of a water producing fault. Future work will focus on sealing the water producing fault and place JAS-2 on production.

Tethys has a 40 per cent interest and is operator of Block 15. Odin Energi is partner holding 60 per cent interest.

### **France**

The exploration well Pierre Maubeuge 2 (PLM-2) on the Attila licence in France proved the presence of natural gas. Wireline logging confirmed the indications of gas while drilling in 2007. In 2008, well completion and production tests were conducted. Subsequent analysis of the results however suggests the PLM-2 well to be non commercial in its current state.

### **Sweden**

#### *Gotland*

In 2009, seismic lines covering the licence area have been selected, scanned and processed. A LiDAR survey (Light detection and ranging / high resolution elevation measures) was performed over the licence area during the summer 2009. The data from the LiDAR survey will be integrated with the seismic data.

In 2008, Tethys conducted a comprehensive study of the existing data over the license area and a detailed database has been created. The interpretation of existing satellite radar data has resulted in new maps, which have provided better understanding of the land cover and the relief within the licence area.

The work to identify reefal trends within the licence area continues. Future plans include acquisition of new geophysical and geological data.

### **Morocco, Turkey and Spain**

A decision has been taken to focus even more on Oman and, at least for now, limit exposure to other areas. Consequently, Tethys has decided to withdraw from its licenses in Morocco, Spain and Turkey.

## **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 2009. The amounts relat-

ing to the comparative period (equivalent period of last year) are shown in parenthesis after the amount for the current period. The primary segment of the group is geographical markets. Within the group there are only assets and write downs for these geographical markets which are presented below.

### **Result for the period and sales**

Tethys Oil reports a result for the first nine months 2009 of TSEK -52,612 (TSEK -3,759 for last year) and TSEK -24,442 (TSEK 4,872) for the third quarter, representing earnings per share of SEK -2.04 (SEK -0.17) for the first nine months 2009 and SEK -0.89 (SEK 0.20) for the third quarter. The result for the first nine months 2009 has been significantly impacted by net foreign exchange losses. The currency exchange effect of the group amounts to TSEK 27,143 and almost all of the effect relates to the weaker US dollar in relation to the Swedish krona. The background to this is that the majority of Tethys Oil's assets relate to Block 15 and Blocks 3 and 4 in Oman which are held through two foreign subsidiaries and financed through intercompany loans from the parent company denominated in US dollar. These currency translation differences between the parent company and subsidiaries are non cash related items. The currency exchange loss effect is part of net financial result amounting to TSEK -27,080 for the first nine months 2009 and TSEK -20,757 for the third quarter 2009. Apart from net currency exchange losses, net financial result consist of net interest received and return on short term investments of TSEK 62 for the first nine months 2009 and TSEK 64 for the third quarter 2009.

Write downs of oil and gas properties of TSEK 15,778 has negatively affected the result of the first nine months of 2009. The write downs mainly regard previously made investments regarding the Bouanane project in Morocco and the Ispandika project in Turkey. The write down of the Bouanane project is a consequence of the exploration well made during the second quarter which did not prove commercial quantities of natural gas. The write down of the Ispandika assets in Turkey is made in the light of the group's increased focus on Oman, whereby Tethys Oil decided not to continue with the licence which expired during the first quarter 2009. Cash flow from operations before changes in working capital

during the first nine months of 2009 amounted to TSEK -9,514 (TSEK -6,643).

Tethys Oil has not recorded any sales or production of oil and gas for the nine month period that ended 30 September 2009. Accordingly, there has been no depletion of oil and gas properties.

### **Other income, administrative expenses**

Administrative expenses amounted to TSEK -11,455 (TSEK -10,190) for the first nine months 2009 and TSEK -3,945 (TSEK -2,810) for the third quarter 2009. Depreciation amounted to TSEK 200 (TSEK 88) during the first nine months 2009 and TSEK 67 (TSEK 27) 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 administrative expenditures during the first nine months 2009 are in line with the equivalent period last year. Part of the administrative expenses in Tethys Oman Ltd is charged to the joint venture in Block 15 in Oman where the expenditures are capitalised and, in line with the Production Sharing Agreement, recoverable. These administrative expenditures are, through the above, also funded by the partner in Block 15 in Oman by 60 per cent. The chargeout to the joint venture is presented in the income statement as Other income. Part of the remaining administrative expenses are capitalised in the subsidiaries and if Tethys is the operator these expenses are funded by partners. In the consolidated income statement these internal transactions are eliminated.

### **Movement in oil and gas properties**

Oil and gas properties as at 30 September 2009 amounted to TSEK 168,715 (TSEK 140,811). Investments in oil and gas properties of TSEK 73,612 (TSEK 42,774) were incurred for the nine month period ending 30 September 2009. Investments in oil and gas properties in Block 15 Oman of TSEK 10,432 have mainly been related to the completion and interpretation of the 3D seismic acquisition which was conducted during the last part of 2008. Investments related to Blocks 3 and 4 amounted during the period to TSEK 49,989 and accounts for most of the oil and gas investments during the first nine months 2009. Investments on Blocks 3 and 4 relate to Tethys Oil's

share of the Farha South 3 (FS3) well and Tethys Oil's share of the Saiwan East 2 (SE2) well. In April 2009, Tethys Oil announced that FS3 flowed 754 barrels per day during production test. Furthermore, SE2 proved the presence of heavy oil and the presence of lighter oil which produced 280 barrels per day during production test.

In Morocco, Tethys Oil has decided to write down all previously incurred investments relating to the Bouanane licence in Morocco amounting to TSEK 13,873.

Investments in other licence areas have during the first nine months 2009 amounted to TSEK 1,171 and mainly regard licence administration and geological work on Gotland. The book value of oil and gas properties include currency exchange losses of TSEK 29,931 during the nine month period, which are not cash related items and therefore not included in investments. For more information please see above Loss for the period and sales.

### **Liquidity and financing**

Cash and bank as at 30 September 2009 amounted to TSEK 13,864 (TSEK 29,886).

Based on an authorization from the AGM held 8 May 2008, the Board of Directors resolved to issue 1,300,000 shares through a private placement. The private placement was made at SEK 10 per share, which was in line with the prevailing market price at the time. The total proceeds from this issue amounted to TSEK 13,000 before issue costs. The newly issued shares in the private placement were registered 10 March 2009 and the total number of shares after the private placement amounted to 25,280,086.

Based on an authorization from the AGM held 20 May 2009, the Board of Directors resolved to issue 2,000,000 shares through a private placement. The private placement was made at SEK 20 per share, which was in line with the prevailing market price at the time. The total proceeds from this issue amounted to TSEK 40,000 before issue costs. The newly issued shares in the private placement were registered 26 June 2009 and the total number of shares after the private placement amounted to 27,280,086.

In July, Tethys Oil received proceeds of TSEK 4,052 from 176,186 exercised warrants.

In October, after the reporting period Tethys Oil received TSEK 13,616 from exercised warrants, which are not included in cash and bank in this report.

### **Current receivables**

Current receivables amounted to TSEK 1,305 (TSEK 7,239) as at 30 September 2009.

### **Current liabilities**

Current liabilities as at 30 September 2009 amounted to TSEK 5,491 (TSEK 2,832), of which TSEK 762 (TSEK 1,358) relates to accounts payable, TSEK 4,284 (TSEK 385) relates to other current liabilities and TSEK 446 (TSEK 1,088) relates to accrued expenses. The high level of liabilities compared to the equivalent period last year relates to operation in Morocco and the exploration well Taffe-jart-1.

### **Parent company**

The parent company reports a result for the first nine months 2009 amounting to TSEK -26,290 (TSEK 1,572) and TSEK -20,065 (TSEK 6,384) for the third quarter 2009. Administrative expenses amounted to TSEK -5,911 (TSEK -6,166) for the first nine months of 2009 and TSEK -1,761 (TSEK -1,530) for the third quarter. Net financial result amounted to TSEK -22,299 (TSEK 6,596) during the first nine months 2009 and TSEK -18,854 (TSEK 7,464) for the third quarter 2009. The weaker US dollar has had a negative impact on net financial result. The exchange rate losses regard translation differences and are non cash related. Investments during the first nine months 2009 amounted to TSEK 67,880 (TSEK 38,938). Financial investments are financial loans to subsidiaries for their oil and gas operations. The turnover in the parent company relates to chargeouts of services to subsidiaries.

### **Board of Directors**

At the Annual Meeting of shareholders on 20 May 2009 Håkan Ehrenblad, Vincent Hamilton, John Hoey, 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 30 September 2009, the number of outstanding shares in Tethys Oil amount to 27,456,272 (23,980,086), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program.

As per 1 January 2009, Tethys Oil had 23,980,086 shares. In March 2009, Tethys Oil conducted a share issue which increased the number of shares with 1,300,000 to 25,280,086. The shares from the share issue are included as per registration dated 10 March 2009. In June 2009, Tethys Oil conducted a second share issue of 2,000,000 which increased the number of shares to 27,280,086. Furthermore in July 2009, 176,186 warrants were exercised and accordingly an equivalent number of shares were issued by Tethys Oil. Tethys Oil received proceeds of TSEK 4,052 before issue costs. The shares were registered 10 July 2009 and the total number of outstanding shares thereafter amount to 27,456,272. The number of outstanding warrants after the exercise amount to 4,617,663.

The warrants from the rights issue conducted 2008 amounted as per 30 September 2009 to 4,617,663 with an exercise price of SEK 23 and where one warrant gives the right to purchase one new share. The warrants can be exercised continuously up until 30 June 2010. The average share price during 2009 was above the exercise price for both the nine month period and the third quarter 2009. The fully diluted number of shares therefore amounts to 32,073,935.

Tethys Oil furthermore announced that 592,000 warrants were exercised. As per publication of this report the shares from this exercise have been registered, however not before 30 September 2009. Proceeds from this exercise amounted to TSEK 13,616.

### **Risks and uncertainties**

A statement of risk and uncertainties are presented in note 1, page 15.



# Statement of comprehensive income

TSEK	1 Jan 2009– 30 Sep 2009 9 months	1 Jul 2009– 30 Sep 2009 3 months	1 Jan 2008– 30 Sep 2008 9 months	1 Jul 2008– 30 Sep 2008 3 months	1 Jan 2008– 31 Dec 2008 12 months
Net sales of oil and gas	–	–	–	–	–
Depreciation of oil and gas properties	–	–	–	–	–
Write off of oil and gas properties	-15,778	-219	-100	–	-21,088
Other income	1,792	510	2,823	1,457	3,450
Other losses/gains, net	-48	-18	-284	-290	-293
Administrative expenses	-11,455	-3,945	-10,190	-2,810	-13,818
<b>Operating result</b>	<b>-25,489</b>	<b>-3,672</b>	<b>-7,751</b>	<b>-1,643</b>	<b>-31,748</b>
Financial income and similar items	833	24	4,114	4,097	15,565
Financial expenses and similar items	-27,913	-20,781	-115	2,418	-212
<b>Net financial result</b>	<b>-27,080</b>	<b>-20,757</b>	<b>3,998</b>	<b>6,514</b>	<b>15,353</b>
<b>Result before tax</b>	<b>-52,569</b>	<b>-24,429</b>	<b>-3,752</b>	<b>4,872</b>	<b>-16,395</b>
Income tax	-42	-12	-7	–	-30
<b>Result for the period</b>	<b>-52,612</b>	<b>-24,442</b>	<b>-3,759</b>	<b>4,872</b>	<b>-16,426</b>
<b>Other comprehensive result</b>					
Currency translation differences	-2,415	-2,479	703	2,342	4,079
<b>Other comprehensive result for the period</b>	<b>-2,415</b>	<b>-2,479</b>	<b>703</b>	<b>2,342</b>	<b>4,079</b>
<b>Total comprehensive result for the period</b>	<b>-55,027</b>	<b>-26,921</b>	<b>-3,056</b>	<b>7,214</b>	<b>-12,347</b>
Number of shares outstanding	27,456,272	27,456,272	23,978,286	23,978,286	23,980,086
Number of shares outstanding (after dilution)	32,073,935	32,073,935	23,978,286	23,978,286	23,980,086
Weighted number of shares	25,733,954	27,444,782	22,228,651	23,978,286	22,668,770
Earnings per share, SEK	-2.04	-0.89	-0.17	0.20	-0.72
Earnings per share (after dilution), SEK	-1.64	-0.76	-0.17	0.20	-0.72

# Consolidated balance sheet

TSEK	30 Sep 2009	31 Dec 2008
<b>ASSETS</b>		
<b>Fixed assets</b>		
Oil and gas properties	168,715	140,811
Office equipment	1,042	1,128
<b>Total fixed assets</b>	<b>169,757</b>	<b>141,940</b>
<b>Current assets</b>		
Other receivables	1,305	7,239
Prepaid expenses	1,620	843
Short term investments	–	9,283
Cash and bank	13,864	20,603
<b>Total current assets</b>	<b>16,789</b>	<b>37,969</b>
<b>TOTAL ASSETS</b>	<b>186,546</b>	<b>179,909</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	4,576	3,997
Additional paid in capital	321,404	262,982
Other reserves	-518	1,897
Retained earnings	-144,408	-91,799
<b>Total shareholders' equity</b>	<b>181,055</b>	<b>177,077</b>
<b>Non interest bearing current liabilities</b>		
Accounts payable	762	1,358
Other current liabilities	4,284	385
Accrued expenses	446	1,088
<b>Total non interest bearing current liabilities</b>	<b>5,491</b>	<b>2,832</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>186,546</b>	<b>179,909</b>
Pledged assets	500	500
Contingent liabilities	23,931	43,230

# Consolidated statement of changes in equity

TSEK	Share Capital	Paid in Capital	Other reserves	Retained earnings	Total equity
<b>Opening balance 1 January 2008</b>	<b>3,196</b>	<b>177,555</b>	<b>-2,182</b>	<b>-75,374</b>	<b>103,196</b>
Total comprehensive loss for the first quarter 2008	-	-	-1,777	-5,458	-7,235
Total comprehensive loss for the second quarter 2008	-	-	138	-3,173	-3,035
Total comprehensive result for the third quarter 2008	-	-	2,342	4,872	7,214
Total comprehensive loss for the fourth quarter 2008	-	-	3,376	-12,666	-9,290
Issue costs set off issue	-	-107	-	-	-107
Private placement	801	90,441	-	-	91,242
Issue costs private placement	-	-4,585	-	-	-4,585
Issue costs warrant issue	-	-322	-	-	-322
<b>Closing balance at 31 December 2008</b>	<b>3,997</b>	<b>262,982</b>	<b>1,897</b>	<b>-91,799</b>	<b>177,077</b>
<b>Opening balance 1 January 2009</b>	<b>3,997</b>	<b>262,982</b>	<b>1,897</b>	<b>-91,799</b>	<b>177,077</b>
Total comprehensive result for the first quarter 2009	-	-	1,682	1,568	3,250
Total comprehensive loss for the second quarter 2009	-	-	-1,618	-29,740	-31,358
Total comprehensive loss for the third quarter 2009	-	-	-2,479	-24,442	-26,921
Private placement February	217	12,783	-	-	13,000
Issue costs	-	-83	-	-	-83
Private placement June	333	39,667	-	-	40,000
Warrant exercise	29	6,055	-	-	6,084
<b>Closing balance 30 September 2009</b>	<b>4,576</b>	<b>321,404</b>	<b>-518</b>	<b>-144,408</b>	<b>181,055</b>

# Consolidated cash flow statement

TSEK	1 Jan 2009– 30 Sep 2009 9 months	1 Jul 2009– 30 Sep 2009 3 months	1 Jan 2008– 30 Sep 2008 9 months	1 Jul 2008– 30 Sep 2008 3 months	1 Jan 2008– 31 Dec 2008 12 months
<b>Cash flow from operations</b>					
Operating result	-25,489	-3,671	-7,751	-1,643	-31,748
Interest received	59	17	1,004	1,003	1,233
Interest paid	–	–	-1	–	-1
Income tax	-42	-12	-7	–	-30
Adjustment for write down of oil and gas properties	15,778	219	100	–	21,088
Adjustment for depreciation and other non cash related items	181	411	12	-49	263
<b>Total cash flow used in operations before change in working capital</b>	<b>-9,514</b>	<b>-3,037</b>	<b>-6,643</b>	<b>-689</b>	<b>-9,195</b>
Decrease/increase in receivables	5,159	1,040	12,355	-3,464	-4,646
Decrease/increase in liabilities	2,660	1,809	5,158	846	442
<b>Cash flow used in operations</b>	<b>-1,694</b>	<b>-187</b>	<b>10,870</b>	<b>-3,307</b>	<b>-13,399</b>
<b>Investment activities</b>					
Investment in oil and gas properties	-73,612	-21,630	-42,774	-23,056	-71,506
Investment in other fixed assets	-114	28	-23	-31	-1,007
<b>Cash flow used for investment activities</b>	<b>-73,826</b>	<b>-21,602</b>	<b>-42,797</b>	<b>-23,087</b>	<b>-72,512</b>
<b>Financing activities</b>					
Share issue, net after issue costs	59,001	6,610	86,217	-32	98,884
Return on short term investments	4	–	77	77	417
<b>Cash flow from financing activities</b>	<b>59,006</b>	<b>6,610</b>	<b>86,294</b>	<b>45</b>	<b>99,301</b>
<b>Period cash flow</b>	<b>-16,515</b>	<b>-15,179</b>	<b>54,366</b>	<b>-26,349</b>	<b>13,390</b>
Cash and cash equivalents at the beginning of the period	29,886	29,249	12,252	92,903	12,252
Exchange gains/losses on cash and cash equivalents	493	-27	379	443	4,245
Cash and cash equivalents at the end of the period	13,864	13,864	66,991	66,991	29,886

# Parent company income statement condensed

TSEK	1 Jan 2009– 30 Sep 2009 9 months	1 Jul 2009– 30 Sep 2009 3 months	1 Jan 2008– 30 Sep 2008 9 months	1 Jul 2008– 30 Sep 2008 3 months	1 Jan 2008– 31 Dec 2008 12 months
Net sales of oil and gas	–	–	–	–	–
Depreciation of oil and gas properties	–	–	–	–	–
Write off of oil and gas properties	–	–	–	–	–
Other income	1,968	568	1,316	670	1,881
Other losses/gains, net	-48	-18	-174	-220	-231
Administrative expenses	-5,911	-1,761	-6,166	-1,530	-8,503
<b>Operating result</b>	<b>-3,991</b>	<b>-1,211</b>	<b>-5,024</b>	<b>-1,080</b>	<b>-6,853</b>
Financial income and similar items	5,590	1,909	6,632	5,045	19,457
Financial expenses and similar items	-27,889	-20,763	-36	2,419	-134
Write down of shares in group company	–	–	–	–	-24,859
<b>Net financial result</b>	<b>-22,299</b>	<b>-18,854</b>	<b>6,596</b>	<b>7,464</b>	<b>-5,536</b>
<b>Result before tax</b>	<b>-26,290</b>	<b>-20,065</b>	<b>1,572</b>	<b>6,384</b>	<b>-12,389</b>
Income tax	–	–	–	–	–
<b>Result for the period</b>	<b>-26,290</b>	<b>-20,065</b>	<b>1,572</b>	<b>6,384</b>	<b>-12,389</b>
Number of shares outstanding	27,456,272	27,456,272	23,978,286	23,978,286	23,980,086
Number of shares outstanding (after dilution)	32,073,935	32,073,935	23,978,286	23,978,286	23,980,086
Weighted number of shares	25,733,954	27,444,782	22,228,651	23,978,286	22,668,770

# Parent company balance sheet condensed

TSEK	30 Sep 2009	31 Dec 2008
<b>ASSETS</b>		
Fixed assets	224	35,767
Financial fixed assets	206,128	123,545
Current assets	13,850	29,097
<b>TOTAL ASSETS</b>	<b>220,202</b>	<b>188,409</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity	219,747	187,035
Non interest bearing current liabilities	455	1,374
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>220,202</b>	<b>188,409</b>
Pledged assets	500	500
Contingent liabilities	23,931	43,230

# Parent company statement of changes in equity

TSEK	Restricted equity		Non restricted equity			Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net result	
<b>Opening balance at 1 January 2008</b>	<b>3,196</b>	<b>71,071</b>	<b>106,484</b>	<b>-44,997</b>	<b>-22,558</b>	<b>113,197</b>
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
Loss for the fourth quarter 2008	-	-	-	-	-13,961	-13,961
	3,196	71,071	106,484	-67,555	-12,389	100,807
Issue costs set off issue	-	-	-107	-	-	-107
Private placement	801	-	90,441	-	-	91,242
Issue costs	-	-	-4,585	-	-	-4,585
Issue costs warrants issue	-	-	-322	-	-	-322
<b>Closing balance at 31 December 2008</b>	<b>3,997</b>	<b>71,071</b>	<b>191,911</b>	<b>-67,555</b>	<b>-12,389</b>	<b>187,035</b>
Transfer of prior year net result	-	-	-	-12,389	12,389	-
Result for the first quarter 2009	-	-	-	-	5,927	5,927
Loss for the second quarter 2009	-	-	-	-	-12,151	-12,151
Loss for the third quarter 2009	-	-	-	-	-20,065	-20,065
Private placement March	217	-	12,783	-	-	13,000
Issue costs	-	-	-83	-	-	-83
Private placement June	333	-	39,667	-	-	40,000
Warrant exercise	29	-	6,055	-	-	6,084
<b>Closing balance at 30 September 2009</b>	<b>4,576</b>	<b>71,071</b>	<b>250,333</b>	<b>-79,944</b>	<b>-26,290</b>	<b>219,747</b>

# 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, Oman and Sweden.

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

## **Accounting principles**

The nine month report 2009 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The nine month report 2009 of the parent company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2.2 –Accounting for legal entities, issued by the Swedish Financial Accounting Standards Council. The same accounting principles were used in the annual report 2008.

## **Financial instruments**

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

## **Note 1) Risks and uncertainties**

The Group’s activities expose it to a number of risks and uncertainties which are continuously monitored and reviewed. The main risks and uncertainties are operational and financial risk described below.

### *Operational risk*

The main operational risk is of technical and geological nature. At its current stage of development the group is exploring for oil and gas and appraising undeveloped known oil and/or gas accumulations. The main risk is that the interest the Group has in oil and gas assets will not evolve into commercial reserves of oil and gas. Tethys Oil is furthermore exposed to oil price risk as income and profitability will depend on prevailing oil prices from time to time. As the Group currently does not produce oil and gas the direct effect is limited. Significantly lower oil prices would reduce expected profitability and could make projects sub economic even if discoveries are made. Another operational risk is access to equipment in Tethys Oil’s projects. Especially in the drilling phase of a project the Group is dependent on advanced equipment such as rigs, casing, pipes etc. A shortage of these supplies can present difficulties for Tethys Oil to fulfil its projects. Through its operations Tethys Oil is furthermore subject to political risk, environment risk and the risk of not being able to retain key personnel.

### *Financial risk*

By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. Possible future income will also most likely be denominated in foreign currencies, most likely US dollars. Furthermore, Tethys Oil has since inception been entirely equity financed and as the Group has not presented any revenues the financing of the Group has been through share issues. Additional capital will be needed to finance Tethys Oil’s future operations and/or for acquisition of additional licences. The main risk is that this need may occur during less favourable market conditions.

A more detailed analysis of the Group’s risks and uncertainties and how the Group addresses these risks, are given in the Annual report for 2008.

## Note 2) Oil and gas properties

TSEK	Book value	Write	Investments	Book value	Book value	Write	Invest-	Book value
Country	30 Sep 2009	downs	1 Jan-30 Sep	1 Jan 2009	31 Dec 2008	downs	ments	1 Jan 2008
		2009				2008	2008	
Oman Block 15	90,604 <sup>1</sup>	-	10,432	98,729	98,729	-	37,282	47,984
Oman Blocks 3,4	73,482 <sup>1</sup>	-	49,989	34,867	34,867	-	22,085	12,782
France Attila	3,628	-	38	3,589	3,589	-9,813	4,558	8,844
Morocco Boua- nane	-	-13,873	12,016	1,858	1,858	-	887	971
Turkey Ispandika	-	-1,364	75	1,289	1,289	-	-	1,289
Turkey Thrace	-	-	-	-	-	-7,108	3,783	3,325
Spain Sedano	-	-	-	-	-	-3,702	2,505	1,197
Spain Cameros	-	-541	541	-	-	-466	208	258
Sweden Gotland Större	870	-	441	429	429	-	170	259
New ventures	128	-	75	52	52	-	29	23
<b>Total</b>	<b>168,715</b>	<b>-15,778</b>	<b>73,612</b>	<b>140,811</b>	<b>140,811</b>	<b>-21,088</b>	<b>71,506</b>	<b>76,932</b>

Oil and gas properties	Group			Parent		
	1 Jan 2009- 30 Sep 2009 9 months	1 Jul 2009- 30 Sep 2009 3 months	1 Jan 2008- 31 Dec 2008 12 months	1 Jan 2009- 30 Sep 2009 9 months	1 Jul 2009- 30 Sep 2009 3 months	1 Jan 2008- 31 Dec 2008 12 months
TSEK						
Opening balance	209,485	261,467	124,518	34,867	-	12,782
Investments in France	38	-	4,558	-	-	-
Investments in Morocco	12,016	11,995	887	-	-	-
Investments in Oman	60,421	9,581	59,366	-34,867	-	22,085
Investments in Spain	541	-	2,713	-	-	-
Investments in Turkey	75	-	3,783	-	-	-
Investments in Sweden	441	-	170	-	-	-
Other investments in oil and gas properties	75	49	29	-	-	-
Closing balance	283,093	283,093	196,024	-	-	34,867
Adjustment	29,931	29,931	13,461	-	-	-
<b>Depletion</b>						
Depletion	-	-	-	-	-	-
<b>Write down</b>						
Opening balance	68,674	84,233	47,586	-	-	-
Write down	15,778	219	21,088	-	-	-
Closing balance	84,452	84,452	68,674	-	-	-
<b>Net book value</b>	<b>168,715</b>	<b>168,715</b>	<b>140,811</b>	<b>-</b>	<b>-</b>	<b>34,867</b>

1) The book value of oil and gas properties include currency exchange losses of TSEK -29,931 during the first nine months 2009, which are not cash related items and therefore not included in investments. For more information please see the Administration report under the heading "Result for the period and sales".



**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 2009, the number of outstanding shares in Tethys Oil amount to 27,456,272 (23,980,086), with a quota value of SEK 0.17 (SEK 0.17). All shares represent one vote each. Tethys Oil does not have any incentive program.

As per 1 January 2009, Tethys Oil had 23,980,086 shares. In March 2009, Tethys Oil conducted a share issue which increased the number of shares with 1,300,000 to 25,280,086. The shares from the share issue are included as per registration dated 10 March 2009. In June 2009, Tethys Oil conducted a second share issue of 2,000,000 which increased the number of shares to 27,280,086. Furthermore in July 2009, 176,186 warrants were exercised and accordingly an equivalent number of shares were issued by Tethys Oil. Tethys Oil received proceeds of TSEK 4,052 before issue costs. The shares were registered 10 July

2009 and the total number of outstanding shares thereafter amount to 27,456,272. The number of outstanding warrants after the exercise amount to 4,617,663.

The warrants from the rights issue conducted 2008 amounted as per 30 September 2009 to 4,617,663 with an exercise price of SEK 23 and where one warrant gives the right to purchase one new share. The warrants can be exercised continuously up until 30 June 2010. The average share price during 2009 was above the exercise price for both the nine month period and the third quarter 2009. The fully diluted number of shares therefore amounts to 32,073,935.

Tethys Oil furthermore announced that 592,000 warrants were exercised. As per publication of this report the shares from this exercise have been registered, however not before 30 September 2009. Proceeds from this exercise amounted to TSEK 13.616.

**Note 5) Contingent liabilities**

The contingent liabilities amount to TSEK 23,931 (TSEK 43,230). The contingent liabilities regard Blocks 3&4 where Tethys Oil has a work commitment, the fulfilment of which is estimated to cost MUS\$ 3.5. The difference between contingent liabilities 30 September 2009 and 31 December 2008 relate to adjusted estimates regarding the work commitment and currency exchange differences.

# Key ratios

## Group

	1 Jan 2009– 30 Sep 2009 9 months	1 Jul 2009– 30 Sep 2009 3 months	1 Jan 2008– 30 Sep 2008 9 months	1 Jul 2008– 30 Sep 2008 3 months	1 Jan 2008– 31 Dec 2008 12 months
<b>Items regarding the income statement and balance sheet</b>					
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	-25,489	-3,672	-7,751	-1,643	-31,748
Operating margin, %	neg.	neg.	neg.	neg.	neg.
Result before tax, TSEK	-52,569	-24,429	-3,752	4,872	-16,395
Net result, TSEK	-52,612	-24,442	-3,759	4,872	-16,426
Net margin, %	neg.	neg.	neg.	neg.	neg.
Shareholders' equity, TSEK	181,085	181,085	186,356	186,356	177,077
Balance sheet total, TSEK	186,544	186,544	197,852	197,852	179,909
<b>Capital structure</b>					
Equity ratio, %	97.06%	97.06%	94.19%	94.19%	98.43%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	97.06%	97.06%	94.19%	94.19%	98.43%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	73,826	21,602	42,797	23,087	72,512
<b>Profitability</b>					
Return on shareholders' equity, %	neg.	neg.	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.	neg.	neg.
<b>Key figures per employee</b>					
Average number of employees	10	10	10	10	10
<b>Number of shares</b>					
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	27,456	27,456	23,978	23,978	23,980
Shareholders' equity per share, SEK	6.59	6.59	7.77	7.77	7.38
Weighted number of shares on balance day, thousands	25,734	27,445	22,229	23,978	22,669
Earnings per share, SEK	-2.04	-0.89	-0.17	0.20	-0.72
Earnings per share after dilution, SEK	-1.64	-0.76	-0.16	0.20	-0.68

For definitions of key ratios please refer to the 2008 Annual Report. The abbreviation n.a. means not available.

# Financial information

## **The Company plans to publish the following financial reports:**

Year end report 2009 (January – December 2009) on 16 February 2010  
Three month report 2010 (January – March 2010) on 12 May 2010  
Annual General Meeting 2010 is planned to be held in Stockholm 12 May 2010  
Six month report 2010 (January – June 2010) on 20 August 2010  
Nine month report 2010 (January – September 2010) on 12 November 2010

Stockholm, 13 November 2009

*Magnus Nordin*  
Managing Director

## Review report

We have reviewed this report for the period 1 January 2009 to 30 September 2009 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.

Göteborg, 13 November 2009

PricewaterhouseCoopers AB

*Klas Brand*  
Authorised Public Accountant

*Johan Rippe*  
Authorised Public Accountant

# Tethys Oil AB (publ)

Tethys Oil is a Swedish energy company focused on identification and development for production of oil and natural gas assets. Tethys' core area is Oman, where the company is the second largest onshore oil and gas concession-holder with licence interests in three onshore blocks. Tethys' strategy is to invest in projects in areas with known oil and natural gas discoveries that have not been properly appraised using modern technology. In this way, high returns can be achieved with limited risk.

The company has interests in licences in Oman, France and Sweden. The shares are listed on First North (TETY) in Stockholm. Remium AB is Certified Adviser.

## **Corporate Head Office**

Tethys Oil AB  
Hovslagargatan 5B  
SE-111 48 Stockholm  
Sweden  
Tel. +46 8 679 4990  
Fax +46 8 678 8901  
E-mail: [info@tethysoil.com](mailto:info@tethysoil.com)

## **Muscat Office**

Tethys Oil Oman Ltd  
Hatat House, Unit 116  
Wadi Adai, Muscat  
Oman  
Tel. +968 245 714 62  
Fax +968 245 714 63  
E-mail: [info@tethysoil.com](mailto:info@tethysoil.com)

## **Technical Office**

Tethys Oil Suisse SA  
78 Rue Ancienne  
CH-1227 Carouge, Geneva  
Switzerland  
Tel. +41 22 304 19 90  
Fax +41 22 304 19 95  
E-mail: [info@tethysoil.com](mailto:info@tethysoil.com)

## **Internet information**

Follow the development of Tethys Oil during the year by visiting the corporate website [www.tethysoil.com](http://www.tethysoil.com).

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

