

TETHYS OIL

Report for the period
1 January – 30 September 2010



Highlights

- Result for the first nine months of 2010 amounted to TSEK 75,259 (TSEK -52,612 for the corresponding period last year) and TSEK 66,923 (TSEK -24,442) for the third quarter. The farmout of 20 percentage points of Blocks 3 and 4 resulted in capital gains of TSEK 103,236 during the third quarter 2010, which is included in the result. The result has furthermore been impacted by currency exchange losses and administrative expenditures
- Earnings per share amounted to SEK 2.48 (SEK -2.04) for the first nine months of 2010 and SEK 2.07 (SEK -0.89) for the third quarter
- Farha South Early Production System commissioned during the third quarter. Test production from Farha South-3 and later Farha South-4 wells initiated
- Saiwan East-3 well tested 10,714 barrels of oil per day in July
- Saiwan East-4 well successfully drilled – encountered several oil bearing layers in August
- Farha South-4 well tested 3,079 barrels of oil per day in October
- Independent third party resource audit over Blocks 3 and 4 gives an on Block contingent resource of 42 million barrels of conventional oil
- On May 19th, Tethys entered into a Farmout Agreement with Mitsui E&P Middle East B.V., a subsidiary of Mitsui & Co. Ltd., whereby Mitsui acquired 20 percent of the licence covering Blocks 3 and 4. The purchase price amounted to MUSD 20 in cash. In addition Mitsui undertook to fund Tethys' share of capital expenditures up to MUSD 60 on the Blocks effectively from January 1st 2010
- As at 30 September 2010 there have been no sales of oil and gas in Tethys Oil, nor for the equivalent period of last year
- During the first nine months 2010 Tethys Oil has received proceeds of TSEK 90,974 before issue costs from 3,955,398 exercised warrants and TSEK 15,820 before issue costs from private placements of 500,000 shares
- Cash and cash equivalents as per 30 September 2010 amounted to TSEK 205,150 (TSEK 13,620). Oil and gas investments amounted to TSEK -10,056¹ (TSEK 73,612)

1) These are the net oil and gas investments after the farmout to Mitsui. Gross investments before the farmout amounts to TSEK 30,823.



Dear Friends and Investors

This time the highlights speak for themselves. All systems are go. Test production from Farha South started in August. Granted, it is just a TEST production, but it is still an important milestone for a growing oil company – the first time oil has been extracted from the ground for a longer period of time.

The test results from the wells drilled, certainly speak for themselves. The Khufai surprised us all by flowing in excess of 10,000 BOPD in July, way above expectations. By far the best well ever drilled on Block 4 and for that matter one of the best test results ever in Oman. And in August, Farha South continued the trend and tested in excess of 3,000 BOPD from the Barik sandstone. The best result ever recorded from Block 3.

Drilling continues and at the time of writing we are eagerly awaiting the results from ongoing well FS-5 on Block 3, before we turn our attention to the testing of Block 4 well Saiwan- East 4. As you recall SE-4 was drilled and logged oil in August but was not tested at that time. Testing is planned to take place later this year once FS-5 is completed.

But already this year we have learned a lot about our main reservoirs - the Barik and the Lower Al Bashair on Block 3, and the Khufai on Block 4. And do not forget that each time we drill into the Khufai we drill through the heavy oil layers in the reservoirs above, giving 'free' additional information on that oil.

All these data, together with what we have learned from the two 3D seismic studies carried out in Blocks 3 and 4 respectively will among others result in an updated reserve/resource study from Gaffney Cline which we expect early in 2011.

At this pace we should expect 2011 to be an even better year and, hopefully, be the year when Tethys enters into a phase of serious production. Field development plans are being prepared, we are well financed, and we work with excellent partners in the shape of Operator CCED and Mitsui.

We are also revisiting Block 15 in Oman, conducting further tests in France and surveying in Gotland. And corporately, we are investigating the possibility to graduate from First North and apply for a listing on the Main Market of NasdaqOMX in Stockholm.

But now we have kept you long enough. The report is yours to take part of and our website is always there with the latest updates so stay with us.....

Stockholm in November 2010

Magnus Nordin
Managing Director

Vince Hamilton
Chairman of the Board

Operations

Overview

Tethys' core area is the Sultanate of Oman, where the company is one of the largest onshore oil and gas concession holders with licence interests in three onshore blocks. Tethys Oil has also interests in licences in Sweden and France.

Sultanate of Oman

During 2010 a extensive appraisal programme has been carried out on Block 3 and 4. Three wells have been drilled and a fourth is in progress. A comprehensive 3D seismic survey covering the Saiwan East structure on Block 4 and the Farha trend on Block 3 has been conducted. An Early Production System ("EPS") for a long term production test of the Farha South structure is ongoing. The EPS was commissioned during the third quarter and test production initiated. By 30 September a total of 30,256 barrels had been produced from the Farha South 3 and 4 wells. Tethys' share of the test production oil amounts to 30 per cent, or 9,077 barrels before government take. Intermittent production has continued from both wells after 30 September.

A field development plan for the development of the Barik and Lower Al Bashair reservoir sections in the Farha South area on Block 3 and for the development of the Khufai reservoir section in the Saiwan East area on Block 4 is being prepared by the operator and is expected to be presented to the Government of the Sultanate of Oman during the fourth quarter 2010.

In addition to the appraisal and development activities, exploration work continues in other parts of the Block 3 and 4 license areas. To that end, a two year extension, from December 2010 to December 2012, has been granted by the Government for the Blocks 3 and 4 license area for the purpose of conducting further exploration activities in line with a proposed high level exploration plan and schedule.

During the second quarter, Tethys also announced the result of the company's first independent third party resource audit of Blocks 3 and 4.

The Farha South structure of Block 3

Farha South-4 well flowed 3,079 bopd

The Farha South-4 well ("FS-4") in Block 3 was spudded in mid August 2010 and was completed in October. The FS-4 well was drilled 740 metres to the south southeast of the Farha South-3 well. The pilot hole was drilled to a depth of 2,039 metres. Both the Barik and the Lower Al Bashair formations were penetrated with oil shows. Electrical logs were run over these sections, but no testing was conducted in the vertical pilot hole. Two cores from the Barik formation and one core from the Lower Al Bashair formation were extracted. The Barik formation was found at 1,272 metres below ground level and was penetrated with an 820 metres horizontal section. The horizontal section was logged during drilling. A pump was installed and production testing was conducted on the horizontal section. The maximum rate achieved with pump during the tests was 3,079 barrels of 43 degree API gravity oil through an 80/64ths (31.75 mm.) choke size.

Farha South-5 well is drilling

The rig that was used to drill FS-4 has been moved to drill the Farha South-5 ("FS-5") well, which is being drilled as a stepout exploration well. The FS-5 well is located 6.8 kilometres northeast of FS-3.

The Saiwan East structure on Block 4

The Saiwan East-3 well flowed 10,714 bopd

The Saiwan East-3 ("SE-3") well was drilled in the beginning of the summer 2010 to appraise and further develop the 2009 oil discovery in the Khufai formation made in the Saiwan East-2 ("SE-2") well. The SE-3 was drilled 1.2 kilometres to the southeast of SE-2.

The appraisal pilot hole was drilled to a total depth of 1,800 metres. The well penetrated a 61 metres gross oil column in the Khufai reservoir. When the pilot hole was completed, a horizontal sidetrack was drilled

and the well was tested. The maximum rate achieved during the test was 10,714 barrels per day of 32.4 degree API gravity oil through a 38 millimetre choke size. The SE-3 well also encountered shows of 'heavy' oil in the Buah, Amin and Miqrat formations.

The Saiwan East-4 well successfully drilled

The Saiwan East-4 ("SE-4") was successfully drilled and preliminary evaluated in August. The well was drilled 2.9 kilometres to the southeast of the Saiwan East-3 well to a total depth of 2,463 metres. Several oil bearing layers were encountered including the Khufai limestone formation from which 78 metres of core was extracted. Above the Khufai formation, oil was also encountered in the Buah and Miqrat formations. The properties and quality of the oils encountered in the various layers have not been ascertained but the results are sufficiently encouraging to warrant production tests that will be carried out in late 2010 using the currently contracted drilling rig.

3D seismic study on Blocks 3 and 4

During the end of 2009 and spring of 2010, a comprehensive 3D seismic survey was conducted over both the Saiwan East structure on Block 4 and the Farha trend on Block 3. The study covered a total of 400 square kilometres on Block 4 and 742 square kilometres on Block 3. The seismic acquisition was conducted by BGP Oil and Gas Services of China.

Independent third party resource audit

Tethys announced in May the result of Gaffney, Cline & Associates' (GCA) independent third party resource audit of Blocks 3 and 4. The resource report is based on data available as at 1 May 2010 and covers the Farha South structure on Block 3 and the Saiwan East structure on Block 4.

The Best Estimate (2C) of Gross Contingent Resources on Block 3, Farha South, is estimated to amount to 8.9 million barrels in the Barik layer and 12.2 million barrels in the Lower Al Bashair. On Block 4, Saiwan East, the 2C Gross Contingent Resources within the Khufai layer is estimated to amount to 20.8 mil-

lion barrels. In addition the Miqrat and Amin heavy oil layers in Saiwan East are estimated to hold 2C Contingent Resources of 32.7 million barrels gross. Contingent Resources net to Tethys are 30 per cent of the gross number before government take.

Result and cash flow

The consolidated interim financial statements of the Tethys Oil Group (hereafter referred to as “Tethys Oil” or the “Group”), where Tethys Oil AB (publ) (the “Company”) with organisational number 556615-8266 is the parent company, are hereby presented for the nine months period ended 30 September 2010. The amounts relating to the comparative period (equivalent period of last year) are shown in parenthesis after the amount for the current period. Segments of the Group are 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 of 2010 of TSEK 75,259 (TSEK -52,612 for last year) and TSEK 66,923 (TSEK -24,442) for the third quarter, representing earnings per share of SEK 2.48 (SEK -2.04) for the first nine months 2010 and SEK 2.07 (SEK -0.89) for the third quarter. The result has been significantly impacted by the farmout of 20 percentage points of Blocks 3 and 4 to Mitsui E&P Middle East B.V. (“Mitsui”). In consideration for the acquisition, Tethys Oil received MUS\$ 20, equivalent of TSEK 144,114, of which 40 per cent (the percentage of Tethys Oil’s assets that were farmed out) of the book value as per 31 December 2009 amounting to TSEK 40,879 is offset against the book value of Blocks 3 and 4. The remainder of the consideration received, TSEK 103,236, is recorded as a capital gain in the income statement in the subsidiary Tethys Oil Blocks 3&4 Ltd. The result for the first nine months 2010 has furthermore been significantly impacted by net foreign exchange losses. The currency exchange effect of the group amounts to TSEK -18,468 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 gain effect is part of net financial result amounting to TSEK -18,468 for the first nine months 2010 and TSEK -32,835 for the third quarter.

Write downs of oil and gas properties amount to TSEK 73 (TSEK 15,559) for the first nine months of 2010. Cash flow from operations before changes in working capital during the first nine months of 2010 amounted to TSEK 93,951 (TSEK -9,514) for the first nine months 2010 and TSEK 99,677 (TSEK -3,037) for the third quarter.

Tethys Oil has not recorded any sales or production of oil and gas for the first nine months that ended 30 September 2010. Accordingly, there has been no depletion of oil and gas properties.

Other income, administrative expenses

Administrative expenses amounted to TSEK -10,550 (TSEK -11,455) for the first nine months of 2010 and TSEK -3,620 (TSEK -3,945) for the third quarter. Depreciation amounted to TSEK 210 (TSEK 200) for the nine month period and TSEK 75 (TSEK 67) for the third quarter. Administrative expenses are mainly salaries, rents, listing costs and external 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 of 2010 are slightly lower compared 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 Exploration & 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

Tethys Oil has interests in licences in Oman, France and Sweden.

Country	License name	Tethys Oil	Total area, km ²	Partners (operator in bold)	Book value 30 Sep 2010	Book value 31 Dec 2009	Investments Jan-Sep 2010
Oman	Block 15	40%	1,389	Tethys Oil , Odin Energy	93,102	99,064	7,560
Oman	Block 3, 4	30% ¹	33,125	CCED , Mitsui, Tethys Oil	66,063	101,615	-23,290 ²
France	Attila	40%	1,986	Galli Coz , Tethys Oil	8,912	3,628	5,284
Sweden	Gotland Större	100%	540	Tethys Oil	1,449	1,142	308
New ventures					183	174	82
Total			37,040		169,709	205,623	-10,056 ³

Oil and gas properties as at 30 September 2010 amounted to TSEK 169,709 (TSEK 205,623). Investments in oil and gas properties of TSEK -10,056³ (TSEK 73,612) were incurred for the nine month period ending 30 September 2010.

During the first nine months 2010, Tethys Oil through its wholly owned subsidiary Tethys Oil Blocks 3&4 Ltd. entered into an agreement with Mitsui E&P Middle East B.V. ("Mitsui"), whereby Mitsui acquired 20 percentage points in Blocks 3 and 4 onshore Oman. In consideration for the 20 per cent interest acquired from Tethys Oil, Mitsui paid Tethys Oil upon closing of the transaction USD 20 million cash, and undertook to fund Tethys Oil's share of non exploration related capital expenditure up to USD 60 million on Blocks 3 and 4 effectively from January 1st 2010. In addition Mitsui will pay to Tethys Oil a production bonus amounting to USD 10 million in the event combined future production from the two Blocks come to exceed 10,000 barrels of oil per day for a period of 30 days.

As a consequence of the above, Tethys Oil was reimbursed almost all investments made during 2010 on the blocks. The reimbursement amounted to TUSD 9,017. Furthermore, the consideration of MUSD 20, equivalent of TSEK 144,114, for the acquisition made by Mitsui has been accounted for in the following:

- 1) As per 31 December 2009, Tethys Oil had 50 per cent of Blocks 3 and 4. Following the farmout to Mitsui, Tethys Oil's interest is 30 per cent, effective from 1 January 2010.
- 2) These are the net oil and gas investments in Oman Block 3 and 4 after the farmout to Mitsui. Gross investments in Block 3 and 4 amounts to TSEK 17,589.
- 3) These are total the net oil and gas investments after the farmout to Mitsui. Gross investments before the farmout amounts to TSEK 30,823.

– TSEK 40,879 is offset against the book value of Blocks 3 and 4, in the subsidiary Tethys Oil as it represents 40 per cent of the book value as per 31 December 2009, where 40 per cent is the interest farmed out to Mitsui

– TSEK 103,236 is recorded as capital gain in the income statement in Tethys Oil Blocks 3&4 Ltd.

Operations on Blocks 3 and 4 have, during the first nine months 2010, been concentrated on the two separate structures; Saiwan East and Farha South. A 3D seismic survey was conducted over the two areas in the first part of 2010. During the first nine months of 2010 Tethys Oil and partners have drilled three new wells and made three production tests. The wells and production tests have confirmed the productivity and increased the reservoir extension. Pilot production has furthermore commenced on Farha South. The focus of the remaining part of the 2010 work programme will be to continue to appraise the Khufai reservoir on Block 4 and to bring the Barik and Lower Al-Bashair reservoirs into production in Farha South on Block 3.

Investments made on Block 15 amounting to TSEK 7,560 have mainly been related to licence administration, supervision and geological studies. In France, investments of TSEK 5,284 have regarded evaluation of the exploration well PLM-2. The

book value of oil and gas properties include currency exchange effects of TSEK -25,785 during the first nine months 2010, which are not cash related items and therefore not included in investments. For more information please see above *Result for the period and sales*.

Liquidity and financing

Cash and bank as at 30 September 2010 amounted to TSEK 205,150 (TSEK 13,620).

The liquidity was significantly strengthened by the farmout on 20 percentage points of Blocks 3 and 4 to Mitsui E&P Middle East B.V. As consideration for the farmout, Tethys Oil received MUS\$ 20 in August and reimbursement of investments made on Blocks 3 and 4 during 2010.

During the first nine months of 2010, Tethys Oil received proceeds of TSEK 90,974 from 3,955,398 exercised warrants, which equivalently increased the total number of shares.

Based on an authorization from the AGM held 20 May 2009, the Board of Directors resolved to issue 500,000 shares through two private placements. The private placements were made in March 2010 at SEK 30.75 and SEK 33.75 per share, which were in line with the prevailing market price at the time. The total proceeds from these issue amounted to TSEK 15,820 before issue costs. The newly issued shares in the private placement were registered in April 2010.

Current receivables

Current receivables amounted to TSEK 4,565 (TSEK 1,810) as at 30 September 2010. Current receivables mainly regard receivables on partners in oil and gas operations.

Current liabilities

Current liabilities as at 30 September 2010 amounted to TSEK 4,486 (TSEK 19,911), of which TSEK 3,845 (TSEK 1,080) relates to accounts payable, TSEK 409 (TSEK 18,448) relates to other current liabilities and TSEK 233 (TSEK 383) relates to accrued expenses. To a large extent the reduction of current liabilities regard payments made for incurred

investments on Blocks 3 and 4. These payments were made in the beginning of the first quarter 2010.

Parent company

The Parent company reports a result for the first nine months of 2010 amounting to TSEK -16,744 (TSEK -26,290) and TSEK -31,867 (TSEK -20,065) for the third quarter. Administrative expenses amounted to TSEK -6,238 (TSEK -5,911) for the first nine months of 2010 and TSEK -1,987 (TSEK -1,761) for the third quarter. Net financial result amounted to TSEK -12,652 (TSEK -22,299) during the first nine months of 2010 and TSEK -30,609 (TSEK -18,854) for the third quarter. 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 of 2010 amounted to TSEK 133,281 (TSEK 67,880). 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 General Meeting of shareholders on 19 May 2010 Håkan Ehrenblad, Vincent Hamilton, John Hoey, Magnus Nordin and Jan Risberg were re-elected members of the Board. Jonas Lindvall declined re-election. No deputy directors were appointed. At the same meeting Vincent Hamilton was appointed Chairman of the Board.

Share data

As per 30 September 2010, the number of outstanding shares in Tethys Oil amount to 32,504,489 (28,049,091), 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 for employees.

As per 1 January 2010, Tethys Oil had 28,049,091 shares. During the first nine months of 2010, 3,955,398 warrants were exercised and accordingly an equivalent number of shares were issued by Tethys Oil. Tethys Oil received proceeds of TSEK 90,974 before issue costs. The share issues from the exercised warrants have been registered continuously during the first nine months of 2010.

Furthermore, two private placements have been made during the first nine months of 2010, based on an authorization from the AGM held 20 May 2009. These two private placements of 500,000 shares together were made in March 2010 at SEK 30.75 and SEK 33.75 per share, which were in line with the prevailing market price at the time. The total proceeds from these issues amounted to TSEK 15,820 before issue costs. The newly issued shares in the private placement were registered in April 2010.

Risks and uncertainties

A statement of risk and uncertainties are presented in note 1, page 16.

Statement of Comprehensive Income

TSEK	Note	1 Jan 2010– 30 Sep 2010 9 Months	1 Jul 2010– 30 Sep 2010 3 Months	1 Jan 2009– 30 Sep 2009 9 Months	1 Jul 2009– 30 Sep 2009 3 Months	1 Jan 2009– 31 Dec 2009 12 Months
Net sales of oil and gas	2	–	–	–	–	–
Depreciation of oil and gas properties	2	–	–	–	–	–
Write off of oil and gas properties	2	-73	-73	-15,778	-219	-15,872
Other income	3	104,426	103,486	1,792	510	2,287
Other losses/gains, net		-37	-20	-48	-18	-56
Administrative expenses		-10,550	-3,620	-11,455	-3,945	-15,343
Operating result		93,765	99,773	-25,489	-3,672	-28,985
Financial income and similar items		18,260	1	833	24	2,234
Financial expenses and similar items		-36,727	-32,836	-27,913	-20,781	-15,696
Net financial income		-18,468	-32,835	-27,080	-20,757	-13,461
Result before tax		75,298	66,938	-52,569	-24,429	-42,446
Income tax		-38	-14	-42	-12	-57
Result for the period		75,259	66,923	-52,612	-24,442	-42,503
Other comprehensive result						
Currency translation differences		-7,396	-8,234	-2,415	-2,479	-1,103
Other comprehensive result for the period		-7,396	-8,234	-2,415	-2,479	-1,103
Total comprehensive result for the period		67,859	58,689	-55,027	-26,921	-43,607
Number of shares outstanding	4	32,504,489	32,504,489	27,456,272	27,456,272	28,049,091
Number of shares outstanding (after dilution)	4	32,504,489	32,504,489	32,073,935	32,073,935	32,073,935
Weighted number of shares	4	30,288,218	32,325,534	25,733,954	27,444,782	26,274,023
Earnings per share, SEK		2.48	2.07	-2.04	-0.89	-1.62
Earnings per share (after dilution), SEK		2.32	2.06	-1.64	-0.76	-1.33

Consolidated Balance Sheet

TSEK	Note	30 Sep 2010	31 Dec 2009
ASSETS			
Fixed assets			
Oil and gas properties	2	169,709	205,623
Office equipment		1,225	1,045
Total fixed assets		170,934	206,668
Current assets			
Other receivables		4,565	1,810
Prepaid expenses		310	581
Cash and bank		205,150	13,620
Total current assets		210,025	16,011
TOTAL ASSETS		380,959	222,680
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
	4		
Share capital		5,417	4,675
Additional paid in capital		436,698	331,601
Other reserves		-6,602	794
Retained earnings		-59,040	-134,300
Total shareholders' equity		376,473	202,770
Non interest bearing current liabilities			
Accounts payable		3,845	1,080
Other current liabilities		409	18,448
Accrued expenses		233	383
Total non interest bearing current liabilities		4,486	19,911
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		380,959	222,680
Pledged assets		500	500
Contingent liabilities	5	14,453	25,804

Consolidated Statement of Changes in Equity

TSEK	Share Capital	Paid in Capital	Other reserves	Retained Earnings	Total Equity
Opening balance 1 January 2009	3,997	262,982	1,897	-91,799	177,077
Total comprehensive result for the first quarter 2009	-	-	1,682	1,568	3,250
Total comprehensive result for the second quarter 2009	-	-	-1,618	-29,740	-31,358
Total comprehensive result for the third quarter 2009	-	-	-2,479	-24,442	-26,921
Total comprehensive result for the fourth quarter 2009	-	-	1,312	10,109	11,421
Private placement February	217	12,783	-	-	13,000
Issue costs	-	-83	-	-	-83
Private placement June	333	39,667	-	-	40,000
Issue costs warrant issue	-	-1,307	-	-	-1,307
Warrant exercise July	29	4,023	-	-	4,052
Warrant exercise October	99	13,536	-	-	13,536
Closing balance at 31 December 2009	4,675	331,601	794	-134,300	202,770
Opening balance 1 January 2010	4,675	331,601	794	-134,300	202,770
Total comprehensive result for the first quarter 2010	-	-	-370	-6,685	-7,055
Total comprehensive result for the second quarter 2010	-	-	1,208	15,017	16,225
Total comprehensive result for the third quarter 2010	-	-	-8,234	66,923	58,689
Subscription of warrants February	65	8,894	-	-	8,959
Subscription of warrants March	126	17,238	-	-	17,364
Subscription of warrants April	80	11,018	-	-	11,098
Subscription of warrants May	31	4,242	-	-	4,273
Subscription of warrants June	14	1,940	-	-	1,954
Subscription of warrants July	343	46,983	-	-	47,326
Issue costs warrant issue	-	-960	-	-	-960
Private placement March	83	15,742	-	-	15,825
Closing balance 30 September 2010	5,417	436,698	-6,602	-59,040	376,473

Consolidated Cash Flow Statement

TSEK	Note	1 Jan 2010– 30 Sep 2010 9 Months	1 Jul 2010– 30 Sep 2010 3 Months	1 Jan 2009– 30 Sep 2009 9 Months	1 Jul 2009– 30 Sep 2009 3 Months	1 Jan 2009– 31 Dec 2009 12 Months
Cash flow from operations						
Operating result		93,765	99,776	-25,489	-3,671	-28,985
Interest received		1	1	59	17	67
Interest paid		-	-	-	-	-5
Income tax		-38	-14	-42	-12	-57
Adjustment for write down of oil and gas properties		73	73	15,778	219	15,872
Adjustment for depreciation and other non cash related items		159	-150	181	411	251
Total cash flow used in operations before change in working capital		93,959	99,685	-9,514	-3,037	-12,856
Decrease/increase in receivables		-2,482	-606	5,159	1,040	5,691
Decrease/increase in liabilities		-15,424	-1,085	2,660	1,809	1,752
Cash flow used in operations		76,053	97,994	-1,694	-187	-5,413
Investment activity						
Investment in oil and gas properties	2	10,056	52,751	-73,612	-21,630	-81,480
Investment in other fixed assets		-390	-373	-114	28	-201
Cash flow used for investment activity		9,666	52,378	-73,826	-21,602	-81,681
Financing activity						
Share issue, net after issue costs	4	105,840	47,315	59,001	6,610	69,297
Return on short term investments		-	-	4	-	4
Cash flow from financing activity		105,840	47,315	59,006	6,610	69,301
Period cash flow		191,559	197,688	-16,515	-15,179	-17,793
Cash and cash equivalents at the beginning of the period		13,620	3,604	29,886	29,249	29,886
Exchange gains/losses on cash and cash equivalents		-28	3,859	493	-27	1,524
Cash and cash equivalents at the end of the period		205,151	205,151	13,864	13,864	13,620

Parent Company Income Statement Condensed

TSEK	Note	1 Jan 2010– 30 Sep 2010 9 Months	1 Jul 2010– 30 Sep 2010 3 Months	1 Jan 2009– 30 Sep 2009 9 Months	1 Jul 2009– 30 Sep 2009 3 Months	1 Jan 2009– 31 Dec 2009 12 Months
Net sales of oil and gas	2	–	–	–	–	–
Depreciation of oil and gas properties	2	–	–	–	–	–
Write off of oil and gas properties	2	–	–	–	–	–
Other income		2,184	749	1,968	568	2,625
Other losses/gains, net		-37	-20	-48	-18	-56
Administrative expenses		-6,238	-1,987	-5,911	-1,761	-7,934
Operating result		-4,092	-1,258	-3,991	-1,211	-5,366
Financial income and similar items		24,053	2,225	5,590	1,909	7,962
Financial expenses and similar items		-36,704	-32,835	-27,889	-20,763	-15,641
Write down of shares in group company		–	–	–	–	-17,282
Net financial income		-12,652	-30,609	-22,299	-18,854	-24,961
Result before tax		-16,744	-31,867	-26,290	-20,065	-30,327
Income tax		–	–	–	–	–
Loss for the period		-16,744	-31,867	-26,290	-20,065	-30,327
Number of shares outstanding	4	32,504,489	32,504,489	27,456,272	27,456,272	28,049,091
Number of shares outstanding (after dilution)	4	32,504,489	32,504,489	32,073,935	32,073,935	32,073,935
Weighted number of shares	4	30,288,218	32,325,534	25,733,954	27,444,782	26,274,023

Parent Company Balance Sheet Condensed

TSEK	Note	30 Sep 2010	31 Dec 2009
ASSETS			
Total fixed assets	2	183	225
Total financial fixed assets		314,192	213,782
Total current assets		4,978	12,793
TOTAL ASSETS		319,353	226,800
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	4	315,101	226,005
Total non interest bearing current liabilities		4,251	794
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		319,353	226,800
Pledged assets		500	500
Contingent liabilities	5	–	25,804

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	
Opening balance at 1 January 2009	3,997	71,071	191,911	-67,555	-12,389	187,035
Transfer of prior year net result	-	-	-	-12,389	12,389	-
Profit 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
Loss for the fourth quarter 2009	-	-	-	-	-4,037	-4,037
Private placement March	217	-	12,783	-	-	13,000
Issue costs	-	-	-83	-	-	-83
Private placement June	333	-	39,667	-	-	40,000
Issue costs warrant exercise	-	-	-1,307	-	-	-1,307
Warrant exercise July	29	-	4,023	-	-	4,052
Warrant exercise October	99	-	13,536	-	-	13,635
Closing balance 31 December 2009	4,675	71,071	260,530	-79,944	-30,327	226,005
Opening balance 1 January 2010	4,675	71,071	260,530	-79,944	-30,327	226,005
Transfer of prior year net result	-	-	-	-30,327	30,327	-
Loss for the first quarter 2010	-	-	-	-	-3,427	-3,427
Profit for the second quarter 2010	-	-	-	-	18,550	18,550
Loss for the third quarter 2010	-	-	-	-	-31,867	-31,867
Subscription of warrants February	65	-	8,894	-	-	8,959
Subscription of warrants March	126	-	17,238	-	-	17,364
Subscription of warrants April	80	-	11,018	-	-	11,098
Subscription of warrants May	31	-	4,242	-	-	4,273
Subscription of warrants June	14	-	1,940	-	-	1,954
Subscription of warrants July	343	-	46,983	-	-	47,326
Issue costs warrant issue	-	-	-960	-	-	-960
Private placement March	83	-	15,742	-	-	15,825
Closing balance 30 September 2010	5,417	71,071	365,627	-110,270	-16,744	315,101

Notes

General information

Tethys Oil AB (publ) (“the Company”), organisation number 556615-8266, and its subsidiaries (together “the Group” or “Tethys Oil”) 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 months report 2010 of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The nine months report 2010 of the Parent company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2.3 –“Accounting for legal entities”, issued by the Swedish Financial Accounting Standards Council. The same accounting principles were used in the Annual report 2009.

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 2009.

Note 2) Oil and gas properties

TSEK Country	Book value 30 Sep 2010	Write downs		Investments		Book value 1 Jan 2009	Book value 31 Dec 2009	Write downs 2009	Investments 2009	Book value 1 Jan 2009
		1 Jan – 30 Sep 2010	1 Jan – 30 Sep 2010	1 Jan 2009– 31 Dec 2009	1 Jan 2009– 31 Dec 2009					
Oman Block 15	93,102 ¹	–	7,560	99,064 ²	99,064 ²	–	11,480	–	11,480	98,729
Oman Block 3,4	66,063 ¹	–	-23,290	101,615 ²	101,615 ²	–	56,401	–	56,401	34,867
France Attila	8,912	–	5,284	3,628	3,628	–	38	–	38	3,589
Morocco Boua- nane	–	-73	73	–	–	-14,076	12,218	–	12,218	1,858
Turkey Ispandika	–	–	–	–	–	-1,364	75	–	75	1,289
Spain Cameros	–	–	–	–	–	-433	433	–	433	–
Sverige Gotland Större	1,449	–	308	1,142	1,142	–	712	–	712	429
New ventures	183	–	9	174	174	–	122	–	122	52
Total	169,709	-73	-10,056³	205,623	205,623	-15,872	81,480	-	81,480	140,811

TSEK	Oil and gas properties			Group			Parent		
	1 Jan 2010– 30 Sep 2010 9 Months	1 Jan 2010– 30 Sep 2010 9 Months	1 Jan 2009– 30 Sep 2009 9 Months	1 Jan 2009– 31 Dec 2009 12 Months	1 Jan 2010– 30 Sep 2010 9 Months	1 Jan 2009– 30 Sep 2009 9 Months	1 Jan 2009– 31 Dec 2009 12 Months		
	Investments in oil and gas properties								
Opening balance	290,168	290,168	209,485	209,485	–	34,867	34,867	–	
Investments in France	5,284	5,284	38	38	–	–	–	–	
Investments in Morocco	73	73	12,016	12,218	–	–	–	–	
Investments in Oman	-15,730 ⁴	-15,730 ⁴	60,421	67,881	–	-34,867 ⁵	-34,867 ⁵	–	
Investments in Spain	–	–	541	433	–	–	–	–	
Investments in Turkey	–	–	75	75	–	–	–	–	
Investments in Sweden	308	308	441	712	–	–	–	–	
Other investments in oil and gas properties	9	9	75	122	–	–	–	–	
Adjustment	-25,785	-25,785	-29,931	-796	–	–	–	–	
Closing balance	254,326	254,326	253,162	290,168	–	–	–	–	
	Depletion								
Depletion	–	–	–	–	–	–	–	–	
	Write down								
Opening balance	84,546	84,546	68,674	68,674	–	–	–	–	
Write down	73	73	15,778	15,872	–	–	–	–	
Closing balance	84,619	84,619	84,452	84,546	–	–	–	–	
Net book value	169,709	169,709	168,715	205,623	–	–	–	–	

- 1) The book value of oil and gas properties include non cash items of TSEK -25,785 during the first nine months 2010, which are not included in investments.
- 2) The book value of oil and gas properties include non cash items of TSEK -796 during the full year 2009, which are not included in investments.
- 3) These are the net oil and gas investments after the farmout to Mitsui. Gross investments before the farmout amount to TSEK 30,823.
- 4) Investments in Oman include part of the consideration, TSEK 40,879, from the farmout to Mitsui. Gross investments amounts to TSEK 25,149.
- 5) Oil and gas properties were transferred from the Parent company to a wholly owned subsidiary during the year

Note 3) Other income

Other income has been significantly impacted by the farmout of 20 percentage points of Blocks 3 and 4 to Mitsui E&P Middle East B.V. In consideration for the acquisition, Tethys Oil received MUS\$ 20, equivalent of TSEK 144,114, of which 40 per cent (the percentage of Tethys Oil's assets that were farmed out) of the book value as per 31 December 2009 amounting to TSEK 40,879 is offset against the book value of Blocks 3 and 4. The remainder of the consideration received, TSEK 103,236, is recorded as a capital gain in the income statement in the subsidiary Tethys Oil Blocks 3&4 Ltd.

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 Exploration and 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 2010, the number of outstanding shares in Tethys Oil amount to 32,504,489 (28,049,091), 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 for employees.

As per 1 January 2010, Tethys Oil had 28,049,091 shares. During the first nine months of 2010, 3,955,398 warrants were exercised and accordingly an equivalent number of shares were issued by Tethys Oil. Tethys Oil received proceeds of TSEK 90,974 before issue costs. Several registrations of shares from the exercised warrants have been made during the first nine months of 2010.

Furthermore, two private placements have been made during the first nine months of 2010, based on an authorization from the AGM held 20 May 2009. These two private placements of 500,000 shares together were made in March 2010 at SEK 30.75 and SEK 33.75 per share, which were in line with the prevailing market price at the time. The total proceeds from these issues amounted to TSEK 15,820 before issue costs. The newly issued shares in the private placement were registered in April 2010.

Note 5) Contingent liabilities

The contingent liabilities amount to TSEK 14,453 (TSEK 25,804). The contingent liabilities regard Blocks 3 and 4 where Tethys Oil has a work commitment, the fulfilment of which is estimated to cost MUS\$ 2.1. The difference between contingent liabilities 31 December 2009 and 30 September 2010 relates to the decrease of interest in Blocks 3 and 4 from 50 per cent to 30 per cent following the farmout to Mitsui. Furthermore the difference relates to currency exchange differences.

Key Ratios

Group

TSEK	1 Jan 2010– 30 Sep 2010 9 Months	1 Jul 2010– 30 Sep 2010 3 Months	1 Jan 2009– 30 Sep 2009 9 Months	1 Jul 2009– 30 Sep 2009 3 Months	1 Jan 2009– 31 Dec 2009 12 Months
Items regarding the income statement and balance sheet					
Gross margin before extraordinary items, TSEK	n.a.	n.a.	n.a.	n.a.	n.a.
Operating result, TSEK	93,765	99,773	-25,489	-3,672	-28,985
Operating margin, %	n.a.	n.a.	n.a.	n.a.	n.a.
Result before tax, TSEK	75,298	66,938	-52,569	-24,429	-42,446
Net result, TSEK	75,259	66,923	-52,612	-24,442	-42,503
Net margin, %	n.a.	n.a.	n.a.	n.a.	n.a.
Shareholders' equity, TSEK	376,473	376,473	181,055	181,055	202,770
Balance sheet total, TSEK	380,959	380,959	186,546	186,546	222,680
Capital structure					
Solvency, %	98.82%	98.82%	97.06%	97.06%	91.06%
Leverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted equity ratio, %	98.82%	98.82%	97.06%	97.06%	91.06%
Interest coverage ratio, %	n.a.	n.a.	n.a.	n.a.	n.a.
Investments, TSEK	-9,666	-52,378	73,826	21,602	81,681
Profitability					
Return on shareholders' equity, %	19.99%	17.78%	neg.	neg.	neg.
Return on capital employed, %	19.76%	17.57%	neg.	neg.	neg.
Key figures per employee					
Average number of employees	8	8	10	10	10
Number of shares					
Dividend per share, SEK	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow used in operations per share, SEK	6.32	6.12	neg.	neg.	neg.
Number of shares on balance day, thousands	32,504	32,504	27,456	27,456	28,049
Shareholders' equity per share, SEK	11.58	11.58	6.59	6.59	7.23
Weighted number of shares on balance day, thousands	30,288	32,326	25,734	27,445	26,274
Earnings per share, SEK	2.48	2.07	-2.04	-0.89	-1.62
Earnings per share after dilution, SEK	2.32	2.06	-1.64	-0.76	-1.33

For definitions of key ratios please refer to the 2009 Annual Report. The abbreviation n.a. means not applicable

Financial information

The Company plans to publish the following financial reports:

Year end report 2010 (January – December 2010) on 17 February 2011

Three month report 2011 (January - March 2011) on 11 May 2011

Annual General Meeting 2011 is planned to be held in Stockholm, 25 May 2011

Six month report 2011 (January - June 2011) on 23 August 2011

Nine month report 2011 (January - September 2011) on 10 November 2011

Stockholm, 12 November 2010

Tethys Oil AB (publ)

Org. No 556615-8266

Magnus Nordin

Managing Director

Review report

We have reviewed this report for the period 1 January 2010 to 30 September 2010 for Tethys Oil AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

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

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

Gothenburg, 12 November 2010

PricewaterhouseCoopers AB

Johan Rippe

Authorised Public Accountant

Auditor in charge

Johan Malmqvist

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 Oil's core area is the Sultanate of Oman, where the company is the one of the largest onshore oil and gas concession holders with licence interests in three onshore blocks. Tethys Oil's 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 NasdaqOMX First North (TETY) in Stockholm. Remium AB is the company's 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

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

Technical Office

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

Internet information

Follow the development of Tethys Oil during the year by visiting the corporate website www.tethysoil.com.

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

