

**Invitation to subscribe for
shares and warrants (Units) in
Tethys Oil AB (publ)**

+HQ Bank

Planned date for publication of financial information

Six months report (January - June 2006):	August 15, 2006
Nine months report (January - September 2006):	October 31, 2006
Year-end report for the year 2006:	February 15, 2007
Three months report (January - March 2007):	May 3, 2007

Definitions

Tethys Oil or the Company: Tethys Oil AB (publ), organisation number 556615-8266, with or without subsidiaries, depending on context. Tethys Oil is a public limited company, registered in Sweden following Swedish law.

The Group: Tethys Oil AB (publ) with subsidiaries.

HQ Bank or HQ: HQ Bank AB.

The Rights Issue: The new issue with preferential right for the shareholders in Tethys Oil on the record date, May 26, 2006 to subscribe for Units according to the terms and conditions described in this prospectus.

Unit: According to this prospectus one (1) Unit consists of one (1) newly issued share and one (1) newly issued warrant.

Interim Unit: Paid Subscribed Unit, referred to as 'BTU' in Swedish.

First North: With First North reference is being made to Nya Marknaden until May 12, 2006 (at the earliest) when Stockholmsbörsen (the Stockholm Stock Exchange) is planning to replace Nya Marknaden with a new market place, First North. Finansinspektionen (the Swedish Financial Supervisory Authority) is processing the permit application for First North. The launch of First North is depending on the approval of Finansinspektionen.

The subscription rights, warrants, Interim Units and the newly issued shares included in the The Rights Issue according to this prospectus (the "Prospectus") have not and will not be registered under the United States Securities Act of 1933, as amended, or under any securities act of any state in the US or in accordance with any securities act in Canada or any of its provinces or Japanese Securities and Exchange Law ("SEL") and may not, in the absence of registration or applicability of any exemption from registration requirements, be offered for sale or transferred in the United States, Canada, Australia, Japan or to persons domiciled in these countries.

The offer according to the Prospectus is not directed to such persons whose participation requires further prospectuses, registration or other measures than those that result from Swedish law. The Prospectus may not be distributed in, or to, any country where the distribution or the offer requires any measure in accordance with the above mentioned or violates regulation in that country. Application to acquire Units in contravention of the above may be considered invalid. Disputes relating to the offer according to the Prospectus will exclusively be decided pursuant to Swedish law and by Swedish courts.

The Prospectus has been registered by Finansinspektionen (the Swedish Financial Supervisory Authority), in accordance with the provisions of Chapter 2 of the Financial Instruments Trading Act (1991:980). Registration by Finansinspektionen does not imply any guarantee that factual information contained in the Prospectus is accurate or complete.

The statements regarding future prospects and other future conditions have been made by the Board of Directors of Tethys Oil on the basis of current conditions. Readers should be aware that, as is the case with all forecasts, these are associated with uncertainty. Tethys Oil does not commit to or guarantee that expected market conditions, transactions, profits (including operational and financial goals), decisions or other future events or circumstances that may follow from the forward looking information in the Prospectus will correspond to factual future conditions.

The figures in the Prospectus have been rounded off while calculations were conducted without rounding off. This means that certain tables do not appear to sum correctly.

This document is a translation of the Swedish original. In the event of any discrepancy between the original Swedish document and the English translation, the Swedish original shall prevail.

The owning of shares and other financial instruments is associated with risk taking. An investment in Tethys Oil provides for a possibility of a positive development of the capital invested, but also involve a considerable risk. Prior to investing in Tethys Oil, the information contained in the Prospectus should be considered, including the sections *Risk factors* and *Legal matters and additional information*.

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Documents included by reference

The following documents, which were previously published and submitted to Finansinspektionen (the Swedish Financial Supervisory Authority), shall be included and comprise a part of the Prospectus:

- i) Tethys Oil's audited annual report for 2005 with appended auditor's report
- ii) Tethys Oil's reviewed interim report for the period January–March 2006.

Copies of the documents included by reference may be obtained from Tethys Oil by phoning +46 (0)8 679 49 90 and are also available on the Company's web site: www.tethysoil.com. The annual report for 2005 was sent to the Company's shareholders in Mars 2006.

Summary

This summary is meant only as an introduction to and a summary of the information in the Prospectus. Each individual decision to invest in the Tethys Oil share should be based on an assessment of the Prospectus as a whole and thus not solely on this summary. Potential investors should note that persons may be held responsible for information included or omitted in the summary or a translation of the summary only if the summary or translation is misleading or incorrect in relation to other sections of the Prospectus. An investor who initiates a court action as a result of the information in the Prospectus may be compelled to pay for the translation of the same.

Terms and conditions for the Rights Issue

Preferential right: Five (5) existing shares entitle the holder to subscribe for one (1) Unit, consisting of one (1) newly issued share and one (1) issued warrant

Subscription price: SEK 60 per Unit

Record date: May 26, 2006

Subscription period: June 5, 2006 – June 19, 2006

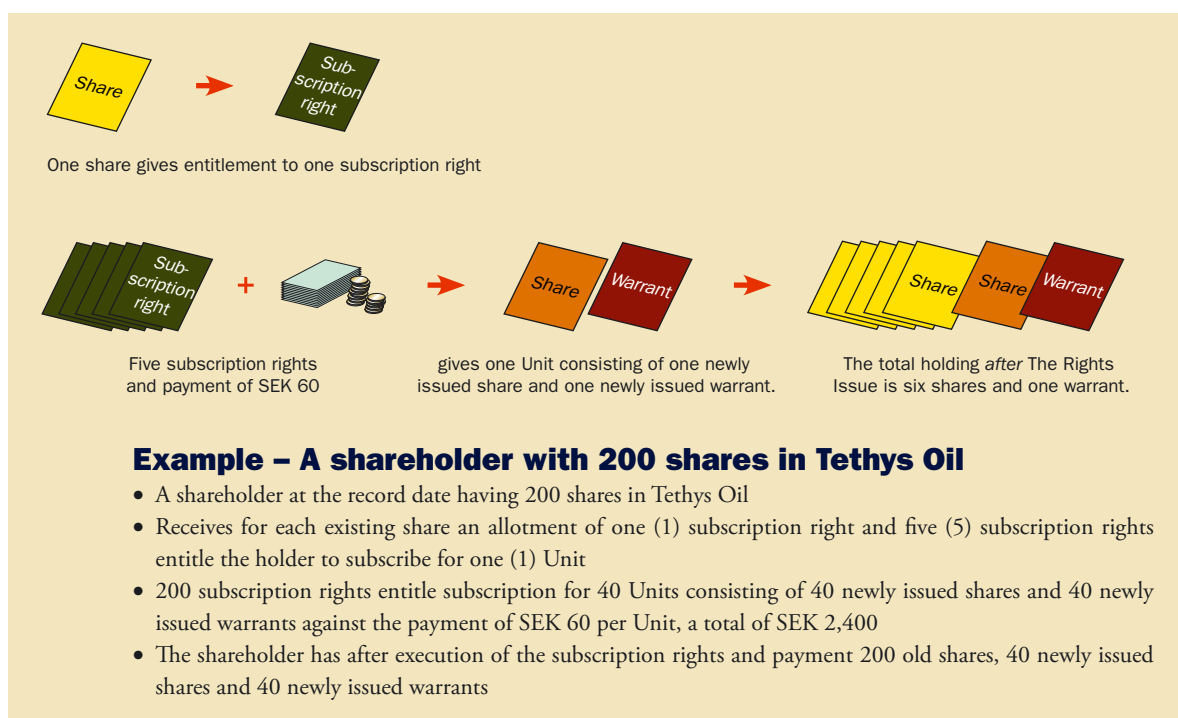
Trading of subscription rights: June 5, 2006 – June 14, 2006

Trading of Interim Units: Will take place during the period from June 5, 2006 until such time as the share issue has been registered with Bolagsverket (the Swedish Companies Registration Office), which is expected to take place at the beginning of July 2006

Subscription and payment with preferential right: Subscription and payment is conducted simultaneously during the subscription period

Payment day for subscription without preferential right: In accordance with the received settlement note

Warrant: Each warrant gives right to subscription of one (1) newly issued share for a subscription price of SEK 72 respective SEK 78 during the period December 1, 2006 – January 31, 2007 respective September 1, 2007 – September 30, 2007



Invitation to subscribe for Units in Tethys Oil

At an Extraordinary General Meeting of Tethys Oil on May 19, 2006, a resolution was made in accordance with the Board of Directors' motion to implement a new share issue with associated warrants carrying preferential rights for existing shareholders ("the Rights Issue"). The Company's shareholders have preferential right to subscribe for Units in the Rights Issue in relation to the number of shares owned on the record date of May 26, 2006, whereby five existing shares entitle the holder to subscribe for one Unit. A Unit consists of one newly issued share and one newly issued warrant.

The Rights Issue may increase Tethys Oil's share capital by at most SEK 438,480 to SEK 2,630,880 through a new issue of at most 876,960 shares. Through the Rights Issue, the number of shares in Tethys Oil may increase from 4,384,800 shares to 5,261,760 shares. On full exercise of the warrants, the Company's share capital may increase by at most SEK 438,480 and the number of shares by at most 876,960 shares.

The subscription price in the forthcoming Rights Issue has been set at SEK 60 per Unit, meaning that Tethys Oil will receive about MSEK 52.6 before issue costs¹. On full exercise of the warrants, the Company will receive additional capital amounting to MSEK 63.1 – 68.4.

Board members of the Company and Lorito Holdings Limited², which together represent about 47.6 per cent of the shares and voting rights in the Company, have pledged, with support of the subscription rights they receive, to subscribe for their entire respective allotments in the Rights Issue. In addition, these Board members and Lorito Holdings Limited, in accordance with a guarantee agreement with Tethys Oil and HQ Bank, have pledged to subscribe for the number of shares in the Rights Issue required for the Rights Issue to be fully subscribed. In total, the undertaking and the guarantee received mean that subscription for the Rights Issue is guaranteed in its entirety.

The Extraordinary General Meeting on May 19, 2006 also granted authorization for the Board of Directors on one or more occasions during the period until the 2007 Annual General Meeting to take decisions on a new issue of not more than 600,000 shares and 600,000 warrants and, in so doing, to be able to disregard the shareholders' preferential right. Through this authorization, the Board of Directors may take decision on a private placement ("the Private Placement") of Units to a limited group of investors. Depending

on market conditions, the Board of Directors intends to decide on the implementation of the Private Placement in conjunction with the Rights Issue, although the Board is able to use this authorization up to the 2007 Annual General Meeting. The terms for the warrants in the Private Placement will correspond to the terms in the Rights Issue. The subscription price for these Units will be determined through an order book procedure arranged by HQ Bank.

Furthermore, the Extraordinary General Meeting on May 19, 2006 granted authorization for the Board of Directors on one or more occasions during the period up to the 2007 Annual General Meeting to take decisions on a new issue of not more than 480,000 shares and 80,000 warrants and, in so doing, to be able to disregard the shareholders' preferential right. The objective of this authorization is to enable the Company to pay that part of the agreed purchase price comprising 400,000 shares in the Company ("the Non-cash Issue") to the seller of GotOil Resources (Oman) Ltd. ("GotOil Oman"). The remaining share of the authorization is intended to be used to enable the seller of GotOil Oman to subscribe for shares in the Company on the same terms as those for the Rights Issue, as if the seller had held the newly issued shares on the record date.

For more information, refer to *Invitation to subscribe for Units in Tethys Oil*.

Background and Reasons

Tethys Oil's current funding is deemed adequate to finance all of the Company's current undertakings. However, current assets are not expected to generate positive cash flow until the end of the year at the earliest, assuming that the Company's operations in Oman develop according to plan. If they do not, and if the Company's exploration projects that have been approved to date, including the planned drilling in Denmark later this year, should not be successful, the Company will not have the necessary capital to engage in further undertakings.

The exploration projects that have been added over the past year will require further investment. They will be conducted with the objective of obtaining sufficient knowledge to determine if they shall be developed or written off. The project portfolio has now attained such a size that additional capital should be contributed to the Company in order to ensure that the programs that the Company intends to conduct are not negatively affected by a lack of financial resources.

¹ Total issue costs for the Rights Issue are expected to amount to approximately MSEK 4.0, of which guarantee remuneration accounts for about MSEK 0.8.

² Lorito Holdings Limited is owned by a foundation with Adolf Lundin as the beneficiary.

Furthermore, the Board of Directors believes that it would be positive for the Company to continue to expand and develop its asset portfolio in accordance with the Company's strategy, particularly through additional acquisitions of appraisal and development assets. This would result in a greater spread of risks through further diversification of the project portfolio. In addition, projects in this phase of the development cycle are considered to generate cash flow earlier than pure exploration projects.

Against this background, the Board of Directors proposes the current Rights Issue in an amount of MSEK 52.6, which is guaranteed in full by members of the Company's Board, together with Adolf Lundin via company. The Board of Directors also applied for authorization to implement the Private Placement of 600,000 Units. An Extraordinary General Meeting held on May 19, 2006 resolved to approve the Board of Directors' motions.

With the capital contributions, the Board of Directors believes that the prospects will increase for being able to successfully execute the Company's strategy. This will entail greater opportunities for successful negotiations and acquisitions of the type of assets that are considered attractive additions to the asset portfolio, as well as for participating in additional undertakings involving exploration licenses, particularly those that were obtained during the past year. Moreover, exercising the authorization to implement the Private Placement would mean that the Company's shareholder base would be expanded, which is deemed to have a positive effect on the Company's value.

The two new issues are also structured so that if the Company's value growth develops sufficiently positively, the Company may receive additional capital through the exercise of the warrants.

For more information, refer to *Background and Reasons*.

Tethys Oil in brief

Background

Tethys Oil was founded in 2001 by Vincent Hamilton, John Hoey and Magnus Nordin and was awarded its first Danish license in 2002. In 2003, interests in three Spanish licenses were acquired. Subsequently opportunities in Turkey were evaluated resulting in the signing of an agreement covering three Turkish licences in December 2003. After a second Danish license was awarded and an application for an additional exploration license in Spain was filed, Tethys Oil conducted a public new issue and was listed for trading on Nya Marknaden in April 2004. Since then, Tethys Oil has increased the project portfolio with further license interest in Turkey and Spain as well as new license interests in Morocco, France and Oman. However, a license in Turkey was abandoned in 2005.

Operations

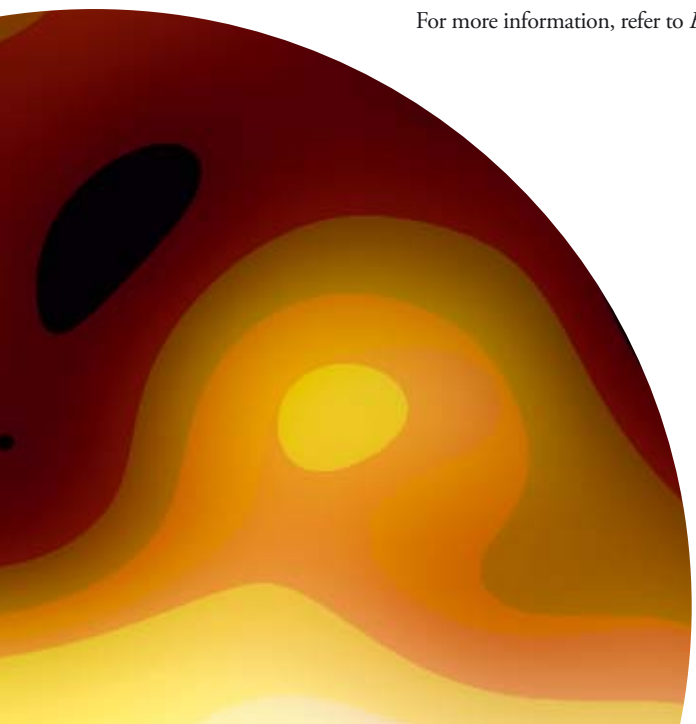
Tethys Oil is a Swedish company focused on exploration for and production of oil and natural gas. The company has interests in exploration licenses in Denmark, France, Morocco, Oman, Spain and Turkey and in a production license in Spain.

Overriding strategy

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.

Organisation

Tethys Oil's head office is located in Stockholm, Sweden. Currently the Group has five employees, of which three persons operating out of Stockholm, one person operating out of the Group's technical office in Geneva, Switzerland and one person in the Group's office in Oman. The Group also has a geology consultant on a long-term contract. The small organisation allows Tethys Oil to have a fast network organisation based on contracting independent consultants in specialized fields. Through this organisation, Tethys Oil accesses local competence with years of experience which would otherwise take several years to build in-house.



The Company's possession of oil and gas assets as of May 29, 2006

Country	License name	Tethys Oil share, %	Total area, km ²	Partners	Governing agreement
Denmark	License 1/02	70	533	Tethys Oil Denmark AB , DONG A/S, Odin Energi A/S	License agreement with Denmark
Denmark	License 1/03	70	1,655	Tethys Oil Denmark AB , DONG A/S, Odin Energi A/S	License agreement with Denmark
France	Attila	40 ¹	1,986	Galli Coz SA , Tethys Oil AB	License agreement with France
Morocco	Bouanane	50	2,100	Tethys Oil AB , Eastern Petroleum Ltd.	Exploration licence agreement with Morocco
Oman	Block 15	40 ²	1,389	GotOil Resources (Oman) Ltd , Odin Energi A/S	Exploration and production sharing agreement with Oman
Spain	La Lora - dekret 3311/1966	22.5 ³	106	Ascent Resources Group , Tethys Oil Spain AB	Partnership agreement
Spain	Valderredible - lic nr. 4600	50 ⁴	241	Ascent Resources Group , Tethys Oil Spain AB	Partnership agreement
Spain	Huermeces - lic nr 4599	50 ⁴	121	Ascent Resources Group , Tethys Oil Spain AB	Partnership agreement
Spain	Basconcillos - Basconcillos H	50 ⁴	194	Ascent Resources Group , Tethys Oil Spain AB	Partnership agreement
Turkey	Ispandika - AR/TMO-EPS-GYP/3795	10–45	499	Aladdin Middle East Ltd , Tethys Oil Turkey AB	Partnership agreement
Turkey	Ispandika - AR/TMO-EPS-GYP/3794	10–45	466	Aladdin Middle East Ltd , Tethys Oil Turkey AB	Partnership agreement
Turkey	Thrace - AR-AME-3999	25	492	Aladdin Middle East Ltd , Tethys Oil Turkey AB, JXX Oil & Gas Plc.	Partnership agreement
Turkey	Thrace - AR-AME-3998	25	405	Aladdin Middle East Ltd , Tethys Oil Turkey AB, JXX Oil & Gas Plc.	Partnership agreement
Total			10,187		

¹ Tethys Oil pays 44 per cent of costs before an one exploration drilling.

² The government of Oman has, according to terms in the Exploration and Production Sharing Agreement, the right to within 90 days after declaring the commercial discovery, to receive a 15 per cent interest of the license against the paying for previously incurred costs in the license. Should the government choose to exercise its right, the Group's share in the license will reduce to 34 per cent at the lowest.

³ Tethys Oil has through an agreement with Ascent Resources Group's subsidiary Northern Exploration Ltd. a beneficial interest of 50 per cent of Northern Exploration Ltd's 45 per cent share in the La Lora field.

⁴ The Windsor Group holds the right to, by funding the equivalent share of seismic or drilling, receive up to 10 per cent participation in the three exploration licenses. Should the Windsor Group utilise its right, Tethys Oil's participation in the licenses will decrease to 40 per cent at the lowest.

Market

The oil and natural gas industry is divided into two main categories, upstream and downstream. Upstream includes such operations as exploration and production of crude oil and natural gas. Downstream operations include refining and distribution of oil as fuel, heating oil or as raw material for the petrochemical industry. Oil companies can operate in both or in parts of these segments. Tethys Oil only operates in the upstream segment.

Oil

The oil market is the world's largest market of natural resources and the Company expects that this condition will remain as such in the foreseeable future. Oil accounted for approximately 37 per cent¹ of the total primary energy consumption in 2004. The price of this natural resource is determined on the global market and is constantly changing. The market consists of many oil companies, but no one is dominant enough

to affect the global market price. Competition lies therefore not in the market price but in finding oil.

Natural gas²

Natural gas has become an increasingly important source of energy in Western Europe accounting for approximately 24 per cent of total primary energy consumption in 2004. If the current trend continues, the importance of natural gas is expected to continue to increase in relation to other energy sources in the EU. The market for natural gas is in many ways different to that of the oil market. Even though gas is created in much the same way as oil, the fact that it is gas makes it more difficult to transport. Pipelines play an important role in transporting natural gas (pipelines account for 84 per cent of gas transport in Western Europe) and therefore prices are being set locally and in comparison with oil, prices of natural gas are less homogenous.

¹ Source: BP Statistical Review of World Energy, 2005.

² Source: Eurogas Annual Report 2004–2005

Financial information in brief

Below, selected financial information for the Group is presented.

	Jan 1, 2005– Dec 31, 2005 12 months	Jan 1, 2004– Dec 31, 2004 12 months	Jan 1, 2003– Dec 31, 2003 12 months	Jan 1, 2006– Mar 31, 2006 3 months	Jan 1, 2005– Mar 31, 2005 3 months
Income statement and balance sheet items, TSEK					
Operating result	-14,998	-5,810	-934	-1,447	-1,337
Result before tax	-14,368	-5,062	-891	-1,256	-1,147
Net result	-14,368	-5,062	-891	-1,256	-1,147
Shareholders' equity	52,375	66,743	3,542	51,120	65,596
Balance sheet total	54,833	69,102	4,139	52,750	66,683
Capital structure, %					
Solvency	95.52	96.59	85.58	96.91	98.37
Adjusted equity ratio	95.52	96.59	85.58	96.91	98.37
Investments, TSEK	6,491	12,696	1,570	3,183	939
Key figures per employee					
Average number of employees	3.50	2.50	0.00	3.50	3.00
Shares information¹					
Number of shares on balance day, thousands	4,385	4,385	1,500	4,385	4,385
Shareholders' equity per share, SEK	11.94	15.22	2.40	11.66	14.96
Weighted number of shares on balance day, thousands	4,385	3,705	1,003	4,385	4,385
Earnings per share, SEK	-3.28	-1.37	-0.89	-0.29	-0.26

¹ As of the balance sheet date for each period, Tethys Oil had no outstanding convertible bonds, options or other instruments which may cause dilution. Tethys Oil conducted during the first quarter of 2004 a share split of 2:1. Historic number of shares and share related data has been adjusted accordingly. The number of shares at December 31, 2005 includes new shares from the share issue, which was registered April 1, 2004. They were included for the weighted number of shares calculation as of March 26, 2004.

For more information, refer to *Comments to the financial development*.

Other

Composition of the Board, senior executives, employees, advisors and auditors

The Board of Tethys Oil consists of Vincent Hamilton (Chairman), Magnus Nordin, John Hoey, Håkan Ehrenblad, Jan Risberg, Carl-Gustaf Ingelman och Jonas Lindvall. Tethys Oils' Group management consists of Magnus Nordin (CEO), Vincent Hamilton (COO) and Morgan Sadarangani (CFO). The Group currently has five employees. In conjunction with the Rights Issue, HQ Bank is acting as financial advisor, with Linklaters as the legal advisor. The Company's auditor is Klas Brand, authorised public accountant at PricewaterhouseCoopers AB.

For more information refer to *The Board, senior executive and auditors* and *Legal matters and additional information*.

Risk factors

Tethys Oil's operations, financial position and earnings may be affected by a number of risk factors. Consequently, the assessment of an investment in Tethys Oil should also take risk factors into consideration. In addition to these, an investor must take into account a general analysis of the business environment, other information in the Prospectus as well as general information on companies in the same sector as Tethys Oil. The following risk factors may negatively affect Tethys Oil's operations, result and financial position.

Risk factors associated with the Rights Issue and share ownership, The need for additional capital, The Warrant, Dividend, Technical and geological risks, Key

personnel, Currencies, Environmental regulations, Competition, Oil and natural gas prices, Access to equipment, Licences, Collaborations, Political risks, Tax, Insurance and Risk related to the market place.

For more information, refer to *Risk Factors*.

Dividend policy

Tethys Oil has, since the foundation of the Company, not decided on payment of any dividends. Future dividends are dependent of the result of Tethys Oil. In the event of future generated income, dividends can be paid if other conditions of the Company so allow. The size of future dividends will be determined by the Company's financial position and growth opportunities through profitable investments.

Related party transactions

Except what is said under the section *Legal matters and additional information* the Company has not been involved in any related party transaction.

Share capital and ownership structure

Since April 6, 2004, Tethys Oil's share has been traded on Nya Marknaden under the ticker "TETY". The ISIN code is SE0001176298. A trading lot consists of 200 shares.

The table below shows the shareholder structure in Tethys Oil as of April 30, 2006, updated for subsequently known changes.

For more information, refer to *Share capital and ownership structure*.

Shareholders	No of shares	Capital/Votes %	Number of shares after Non-cash issue	Capital/Votes % after Non-cash issue
Carl-Gustaf Ingelman	600,000	13.7	600,000	12.5
Vincent Hamilton through company ¹	484,000	11.0	484,000	10.1
SIS Segaintersettle	410,330	9.4	410,330	8.6
Jonas Lindvall through bolag ²	–	–	400,000	8.4
Magnus Nordin ³	334,327	7.6	334,327	7.0
John Hoey through company ⁴	331,731	7.6	331,731	6.9
Adolf H. Lundin through foundation ⁵	187,020	4.3	187,020	3.9
Nordea Bank SA	158,000	3.6	158,000	3.3
Akelius Insurance Public Ltd.	145,100	3.3	145,100	3.0
Jan Risberg	140,186	3.2	140,186	2.9
Sydbank A/S	135,000	3.1	135,000	2.8
Sum	2,925,694	66.7	3,325,694	69.5
Other, approx. 1,800 shareholders	1,459,106	33.3	1,459,106	30.5
Total	4,384,800	100.0	4,784,800	100.0

¹ Oceanus Investments Hamilton Family

² Maha Resources Ltd.

³ Excluding 4,800 shares borrowed to Remium AB

⁴ Capge Ltd.

⁵ Lorito Holdings Ltd.

Source: VPC and Tethys Oil

Risk factors

Tethys Oil's operations, financial position and earnings may be influenced by a number of risk factors. Consequently, risk factors should be taken into account in an assessment of an investment in Tethys Oil. In addition to these, an investor must take into account a general analysis of the business environment, other information in the Prospectus as well as general information on companies in the same sector as Tethys Oil. This section outlines and discusses a number of risk factors which are not stated in any order or priority and do not claim to be comprehensive. In addition, risk factors not presently known to the Board of Directors of Tethys Oil or considered insignificant at present, may negatively affect the Company's result.

Risk factors associated with the Rights Issue and share ownership

The price of Tethys Oil's financial instruments may fluctuate and can go down as well as up, meaning that investors may not be able to recoup their original investment. The Company's financial results and prospects may at times be less than the market's and investors' expectations. Stock market conditions could affect the price independent of Tethys Oil's earnings. Stock market conditions are affected by many factors, such as global and regional economic prospects, interest and inflation rates, commodity prices and general changes in investor preferences with respect to specific market sectors. The price of Tethys Oil's share may therefore not reflect the underlying value of its net assets and is beyond the Company's control.

The need for additional capital

It cannot be ruled out that additional capital may be needed in the future to finance Tethys Oil's operations and/or for acquisition of additional licenses. This may occur in market conditions that are less favorable than at present. In the future, the need for capital may arise in situations in which external financing may be raised on terms that are less favourable than what the Company's Board of Directors considers to be acceptable today. These terms may have a negative impact on Tethys Oil's business or shareholder rights. If the Company acquires additional financing by issuing shares or share-related instruments, the Company's shareholders may be affected by dilution, while debt financing, if available to the Company, may include restrictive conditions that may limit the Company's flexibility. There is no guarantee that new capital can be raised if the need arises or that it can be acquired on terms acceptable for the Company.

The warrant

The warrant that will be issued without charge within what is termed a Unit entitles the holder to subscription for one new share in Tethys Oil during two periods. The first period extends from December 1, 2006 to January 31, 2007 and the second from September

1, 2007 to September 30, 2007. The subscription price during each period is SEK 72 and SEK 78, respectively. In the case that the share price is lower than the subscription price during the exercise periods, there is no reason to exercise the warrant, since it is then worthless.

Dividend

No dividend has yet been paid in the Company. Tethys Oil is expected to be in an expansive investment phase over the coming years, meaning that any funds in Tethys Oil available for distribution will probably be reinvested in the company. As a result, the Board of Directors deems that no cash dividend will be paid to the shareholders in the coming years. As a consequence, a return on an investment in the Company's share will primarily depend on the share price.

Technical and geological risks

All assessments of potential oil reserves are built on estimations. Classification in existing oil in reservoir, possible, estimated and proven, are aimed at describing estimated possible calculations, based on to date existing technical data. There are no methods to establish with full certainty exactly how much oil there is in geological layer a couple of kilometres under earth's surface. Therefore, every estimation of such oil reserves done by geologists is based on such factors as seismic data, loggings from existing drilled holes, extracted bore specimens, simulating models from computers, factual oil torrents and pressure data from existing holes, oil prices etcetera. Thus, oil reserve estimates always change over time, to a larger or smaller extent. Estimates, presented in the Prospectus, are done based on data, which to date is available regarding respective projects and about expected oil prices. There are therefore no guarantees that these estimates will not change over time. According to this, are all attempts to estimate reserves uncertain and will certainly change as new data becomes available. Activities, conducted by Tethys Oil, are aimed, with the help of available technology, to determine the most accurate results and to improve prognoses with well-balanced work programme. Equally, probabilities that commercial oil reserves will not be found are always higher during exploration drilling.

Even if oil and natural gas reserves are proven during exploration drilling, significant uncertainty arises as to when and how these reserves can be extracted. Solutions to questions regarding transportation, refining and other infrastructure can take significant time and there can be no guarantees given as to when exploration will result in positive revenues for the Company.

Key personnel

Tethys Oil may be dependent on certain key personnel, some of whom have founded the Company at

the same time as they are some of the existing major shareholders and members of the Board of Directors of the Company, important for the successful development of Tethys Oil's business. If key personnel leave Tethys Oil, this might have a negative effect on the Company's business, at least in the short term. Furthermore, the recruitment of personnel that can be successfully integrated into the organisation is of great importance to the continued development of Tethys Oil. There is no guarantee that Tethys Oil will be able to recruit or retain the personnel required to operate and develop Tethys Oil's activities.

Currencies

By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. Therefore, it cannot be excluded, that exchange rate fluctuations could affect the financial position and earnings of the Company.

Environmental regulations

Oil and natural gas prospecting and oil and natural gas production is subject to extensive regulatory control with respect to environmental matters, both on national and international levels. Environmental legislation regulates inter alia the control of water and air contamination, waste material, licensing requirements, restrictions on carrying out operations in environmentally sensitive and littoral areas. Environmental regulations are expected to become even more severe in the future, with the consequence that the costs of compliance in all probability will increase. If Tethys Oil fails to comply with applicable environmental rules, there is a risk that the Company will not obtain necessary permits to retain its existing, or acquire new licenses or interests in licenses and/or be obliged to pay fines or be subject to other sanctions, which could have a significant negative effect on the Company's financial position and earnings.

Combustion of fossil fuel, such as oil and natural gas, creates among others carbon dioxide, sulphur and nitric oxides, increasing the total carbon dioxide level in the atmosphere, which may contribute to the so called greenhouse effect and might also cause acidification. With regard to these environmental aspects discharges of this kind may be subject to special fiscal regulations or fees. This could decrease the demand for oil and natural gas, which may have a negative effect on Tethys Oil's future financial position and earnings.

Competition

The oil and natural gas market is characterised by stiff competition, especially as regards to acquisition of proven reserves. Many of Tethys Oil's competitors have larger financial reserves than Tethys Oil. This entails that Tethys Oil's ability to find new reserves

in the future will depend on the Company's ability to exploit existing assets, select and acquire suitable oil and natural gas producing assets or prospecting licenses, which allow for future prospecting and cost-efficient distribution and sale of oil and natural gas. Development of alternative sources of energy, such as wind energy and fuel cells, which are equally or more cost-efficient compared to oil and natural gas may have a considerably negative effect on Tethys Oil's future financial position and earnings.

Oil and natural gas prices

Tethys Oil's income, and thus its profitability, will be dependent on the prevailing prices on oil and natural gas from time to time, which are influenced by a considerable number of factors outside of the Company's control. Examples of such factors are market fluctuations, closeness to and capacity of oil and natural gas pipelines and decisions by public authorities. The prices of oil and natural gas have historically fluctuated considerably, and can be expected to continue to do so in the future. In whole, this entails that the possibility to forecast future oil and natural gas prices is limited. A significant, long-term decrease in the market prices of oil and natural gas could have a considerably negative effect on Tethys Oil's income and results.

When oil and natural gas prices are decreasing, this may affect the financial conditions for oil production. A considerable price decrease might result in a reduction in worth of Tethys Oil's oil and natural gas reserves and it would no longer be profitable to carry out prospecting and production in certain locations. This may entail both considerably lower income and results, and downsizing of the Company's potential prospecting and expansion projects. A considerable price decrease for oil and natural gas may also negatively affect Tethys Oil's ability to attract financing in the form of loans or issue of shares.

Access to equipment

Advanced drilling equipment and other supplies are required to carry out prospecting and development activities. It cannot be excluded that there might be a shortage of drilling equipment and/or other necessary equipment, or that such equipment would require additional investments which might cause delays and increased costs for the prospecting and development activities.

Licences

Prior to each acquisition of concessions and before starting the drilling of holes, Tethys Oil carries out investigations about the ownership of each licence. Despite these investigations, it can not always be guaranteed that Tethys Oil has obtained a correct picture of the ownership, which could lead to the

Company's rights being questioned in whole or in part. Therefore, despite the fact that the Company obtained licence for each concession, the risk that the Company's right in regards to each concession can be limited in part or as a whole, cannot be disregarded. Should this occur, it could have a considerably negative effect on the Company's financial position and earnings.

Collaborations

In cases where Tethys Oil does not hold the licence and/or is the operator of the assets, the Company's operations are conducted through collaboration methods with different parties. Thus, the Company is dependent on the acts of its partners/operators, which may result in reduced flexibility on the part of the Company's possibility to control operations. The Company and its partners have undertakings and liabilities, which may entail joint and in some cases several liability. This means that if a partner cannot fulfil its obligations or meet its liabilities, other partners are not relieved of their respective obligations and responsibilities and may even be responsible for the obligations of the defaulting partner. In situations where the Company's rights originate from third party agreements entered into by the Company's partners/operators, there may be a risk that through negligence or omission by such partner/operator, the Company will not be able to obtain or fulfil its contractual rights and/or result in situation occurring, whereby Tethys Oil loses its rights. Should this occur, it could have a considerably negative effect on the Company's financial position and earnings.

Political risks

Tethys Oil has operations, independently or through collaboration, in several different countries. Changes in legislation or other regulations related, for instance, to foreign ownership, state participation, taxes, allocation of licenses and concessions, royalties, environmental regulations, customs duties or exchange rates can affect the Company's operations or results. Furthermore, Company's financial position and earnings can be affected by internal conflicts, acts of war, terrorism and insurrection, as well as political and economical insecurity.

Taxation

Tethys Oil will carry out operations in a number of different countries. Fiscal regulations in different countries are often complicated, and subject to changes over time. As a consequence it cannot be excluded that changes in taxation legislation may negatively affect Tethys Oil's financial position and earnings.

Insurance

Tethys Oil has at present no insurances related to its operations. Tethys Oil might be required to obtain necessary insurances in order to fulfil applicable conditions for retaining or extending existing licenses, or acquire new licenses. It is uncertain how extensive such insurance-related requirements will be and whether Tethys Oil will be able to fulfil such requirements. Insurance requirements as well as the conditions upon which they are offered could become subject to future changes, which might adversely affect the Company's ability to retain or extend existing licenses or acquire new licenses.

For more information, refer to *Legal matters and additional information*.

Risks related to the market place¹

The newly issued shares and warrants are planned to be traded on First North of Stockholmsbörsen (the Stockholm Stock Exchange) at the beginning of July 2006. First North is an alternative market place, operated by the Stockholmsbörsen. Companies, whose shares are traded on first North are covered by a less extensive regulatory framework, adapted to comparatively small companies or companies in the growth stage. An investment in a company's share, that is traded on First North, might therefore seem riskier than investing in a public listed company. All companies, whose shares are traded on First North have a Certified Advisor, whose responsibility include to monitor that the company fulfils the requirements for trading at First North and also that it complies with regulations regarding provision of information to the market and investment community.

¹ The share of the Company is currently traded on Nya Marknaden, operated by Stockholmsbörsen AB. On June 12, 2006 (at the earliest), Stockholmsbörsen is planning to replace Nya Marknaden with a new market place, First North. For more information, refer to Terms and conditions.

Invitation to subscribe for Units in Tethys Oil

At an Extraordinary General Meeting of Tethys Oil AB (publ) on May 19, 2006, a resolution was made in accordance with the Board of Directors' motion to implement a new share issue with associated warrants carrying preferential rights for existing shareholders ("the Right Issue"). The new issue is being implemented with the objective of continuing to expand and develop the asset portfolio in accordance with Tethys Oil's strategy, particularly through further acquisitions of appraisal and development assets. This is deemed to result in a greater spread of risk through further diversification of the product portfolio. At the same time, projects in this phase of the development cycle are considered to generate cash flows earlier than pure exploration projects.

In accordance with the conditions described in this Prospectus, shareholders are hereby offered an opportunity, based on preferential right, to subscribe for Units in Tethys Oil.

The Company's shareholders have preferential right to subscribe for Units in the Rights Issue in relation to the number of shares owned on the record date of May 26, 2006, whereby five existing shares entitle the holder to subscribe for one Unit. A Unit consists of one newly issued share and one newly issued warrant.

The Rights Issue may increase Tethys Oil's share capital by at most SEK 438,480 to SEK 2,630,880 through a new issue of at most 876,960 shares. Through the Rights Issue, the number of shares in Tethys Oil may increase from 4,384,800 shares to 5,261,760 shares. On full exercise of the warrants, the Company's share capital may increase by at most SEK 438,480 and the number of shares by at most 876,960 shares.

The subscription price in the forthcoming Rights Issue has been set at SEK 60 per Unit, meaning that Tethys Oil will receive about MSEK 52.6 before issue costs¹. On full exercise of the warrants, the Company will receive additional capital amounting to MSEK 63.1 – 68.4.

Board members of the Company and Lorito Holdings Limited², which together represent about 47.6 per cent of the shares and voting rights in the Company, have pledged, with support of the subscrip-

tion rights they receive, to subscribe for their entire respective allotments in the Rights Issue. In addition, these Board members and Lorito Holdings Limited, in accordance with a guarantee agreement with Tethys Oil and HQ Bank, have pledged to subscribe for the number of shares in the Rights Issue required for the Rights Issue to be fully subscribed. In total, the undertaking and the guarantee received mean that subscription for the Rights Issue is guaranteed in its entirety.

The Extraordinary General Meeting on May 19, 2006 also granted authorization for the Board of Directors on one or more occasions during the period until the 2007 Annual General Meeting to take decisions on a new issue of not more than 600,000 shares and 600,000 warrants and, in so doing, to be able to disregard the shareholders' preferential right. Through this authorization, the Board of Directors may take decision on a private placement ("the Private Placement") of Units to a limited group of investors. Depending on market conditions, the Board of Directors intends to decide on the implementation of the Private Placement in conjunction with the Rights Issue, although the Board is able to use this authorization up to the 2007 Annual General Meeting. The conditions for the warrants in the Private Placement will correspond to the terms in the Rights Issue. The subscription price for these Units will be determined through an order book procedure arranged by HQ Bank.

Furthermore, the Extraordinary General Meeting on May 19, 2006 granted authorization for the Board of Directors on one or more occasions during the period up to the 2007 Annual General Meeting to take decisions on a new issue of not more than 480,000 shares and 80,000 warrants and, in so doing, to be able to disregard the shareholders' preferential right. The objective of this authorization is to enable the Company to pay that part of the agreed purchase price comprising 400,000 shares in the Company ("the Non-cash Issue") to the seller of GotOil Resources (Oman) Ltd. ("GotOil Oman"). The remaining share of the authorization is intended to be used to enable the seller of GotOil Oman to subscribe for shares in the Company on the same terms as those for the Rights Issue, as if the seller had held the newly issued shares on the record date.

Stockholm, May 29, 2006

Tethys Oil AB (publ)

Board of Directors

Vincent Hamilton

Chairman

Håkan Ehrenblad

John Hoey

Carl-Gustaf Ingelman

Jonas Lindvall

Jan Risberg

Magnus Nordin

CEO

¹ Total issue costs for the Rights Issue are expected to amount to approximately SEK 4.0 M, of which guarantee remuneration accounts for about MSEK 0.8.

² Lorito Holdings Limited is owned by a foundation with Adolf Lundin as the beneficiary.

Background and reasons

Since the Company's inception in 2001, Tethys Oil has built up a portfolio of oil and gas resources located in Europe, North Africa and the Middle East. The Company's oil and gas assets currently consist of interests in 13 licenses in six countries. The portfolio has been developed from containing only exploration assets to also include appraisal and development assets through the acquisition of GotOil Oman during 2006.

Exploration and extraction of crude oil and natural gas are operations associated with risks. Market factors, such as oil prices and exchange rates, have a considerable impact on business development. Extraction is based on sound technical knowledge but is continuously affected by the unpredictable nature of the earth's crust. Successful exploration demands sound geological knowledge, imagination and some luck, as well as considerable endurance, both mentally and financially.

Tethys Oil's current funding is deemed adequate to finance all of the Company's current undertakings. However, current assets are not expected to generate positive cash flow until the end of the year at the earliest, assuming that the Company's operations in Oman develop according to plan. If they do not, and if the Company's exploration projects that have been approved to date, including the planned drilling in Denmark later this year, should not be successful, the Company will not have the necessary capital to engage in further undertakings.

The exploration projects that have been added over the past year will require further investment. They will be conducted with the objective of obtaining sufficient knowledge to determine if they shall be developed or written off. The project portfolio has now attained such a size that additional capital should be contributed to the Company in order to ensure that the programs that the Company intends to conduct are not negatively affected by a lack of financial resources.

Furthermore, the Board of Directors believes that it would be positive for the Company to continue to expand and develop its asset portfolio in accordance

with the Company's strategy, particularly through additional acquisitions of appraisal and development assets. This would result in a greater spread of risks through further diversification of the project portfolio. In addition, projects in this phase of the development cycle are considered to generate cash flow earlier than pure exploration projects.

Against this background, the Board of Directors proposes the current Rights Issue in an amount of MSEK 52.6, which is guaranteed in full by members of the Company's Board, together with Adolf Lundin via companies. The Board of Directors also applied for authorization to implement the Private Placement of 600,000 Units. An Extraordinary General Meeting held on May 19, 2006 resolved to approve the Board of Directors' motions.

With the capital contributions, the Board of Directors believes that the prospects will increase for being able to successfully execute the Company's strategy. This will entail greater opportunities for successful negotiations and acquisitions of the type of assets that are considered attractive additions to the asset portfolio, as well as for participating in additional undertakings involving exploration licenses, particularly those that were obtained during the past year. Moreover, exercising the authorization to implement the Private Placement would mean that the Company's shareholder base would be expanded, which is deemed to have a positive effect on the Company's value.

The two new issues are also structured so that if the Company's value growth is sufficiently positive, the Company may receive additional capital through the exercise of the warrants.

This Prospectus has been prepared in conjunction with the Rights Issue. The Board of Directors of Tethys Oil is responsible for the contents of this Prospectus. The Board of Director hereby assures that as far as is known to the Board, after having taken all reasonable cautionary measures, the information in this Prospectus accurately reflects the actual circumstances and that nothing has been omitted that could affect its interpretation.

Stockholm, May 29, 2006

Tethys Oil AB (publ)

Board of Directors

Vincent Hamilton
Chairman

Håkan Ehrenblad

John Hoey

Carl-Gustaf Ingelman

Jonas Lindvall

Jan Risberg

Magnus Nordin
CEO

Terms and conditions

Preferential right to subscription based on shareholdings

Those who were registered as shareholders in Tethys Oil according to VPCAB ("VPC") on the record date, May 26, 2006 have preferential right to subscribe for one (1) Unit for each five (5) existing shares. A Unit consists of one (1) newly issued share and one (1) newly issued warrant.

Subscription price

The subscription price amounts to SEK 60 per Unit. No commission will be charged.

Record date

The record date with VPC for establishing who will receive subscription rights was May 26, 2006. The final date for trading in Tethys Oil shares with rights was May 22, 2006.

Subscription rights

Each share in Tethys Oil held on the record date entitles the holder to receive one (1) subscription right. Five (5) subscription rights entitle the holder to subscribe for one (1) Unit of Tethys Oil consisting of one (1) newly issued share and one (1) newly issued warrant.

Issue statement

The Prospectus and a pre-printed issue statement with the attached payment slip will be sent to directly registered shareholders or trustees for shareholders who are registered in the share register maintained by VPC on the above record date. The pre-printed issue statement will include information regarding the number of subscription rights received. Those

who are included in the separate list maintained in conjunction with the share register of pledge holders' etcetera, will not receive an issue statement, but will be notified separately. A VP notice regarding the booking of subscription rights will not be sent.

Shares held by trustees

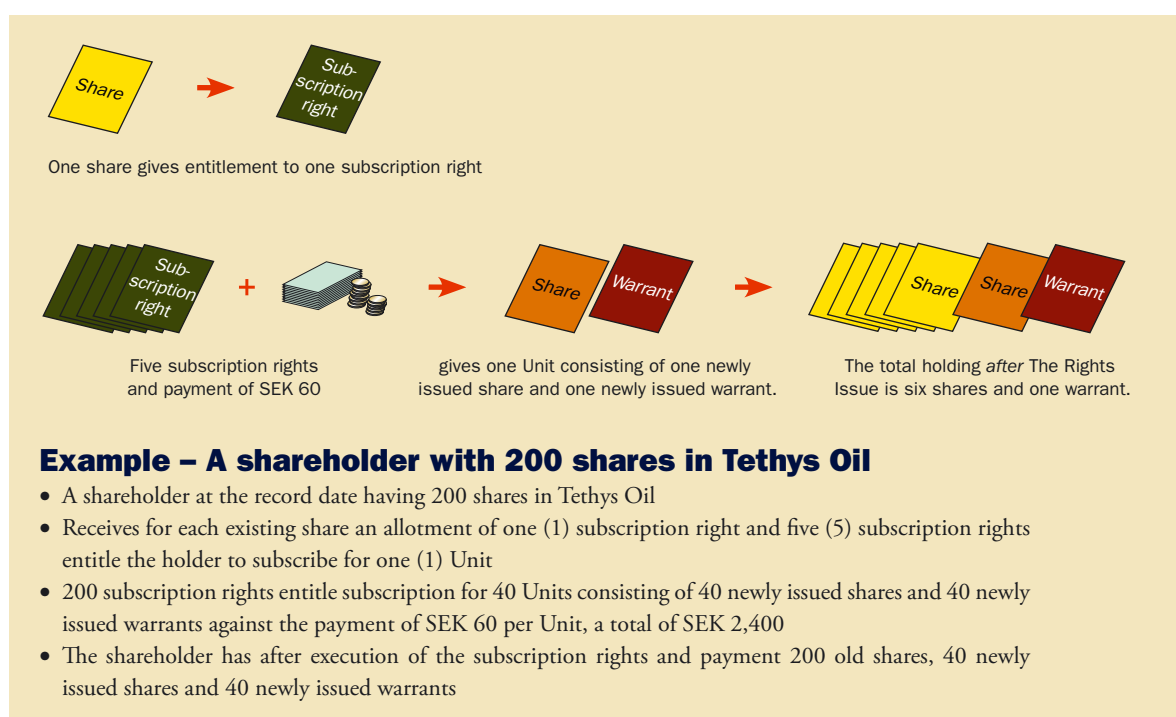
Shareholders whose holdings are trustee-registered with a bank or other fund manager will not receive any issue statement from VPC or any application form. Instead, application for subscription and payment will take place in accordance with instructions from the trustee.

Shareholders who are not entitled to participate in the Rights Issue

Due to restrictions in security legislation in the United States, Canada, Australia and Japan no subscription rights will be offered to directly registered shareholders with registered addresses in either of these countries. Accordingly, no offer to subscribe for new shares in Tethys Oil will be directed to shareholders or others with registered addresses in the United States, Canada, Australia and Japan. Shareholders in either of these jurisdictions will receive a payment from the sale of subscription rights to which they otherwise would be entitled. The sale will take place immediately on Nya Marknaden under the auspices of HQ Bank.

Trading of subscription rights

Trading of subscription rights will take place during the period from June 5 up to and including June 14, 2006 on Nya Marknaden. HQ Bank and other



securities institutes with the necessary permits will assist in mediating purchases and sales of such subscription rights. Those wishing to purchase or sell subscription rights should contact the appropriate bank or broker. ISIN code for the subscription rights is SE0001742727.

Central sale of excess subscription rights

For those shareholders who are entitled to a number of subscription rights that are not evenly divisible by five, excess subscription rights (between one and four subscription rights) will be eliminated from the shareholders' VP account and thereafter sold centrally at the prevailing market price. The sale will be executed by HQ Bank on behalf of Tethys Oil. Proceeds from the sale will be paid to each shareholder through VPC. No commission will be charged on the sale of excess subscription rights.

Note that once the excess subscription rights have been eliminated, those who have subscription rights in their VP accounts will have a holding that is evenly divisible by five. If a shareholder wishes to purchase subscription rights to subscribe for additional shares, the purchase should be referred to a number that is dividable by five.

Subscription period

Subscription for Units must take place during the period from June 5 up to and including June 19, 2006. After the end of the subscription period, unexercised subscription rights will expire and thus become worthless. To prevent the loss of value of the subscription rights, they must either be exercised to subscribe for new Units in Tethys Oil not later than June 19, 2006 or be sold not later than June 14, 2006. The Board of Directors of Tethys Oil reserves the right to extend the subscription period and postpone the payment date. The outcome of the Rights Issue is expected to be announced in a press release and on the Company homepage (www.tethysoil.com) on June 21, 2006.

Subscription and payment

Subscription supported by subscription rights

Shareholders in Tethys Oil have preferential right to subscribe for Units in relation to their shareholding on the record date of May 26, 2006. This right is represented by the subscription rights received. Subscription for Units must take place together with cash payment not later than June 19, 2006 at any Swedish banking institution. As described above, a pre-printed payment slip will be received from VPC. Subscription through payment must be made either by using the pre-printed payment slip or with the application form in accordance with the alternatives below:

1. Payment slip

In cases where all the subscription rights received in multiples of five on the record date are exercised for subscription, only the pre-printed payment slip may be used as the basis for subscription through payment. The application form must not be used.

2. Application form

In cases where all the subscription rights received in multiples of five on the record date are not exercised or purchased subscription rights are exercised, subscription by payment must take place using the application form as the basis for subscription. The pre-printed payment slip must not be used. The application form may be ordered from HQ Bank by phoning +46 (0)8 696 17 00.

Application forms may be submitted or sent to:

HQ Bank AB
Emissionsavdelningen/Tethys Oil
Norrandsgatan 15 D
SE-103 71 Stockholm, Sweden

The application form and the subscription payment must be received by HQ Bank not later than by 5:00 p.m. on June 19, 2006. Incomplete or wrongly filled in application forms might not be considered.

Subscription without support of subscription rights

In the case that all subscription rights are not exercised for subscription of Units, the Board of Directors will decide how Units subscribed without support of subscription rights will be allotted.

Allotment will primarily be directed to those who have subscribed for Units in the Rights Issue supported by subscription rights in relation to the number of subscribed Units. Thereafter, allotment will take place to others who have subscribed without preferential right in relation to the number of subscribed Units. If the Rights Issue is still not fully subscribed, allotment will finally be to the underwriters of the Rights Issue in relation to the guarantees issued.

Units subscribed without support of subscription rights must be paid in cash in accordance with the received settlement note. Persons to whom Units are not allocated will not receive any notice. Application for subscription for Units without support of subscription right must take place on an application form according to a fixed form that can be ordered from HQ Bank by phoning +46 (0)8 696 17 00 or obtained at www.hq.se. **Note that the application is binding.**

Application forms may be submitted or sent to:

HQ Bank AB
Emissionsavdelningen/Tethys Oil
Norrandsgatan 15 D
SE-103 71 Stockholm, Sweden

The application form and the subscription payment must be received by HQ Bank not later than by 5:00 p.m. on June 19, 2006. Applications sent by mail should be sent well in advance of the final subscription date. Incomplete or wrongly filled in application forms might not be considered.

Unexercised subscription rights

Note, that the subscription must take place not later than June 19, 2006. After the end of the subscription

period, unexercised subscription rights will expire and thus become worthless. After June 19, 2006, unexercised subscription rights will be removed from the VP account in question without notification by VPC.

Delivery of Interim Units, shares and warrants

Subscription through payment is normally registered with VPC after three banking days. Thereafter, the subscriber will receive a VP notice confirming registration of Interim Units in the subscribers account. Owners of trustee-registered shares will receive notification according to each trustee's routines. After completion of the issue, registration with Bolagsverket (the Swedish Companies Registration Office) will take place, with the effect that Interim Units can be eliminated from each VP account and replaced by shares and warrants. This will take place without any special notification from VPC and is expected to occur at the beginning of July 2006.

Trading of Interim Units

Interim Units will be traded on Nya Marknaden. Trading of Interim Units will take place during the period from June 5, 2006 until such time as the share issue has been registered with Bolagsverket (the Swedish Companies Registration Office), which is expected to take place at the beginning of July 2006. Those wishing to trade Interim Units should contact their bank or broker. Once the Rights Issue has been registered by Bolagsverket (the Swedish Companies Registration Office), the Interim Units will be converted to shares and warrants, whereby trading of Interim Units will cease. The ISIN-code for the Interim Unit is SE0001742735.

Right to dividends

Subscribed shares in Tethys Oil will entitle the holder to dividends as of the 2006 fiscal year. Any dividends from the Company will be handled by VPC or, in the case of trustee-registered holdings, in accordance with each trustee's routines.

Trading

The Company's shares are today traded on Nya Marknaden, operated by Stockholmsbörsen AB (the Stockholm Stock Exchange). Stockholmsbörsen is planning to replace Nya Marknaden from June 12, 2006 (at the earliest) with a new market place, First North¹. Commencement of trade for the newly issued shares on First North is planned for the beginning of July 2006. The Company's sponsor² is Kaupthing Bank Sverige AB (publ). Kaupthing's obligations and undertaking are governed by an agreement with Stockholmsbörsen.

Information regarding First North

First North is an alternative market place, operated by Stockholmsbörsen AB. Companies, whose shares are traded on First North are covered by a less exten-

sive regulatory framework, adapted to comparatively small companies or companies in the growth stage. An investment in a company's share, that is traded on First North might therefore seem riskier than investing in a public listed company. All companies, whose shares are traded on First North have a Certified Advisor, whose responsibility include to monitor that the company fulfils the requirements for trading on First North and also that it complies with regulations regarding provision of information to the market and investment community. A Certified Advisor reviews companies, whose shares are sought to be admitted for trading on First North. Stockholmsbörsen approves the application for such trading.

Shares on First North are traded via the trading system of Stockholmsbörsen, SAXESS. The trading is computerised in a simple cost-efficient manner and is conducted in the same way as for the exchange-listed companies. Information regarding prices, volumes and order depth is published in real time through the same canals as for exchange-listed shares.

Market making

Tethys Oil has an agreement with Remium Securities AB concerning market maker undertakings regarding the Company share. Put briefly, this undertaking means that the liquidity provider pledges to regularly and on its own account set buy and sell prices regarding Tethys Oil's shares during regular trading times at Nya Marknaden. The purpose of the agreement is to promote liquidity and to lower the spread between buy and sell prices in the Company's shares on Nya Marknaden.

The share and the warrant

The Company's shares and warrants have been/will be issued in accordance with the provisions of the Swedish Companies Act (2005:551), and the owner's rights regarding the shares and warrants may only be altered in accordance with the provisions of this law. The Company and its shares and warrants are linked to VPC³. All of the Company's shares and subscription rights are quoted in Swedish krona (SEK). There is only one series of shares, and all shares carry the same voting right and the same right to profits and any surplus on liquidation.

Issuing institution

In addition to its assignment as Tethys Oil's financial advisor, HQ Bank is the Company's issuing institution and may be contacted in matters regarding the offer according to this Prospectus at:

HQ Bank AB
Emissionsavdelningen/Tethys Oil
SE-103 71 Stockholm, Sweden
Visiting address: Norrlandsgatan 15 D
Telephone: +46 (0)8 696 17 00
Web site: www.hq.se

¹ Finansinspektionen is processing the application for permission for First North. Launch of First North is depending on its approval.

² In First North, the corresponding name is Certified Advisor.

³ The address of VPC is Regeringsgatan 65, Box 7822, SE-103 97 Stockholm, Sweden.

Summary of terms for the warrant

Each Unit that is subscribed for in the issue contains a share and a warrant. A summary of the terms for the warrant is provided below. For complete information regarding terms relating to the warrant, see the Prospectus Appendix *Terms and Conditions for Warrants 2006/2007 for Subscription of Shares in Tethys Oil AB*.

Subscription period

The warrant may be exercised for subscription for one share for each warrant held during two fixed periods:

- *Period 1*: December 1, 2006 – January 31, 2007
- *Period 2*: September 1, 2007 – September 30, 2007

Warrants that are not exercised during this period expire and thus become worthless.

Subscription price

The warrant entitles the holder to subscribe for a share for SEK 72 during *Period 1* or for SEK 78 during *Period 2*.

Subscription by application with simultaneous payment

Warrants are exercised by sending in a correct and complete special application form to HQ Bank and at the same time making payment according to the instructions on the special application form. The special application form may be ordered from HQ Bank by phoning +46 (0)8 696 17 00 or obtained at www.hq.se. Note that application is binding.

Application forms may be submitted or sent to:
HQ Bank AB
Emissionsavdelningen/Tethys Oil
Norrländsgatan 15 D
SE-103 71 Stockholm
Sweden

The application form and the subscription payment must be received by HQ Bank not later than January 31, 2007 by 5:00 p.m. if subscription is made under *Period 1* and September 28, 2007 by 5:00 p.m. if subscription is made under *Period 2*. Application forms sent by post should be sent well in advance of the final subscription date.

Trustee-registered warrants

Trustee-registered warrants must be exercised in accordance with the instructions provided by each trustee.

Trading in warrants

The Company will apply for a listing of the warrants on First North. Trading is expected to commence in the beginning of July 2006. The ISIN code for the warrant is SE0001742719.

Dividend

Shares subscribed with the support of warrants during *Period 1* entitle the holder to dividends as of the 2006 fiscal year, while shares subscribed with the support of the warrant during *Period 2* entitle the holder to dividends during the 2007 fiscal year. Any dividends from the Company will be handled by VPC or, in the case of trustee-registered holdings, in accordance with each trustee's routines.

Changed circumstances

Both the subscription price and the number of shares to which the holder of each warrant is entitled will be subject to customary adjustment conditions. In brief, this means that holders of warrants will be compensated for certain measures taken by the Company, such as bonus issues, new issues with preferential shareholder rights, non-cash issues and redemption of shares. Furthermore, under certain circumstances, such as in cases of merger or liquidation, an earlier date may be established as the final date for exercising warrants.

Valuing warrants

The warrant, described in the Prospectus, i.e. the right, but not the obligation, to subscribe for one share in the Company, can, in theory, never have a greater value than the share in the Company. In theory, the warrant can never be worth less than the market value of the share minus the subscription price.

The following factors influence the value of a warrant:

Market rate of interest

Investment in a warrant entails a lower capital input than investing in shares. The higher the market rate of interest, the more attractive it becomes to invest in warrants rather than the underlying shares. This is because the alternative cost of the capital invested in the share increases as the rate of interest increases.

Term

The value of the warrant increases with the length of its term because the longer the term, the greater is the possibility that the market value of the share exceeds the subscription price. A longer term also implies a greater interest profit as warrant holders can postpone for a considerable length of time the share subscription to which the warrant entitles them.

Volatility

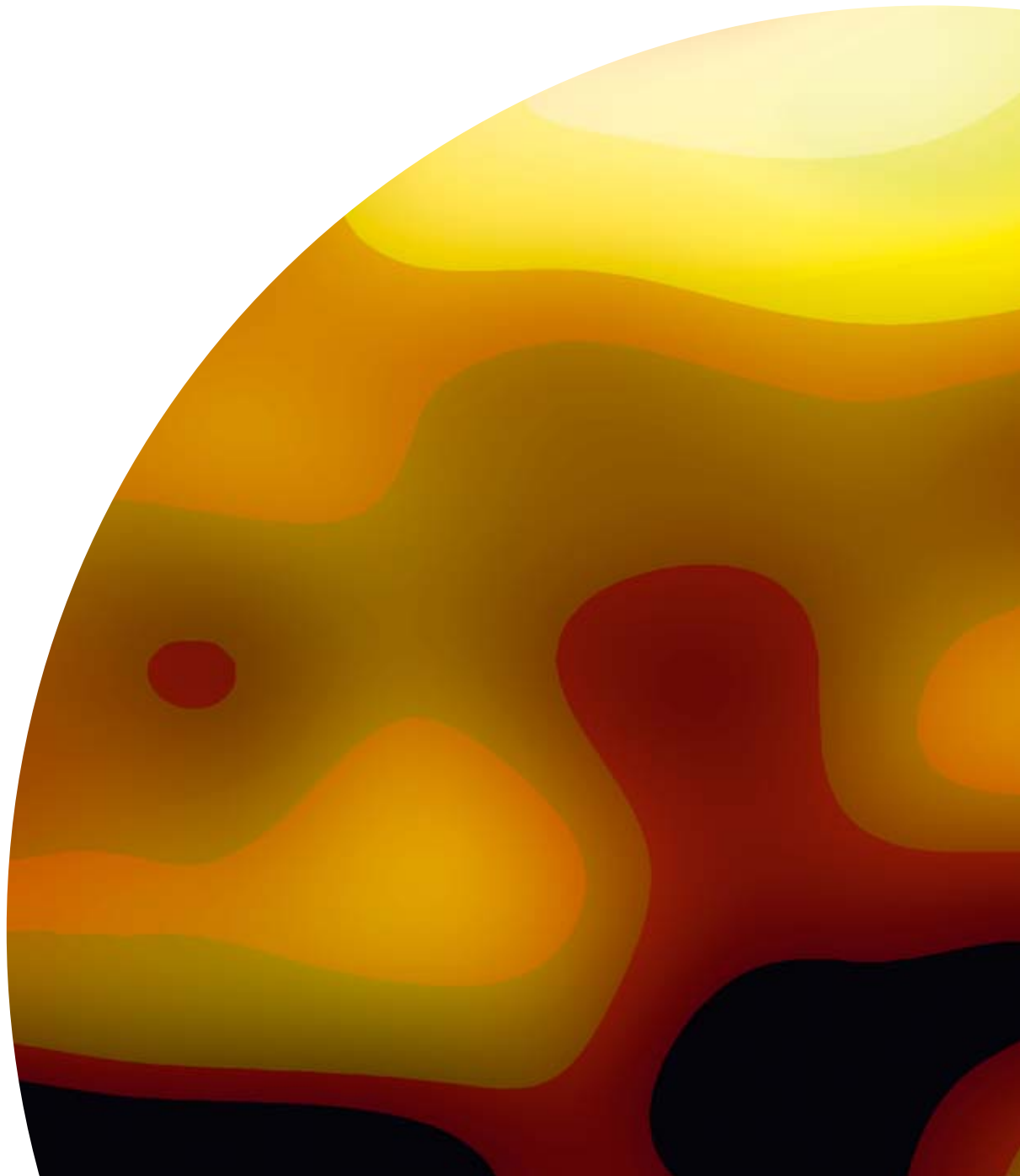
Volatility is a measure of the variation in return on a share. The value of a warrant increases as the volatility rises. More volatile prices increase the likelihood of a higher share price on the final day of trading.

Dividend

The size of the dividend has a negative effect on the value of the warrant as the warrant does not entitle holders to dividends obtained from shareholding. The higher the dividend entitlement during the term, the less attractive it becomes to invest in warrants rather than shares.

Complete terms

For complete terms, see the Prospectus Appendix *Terms and Conditions for Warrants 2006/2007 for Subscription of Shares in Tethys Oil AB*.



Tax issues in Sweden

The following is a summary of certain tax issues that may follow from the Rights Issue for shareholders and holders of warrants and for holders of subscription rights and Interim Units who are resident in Sweden for tax purposes, unless otherwise stated. The summary is based on the current tax law and is only intended as general information and it does not deal comprehensively with all tax consequences that may occur in this context. Amongst the provisions not covered are rules applying in cases where securities are held as current assets in a business operation or held by a partnership. Neither are the provisions for qualified shares etcetera in close companies or the special rules regarding tax exemption on capital gains and dividends on business related shares (including prohibited deduction of capital losses), covered. Particular tax consequences that are not described below may also apply to certain categories of taxpayers, for example investment companies and investment funds. The tax consequences for each individual shareholder and for warrant holders, and for holders of subscription rights and Interim Units, depend partly on their special situation. Each shareholder is therefore recommended to consult a tax adviser for information with respect to any tax consequences that may arise as a result of the Rights Issue.

General

Individuals

Individuals and estates are subject to tax on income from capital such as interests, dividends and capital gains. The tax rate is 30 per cent. A capital gain and a capital loss on disposal of shares and other share-based participating interests are calculated as the difference between the sales proceeds, after deduction of sales expenses, and the acquisition cost. The acquisition cost is determined according to the so-called average method. This means that the costs for all shares of the same type and class are added together and determined collectively. This means that the average acquisition cost of the shares usually is affected if subscription rights are used to acquire additional shares of the same type and class. An Interim Unit is not considered to be of the same type and class as the existing shares until the decision on the Rights Issue is registered at Bolagsverket (the Swedish Companies Registration Office). At a disposal of shares in Tethys Oil alternatively the so-called standard rule method may be used. This means that the acquisition cost is equal to 20 per cent of the net sale price after deduction of sale expense.

A capital loss on shares and other share-based participating interests in Tethys Oil are fully deductible in

the same fiscal year against taxable capital gains on shares except for shares in investment funds only containing quoted Swedish receivables (interest funds).¹ To the extent that the capital loss cannot be offset against capital gains, 70 per cent of loss may be set off against income from capital. If there is a deficit in income from capital a reduction of the state and municipal tax (i.e. also against income from employment and business), as well as the real property tax, is allowed. The tax reduction allowed amounts to 30 per cent of any deficit not exceeding SEK 100,000 and 21 per cent of any deficit in excess of SEK 100,000. Deficits cannot be carried forward to a subsequent fiscal year.

A preliminary withholding tax of 30 per cent is imposed on dividends. The withholding tax is usually withheld by VPC, or, regarding nominee registered shares, by the custodian.

The shares in Tethys Oil are traded on Nya Marknaden and thus exempted from wealth tax. The warrants that are received are also intended for trade but are thus assets for wealth tax purposes.

Legal entities

Limited liability companies and other legal entities, other than estates, are taxed on all income, including capital gains and dividends, as income from business activities at a flat rate of 28 per cent. The calculation of a capital gain and of a capital loss is made in the same way as for individuals described above. A capital loss on shares and other share-based participating interests incurred may be offset only against a capital gain on shares or on other share-based participating interests. A capital loss may also, under certain circumstances, be set off against such capital gains within the same group of companies, provided the requirements for group contributions are met. Capital losses that have not been possible to utilise within a certain year, may be carried forward and offset against capital gains on shares and share-based participating interests in following years without any limitation in time.

Exercise of subscription rights

No tax is charged when subscription rights are used for subscription of shares. The acquisition cost for a share consists of the price at the issue. For subscription rights that are purchased and exercised for subscription of shares, the acquisition cost may be added to the calculation of the acquisition costs for the shares.

¹ These new extended set-off rules entered in force on January 1, 2006. However in the bill 2005/06:125 it is suggested, that the rules should be amended. The proposed changes would entail that only 70 per cent of the capital losses on shares and other quoted share-based participating rights, are deductible, but that they are fully deductible against taxable capital profits on shares and against taxable capital gains on quoted share-based participating rights (however, not on shares in interest funds). The new rules are proposed to enter in force on July 1, 2006.

The acquisition cost for each warrant that has been received by using the subscription right should be SEK 0. The acquisition cost for each warrant that has been received by using purchased subscription rights should consist of a portion of the acquisition cost for used subscription rights.

Tethys Oil will apply for *Allmänna Råd från Skatteverket* (General guidelines from the Swedish Tax Agency) regarding such apportionment. *Allmänna Råd från Skatteverket* will be published at the home page of Skatteverket (www.skatteverket.se) and at the home page of Tethys Oil (www.tethysoil.com).

Exercise of warrants

What has been said above regarding exercise of subscription rights also applies when warrants are used for subscription for new shares.

Disposal of obtained subscription rights

Shareholders that do not want to use their right of priority to take part in the Rights Issue may sell their subscription rights as the subscription rights will be traded at Nya Marknaden. A disposal of obtained subscription rights triggers capital gains taxation according to the usual capital gains tax rules. This also applies to central disposal of shareholders' exceeding subscription rights. If the sold subscription rights have been received due to shareholding in Tethys Oil, the acquisition cost will be SEK 0. The standard rule method may not be used. Hence the entire sales proceeds after deduction for expenses for disposal will thus be subject to tax. The acquisition cost for the original shares in Tethys Oil is not affected

Disposal of obtained warrants

The warrants will be traded at First North. What is said above concerning disposal of obtained subscription rights also applies to disposal of warrants that have been received because of subscription for new shares. For those who have received warrants by using purchased subscription rights the warrants will have an acquisition cost, please see above regarding *Allmänna Råd*.

Disposal of purchased subscription rights

A disposal of purchased subscription rights triggers capital gains taxation. The acquisition cost for bought or in any other way acquired subscription rights consist of the payment for them. The acquisition cost for all subscription rights of the same type and class are added and are calculated jointly with application of the average method. Alternatively the standard method may be used for quoted subscription rights obtained in this way, i.e. that the acquisition cost is calculated to 20 per cent of the sales proceeds after

deduction for sales expenses. If a purchased subscription right is neither exercised nor disposed of during the subscription period it will become worthless and is deemed to be disposed of at a price of SEK 0.

Disposal of purchased warrants

A disposal of purchased warrants triggers capital gains taxation. The acquisition cost for purchased or in another way against consideration acquired warrants consist of the payment for these. The deduction for acquisition costs for all warrants of the same type and class is added and calculated jointly with application of the average method. The standard method may not be used.

Disposal of Interim Units

A disposal of Interim Units triggers capital gains taxation the same way as described above. Tethys Oil will apply for *Allmänna Råd från Skatteverket* regarding the distribution concerning the acquisition cost for acquired Interim Units and thereby received shares and warrants.

Foreign shareholders etcetera

Capital gains realised from the disposal of shares etcetera by a non-resident or domiciled individual are generally not subject to tax in Sweden. However, according to a certain rule a former resident may be taxable on such gains on Swedish shares etcetera if the person at any time during the calendar year of the disposal or during the ten previous calendar years has been resident or domiciled in Sweden. The applicability of this rule might be limited through a tax agreement which Sweden has with other countries to avoid double taxation. Foreign legal entities are usually not liable to tax on a capital gain on Swedish shares unless the gain is attributable to a so-called permanent establishment in Sweden.

For shareholders that are resident for tax purposes abroad withholding tax is usually charged in Sweden on a distribution. The tax rate is 30 per cent. This tax rate might be reduced by a tax treaty with the country where the shareholder is resident. In Sweden withholding tax is withheld by VPC, or for nominee shares, by the custodian. Swedish withholding tax is under certain circumstances not charged on distributions to foreign companies and other legal entities. The withholding tax may also be lower than 30 per cent due to a tax treaty between Sweden and other countries.

Comments to the financial development

The financial statements of Tethys Oil for the years 2003 to 2005, which are commented below, are presented with related notes in Tethys Oil's Annual Report 2005, pages 43–57. The principal accounting principles are presented on page 49 in Tethys Oil's Annual Report 2005. These accounting principles describe that Tethys Oil since January 1, 2005 with comparison year 2004 has adopted IFRS. For the year 2003 Tethys Oil applied Swedish GAAP. The change of accounting principles has not had any effect on the Group's income statements and balance sheets.

Net profit and sales

Since the inception of Tethys Oil no sales or production of oil and gas has been presented. Accordingly, there has been no depreciation of oil and gas prop-

erties. The production of oil from La Lora in Spain is offset against capitalized costs of the related cost centre in the balance sheet in accordance with Tethys Oil's accounting principles and is further described in table *Oil and gas properties and investments*.

On account of the fact, that the Group did not report any sales or production, the binding working capital of Tethys Oil is limited. The Group's working capital is related to the Group's administrative costs and oil and gas investments. Working capital, relating to oil and gas investments consists of debts to and claims to license partners.

Below, selected financial information for the Group is presented.

	Jan 1, 2005– Dec 31, 2005 12 months	Jan 1, 2004– Dec 31, 2004 12 months	Jan 1, 2003– Dec 31, 2003 12 months	Jan 1, 2006– Mar 31, 2006 3 months	Jan 1, 2005– Mar 31, 2005 3 months
Income statement and balance sheet items, TSEK					
Operating result	-14,998	-5,810	-934	-1,447	-1,337
Result before tax	-14,368	-5,062	-891	-1,256	-1,147
Net result	-14,368	-5,062	-891	-1,256	-1,147
Shareholders' equity	52,375	66,743	3,542	51,120	65,596
Balance sheet total	54,833	69,102	4,139	52,750	66,683
Capital structure, %					
Solvency	95.52	96.59	85.58	96.91	98.37
Adjusted equity ratio	95.52	96.59	85.58	96.91	98.37
Investments, TSEK	6,491	12,696	1,570	3,183	939
Key figures per employee					
Average number of employees	3.50	2.50	0.00	3.50	3.00
Shares information¹					
Number of shares on balance day, thousands	4,385	4,385	1,500	4,385	4,385
Shareholders' equity per share, SEK	11.94	15.22	2.40	11.66	14.96
Weighted number of shares on balance day, thousands	4,385	3,705	1,003	4,385	4,385
Earnings per share, SEK	-3.28	-1.37	-0.89	-0.29	-0.26

¹ As of the balance sheet date for each period, Tethys Oil had no outstanding convertible bonds, options or other instruments which may cause dilution. Tethys Oil conducted during the first quarter of 2004 a share split of 2:1. Historic number of shares and share related data has been adjusted accordingly. The number of shares at December 31, 2005 includes new shares from the share issue, which was registered April 1, 2004. They were included for the weighted number of shares calculation as of March 26, 2004.

The net result for the full year of 2003 amounted to TSEK -891, for the full year of 2004 to TSEK -5,062 and for the full year of 2005 to TSEK -14,368. As the Company does not report any sales, the net result consists mainly of administrative costs. The increasing loss reflects the Company's transition from a private company during 2003 with no employees, to a public company with four employees and shares trading on Nya Marknaden in Stockholm. During 2005 write downs of oil and gas properties was made of TSEK 8,412, which negatively contributed to the result for the year. Of these, the write down was mainly regarding the Hotolicense in Turkey, as a result of the exploration drilling, which did not lead to commercial amounts of oil.

Costs of administration

Costs of administration and depreciation amounted for the full year of 2003 to TSEK -934, for the full year of 2004 to TSEK -5,375 and for the full year of 2005 to TSEK -6,609.

Costs of administration are corporate and are accordingly not capitalized. They consist of salaries, rents and other administrative costs. The increasing costs from 2003 to 2005 are explained by Tethys Oil's transition from a private to a public company and an increase of the number of employees. Salaries accounted for around 40 per cent of the costs of administration during 2005 and are therefore explanatory to the development during the period. Furthermore, costs related to being a public company were not represented during 2003. The increase in costs between 2004 and 2005 is mainly explained by the fact that the Company was still private during the first quarter of 2004 and the number of employees was one.

With the exception of Spain and Turkey, Tethys Oil's investments in oil and gas properties have gradually increased during the period 2003 to 2005. During 2005 France and Morocco became new areas of oper-

ation and in Denmark investments have gradually increased as an exploration drilling on license 1/02 has moved closer. The investments in France and Morocco are mainly early technical surveys as well as costs related to acquire the licenses. The investments in Denmark were during 2004 and 2003 focused on technical surveys but have during 2005 been focused on drilling preparations.

Investments in Spain were during 2003 mainly related to the acquisition of the Spanish assets through the acquisition of Windsor Petroleum (Spain) Inc. In 2004 geological and geophysical surveys were conducted, but as a consequence of the change of operator in 2005 operations and investments decreased. An additional explanation to the low investments in Spain in 2005 is that the production from the La Lora field benefited from high oil prices which lead to a small cash contribution of TEUR 53 (equivalent of TSEK 490). This was achieved despite a continuously decreasing production from the field. The production and sales from the La Lora field is not recorded as sales in the income statement but reduces capitalised costs in the related cost centre in the balance sheet, in accordance with the Company's accounting principles. The small cash contribution from the La Lora field has therefore reduced the investments in Spain in 2005. The reason for this accounting is that the production from the La Lora field is considered incidental and that the purpose of the La Lora field for Tethys Oil is not current production but rather exploration possibilities offered by the field.

In Turkey an exploration well was drilled on the Hoto license in 2004, which was the main investment in Turkey during that year. In 2005, investments in Turkey have mainly been a radar/satellite study over the Ispandika area. Furthermore, in 2005 two licenses in Thrace, the north-western part of Turkey, became part of the Company's project portfolio.

Oil and gas properties and investments

Country	Investments 12 months 2005, TSEK	Investments 12 months 2004, TSEK	Investments 12 months 2003, TSEK	Book value Dec 31, 2005, TSEK	Book value Dec 31, 2004, TSEK	Book value Dec 31, 2003, TSEK
Denmark	3,412	1,097	240	5,119	1,707	610
France	690	-	-	690	-	-
Morocco	544	9	-	553	9	-
Spain	33	1,991	1,128	3,152	3,118	1,128
Turkey	615	8,779	118	727	8,897	118
New venture areas	1,125	662	43	1,162	279	43
Total	6,420	12,538	1,529	11,404	14,002	1,899

Investments in new venture areas have during the period 2003 to 2005 gradually increased. These investments are expenditures to assess and acquire new oil and gas properties. The increasing expenditures reflect the Company's ambition to expand the asset portfolio. Previous expenditures in new venture areas have for example resulted in the new licenses in France, Morocco and Oman.

There were no write downs of oil and gas properties during 2003. During 2004 write downs of TSEK 435 were made and during 2005 the write downs amounted to TSEK 8,412. Write downs of oil and gas properties are a result of the impairment test made in accordance with the accounting principles of Tethys Oil. A write down is made when anticipated future cash flows not are expected to be supported by net book value of related capitalized costs. These oil and

gas properties are based field by field. Of the total write downs during 2005 the write down of Hoto license amounted to TSEK 8,179.

Liquidity and financing

Liquid funds, relating to cash and cash equivalents and short term investments, amounted as per 31 December 2003 to TSEK 2,171, per 31 December 2004 to TSEK 54,037 and per 31 December 2005 to TSEK 41,102. In connection with the Company's shares being listed on Nya Marknaden, the Company conducted a share issue raising MSEK 75 before issue costs which amounted to TSEK 6,741. The share issue was conducted to finance Company operations. Short term investments, forming part of liquid funds, are investments in interest bearing mutual funds investing in instruments with short durations.



Tethys Oil's new licence in Oman.

Complement to Operations

On May 24, 2006, Tethys Oil acquired GotOil Resources (Oman) Ltd. ("GotOil Oman"), a company, which has a 40 per cent interest in Block 15 onshore Oman license. The acquisition has been carried out through a corporate transaction, whereby Tethys Oil AB has acquired all the outstanding shares of GotOil Oman from Maha Resources Ltd. ("Maha"). The transaction resulted also in adding an employee. The following section is aimed at giving a description of the Block 15 license and the work programme, which is sought to be implemented.

Background

On September 6, 2006, GotOil Oman and Odin Energi A/S ("Odin") received from Oman's Oil and Gas ministry an Exploration and Production Sharing Agreement ("EPSA") concerning Block 15. The agreement provides GotOil Oman with an interest of 40 per cent in EPSA. GotOil Oman and Odin signed a Joint Operating Agreement, dated August 1, 2005, which defines their respective obligations and rights in relation to their operations in the area, covered by EPSA.

The government of Oman has, according to terms in EPSA, the right to within 90 days after declaring the commercial discovery, to receive a 15 per cent interest of the license against the paying for previously incurred costs in the license. Should the government choose to exercise its right, the Group's share in the license will be reduced to 34 per cent at the lowest.

Tethys Oil and Maha signed on April 11, 2006, an agreement whereby Tethys Oil acquires all shares in GotOil Oman from Maha. The purchase of GotOil Oman was completed on May 24, 2006, since all conditions were fulfilled and the Oil and Gas ministry of Oman issued its approval of the transaction on May 24, 2006.

As consideration for the transaction Tethys Oil has paid USD 600,000 in cash and has decided to issue 400,000 new shares in Tethys Oil to Maha. In addition, Maha will receive an overriding annual cash remuneration of the total profit hydrocarbon entitlement due GotOil Oman of 3 per cent.

Tethys Oil has in addition received options to acquire a 30 per cent interest in an exploration concession on the Swedish island of Gotland and an 11 per cent interest in the Dunalka production license onshore Latvia. The options expire in November 2006 and Tethys Oil will evaluate these opportunities in the coming months.

Geology

Oman is located on the eastern part of the Arabian Plate. Block 15 is situated in the north western part of central Oman, and more specifically in the northern part of the Western Oman's sub-basin. This area of interest became the site of carbonate platform deposition during the period of passive margin subsidence in the Jurassic and Cretaceous following the break-



Location Map

Brief exploration history:

- British Petroleum acquired first modern seismic data in 1985.
- Arakis/Conquest shot 425 kilometres seismic in 1991.
- Jebel Aswad-1 well drilled in 1993/94. Oil and gas shows. Tested and suspended.
- Jebel Aswad-1 well re-entered in 1995. Stimulated and flowed over 200 bbl of 40 deg API oil.
- Wadi Saylah-1 drilled in 1997. Not tested.
- Novus reprocessed seismic between 2000 – 2004.

up of Gondwanaland, and opening of the Tethys Ocean, which forms part of the of a slowly sinking, but in general passiv, platform, containing significant amount of calcium oxid-filled sediments.

The region has undergone two stages of tectonic phases that created the geological structures, appropriate for oil fields. In the First Phase, Late Cretaceous time, the region of Block 15 underwent subsidence. During this time fault trends were created in a north-west-southeast direction. In the Second Phase, Lower Tertiary time, folding commenced in the Oman mountains, and NE-SW shortening is documented as overprinting extension in the region of the Natih and Fahud Fields. The result of this event is inversion on pre-existing NW-SE trending faults in the basin.

Reservoir

The prospective reservoir horizons in Block 15 are the Cretaceous limestone of the Shuaiba and Natih formations. Both the Shuaiba and the Natih are productive reservoir horizons in a number of fields to the W, SW,S and SE (e.g. the Natih and Fahud Fields, approximately 50 kilometres south of Block 15). These reservoirs in Block 15 are around 2,800 metres deep.

The Shuaiba reservoir is composed primarily of micritic lime mudstone, which generally has a moderate to good porosity (12-30 per cent) with poorer permeability (less than 5 mD (Millidarcy)). It is also commonly fractured.

The Natih reservoir is a fractured chalky limestone with a predominantly low permeability matrix. Production is largely controlled by the density, orientation and connectivity of fractures. High levels of fracture occurrence and density are often linked to the localized presence of minor faults. Porosity of the Natih reservoir in the Natih field ranges from 15–27 per cent, with permeability from 2–500 mD, but predominantly between 5–50 mD.

History

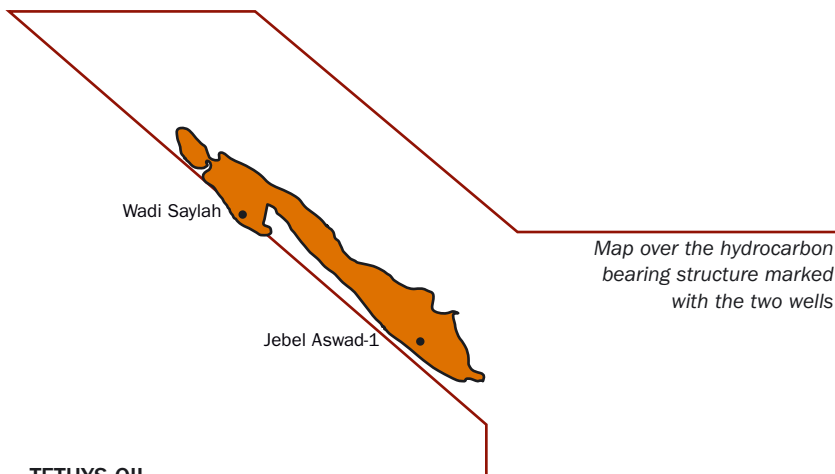
The first oil field was discovered by Shell in 1962 and called Yibal. It is the largest field that has been discovered in Oman. Oman is not part of OPEC and produces around 800,000 barrels of oil per day. The country has an estimated 5.5 billion bbls of proven reserves. In addition it is a major producer of Liquefied Natural Gas (LNG).

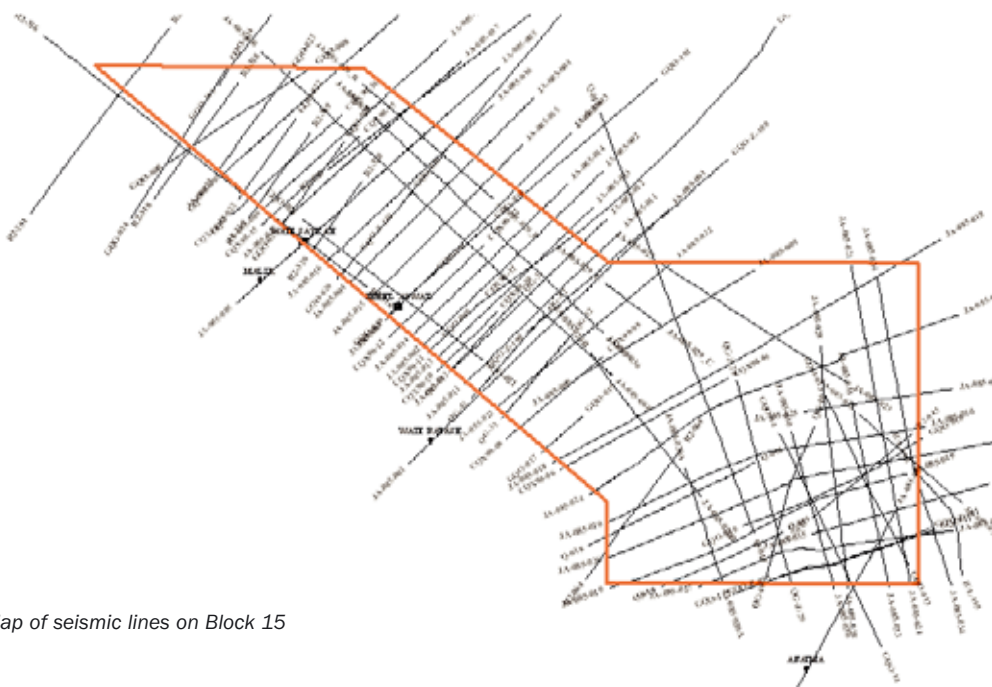
GotOil Oman signed an Exploration and Production Sharing Agreement with the Ministry of Oil and Gas of the Sultanate of Oman for Block 15, onshore Oman on September 6, 2005. This was ratified by the Sultane on October 23, 2005. GotOil Oman is the designated operator with 40 per cent interest, with Odin Energi A/S having the remaining 60 per cent interest. Block 15 covers an area of 1,389 square kilometres.

Over 2,500 kilometres of 2D seismic data has been acquired, processed and interpreted.

British Petroleum collected the first modern seismic data in 1985 (835 kilometres). This data was reprocessed by Conquest Oman and later followed by new acquisition of an additional 425 kilometres of 2D seismic data in 1991.

The two previously drilled exploration wells on the Block 15, Jebel Aswad and Wadi Saylah were drilled by Conquest Exploration in 1994 and 1997 respectively. Jebel Aswad-1 has tested 204 bbls of 40 degree API oil from a 30 foot perforated interval in the Natih limestone reservoir, after being re-entered in 1995. Well logs of Jebel Aswad indicate a gross hydrocarbon bearing limestone section of 210 feet. Well logs of Wadi Saylah indicate a 132 feet gross hydrocarbon bearing column but was never tested. Conquest





Map of seismic lines on Block 15

Petroleum subsequently relinquished the block in 1998 and Novus Petroleum acquired the block as part of a multi-block bid. Novus performed some seismic reprocessing and then relinquished it in the early 2004.

Risk

The primary risk associated with the existing oil discovered in Block 15 is production rate. Previous work demonstrated that oil can be produced through a vertical well bore but at a low rate. Probably the dominant factor controlling the well production rate is the amount of fractures present in the reservoir rocks. In order to intersect more fractures it is proposed to drill a horizontal well within the oil-bearing horizon. If there are sufficient fractures encountered in this manner, then the probability of achieving commercial oil production rates is greatly increased.

Potential

Based on an engineering study of the two wells, an amount of oil in-place has been calculated to be 55 million bbls. This assumes that the two wells have intersected a common oil-water contact and that the oil saturation in the reservoir is continuous across the structure. In this case probable reserves are estimated to be around 10 million bbls of recoverable oil. Proven reserves of 250,000 bbls are calculated for the area immediately around the vertical well that tested oil to surface.

If successful horizontal sidetrack drilling is completed from the existing two vertical wells, the wells are assumed to produce up to 3,000 barrels of oil per day. In addition to that, there exists further exploration potential.

Block 15 work programme

Tethys Oil will participate in a work programme of MUSD 5 of which Tethys Oils 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. By drilling in the “under-balanced manner” harm, occurring by drilling, when liquid does not get pressed into the reservoir, can be avoided. Reservoir remains unaffected and opened toward the hole.

Additional work may be carried out to further define exploration prospects identified in the southern part of Block 15. This work would include additional seismic reprocessing, possibly new seismic acquisition, both 2D and 3D, and exploration drilling.

Block 15 work programme

- Reprocess 250 kilometres of 2D seismic data.
- Re-enter and do 2 sidetracks.
- Geochemical survey.
- MUSD 5 total investment budget.

Pro forma accounts (Unaudited)

On April 11, 2006, Tethys Oil and Maha Resources Ltd. ("Maha") signed an agreement, whereby Tethys Oil acquires all shares in GotOil Resources (Oman) Ltd. ("GotOil Oman") from Maha. The purchase of GotOil Oman was completed on May, 24, 2006, since all conditions were fulfilled and the Oil and Gas ministry of Oman issued its approval of the transaction on May 24, 2006. As consideration for the transaction Tethys Oil has paid USD 600,000 in cash and has decided to issue 400,000 new shares of Tethys Oil to Maha.

The purchase of GotOil Oman is considered to have a significant influence on the Group's balance sheet. The balance sheet will likewise be influenced by the impending Rights Issue.

The objective of the pro forma accounts provided below is to show the effect the acquisition of GotOil Oman and the effect the Rights Issue would have had on the balance sheet on the closing date of March 31, 2006 if the transactions had been completed on March 31, 2006. The pro forma accounts are based on and were prepared in accordance with the principles applying for International Financial Accounting Standards (IFRS).

Tethys Oil presents these unaudited pro forma accounts only for illustrative purposes.

The pro forma accounts are intended to describe a hypothetical situation and are thus not intended to describe the Group's actual or expected financial position that would have pertained if the acquisition had taken place on the aforementioned date.

Notes to the pro forma accounts

Pro forma adjustments 2-3 are intended to identify hypothetical effects of previously reported balance sheets. For this pro forma account an exchange rate of SEK/USD 7.79 has been used.

Note 1

This column shows the balance sheet as of March 31, 2006. The information is taken from the Group's interim report for the period January 1 – March 31, 2006, which was prepared in accordance with IFRS.

Note 2

This column is based on GotOil Oman's unaudited accounts and shows the effect the acquisition of GotOil Oman would have had on the Group's balance sheet assuming that GotOil Oman was acquired as of March 31, 2006. The purchase price amounts to a cash payment of USD 600,000 and payment in the form of 400,000 newly issued shares

whose value is based on the market price of SEK 49.50 for the Tethys Oil share at the time of purchase, May 24, 2006. The excess value between the market price and GotOil Oman's equity has been allocated to oil and gas properties.

Note 3

In this column, the consolidated balance sheet was adjusted based on the assumption that the Rights Issue had been implemented as of March 31, 2006. The calculation was based on the assumption of full subscription in the Rights Issue, meaning that 876,960 new shares are subscribed and that Tethys Oil received a capital contribution of MSEK 52.6 before issues costs. Total issue costs for the Rights Issue are considered to be approximately MSEK 4.0.

No consideration was taken to the possible effects of the Private Placement or the warrants on the consolidated Group balance sheet.

	ADJUSTMENT FOR			The Group Pro forma Mar 31, 2006
	The Group Mar 31, 2006	Acquisition of GotOil Resources (Oman) Ltd.	Rights Issue	
TSEK	Note 1	Note 2	Note 3	
ASSETS				
Fixed assets				
Oil and gas properties	14,587	24,617	0	39,204
Other fixed assets	125	0	0	125
Total fixed assets	14,712	24,617	0	39,329
Current assets				
Other receivables	600	529	0	1,129
Prepaid expenses	222	0	0	222
Short term investments	36,072	-4,672	0	31,400
Cash and cash equivalents	1,144	0	48,618	49,762
Total current assets	38,038	-4,143	48,618	82,513
TOTAL ASSETS	52,750	20,474	48,618	121,842
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	2,192	200	438	2,830
Other contributed equity	71,071	19,600	48,179	138,850
Retained earnings	-22,144	0	0	-22,144
Total shareholders' equity	51,119	19,800	48,618	119,537
Interest bearing long term liabilities				
Other long term loans	0	420	0	420
Total interest bearing long term liabilities	0	420	0	420
Non interest bearing current liabilities				
Accounts payable	895	254	0	1,148
Other current liabilities	68	0	0	68
Accrued expenses	668	0	0	668
Total non interest bearing current liabilities	1,631	254	0	1,885
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	52,750	20,474	48,618	121,842
Pledged assets	780	0	0	780
Contingent liabilities	19,387	12,894	0	32,281

Auditor's report regarding pro forma financial statements

To the Board of Directors of Tethys Oil AB (publ), 556615-8266

I have reviewed the pro forma financial statements on pages 28–29 in Tethys Oil AB's Prospectus dated 29 May 2006.

The pro forma financial statements have been prepared solely for the purpose of providing information on the manner in which the acquisition of GotOil Resources (Oman) Ltd and the forthcoming Rights Issue might have affected the consolidated balance sheet for Tethys Oil AB per March 31, 2006.

The responsibility of the Board of Directors and Managing Director

Preparation of the pro forma financial statements in accordance with the requirements of the Prospectus Directive 809/2004/EU is the responsibility of Tethys Oil AB's Board of Directors and Managing Director.

Responsibility of the auditor

My responsibility is to provide an opinion statement according to Appendix II, point 7, of the Prospectus Directive 809/2004/EU. I am under no obligation to provide any other opinion regarding the pro forma financial statements or any of its components. I take no responsibility for the financial information used in the compilation of the pro forma financial statements other than the responsibility that I have for the auditor's report regarding historical financial information which I submitted earlier.

Work performed

I have performed my duties in accordance with draft recommendation RevR5, Prospectus Auditing, issued by FAR (the institute for the accounting profession in Sweden). My work consisted primarily of comparing the unadjusted financial information with the existing historical information, assessing the documenta-

tion for the pro forma adjustments and discussing the pro forma financial statements with senior management. My duties have not included an audit of the underlying financial information.

I have planned and performed my duties in order to acquire the information and the explanations I have deemed necessary in order to provide myself with a high, but not absolute, degree of assurance that the pro forma financial statements have been prepared according to the conditions stated on pages 28–29.

As the pro forma financial statements constitute a hypothetical situation and therefore do not describe the company's actual results and financial position, I cannot express an opinion as to whether the actual results and financial position would have been in agreement with the information provided in the pro forma financial statements. Deviations can prove to be significant.

Statement

I believe that the pro forma financial statements are prepared according to the conditions stated on pages 28–29 and in accordance with the accounting principles applied by the Company.

Stockholm, May 29, 2006

Klas Brand

Authorized public accountant

PricewaterhouseCoopers AB



Legal matters and additional information

Material agreements

Tethys Oil has entered into agreements regarding the business operations in Denmark, France, Turkey, Morocco, Spain and Oman. In Denmark, Tethys Oil directly holds the licenses 1/02 and 1/03, in France Tethys Oil directly holds the prospecting license Attila and in Morocco Tethys Oil directly holds the exploration license Bouanane. In Turkey and Spain, Tethys Oil has an interest through agreements with other parties. Tethys Oil is a direct owner of a production and exploration license in Oman. Other than that, there are no agreements or other circumstances with respect to the Company's business that are of material importance for the business or the profitability of the Group.

Acquisition of GotOil Resources (Oman) Ltd.

The Deal

On April 11, 2006, Tethys Oil and Maha Resources Ltd. ("Maha") signed an agreement, whereby Tethys Oil acquires all shares in GotOil Resources (Oman) Ltd. ("GotOil Oman") from Maha. The purchase of GotOil Oman was completed on May 24, 2006, since all conditions were fulfilled and the Oil and Gas ministry of Oman issued its approval of the transaction on May 24, 2006. As consideration for the transaction Tethys Oil has paid USD 600,000 in cash and has decided to issue 400,000 new shares of Tethys Oil to Maha.

Tethys Oil has in addition received options to acquire a 30 per cent interest in an exploration concession on the Swedish island of Gotland and an 11 per cent interest in the Dunalka production license onshore Latvia. The options expire in November 2006 and Tethys will evaluate these opportunities in the coming months.

Lock-Up

Tethys Oil and Maha agreed on the following selling restrictions, concerning the 400,000 shares in Tethys Oil, which formed part of the purchase price for GotOil Oman. Under the period of six months after the delivery of the shares in Tethys Oil, Maha is allowed to sell up to 100,000 shares upon condition, that Maha reports the sale 48 hours in advance to the chairman of the Board of Tethys Oil. Concerning the remaining 300,000 shares, Maha is not allowed to sell any shares under the same period without written consent of Tethys Oil's chairman of the Board.

Insurances

Tethys Oil currently holds no insurances directly relating to its operations. The Company continuously analyses risks involved in the operations both with respect to Tethys Oil's risks and the risks for the Company's partners in various countries of operation. The standard procedure with respect to the oil and gas business is that the operator arranges for insurance covers on behalf of all business partners. Insurance is normally subscribed for at the commencement of

drilling and production, since the risks prior thereto are deemed to be of such nature that insurance is not needed. In accordance herewith, the Company's partner Ascent Resources Group has subscribed for insurance with respect to the production license La Lora in Spain. The Company's Board of Directors deems such insurance to provide sufficient coverage for the business and, further, the terms and conditions of the insurance to be reasonable.

Tethys Oil might have to subscribe for necessary insurance for the purposes of complying with the terms and conditions for maintaining and prolonging existing licenses or in order to acquire new licenses. It is unclear how extensive such insurance requirements will be and whether Tethys Oil will be able to fulfil such requirements. The insurance requirements and the terms and conditions for the insurance may be changed in the future, which may affect the Company's possibilities to maintain or prolong existing licenses or acquire new licenses.

Disputes and litigations

Tethys Oil is not, and has not been, party to any litigation or arbitration procedure, which has had or could have material impact on the Company's or the Group's financial position or profitability.

Shareholders' agreements

There are no known shareholders' agreements between the shareholders of the Company.

Transactions with related parties

During 2004, Tethys Oil has paid SEK 375,000 to Alcafi Ltd., which is owned by Jan Risberg, who is a member of the Company's Board of Directors. The payment refers to consultancy services performed by Jan Risberg. The transaction was conducted on market terms and conditions.

See further section *Subscription Undertakings and Guarantee Agreement* below.

Other than what is set out above, none of the shareholders, board members, members of the management, auditor or party related to Tethys Oil has participated directly or indirectly in any business transactions with the Company, which has not been conducted on arm's length basis. Further, the Company has not granted any loan, provided security or furnished any guarantee for the benefit of any of the shareholders, board members, members of the management, auditor or related party.

Environment

Tethys Oil's business operations might require specific permits regarding environmental impact in accordance with the laws of the jurisdictions where

the business operations will be conducted. Tethys Oil and its partners conduct, to the best of Tethys Oil's knowledge, all business operations in accordance with applicable environmental requirements and environmental programs.

Group structure

Tethys Oil is a Swedish public limited liability company, with registration number 556615-8266, which was registered with the Swedish Companies Registration Office on September 6, 2001. The current operations have been conducted since October 12, 2001. Tethys Oil is a limited liability company and intends to continue its business operations under said corporate form, which is regulated in the Swedish Companies Act (2005:551).

In addition to Tethys Oil being the parent company, the Group comprises of the following wholly owned subsidiaries; Windsor Petroleum (Spain) Inc., registered on the British Virgin Islands, Tethys Oil Denmark AB, Tethys Oil Spain AB, Tethys Oil Turkey AB, Tethys Oil France AB and Tethys Oil Exploration AB, all of which are registered in Sweden. In addition to that, Tethys Oil has a fully owned subsidiary, GotOil Resources (Oman) Ltd., registered in Gibraltar.

Pensions

Tethys Oil has no pension obligations other than as required by law. Within the scope of agreed salaries, the members of management of Tethys Oil are entitled to allocate its remuneration between salary and pensions provided that such allocation is cost-neutral on part of Tethys Oil.

Subscription Undertakings and Guarantee Agreement

According to an agreement entered into with the Company, the board members Vincent Hamilton, John Hoey, Magnus Nordin, Håkan Ehrenblad, Carl-Gustaf Ingelman and Jan Risberg as well as Lorito Holdings Limited¹ have undertaken to, on the basis of such parties' subscription rights, subscribe for their entire respective parts of a total of approximately 47,6 per cent of the Rights Issue. In addition, according to a guarantee agreement entered into with the Company and HQ, the abovementioned board members and Lorito Holdings Limited have undertaken to subscribe for such number of shares that are required for the Rights Issue to be subscribed in full. Vincent Hamilton guarantees an amount of approximately MSEK 4, each of John Hoey, Magnus Nordin, Håkan Ehrenblad, Carl-Gustaf Ingelman and Jan Risberg guarantees an amount of approximately MSEK 3.7 and Lorito Holdings Limited guarantees an amount of approximately MSEK 5. In all, the subscription

undertakings and the guarantee secure that the Rights Issue will be subscribed in full. The Company shall compensate the guarantors with three (3) per cent of the amount guaranteed. No compensation will be paid for subscription by each of the guarantors on the basis of their respective subscription rights and no compensation will be paid for subscription of CFO Morgan Sadarangani's part of the Rights Issue. The compensation equals a total of approximately SEK 819,000.

Advisors

In connection with the Rights Issue, HQ Bank acts as financial advisor and Linklaters as legal advisor. The auditor of the Company is Klas Brand, authorized public accountant at PricewaterhouseCoopers AB.

The Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance ("the Code") shall be applied to all companies on Stockholmsbörsens (the Stockholm Stock Exchange) A-list and the companies on the O-list whose market value exceeds BSEK 3. As the Company's market value is not expected to exceed the limit of BSEK 3 and the fact that the Company's shares trade on Nya Marknaden, the Swedish Code of Corporate Governance is not applicable.

Tethys Oil has an audit and a remuneration committee, which are appointed according to the Board of Directors composition. Board members who are also members of the Company management do not participate in the work with such issues. The Company establishes further instructions for the CEO and for the members of the Board of Directors and follows rules contained in the Swedish Companies Act.

Additional information

A consultant on a long-term contract has been hired by Tethys Oil after the report for the period January – March 2006.

Documents available for inspection

The following documents or copies thereof, are available for inspection throughout the validity period of the registration document, in hard copy at Tethys Oil AB's head office.

- Annual Report 2003
- Annual Report 2004²
- Annual Report 2005²
- Historical financial information for all subsidiaries for the years 2004 and 2005
- Quarterly report for the period January 1, 2006 – March 31, 2006²
- The parent company's memorandum of association
- The parent company's articles of association²

¹ Lorito Holdings Limited is owned by a foundation with Adolf Lundin as beneficiary.

² Documents also available online at the Company's website: www.tethysoil.com

Share capital and ownership structure

Share and share capital

The share capital in Tethys Oil amounts to SEK 2,192,400, distributed among 4,384,800 shares. The ratio value (the ratio between the share capital and the number of shares) of the share is SEK 0.50. The company's Articles of Association stipulate a share capital not more than SEK 8,000,000, corresponding to not more than 16,000,000 shares. Each share entails the right to one vote and all shares carry equal rights to a portion of Tethys Oil's assets and profits. Each qualified voter may vote with the full number of shares that he or she owns or represents at Annual General Meetings without any limitations. An amendment to the Company's Articles of Association in accordance with current prevailing Swedish law is required if the

shareholders' rights are to be differentiated. A majority resolution is required for such an amendment to be made. Shareholders have preferential rights to subscribe for new shares in conjunction with a new share issue in the Company in accordance with the Swedish Companies Act (2005:551). The decision on dividends is made by the Shareholder Meeting. At expiration of the statutory limitation of 10 years, the distribution of the dividend amount accrues to the Company. There are no restrictions for distributions or special procedures for shareholders residing outside Sweden and payment is made via VPC in the same manner as with shareholders residing in Sweden. As of April 30, 2006, Tethys Oil had no shares in the Company.

Changes in share capital, 5 years

Year	Transaction	Ratio value, SEK	Change in number of shares	Total number of shares	Change in share capital, SEK	Total share capital, SEK
2001	Formation of the Company	100	1,000	1,000	100,000	100,000
2001	Share issue	100	4,000	5,000	400,000	500,000
2001	Share split	1	495,000	500,000	–	500,000
2003	Share issue	1	250,000	750,000	250,000	750,000
2004	Share split	0.5	750,000	1,500,000	–	750,000
2004	Share issue	0.5	2,884,800	4,384,800	1,442,400	2,192,400
2006	Rights Issue	0.5	876,960	5,261,760	438,480	2,630,880
2006	Non-cash Issue	0.5	400,000 ¹	5,661,760	200,000	2,830,880

¹ The Non-cash Issue refers to payment for the acquisition of GotOil Oman and corresponds to a dilution of about 8 per cent of Company capital and votes, calculated based on the number of shares after the Rights Issue, 5,261,760. These shares were not registered on the record date, because of that, they were not included in the Rights Issue.

Source: Tethys Oil

Changes in the share capital and number of shares for the last five years can be seen in the table above.² A fully subscribed Rights Issue will increase the share capital in Tethys Oil with SEK 438,480 to SEK 2,630,880 by issuing of 876,960 new shares, which corresponds to a dilution of 20 per cent of Company capital and votes. With the conduction of the Private Placement

a further 600,000 shares will be issued, which corresponds to a dilution of approximately 11 per cent³ of Company capital and votes. If the issued warrants of the Rights Issue and the Private Placement (total 1,476,960) is exercised, the dilution will be approximately 24 per cent⁴ of Company capital and votes.

² All shares per respective year are fully paid for.

³ Dilution of approximately 11 per cent is calculated using the total amount of shares after the Rights Issue and Non-cash Issue, 5,661,760.

⁴ The dilution of approximately 24 per cent is calculated from the total number of shares after the Rights Issue, the Private Placement and the Non-cash Issue, 6,261,760.

Ownership structure

Shareholders	No of shares	Capital/Votes %	Number of shares after Non-cash issue	Capital/Votes % after Non-cash issue
Carl-Gustaf Ingelman	600,000	13.7	600,000	12.5
Vincent Hamilton through company ¹	484,000	11.0	484,000	10.1
SIS Segaintersettle	410,330	9.4	410,330	8.6
Jonas Lindvall through bolag ²	–	–	400,000	8.4
Magnus Nordin ³	334,327	7.6	334,327	7.0
John Hoey through company ⁴	331,731	7.6	331,731	6.9
Adolf H. Lundin through foundation ⁵	187,020	4.3	187,020	3.9
Nordea Bank SA	158,000	3.6	158,000	3.3
Akelius Insurance Public Ltd.	145,100	3.3	145,100	3.0
Jan Risberg	140,186	3.2	140,186	2.9
Sydbank A/S	135,000	3.1	135,000	2.8
Sum	2,925,694	66.7	3,325,694	69.5
Other, approx. 1,800 shareholders	1,459,106	33.3	1,459,106	30.5
Total	4,384,800	100.0	4,784,800	100.0

¹ Oceanus Investments Hamilton Family

² Maha Resources Ltd.

³ Excluding 4,800 shares borrowed to Remium AB

⁴ Capge Ltd.

⁵ Lorito Holdings Ltd.

Source: VPC and Tethys Oil

The table above describes the ownership structure in Tethys Oil as of April 30, 2006, adjusted for known changes (including the Non-cash Issue). No adjustments have been made in relation to the subscription undertakings and the subscription guarantee, which was issued in connection with the Rights Issue. There are no known shareholder agreements or other covenants between the shareholders in Tethys Oil.

Distribution of shareholdings

The table below describes the distribution of shareholdings in the Company as of April 30, 2006, respective their ownership size.

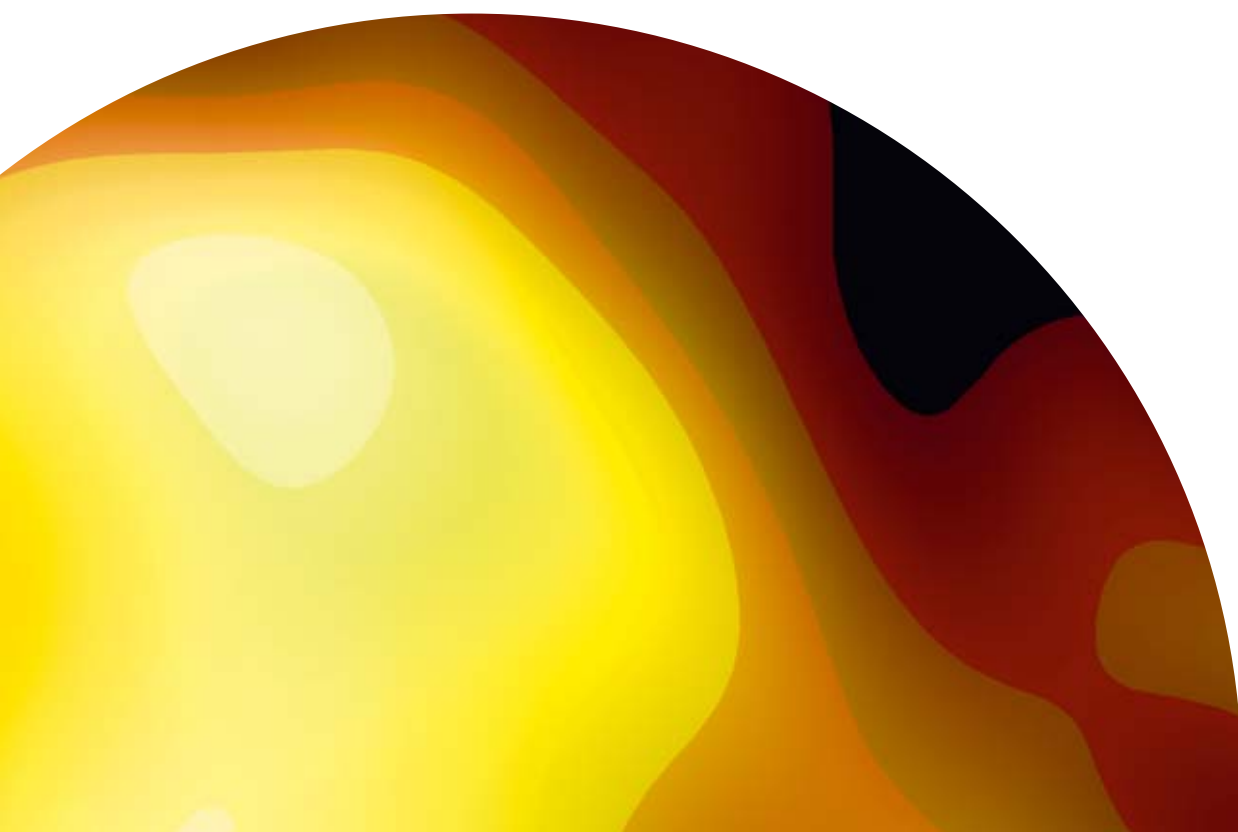
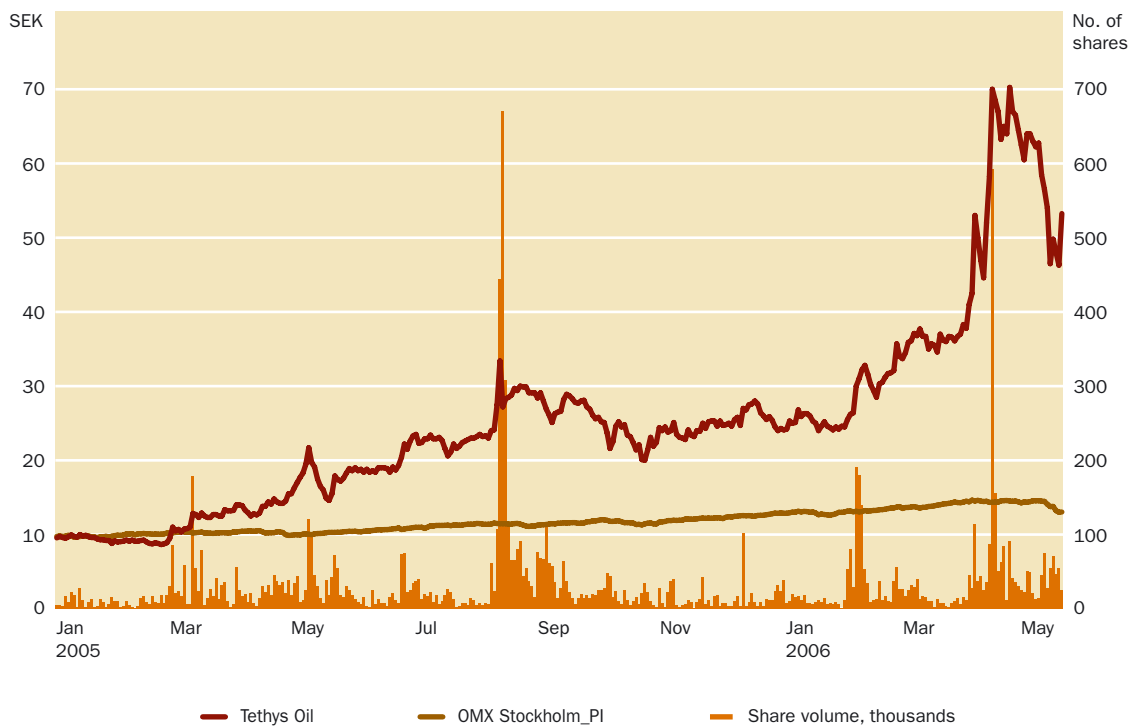
Size category	Number of shares	Number of shareholders	Percentage of capital and votes	Percentage of shareholders
1–1,000	573,616	1,609	13.1	89.6
1,001–10,000	466,155	163	10.6	9.1
10,001–50,000	225,535	13	5.1	0.7
50,001–	3,119,494	11	71.1	0.6
Total	4,384,800	1,796	100	100.0

Source: VPC

Share data

Since April 6, 2004, Tethys Oil's share has been traded on Nya Marknaden under the ticker "TETY". The ISIN code is SE0001176298. A trading lot consists of 200 shares.

Share price development and volume



The Board, senior executives and auditors

In the summary below, the assignment or ownership by members of the Board or senior executives that were concluded prior to May 1, 2001, is not included in the details. The Board's mandate period is until the end of the Annual General Meeting 2007.

The Board

The Board of Tethys Oil consists of seven Board members with no deputies. The Board has its registered address in Stockholm. The office address of the members of the Board is Blasieholmsgatan 2a, SE 111 48 Stockholm. The number of shares held listed below includes holdings via companies and related parties. Holdings after the Rights Issue, given below, are calculated from the agreed subscription undertaking, for more information refer to *Invitation to subscribe for Units in Tethys Oil*.

Vincent Hamilton

Born: 1963
Chairman of the Board since 2001 and Chief Operating Officer since 2004
Education: Master of Science in Geology, Colorado School of Mines in Golden, Colorado
Holdings in Tethys Oil: 484,000 shares
Holdings after the Rights Issue: 580,800 shares and 96,800 warrants

Positions as of May 29, 2006: –

Concluded assignments since May 2001:
President and Board member of Mart Resources Inc.

Magnus Nordin

Born: 1956
Chief Executive Officer since 2004 and Board member since 2001
Education: Bachelor of Arts, Lund University and Master of Art in Linguistics, University of California in Los Angeles, California
Holdings in Tethys Oil: 334,327 shares
Holdings after the Rights Issue: 401,192 shares and 66,865 warrants

Positions as of May 29, 2006:
Member of the Board of Minotaurus AB

Concluded assignments since May 2001:
Board member of Lundin Oil AB, Sodra Petroleum AB and South Atlantic Resources Ltd (presently Lundin Mining Corporation), Head of Investor Relations and during a limited period, acting CEO of Vostok Oil Ltd (presently West Siberian Resources Ltd)

John Hoey

Born: 1939
Board member since 2001
Education: Bachelor of Science, University of Notre Dame, Indiana and MBA, Harvard University, Boston, Massachusetts
Primary occupation: President of Beneficial Capital Corp.
Holdings in Tethys Oil: 331,731 shares
Holdings after the Rights Issue: 398,077 shares and 66,346 warrants

Positions as of May 29, 2006:

Member of the Board and President in Capge Limited, Vice Chairman of the Board of VN Holding, Member of the Board in Jaguar Acquisitions Company, Morris Asset Management LLC and Quondam Aquila Partners AG

Concluded assignments since May 2001: –

Håkan Ehrenblad

Born: 1939
Board member since 2003
Education: Mechanical engineer HTLS, Chemical/Paper manufacturing Royal Institute of Technology, Stockholm, PED from the Institute for Management Development (IMD), Lausanne, Switzerland
Primary occupation: Self-employed person, active Board duties
Holdings in Tethys Oil: 11,000 shares
Holdings after the Rights Issue: 13,200 shares and 2,200 warrants

Positions as of May 29, 2006:

Board member of Tanganyika Oil Company Ltd.
Board member and Chief Executive Officer of Affärsinformation Ehrenblad Editions Aktiebolag

Concluded assignment since May 2001:
Member of the Board of Nanolight S.A

Jan Risberg

Born: 1964
Board member since 2004
Education: BSc. Econ., University of Stockholm
Primary occupation: Self-employed person, active Board duties
Holdings in Tethys Oil: 140,186 shares
Holdings after the Rights Issue: 168,223 shares and 28,037 warrants

Positions as of May 29, 2006:

Board member of Alcafi Ltd.

Concluded assignments since May 2001:
Head of Ledstiernan AB's office in London



Auditor Klas Brand and the board members Jonas Lindvall and Carl-Gustaf Ingelman on Block 15 in Oman

Carl-Gustaf Ingelman

Born: 1935

Board member since 2005

Education: BSc. Eng., Royal Institute of Technology in Stockholm and Master of Management, Stockholm School of Economics

Holdings in Tethys Oil: 600,000 shares

Holdings after the Rights Issue: 720,000 shares and 120,000 warrants

Positions as of May 29, 2006:

Board member of Nordic Holding Sverige AB, Midgård Equity AB (previously named Argendor AB) and Scandinavian Clinical Nutrition i Sverige AB (last assignment still not registered by Swedish Companies Registration Office)

Concluded assignments since May 2001:

Board member of Bringwell AB (publ) (resignation still not registered by Bolagsverket (Swedish Companies Registration Office)), Deputy Board member of E P International AB

Jonas Lindvall

Born: 1967

Board member since 2006. Chief Executive Officer of Tethys Oil's subsidiary, GotOil Resources (Oman) Ltd.

Education: Bachelor of Science in Petroleum Engineering, University of Tulsa, Tulsa, Oklahoma.

Holdings in Tethys Oil: 400,000 shares

Holdings after the Rights Issue: 400,000¹

Positions as of May 29, 2006:

Board member of GotOil Resources (Oman) Ltd., GotOil Resources Ltd. and Maha Resources Ltd.

Concluded assignments since May 2001: -

¹ Jonas Lindvall also has a possibility to subscribe for 80,000 Units in the Company, according to the conditions in the Rights Issue. For more information, refer to Invitation to subscribe for Units in Tethys Oil.

Management

Tethys Oil's management consists of three persons. The office address of the senior executives is Blasi-eholmsgatan 2a, SE 111 48 Stockholm. The number of shares held listed below includes holdings via companies and related parties.

Magnus Nordin

Chief Executive Officer since 2001. For more information, see page 36.

Vincent Hamilton

Chief Operating Officer since 2004. For more information, see page 36.

Morgan Sadarangani

Born: 1975

Chief Financial Officer

Education: Master of Economics in Business Administration, University of Uppsala

Holdings in Tethys Oil: 22,000 shares

Positions as of May 29, 2006: –

Concluded assignments since May 2001: –

Auditors

Klas Brand

Auditor (Authorized Public Accountant) in the company since 2001 and member of FAR

Born: 1956

PricewaterhouseCoopers AB

Visiting address: Lilla Bommen 5, SE 405 32 Gothenburg

Legal considerations and related parties

No Board member, senior executive or auditor of Tethys Oil, over the last five years, have been convicted in any fraud-related case, or been the member of management or Board or partner in a company that went into receivership or liquidation, in addition to the information below. Further, no Board member, senior executive or auditor, over the past five years, have been the target of accusations or sanctions by legislative or regulation authority or been subject to business prohibition.

- Carl-Gustaf Ingelman elected as deputy board member of EP International AB on December 19, 2001, (registered by the Swedish Companies Registration Office on January 29, 2002) and was in that post when EP International AB went into receivership on February 20, 2002.

There are no current or potential conflicts of interest within the Board, management or auditors of the Company. There are no family relations between any Board members, senior executives or auditors, other than what is stated below. No Board member or senior executive has undertaken to divest their shares in Tethys Oil within a certain time. No unusual or special circumstances have arisen that resulted in the Board members, senior executives or auditors assuming their current positions.

- Vincent Hamilton's wife and Jan Risberg's wife are cousins.

Articles of Association

Adopted at the Annual General Meeting on 4 May, 2006.

§ 1 Name

The name of the Company is Tethys Oil AB. The Company is a public company (publ).

§ 2 Registered office

The board of directors shall have its registered office in Stockholm.

§ 3 Object of the Company

The object of the Company's business is to explore for and exploit gas and oil and activities compatible therewith, either directly, through its subsidiaries, associated companies or other forms of partnerships.

§ 4 Share capital

The share capital of the Company shall amount to not less than SEK 2,000,000 and not more than SEK 8,000,000.

§ 5 Number of shares

The number of shares shall be not less than 4,000,000 and not more than 16,000,000.

§ 6 Financial year

The financial year of the Company shall be January 1 – December 31.

§ 7 Board of directors and auditors

The board of directors shall consist of at least three and no more than ten members, with no more than three deputies.

The Company shall have one or two auditors with or without a maximum of two deputies.

§ 8 Matters at the Annual General Meeting

At the annual general meeting the following matters shall be dealt with;

1. Election of a chairman at the meeting,
2. Preparation and approval of the voting list,
3. Election of at a minimum one person to attest the minutes,
4. Approval of the agenda
5. Determination as to whether the meeting has been duly convened,
6. Presentation of the annual statement of accounts and the auditor's report
7. Resolutions in respect of
 - a) adoption of the profit and loss statement and the balance sheet and the consolidated profit and loss statement and consolidated balance sheet,
 - b) appropriation of the company's profit or loss according to the adopted balance sheet,

c) discharge of the directors and managing director from liability

8. Resolutions in respect to the fees payable to the board of directors and, where applicable, to the auditors,
9. Election of the board members and, where applicable, of auditors
10. Other matters which should be addressed by the Annual General Meeting according to the Swedish Companies Act (2005:551) or the Articles of Association

§ 9 Notice

Notice of a general meeting of shareholders shall be made by announcement in Post- och Inrikes Tidningar and in Svenska Dagbladet.

Notice of an annual general meeting and any extraordinary general meeting where any proposed amendment to the articles of association is to be addressed, shall be given no earlier than six and no later than five weeks prior to the meeting. Notice of any other extraordinary general meeting shall be given no earlier than six and no later than two weeks prior to the meeting.

To be entitled to participate in a general meeting, shareholders must be recorded in a print-out of the complete share register relating to the circumstances as of five business days before the meeting, and give notice to the company no later than the day stipulated in the notice of the meeting. This day may not be a Sunday, another public holiday, a Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, and may not fall before the fifth business day prior to the meeting.

§ 10 Record date provision

The shareholder or nominee who on the record date is registered in the share register and in a central securities depository register pursuant to Chapter 4 of the Financial Instruments Accounts Act (1998:1479) or any person who is registered in a central securities depository account pursuant to Chapter 4, Section 18 first paragraph 6-8 of the mentioned Act, shall be deemed to be authorised to exercise the rights set out in Chapter 4, Section 39 of the Companies Act (2005:551).

Auditor's report regarding historical financial statements 2003–2005

To the Board of Directors of Tethys Oil AB (publ), 556615-8266

I have audited the financial reports for Tethys Oil AB on pages 43–57 in the Company's Annual Report 2005, which comprise the balance sheets per December 31, 2005 and December 31, 2004, and the income statements and cash flow statements for the years ended these dates, as well as a summary of significant accounting principles and other disclosures. These financial reports were prepared in accordance with the International Financial Accounting Standards (IFRS) which have been adopted by the EU.

I have also reviewed the financial reports for Tethys Oil AB on pages 43–57 in the Company's Annual Report 2005, which include the balance sheet per 31 December 2003, and the income statement and cash flow statement for the year ended this date. These financial reports were prepared in accordance with the Swedish Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council.

Board of Directors and Managing Director's responsibility for the financial reports

The production and accurate presentation of the financial reports for the years 2004 and 2005 in accordance with IFRS adopted by the EU (or corresponding framework for accounting) and in accordance with the requirements stated in the Prospectus Directive for the implementation of EU Directive 809/2004/EU are the responsibility of the Board of Directors and Managing Director. In addition, preparation of the financial reports for year 2003 in accordance with the Swedish Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council is the responsibility of the Board of Directors and Managing Director. This obligation includes the design, implementation and maintenance of internal controls that are relevant to the production and presentation in a reasonable manner of these financial reports, without material misstatement, whether due to fraud or error.

Responsibility of the auditor

My responsibility is to express an opinion on these financial reports on the basis of my audit. I have conducted my audit in accordance with draft recommendation Rev R5, Prospectus Auditing, issued by FAR (the institute for the accounting profession in Sweden). This recommendation requires that I plan and

conduct my audit in order to obtain a high, but not absolute, degree of assurance that the financial statements are free of material misstatements.

Work performed

An audit in accordance FAR's draft recommendation RevR 5, Prospectus Auditing entails that audit procedures be performed in order to obtain audit evidence to support the amounts and disclosures in the financial statements. The audit procedures selected are based on my assessment of the risk for material misstatement in the financial reports, whether due to impropriety or error. In this risk assessment, I consider the internal controls relevant to the Company's production and presentation of the financial statements as the basis for designing audit procedures that are suitable under the circumstances, not in order to express an opinion as to the effectiveness of the Company's internal controls. An audit also includes an evaluation of the accounting principles applied, the reasonableness of significant assumptions made by the Board of Directors and Managing Director, and the overall presentation of the financial statements.

I believe that my audit provides a reasonable basis for my opinion set out below.

Opinion

I believe that the financial statements for 2004 and 2005 give a true and fair view of Tethys Oil AB's results of operations and cash flow for 2004 and 2005 and financial position as of December 31, 2004, and December 31, 2005, in accordance with the IFRS adopted by the EU.

I believe that the financial statements for 2003 give a true and fair view of Tethys Oil AB's results of operations and financial position for 2003 and financial position as of December 31, 2003, in accordance with the Swedish Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council.

Stockholm, May 29, 2006

Klas Brand

Authorized public accountant
PricewaterhouseCoopers AB

Appendix:

Terms and Conditions for Warrants 2006/2007 for Subscription of Shares in Tethys Oil AB

1. Definitions

In these terms and conditions, the following terms shall have the meanings given below:

“Bank”	the bank or account operator which the Company at each time has appointed to handle the administration of the Warrants in accordance with these terms and conditions;
“Business Day”	a day which is not a Saturday, Sunday or other public holiday or, with respect to the payment of promissory notes, is not equated with a public holiday in Sweden;
“Companies Act”	the Swedish Companies Act (SFS 2005:551);
“Company”	Tethys Oil AB reg. no. 556615-8266
“Market Quotation”	listing of shares in the Company on a stock exchange, authorised market place or other corresponding market place;
“Securities Account”	a securities account (Sw. avstämningskonto) with VPC in which the respective Warrant Holders’ holdings of Warrants or holdings of shares acquired pursuant to Warrants are registered;
“Subscription”	subscription of shares in the Company on exercise of Warrants in accordance with Chapter 14 of the Companies Act;
“Subscription Price”	the price at which Subscription for new shares may take place on exercise of Warrants;
“VPC”	VPC AB, (the Swedish Central Securities Depository and Clearing Organisation);
“Warrant”	the right to subscribe for newly issued shares in the Company in exchange for payment in accordance with these terms and conditions;
“Warrant Holder”	a person registered in a Securities Account as the holder of a Warrant;
“weekday”	a day which is not a Sunday or public holiday (i.e. also Saturdays).

2. Warrants and registration

The total number of Warrants amounts to no more than 876,960. The Warrants shall be registered in Securities Accounts in accordance with Chapter 4 of the Financial Instruments Accounts Act (SFS 1998:1479).

Requests for particular registration measures in respect of the Warrants shall be submitted to the account operator with which the Warrant Holder has opened a Securities Account.

3. Right to subscribe for new shares

Each Warrant entitles the holder thereof to subscribe for one new share in the Company at a Subscription Price of SEK 72 if the warrant is exercised during the period 1 December 2006 - 31 January, 2007 and SEK 78 if the warrant is exercised during the period 1 – 30 September, 2007.

The Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe may be recalculated in the circumstances set out in section 8 below.

Subscription may only take place in respect of the entire number of shares for which the total number of Warrants entitles the Warrant Holder to subscribe and which a single Warrant Holder desires to exercise. On such Subscription, any excess fractions of Warrants which cannot be exercised shall be disregarded.

4. Application for Subscription

Application for Subscription of shares may take place during the periods 1 December 2006 – 31 January 2007 and 1 – 30 September 2007 or such earlier date as may be determined in accordance with section 8 below. If an application for Subscription is not submitted within the time stated above, the Warrant shall lapse.

On application for Subscription, a completed application form in the predetermined form shall be submitted to the Company. Applications for Subscription are binding and irrevocable.

5. Payment for new shares

On application for Subscription, payment for the number of shares which the application for Subscription covers shall be made simultaneously. Payment shall be made in cash to a bank account designated by the Company.

6. Registration in Securities Account and in the share register

Following payment for subscribed shares, Subscription shall be effected through the registration of the new shares as interim shares in the Company's share register and on the respective Warrant Holder's Securities Account. Following registration with the Swedish Companies Registration Office, the registration of the new shares in the share register and on Securities Accounts will become definitive. According to section 8 below such registration might in certain circumstances be postponed.

7. Dividends on new shares

Shares issued following Subscription shall entitle the holders thereof to participate in the distribution of dividends for the first time on the record date that occurs immediately following the Subscription.

8. Recalculation of Subscription Price and the number of shares

The following provisions shall govern the right that vests in Warrant Holder in the event the share capital prior to the Subscription is increased or reduced, convertible bonds or warrants are issued, or the Company is dissolved or ceases to exist as a consequence of a merger or division, or there is an Extraordinary Dividend (as defined below):

A Bonus issue

In the event of a bonus issue, where an application for Subscription is submitted at such time that the allotment of shares cannot be made on or before the fifth weekday prior to the general meeting which resolves to make the bonus issue, Subscription shall be effected only after the general meeting has adopted a resolution approving the bonus issue. Shares which vest pursuant to Subscription effected after the adoption of a resolution approving the bonus issue shall be registered in the Warrant Holder's Securities Account as interim shares, and accordingly such shares shall not entitle the holder thereof to participate in the bonus issue. Definitive registration in Securities Accounts shall only take place after the record date for the bonus issue.

In conjunction with Subscription which is effected after the adoption of a resolution to make a bonus issue, a recalculated Subscription Price as well as a recalculated number of shares for which each Warrant entitles the Warrant Holder to subscribe shall be applied. The recalculation shall be carried out by the Company in accordance with the following formula:

Recalculated Subscription Price = (previous Subscription Price) x (the number of shares in the Company prior to the bonus issue) / (the number of shares in the Company after the bonus issue)

Recalculated number of shares for which each Warrant entitles the Warrant Holder to subscribe = (previous number of shares for which each Warrant entitled the holder to subscribe) x (the number of shares in the Company after the bonus issue) / (the number of shares in the Company prior to the bonus issue).

The Subscription Price and the number of shares which each Warrant entitles the holder to subscribe for, recalculated as set out above, shall be determined by the Company as soon as possible after the general meeting has adopted a resolution approving the bonus issue.

B Reverse share split/share split

In the event the Company effects a reverse share split or share split, the provisions of sub-section A above shall apply mutatis mutandis. The record date shall be deemed to be the date on which the reverse share split or share split is carried out by VPC at the request of the Company.

C New issue

If the Company issues new shares subject to preferential rights for shareholders to subscribe for new shares in exchange for cash payment, the following shall apply with respect to the right to participate in the new issue held by the shareholders whose shares vest as a consequence of Subscription on exercise of the Warrant:

(i) If the board of directors of the Company has resolved to carry out a new issue conditional on the approval of the general meeting of the shareholders or pursuant to authorisation granted by the general meeting of the shareholders, the resolution of the new issue shall state the last day on which Subscription must be effected in order to entitle the holders of the shares held pursuant to the Subscription to participate in the new issue.

(ii) If the general meeting adopts a resolution to issue new shares, where an application for Subscription is submitted at such time that it cannot be effected on or before the fifth weekday prior to the general meeting

which shall address the question of the new issue, Subscription shall only be effected following the adoption of a resolution with respect thereto by the general meeting. Shares which vest as a consequence of such Subscription shall be registered in the Securities Account as interim shares, and accordingly shall not entitle the holders to participate in the new issue. Definitive registration in Securities Accounts shall only take place after the record date for the new issue. Where Subscription is effected at such time that no right to participate in the new issue arises, a recalculated Subscription Price as well as a recalculated number of shares for which each Warrant entitles the holder to subscribe shall apply. Recalculations shall be made by the Company in accordance with the following formula:

Recalculated Subscription Price = (previous Subscription Price) x (the average quoted price of the share during the subscription period stated in the resolution approving the issue (referred to below as the “average price of the share”)) / (the average price of the share increased by the theoretical value of the subscription right calculated on the basis thereof)

Recalculated number of shares for which each Warrant entitles the holder to subscribe = (previous number of shares for which each Warrant entitled the holder to subscribe) x (the average price of the share increased by the theoretical value of the subscription right calculated on the basis thereof) / (the average price of the share).

The average price of the share shall be deemed to be the equivalent of the average calculated mean value, for each trading day during the subscription period, of the highest and lowest quoted paid price on that day according to the stock exchange or market place list on which the shares are quoted. In the absence of a quoted paid price, the bid price shall form the basis for the calculation. Days on which neither a paid price nor a bid price is quoted shall be excluded from the calculation.

The theoretical value of the subscription right is calculated in accordance with the following formula:

Theoretical value of subscription right = (the maximum number of new shares which may be issued pursuant to the resolution approving the issue) x ((the average price of the share) – (the issue price of the new share)) / (the number of shares prior to the adoption of the resolution approving the issue)

If this results in a negative value, the theoretical value of the subscription right shall be deemed to be zero.

The Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe,

recalculated as set out above, shall be determined by the Company two Business Days after the expiry of the subscription period and shall apply to each Subscription effected thereafter.

If the Company’s shares, at the time of the resolution to issue the new shares, are not subject to a Market Quotation, a corresponding recalculation of the Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe shall take place. The recalculation, which shall be made by the Company, shall be based on the assumption that the value of the Warrants shall remain unchanged.

During the period prior to the determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe, Subscription shall only be effected on a preliminary basis. Definitive registration in Securities Accounts shall be made following determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe.

D Issue of convertible bonds or warrants in accordance with Chapter 14 and 15 of the Companies Act

In the event the Company issues convertible bonds or warrants, in both cases subject to preferential rights for the shareholders to subscribe for such equity related instrument in exchange for cash payment, the provisions of sub-section C, first paragraph, subparagraphs 1 and 2 shall apply mutatis mutandis in respect of the right to participate in the issue for any share which has been issued through Subscription.

Where Subscription is effected at a such time that no right to participate in the new issue arises, a recalculated Subscription Price as well as a recalculated number of shares for which each Warrant entitles the holder to subscribe shall apply. Recalculations shall be made by the Company in accordance with the following formula:

Recalculated Subscription Price = (previous Subscription Price) x (the average quoted price of the share during the relevant period stated in the resolution approving the issue (referred to below as the “average price of the share”)) / (the average price of the share increased by the value of the subscription right).

Recalculated number of shares for which each Warrant entitles the holder to subscribe = (previous number of shares for which each Warrant entitled the holder to subscribe) x (the average price of the share increased by the value of the subscription right) / (the average price of the share).

The average price of the share shall be calculated in accordance with the provisions of sub-section C above.

The value of the subscription right shall be deemed to be the equivalent of the average calculated mean value, for each trading day during the subscription period, of the highest and lowest quoted paid price on that day according to the stock exchange or market place list on which the subscription rights are quoted. In the absence of a quoted paid price, the quoted bid price shall form the basis for the calculation. Days on which neither a paid price nor a bid price is quoted shall be excluded from the calculation.

If the subscription rights are not subject to a Market Quotation, the value of the subscription right shall, to the greatest extent possible, be determined based upon the change in the market value of the Company's shares which may be deemed to have occurred as a consequence of the issue of the convertible bonds or warrants.

The Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe, recalculated as set out above, shall be determined by the Company two Business Days after the expiry of the subscription period and shall apply to each Subscription effected thereafter.

If the Company's shares, at the time of the resolution to issue the notes, are not subject to a Market Quotation, a corresponding recalculation of the Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe shall take place. The recalculation, which shall be made by the Company, shall be based on the assumption that the value of the Warrants shall remain unchanged.

During the period prior to the determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe, Subscription shall only be effected on a preliminary basis. Definitive registration in Securities Accounts shall be made following determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe.

E Other offers to shareholders

Where the Company, in circumstances other than those referred to in sub-sections A-D above, makes offers to the shareholders, subject to preferential rights for the shareholders in accordance with the principles set out in Chapter 13, section 1 of the Companies Act, to acquire securities or rights of any type from the Company or resolves, in accordance with the principles mentioned above, to distribute such securities

or rights to the shareholders without consideration, in conjunction with Subscription which is effected at such time that the shares thereby received do not entitle the holder to participate in the offer, a recalculated Subscription Price as well as a recalculated number of shares for which each Warrant entitles the holder to subscribe shall apply. Recalculations shall be made by the Company in accordance with the following formula:

Recalculated Subscription Price = (previous Subscription Price) x (the average quoted price of the share during the application period for the offer (referred to below as the "average price of the share")) / (the average price of the share increased by the value of the right to participate in the offer (referred to below as the "value of the purchase right")).

Recalculated number of shares for which each Warrant entitles the holder to subscribe = (previous number of shares for which each Warrant entitles the holder to subscribe) x (the average price of the share increased by the value of the purchase right) / (the average price of the share).

The average price of the share shall be calculated in accordance with the provisions of sub-section C above.

Where shareholders have received purchase rights and trading in these has taken place, the value of the right to participate in the offer shall be deemed to be equivalent to the value of the purchase rights. For this purpose, the value of the purchase right shall be deemed to be equivalent to the average calculated mean value, for each trading day during the application period, of the highest and lowest quoted paid price during the day according to the stock exchange or market place list on which the purchase rights are quoted. In the absence of a quoted paid price, the quoted bid price shall form the basis for the calculation. Days on which neither a paid price nor a bid price is quoted shall be excluded from the calculation.

If the shareholders do not receive purchase rights or where such trading in purchase rights as referred to in the preceding paragraph otherwise does not take place, the recalculation of the Subscription Price shall be made as far as possible by applying the principles set out above in this sub-section E and the following shall apply. Where listing of the securities or rights offered to the shareholders takes place, the value of the right to participate in the offer shall be deemed to be equivalent to the average calculated mean value, for each trading day during the period of 25 trading days calculated from the first day of listing, of the highest and lowest transaction prices quoted for trades in such securities or rights on the securities

exchange or other marketplace for financial instruments on which those securities or rights are listed, reduced where appropriate by the consideration paid for these in conjunction with the offer. In the absence of a quoted paid price, the quoted bid price shall form the basis for the calculation. Days on which neither a paid price nor a bid price is quoted shall be excluded from the calculation of the value of the right to participate in the offer. In the recalculation of the Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe, the period of 25 trading days referred to above shall be deemed to be the application period determined for the offer pursuant to the first paragraph of this Section E.

Where no listing of such securities or rights offered to the shareholders takes place, the value of the right to participate in the offer shall, to the greatest extent possible, be determined based on the change in the market value of the Company's shares which may be deemed to have occurred as a consequence of the offer.

The Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe, recalculated in accordance with the above, shall be determined by the Company as soon as possible after it becomes possible to calculate the value of the right to participate in the offer.

If the Company's shares, at the time of the offer, are not subject to a Market Quotation, a corresponding recalculation of the Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe shall take place. The recalculation, which shall be made by the Company, shall be based on the assumption that the value of the Warrants shall remain unchanged.

During the period prior to the determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe, Subscription shall only be effected on a preliminary basis. Definitive registration in Securities Accounts shall be made following determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe.

F Equal treatment of Warrant Holders and shareholders

Where the Company issues new shares or makes an issue pursuant to Chapters 14 or 15 of the Companies Act, with preferential rights for shareholders to subscribe for equity related instruments in exchange for cash payment, the Company may grant all Warrant Holders the same preferential rights as the shareholders. In conjunction therewith, each Warrant Holder,

irrespective of whether subscription for shares has been made, shall be deemed to be the owner of the number of shares which such Warrant Holder would have received, had Subscription on the basis of the Warrant been effected in respect of the Subscription Price, and the number of shares for which each Warrant entitles the holder to subscribe, in effect at the time of the resolution to issue the shares.

If the Company resolves to make an offer to the shareholders as described in sub-section E above, what has been stated in the preceding paragraph shall apply mutatis mutandis. However, the number of shares of which each warrant holder shall be deemed to be the owner shall, in such circumstances, be determined on the basis of the Subscription Price, and the number of shares for which each Warrant entitles the holder to subscribe, in effect at the time of the resolution to make the offer.

If the Company resolves to grant the warrant holders preferential rights in accordance with the provisions set out in this sub-section F, no recalculation as set out in sub-sections C, D, or E above of the Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe for shall be made.

G Extraordinary Dividend

If the Company decides to pay a cash dividend to shareholders of an amount which, combined with other dividends paid during the same fiscal year, exceeds 15 per cent. of the average price of the share during the period of 25 trading days immediately preceding the day on which the Company's board of directors announced its intention to propose that the general meeting approve such a dividend, a recalculation of the Subscription Price, and the number of shares for which each Warrant entitles the holder to subscribe, shall be made in respect of any Subscription requested at such a time that the shares thereby received do not carry rights to receive such dividend. The recalculation shall be based on that part of the total dividend which exceeds 15 per cent. of the average price of the shares during the above-mentioned period of 25 trading days (referred to below as "Extraordinary Dividend").

The recalculation shall be made by the Company in accordance with the following formula:

Recalculated Subscription Price = (previous Subscription Price) x (the average quoted price of the share during a period of 25 trading days calculated from the day on which the share is listed without any right to Extraordinary Dividend (referred to below as the "average price of the share")) / (the average price of the share increased by the Extraordinary Dividend paid per share).

Recalculated number of shares for which each Warrant entitles the holder to subscribe = (previous number of shares for which each Warrant entitled the holder to subscribe) x (the average price of the share increased by the Extraordinary Dividend paid per share) / (the average price of the share).

The average price of the share shall be deemed to be the equivalent of the average calculated mean value during the above-mentioned period of 25 trading days of the highest and lowest quoted paid price on each day according to the stock exchange or market place list on which the shares are quoted. In the absence of a quoted paid price, the bid price shall form the basis for the calculation. Days on which neither a paid price nor a bid price is quoted shall be excluded from the calculation.

The recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe shall be determined by the Company two Business Days after the expiry of the above-mentioned period of 25 trading days and shall apply to each Subscription effected from the day on which the share is listed without any right to Extraordinary Dividend.

If the Company's shares, at the time of the resolution to pay a dividend, are not subject to a Market Quotation and it is resolved to pay a cash dividend to shareholders of an amount which, combined with other dividends paid during the same fiscal year, exceeds 50 per cent. of the Company's earnings after tax in accordance with the Company's consolidated income statement adopted in the financial year immediately preceding the year in which the resolution was adopted to pay the dividend, a recalculation of the Subscription Price, and the number of shares for which each Warrant entitles the holder to subscribe, shall be made in respect of any Subscription requested at such a time that the shares thereby received do not carry rights to receive such dividend. The recalculation shall be based on that part of the total dividend which exceeds 50 per cent. of the Company's earnings after tax and shall be made by the Company in accordance with the above-mentioned principles.

During the period prior to the determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe, Subscription shall only be effected on a preliminary basis. Definitive registration in Securities Accounts shall be made following determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe.

H Reduction of share capital

If the Company's share capital is reduced through a repayment to the shareholders, and such reduction is compulsory, a recalculated Subscription Price and a recalculated number of shares for which each Warrant entitles the holder to subscribe, shall be applied.

The recalculations shall be made by the Company in accordance with the following formula:

Recalculated Subscription Price = (previous Subscription Price) x (the average quoted price of the share during a period of 25 trading days calculated from the day on which the share is listed without any right to participate in the distribution (referred to below as the "average price of the share")) / (the average price of the share increased by the amount repaid per share).

Recalculated number of shares for which each Warrant entitles the holder to subscribe = (previous number of shares for which each Warrant entitled the holder to subscribe) x (the average price of the share increased by the amount repaid per share) / (the average price of the share).

The average price of the share is calculated in accordance with the provisions set out in sub-section C above.

In carrying out the recalculations according to the above and where the reduction is made through redemption of shares, instead of using the actual amount which is repaid for each share, an amount calculated as follows shall be applied:

Calculated amount to be repaid for each share = (the actual amount repaid for each redeemed share reduced by the average market price of the share during a period of 25 trading days immediately prior to the day on which the share is listed without any right to participate in the reduction (referred to below as the "average price of the share")) / (the number of shares of the Company which carry an entitlement to the redemption of one share, reduced by 1)

The average exchange price is calculated in accordance with the provisions set out in sub-section C above.

The Subscription Price and number of shares for which each Warrant entitles the holder to subscribe, recalculated as set out above, shall be determined by the Company two Business Days after the expiry of the above-mentioned period of 25 trading days, and shall apply to each Subscription effected thereafter.

During the period prior to the determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe, Subscription shall only be effect-

ed on a preliminary basis. Definitive registration in Securities Accounts shall be made following determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe.

If the Company's share capital is reduced through redemption of shares with repayment to the shareholders, where such reduction is not compulsory, but where, in the opinion of the Company, the reduction, due to its technical structure and its financial effects, is equivalent to a compulsory reduction, the recalculation of the Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe shall be made, to the greatest extent possible, in accordance with the principles stated above in this sub-section H.

If the Company's shares, at the time of the reduction of share capital, are not subject to a Market Quotation, a corresponding recalculation of the Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe shall take place. The recalculation, which shall be made by the Company, shall be based on the assumption that the value of the Warrants shall remain unchanged.

I Recalculation shall give a reasonable result

Should the Company take actions such as those stated in sub-sections A-E, G or H above and if, in the Company's opinion, application of the recalculation formula established for such action, taking into account the technical framework of such action or for other reasons, could not be made or would result in the Warrant Holders receiving, in relation to the shareholders, economic compensation that is not reasonable, the Company shall, subject to prior written approval by the board of directors of the Company, make the recalculation of the Subscription Price, and the number of shares for which each Warrant entitles the holder to subscribe, in such a manner as the Company determines is appropriate to ensure that the recalculation gives a reasonable result.

J Rounding off

On recalculation of the Subscription Price in accordance with the above, the Subscription Price shall be rounded off to the nearest ten öre, for which purposes five öre shall be rounded downwards and the number of shares shall be rounded off to two decimal places.

K Mergers

Where the general meeting adopts a resolution to approve a merger plan pursuant to Chapter 23, section 15 of the Companies Act, pursuant to which the Company is to be merged into another company or where the board of directors adopts a resolution pursuant to Chapter 23, section 28 of the Companies Act

adopts a resolution that the Company be merged into its parent company, the Warrant Holders shall receive rights in the acquiring company corresponding at least to the rights held in the Company (the transferor company), unless, pursuant to the merger plan, the Warrant Holders are entitled to demand redemption of their Warrants by the acquiring company.

L Division

Where the general meeting adopts a resolution to approve a division plan pursuant to Chapter 24, section 17 of the Companies Act, pursuant to which a proportion of the assets and liabilities of the Company are taken over by two or more other companies, a recalculated subscription price and a recalculated number of shares for which each Warrant entitles the Warrant Holder to subscribe shall be calculated. The provisions of sub-section G regarding Extraordinary Dividend shall then apply mutatis mutandis. The recalculation shall be based on the proportion of the assets and liabilities of the Company that are taken over by the transferee company or companies.

Where all assets and liabilities of the companies are taken over by two or more other companies, on paying consideration to the shareholders of the Company, the provisions of sub-section M below regarding liquidation shall apply mutatis mutandis. Inter alia, this means that the right to demand Subscription shall terminate simultaneously with the registration in accordance with Chapter 24, section 27 of the Companies Act and that the Warrant Holder shall be notified no later than four weeks before the division plan shall be submitted for approval to the general meeting.

M Liquidation

If it is resolved that the Company be put into liquidation, for whatever reason, Subscription may not take place thereafter. The right to demand Subscription shall terminate simultaneously with the adoption of the resolution to put the Company in liquidation, irrespective of whether such resolution has become final.

Not later than four weeks prior to the adoption of a resolution by a general meeting in respect of whether or not the Company should be put into liquidation in accordance with Chapter 25 of the Companies Act, the Warrant Holders shall be notified with respect to the planned liquidation in accordance with section 10 below. The notice shall state that subscription may not take place following the adoption of the resolution in respect of liquidation.

If the Company gives notice of a planned liquidation pursuant to the above, the Warrant Holders shall, notwithstanding the provisions of section 4 in respect

of the earliest date for application for Subscription, be entitled to apply for Subscription commencing on the day on which the notice is given, provided that Subscription may be effected not later than prior to the general meeting at which the resolution regarding the liquidation of the Company shall be addressed.

Notwithstanding the provisions above pursuant to which Subscription may not take place after the adoption of a resolution regarding liquidation, the right to subscribe shall be reinstated in the event the liquidation is not carried out.

N Insolvent liquidation

If the Company is put into insolvent liquidation, Subscription may not take place through the exercise of Warrants. Where, however, the decision to put the Company into insolvent liquidation is set aside by a higher court, subscription rights shall be reinstated.

9. Nominees

According to Chapter 3 section 7 of the Financial Instruments Accounts Act (SFS 1998:1479), a legal entity shall be entitled to be registered as nominee. Such a nominee shall be regarded as a Warrant Holder for the purposes of the application of these terms and conditions.

10. Notices

Notices relating to these Warrant Terms and Conditions shall be provided to each Warrant Holder and any other rights holders registered in Securities Accounts.

11. Right to represent Warrant Holders

The Bank shall be entitled to represent Warrant Holders in matters of a formal nature concerning the Warrants without special authorisation from the Warrant Holders.

12. Amendments to terms and conditions

The Company shall be entitled, in consultation with the Bank, to amend the terms and conditions of the Warrants to the extent required by legislation, decisions of courts of law or decisions of governmental authorities or where otherwise, in the Company's opinion, such is necessary or expedient for practical reasons and provided that the rights of the Warrant Holders are in no way prejudiced.

13. Confidentiality

The Company and VPC may not, without authorisation, disclose information regarding the Warrant Holders to any third party. The Company shall have access to information contained in the register of warrants held by VPC which sets out the persons registered as holders of Warrants.

14. Limitation of liability

In respect of measures which it is incumbent on the Company, VPC or the Bank to take in accordance with the terms and conditions of the Warrants, taking into consideration the provisions of the Financial Instruments Accounts Act (SFS 1998:1479), neither the Company, VPC nor the Bank shall be liable for loss which arises as a consequence of Swedish or foreign legislation, the actions of Swedish or foreign governmental authorities, acts of war, strikes, blockades, boycotts, lockouts, or other similar circumstances. The reservation in respect of strikes, blockade, boycotts, and lockouts shall apply notwithstanding that the Company, VPC or the Bank is itself the subject of, or effects, such measures.

Nor shall VPC be liable for loss which arises under other circumstances provided VPC has duly exercised normal caution. The Company and the Bank shall also enjoy a corresponding limitation of liability. In addition, under no circumstances shall the Company or the Bank be liable for indirect loss.

If the Company, VPC or the Bank is unable to perform its obligations as a consequence of a circumstance specified in the first paragraph, such performance may be postponed until such time as the cause for the impediment has terminated.

15. Applicable law and forum

The Warrants, and all legal issues related to the Warrants, shall be determined and interpreted in accordance with Swedish law. Legal proceedings relating to the Warrants shall be brought before the Stockholm District Court or such other forum as is accepted in writing by the Company.





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