



Prospectus Regarding Issue of Warrants in Tethys Oil AB (publ)

Planned date for publication of financial information

Three months report (January – March 2008) 8 May 2008

Six months report (January – June 2008) 21 August 2008

Nine months report (January – September 2008) 13 November 2008

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

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.

The Rights Issue: The issue with preferential right for the shareholders in Tethys Oil on the record date, 15 April 2008 to receive, free of charge, for five existing shares one (1) warrant

The newly issued warrants, included in 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 will not, in the absence of registration or applicability of any exemption from registration requirements, be distributed to persons domiciled in the United States, Canada, Australia or Japan.

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 measures in accordance with the above mentioned or violates regulation in that country. 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 Prospectus contains references from, in relation to the Company, external sources. The assessment of the Board is that no information has been left out in such a way that would make the information inaccurate or misleading.

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 involves 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*.

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 2007 with appended auditor's report
- ii Tethys Oil's audited annual report for 2006 with appended auditor's report
- iii Tethys Oil's audited annual report for 2005 with appended auditor's report

The Company's auditor have audited the Annual Reports for 2005, 2006 and 2007 and each Annual Report include an Auditor's report. No other parts of the Prospectus have been audited.

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 2007 was sent to the Company's shareholders in March 2008.

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The diagram consists of two parts. The top part shows five yellow cards labeled 'Share' on the left, with a red arrow pointing to a single red card labeled 'Warrant' on the right. Below this is the text: 'Five shares gives free of charge entitlement to one warrant.' The bottom part shows a red card labeled 'Warrant' on the left, followed by a plus sign and a stack of blue coins representing SEK 23. A red arrow points to a single orange card labeled 'Share' on the right. Below this is the text: 'One warrant and payment of SEK 23 gives one newly issued share.'

Example – A shareholder with 200 shares in Tethys Oil

- A shareholder at the record date having 200 shares in Tethys Oil
- Receives for five existing shares one (1) warrant.
- The shareholder has after execution of the issue 200 old shares, and 40 newly issued warrants.
- One (1) warrant gives right to subscription of one (1) newly issued share at subscription price of SEK 23 to be exercised continuously during the subscription period which ends 30 June 2010.

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 one (1) newly issued warrant, free of charge

Subscription price: Warrants will be distributed to all existing shareholders free of charge

Record date: 15 April 2008

Warrant: Each warrant gives right to subscription of one (1) newly issued share for a subscription price of SEK 23. The warrants can be exercised continuously during the period 1 June 2008 – 30 June 2010

For more information, refer to *Terms and Conditions*.

Issue of warrants in Tethys Oil

At an Extraordinary General Meeting of Tethys Oil on 20 February 2008, a resolution was made to authorize the Board of Directors to implement an issue of warrants. The Board of Directors have resolved to issue warrants with terms and conditions described below. The Board of Directors have resolved that these warrants will be issued carrying preferential rights for existing shareholders ("the Right Issue"). The Company's shareholders have preferential right for warrants in the Rights Issue in relation to the number of shares owned on the record date of 15 April 2008, whereby five existing shares entitle the holder to one warrant. Warrants will be delivered to existing shareholders as per record date free of charge.

The Extraordinary General Meeting on 20 February, 2008 also granted authorization for the Board of Directors on one or more occasions during the period until the 2008 Annual General Meeting to take decisions on a new issue of not more than 4,800,000 shares and, in so doing, to be able to disregard the shareholders' preferential right. The Board of Directors have decided to conduct a private placement ("the Private Placement") of shares to a limited group of investors. The Private Placement, which is on-going

as per publication of this Prospectus, is expected to be registered before the record date, 15 April 2008, of the Rights Issue of warrants, thus enabling new shareholders to participate on equal terms in the warrants programme described in this Prospectus. The purpose of the Private Placement is to enable the Company to raise capital for the Company's business operations and to facilitate a widen of ownership of the Company's shares in conjunction with the listing of the Company's shares on the Dubai International Financial Exchange (DIFX).

The Rights Issue will not have a direct impact on Tethys Oil's share capital or number of shares. Assuming that the Private Placement regard 4 800 000 shares in accordance with the authorization, the Company will issue 4,795,657 warrants. On full exercise of the warrants, the Company's share capital may increase by at most SEK 815,262 and the number of shares by at most 4,795,657 shares. The warrants in the Rights Issue have a subscription price of SEK 23 and the warrant expires on 30 June 2010. On full exercise of the warrants, the Company will receive about MSEK 110, before issue costs¹.

For more information, refer to *Issue of warrants in Tethys Oil*.

Background and Reasons

The Board of Directors in Tethys Oil has decided on the Rights Issue of warrants as the Company has reached a stage of maturity, where income assets are becoming more apparent. The Board wishes to enable the Company in a well-structured and organised manner to gain access to further capital within a certain time frame parallel with the work commitment in hand. Synchronized with this, the Company have decided to conduct a Private Placement primarily towards investors situated in the Middle East, Asia and France before the finalising of a secondary listing of the Company's shares on the Dubai International Financial Exchange (DIFX).

¹ Total issue costs for the Rights Issue are expected to amount to approximately TSEK 400

The Board of Directors in Tethys Oil has therefore introduced the warrants program as described in this Prospectus. The duration of the warrant as well as the subscription price has been chosen to reflect both sentiments of the market but also to fit in with the future capital needs and demands of the Company's investment operations in Oman. After the positive results from the re-entry of Jebel Aswad onshore well on Block 15 in Oman, the Company has decided to invest an additional MUS\$ 40 over a three-year period in order to bring Block 15 into full production around October 2010. With support from an early production system planned for July 2009, the Board of Directors expect further need of investments after the summer in 2010, in which proceeds from subscription of shares from this warrants issue will be used to finance capital expenditure needs, in accordance with present planning.

The warrants issue and the planned work programme will proceed hand in hand in order to bring Tethys Oil to a point where the company will be self financed from October 2010 and onwards.

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 award-

ed 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 licenses 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 (today First North) 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, Sweden, France and Oman.

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 Oman, France, Morocco, Sweden, Spain and Turkey.

Organisation

Tethys Oil's head office is located in Stockholm, Sweden. Currently the Group has nine employees, of which five persons operating out of Stockholm, one person operating out of the Group's technical office in Geneva, Switzerland and three persons in the Group's office in Oman. The small organization allows Tethys Oil to have a fast network organization 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 31 March 2008

Country	Licence name	Tethys Oil	Total area, km ²	Partners (operator in bold)
Oman	Block 15	40%	1,389	Tethys Oil , Odin Energi
Oman	Block 3&4	50%	33,125	CCED ² , Tethys Oil
France	Attila	40%	1,986	Galli Coz , Tethys Oil
Morocco	Bouanane	12.5% ³	2,100	Dana Petroleum , Tethys Oil, Eastern Petroleum
Spain	Valderredible – licence no. 4600	50%	241	Leni Gas&Oil , Tethys Oil
Spain	Huermeces– licence no. 4599	50%	121	Leni Gas&Oil , Tethys Oil
Spain	Basconillos– Basconillos-H	50%	194	Leni Gas&Oil , Tethys Oil
Spain	Cameros – Cameros-2	26%	35	SHESA , Union Fenosa, Nuegas, Tethys Oil
Spain	Cameros – Ebro-A	26%	217	SHESA , Union Fenosa, Nuegas, Tethys Oil
Turkey	Ispandika – AR/TMO-EPS-GYP/3795	10%	499	Aladdin Middle East , Terralliance, Tethys Oil
Turkey	Ispandika – AR/TMO-EPS-GYP/3794	10%	466	Aladdin Middle East , Terralliance, Tethys Oil
Turkey	Thrace – AR-AME-3999	25%	492	Aladdin Middle East , Tethys Oil
Turkey	Thrace – AR-AME-3998	25%	405	Aladdin Middle East , Tethys Oil
Turkey	Thrace – AR-AME-4187	25%	47	Aladdin Middle East , Tethys Oil
Sweden	Greater Gotland	100%	540	Tethys Oil
Total			41,907	

² Consolidated Contractors Energy Development (Oman).

³ Tethys has a 12.5 per cent interest in the licence. According to the farm-in agreement with Dana, Tethys is carried for seismic cost up to MUS\$ 5 and well costs up to MUS\$ 7. However, for expenditures exceeding these limits, Tethys Oil will pay 16 2/3 per cent of exceeding expenditures.

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 36 percent of the total primary energy consumption in 2006⁴. The price of this natural resource is determined on the global mar-

⁴ Source: BP Statistical Review of World Energy, 2007.

ket 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 gas⁵

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 2006. 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 and therefore prices are being set locally and in comparison with oil, prices of natural gas are less homogenous.

⁵ Source: Eurogas Annual Report 2006–2007

Financial information in brief

Below, selected financial information for the Group is presented. For more information, refer to Comment to the financial development.

	2007	2006	2005	2004	2003
Items regarding the income statement and balance sheet					
Operating result, TSEK	-23,533	-30,976	-14,998	-5,810	-934
Result before tax, TSEK	-24,704	-29,802	-14,368	-5,062	-891
Net result, TSEK	-24,721	-29,802	-14,368	-5,062	-891
Shareholders' equity, TSEK	103,196	95,230	52,375	66,743	3,542
Balance sheet total, TSEK	105,586	118,983	54,833	69,102	4,139
Capital structure					
Equity ratio, %	97.74%	80.04%	95.52%	96.59%	85.58%
Adjusted equity ratio, %	97.74%	80.04%	95.52%	96.59%	85.58%
Investments, TSEK	51,765	35,207	6,491	12,696	1,570
Key figures per employee					
Average number of employees	9	5	4	3	–
Number of shares					
Number of shares on balance day, thousands	6,393	5,742	4,385	4,385	1,500
Shareholders' equity per share, SEK	16.14	16.59	11.94	15.22	2.40
Weighted number of shares on balance day, thousands	5,864	5,110	4,385	3,705	1,003
Earnings per share, SEK	-4.22	-5.83	-3.28	-1.37	-0.89

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 and Jonas Lindvall. Tethys Oils' Group management consists of Magnus Nordin (Managing Director), Vincent Hamilton (COO), Jonas Lindvall (Managing Director Tethys Oil Oman Ltd) and Morgan Sadarangani (CFO). The Group currently has nine employees. In conjunction with the Rights Issue, Kilpatrick Stockton is acting as legal advisor. The Company's auditors are Klas Brand and Johan Rippe, authorized public accountants 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, Licenses, 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 6 April 2004, Tethys Oil's share has been traded on First North (previously Nya Marknaden) under the ticker "TETY". The ISIN code is SE0001176298. A trading lot consists of 300 shares.

The table below shows the shareholder structure in Tethys Oil as of 29 February 2008, updated for subsequently known changes (including the share split of 3:1, effective as per 5 March 2008).

Share holders as of 29 February 2008	Number of shares	Capital and votes, %
Vincent Hamilton*	2,008,713	10.47
SIS Segaintersettle	1,842,360	9.61
BNP Paribas (Suisse) SA	1,737,300	9.06
John Hoey*	1,317,828	6.87
Magnus Nordin**	1,276,356	6.66
Jonas Lindvall*	1,218,000	6.35
Bank Julius Baer und Co AG	1,164,408	6.07
Lorito Holdings S.A.	879,408	4.59
SEB Private Bank S.A.	669,000	3.49
Jan Risberg	643,266	3.35
Other (1,170 shareholders)	6,421,647	33.48
Total	19,178,286	100.00

* Through company

** Including 60,000 shares lent to HQ Bank AB.

Source: VPC and Tethys Oil

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

Risk factors

Tethys Oils 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 favourable 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 will be issued without charge. One warrant entitles the holder to subscription for one new share in Tethys Oil. The warrants can be exercised continuously during the subscription period which ends 30 June 2010. The subscription price is SEK 23. In the case that the share price is lower than the

subscription price during the exercise period, 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, all attempts to estimate reserves are 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 explora-

tion 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 exploration 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 exploration 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 license. Despite these investigations, it cannot 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 license 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 license 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. Fur-

thermore, 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.

Risks related to the market place

The newly issued warrants are planned to be traded on First North of Stockholmsbörsen (the Stockholm Stock Exchange) at the end of April 2008. 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 fulfil the requirements for trading at First North and also that it complies with regulations regarding provision of information to the market and investment community.

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

Issue of Warrants in Tethys Oil

At an Extraordinary General Meeting of Tethys Oil AB (publ) on 20 February 2008, a resolution was made to authorize the Board of Directors to implement an issue of warrants. The Board of Directors have resolved to issue warrants carrying preferential rights for existing shareholders ("the Right Issue") with the terms and conditions described below.

In accordance with the conditions described in this Prospectus, shareholders are hereby offered, free of charge, based on preferential right, warrants in Tethys Oil. The Company's shareholders have preferential right in relation to the number of shares owned on the record date 15 April 2008, whereby five (5) existing shares entitle the holder free of charge to one (1) warrant. The warrant expires on 30 June 2010 and gives right to one (1) Tethys Oil AB share at exercise price of SEK 23. The warrant can be exercised continuously during the period 1 June 2008 to 30 June 2010.

The Extraordinary General Meeting on 20 February 2008 also granted authorization for the Board of Directors to take decisions on a new issue of not more than 4.8 million shares and, in so doing, to be able to disregard the shareholders' preferential right. The Board of Directors have decided to conduct an issue of 4.8 million shares in Tethys Oil to a limited group of investors primarily in the Middle East, Asia and France ("the Private Placement"). The Private Placement, which is on-going as per publication of this Prospectus, is expected to be registered before the record date of the Rights Issue of warrants, thus enabling new shareholders to participate on equal terms in the warrants programme described in this Prospectus. The dilution of the Private Placement would if the authorization is fully exercised, equivalent of 4,800,000 shares, amount to 25 per cent of shares and votes. The Private Placement is expected to be registered before record date 15 April 2008 and the price was in line with the market price. The purpose of the Private Placement is to raise capital for the Company's business operations and to facilitate a widen of ownership of the Company's shares in conjunction with the listing of the Company's shares on the Dubai International Financial Exchange (DIFX).

The Rights Issue will not have a direct impact on Tethys Oil's share capital or number of shares. Assuming that the Private Placement regard 4 800 000 shares in accordance with the authorization, the Company will issue 4,795,657 warrants. On full exercise of the warrants, the Company's share capital may increase by at most SEK 815,262 and the number of shares by at most 4,795,657 shares. The warrants in the Rights Issue have a subscription price of SEK 23 and the warrant expires on 30 June 2010. On full exercise of the warrants, the Company will receive about MSEK 110, before issue costs⁶.

Stockholm, 31 March 2008

Tethys Oil AB (publ)

Board of Directors

Vincent Hamilton *Chairman*

Håkan Ehrenblad John Hoey Carl-Gustaf Ingelman

Jonas Lindvall Jan Risberg Magnus Nordin *Managing Director*

⁶ Total issue costs for the Rights Issue are expected to amount to approximately TSEK 400.

Background and reasons

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 Directors 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.

Tethys Oil has reached a stage of maturity, where income bringing assets are becoming noticeable. The Board has therefore decided on an issue of warrants. There are a number of reasons as to why this decision has been taken. To begin with, the Board wishes to thank the existing shareholders for their support and dedication, which has contributed to the growth of the Company over the past few years. Furthermore, the Board wishes to enable the Company to gain access to further capital, in a well-structured and organised manner, within a certain time frame parallel with the work commitment in hand. Synchronized with this, the Company have decided to conduct a Private Placement primarily towards investors located in the Middle East, Asia and France before the finalising of a secondary listing of the company's shares on the Dubai International Financial Exchange (DIFX).

The Board has introduced the warrants program as described in this Prospectus. The duration of the warrant as well as the subscription price has been chosen to reflect both the sentiments of the market but also to fit in with the future capital needs and demands of the Company's investment operations in Oman. After the positive results from the re-entry of the Jebel Aswad onshore well on Block 15 in Oman, the Company has decided to invest an additional MUSD 40 over a three-year period to bring Block 15 into full production around October 2010. With support from an early production system planned for July 2009, the Board expect further investments after the summer in 2010, in which capital expenditure resulting from this warrants issue will be used to further assist with the expenditure needs. This is according to present plans.

The warrants issue and the planned work programme will proceed hand in hand in order to bring Tethys Oil to a point where the Company is self financed from October 2010 and onwards.

Stockholm, 31 March 2008

Tethys Oil AB (publ)

Board of Directors

Vincent Hamilton *Chairman*

Håkan Ehrenblad John Hoey Carl-Gustaf Ingelman

Jonas Lindvall Jan Risberg Magnus Nordin *Managing Director*

Terms and conditions

Preferential right to newly issued warrants

Those who are registered as shareholders in Tethys Oil according to VPC AB ("VPC") on the record date, 15 April 2008 have preferential right to one (1) warrant for five existing shares. The warrant expires on 30 June 2010 and gives right to one (1) Tethys Oil AB share at exercise price of SEK 23.

Subscription price

The warrants are given free of charge. No commission will be charged.

Record date

The record date with VPC for establishing who will receive warrants is 15 April 2008.

Notice

A VP notice will be sent to directly registered shareholders in the share register maintained by VPC. The notice will include information regarding the number of warrants received. Shareholders whose shares are held by nominees or custodians will not receive VP notice, but will be notified separately by their respective custodian.

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 warrants will be delivered to directly registered shareholders with registered addresses in either of these countries. Shareholders in either of these jurisdictions will receive a payment from the sale of warrants to which they otherwise would be entitled. The sale will take place immediately on First North.

Non divisible allotments

Allotments will be rounded down to the nearest whole number of warrants.

Delivery of warrants

Delivery will take place in immediate conjunction to the record date. Nothing is required from shareholders in order to receive warrants.

Trading

The Company's shares are today traded on First North, operated by Stockholmsbörsen AB (the Stockholm Stock Exchange). The Company's Certified Advisor is Remium AB. Remium's obligations and undertaking is governed by an agreement with Stockholmsbörsen.

The Company will apply for a listing of the warrants on First North. Trading is expected to commence by

the end of April 2008. The ISIN code for the warrant is SE0002384339.

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 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 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 computerized 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 HQ Bank AB concerning market maker undertakings regarding the Company's 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 First North. 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 First North.

The share and the warrant

The Company's warrants and shares have been/will be issued in accordance with the provisions of the Swedish Companies Act (2005:551), and the owner's rights regarding the warrants may only be altered in accordance with the provisions of this law. The Company and its shares and warrants are linked to VPC⁷. This means that the shares and warrants are only evidenced by book entries in a computerized system. No physical document representing the shares and warrants have been issued. All of the Company's shares are quoted in Swedish Krona (SEK). There is only one series of warrants. The warrants do not carry voting right, right to dividends and right to profits and any surplus on liquidation. Except for the right to

⁷ The address of VPC is Regeringsgatan 65, Box 7822, SE-103 97 Stockholm, Sweden.

subscribe for new shares, the warrants are not subject to any rights or obligations regarding redemption or conversion. The owner of warrants have no preferential rights to participate in new issues of shares, warrants or other securities issued by the Company. There are no restrictions on transferability of shares and the warrants. No public takeover bids have occurred since inception of the Company. Furthermore, there are no mandatory takeover bids and/or squeeze-outs and sell-out rules in relation to the shares and warrants. The issue of warrants cannot be revoked or suspended after record date, i.e 15 April 2008.

Summary of terms for the 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 2010 in Tethys Oil AB.

Subscription period

The warrant may be exercised for subscription of one share for each warrant held, continuously between 1 June 2008 and 30 June 2010.

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 23.

Subscription by application with simultaneous payment

Warrants are exercised by sending in a correct and complete special application form to Remium AB and at the same time making payment according to the instructions on the special application form. The special application form may be ordered from Remium AB by phoning +46 (0)8 454 32 00 or obtained at www.remium.se or www.tethysoil.com. Note that application is binding. Application forms may be submitted or sent to:

Remium AB
Kungsgatan 12-14
SE-111 35 Stockholm
Sweden

The application form and the subscription payment must be received by Remium AB not later than 30 June 2010 by 5:00 p.m. 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.

Dividend

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

pensated 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 2010 in Tethys Oil AB*.

Tax issues in Sweden

The following is a summary of certain tax issues that may follow from the Rights Issue of warrants and in certain situations for shareholders and holders of warrants 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 etc 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 depend partly on their special situation. Each and everyone are 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, warrants and other share-based participating interests are calculated as the difference between the sales proceeds, after deduction for sales expenses, and the acquisition costs. The acquisition costs for newly-subscribed shares are constituted by the price at the issue. 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. 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 sales price after deduction for the sales expenses.

A capital loss on quoted shares and on other share-based participating interests are fully deductible against taxable capital gains on shares and on other quoted share-based participating interests (though not on shares in Interest Funds). To the extent that the capital loss cannot be offset against capital gains, 70 per cent of loss may be set off against other 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), and against real property tax and municipal real property fee, 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.

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 percent. 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. Such an offset requires that both entities request the offset and leave the necessary information in their income tax return. Moreover, the requirements for Group contributions must be 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.

The receipt of warrants

A shareholder is not taxed upon the receipt of warrants.

Exercise of obtained warrants

No tax is charged if the shareholder uses the warrants for subscription of shares. The acquisition cost for a share consists of the price at the issue, i.e. SEK 23. At a disposal of shares in Tethys Oil the share-

holder's acquisition price for shares of the same type and class are added and calculated according to the average method. Interim shares and ordinary shares are not considered to be of the same type and class shares until the decision on the new issue is registered at Bolagsverket.

Disposal of obtained warrants

The entire consideration after deduction for costs pertaining to the disposal is taxed if the shareholder sells the warrants. Hence each warrant is considered to be acquired for SEK 0. The standard rule method may not be used. The acquisition cost for the original shares in Tethys Oil is not affected at a sale of the warrants. If a warrant obtained for free is neither exercised nor disposed of, the warrant will become worthless. No deduction is granted for this.

No tax is charged if acquired warrants are used for the subscription of shares. The consideration for the warrants is included at the calculation of the acquisition price for the shares. If a purchased warrant is neither exercised nor disposed of a deduction is granted for this loss.

Foreign shareholders etc.

Capital gains realised from the disposal of shares, warrants etc 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 shares etc 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 2005 to 2007, which are commented below, are presented with related notes in Tethys Oil's Annual Report 2007, pages 49–66. The principal accounting principles are presented on page 55 in Tethys Oil's Annual Report 2007. These accounting principles describe that Tethys Oil since 1 January 2005 with comparison year 2004 has adopted IFRS. The Company's auditor have audited the Annual Reports for 2005, 2006 and 2007 and each Annual Report include an Auditor's report. No other parts of the Prospectus have been audited.

Loss for the period and sales

Since the inception of Tethys Oil no sales or production of oil and gas has been presented. The loss for 2005 amounted to TSEK -14,368, for 2006 to TSEK -29,802 and for 2007 to TSEK -24,721. Write downs account for a large part of the losses for each year. During 2005 write downs of oil and gas properties amounted to TSEK 8,412, during 2006 to TSEK 22,519 and during 2007 to TSEK 16,220. Write downs are made after impairment in accord-

ance with Tethys Oil's accounting principles described in the Annual Report 2007. Write downs are further described below under *Investments in oil and gas properties*. Apart from these write downs, administrative expenditures have gradually increased over the years, reflecting the development and growth of the company.

Below, selected financial information for the Group is presented.

	2007	2006	2005
Items regarding the income statement and balance sheet			
Operating result, TSEK	-23,533	-30,976	-14,998
Result before tax, TSEK	-24,704	-29,802	-14,368
Net result, TSEK	-24,721	-29,802	-14,368
Shareholders' equity, TSEK	103,196	95,230	52,375
Balance sheet total, TSEK	105,586	118,983	54,833
Capital structure			
Equity ratio, %	97.74%	80.04%	95.52%
Adjusted equity ratio, %	97.74%	80.04%	95.52%
Investments, TSEK	51,765	35,207	6,491
Key figures per employee			
Average number of employees	9	5	4
Number of shares			
Number of shares on balance day, thousands	6,393	5,742	4,385
Cash flow used in operations per share, SEK	neg.	neg.	neg.
Dividend per share, SEK	n.a	n.a	n.a
Shareholders' equity per share, SEK	16.14	16.59	11.94
Weighted number of shares on balance day, thousands	5,864	5,110	4,385
Earnings per share, SEK	-4.22	-5.83	-3.28

Working capital

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.

Other income, administrative expenditures

Administrative expenditures amounted for the full year of 2005 to TSEK -6,609, for the full year of 2006 to TSEK -9,000 and for the full year of 2007 to TSEK -10,563. Administrative expenditures are mainly salaries, rents, listing costs and outside services. The increase in expenditures from 2005 to 2007 is explained by the growth and development of the

company. Salaries accounted for around 50 per cent of administrative expenditures during 2007 and as the number of employees have grown from 4 to 9 between 2005 to 2007 and it explains to a large extent the growth of overall administrative expenditures. The acquisition of GotOil Resources (Oman) Ltd (today Tethys Oil Oman Ltd) in 2006 added employees as well as an additional office in Muscat, Oman.

However, most of the administrative expenses in Tethys Oman Ltd are charged to the joint venture in Oman where the expenditures are capitalised and, in line with the Production Sharing Agreement, recoverable. These administrative expenditures are, through the above, also funded by the partner in Oman by 60 per cent. The chargeout to the joint venture is presented in the income statement as Other income.

Investments in oil and gas properties

TSEK	2005				2006				2007			
	Book value 1 Jan	Investments 31 Dec	Write downs 31 Dec	Book value 31 Dec	Book value 1 Jan	Investments 31 Dec	Write downs 31 Dec	Book value 31 Dec	Book value 1 Jan	Investments 31 Dec	Write downs 31 Dec	Book value 31 Dec
Oman	-	-	-	-	-	26,700	-	26,700	26,700	36,213	-	60,746
Denmark	1,707	3,412	-	5,119	5,119	14,553 ⁸	18,985	687	687	5,236	-9,923	-
Morocco	9	544	-	553	553	2,359	-	2,912	2,912	-1,941 ⁹	-	971
Spain	3,118	33	-	3,152	3,152	214	1,487	1,878	1,878	418	-9,269	1,455
Turkey	8,897	615	-8,179	727	727	735	192	1,270	1,270	3,047	-	4,614
France	-	690	-	690	690	343	-	1,033	1,033	7,810	-	8,844
Sweden	-	-	-	-	-	-	-	-	-	259	-	259
New ventures	270	1,125	-233	1,163	1,163	1,304	1,855	612	612	439	-1,028	23
Total	14,002	6,419	8,412	11,404	11,404	46,208	22,519	35,092	35,092	51,481	-16,220	76,932

⁸ Investments in Denmark are reduced as a consequence of the farm out to Star Energy during the third quarter and their payment of back costs.

⁹ The negative investments are explained by reimbursement of past costs following the Dana farm-in agreement.

The consolidated book value of oil and gas properties of the Group amounts to TSEK 76,932 as per 31 December 2007. Almost 80 per cent of the book value is represented by Oman and Block 15 and Blocks 3&4 and more than 10 per cent is represented by France and the Attila licence. Oil and gas properties in Oman and France were not represented at the beginning of 2005 but have over the last three years and especially during the last two years significantly changed the composition of the Group's oil and gas properties. This change of the Group's oil and gas properties reflect the positive results from exploration activities in both Block 15 in Oman and the Attila licence in France. The concentration of assets in Oman is also explained by the fact that both licence areas, Block 15 and Blocks 3&4, were acquired from other companies. The consideration for these acqui-

sitions is included in the book value of oil and gas properties in Oman, and account for approximately 60 per cent of oil and gas properties in Oman.

Denmark was a significant part of the Group's oil and gas properties in 2005 but following the negative results of the exploration well Karlebo-1 during 2006, all investments relating to Denmark and licence 1/02 and 1/03 were written down. Both licences were relinquished during 2007. In Spain the only significant investments have been the exploration well Hontomin-4, drilled during 2007, on the Huermecas licence. No hydrocarbons were encountered and investments relating to the licence were subsequently written down. Since the Hoto licence in Turkey was relinquished and related investments written down, including investments in the exploration well drilled

during 2004, investment activity in Turkey have been low. In Morocco, investments were incurred during 2005 and 2006. These investments were to a large extent reimbursed in 2007 by Dana Petroleum as part of the farm in agreement, which explains the negative investments during this year.

Liquidity and financing

Liquid funds, relating to cash and bank and short term investments, amounted as per 31 December 2005 to TSEK 41,102, per 31 December 2006 to TSEK 58,086 and per 31 December 2007 to TSEK 12,252. The Group relied entirely on equity financed during the period and as there have been no sales of oil and gas during the period, share issues have financed the operations. Proceeds from share issues, net after issue costs, amounted to TSEK 52,879 in 2006 and TSEK 22,267 in 2007. No share issues were made during 2005.

Legal matters and additional information

Material agreements

In Tethys Oil's operations there are two main categories of agreements; one that governs the relationship with the host country; and one that governs the relationship with partners.

The agreements that govern the relationship with host countries are referred to as licences or Exploration and production sharing agreements (EPSA). Tethys Oil holds its interest directly through aforementioned agreements in Oman, France, Turkey, Sweden and Morocco. In Spain, Tethys Oil holds its interest indirectly through agreements with partners.

The agreements that govern the relationship with partners are referred to as Joint Operating Agreements (JOA). Except Sweden where Tethys Oil is the sole licence holder, Tethys Oil has JOAs with its partners in all areas of operation.

Other than the aforementioned agreements, there are no individual agreements or similar circumstances relating to the business which are of crucial significance for the group's operations or profitability.

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. 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

Maha Resources Ltd. is entitled to an overriding annual cash remuneration of the total profit hydrocarbon entitlement due Tethys Oil Oman of 3 per cent after government take. Jonas Lindvall, member of the board of directors in Tethys Oil has considerable influence of Maha Resources Ltd. 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 6 September 2001. The current operations have been conducted since 12 October 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;

Tethys Oil Oman Limited, registered in Gibraltar

Windsor Petroleum (Spain) Inc., registered on the British Virgin Islands

Tethys Oil Suisse S.A., registered in Switzerland

Tethys Oil Denmark AB, registered in Sweden

Tethys Oil Spain AB, registered in Sweden

Tethys Oil Turkey AB, registered in Sweden

Tethys Oil France AB, registered in Sweden and

Tethys Oil Exploration AB, registered in Sweden.

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.

Advisors

In connection with the Rights Issue, Kilpatrick Stockton acts as legal advisor. The auditors of the Company are Klas Brand and Johan Rippe, authorized public accountants at PricewaterhouseCoopers AB.

The Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance ("the Code") shall be applied to all companies on Stockholmsbörsen's (the Stockholm Stock Exchange) Main

list whose market value exceeds MSEK 3,000. Due to the fact that the Company's shares are traded on First North, 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 Managing Director and for the members of the Board of Directors and follows rules contained in the Swedish Companies Act.

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 2005¹⁰
- Annual Report 2006¹⁰
- Annual Report 2007¹⁰
- Historical financial information for all subsidiaries for the years 2005–2007
- The parent company's memorandum of association
- The parent company's articles of association¹⁰

Key financial data in the annual report

In the annual report 2007, page 40 and 41, there is an overview of the Company's financial development during 5 years. The Company has only adopted accounting principles in accordance with IFRS since 2005. The Board assesses that there are no material differences when comparing with the years where IFRS has not been adopted.

¹⁰ Documents also available online at the Company's website: www.tethysoil.com

Shareholders equity, debt and other financial information

Financial position and capital structure

Since inception, Tethys Oil has been equity financed. There are no interest bearing debts in the Company or the Group. The equity ratio of the Group amounted to 98.28 per cent as per 31 December 2007. The financial position of the Group with regard to shareholders equity and net debt is presented below:

TSEK	
31 December 2007	Tethys Oil Group
A. Long term interest bearing debt	–
B. Short term interest bearing debt	–
C. Cash and bank	12,252
D. Net debt (A+B-C)	-12,252
E. Shareholders' equity	103,196
F. Total assets	105,586

Working capital

The Board of Tethys Oil expects liquid funds of the Group is sufficient to cover the working capital requirements for the next 12 months for the current undertakings of the Group. The objective is that the Company will be self financed from October 2010 and onwards. Should the warrants in this Rights Issue fail to result in proceeds to the Company, further financing could become necessary.

Investments

For a description of Tethys Oil's main investments, please refer to section "Comments to the financial development" on page 23. The Company has not committed to any firm substantial future investments. However, there are plans to invest up to MUSD 40 within a three year period on Block 15 in Oman. These objectives are believed to be accomplished through the proceeds from the Private Placement, Company generated cash flow and proceeds from exercise of warrants in this Rights Issue. These conditions may change, or if new investment objectives are decided upon, further financing could be required.

Tendencies

The Company is currently not aware of any public, economic or political circumstances that directly or indirectly significantly can or could affect the operations of the Company. No material events have occurred since the publication of the Annual Report 2007 with regard to financial or market position. For more information, please refer to the Annual Report 2007 pages 42–66.

Share capital and ownership structure

Share and share capital

The share capital in Tethys Oil amounts to TSEK 3,196, distributed among 19,178,286 shares. The quota value (the ratio between the share capital and the number of shares) of the share is SEK 0.17. The company's Articles of Association stipulate a share capital not more than SEK 12,000,000, corresponding to not more than 48,000,000 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 31 March 2008, Tethys Oil had no shares in the Company.

Changes in share capital

Year	Share capital development	Quota value, SEK	Change in number of shares	Total number of shares	Change in total share capital, SEK	Total share capital, SEK
2001	Formation of the company	100.00	1,000	1,000	100,000	100,000
2001	Share issue	100.00	4,000	5,000	400,000	500,000
2001	Share split 100:1	1.00	495,000	500,000	–	500,000
2003	Share issue	1.00	250,000	750,000	250,000	750,000
2004	Share split 2:1	0.50	750,000	1,500,000	–	750,000
2004	Share issue	0.50	2,884,800	4,384,800	1,442,400	2,192,400
2006	Rights issue	0.50	876,960	5,261,760	438,480	2,630,880
2006	Non-cash issue	0.50	400,000	5,661,760	200,000	2,830,880
2006	Directed issue	0.50	80,000	5,741,760	40,000	2,870,880
2007	Directed issue July	0.50	300,000	6,041,760	150,000	3,020,880
2007	Warrant exercise December	0.50	2	6,041,762	1	3,020,881
2007	Directed issue December	0.50	125,000	6,166,762	62,500	3,083,381
2007	Set off issue December	0.50	226,000	6,392,762	113,000	3,196,381
2008	Share split 3:1	0.17	12,785,524	19,178,286	–	3,196,381
2008	On-going Private Placement ¹¹	0.17	4,800,000	23,978,286	816,000	4,012,381

Changes in the share capital and number of shares since 2001 can be seen in the table above¹². As the Rights Issue regards issuance of warrants it will not increase the share capital in Tethys Oil. If the issued warrants of the Rights Issue are fully exercised, the dilution, based on current share capital, will be approximately 4,795,657 shares equivalent of 20 per cent of Company capital and votes.

¹¹ The Board have decided to conduct the Private Placement, for more information see "Issue of warrants in Tethys Oil AB". As per publication of this Prospectus the issue is on-going.

¹² All shares per respective year are fully paid for.

Ownership structure

Share holders as of 29 February 2008	Number of shares	Capital and votes, %
Vincent Hamilton*	2,008,713	10.47
SIS Segaintersettle	1,842,360	9.61
BNP Paribas (Suisse) SA	1,737,300	9.06
John Hoey*	1,317,828	6.87
Magnus Nordin**	1,276,356	6.66
Jonas Lindvall*	1,218,000	6.35
Bank Julius Baer und Co AG	1,164,408	6.07
Lorito Holdings S.A.	879,408	4.59
SEB Private Bank S.A.	669,000	3.49
Jan Risberg	643,266	3.35
Other (1,170 shareholders)	6,421,647	33.48
Total	19,178,286	100.00

* Through company

** Including 60,000 shares lent to HQ Bank AB.

Source: VPC and Tethys Oil

The table above describes the ownership structure in Tethys Oil as of 29 February 2008, adjusted for known changes (including the Share Split of 3:1, effective 5 March 2008). There are no known shareholder agreements or other covenants between the shareholders in Tethys Oil. There are no legal requirements to report holdings of shares or any other securities issued by the Company. However, Tethys Oil has undertaken

in agreement with the Certified Advisor to maintain a list of shareholdings of the Company.

Distribution of shareholdings

The table below describes the distribution of shareholdings in the Company as of 29 February 2008, respective their ownership size.

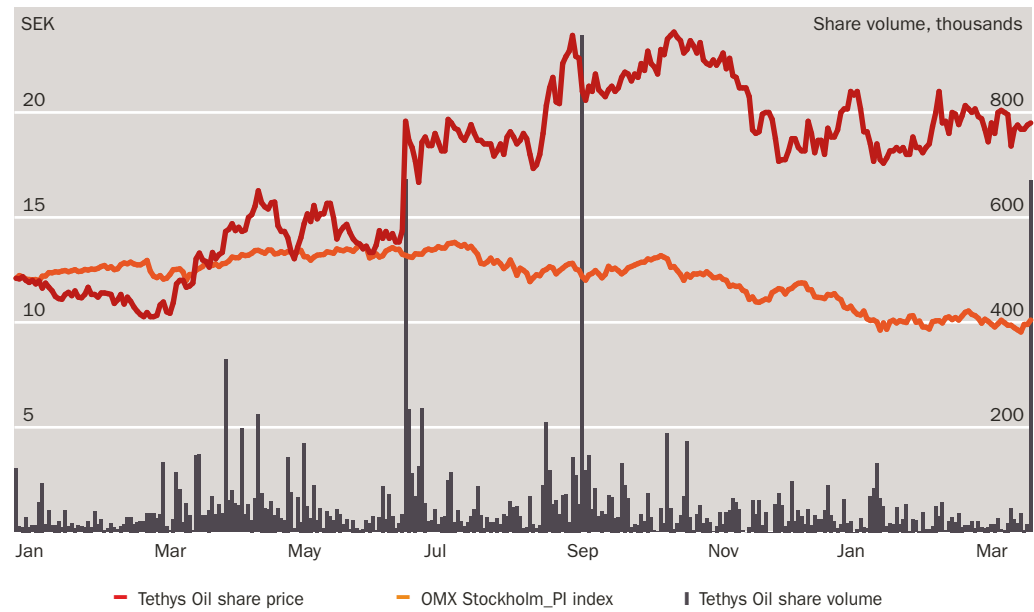
Size categories as per 29 February 2008	Number of shares	Percentage of shares	Number of shareholders	Percentage of shareholders
1 – 1,500	480,171	2.50%	790	67.01%
1,501 - 30,000	2,110,710	11.01%	346	29.35%
30,001 - 150,000	1,612,929	8.41%	24	2.04%
150,001 – 300,000	980,097	5.11%	5	0.42%
300,001 -	13,994,379	72.97%	14	1.19%
Total	19,178,286	100.00	1,179	100.00

Source: VPC and Tethys Oil

Share data

Since April 6, 2004, Tethys Oil's share has been traded on First North under the ticker "TETY". The ISIN code is SE0001176298. A trading lot consists of 300 shares.

Share price development and volume, January 2007 to March 2008



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 1 March 2003, is not included in the details. The Board's mandate period is until the end of the Annual General Meeting 2008.

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 Hovslagargatan 5B, SE 111 48 Stockholm. The number of shares held listed below includes holdings via companies and related parties. Holdings after the Rights Issue are given below, for more information refer to *Issue of Warrants 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: 2,008,713 shares

Holdings after the Rights Issue: 2,008,713 shares and 401,742 warrants

Positions as of 31/3/2008: –

Concluded assignments since March 2003: –



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: 1,276,356 shares

Holdings after the Rights Issue: 1,276,356 shares and 255,271 warrants

Positions as of 31/3/2008:

Member of the Board of Minotaurus AB

Concluded assignments since March 2003:

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: 1,317,828 shares

Holdings after the Rights Issue: 1,317,828 shares and 263,565 warrants

Positions as of 31/3/2008:

Member of the Board and President of Capge Limited, Bermuda, Vice Chairman of the Board of Vietnam Holding Ltd and Chairman of the Investment Committee,

Member of the Board in Jaguar Acquisitions Company, Morris Asset Management LLC, Quondam Aquila Partners, AG Asset Management in Zurich

Concluded assignments since March 2003: –



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: 178,197 shares
Holdings after the Rights Issue: 178,197 shares and 35,639 warrants
Positions as of 31/3/2008:
Board member of Tanganyika Oil Company Ltd.
Board member and Chief Executive Officer of Affärsinformation Ehrenblad Editions Aktiebolag
Concluded assignment since March 2003:
Member of the Board of Nanolight S.A



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: none
Holdings after the Rights Issue: none
Positions as of 31/3/2008:
Board member of Nordic Holding Sverige AB, Midgård Equity AB (previously named Argendor AB), Scandinavian Clinical Nutrition i Sverige AB and Satori Health Systems AB
Concluded assignments since March 2003:
Board member of Bringwell AB (publ)



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: 643,266 shares
Holdings after the Rights Issue: 643,266 shares and 128,653 warrants
Positions as of 31/3/2008:
Board member of Alcafi Ltd., Investment AB Seven Summits, and Ovation Sports AG
Concluded assignments since March 2003: –



Jonas Lindvall

Born: 1967
Board member since 2006. Managing Director of Tethys Oil's subsidiary, Tethys Oil Oman Ltd.
Education: Bachelor of Science in Petroleum Engineering, University of Tulsa, Tulsa, Oklahoma.
Holdings in Tethys Oil: 1,218,000 shares
Holdings after the Rights Issue: 1,218,000 and 243,600 warrants
Positions as 31/3/2008:
Board member of Tethys Oil Oman Ltd., GotOil Resources Ltd. and Maha Resources Ltd.
Concluded assignments since March 2003: –

Management

Tethys Oil's management consists of four persons. The office address of the senior executives is Hovslargatan 5B, SE 111 48 Stockholm. The number of shares held listed below includes holdings via companies and related parties.

Magnus Nordin

Chief Executive Officer since 2004. For more information, see page 27.

Vincent Hamilton

Chief Operating Officer since 2004. For more information, see page 27.

Jonas Lindvall

Managing Director of Tethys Oil Oman Ltd since 2006. For more information, see page 28.



Morgan Sadarangani

Born: 1975

Chief Financial Officer

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

Holdings in Tethys Oil: 66,000 shares

Holdings after the Rights Issue: 66,000 shares and 13,200 warrants

Positions as of 31/3/2008: –

Concluded assignments since March 2003: –

Other information

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. 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.

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

Auditors



Klas Brand

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

Born: 1956

PricewaterhouseCoopers AB

Visiting address: Lilla Bommen 2, SE 405 32 Gothenburg



Johan Rippe

Auditor (Authorized Public Accountant) in the company since 2007 and member of FAR/SRS

Born: 1968

PricewaterhouseCoopers AB

Visiting address: Lilla Bommen 2, SE 405 32 Gothenburg

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.

There are no agreements on severance payment or other benefits after termination of employment. For more information please refer to Annual Report 2007, page 62.

There are no physical or legal persons having economic or other relevant interest in the Rights Issue, other than the issue itself.

Articles of Association

Adopted at the Extra General Meeting on 20 February 2008.

§ 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 12,000,000 and not more than 48,000,000.

§ 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).

Appendix: Terms and Conditions for Warrants 2010 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. <i>avstämningsskonto</i>) 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.

2. Warrants and registration

The total number of Warrants amounts to no more than 4,800,000. 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 23. The warrant can be exercised continuously during the period 1 June 2008 - 30 June 2010.

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 period 1 June 2008 - 30 June 2010 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 Secu-

rities 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. The Company has an obligation to register new shares with Swedish Companies Registration Office at least quarterly. If a Subscriber subscribes for at least one hundred thousand (100,000) shares, the Company is however obliged to register these shares as soon as possible with the Swedish Companies Registration Office.

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 formulae:

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 formulae:

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 formulae:

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, sub-paragraphs 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 formulae:

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 formulae:

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 formulae:

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 formulae:

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 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.

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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