

Tethys Oil AB (publ)

Prospectus regarding listing of

Maximum SEK 400,000,000

9.50% Bonds

2012/2015

5 October 2012

Important information

This prospectus (the “**Prospectus**”) has been prepared by Tethys Oil AB (publ) (the “**Company**”), registration number 556615-8266 in relation to the application for listing of the Company’s maximum SEK 400,000,000 9.50% Bonds 2012/2015 (the “**Bonds**”) at the corporate bond list on NASDAQ OMX Stockholm (“**OMX**”). References to the Company, Tethys Oil or the Group refer in this Prospectus to Tethys Oil AB (publ) and its subsidiaries, unless otherwise indicated by the context. Pareto Öhman AB has acted as financial advisor to the Company in connection with the issue of the Bonds.

The Prospectus has been prepared in accordance with the rules and regulations of the Swedish Financial Instruments Trading Act (Sw. lag (1991:980) om handel med finansiella instrument) and Commission Regulation (EC) no 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council. The Prospectus has been approved by and registered with the Swedish Financial Supervisory Authority in accordance with the provisions in Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act. It should be noted that such approval and such registration does not constitute any guarantee from the Swedish Financial Supervisory Authority that the information in the Prospectus is accurate or complete.

This Prospectus is not an offer for sale or a solicitation of an offer to purchase the Bonds in any jurisdiction. It has been prepared solely for the purpose of listing the Bonds at the corporate bond list on OMX.

This Prospectus may not be distributed in any country where such distribution or disposal requires additional prospectus, registration or additional measures or is contrary to the rules and regulations in such country. Persons into whose possession this Prospectus comes or persons who acquire the Bonds are therefore required to inform themselves about, and to observe, such restrictions. The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may be subject to U.S. tax law requirements. The Bonds may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. persons.

The Prospectus will be available at the Swedish Financial Supervisory Authority’s web site (www.fi.se) and the Company’s web site (www.tethysoil.com).

Unless otherwise explicitly stated, no information contained in this Prospectus has been audited or reviewed by auditors. Certain financial information in this Prospectus has been rounded off and, as a result, the numerical figures shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them. Unless otherwise specified or unless the context otherwise requires, “USD” refers to United States dollars and “SEK” refers to Swedish kronor.

This Prospectus may contain forward-looking statements and assumptions regarding future market conditions, operations and results. Such forward-looking statements and information are based on the beliefs of the Company’s management or are assumptions based on information available to the Group. The words “consider”, “intends”, “deems”, “expects”, “anticipates”, “plans” and similar expressions indicate some of these forward-looking statements. Other such statements may be identified from the context. Any forward-looking statements in this Prospectus involve known and unknown risks, uncertainties and other factors which may cause the actual results, performances or achievements of the Group to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Further, such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Although the Company believes that the forecasts of, or indications of, future results, performances and achievements are based on reasonable assumptions and expectations, they involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the forward-looking statements and from past results, performances or achievements. Further, actual events and financial outcomes may differ significantly from what is described in such statements as a result of the materialisation of risks and other factors affecting the Group’s operations. Such factors of a significant nature are mentioned in the Section “*Risk Factors*”.

The Prospectus shall be read together with all documents which have been incorporated by reference (see Section “*Documents incorporated by reference*” below) and possible supplements to the Prospectus.

The Prospectus is governed by Swedish law. Disputes concerning, or related to, the contents of this Prospectus shall be subject to the exclusive jurisdiction of the courts of Sweden. The district court of Stockholm (Sw: *Stockholms tingsrätt*) shall be the court of first instance.

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Risk factors

All investments in bonds involve a degree of risk. The financial performance of the Company and the risks associated with its business are important when making a decision on whether to invest in the Bonds. A number of risk factors and uncertainties may adversely affect the Company. If any of these risks or uncertainties actually occurs, the business, operating results and financial condition of the Company could be materially and adversely affected which ultimately could affect the Company's ability to make interest payments and payments of principal under the Terms and Conditions. In this Section, a number of risk factors are illustrated, both general risks pertaining to the Company's business operations and material risks relating to the Bonds as financial instruments. The risks presented in this Prospectus are not exhaustive, and other risks not discussed herein may also adversely affect the Company. Further, the risk factors are not ranked in order of importance.

Prospective investors should consider carefully the information contained in this Prospectus and make an independent evaluation before making an investment decision. A potential investor must, alone or together with its financial and/or other advisors, consider the general business prospects, other information in this Prospectus and general information about the applicable market and companies active on that market, based on their personal circumstances before making an investment. An investor should possess sufficient knowledge to assess the risk factors and sufficient financial strength to bear those risks.

RISKS RELATING TO THE COMPANY

Technical and geological risk

The main operational risk is that the interest the Group has in oil and gas assets will not evolve into commercial reserves of oil and gas. All assessments of potential oil and gas reserves are built on estimations and involve a certain degree of uncertainty. Every estimation of such 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 and gas reserve estimates always change over time, to a larger or smaller extent. There is always a risk that the estimated volumes will not accord with reality. 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 no guarantees that these estimates will not change over time as new data becomes available. The actual production and cash flow will therefore vary from the estimations and the variations may occasionally be large, which in turn could adversely affect the Company's financial position and results. Furthermore, probabilities that commercial oil reserves will not be found are highest before and during exploration drilling. Even when the presence of oil and gas reserves are established during exploration drilling, significant uncertainty remain as to when and how these reserves can be extracted. The estimated reserves will therefore be reduced to the extent these activities do not, fully or partially, reach the estimated levels.

General business risks

The Group's business is exposed to all of the risks and uncertainties with which the business of exploration, acquisition, development, production and sale of oil and gas is associated. These risks cannot be entirely avoided, even with a combination of experience, knowledge and careful evaluation. The risks and uncertainties normally associated with the oil and gas business include fire, explosions, blowouts (*i.e.* an

uncontrolled spillage of oil, gas or water from an oil well), sour gas emissions, burst pipelines and oil spills. Each of these risks may result in extensive damage to oil and gas wells, production facilities, other property or the environment, and may cause considerable personal injury. This may in turn result in extensive liability for damages and the like. Collection systems and processing facilities are also exposed to many of these risks. Each instance where there is significant damage to the systems and facilities on which the Group depends can have a negative impact on the Group's ability to sell the oil and gas it produces. The oil and gas business is also exposed to the risk of a premature decline in reserves for natural reasons or an inflow of water into producing formations. If any of the above risks and uncertainties should occur it may result in significantly increased costs and liabilities which in turn may adversely affect the Company's financial position and prospects.

Fluctuating production levels

Exploration for and exploitation of oil and gas reserves may be delayed or negatively affected by factors beyond the Group's control. Such factors include unfavourable weather, climate or geological conditions, decisions taken or work carried out by partners or suppliers which the Group may be dependent upon now or in the future, accommodating governmental demands, problems or delays in installation and ordering of machinery and equipment, or delays in imports or customs clearance. Problems may also arise due to environmental problems, accidents, occupational and health risks, industrial disputes, locally acquired equipment being of poor quality or in poor working order, or disruptions in the supply of services and products such as electricity, water, fuel, transport, process capacity or technical support. This may result in failure to meet established production deadlines and/or lead to increased costs. Fluctuations that impact production at any of the Group's facilities may thus have a material impact on the Group's forecast production levels and therefore also on profit levels.

Oil price

The oil price is of significant importance to Tethys Oil as income and profitability is and will be dependent on prices prevailing 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. Lower oil prices could also decrease the industry interest in Tethys Oil's projects regarding farmouts or sale of assets. Tethys Oil does not currently hedge oil prices.

Access to equipment

An operational risk factor is access to equipment in Tethys Oil's projects. Especially in the drilling/development phase of a project the group is dependent on advanced equipment such as rigs, casing, pipes etc. 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.

Political risk

Tethys Oil has operations, alone or with partners, in several different countries and can therefore be subject to political risk. 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. Tethys Oil holds its oil and gas interest through licences, directly or indirectly, which are granted by national governments. Tethys Oil's operations are often also subject to local permits. Therefore Tethys Oil and the industry are subject to a wide range of political risks on different levels and the business is highly sensitive to political changes. Furthermore, Company's financial position and earnings can be affected by internal conflicts, acts of war, terrorism and insurrection, as well as political and economical insecurity.

Environment

Oil and gas operations can be environmentally sensitive. The Company's operations are subject to extensive regulatory control with regard 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, 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.

Key personnel

Tethys Oil is dependent on certain key personnel, some of whom have founded the company at the same time as they are existing shareholders and members of the board of directors of the company. These people are important for the successful development and prospects of Tethys Oil. If key personnel leave Tethys Oil, this might have a negative effect on the Company's business and operations, at least in the short term. 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. A shortage of such operational personnel may significantly impair the Company's ability to fulfil its projects.

Licenses

It cannot be guaranteed that Tethys Oil has obtained a correct picture of the ownership of its licenses and concessions, 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. Tethys Oils direct interests are held through agreements with host countries, for example licenses or production sharing agreements. These agreements are often limited in time and there are no guarantees that the agreements can be extended when a time limit is reached. Should such a license or agreement not be extended, it may have a significantly adverse effect to the Company's financial position and result. The licenses regarding Block 3 and 4 expire in its current shape before the end of 2012. Tethys Oil has submitted a Field Development Plan which may result in new terms governing the extent for all or parts of the license area. There are no guarantees that an extension will cover all the current license area. The Company's production levels may be significantly reduced if such extension only covers parts of the license area.

Competition

The oil and natural gas market is characterised by severe 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. Increased competition could adversely affect the Company's business, financial position and result. 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.

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.

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.

Infrastructure

The Group is dependent on accessible and well-developed infrastructure in the areas where it has operations. This includes roads, electricity and water supply, pipelines and collection systems. If there are disruptions or damage to infrastructure, the Group's business may suffer considerably, which may lead to lower production and sales and/or higher costs. Also, inclement weather conditions may interfere with or delay shipments and deliveries of oil by sea.

Foreign currency risk

The Group is exposed to fluctuations in the foreign exchange markets as fluctuations in exchange rates can negatively affect the operating profit, cash flow and equity. The major proportion of the Group's assets relate to international oil and gas discoveries valued in USD and which generate revenues in USD. The exchange risk effect the Group by transaction risk and translation risk.

Transaction risk

Transaction exposure arises in the cash flow when invoicing or the costs of invoiced goods and services are not in the local currency. By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. USD was the main currency with regard to invoices paid and revenues received during 2011. Income will also most likely be denominated in foreign currencies, especially USD. Tethys Oil does not currently hedge exchange rates.

Translation risk

Exchange-rate changes affect the Group in conjunction with the translation of the income statements of foreign subsidiaries to SEK as the Group's operating profit is affected and when net assets in foreign subsidiaries are translated into SEK which can negatively affect the Group's operating profit and statement of financial position. The Group does not hedge its translation exposure and fluctuating currency rates might negatively affect the operating profit and financial position of the Group.

Liquidity risks and capital risk

By operating in several countries, Tethys Oil is exposed to fluctuations in a number of currencies. Income is and will also most likely be denominated in foreign currencies, USD in particular. Furthermore, Tethys Oil has since inception been equity financed through share issues and financed by asset divestment. Additional capital may be needed to finance Tethys Oil's future operations and/or for acquisition of additional licences. The main risk is that this need may occur during less favourable market conditions.

Financial risk

As part of an investment agreement with Odin Energi SA ("**Odin Energi**") regarding investments in Lithuania, Tethys Oil has lent EUR 15,200,000, equivalent of SEK 136,278,000, to Odin Energi. The loan is secured by a pledge of 30 per cent of the share capital of Odin Energi. The receivable on Odin Energi is subject to counterparty risks and the Company's ability to receive payment of the receivable is dependent on

the performance of Odin Energi's operations and its financial position. In the event of bankruptcy, re-organisation or wind-up of Odin Energi, the Company may not receive full, or any, payment.

RISKS RELATING TO THE BONDS

Credit risks

Investors in the Bonds carry a credit risk relating to the Company. The investor's ability to receive payment under the Terms and Conditions is therefore dependent on the Company's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Company's operations and its financial position. The Company's financial position is affected by several factors of which a number have been discussed above.

An increased credit risk may cause the market to charge the Bonds a higher risk premium, which would negatively affect the Bonds' value. Another aspect of the credit risk is that a deteriorating financial position of the Company may reduce the Company's possibility to receive debt financing at the time of the maturity of the Bonds.

Interest rate risks

The Bonds' value depends on several factors, one of the most significant being the level of market interest. Investments in the Bonds involve a risk that the market value of the Bonds may be adversely affected by an increase in market interest rates.

Liquidity risks

The Company intends to apply for listing of the Bonds on OMX. However, the Company cannot guarantee that the Bonds will be admitted to trading. Further, even if securities are admitted to trading on a regulated market, active trading in the securities does not always occur and hence there are no guarantees that a liquid market for trading in the Bonds will occur or be maintained even if the Bonds are listed. The result may be that the bondholders cannot sell their Bonds when desired or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market. Lack of liquidity in the market may have a negative impact on the market value of the Bonds. Furthermore, the nominal value of the Bonds may not be indicative compared to the market price of the Bonds if the Bonds are admitted for trading on OMX.

It should also be noted that during a given time period it may be difficult or impossible to sell the Bonds (at all or on reasonable terms) due to, for example, severe price fluctuations, close down of the relevant market or trade restrictions imposed on the market.

Risks relating to the clearing and settlement in Euroclear's book-entry system

The Bonds are affiliated to Euroclear's account-based system, and no physical notes have been, or will be, issued. Clearing and settlement relating to the Bonds is carried out within Euroclear's book-entry system as well as payment of interest and repayment of principal. Investors are therefore dependent on the functionality of Euroclear's account-based system for timely and accurate payment.

Risks relating to early redemption

Under the Terms and Conditions, the Company has reserved the ability to redeem all outstanding Bonds before the final redemption date. If the Bonds are redeemed before the final redemption date, the

bondholders have the right to receive an early redemption amount which exceeds the nominal amount. However, there is a risk that the market value of the Bonds is higher than the early redemption amount.

Preferential rights

Other than a SEK 500,000 security related to the Company's lease agreement, the Company currently has no other material undertakings with regard to loans from banks or other credit institutions. The Company may however in the future decide to take up loans from such institutions. Such loans may constitute a priority claim on the Company. Subject to possible restrictions in the Terms and Conditions, the Company may further decide to issue other market loans.

The Bonds are secured through a pledge over all shares in Tethys Oil Block 3&4 Ltd. granted by the Company. There can be no guarantee that the pledged assets will be sufficient for the bondholders should the pledge be realised. Other than the security created under the aforementioned pledge, the bonds represent an unsecured obligation of the Company. This means that in the event of bankruptcy, re-organisation or wind-up of the Company, the holders of the bonds normally receive payment after any priority creditors have been fully paid.

Each investor should be aware that there is a risk that an investor in the Bonds loses all or part of their investment if the Company becomes bankrupt, carries out a re-organisation or is wound-up

Bondholders' meetings

The Terms and Conditions include certain conditions regarding bondholders' meetings. Such meetings may be held in order to resolve on matters relating to the bondholders' interests. The Terms and Conditions allow for stated majorities to bind all bondholders, including bondholders who have not taken part in the meeting and those who have voted differently to the required majority at a duly convened and conducted bondholders' meeting.

Amended or new legislation

This Prospectus and the Terms and Conditions are based on Swedish law in force at the issue date. No assurance can be given on the impact of any possible future legislative measures or changes or modifications to administrative practices. Amended or new legislation and administrative practices may adversely affect the investor's ability to receive payment under the Terms and Conditions of the Bonds.

Responsibility for the information in the Prospectus

The Company issued the bond loan referred to in this Prospectus on 7 September 2012. The Prospectus has been prepared for the purpose of listing the Bonds on the corporate bond list on OMX and in accordance with the Commission Regulation (EC) no 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council and the rules and regulations in Chapter 2 of the Swedish Financial Instruments Trading Act.

The Company is responsible for the information given in this Prospectus. The Company confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the facts and contains no omissions likely to affect its import. Any information in this Prospectus and in the documents incorporated by reference which derive from third parties has, as far as the Company is aware and can be judged on basis of other information made public by that third party, been correctly represented and no information has been omitted which may serve to render the information misleading or incorrect. The board of directors is responsible for the information given in this Prospectus only under the conditions and to the extent set forth in Swedish law. The board of directors confirms that, having taken all reasonable care to ensure that such is the case, the information in this Prospectus is, to the best of the board of directors' knowledge, in accordance with the facts and contains no omissions likely to affect its import.

5 October 2012

TETHYS OIL AB (PUBL)

The Board of Directors

The Bonds in brief

This Section contains a general and broad description of the Bonds. It does not claim to be comprehensive or cover all details of the Bonds. Potential investors should therefore carefully consider this Prospectus as a whole, including documents incorporated by reference, before a decision is made to invest in the Bonds. The full terms and conditions for the Bonds can be found in the Section “Terms and Conditions for the Bonds”.

Concepts and terms defined in the Section “Terms and Conditions for the Bonds” are used with the same meaning in this summary unless otherwise is explicitly understood from the context.

The issue of the Bonds was resolved by the Company’s board of directors on 31 August 2012. The Bonds were issued through a so called private placement. The issue date for the Bonds was 7 September 2012 and the Bonds will mature on 7 September 2015 (the Final Redemption Date). No Bonds have been issued, or will be issued, after 7 September 2012 and the bond loan was subscribed in full on the Issue Date.

The Bonds have been issued in accordance with the Financial Instruments Accounts Act (Sw. *lag (1998:1479) om kontoföring av finansiella instrument*) in electronic book-entry form and are registered on behalf of the Holders on a Securities Account. No physical notes have been or will be issued. The Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Company and shall at all times rank *pari passu* without any preference among them. The main purpose of the Bond Issue is to raise funds to be applied towards general corporate purposes, whereof not less than SEK 200,000,000 shall be applied towards capital expenditures in relation to the Oman Block 3 and 4.

The bond loan amounts to a maximum of SEK 400,000,000 and is represented by Bonds, each of a nominal amount of SEK 1,000,000 or full multiples thereof. The Bonds are denominated in SEK. The ISIN for the Bonds is SE0004808129. Payment of principal, interest and, if applicable, withholding of preliminary tax will be made through Euroclear’s book-entry system.

The Company shall redeem all outstanding Bonds at 100.00 per cent of the Nominal Amount together with accrued and unpaid interest on the Final Redemption Date, unless previously redeemed, pre-paid or repurchased and cancelled in accordance with Section 9 (*Early redemption by request of the Company*), Section 10 (*Mandatory Redemption*), Section 13 (*The Group Companies’ purchase of Bonds*), Section 16 (*Change of Control*) or Section 17 (*Acceleration of the Bonds*) of the Terms and Conditions. Payment in respect of principal and interest shall be made to the person who is a Holder on the Record Date immediately preceding the relevant payment date. The right to receive payment of the Nominal Amount is time-barred and becomes void ten years from the relevant Redemption Date.

The Bonds bear interest from, but excluding, the Issue Date up to, and including, the relevant redemption date at an interest rate of 9.50 per cent per annum. The interest is paid semi-annually in arrears on each Interest Payment Date and is calculated on a 30/360-days basis. The Interest Payment Dates are 7 March and 7 September each year (with the first Interest Payment Date being 7 March 2013 and the last Interest Payment Date being the Final Redemption Date). The right to receive payment of interest is time-barred and becomes void three years from the relevant due date for payment. Swedish Trustee AB (publ) is initially acting as Bond Trustee in relation to the Bonds and, if relevant, the other Finance Documents. Even without separate authorisation from the Holders and without having to obtain any Holder’s consent (if not required to

do so under the Terms and Conditions), the Bond Trustee, or a person appointed by the Bond Trustee, is entitled to represent the Holders in every matter concerning the Bonds, the Terms and Conditions and the other Finance Documents and is authorised to act on behalf of the Holders whether or not in court or before an executive authority (including any legal or arbitration proceeding relating to the perfection, preservation, protection or enforcement of the Bonds and the other Finance Documents). Each Holder shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form and substance to the Bond Trustee's satisfaction), which the Bond Trustee deems necessary for the purpose of carrying out its duties under the Terms and Conditions and the other Finance Documents. The Bond Trustee is under no obligation to represent a Holder which does not comply with such a request of the Bond Trustee.

Each of the Company, the Bond Trustee and Holders representing at least 10 per cent of the total outstanding Nominal Amount, may request that a Holders' meeting is convened or request a procedure in writing among the Holders, see further Section 19 (*Holders' meeting and procedure in writing*) of the Terms and Conditions. Such meetings or procedures in writing can lead to that a majority decision is passed, binding on all Holders.

The Agent Agreement entered into between the Bond Trustee and the Company on or about the Issue Date regarding, *inter alia*, the remuneration payable to the Bond Trustee is available to the investors at the Company's office. As a continuing security for the due and punctual fulfilment of the Company's obligations under the Terms and Conditions and the Agent Agreement, the Company has entered into or will enter into the Pledge Agreements set out in Section 4 (*Security*) of the Terms and Conditions for the benefit of the Holders and the Bond Trustee.

If the Bonds have been declared due and payable due to an Event of Default, the available funds (including, for the avoidance of doubt, any funds originating from the enforcement of the security under the Finance Documents) shall, unless otherwise stipulated in the Finance Documents, firstly be applied towards payment of all costs and expenses incurred by the Bond Trustee, and any remuneration payable to the Bond Trustee, under the Terms and Conditions and the Agent Agreement, and secondly towards payment of interest owed by the Company to the Holders under the Terms and Conditions, and thirdly towards payment of principal owed by the Company to the Holders under the Terms and Conditions. The surplus, if any, shall promptly be transferred to the Company.

The Bonds are freely transferable and trading can occur from the Issue Date. Holders may however be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Holder may be subject (due to *e.g.* its nationality, its residency, its registered address or its place(s) of business). Each Holder must ensure compliance with applicable local laws and regulations at their own cost and expense. All Bond transfers are subject to the terms of the Terms and Conditions and the Terms and Conditions are automatically applicable in relation to all Bond transferees upon completed transfer.

To simplify trading in the Bonds, the Company intends to apply for listing of the Bonds on the corporate bond list on OMX in connection with the Swedish Financial Supervisory Authority's approval of this Prospectus. The total number of Bonds being admitted to trading if the application is approved by OMX is 400. The earliest date the Bonds may be admitted to trading is on or about 12 October 2012. The fact that an application regarding listing of the Bonds on OMX has been submitted to OMX does not mean that the

application will be approved. The Terms and Conditions include an undertaking for the Company to list the Bonds on the corporate bond list on OMX not later than one year after the Issue Date and to take all measures required to ensure that the Bonds, if listed on OMX, continue to be listed on OMX for as long as any Bond is outstanding (however, taking into account the rules and regulations of OMX and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds).

The expenses of the admission of trading of the Bonds are estimated to amount to SEK 38,000 in relation to the Swedish Financial Supervisory Authority, SEK 10,500 in relation to OMX and fees to advisors.

Pareto Öhman has acted as Issuing Agent and financial advisor to the Company in connection with the issue of Bonds and has received remuneration for its assistance from the Company.

The Company and its operations

HISTORY AND DEVELOPMENT

The Company's name is Tethys Oil AB (publ) and its corporate registration number is 556615-8266. The Company was formed on 2 August 2001 and was registered with the Swedish Companies Registration Office on 6 September 2001. The Company is a public limited liability company with its registered office in Stockholm, Sweden, and its legal form is regulated by the Swedish Companies Act (Sw. *aktiebolagslagen* (2005:551)). The registered address of the Company is Hovslagargatan 5 B, first floor, SE-111 48 Stockholm, Sweden. The shares of the Company are listed on First North (TETY) in Stockholm. Remium AB is Certified Adviser.

The object of the Company's business, which is set forth in paragraph 3 of its articles of association, 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. The current articles of association were adopted at the annual general meeting held on 25 May 2011.

Tethys Oil was founded in 2001, by Vincent Hamilton, John Hoey and Magnus Nordin and was awarded its first licence onshore Denmark in 2002. In 2003, interests in three Spanish licences were acquired. Subsequently, opportunities in Turkey were evaluated resulting in the signing of an agreement covering three Turkish licences in December 2003. A second Danish licence was awarded in 2003 and an application for an additional exploration licence in Spain was filed. Tethys Oil conducted an IPO in March 2004 and was listed for trading on Nya Marknaden (the predecessor of First North) in Stockholm on 6 April 2004.

As a public company, Tethys Oil has participated in a number of projects and depending on results some licences have been relinquished and others have been added. In 2006, Tethys Oil acquired interests in Block 15 onshore Oman which covered the Jebel Aswad ("JAS") appraisal project. Following the successful JAS-1 re-entry well, Tethys Oil proceeded to strengthen its presence in Oman by the acquisition in 2007 of interests in Omani Block 3 and 4. As a result, the Sultanate of Oman has become Tethys' main theatre of operations.

SHARE CAPITAL, SHARES AND SHAREHOLDERS

According to the articles of association, the Company's share capital shall be no less than SEK 2,000,000 and not more than SEK 8,000,000 divided into no less than 12,000,000 shares and not more than 48,000,000 shares. The Company's current share capital is SEK 5,925,625.34, divided into 35,543,750 shares, with one vote per share and each share having equal rights on distribution of income and capital. The shares are denominated in SEK. Tethys Oil does not have any incentive program for employees.

In May 2012, Tethys Oil conducted two private placements of 3,000,000 shares in total. The two private placements were made at SEK 40 per share, which corresponded to approximately 7 per cent discount to the volume weighted average share price the last trading day before the first private placement. Proceeds from the share issues amounted to SEK 120,000,000 before issue costs. The shares from the private placements were registered in May and June.¹

The shareholders of the Company as at 31 August 2012 are set out in the table below.

¹ The consolidated, unaudited interim report of the Company for the period 1 January 2012 – 30 June 2012.

Name	Number of shares*	Capital (%)
UBS AG Clients Account	4,423,725	12.45
Six Sis Ag	3,655,950	10.29
BK Julius Baer & Co Sweden	3,655,211	10.28
Pictet & Cie	1,562,692	4.4
Nordea Life & Pensions	1,215,000	3.42
MZ Investments	980,000	2.76
Skandinaviska Enskilda Banken S.A.	937,559	2.64
Försäkringsaktiebolaget, Avanza Pension	895,081	2.52
Morgan Stanley & CO LLC	872,136	2.45
Nordnet Pensionsförsäkring AB	800,709	2.25
Minotaurus Energi AS	800,000	2.25
Nordin, Magnus	659,127	1.85
BNY Mellon SA/NV	642,242	1.81
ML, Pierce, Fenner & Smith Inc.	636,990	1.79
Ancoria Insurance Public Ltd	530,780	1.49
BNP Paribas (Suisse)	530,392	1.49
Maha Resources Ltd	421,996	1.19
Grebbeshult Holding AB	406,800	1.14
Svenska Handelsbanken SA	404,450	1.14
Johnson, Bo-Axel	402,000	1.13
Total (20 largest shareholders)	24,432,840	68.74
Total (other shareholders)	11,110,910	31.26
Grand total	35,543,750	100.0

*Based on the Company's best knowledge.

BUSINESS AND OPERATIONS

Tethys Oil is a Swedish energy company, which together with its Subsidiaries is focused on exploration for and production of oil and natural gas. Tethys Oil aims to maintain a well balanced portfolio of high risk/high reward exploration opportunities coupled with lower risk exploration and appraisal development assets. The company's strategy is twofold; to explore for oil and natural gas near existing and developing markets; and to develop proven reserves that have previously been sub-economic due to location or technological reasons. As at 30 June 2012 the company had interests in licences in Oman, France, Sweden and Lithuania.

The licences of the Company are set out in the table below.

Country	Licence name	Tethys Oil (%)	Total area, km ²	Partners (operator in bold)
Oman	Block 15	40	1,389	Odin Energi , Tethys Oil
Oman	Block 3 and 4	30	33,125	CCED , Mitsui, Tethys Oil
France	Attila	40	1,986	Galli Coz , Tethys Oil
France	Alès	37.5	215	Tethys Oil , Mouvoil
Sweden	Gotland Större and Gotland Mindre	100	581	Tethys Oil
Lithuania*	Rietavas, Raseiniai	20	3,129	Odin Energi , Tethys Oil, private investors
Lithuania*	Gargzdai	25	884	Odin Energi , Tethys Oil, GeoNafta
Total			41,309	

*Tethys Oil's interests in Lithuania are held together with Odin Energi (see further Section "Odin Energi" below).

In Tethys Oil's oil and natural gas 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. Tethys Oil holds its interest directly through aforementioned agreements in Oman, France and Sweden. The agreements with host countries have a time limit and are normally divided into periods. Financial commitments and or work commitments normally relates to the different periods. Tethys Oil has fulfilled its commitments on Block 15 and Blocks 3 and 4 in Oman for the current period. In the other areas of operations the commitments are either fulfilled or there are no commitments of which Tethys Oil can be held liable for. In some of Tethys Oil's areas of interest there are requirements of work to be done or minimum expenditures in order to retain the licences, but no commitments of which Tethys Oil can be held liable for. The agreements that govern the relationship with partners are referred to as joint operating agreements. Except for Sweden where Tethys Oil is the sole licence holder, Tethys Oil has joint operating agreements 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.

Oman

Oman is Tethys Oil's core area and the Company has interests in three onshore licences covering an area exceeding 30,000 square kilometres, which makes Tethys Oil one of the largest onshore oil and gas concession-holder in Oman. For detailed information regarding partners and interests, please see the table above.

Block 3 and 4

Block 3 and 4 are situated in the eastern part of Oman and covers a combined area of more than 30,000 square kilometres. Tethys Oils' share of the production, before government take, amounts to 30 per cent and its share of the production in 2011 amounted to 423,469 barrels of oil. 22 new wells, including 18 production & appraisal wells, were drilled on the Blocks in 2011. There are two drillings rigs in operation currently working the Farha trend on Block 3, focusing on expanding into new fault blocks, as well as drilling new production and water injection wells in already producing areas.

The oil from the Farha South and Saiwan East oil fields on Block 3 and 4 has so far been produced under the Early Production System. The Field Development Plan, focused on the Farha South and Saiwan East oil fields, has been submitted to the Omani government for review and approval. Production will continue under the Early Production System until the Field Development Plan has been approved. The work on a more permanent system is making good progress with infrastructure developments. Several major units have been constructed. Tethys Oil has contingent resources on Block 3 and 4 onshore Oman. The contingent resources are only contingent on the finalization and the final approval of the Field Development Plan.

In 2009, a test was conducted to verify the mobility of the heavy oil on Saiwan East on Block 4. Liquid samples were obtained from three of the four zones tested. The Company believes that the results are cautiously encouraging, however any potential production of heavy oil in Saiwan East will require enhanced oil recovery techniques.

Agreement with Mitsui

During 2010, Tethys Oil entered into an agreement with Mitsui E&P Middle East B.V. ("**Mitsui**"), whereby Mitsui acquired 20 per cent in Block 3 and 4 onshore Oman. Apart from the cash consideration amounting to USD 20,000,000, Mitsui undertook to fund Tethys Oil's share of non-exploration related capital expenditure up to USD 60,000,000 on Blocks 3 and 4 effectively from 1 January 2010. As per 31 December 2011, Mitsui had fulfilled the undertaking and there were no remaining carry value outstanding. Mitsui will recover the USD 60,000,000 paid on behalf of Tethys Oil from the proceeds of Tethys' share of future cost recovery production entitlement. As part of the agreement Mitsui will pay to Tethys Oil a production bonus amounting to USD 10,000,000 if commercial production exceeds 10,000 barrels of oil per day for 30 consecutive days. Given that this volume has already been achieved during test production, the Company is hopeful that the rate will also be met once commercial production has been established and that the bonus payment will be paid out during 2012.² For further information, please see Section "*Recent events*" below.

² The consolidated, unaudited interim report of the Company for the period 1 January 2012 – 30 June 2012.

Block 15

Block 15 is situated in the north western part of central Oman and covers an area of about 1,400 square kilometres. Two wells have been drilled since Tethys Oil entered the licence. The JAS-2 well flowed only water when tested in 2008. In December 2011, a test was launched with the attempt to pump off the water with jet pumps and enable the well to flow hydrocarbons. The test yielded small amounts of oil and gas, but the water did not diminish. The results suggest that the hydrocarbons trapped in the JAS-2 sidetrack cannot be economically produced due to the low porosity of the reservoir rock together with the permeable water bearing fractures. Therefore the JAS 2 horizontal section is now suspended and will probably be abandoned in the future. Work will still be done on the vertical part of the well, in order to better understand the geology of the potentially hydrocarbon bearing lower Shuaiba formation, below the Natih formation. The Shuaiba formation produces gas condensate from the Wadi Rafash field in the adjacent Block 9.

The main efforts on Block 15 will focus on finding the most economic method of putting the JAS-1 well in production. JAS-1 flowed gas and condensate when tested in 2007. An extension of the 3D seismic survey shot in 2008 is also planned before drilling activities will resume.

Lithuania

Tethys Oil holds interests in three Lithuanian licences. All licences are onshore and cover some 4,000 square kilometres of the Baltic Sedimentary Basin. For detailed information regarding partners and interests, please see the table above.

The Gargzdai licence

The Gargzdai licence is located in western Lithuania. The daily gross production amounts to about 700 barrels of around 42 degree API oil. In total, 15 million barrels of oil have been produced from Cambrian sandstone reservoirs. The Gargzdai licence's proven and probable oil reserves are in excess of 6 million barrels and proven, probable and possible reserves amount to more than 12 million barrels. A reservoir study made on the licence area suggests that the reserves could be significantly increased with the use of modern alternative oil recovery techniques. The licence also holds significant unconventional hydrocarbon potential, including exposure to Silurian/Ordovician shale sections. The interest will be held in partnership with Odin Energi, giving the Company a net indirect interest of 25 per cent. For further information, please see Section "*Odin Energi*" below.

The Rietavas and Raiseiniai licences

The Rietavas licence is located close to the Gargzdai licence, with a known oil discovery in the Cambrian sandstones, the same reservoir layer which is in production in Gargzdai. The Rietavas licence is for the moment quite unexplored. The Raiseiniai licence covers a so far unexplored trend of Silurian reefs similar to, but expected to be of larger size, to the Ordovician reefs found on Gotland. The Silurian/Ordovician shale section is present also in the Rietavas and Raiseiniai licences. The interests will be held in partnership with Odin Energi, giving the Company a net indirect interest of 20 per cent. For further information, please see Section "*Odin Energi*" below.

Odin Energi

The Company has agreed with Odin Energi to acquire interests in the Lithuanian oil companies UAB Minijos Nafta, which holds the Gargzdai license, and UAB LL Investicos, which holds the Rietavas and Raiseiniai

licenses. The interests will be held in partnership with Odin Energi, giving Tethys Oil a net indirect interest of 25 per cent in UAB Minijos Nafta and 20 per cent in UAB LL Investicos. Tethys Oil acquired its 20 per cent indirect interest for USD 3,500,000, equivalent of SEK 23,951,000. The Company has received newly issued shares in an Odin group company for the holding of UAB LL Investicos. In order to enable the transfer of shares in Odin group companies for Tethys Oil's holding in UAB Minijos Nafta, a reconstruction of the Odin group is ongoing.

France

Tethys Oil has interests in two French licences, Permis du Bassin D'Alès, which is an exploration and production licence in the Alès basin in southern France and the Attila licence, located in the oil and gas producing Paris basin, some 250 kilometres east of Paris. For detailed information regarding partners and interests, please see the table above.

Permis du Bassin D'Alès

In April 2011, Tethys Oil acquired 37.5 per cent interest in a second French licence, Bassin D'Alès, from private Swiss company MouvOil S.A. Bassin D'Alès is an exploration and production licence covering 215 square kilometres in the department of Gard in southern France. The licence area covers part of the Alès basin including the Maruejols heavy oil field discovered in 1947. The field is delineated by nine wells and has produced small amounts of 14 degree API oil, during 1947-1950 and 1980-1982. The licence also covers at least two prospects with potential for conventional oil at respective depths of 1,400 and 2,000 metres. A feasibility study of a heavy oil field on the Alès licence has been launched, with a view to recommend the most suitable pilot productions system. Further, a seismic interpretation as well as reprocessing of old seismic is ongoing and a 2D seismic study as well as a first exploration well is planned for at the end of 2012.

The Attila licence

One well has been drilled on the Attila licence. The Company's objective was to find natural gas accumulations. PLM-2 spudded in 2007, and the well was drilled to a depth of 1,310 metres. During drilling, gas shows were recorded and wireline logging confirmed the indications of gas, but the well tested only a minor gas flows. The PLM-2 well is not commercial in its current state.

Sweden

The Company holds two licences in Sweden called Gotland Större and Gotland Mindre. The licences covers an area of about 581 square kilometres over the northern part of the Baltic island Gotland. For detailed information regarding partners and interests, please see the table above.

Gotland

The 2011 soil sampling survey over parts of the license area on Gotland gave encouraging results. The analysis was focused on interpreting the data from samples taken from above known reefal prospects that have been identified on existing seismic lines and have not been drilled. So far some 10 potential locations for exploratory drilling have been identified and the Company is investigating the possibility to conduct drilling operations on Gotland.

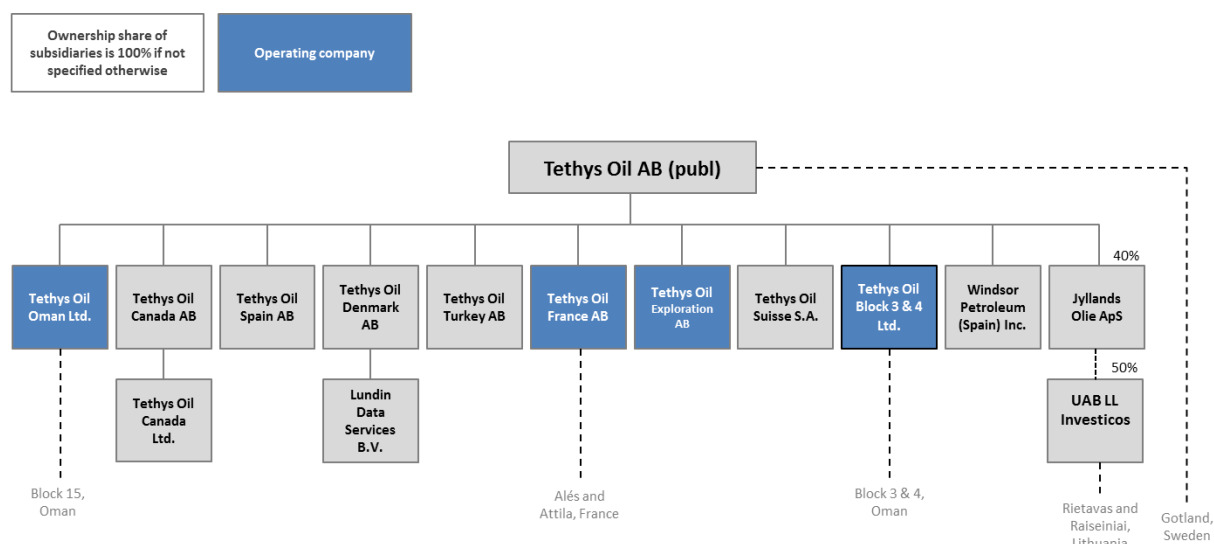
Organisation

Tethys Oil's head office is located in Stockholm, Sweden. Currently the Group has 17 employees, of which 5 persons operating out of Stockholm, 4 persons operating out of the Group's technical office in Geneva, Switzerland, 5 persons in the Group's office in Muscat, Oman and 3 persons in Dubai. The small organisation 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.

OVERVIEW OF GROUP STRUCTURE

Tethys Oil is the parent company of the Group, including the wholly owned subsidiaries Tethys Oil Oman Limited, Tethys Oil Block 3&4 Limited, Windsor Petroleum (Spain) Inc, Tethys Oil Denmark AB, Tethys Oil Canada AB, Tethys Oil Spain AB, Tethys Oil Turkey AB, Tethys Oil France AB, Tethys Oil Suisse S.A., Tethys Oil Exploration AB and the wholly owned sub-subsidiaries Tethys Oil Canada Ltd and Lundin Data Services B.V. Tethys Oil has acquired an indirect interest of 20 per cent in Lithuanian licences Rietavas and Raiseiniai. The interest is held through a 40 per cent ownership in a Danish private company, Jyllands Olie ApS, in partnership with Odin Energi holding the remaining 60 per cent. Jyllands Olie ApS in turn owns 50 per cent interest in the Lithuanian private company UAB LL Investicos. There have been no financial activities in the Jyllands Olie ApS other than the described investment in the Lithuanian company. The Company is receiving income related to the operation of and the ownership in the Subsidiaries and associated companies.

The structure of the Group is set out in the schedule below.



SHAREHOLDERS' AGREEMENTS

As far as the Company is aware, there are no shareholders' agreements or other agreements between the Company's shareholders that aims at a joint influence over the Company.

As regards the Company's associated companies, Tethys Oil and Odin Energi have entered into an investment agreement with the aim to enter mutual strategic investments in areas where each of the respective companies has expertise and enjoys a comparative advantage. As a part of this agreement, Tethys Oil has lent EUR 15,200,000, equivalent of SEK 136,278,000, to Odin Energi. The loan is secured by a pledge of 30 per cent of the share capital of Odin Energi.

RATINGS

The Company has not been awarded a credit rating from an international credit rating institute.

RECENT EVENTS

The following recent events particular to the Company are relevant to the evaluation of the Company's solvency:

- In January 2012, Tethys Oil announced the acquisition of assets in Lithuania. The acquisition of assets has decreased the Company's solvency.
- In 2012, test production from the Early Production System on Blocks 3 and 4 onshore the Sultanate of Oman has continued and amounted to 311,457 in January, 275,419 in February, 361,394 in March, 330,864 in April, 339,270 in May, 336,803 in June, 381,044 in July and 428,865 in August, corresponding to a daily production of 10,047, 9,947, 11,658, 11,029, 10,944, 11,227, 12,292 and 13,834, respectively. The rise in production from the Early Production System has increased the Company's solvency.
- In May 2012, Tethys Oil conducted two private placements of 3,000,000 shares in total. The private placements have increased the Company's solvency.
- During the first six months 2012, Mitsui received USD 26,000,000 from Tethys Oil's cost recovery. Remaining contingent liability as per 30 June 2012 amounts to USD 34,000,000 equivalent of SEK 240,097,000.³ The payments to Mitsui from Tethys Oil's cost recovery have increased the Company's solvency.
- In September 2012, the exploration well B4EW3 on Block 4 onshore Oman was successfully completed. At an initial flow test, the well flowed at a rate of 2,400 barrels of oil per day from the Khufai formation. B4EW3 has been connected to the production facilities at the Saiwan East oilfield to undergo a long term production test. The Company's solvency will increase should the long term production test lead to a rise in production.

³ The consolidated, unaudited interim report of the Company for the period 1 January 2012 – 30 June 2012.

Trends etc.

SIGNIFICANT ADVERSE CHANGES

No significant changes in the financial or trading position of the Group have occurred since the end of the last financial period for which interim financial information has been published.

There has been no material adverse change in the prospects of the Company since the date of its last published audited financial statements.

MATERIAL AGREEMENTS

The Company has not entered into any material agreement not in the ordinary course of its business and which may affect the Company's ability to fulfil its obligations under the Bonds.

LITIGATION

The Company is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) during the previous twelve months which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

Board of directors, senior management and auditors

The board of directors of the Company currently consists of seven members. Information on the members of the board of directors and the senior management, including significant assignments outside the Company, is set out below.

The business address for all members of the board of directors and the senior management is Tethys Oil AB, Hovslagargatan 5 B, first floor, SE-111 48 Stockholm, Sweden.

Telephone number to the Company's headquarter is: +46 (0)8 679 49 90

BOARD OF DIRECTORS

Vincent Hamilton (born in 1963)

Chief Operating Officer and Chairman of the board of directors since 2004 (member of the board since 2001)

Mr. Hamilton holds a Master of Science in Geology from Colorado School of Mines in Golden, Colorado.

Mr. Hamilton is also a member of the board of directors of Aladdin Middle East Ltd.⁴

Mr. Hamilton holds 2,326,955 shares in the Company through his wholly-owned company Victory Finance Ltd.

Magnus Nordin (born in 1956)

Member of the board of directors and Managing Director since 2001

Mr. Nordin holds a Bachelor of Arts from Lund University and a Master of Arts from the University of California in Los Angeles, California.

Mr. Nordin is also a member of the board of directors of the following companies: Cassandra Oil AB, Minotaurus Aktiebolag, Minotaurus Energi AS and Minotaurus Fastigheter AB. Mr. Nordin is also Chief Executive Officer of Minotaurus Fastigheter AB.

Mr. Nordin holds 1,459,127 shares in the Company (including holdings through the company Minotaurus Energi A/S).

Håkan Ehrenblad (born in 1939)

Member of the board of directors since 2003

Mr. Ehrenblad holds a Mechanical Engineer HTLS, Chemical/Paper Manufacturing from the Royal Institute of Technology, Stockholm and a PED from the Institute for Management Development (IMD), Lausanne.

Mr. Ehrenblad has no current assignments in other companies.

Mr. Ehrenblad holds 334,511 shares in the Company.

⁴ Appointments in the subsidiaries of Tethys Oil are not stated here, nor below.

John Hoey (born in 1939)

Member of the board of directors since 2001

Mr. Hoey holds a Bachelor of Science in Mechanical Engineering from the University of Notre Dame, Indiana and an MBA from Harvard University, Boston, Massachusetts.

Mr. Hoey is also Chairman of the board of directors of Mundoro Capital Inc.

Mr. Hoey holds 821,393 shares in the Company through his wholly-owned company Capge Limited.

Staffan Knafve (born in 1958)

Member of the Board of Directors since 2012

Mr. Knafve holds a Bachelor of Laws from Stockholm University.

Mr. Knafve is also member of the board of directors of Staffan Knafve Rådgivning AB and a deputy member of the board of directors of Hult & Knafve AB. Mr. Knafve is also Chairman of the Investment Committee at Coeli Asset Management and Member of the Finance Committee at the Royal Swedish Automobile Club.

Mr. Knafve holds 40,000 shares in the Company through capital insurance.

Jan Risberg (born in 1964)

Member of the board of directors since 2004

Mr Risberg holds a degree in Economics and Business Administration from Stockholm University.

Mr. Risberg has no current assignments in other companies.

Mr. Risberg holds 838,419 shares in the Company.

Katherine H. Støvring (born in 1965)

Member of the Board of Directors since 2012

Ms. Støvring holds a Master of Laws from Oslo University and an MSc in Business Management from London Business School (Sloane Programme).

Ms. Støvring is also a non-executive director at Aladdin Oil & Gas Company ASA and Panoro Energy ASA.

Ms. Støvring holds no shares in the Company.

SENIOR MANAGEMENT

Vincent Hamilton (born in 1963)

Chief Operating Officer

Mr. Hamilton is the Chief Operating Officer of the Company. For further information, please see Section “Board of Directors” above.

Magnus Nordin (born in 1956)

Managing Director

Mr. Nordin is the Managing Director of the Company. For further information, please see Section “*Board of Directors*” above.

Morgan Sadarangani (born in 1975)

Chief Financial Officer

Mr. Sadarangani is the Chief Financial Officer of the Company and has been employed since 2004.

Mr. Sadarangani holds a Master of Economics in Business Administration from Uppsala University.

Mr. Sadarangani has no current assignments in other companies.

Mr. Sadarangani holds 139,200 shares in the Company.

AUDITOR

PricewaterhouseCoopers AB is the registered accounting firm of the Company and has been the registered accounting firm of the Company for the period covered by the historical financial information. Klas Brand, born in 1956 and member of FAR SRS, is the auditor-in-charge. PricewaterhouseCoopers AB’s and Klas Brand’s business address is Torsgatan 21, SE-113 97 Stockholm, Sweden.

CONFLICTS OF INTEREST

None of the members of the board of directors or the senior management of the Company has a private interest that may be in conflict with the interests of the Company.

FINANCIAL INTERESTS

Many of the members of the board of directors and the senior management have a financial interest in the Company through their direct and/or indirect holding of shares in the Company.

MAJOR SHAREHOLDERS

As of 31 August 2012, the number of shareholders in the Company was approximately 2,200. There are no single shareholders of the Company that have a shareholding which exceeds 30 per cent of the total number of issued shares. To the extent known to the Company, the Company is not directly or indirectly controlled by any single person or entity.

Financial overview

The accounting principles applied in the preparation of the Group's consolidated financial statements are set out below and have been consistently applied to all the years presented, unless otherwise stated. The financial information for the financial years ended 31 December 2010 and 31 December 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*) and RFR 1 "Supplementary rules for groups". The annual report for the parent company has been prepared in accordance with the Annual Accounts Act and Swedish Financial Accounting Standards Council's RFR 2 "Accounting for legal entities". RFR 2 means that the parent company in the annual report for the legal entity shall apply IFRS' rules and statements as adopted by the EU, so far this is possible within the framework of the Annual Accounts Act and with regard to the connection between accounting and taxation. The recommendation states which exceptions and additions that shall be or are allowed to be made from IFRS. The accounting principles of the parent company are the same as for the Group, unless otherwise stated.

The annual reports for the financial years ending on 31 December 2010 and 31 December 2011, respectively, have been approved by the board of directors and audited by the Company's auditor.

The Company's annual reports for the financial years 2010 and 2011 have been incorporated in this Prospectus by reference; please see Section "*Documents incorporated by reference*". The Auditor's reports for the financial years ended 31 December 2010 and 31 December 2011 are incorporated through the annual reports by reference; see Section "*Documents incorporated by reference*".

Since the date of the last annual report, the Company has prepared and made available consolidated, unaudited interim reports of the Group for the period 1 January 2012 – 31 March 2012 and for the period 1 January – 30 June 2012. The consolidated, unaudited interim reports of the Group for the above periods can be obtained at the Company's website www.tethysoil.com.

Documents incorporated by reference

In this Prospectus the following documents are incorporated by reference. The documents have been handed to the Swedish Financial Supervisory Authority.

Reference	Document
Financial information regarding the Company and the Company's business, 2010	Tethys Oil's consolidated annual report for financial year ended 31 December 2010
Financial information regarding the Company and the Company's business, 2011	Tethys Oil's consolidated annual report for financial year ended 31 December 2011
Auditor's report for the financial year ended 31 December 2010	Tethys Oil's consolidated annual report for financial year ended 31 December 2010
Auditor's report for the financial year ended 31 December 2011	Tethys Oil's consolidated annual report for financial year ended 31 December 2011

Investors should read all information which is incorporated by reference in the Prospectus. The documents can be obtained in paper format at the Company's head office.

Documents available for inspection

Copies of the following documents can be obtained from the Company in paper format during the validity period of the Prospectus at the Company's head office and are also available at the Company's web site, www.tethysoil.com.

1. The articles of association of the Company
2. All documents incorporated by reference as part of the Prospectus

Terms and Conditions for the Bonds

TERMS AND CONDITIONS FOR
TETHYS OIL AB (PUBL)
MAXIMUM SEK 400,000,000
9.50% SENIOR SECURED BONDS
2012/2015

ISIN SE0004808129

Issue Date 7 September 2012

The distribution of this document and the private placement of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Company to inform themselves about, and to observe, such restrictions.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. The Bonds may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. persons.

**TERMS AND CONDITIONS FOR
TETHYS OIL AB (PUBL)
MAXIMUM SEK 400,000,000
9.50% SENIOR SECURED BONDS
2012/2015
ISIN SE0004808129**

1 Definitions

For the purpose of these Terms and Conditions the following definitions shall apply:

“Account Operator” means a bank or other party duly authorised to operate as an account operator pursuant to the Swedish Financial Instruments Accounts Act (Sw. *lag (1998:1479) om kontoföring av finansiella instrument*) and through which a Holder has opened a Securities Account in respect of the Bonds;

“Advance Purchase Agreements” means (i) an advance or deferred purchase agreement if the agreement is in respect of the supply of assets or services and payment is due not more than sixty (60) days after the date of supply, or (ii) any other trade credit incurred in the ordinary course of business;

“Agent Agreement” means the fee agreement entered into between the Bond Trustee and the Company on or about the Issue Date regarding, *inter alia*, the remuneration payable to the Bond Trustee;

“Applicable Premium” means an amount corresponding to:

- a) 104.50 per cent of the Nominal Amount; plus
- b) all remaining interest scheduled to be paid on the Bonds from, but excluding, the relevant redemption date up to and including the First Call Date;
- c) discounted (Sw. *diskonterad*) (for the time period from, but excluding, the relevant redemption date up to and including the First Call Date) using a discount rate equal to the yield of the Swedish Government Bond (SGB) 1055 with a maturity date on 30 August 2013 (or, if such bonds have been redeemed, a Swedish Government Bond

maturing on or about the First Call Date) plus
0.50 per cent; minus

d) the Nominal Amount;

- “Bank”** means Skandinaviska Enskilda Banken AB (publ), reg. no. 502032-9081, 106 40 Stockholm, Sweden;
- “Banking Day”** means a day (other than a Saturday or Sunday) on which banks are open for general business in Stockholm, Sweden;
- “Bond”** means a debt instrument of the type set forth in Chapter 1 Section 3 of the Swedish Financial Instruments Accounts Act and issued by the Company under these Terms and Conditions;
- “Bond Issue”** means the issuance of the Bonds;
- “Bond Trustee”** means the agent and security trustee under these Terms and Conditions and, if relevant, the other Finance Documents, from time to time; initially Swedish Trustee AB (publ), reg. no. 556882-1879, c/o Stiftelsen Ackordcentralen, Strandvägen 35, 114 56 Stockholm, Sweden;
- “Book Equity”** means the consolidated book-value of the Group’s aggregate shareholders’ equity according to the latest Financial Report;
- “Carry Agreement”** means the farm-in agreement entered into between the Company, Tethys Oil Block and Mitsui E&P Middle East B.V. on 19 May 2010;
- “Change of Control Event”** means the occurrence of an event or series of events whereby one or more persons, acting together, acquire control over the Company and where **“control”** means (i) acquiring or controlling, directly or indirectly, more than 50 per cent of the voting shares of the Company, or (ii) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Company;
- “Company”** Tethys Oil AB (publ), reg no. 556615-8266, Hovslagargatan 5 B, first floor, 111 48 Stockholm, Sweden;
- “Compliance Certificate”** means a certificate, in form and substance satisfactory to

the Bond Trustee, signed by the Company, and, if relevant, accompanied by a report setting out the calculations relating to the compliance certificate, certifying that so far as it is aware no Event of Default has occurred or is continuing or, if it is aware that such event has occurred or is continuing, specifying the event and steps, if any, being taken to remedy it;

- “Costs”** means the transaction costs payable by the Company to the Issuing Agent for the services provided in relation to the placement and issuance of the Bonds;
- “CSD”** means the Company’s central securities depository and registrar in respect of the Bonds from time to time, initially Euroclear;
- “Debt Service Account”** means the Company’s Swedish bank account with account number 5222 11 861 09 held with the Bank which has been pledged under the Debt Service Account Pledge Agreement;
- “Debt Service Account Pledge Agreement”** means the pledge agreement entered into between the Company and the Bond Trustee on or about the Issue Date regarding a first priority pledge over the Debt Service Account and all funds held on the Debt Service Account from time to time;
- “Early Redemption Date”** means any Banking Day after the First Call Date, but before the Final Redemption Date;
- “Early Redemption Amount”** means 104.50 per cent of the Nominal Amount if the Early Redemption Date or the Mandatory Redemption Date occurs during the period 8 September 2013 – 7 September 2014, 103.00 per cent of the Nominal Amount if the Early Redemption Date or the Mandatory Redemption Date occurs during the period 8 September 2014 – 7 March 2015 and 101.50 per cent of the Nominal Amount if the Early Redemption Date or the Mandatory Redemption Date occurs during the period 8 March 2015 – 6 September 2015;
- “EBITDA”** means, in respect of the Relevant Period, the consolidated profit of the Group from ordinary activities according to the latest Financial Report:
- a) before deducting any amount of tax on profits,

gains or income paid or payable by any member of the Group;

- b) before deducting any Net Finance Charges;
- c) not including any accrued interest owing to any member of the Group;
- d) before taking into account any exceptional items in accordance with IFRS;
- e) before taking into account any unrealized gains or losses on any derivative instrument (other than any derivative instruments which is accounted for on a hedge account basis);
- f) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising from an upward or downward revaluation of any asset;
- g) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Group which is attributable to minority interests;
- h) plus or minus the Group's share of the profits or losses of entities which are not part of the Group; and
- i) after adding back any amount attributable to the amortization, depreciation or depletion of assets of members of the Group;

“Escrow Account”

means the Company's bank account with account number 5222 33 445 50 held with the Bank, into which the Net Proceeds from the Bond Issue, under certain circumstances, will be transferred and which has been pledged in favour of the Holders under the Escrow Account Pledge Agreement;

“Escrow Account Pledge Agreement”

means the pledge agreement entered into between the Company and the Bond Trustee on or about the Issue Date regarding a first priority pledge over the Escrow Account and all funds held on the Escrow Account from time to

	time;
“Euroclear”	means Euroclear Sweden AB, reg. no. 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden; the initial CSD of the Company;
“Event of Default”	means the events, circumstances and situations set forth in Section 17.1;
“Exercise Period”	has the meaning set forth in Section 16.2;
“Final Redemption Date”	means 7 September 2015;
“Finance Charges”	means, for the Relevant Period, the aggregate amount of the accrued interest, commission, fees, discounts, payment fees, premiums or charges and other finance payments in respect of Financial Indebtedness whether paid, payable or capitalized by any member of the Group according to the latest Financial Report (calculated on a consolidated basis);
“Finance Documents”	means the Terms and Conditions, the Pledge Agreements and the Escrow Account Pledge Agreement;
“Financial Indebtedness”	means any indebtedness in respect of: <ul style="list-style-type: none"> a) the principal amount outstanding in respect of any monies borrowed or raised; b) the principal amount outstanding in respect of any Market Loan including, without limitation, pursuant to the Bonds; c) any net liability incurred under interest rate management agreements; d) any guarantee or other assurance against financial loss in respect of a type referred to in the above items; and e) any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
“Financial Report”	means the Group’s annual audited financial statements and quarterly interim unaudited reports, which shall be prepared and made available according to Section 14.1 (j)

	and 14.1 (k);
“First Call Date”	means the date falling 12 months after the Issue Date;
“Group”	means the Company and all Subsidiaries from time to time and “Group Company” means the Company or any of the Subsidiaries;
“Holder”	means a person registered on a Securities Account as holder or otherwise entitled to receive payment in respect of a Bond;
“Interest Coverage Ratio”	means the ratio of EBITDA to Net Finance Charges;
“Interest Payment Date”	means 7 March and 7 September each year (with the first Interest Payment Date on 7 March 2013 and the last Interest Payment Date being the Final Redemption Date);
“Interest Rate”	means 9.50 per cent per annum;
“Issue Date”	means 7 September 2012;
“Issuing Agent”	means the Company’s issuing agent from time to time; initially Pareto Öhman AB, reg. no. 556206-8956, P.O. Box 7415, 103 91 Stockholm, Sweden;
“Mandatory Redemption Date”	means the date falling 20 Banking Days after the Bond Trustee has notified the Company or the Company has notified the Bond Trustee, as applicable, of a Mandatory Redemption Event;
“Mandatory Redemption Event”	means an event or series of events whereby the Company’s aggregate direct and/or participating interest (Sw. <i>andel</i>) in the license related to the Oman Block 3&4 falls below 25 per cent;
“Market Loan”	means any loan or other indebtedness where an entity issues commercial paper, certificates, subordinated debentures, bonds or any other debt securities (including, for the avoidance of doubt, medium term note programmes and other market funding programmes), provided in each case that such instruments and securities are or can be subject to trade on OMX or any other regulated or unregulated recognized market place;
“Material Adverse Effect”	means a material adverse effect on (a) the business, financial condition or operations of the Group taken as a whole, (b) the Company’s ability to perform and comply with its obligations under these Terms and Conditions and

the other Finance Documents, or (c) the validity or enforceability of these Terms and Conditions or the other Finance Documents;

“Material Group Company” means the Company or a Subsidiary representing more than 5 per cent of the total assets of the Group on a consolidated basis according to the latest Financial Report;

“Net Finance Charges” means, for the Relevant Period, the Finance Charges according to the latest Financial Report, after deducting any interest payable for that Relevant Period to any member of the Group and any interest income relating to cash or cash equivalent investment;

“Net Interest Bearing Debt” means the aggregate interest bearing debt less cash and cash equivalents of the Group according to the latest Financial Report (excluding interest bearing debt borrowed from any Group Company);

“Net Proceeds” means the proceeds from the issuance of the Bonds after deduction has been made for the Costs;

“Nominal Amount” has the meaning set forth in Section 2.1;

“Oman Block 3&4” means the means Block 3 (Afar) and Block 4 (Ghunaim) as specified in the Oman exploration and production sharing agreement Block 3 (Afar) and Block 4 (Ghunaim), dated 9 February 2003, between (after transfer) the Government of the Sultanate of Oman, CC Energy Development S.A.L, Tethys Oil Block and Mitsui E&P Middle East B.V.;

“OMX” means NASDAQ OMX Stockholm AB, reg. no. 556383-9058, 105 78 Stockholm;

“Perfection Measures” means (i) that all share certificates and stock transfer forms have been provided and have been duly executed by the Company in blank in relation to the Tethys Oil Block Pledge Agreement, and (ii) that Tethys Oil Block has been notified of the pledge under the Tethys Oil Block Pledge Agreement;

“Permitted Debt” means any Financial Indebtedness:

- a) related to any Group Company's lease agreements (Sw. *hyresavtal*) or leasing agreements, provided

that such Financial Indebtedness is incurred in the ordinary course of such Group Company's business;

- b) taken up from a Group Company;
- c) arising under a foreign exchange transaction for spot or forward delivery entered into in connection with protection against fluctuation in currency rates where that foreign exchange exposure arises in the ordinary course of business or in respect of payments to be made under the Terms and Conditions or the other Finance Documents, but not a foreign exchange transaction for investment or speculative purposes;
- d) incurred under the Carry Agreement; or
- e) incurred in the ordinary course of business under Advance Purchase Agreements;

“Pledge Agreements”	means the Tethys Oil Block Pledge Agreement and the Debt Service Account Pledge Agreement;
“Put Option”	has the meaning set forth in Section 16.1;
“Put Option Redemption Amount”	has the meaning set forth in Section 16.1;
“Record Date”	means the fifth Banking Day prior to a payment date or, if at the relevant time another Banking Day is generally applied in the Swedish bond market as record date for such payment, such other Banking Day;
“Relevant Action”	has the meaning set forth in Section 18.1 (n);
“Relevant Period”	means each period of twelve (12) consecutive months;
“Securities Account”	means a securities account (Sw. <i>vp-konto</i>) in which each Holder’s holding of Bonds is registered;
“SEK”	means the lawful currency for the time being in Sweden;
“Subsidiary”	means a subsidiary of the Company according to Chapter 1, Section 11, of the Swedish Companies Act (Sw. <i>aktiebolagslagen (2005:551)</i>) (or under such other provision as may replace this provision);

“ Terms and Conditions ”	means these terms and conditions, as amended from time to time;
“ Tethys Oil Block ”	means Tethys Oil Block 3&4 Limited, registered in Gibraltar with corporate registration number 101981, Suite 1, 2nd Floor, International House, 16 Bell Lane, PO Box 872, Gibraltar;
“ Tethys Oil Block Pledge Agreement ”	means the pledge agreement entered into between the Company and the Bond Trustee on or about the Issue Date regarding a first priority pledge over all shares in Tethys Oil Block;
“ Voting List ”	has the meaning set forth in Section 19 (gg); and
“ Qualified Majority ”	has the meaning set forth in Section 19 (dd).

2 The amount of the Bonds and undertaking to make payments

- 2.1** The aggregate amount of the bond loan will be an amount of up to SEK four hundred million (400,000,000) and will be represented by Bonds, each of a nominal amount of SEK one million (1,000,000) or full multiples thereof (the “**Nominal Amount**”). The ISIN for the Bonds is SE0004808129.
- 2.2** The minimum permissible investment in connection with the Bond Issue is SEK one million (1,000,000).
- 2.3** The Company undertakes to repay the Bonds, to pay interest and to otherwise act in accordance and comply with these Terms and Conditions.
- 2.4** The Company may choose not to issue the full amount of Bonds at the Issue Date and may in such case choose to issue the remaining amount of Bonds at one or more subsequent dates. Bonds issued on subsequent date(s) may be issued at another price than the Nominal Amount.
- 2.5** The main purpose of the Bond Issue is to raise funds to be applied towards general corporate purposes, whereof not less than SEK two hundred million (200,000,000) shall be applied towards capital expenditures in relation to the Oman Block 3&4.

3 Status

The Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Company and shall at all times rank *pari passu* without any preference among them.

4 Security

- 4.1** As a continuing security for the due and punctual fulfilment of the Company’s obligations under these Terms and Conditions and the Agent Agreement, the Company has entered into or will enter into the Pledge Agreements for the benefit of the Holders and the Bond Trustee.

- 4.2** The Company shall ensure that the Pledge Agreements are duly executed by the Company in favour of the Holders (as represented by the Bond Trustee) and the Bond Trustee and that the Pledge Agreements are legally valid, perfected, enforceable and in full force and effect, subject to and in accordance with these Terms and Conditions. The Company shall execute and procure the execution of such further documentation as the Bond Trustee may reasonably require in order for the Holders and the Bond Trustee to at all times maintain the security position envisaged hereunder.
- 4.3** The Bond Trustee will hold the security created under the Pledge Agreements on behalf of itself and the Holders in accordance with these Terms and Conditions and the terms and conditions of the Pledge Agreements. Upon request from the Company, the Bond Trustee may, at its own discretion, release funds from the Debt Service Account in order for the Company to pay principal or interest on the Bonds under these Terms and Conditions.
- 4.4** Except if otherwise decided by the Holders according to the procedures set out in Section 19 (Holders' meeting and procedure in writing), the Bond Trustee is, without first having to obtain the Holders' consent, entitled to enter into binding agreements with the Company, the Subsidiaries or third parties if it is, in the Bond Trustee's sole discretion, necessary for the purpose of maintaining, releasing or enforcing the security created under the Pledge Agreements or for the purpose of settling the various Holders' relative rights to the security created under the Pledge Agreements, respectively.
- 4.5** If the Bonds are declared due and payable according to Section 17, the Bond Trustee is, without first having to obtain the Holders' consent, entitled to enforce the security created under the Pledge Agreements, in such manner and under such conditions that the Bond Trustee finds acceptable (if in accordance with the terms of the Pledge Agreements).
- 4.6** If a Holders' meeting has been convened to decide on the termination of the Bonds and/or the enforcement of all or any of the security created under the Pledge Agreements, the Bond Trustee is obliged to take actions in accordance with the Holders' decision regarding the security created under the Pledge Agreements. However, if the Bonds are not terminated due to that the cause for termination has ceased or due to any other circumstance mentioned in these Terms and Conditions, the Bond Trustee shall not enforce any of the security created under the Pledge Agreements. If the Holders, without any prior initiative from the Bond Trustee or the Company, have made a decision regarding termination of the Bonds and enforcement of any of the security created under the Pledge Agreements in accordance with the procedures set out in Section 19, the Bond Trustee shall promptly declare the Bonds terminated and enforce such security. The Bond Trustee is however not liable to take action if the Bond Trustee considers cause for termination and/or acceleration not to be at hand, unless the instructing Holders in writing commit to holding the Bond Trustee indemnified and, at the Bond Trustee's own discretion, grant sufficient security for the obligation.
- 4.7** Funds originating from an enforcement of any or all of the security created under the Pledge Agreements shall be distributed in proportion to each Holder's investment in the Bonds. Funds that the Bond Trustee receives on account of the Holders in connection with the enforcement of any or all of the security created under the Pledge Agreements constitute escrow funds (Sw. *redovisningsmedel*) according to the Escrow Funds Act (Sw. *lag (1944:181) om redovisningsmedel*) and must be held on a separate account on behalf of the Holders. The Bond Trustee shall promptly arrange for payments

to be made to the Holders in such case. If the Bond Trustee deems it appropriate, it may, in accordance with Section 4.8, instruct the CSD to arrange for payment to the Holders.

- 4.8** For the purpose of exercising the rights of the Holders and the Bond Trustee under these Terms and Conditions and for the purpose of distributing any funds originating from the enforcement of any security created under the Pledge Agreements, the Company irrevocably authorises and empowers the Bond Trustee to act in the name of the Company, and on behalf of the Company, to instruct the CSD to arrange for payment to the Holders in accordance with Section 4.7. To the extent permissible by law, the powers set out in this Section 4.8 are irrevocable and shall be valid for as long as any Bonds remain outstanding. The Company shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form and substance to the Bond Trustee's satisfaction), which the Bond Trustee deems necessary for the purpose of carrying out its duties under Section 4.7. Especially, the Company shall, upon the Bond Trustee's request, provide the Bond Trustee with a written power of attorney empowering the Bond Trustee to change the bank account registered with the CSD to a bank account in the name of the Bond Trustee and to instruct the CSD to pay out funds originating from an enforcement in accordance with Section 4.7 to the Holders through the CSD.

5 The Bonds and transferability

- 5.1** Each Holder is bound by these Terms and Conditions and, where relevant, the other Finance Documents without there being any further actions required to be taken or formalities to be complied with.
- 5.2** The Bonds are freely transferable. All Bond transfers are subject to the terms of these Terms and Conditions and these Terms and Conditions are automatically applicable in relation to all Bond transferees upon completed transfer. Further, any rights and obligations under the other Finance Documents relating to Bonds which are also automatically transferred upon a transfer of Bonds.
- 5.3** Holders may however be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Holder may be subject (due to *e.g.* its nationality, its residency, its registered address or its place(s) for business). Each Holder must ensure compliance with local laws and regulations applicable at their own cost and expense.
- 5.4** Upon a transfer of Bonds, any rights and obligations under the Pledge Agreements and the Escrow Account Pledge relating to such Bonds are automatically transferred to the transferee.
- 5.5** The Bonds have not been registered under the US Securities Act and the Company is under no obligation to arrange for registration of the Bonds under the US Securities Act or under any other law or regulation.

6 Bonds in electronic book-entry form

- 6.1** The Bonds will be issued in accordance with the Financial Instruments Accounts Act in electronic book-entry form and will be registered on behalf of the Holders on a Securities Account. No physical notes will be issued. Registration requests relating to the Bonds shall be directed to an Account

Operator. Those who, according to assignment, pledge, the provisions of the Swedish Children and Parents Code (Sw. *Föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Bond shall register their entitlement to receive payment in accordance with the Swedish Financial Instruments Accounts Act.

- 6.2** The Company shall be entitled to obtain information from the register kept by the CSD in respect of the Bonds (Sw. *skuldbok*). At the request of the Bond Trustee or the Issuing Agent, the Company shall request and provide such information to the Bond Trustee or the Issuing Agent or provide the Bond Trustee or the Issuing Agent with a power of attorney to obtain the relevant information.

7 Payments of principal and interest

- 7.1** Payment of the Nominal Amount and/or interest will be made to the person who is a Holder on the Record Date immediately preceding the relevant payment date.
- 7.2** If a Holder has registered, through an Account Operator, that capital and interest shall be paid to a designated bank account, such payment will, subject to Section 7.3 be effected by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Holder at the address registered with the CSD on the Record Date.
- 7.3** If a day on which an amount becomes due and payable is not a Banking Day the amount will be deposited or transferred the next following Banking Day. However, interest only accrues up to and including the relevant due date.
- 7.4** Should the CSD, due to a delay on behalf of the Company or some other obstacle, not be able to effect the payment of any amounts according to this Section 7, the CSD will pay such amount to the Holders as soon as possible after such obstacle has been removed. For the avoidance of doubt, payment will be made to the person registered as Holder on the Record Date immediately preceding the actual payment date.
- 7.5** If a person to whom payment has been made in accordance with this Section 7 was not entitled to receive such payment, the Company and the CSD shall nevertheless be deemed to have fulfilled their obligations, provided that the Company and/or the CSD did not have knowledge that such payment was made to a person not entitled to receive such amount and provided that the Company and/or the CSD acted with normal care.
- 7.6** The Company may not apply or perform any counterclaims or set-off against any payment obligations under these Terms and Conditions.

8 Redemption at maturity

The Company shall redeem all outstanding Bonds at 100.00 per cent the Nominal Amount on the Final Redemption Date.

9 Early redemption by request of the Company

- 9.1** The Company may redeem all, but not only some, of the Bonds early on any Banking Day falling after the Issue Date, but before the Final Redemption Date. The Company can exercise its option by giving the Holders not less than thirty (30) days' notice in accordance with Section 24. The notice shall be irrevocable and state the redemption date and the relevant Record Date.
- 9.2** If the Bonds are redeemed on or before the First Call Date, the Bonds shall be redeemed at the Nominal Amount plus the Applicable Premium, together with accrued and unpaid interest in accordance with Section 11 from, but excluding, the preceding Interest Payment Date (or if such date has not occurred, the Issue Date) up to and including the redemption date.
- 9.3** If the Bonds are redeemed after the First Call Date, the Bonds shall be redeemed at the relevant Early Redemption Amount together with accrued and unpaid interest in accordance with Section 11 from, but excluding, the preceding Interest Payment Date up to and including the relevant Early Redemption Date.

10 Mandatory redemption

- 10.1** The Company is obligated to redeem all, but not only some, of the Bonds upon the occurrence of a Mandatory Redemption Event. The Bonds shall be redeemed on the Mandatory Redemption Date.
- 10.2** If the Mandatory Redemption Date occurs on or before the First Call Date, the Bonds shall be redeemed at the Nominal Amount plus the Applicable Premium, together with accrued and unpaid interest in accordance with Section 11 from, but excluding, the preceding Interest Payment Date (or if such date has not occurred, the Issue Date) up to and including the relevant redemption date.
- 10.3** If the Mandatory Redemption Date occurs after the First Call Date, the Bonds shall be redeemed at the relevant Early Redemption Amount together with accrued and unpaid interest in accordance with Section 11 from, but excluding, the preceding Interest Payment Date up to and including the relevant Mandatory Redemption Date.

11 Interest

The Bonds will bear interest at the Interest Rate applied to the Nominal Amount from, but excluding, the Issue Date up to and including the relevant redemption date. The interest shall be paid in arrears on each Interest Payment Date and shall be calculated on a 30/360-days basis.

12 Default interest

- 12.1** If the Company fails to pay any amount due under these Terms and Conditions, the Company shall pay default interest on such amount at a rate corresponding to the Interest Rate plus two (2) percentage points, from, but excluding, the date such payment was due, up to and including the date of actual payment. Accrued default interest shall not be capitalized.
- 12.2** If the delay is due to an obstacle for the Company, the Bond Trustee, the CSD or the Issuing Agent respectively as set out in Section 26.1 the default interest shall not exceed the relevant Interest Rate.

13 The Group Companies' purchase of Bonds

- 13.1** The Group Companies may at any time purchase Bonds. Bonds held by the Company or any of the other Group Companies may at the Company's or such other Group Company's discretion, as applicable, be retained or sold or, if held by the Company, be cancelled.
- 13.2** Bonds held by the Company or any other Group Company will as long as they are so held not carry the right to attend and vote at the Holders' meetings and will not be taken into account, *inter alia*, for the purposes of Section 19.

14 Special undertakings

- 14.1** So long as any Bonds remain outstanding, or until such other date as set forth below, the Company undertakes:
- (a) not to, and to procure that none of the Subsidiaries, for any year (i) pay any dividend on shares, (ii) repurchase any of its own shares, (iii) redeem its share capital or other restricted equity with repayment to shareholders, or (iv) make any other similar distribution to the shareholders of the Company or the respective Subsidiary, provided however that any transaction mentioned in (i) – (iv) can be made by a Subsidiary to its shareholders if such transaction is made on a pro rata basis;
 - (b) to ensure that the Bonds are listed at the corporate bond list on OMX not later than one year after the Issue Date and to take all measures required to ensure that the Bonds, once listed on OMX, continue being listed on OMX (however, taking into account the rules and regulations of OMX and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds);
 - (c) to procure that no substantial change is made to the general nature of the business as carried on by the Group Companies on the Issue Date;
 - (d) to ensure (i) that the ratio of Net Interest Bearing Debt to EBITDA is not greater than 3.0, (ii) that the Interest Coverage Ratio always exceeds 2.5, and (iii) that the ratio of Net Interest Bearing Debt to Book Equity is not greater than 1.0;
 - (e) not to, and to procure that none of the Subsidiaries, incur any additional Financial Indebtedness, provided however that the Group Companies have a right to incur (a) Financial Indebtedness if such Financial Indebtedness (i) is subordinated to the obligations of the Company under the Terms and Conditions and the Agent Agreement, and (ii) has a final redemption date or, when applicable, early redemption dates or instalment dates which occur after the Final Redemption Date, and (b) Permitted Debt. If a Subsidiary incur Financial Indebtedness which is not a Permitted Debt, such Financial Indebtedness must be subordinated to the obligations of the Company under the Terms and Conditions and the Agent Agreement according to an intercreditor agreement entered into between the relevant Subsidiary, the Company, the Bond Trustee, the Holders (as represented by the Bond Trustee) and the relevant creditor;

- (f) to ensure (i) that SEK 57,000,000 has been deposited on the Debt Service Account in connection with the disbursement of the Net Proceeds to the Company and (ii) that no funds are transferred from the Debt Service Account, except to pay principal or interest on the Bonds under the Terms and Conditions;
- (g) not to, and to procure that no Material Group Company, sell or otherwise dispose of shares in any Material Group Company or all or of a substantial part of its or that Material Group Company's assets, or operations to any person not being the Company or any of its wholly-owned Subsidiaries, unless the transaction is carried out at fair market value and on terms and conditions customary for such transaction and provided that it does not have a Material Adverse Effect;
- (h) not to, and to procure that none of the Subsidiaries, provide, prolong or renew any guarantee or security over any of its/their assets (present or future) to secure any loan or other indebtedness, provided however that the Group Companies have a right to provide, prolong and renew any guarantee or security (i) created in accordance with the Terms and Conditions, (ii) arising by operation of law or in the ordinary course of business (including collateral or retention of title arrangements in connection with Advance Purchase Agreements), (iii) provided in relation to any lease agreement entered into by a Group Company, or (iv) provided under the Carry Agreement;
- (i) to take all measures required to ensure (i) that its shares continue being listed on First North on OMX for as long as any Bond is outstanding, or (ii) that its shares are listed on a regulated market place in Sweden and continue being listed on such market place for as long as any Bond is outstanding;
- (j) to prepare and make available the annual audited consolidated financial statements of the Group, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Company's board of directors, on its website not later than four (4) months after the expiry of each financial year. When the Bonds have been listed on OMX, the report shall, in addition, be prepared in accordance with IFRS and made available in accordance with the rules and regulation of OMX (as amended from time to time) and the Swedish Securities Market Act (*Sw. lag (2007:528) om värdepappersmarknaden*);
- (k) to prepare and make available the quarterly interim unaudited consolidated reports of the Group, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Company's board of directors, on its website not later than two (2) months after the expiry of each relevant interim period. When the Bonds have been listed on OMX, the report shall, in addition, be prepared in accordance with IFRS and made available in accordance with the rules and regulation of OMX (as amended from time to time) and the Swedish Securities Market Act; and
- (l) to issue a Compliance Certificate to the Bond Trustee (i) in connection with that the quarterly interim unaudited report is made available, and (ii) within twenty (20) days from the Bond Trustee's request.

14.2 The Bond Trustee (acting on behalf of the Holders) is entitled to waive, partly or in full, the provisions in Section 14.1 if satisfactory collateral or other security arrangements, in the Bond Trustee's absolute discretion, are provided in respect of the Company's proper discharge of its obligations under the Bonds.

14.3 The Company undertakes to notify the Bond Trustee of any transaction mentioned in Section 14.1(g) and to, upon request by the Bond Trustee, provide the Bond Trustee with any information relating to the transaction which the Bond Trustee deems necessary.

15 Escrow and conditions precedent for disbursement of the net proceeds

15.1 If the Tethys Oil Block Pledge Agreement has not been duly executed and/or if the Perfection Measures have not been completed on the Issue Date, the Net Proceeds shall be transferred to the Escrow Account by the Issuing Agent. For the purpose of securing that the Tethys Oil Block Pledge Agreement will be duly executed and that the Perfection Measures will be completed, the Escrow Account has been pledged in favour of the Bond Trustee and the Holders (as represented by the Bond Trustee) under the Escrow Account Pledge Agreement.

15.2 When the Tethys Oil Block Pledge Agreement has been duly executed and the Perfection Measures have been completed to the satisfaction of the Bond Trustee, the Bond Trustee shall release the pledge created under the Escrow Account Pledge Agreement.

16 Change of Control

16.1 Upon a Change of Control Event, each Holder shall have a right of pre-payment (a "**Put Option**") of its Bonds at a price of 101.00 per cent of the Nominal Amount together with accrued interest in accordance with Section 11 from, but excluding, the preceding Interest Payment Date (or if such date has not occurred, the Issue Date) up to and including the relevant settlement date of the Put Option (the "**Put Option Redemption Amount**").

16.2 The Company shall notify the Bond Trustee and the Holders of the occurrence of a Change of Control Event as soon as possible after the Company has become aware of the Change of Control Event. The Put Option must be exercised by the Holders, by giving the Bond Trustee and the Issuing Agent written notice in accordance with Section 24, within sixty (60) calendar days after the Company has given such notification to the Bond Trustee and the Holders (the "**Exercise Period**"). Bonds held by a Holder who has exercised the Put Option shall be blocked from transactions by way of transferring the Bonds to the Issuing Agent (to an account specified by the Issuing Agent in a notice given to the Holders).

16.3 The Bond Trustee shall notify the Company of any pre-payment request made in accordance with this Section 16 as soon as possible after the request has been made. The Company shall redeem all Bonds to be redeemed pursuant to this Section 16 on the settlement date of the Put Option which shall occur twenty (20) Banking Days following the Exercise Period.

16.4 On the settlement date of the Put Option, the Issuing Agent shall, on behalf of the Company, arrange for payment to be made of the Put Option Redemption Amount to each of the Holders which hold Bonds to be pre-paid and which have been blocked as set out in Section 16.2.

17 Acceleration of the Bonds

17.1 The Bond Trustee is entitled, on behalf of the Holders, to terminate the Bonds and to declare all but not only some of the Bonds due for payment immediately or at such later date as the Bond Trustee determines (such later date not falling later than twenty (20) Banking Days from the date on which the Bond Trustee made such declaration), if (as notified by the Company or as otherwise determined by the Bond Trustee (acting reasonably)):

- (a) the Company fails to pay an amount on the date it is due in accordance with these Terms and Conditions unless its failure to pay is due to an existence of an obstacle for the Company as set out in Section 26.1 or payment is made within five (5) Banking Days of the due date;
- (b) the conditions precedent for disbursement set out in Section 15.2 have not been fulfilled to the satisfaction of the Bond Trustee prior to 31 December 2012;
- (c) the Company does not comply with these Terms and Conditions in any other way than as set out under a) above or with the other Finance Documents, provided that the Bond Trustee has requested the Company in writing to remedy such failure and the Company has not remedied the failure within fifteen (15) Banking Days from such request (if in the opinion of the Bond Trustee (acting reasonably), the failure or violation is not capable of being remedied, the Bond Trustee may declare the Bonds payable without such prior direction);
- (d)
 - (i) any Financial Indebtedness of any Material Group Company is not paid when due or within any originally applicable grace period;
 - (ii) an event of default, howsoever described (or any event which with the giving of notice, lapse of time, determination of materiality or fulfilment of any other applicable condition or any combination of the foregoing would constitute such an event of default) occurs under any document relating to Financial Indebtedness of any Material Group Company; or
 - (iii) any security interest securing Financial Indebtedness over any asset of any Material Group Company becomes enforceable;

provided however that the amount of Financial Indebtedness referred to under (i), (ii) and/or (iii), individually or in the aggregate exceeds an amount corresponding to SEK ten million (10,000,000);

- (e)
 - (i) any Material Group Company is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law, suspends making

payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors with a view to rescheduling its Financial Indebtedness; or

(ii) a moratorium is declared in respect of the Financial Indebtedness of any Material Group Company;

(f) any corporate action, legal proceedings or other procedures are taken (other than proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within thirty (30) days of commencement or, if earlier, the date on which it is advertised) in relation to:

(i) the suspension of payments, winding-up, dissolution, administration or reorganisation (Sw. *företagsrekonstruktion*) (by way of voluntary agreement, scheme of arrangement or otherwise) of any Material Group Company;

(ii) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any Material Group Company or any of its assets; or

(iii) any analogous procedure or step is taken in any jurisdiction;

(g) any Material Group Company is demerged or merged into a company which is not a Group Company, unless the Bond Trustee has given its consent (not to be unreasonably withheld or delayed) in writing prior to the merger and/or demerger (where consent is not to be understood as a waiver of the rights that applicable law at the time assigns the concerned creditors);

(h) any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of any Material Group Company having an aggregate value of an amount equal to SEK ten million (10,000,000) and is not discharged within thirty (30) days;

(i) it is or becomes impossible or unlawful for the Company to fulfil or perform any of the provisions of these Terms and Conditions or the other Finance Documents or if the obligations under such documents are not, or cease to be, legal, valid, binding and enforceable; or

(j) the Company or any other Material Group Company ceases to carry on its business (except if due to a merger or demerger as stipulated in (g) above).

17.2 If the Bonds are declared due and payable, the Company shall redeem the Bonds at a redemption amount equal to the Bonds' Nominal Amount plus the accrued interest, if any, pursuant to Section 11 from, but excluding, the preceding Interest Payment Date (or, if such date has not occurred, the Issue Date), up to and including the payment date.

17.3 Termination for payment prematurely on the grounds mentioned in Sections 17.1 (b), (c) and (d), above or, regarding any of the Subsidiaries, on the grounds mentioned in Sections 17.1 (e), (f), (g),

(h), (i) and (j) may only occur if the nature of the particular circumstance is such that it would have a Material Adverse Effect and that the cause of termination is continuing at the time of the Bond Trustee's declaration. However, if a moratorium occurs, the ending of that moratorium will not prevent termination for payment prematurely on the ground mentioned in Section 17.1 (e).

- 17.4** If the right to termination is based upon a decision of a court of law, a government authority or an annual general meeting, it is not necessary that the decision has acquired legal force or that the period of appeal has expired in order for cause of termination to be deemed to exist.
- 17.5** The Company is obliged to inform the Bond Trustee immediately if any circumstance of the type specified in Section 17.1 should occur. Should the Bond Trustee not receive such information, the Bond Trustee is entitled to assume that no such circumstance exists or can be expected to occur, provided that the Bond Trustee does not have knowledge of such circumstance, and the Bond Trustee is under no obligations to make any investigations relating to the circumstances specified in Section 17.1. The Company shall further provide the Bond Trustee with such details as the Bond Trustee may request regarding any circumstances referred to in Section 17.1 and provide, at the request of the Bond Trustee, all documents that may be of significance in the application of this Section 17.
- 17.6** The Company is only obliged to inform the Bond Trustee according to Section 17.5 if informing the Bond Trustee would not conflict with any statute or, when the Bonds are listed, the Company's registration contract with OMX.
- 17.7** If the Bond Trustee has been notified by the Company or has otherwise determined that there is a default under these Terms and Conditions according to Section 17.1, the Bond Trustee shall decide, within ten (10) Banking Days of the day of notification or determination, if the Bonds shall be declared terminated. If the Bond Trustee has decided not to terminate the Bonds, the Bond Trustee shall, at the earliest possible date, notify the Holders that right to termination is at hand and obtain instructions from the Holders according to the provisions in Section 19. If the Holders decide for termination to occur, the Bond Trustee shall promptly declare the Bonds terminated. However, if the cause for termination according to the Bond Trustee's appraisal has ceased before the termination, the Bond Trustee shall not terminate the Bonds. The Bond Trustee shall in such case, at the earliest possible date, notify the Holders that the cause for termination has ceased.
- 17.8** If the Holders, without any prior initiative from the Bond Trustee or the Company, have made a decision regarding termination in accordance with Section 19, the Bond Trustee shall promptly declare the Bonds terminated. The Bond Trustee is however not liable to take action if the Bond Trustee considers cause for termination not to be at hand, unless the instructing Holders in writing commit to holding the Bond Trustee indemnified and, at the Bond Trustee's own discretion, grant sufficient security for the obligation.
- 17.9** If the Bonds are declared due and payable in accordance with the provisions in this Section 17, the Bond Trustee shall take every measure necessary to recover the amounts under the Bonds.
- 17.10** For the avoidance of doubt, the Bonds cannot be terminated and become due for payment prematurely according to this Section 17 without relevant decision by the Bond Trustee or by the Holders' meeting pursuant to Section 19.

18 The Bond Trustee's right to represent the Holders, the authority of the Bond Trustee etc.

18.1 The Bond Trustee's right to represent the Holders

- (k) Even without a separate authorisation from the Holders and without having to obtain any Holders' consent (if not required to do so under these Terms and Conditions), the Bond Trustee, or a person appointed by the Bond Trustee, is entitled to represent the Holders in every matter concerning the Bonds, these Terms and Conditions and the other Finance Documents and is authorised to act on behalf of the Holders whether or not in court or before an executive authority (including any legal or arbitration proceeding relating to the perfection, preservation, protection or enforcement of the Bonds and the other Finance Documents).
- (l) Each Holder shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form and substance to the Bond Trustee's satisfaction), which the Bond Trustee deems necessary for the purpose of carrying out its duties under these Terms and Conditions and the other Finance Documents. The Bond Trustee is under no obligation to represent a Holder which does not comply with such request of the Bond Trustee.
- (m) Other than to the extent expressly provided for under these Terms and Conditions, no Holder may take any actions whatsoever on its own against the Company in matters relating to the Bonds, these Terms and Conditions and the other Finance Documents. Further, no Holder may take any legal steps whatsoever to recover any amount due or owing to it pursuant to these Terms and Conditions and the other Finance Documents, or file an application for, or otherwise take any legal steps in respect of, the winding-up, bankruptcy, or liquidation of the Company or the making of an administration order in relation to the Company or the service of a notice of intention to appoint an administrator in relation to the Company in respect of any of the liabilities of the Company whatsoever under these Terms and Conditions and the other Finance Documents, other than to the extent expressly permitted under these Terms and Conditions.
- (n) Notwithstanding Section 18.1 (m) and without having to observe the provisions in Section 17 and 18.1, the Holders may jointly (i) take actions to enforce their rights under these Terms and Conditions and the other Finance Documents against the Company if the Bond Trustee does not have legal right (Sw. *talerätt*) to bring an action or initiate a procedure under or in connection with these Terms and Conditions or the other Finance Documents before any courts or other authorities and if the Bond Trustee has not been granted a power of attorney to do so, (ii) take any actions which the Bond Trustee has refrained from taking if the Bond Trustee has been instructed in accordance with these Terms and Conditions to take such actions and the Bond Trustee has refrained from taking the actions within a reasonable time in breach of these Terms and Conditions, and (iii) represent their own holdings of Bonds against the Company if the Bond Trustee has notified the Holders that it will not take further actions in accordance with Section 18.4 ((i), (ii) and (iii) are together and individually referred to as a "**Relevant Action**"). However, any Relevant Action may only be taken after a

Holders' meeting has decided to take such action. The Holders' meeting shall be convened in accordance with these Terms and Conditions. A Holders' meeting pursuant to this Section can however be convened by the Bond Trustee (or by a Holder in accordance with Section 19 (II)) irrespective of whether the requesting Holders represents 10 per cent of the total outstanding Nominal Amount or not. Further, a resolution at a Holders' meeting in accordance with this Section 18.1 (n) may be passed with simple majority.

18.2 The role and authority of the Bond Trustee

- (o) The Bond Trustee shall monitor the compliance by the Company of its obligations under these Terms and Conditions and shall act as security trustee under the other Finance Documents. The Bond Trustee shall further arrange any Holders' meetings that shall be held in accordance with Section 19 and implement any decisions which have been taken on such meetings or otherwise under these Terms and Conditions. The Bond Trustee is not obligated to assess the Company's financial situation beyond what is directly set forth in these Terms and Conditions. The Bond Trustee shall carry out its duties under these Terms and Conditions and the other Finance Documents in a reasonable, proficient and professional manner and with reasonable care and skill.
- (p) In its capacity as security trustee, the Bond Trustee shall hold and, if applicable, enforce any security created under the Finance Documents on behalf of the Holders and shall monitor the compliance by the Company and other relevant parties of their respective obligations under these Terms and Conditions and/or the other Finance Documents with respect to the security interests created under the Finance Documents.
- (q) In performing its obligations, the Bond Trustee has a right to take any steps that it, in its sole discretion, deems necessary or appropriate to ensure and preserve the rights of the Holders under these Terms and Conditions and the other Finance Documents, but does not have a right to adopt resolutions which give certain Holders, or any other persons, an unreasonable advantage at the expense of another Holder or Holders. The Bond Trustee may, in its sole discretion, postpone taking any action until the matter has been decided upon at a Holders' meeting.
- (r) The Bond Trustee may act as agent and/or security trustee for several bond issues relating to the Company notwithstanding potential conflicts of interest. The Bond Trustee may delegate exercise of its powers to other professional parties.
- (s) For the avoidance of any doubt, the Bond Trustee is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality. Further, the obligations of the Bond Trustee does not limit the Bond Trustee's right to discuss matters with the Company that are confidential in nature and which are not made public to the Holders.
- (t) The Bond Trustee may engage, pay for and rely upon the advice or services of any lawyers, accountants or other experts where such advice or services are reasonably required to fulfil its obligations under these Terms and Conditions and the other Finance Documents. The costs

for such third party advice shall be borne by the Company. The Bond Trustee is however obliged to always inform the Company prior to engaging any third party experts.

18.3 Replacement of Bond Trustee and Issuing Agent

- (u) The Bond Trustee and the Issuing Agent can be replaced by another Bond Trustee and/or Issuing Agent by the Holders in accordance with the procedures set out in Section 19.
- (v) The Bond Trustee may resign as agent and security trustee and/or transfer its position as agent and security trustee at any time, provided that no resignation by the Bond Trustee shall take effect until a new Bond Trustee has been appointed by the Company. If the Company has not appointed a new Bond Trustee within thirty (30) days after the Bond Trustee has given the Company notice of its resignation, the Bond Trustee has the right to appoint a new Bond Trustee. Until the resigning Bond Trustee has been replaced by a new Bond Trustee, the resigning Bond Trustee shall perform all its obligations under these Terms and Conditions and the other Finance Documents. When a new Bond Trustee has been appointed, the resigning Bond Trustee shall bear no responsibility for acts or omissions during the time after the replacement of the Bond Trustee but shall continue to enjoy the rights under these Terms and Conditions and the other Finance Documents. The Bond Trustee's successor, the Company, the Issuing Agent and the Holders shall have the same rights and obligations among themselves as they would have had if such successor would have been the original Bond Trustee.
- (w) The Issuing Agent may resign as issuing agent and/or transfer its position as issuing agent at any time, provided that no resignation by the Issuing Agent shall take effect until a new Issuing Agent has been appointed by the Company. If the Company has not appointed a new Issuing Agent within thirty (30) days after the Issuing Agent has given the Company notice of its resignation, the Issuing Agent has the right to appoint a new Issuing Agent. Until the resigning Issuing Agent has been replaced by the new Issuing Agent, the resigning Issuing Agent shall perform all its obligations under these Terms and Conditions. When a new Issuing Agent has been appointed, the resigning Issuing Agent shall bear no responsibility for acts or omissions during the time after the replacement of the Issuing Agent but shall continue to enjoy the rights under these Terms and Conditions. The Issuing Agent's successor, the Company, the Bond Trustee and the Holders shall have the same rights and obligations among themselves as they would have had if such successor would have been the original Issuing Agent.
- (x) If the Bond Trustee or the Issuing Agent is subject to bankruptcy or financial reconstruction according to law or regulations from a supervising authority, the Company shall immediately appoint a new Bond Trustee or Issuing Agent which immediately shall replace the present Bond Trustee or Issuing Agent as Bond Trustee or Issuing Agent in accordance with these Terms and Conditions and the other Finance Documents.
- (y) The Company may also appoint a new Bond Trustee or Issuing Agent which immediately shall replace the present Bond Trustee or Issuing Agent, if the Bond Trustee or Issuing Agent

has, in a material way, failed to fulfil its obligations under these Terms and Conditions or the other Finance Documents and does not, within a reasonable time, remedy such failure after the Company has made the Bond Trustee or the Issuing Agent aware thereof. If a new Bond Trustee is appointed, the Company may recover all costs, remuneration, fees and expenses payable by the Company in relation to the new Bond Trustee under Sections 18.2 (t), 18.4 and 20 from the replaced Bond Trustee, provided that such costs, remuneration, fees and expenses exceed the costs, remuneration, fees and expenses that would have been payable if the Bond Trustee had not been replaced.

- (z) If the Bond Trustee or the Issuing Agent have resigned or been replaced in accordance with Sections 18.3 (u) – (y), the Bond Trustee and the Issuing Agent shall deliver all documents and provide all information to the new Bond Trustee or Issuing Agent that are necessary for them to perform their obligations under these Terms and Conditions or the other Finance Documents.

18.4 Remuneration for the Bond Trustee

The Bond Trustee is, according to the Agent Agreement, entitled to receive remuneration from the Company for acting as Bond Trustee in accordance with these Terms and Conditions and the other Finance Documents. If the Bond Trustee, based on good reasons, believes that the Company is or will become insolvent and not be able to reimburse the Bond Trustee for its costs and expenses (taking into account Section 23.1), the Bond Trustee is entitled to reserve reasonable remuneration from the Holders for its continued work in accordance with these Terms and Conditions and the other Finance Documents, save that the Bond Trustee shall make the arrangements stated in Sections 17.7 – 17.8 without first having received remuneration or being indemnified by the Holders.

19 Holders' meeting and procedure in writing

- (aa) Each of the Company, the Bond Trustee and Holders representing at least 10 per cent of the total outstanding Nominal Amount, may request that a Holders' meeting is convened or request a procedure in writing among the Holders. Such request shall be made in writing, and notified in accordance with Section 24, to the Company and the Bond Trustee including (i) information regarding the issues that shall be decided and, where applicable, (ii) documentation of the holding of Bonds of the requesting Holders. The request shall clearly state that the matter is urgent. If the Bond Trustee establishes that a request for a Holders' meeting or procedure in writing has been made in due order the Bond Trustee shall, within twenty (20) Banking Days from receipt of such request, convene a meeting or initiate a procedure in writing. The Company shall assist the Bond Trustee and take any measures that, in the opinion of the Bond Trustee, are required to convene the Holders' meeting or procedure in writing. The Bond Trustee must not convene a Holders' meeting or initiate a procedure if the Bond Trustee determines that (i) the proposal must be approved by the Company and the Company informs the Bond Trustee that it will not give such approval, (ii) the proposal is not in accordance with applicable laws, or (iii) it appears highly unlikely that the Holders'

meeting or procedure in writing will decide in accordance with the proposal in view of previous Holders' meetings or procedures in writing.

- (bb) Notice shall be given by the Bond Trustee to the Holders or, as the case may be, the Company in accordance with Section 24 not later than ten (10) Banking Days and not earlier than thirty (30) Banking Days prior to the Holders' meeting or the last day for replies in the procedure in writing. The notice shall include (i) time for the Holders' meeting or the last day for replies in the procedure in writing, (ii) place for the Holders' meeting or the address for replies, (iii) the agenda for the Holders' meeting, (iv) information regarding which day a Holder shall be registered as owner to be entitled to vote, and (v) what is otherwise required by a Holder in order to attend the Holders' meeting. Further, the notice shall include information on the matters that shall be discussed and resolved upon by the Holders' meeting and the main content of each proposal (if any). The Bond Trustee shall determine the contents in the notice and provide, in writing or electronically, a proxy form or, in case of a procedure in writing, a decision form with the relevant alternatives for resolution. When the Bonds have been listed, the notice shall also be sent to OMX for publication.
- (cc) Only Holders registered as Holders on the fifth Banking Day prior to the Holders' meeting (or the procedure in writing) are entitled to vote at the Holders' meeting (or procedure in writing). The Bond Trustee shall ensure that there is an excerpt from the register kept by the CSD available at the Holders' meeting (or the procedure in writing) showing the registered Holders on the fifth Banking Day prior to the Holders' meeting (or the procedure in writing).
- (dd) Only matters that have been included in the notice sent out according to Section 19 (bb) may be resolved upon by the Holders' meeting. A resolution is passed through voting at a Holders' meeting (or, in case of a procedure in writing, through calculation by the Bond Trustee of the replies), at which each Holder entitled to vote shall have one vote per Bond at a Nominal Amount of SEK one million (1,000,000) held. A Holder must vote in the same manner for all Bonds held. However, a representative who represents different Holders may vote differently for different Holders. Bonds held by any Group Company shall not entitle any voting right. The resolution of the Holders shall be the opinion which represents the majority of the Nominal Amount for the Bonds represented at the meeting (or, in case of a procedure in writing, received answers at the end of the time for replies). In respect of the below issues the following qualified majority is required among the votes casted and the answers received in order to deem a resolution passed ("**Qualified Majority**"):
 - (i) two thirds (2/3) when (1) one of the situations from a special undertaking in accordance with Section 14 is waived, and (2) an amendment of a provision in these Terms and Conditions or the other Finance Documents is made or if a waiver is provided in relation to any breach or proposed breach of the provisions in the other Finance Documents, subject to (ii) below; and
 - (ii) three quarters (3/4) when (1) principal amount, interest rate or interest amount which shall be paid by the Company is reduced, (2) amendment of any redemption day for principal or interest amount, (3) release of the security created under the Pledge

Agreements (in full or in part), and (4) amendment of the provisions in this Section 19 (dd).

If the number of votes are equal the opinion which is most beneficial for the Company, according to the chairman of the meeting (or, in case of a procedure in writing, the Bond Trustee), will prevail.

- (ee) Quorum exists only if Holders representing at least one fifth (1/5) of the aggregate outstanding Nominal Amount attend the meeting in due order (or, in case of a procedure in writing, provide replies). Bonds held by any Group Company shall not be considered when calculating if necessary majority has been achieved. If quorum is not achieved within fifteen (15) minutes from the fixed time (or, in case of a procedure in writing, through received answers at the end of the time for replies), the meeting shall be adjourned (or, in case of a procedure in writing, the time for replies shall be extended) to the tenth Banking Day thereafter. Notice containing information regarding time and place for a continued meeting (or, in case of a procedure in writing, information regarding extended time for replies) shall promptly be provided to the Holders in accordance with Section 24. At a continued meeting (or, in case of a procedure in writing, at a new calculation) a resolution can be passed through an ordinary resolution (or, if required in accordance with (c) above, through Qualified Majority) by Holders entitled to vote irrespective of the share of Bonds represented.
- (ff) At the meeting, the Company, the Holders (or the Holders' representatives/proxies) and the Bond Trustee may attend along with its representatives, counsels and assistants. Further, the directors of the board, the managing director and other officials of the Company and the Company's auditors may attend the meeting. The meeting may decide that further individuals may attend. If a representative/proxy shall attend the Holders' meeting instead of the Holder, the representative/proxy shall present a duly executed proxy or other document establishing its authority to represent the Holder.
- (gg) The meeting shall be opened by a present person appointed by the Company (or, if such person does not exist, a present person appointed by the Bond Trustee) and the meeting shall be chaired by that person until a chairman of the meeting has been elected by the meeting. The chairman shall prepare a list of the Holders and representatives/proxies present and entitled to vote (the "**Voting List**"). The list shall include information on the Nominal Amount that each Holder (or, as the case may be, representatives/proxies) represents. The chairman shall further arrange for minutes to be kept at the meeting. The minutes shall include the Voting List (which shall be approved by the Holders' meeting), any other persons that have been attending, what has been discussed, the result of the voting and the resolutions that were passed. The minutes shall be signed by the chairman and by at least one person appointed by the meeting to verify the minutes. In case of a procedure in writing, the Bond Trustee shall provide for the calculation of votes and keep minutes in respect of the calculation of votes and the resolutions passed by the procedure in writing. The Bond Trustee may request for complements and clarifications but is not obliged to do so and may disregard any unclear or illegible votes. The Bond Trustee shall disregard any answers that do not

follow listed alternatives or where the voting right does not appear in the documentation provided by the Holder or CSD. The Company may be represented at the calculation. The minutes shall b

- (hh) e completed promptly and be held available for the Holders at the Company and the Bond Trustee.
- (ii) If the Company and the Bond Trustee deem it appropriate, a Holders' meeting may be combined with a possibility for Holders to provide answers in accordance with a written resolution form as an alternative to being present or being represented at the Holders' meeting.
- (jj) If a procedure in writing is held among the Holders, the Holders can provide answers and vote electronically by sending an email to the Bond Trustee at the address notified by the Bond Trustee in the notice which shall be sent to the Holders according to Section 19 (bb). For the avoidance of doubt, electronic answers that do not follow listed alternatives (in a decision form or otherwise) will be disregarded in accordance with Section 19 (gg).
- (kk) A resolution that has been passed at a duly convened and held meeting or a procedure in writing is binding for all Holders irrespective of whether they have been present or represented at the meeting or if they have participated in the procedure in writing and irrespective of how and if they have voted. No Holder shall be liable for any damages caused to any other Holder due to a resolution passed, or due to that no resolution was passed, at the Holders' meeting.
- (ll) If the Bond Trustee, in breach of these Terms and Conditions, has not convened a Holders' meeting within twenty (20) Banking Days after having received such request, the requesting person may convene the Holders' meeting itself. If the requesting person is a Holder, the Company shall upon request from such Holder provide the Holder with necessary information from the register kept by the CSD and, if no person referred to in Section 19 (gg) exist, the meeting shall be opened by a person appointed by the requesting Holder.
- (mm) When applying this Section 19, holders of Bonds registered with nominees in accordance with Section 25 shall be considered Holders instead of the authorised nominee if the holder shows a certificate from the authorised nominee (i) certifying that the relevant person was the holder of Bonds on the fifth Banking Day prior to the Holders' meeting (or procedure in writing), and (ii) showing the number of Bonds held by that person on the fifth Banking Day prior to the Holders' meeting (or the procedure in writing). In respect of Bonds registered with authorised nominees, the authorised nominee shall be regarded as present at the Holders' meeting (or the procedure in writing) with the number of Bonds that the nominee represents as Holder according to Section 25 and this Section 19 (l).
- (nn) The Company shall bear all costs for the Company and the Bond Trustee in connection with a Holders' meeting or a procedure in writing irrespective of who has requested the meeting or the procedure in writing. If these Terms and Conditions have been revised or replaced due to

a decision on a Holders' meeting, the Bond Trustee, or anyone acting on behalf of the Bond Trustee, shall arrange for new or revised Terms and Conditions to be sent to the CSD.

20 Fees and expenses

- 20.1** Unless otherwise stipulated in these Terms and Conditions, the Company shall cover all costs and expenses incurred by it in connection with these Terms and Conditions and the other Finance Documents (including legal costs) and the fulfilment of its obligations under these Terms and Conditions and the other Finance Documents, including the negotiation, preparation, execution and enforcement of these Terms and Conditions and the other Finance Documents and any registration or notifications relating thereto (including any stamp duty) and the listing of the Bonds on OMX.
- 20.2** The fees and expenses payable to the Bond Trustee shall be paid by the Company and are set forth in the Agent Agreement.
- 20.3** Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Holders, unless otherwise provided by law or regulation, and the Company is not responsible for reimbursing any such fees.
- 20.4** Except as provided in Section 20.3, the Company shall pay any stamp duty and other public fees accruing in connection with the issuance of Bonds and shall deduct at source any applicable withholding tax payable pursuant to law.

21 Amendments of these Terms and Conditions

- 21.1** The Bond Trustee may, on account of the Holders, agree with the Company to amend these Terms and Conditions and the terms and conditions of the other Finance Documents as long as such amendments does not limit the obligation of the Company to pay amounts of principal or interest or in any other way, to the Bond Trustees discretion, may materially adversely affect the interests of the Holders or that such amendment is solely made in purpose to rectify obvious errors and mistakes in these Terms and Conditions and the other Finance Documents. Subject to decisions of the Holders in accordance with Section 19, the Bond Trustee may also agree with the Company regarding other amendments.
- 21.2** The Bond Trustee may also, on account of the Holders, agree with the Company to make necessary amendments to these Terms and Conditions and the other Finance Documents to the extent such amendments are required by applicable law, court rulings or decisions by relevant authorities or, when the Bonds are listed on OMX, and as long as such amendments do not materially adversely affect the interests of the Holders, to ensure that they comply with any requirements for listing.
- 21.3** Amendments of these Terms and Conditions and the other Finance Documents shall be notified without delay by the Company in accordance with Section 24, setting out the date from which the amendments will be effective.

22 Time-bar

- 22.1** The right to receive payment of the Nominal Amount shall be time-barred and become void ten (10) years from the relevant redemption date. The right to receive payment of interest shall be time-barred and become void three (3) years from the relevant due date for payment. The Company is entitled to any funds set aside for payments in respect of which the Holders right to receive payment have been time-barred and become void.
- 22.2** If such periods for limitation are duly interrupted, in accordance with the Swedish Act on Limitations (Sw. *preskriptionslag (1981:130)*), a new time-bar period of ten (10) years with respect to the Nominal Amount, and of three (3) years with respect to interest payments will commence, in both cases calculated from the date of interruption of the time-bar period as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

23 Allocation of payments

23.1 Application of proceeds following an Event of Default

If the Bonds have been declared due and payable due to an Event of Default, the available funds (including, for the avoidance of doubt, any funds originating from the enforcement of the security under the Finance Documents) shall, unless otherwise stipulated in the Finance Documents, firstly be applied towards payment of all costs and expenses incurred by the Bond Trustee, and any remuneration payable to the Bond Trustee, under these Terms and Conditions and the Agent Agreement, and secondly towards payment of interest owed by the Company to the Holders under these Terms and Conditions, and thirdly towards payment of principal owed by the Company to the Holders under these Terms and Conditions. The surplus, if any, shall promptly be transferred to the Company.

23.2 Allocation of payments made to the Holders

If both the Nominal Amount and interest are due for payment and if the available funds are insufficient to discharge all the amounts due and payable, the available funds shall first be applied towards payment of interest and secondly towards payment of the Nominal Amount.

24 Notices

- 24.1** Notices from the Company or the Bond Trustee under these Terms and Conditions shall be given in English to the Holders at their addresses as registered with the CSD. Notices to the Holders shall be considered to be received by the Holders three (3) Banking Days after they have been dispatched.
- 24.2** Notices from the Holders to the Company or the Bond Trustee under these Terms and Conditions shall be given in English to the Company or the Bond Trustee as the case may be and, if to the Company, with a copy to the Bond Trustee, at the addresses set forth in Section 1.

25 Nominee registration

In respect of Bonds registered with authorised nominees in accordance with the Swedish Financial Instruments Accounts Act, the authorised nominee shall be deemed to be the Holder for the purpose of applying these Terms and Conditions (subject to the provisions about the voting rights of the Holders in Section 19).

26 Limitation of liability etc.

- 26.1** The Company, the Bond Trustee, the CSD and the Issuing Agent shall have no liability for damage caused by Swedish or foreign enactment, action taken by a Swedish or foreign authority, war, strike, blockade, boycott, lockout or other similar circumstance. This limitation of liability in the case of a strike, blockade, boycott or lockout also applies if the Company, the Bond Trustee, the CSD or the Issuing Agent would itself initiate or become subject to such conflict.
- 26.2** The Bond Trustee, the CSD and the Issuing Agent, or any affiliates to the Bond Trustee, the CSD and the Issuing Agent, shall not be liable for damage caused in any other event unless the damage is caused by gross negligence or wilful misconduct. In no event shall the Bond Trustee, the CSD and the Issuing Agent, or any affiliates to the Bond Trustee, the CSD and the Issuing Agent, be liable for indirect damage.
- 26.3** The Bond Trustee shall not be liable for damage caused in connection with the enforcement of the Finance Documents (irrespective if such claim would have been made under these Terms and Conditions or the terms and conditions of the other Finance Documents, unless the damage is caused by gross negligence or wilful misconduct.
- 26.4** Should the Company, the Bond Trustee, the CSD or the Issuing Agent be prevented from performing their respective obligations due to any of the circumstances mentioned in Section 26.1, such performance may be postponed until fulfilment is no longer prevented by such event.
- 26.5** The provisions in this Section 26 apply unless they are inconsistent with the provisions of the Swedish Financial Instruments Accounts Act which provisions shall take precedence.

27 Listing

The Company intends to list the Bonds on OMX within thirty (30) days after the Issue Date and not later than sixty (60) days after the Issue Date. Further, the Company undertakes to list the Bonds not later than one (1) year after the Issue Date in accordance with Section 14.1 (b).

28 Governing law and jurisdiction

- 28.1** These Terms and Conditions shall be governed by and construed in accordance with the laws of Sweden.
- 28.2** Any dispute or claim arising in relation to these Terms and Conditions shall, subject to Section 28.3, be determined by Swedish courts and the District Court of Stockholm shall be the court of first instance.

28.3 The submission to the jurisdiction of the Swedish courts shall not limit the right of the Holders and the Bond Trustee to take proceedings against the Company in any court which may otherwise exercise jurisdiction over the Company or any of its assets.

Addresses

Issuer

TETHYS OIL AB (PUBL)
Hovslagargatan 5 B, first floor
SE-111 48 STOCKHOLM
Sweden
Tel: +46 (0)8 679 49 90
Hemsida: www.tethysoil.com

Central securities depository

EUROCLEAR SWEDEN AB
P.O. Box 7822
SE-103 97 STOCKHOLM
Sweden
Tel: +46 (0)8 402 90 00
Web page: www.euroclear.eu

Issuing Agent and Financial Advisor

PARETO ÖHMAN AB
Berzelii Park 9
SE-103 91 STOCKHOLM
Sweden
Tel: +46 (0)8 402 50 00
Web page: www.ohman.se

Bond Trustee

SWEDISH TRUSTEE AB (PUBL)
Strandvägen 35
SE-114 56 STOCKHOLM
Sweden
+46 (0)8 783 79 00
Web page: www.swedishtrustee.se/

Auditor

PRICEWATERHOUSECOOPERS AB
Torsgatan 21
SE-113 97 STOCKHOLM
Sweden
Tel: + 46 (0)8 555 330 00
Web page: www.pwc.se

Legal Advisor – Sweden

**GERNANDT & DANIELSSON
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