



Information to shareholders in Tethys Oil AB (publ)

Information to shareholders regarding the Board's proposal of a share split and mandatory redemption procedure to the Annual General Meeting on May 9, 2018

Important information

This document has been prepared for the purpose of providing information to the shareholders of Tethys Oil AB (publ) ("Tethys Oil" or the "Company") regarding the Board's proposal of a share split and mandatory redemption to be approved at the forthcoming Annual General Meeting on May 9, 2018. The document does not constitute an offer or prospectus according to the Swedish Financial Instruments Trading Act (1991:980) (Swe: lagen om handel med finansiella instrument) or any other regulation. The document is not directed towards persons whose participation in the share redemption procedure would require additional information, registration or any other actions other than those prescribed by Swedish law. The document may not be distributed to such jurisdictions that may require additional information or actions as per previous sentence or to such jurisdictions where such distribution is in violation with applicable law or regulation. It is each person's responsibility to ensure that they comply with any such restriction imposed under foreign jurisdiction.

The Board's complete proposal is available at Tethys Oil (www.tethysoil.com/en/corporate-governance/general-meetings) and will be sent to shareholders upon request. Any dispute arising from this document shall be governed by Swedish law and settled in Swedish court exclusively.

This document is also available in Swedish.

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Definitions

Share	A share in Tethys Oil AB (publ) (ISIN code before share split: SE0009161185)
Euroclear	Euroclear Sweden AB with company registration number 556112-8074
Redemption Share	A redemption share in Tethys Oil AB (publ) which will be mandatorily redeemed (ISIN code: SE0011115989)
SEK	Swedish kronor
The Board	The Board of Directors in Tethys Oil AB (publ)
Tethys Oil or the Company	Tethys Oil AB (publ) with company registration number 556615-8266
USD	United States Dollars
AGM	The Annual General Meeting which will be held on May 9, 2018

Background and motive

Tethys Oil has generated significant cash flows and the Company's financial position is strong. It is therefore the view of the Board that there is room for additional cash distribution to the shareholders.

In regards thereof, the Board has decided to propose to the AGM to approve of a cash dividend of SEK two (2) per share to be distributed in two equally sized payments, each of SEK one (1) per share to be paid in May and November 2018 respectively, as well as a mandatory share redemption procedure, whereby every share is split into one ordinary Share and one Redemption Share. The Redemption Share is then automatically redeemed at SEK four (4)

per Redemption Share. This corresponds to a total distribution to shareholders of SEK six (6) per share amounting to approximately SEK 203 million in total.

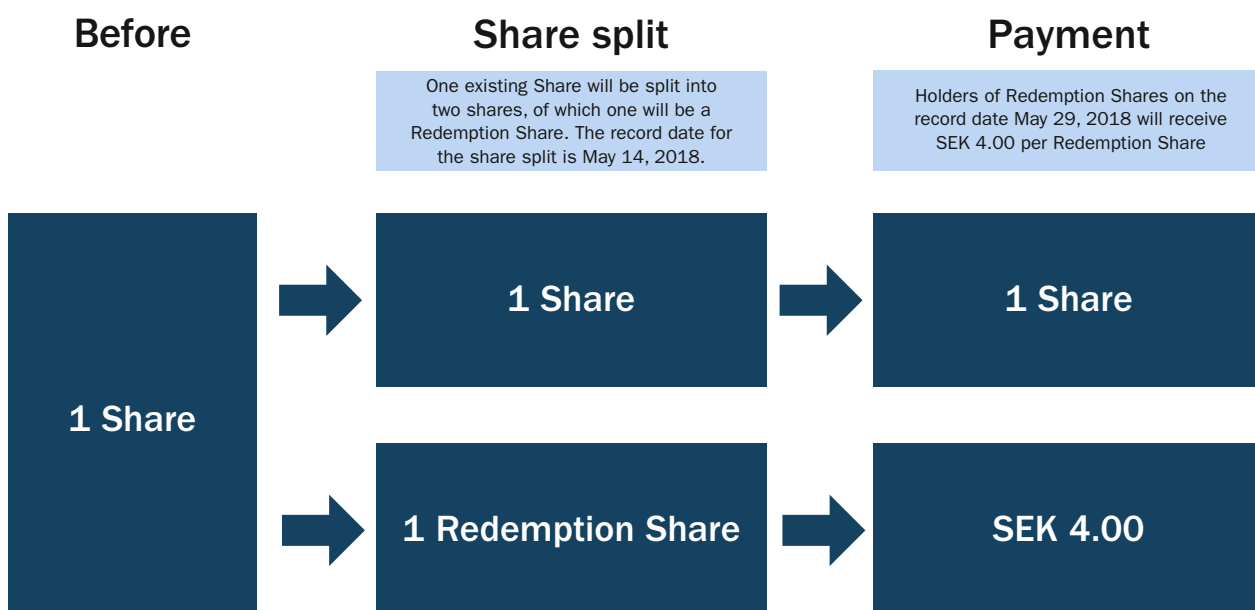
The share redemption and dividend and are subject to approval at the Annual General Meeting, which will be held on May 9, 2018. Further information regarding the Board's proposal will be presented in the notice of AGM, the Company's annual report, the Board's complete proposal and any documents held available for the shareholders in connection with the AGM

Stockholm, April 4, 2018

Tethys Oil AB (publ)



How the split and redemption procedure works



Timetable

May 9, 2018	AGM to resolve on the Board's proposal
May 9, 2018	Last day of trading in the Share before share split and with right to receive Redemption Shares and the dividend to be paid in May
May 11, 2018	First day of trading with new ISIN-code (SE0011115971) for the Share
May 14, 2018	Record date for the share split with right to receive Redemption Shares and the dividend to be paid in May
May 15–May 25, 2018	Trading in Redemption Shares
May 17, 2018	Payment of dividend distributed in May, i.e. SEK one (1) per share
May 29, 2018	Record date for the redemption of Redemption Shares
On or about June 1, 2018	Payment of redemption settlement

Description of the share split and redemption procedure

It is proposed to the AGM on May 9, 2018 to resolve on a share split and mandatory share redemption in accordance with the Board's proposal. In brief, the proposal entails one existing Share to be split into two, of which one will be a so-called Redemption Share. Each Redemption Share will automatically be redeemed for a cash payment of SEK four (4). After the redemption procedure, each shareholder will own the same amount of Shares as before. The shares will however receive a new ISIN-code (SE0011115971) in connection with the share split.

Receipt of Redemption Shares

The last day of trading in the Share including the right to receive Redemption Shares is May 9, 2018. The record date for the share split and receipt of Redemption Shares is May 14, 2018. There is no action required on the part of the shareholder in order to receive Redemption Shares. Shareholders who do not wish to receive any Redemption Shares must sell their Shares no later than May 9, 2018.

Trading in Redemption Shares

Trading in Redemption Shares (ISIN-code SE0011115989) is expected to take place on Nasdaq Stockholm during the period May 15 –May 25, 2018. All banks and other securities companies with the necessary permits can assist with the buying and selling of Redemption Shares. Shareholders who do not wish to receive the redemption settlement of SEK four (4) must sell their Redemption Shares no later than May 25, 2018.

Payment of redemption settlement

The record date for payment of the redemption settlement is May 29, 2018. A redemption settlement of SEK four (4) in cash consideration for each Redemption Share will be paid on or about June 1, 2018. Payment will be effected automatically via Euroclear to the Redemption Shareholder's yield account.

Holding of Shares registered in the name of a nominee

Shareholders registered in the name of a nominee will not receive any notification from Euroclear. Information about the redemption procedure will instead be provided by the nominee.

Preconditions for the redemption procedure

The share split and redemption procedure requires to be resolved by the AGM in accordance with the Board's proposal of a split of existing Shares (so-called share split) and reduction of shareholders' equity to be distributed to the Company's shareholders through the redemption of Redemption Shares. It is further presupposed that the AGM, in connection with the above, resolves on a bonus issue and a change of the Company's articles of association in accordance with the Board's proposal.

Indicative financial effects of the redemption procedure

As a result of the proposed distribution of assets by way of dividend payment and the mandatory redemption procedure, the total shareholders' equity in the Company will decrease by approximately SEK 203 million (USD 17.3 million). The assets to be distributed

to the shareholders consist of cash held on account by the Company, which consequently will decrease by an equal amount. The below pro forma balance sheet shows the indicative financial effects of the two cash distributions as per December 31, 2017.

Proforma balance sheet – group

(USD million)	Before (December 31, 2017)	Change		After
		Proposed dividend	Proposed redemption	
Fixed assets	189.7	–	–	189.7
Cash and bank	42.0	-8.2	-16.5	17.3
Other current assets	13.0	–	–	13.0
TOTAL ASSETS	244.7	-8.2	-16.5	220.0
Shareholders' equity	228.5	-8.2	-16.5	203.8
Long term liabilities	9.1	–	–	9.1
Current liabilities	7.1	–	–	7.1
Total liabilities	16.2	–	–	16.2
TOTAL EQUITY AND LIABILITIES	244.7	-8.2	-16.5	220.0

Proposed dividend and redemption based on exchange rate SEK/USD 8.2331

Certain Swedish Tax Considerations

The following summary of certain tax considerations that may arise as a result of the proposed split and redemption is based on current Swedish tax legislation and is intended only as general information for shareholders in Tethys Oil who are resident in Sweden for tax purposes, unless otherwise indicated. The information is limited and general in nature. This description does not deal comprehensively with all tax consequences that may occur for shareholders. For instance, it does not cover the specific rules concerning so called qualified shares in closely held companies (Sw. *fåmansföretag*), shares held through a life insurance (Sw. *kapitalförsäkring*) or an investment savings account (Sw. *investeringssparkonto*) where shares held by a partnership or constitute current assets in a business operation. Furthermore, it does not cover the specific rules concerning tax exempt capital gains (including non-deductible capital losses). Special tax consequences that are not described below may also apply for certain categories of taxpayers, including investment companies, mutual funds, insurance companies and persons who are not resident or domiciled in Sweden. Each shareholder is recommended to consult a tax adviser for information with respect to the special tax consequences that may arise in each individual case, including the applicability and effect of foreign income tax rules, provisions contained in double taxation treaties and other rules, which may be applicable.

Receipt of Redemption Shares and allocation of the cost basis

Receipt of Redemption Shares in connection with a split does not trigger taxation. Instead, the cost basis for the original Shares in Tethys Oil immediately prior to the split shall be allocated between the Redemption Shares and the remaining Shares in Tethys Oil on the market values in the separation of the Redemption Shares. Tethys Oil intends to apply for a general recommendation (Sw. *allmänna råd*) with the Tax Agency (Sw. *Skatteverket*) on how the cost basis should be allocated¹. See example below “Costs basis for Redemption Shares – Example”.

Redemption and sale of Redemption Shares

Individual shareholders

Individual shareholders are taxed as capital income for the capital gain incurred in connection with a sale or redemption of listed shares. Tax is normally levied with 30 per cent on the capital gain.

A capital gain or loss is calculated as the difference between the sales proceeds (sale or redemption proceeds), after deducting sales costs, and the cost basis. The cost basis for all shares of the same class and type (Sw. *samma slag och sort*) is aggregated and calculated jointly by applying an average cost method (Sw. *genomsnittsmetoden*). When applying the average cost method, shares of different classes in the same company does not constitute shares of the same class and type. Alternatively, in the case of a sale of listed shares, the so

called standardized method (Sw. *schablonmetoden*) may be used. Under this method, the cost basis is deemed to be equal to 20 per cent of the sales proceeds (in a sale or redemption) after deduction of sales costs.

The cost basis for Redemption Shares received in the split is calculated in accordance with the allocation of the cost basis described above under “Receipt of Redemption Shares and allocation of the cost basis”. For Redemption Shares acquired on the market, the costs basis equals the actual acquisition cost for the Redemption Shares. The cost basis for all Redemption Shares of the same class and type is aggregated and calculated jointly by applying the average cost method. It should be noted that the Redemption Shares are not considered to be of the same class and type as the remaining Shares in Tethys Oil. For listed Redemption Shares the costs basis may alternatively be set to 20 per cent of the sales proceeds after deduction of sales costs in accordance with the standardized method.

Capital losses incurred from the sale of shares in a listed company and other listed securities taxed as shares can be fully offset against capital gains occurring in the same year from the sale of shares in listed securities (with the exception of shares in Swedish investment funds holding only Swedish receivables, known as Swedish fixed income funds). Capital losses that have not been offset against capital gains are deductible to 70 per cent against other capital income.

In case of a net capital loss, such loss may be used for tax reduction on earned income tax as well as central government and municipal property taxes. Tax reduction is granted with 30 per cent of capital loss up to SEK 100,000 and 21 per cent of any loss exceeding SEK 100,000. An excess net loss cannot be carried forward to future fiscal years.

Corporate shareholders

For limited liability companies’ capital income, including capital gain are taxed as business income at a tax rate of 22 per cent. Capital gains and losses are calculated in the same manner as for individuals (described above under “Redemption and sale of Redemption Shares”, “Individual Shareholders”).

Deductible capital losses from the sale of shares and other securities taxed as shares may only be offset against taxable capital gains deriving from shares and other securities taxed as shares. If a capital loss assignable to shares or other securities cannot be deducted by the company incurring the loss, such loss may be offset against taxable capital gains assignable to shares and securities in another company in the same corporate group if a right to exchange group contributions exists between the companies and both companies request this for a year which has the same filing date. A capital loss on shares or other securities taxed as shares can, to the extent it is not deductible one year, be carried forward (in the limited liability company incurring the loss) and used to offset taxable gains on

¹ The Tax Agency’s general recommendation will be published on Tethys Oil (www.tethysoil.se) and the Tax Agency’s (www.skatteverket.se) websites.

shares and other securities taxed as shares in later years without any limitation in time.

Taxation of shareholders resident and domiciled outside Sweden

Withholding tax

For shareholders resident and domiciled outside Sweden and who are not engaged in trade or business in Sweden through permanent establishments, the payment received on the redemption of shares is considered as a dividend, which normally is subject to withholding tax on the redemption amount. The withholding tax rate is 30 per cent and is levied on the proceeds received on the redemption. The withholding tax is however normally reduced by an applicable tax treaty between Sweden and other countries for the avoidance of double taxation.

Withholding tax is normally withheld by Euroclear Sweden or, in case of trustee registered shares, by the trustee. The withholding tax obligation occurs when the proceeds for the Redemption Shares is paid. It should be noted that withholding tax is not levied on a sale of the Redemption Shares before the redemption.

In connection with a redemption, shareholders are entitled to receive a repayment of the withholding tax corresponding to an amount equal to either the cost basis for the Redemption Share or, provided the share is listed, 20 per cent of the proceeds received on the redemption. The cost basis should be calculated in accordance with the principles outlined above under “Receipt of Redemption Shares and allocation of the cost basis”. An application for repayment shall be made in writing to the Tax Agency no later than at the end of the fifth calendar year following after the redemption on form SKV 3740 or SKV 3742 if the individual is a resident of Switzerland.

For corporate shareholders resident and domiciled in the European Economic Area, withholding tax is normally not levied if the shareholder holds more than 10 per cent or more of the capital in the redeeming company and if certain other requirements are met. Certain foreign UCITS funds and equivalent Swedish special funds, domiciled and resident in the European Economic Area or in country with which Sweden has entered into a tax treaty containing an article on exchange of information or an agreement with exchange of information for tax purposes, are normally not subject to withholding tax in Sweden.

Income tax

Individual shareholders not domiciled or resident in Sweden are normally not taxed in Sweden on a sale of shares. Shareholders may however be subject to tax in the country of residence. In accordance with a specific rule, the so-called ten-year rule (Sw. tioårsregeln), an individual shareholder domiciled and resident outside of Sweden may, under certain circumstance, be taxed to the sale of shares if the person under the calendar year of the sale or at any moment of the past ten years has been resident or have had habitually abode in Sweden. The application of this provision may however be limited by an applicable tax treaty between Sweden and other countries for the avoidance of double taxation.

Corporate shareholders are normally not subject to tax on sale of Swedish shares unless the shares are attributable to a permanent establishment in Sweden.

Cost basis for Redemption Shares – Example

Note that all amounts in this example are assumed.

Assume that a shareholder holds one share in Tethys Oil with an average cost basis of SEK 50 immediately prior to the split. Furthermore, assume that the lowest quotation the last day of trading of the shares in Tethys Oil before the split and separation of the Redemption Shares is SEK 70, that the Redemption Shares are listed and that the lowest quotation the first day of trading of the Redemption Shares is SEK 4.

Furthermore, assume that the Tax Agency in its general recommendation on this basis determines that 6 per cent (SEK 4 divided with SEK 70) of the cost basis for an original share in Tethys Oil shall be allocated to the Redemption Shares and that 94 per cent shall be allocated to the remaining share.

The shareholders' cost basis per Redemption Share then equals SEK 3 (6 per cent of SEK 50). The remaining share is therefore allocated a cost basis of SEK 47 (94 per cent of SEK 50).

If the Redemption Shares are disposed (by way of a sale or redemption) for SEK 4 per Redemption Share a capital gain of SEK 1 (SEK 4 – SEK 3) arises. If, in the above example, the average cost basis instead is SEK 70, a capital loss will arise at the disposal of the Redemption Share of SEK -0.80 (SEK 4 – SEK 4.80).

Questions and answers

What does the share split and redemption procedure imply for me as a shareholder?

Conditional upon the AGM on May 9, 2018 resolving on a share split and redemption of shares in accordance with the Board's proposal, each Share will be split into two shares, one of which will be a Redemption Share which will be automatically redeemed for SEK four (4).

Why does Tethys Oil propose a share redemption procedure?

Tethys Oil has generated significant cash flows and the Company's financial position is strong. It is therefore the Board's opinion that there is room for an additional cash distribution to the shareholders.

Why is the redemption procedure mandatory?

A mandatory redemption procedure is relatively simple and cost-effective, since it occurs automatically and does not require any action from the shareholders.

As a shareholder, do I need to do anything?

As a shareholder, you will not need to do anything actively. Your Redemption Shares will automatically be redeemed and you will then receive SEK four (4) per Redemption Share. If for some reason you do not wish to participate in the share split and mandatory redemption procedure, you must sell your Shares no later than May 9, 2018 or sell your Redemption Shares no later than May 25, 2018. Please note that disposal of Shares that occurs no later than May 9, 2018 also means that you will no longer be entitled to receive the planned cash dividend of SEK one (1) per Share.

What are my options in connection with the redemption procedure?

You have two options:

1. Do nothing, and you will then receive SEK four (4) per Redemption Share when they are redeemed; or
2. Sell all or a part of your Redemption Shares during the trading period from May 15 up until May 25, 2018. The Redemption Shares will be traded on Nasdaq Stockholm.

Where and when can I trade Redemption Shares?

Redemption Shares will be traded on Nasdaq Stockholm. Trading is expected to occur between May 15 and May 25, 2018.

When and how is the redemption settlement paid?

The redemption settlement will be paid on or about June 1, 2018. Payment will be effected automatically via Euroclear to your yield account.

How many Shares will I have after the redemption procedure?

After redemption has been completed, you will have the same number of Shares in Tethys Oil as you owned before the share split and redemption procedure. This, however, is provided you do not trade any Shares or Redemption Shares during the period in question.

What are the tax consequences for me as a shareholder at redemption of the Redemption Shares?

Shareholders must report the redemption of the redemption shares in their tax returns as sale of shares, please refer to "Certain Swedish Tax Considerations" on pages 7–8. A capital gain or capital loss is calculated, which means that shareholders may deduct part of the acquisition cost of the original share. Shareholders with a limited tax liability in Sweden who participate in the redemption procedure are normally subject to Swedish withholding tax if their shares are redeemed, please refer to "Certain Swedish Tax Considerations" on pages 7–8.

What are the tax consequences for me as a shareholder upon a sale of the Redemption Shares?

For shareholders who are tax residents in Sweden, the sale of Redemption Shares result in the same tax consequences as redemption of Redemption Shares, see the answer to the previous question. No Swedish withholding tax is due for shareholders with limited tax liability in Sweden if the redemption shares are sold in the market.

Do you want to know more?

The Board's proposal to the AGM is available at Tethys Oils website (www.tethysoil.com/en/corporate-governance/general-meetings). Shareholders who wish to obtain these documents by mail may order them by calling +46 (0) 8 – 505 947 00 or by sending an e-mail to info@tethysoil.com