



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 Extraordinary General Meeting on October 25, 2016

This document does not constitute an offer but has been prepared with the sole purpose of providing information to the shareholders of Tethys Oil AB (publ) ("Tethys Oil" or the "Company") in connection with the Board's proposal of a share split and mandatory redemption to be approved at the forthcoming Extraordinary General Meeting on October 25, 2016. The Board's complete proposal is available at Tethys Oil and will be sent to shareholders upon request.

This document is also available in Swedish.

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Definitions

The Board	The Board of Directors in Tethys Oil
EGM	The Extraordinary General Meeting which will be held on October 25, 2016
Redemption Share	A redemption share in Tethys Oil which will be mandatorily redeemed (ISIN code: SE0009161193)
SEK	Swedish kronor
Share	A share in Tethys Oil (ISIN code before share split: SE0007048012; ISIN code after share split: SE0009161185)
Tethys Oil or the Company	Tethys Oil AB (publ) with company registration number 556615-8266
USD	United States dollars

Background and motive

Tethys Oil has a strong financial position and continues to generate positive cash flow from operations. The Company's capital structure target is to have a balanced approach to growth and shareholder distributions, with a long term capital structure target of a zero net cash position. Taking the Company's capital structure target into account, it is the Board's view that further capital can be distributed to shareholders at this time while sufficient capital remains to also pursue growth.

The Board resolved on September 21, 2016 to propose to the EGM 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 3.00 per Redemption Share. This corresponds to a distribution to the shareholders of SEK 102,643,578 in total.

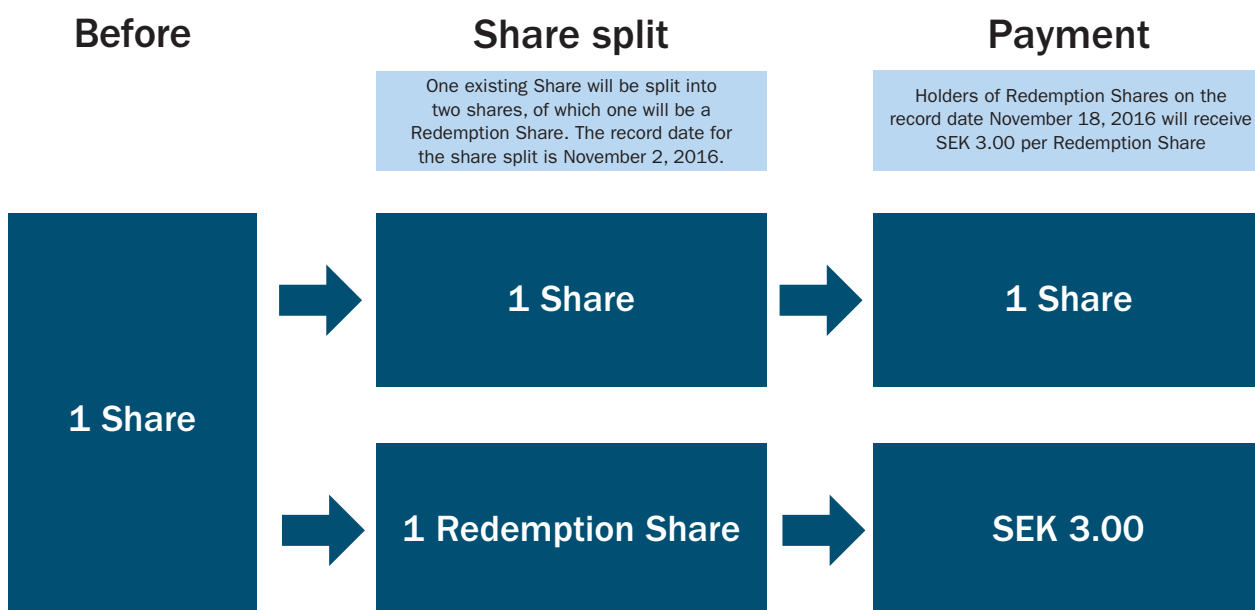
The share redemption procedure is subject to approval at the EGM, which will be held on October 25, 2016. Further information regarding the Board's proposal will be presented in the notice and the other documents for the EGM.

Stockholm, September 2016

Tethys Oil AB (publ)



How the split and redemption procedure works



Timetable

October 25, 2016	EGM to resolve on the Board's proposal
October 31, 2016	Last day of trading in the Share before share split and with right to receive Redemption Shares
November 1, 2016	First day of trading with new ISIN code (SE0009161185) for the Share
November 2, 2016	Record date for share split and right to receive Redemption Shares
November 3 – November 16, 2016	Trading with Redemption Shares
November 18, 2016	Record date for redemption of Redemption Shares
On or about November 23, 2016	Payment of redemption settlement

Description of the share split and redemption procedure

It is proposed to the EGM on October 25, 2016 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 3.00. After the redemption procedure, each shareholder will own the same number of Shares as before. The Shares will, however, receive a new ISIN code (SE0009161185) 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 October 31, 2016. The record date for the share split and receipt of Redemption Shares is November 2, 2016. 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 October 31, 2016.

Trading in Redemption Shares

Trading in Redemption Shares is expected to take place on Nasdaq Stockholm during the period November 3–November 16, 2016. 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 3.00 must sell their Redemption Shares no later than November 16, 2016.

Payment of redemption settlement

The record date for payment of the redemption settlement is November 18, 2016. A redemption settlement of SEK 3.00 in cash consideration for each Redemption Share will be paid on or about November 23, 2016. Payment will be effected automatically via Euroclear Sweden 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 Sweden. Information about the redemption procedure will instead be provided by the nominee.

Preconditions for the redemption procedure

The share split and redemption procedure is subject to that the EGM on October 25, 2016 resolves 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. Further, the above is also subject to that the EGM in connection with the share split and redemption, 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 the mandatory redemption procedure, the total shareholders' equity in the Company will be decreased by approximately SEK 103 million (USD 12 million¹). The assets to be distributed to the sharehold-

ers consist of cash held on account by the Company, which consequently will be decreased with an equal amount. Below stated pro forma shows the indicative financial effects of the redemption procedure on the Company's balance sheet as per June 30, 2016.

Balance sheet in brief – the group

(Rounded off to closest million)

(USD million)	Before (June 30, 2016)	Change	After
Non current assets	189	–	189
Cash and cash equivalents	41	-12	29
Other current assets	8	–	8
TOTAL ASSETS	238	-12	226
Shareholders' equity	207	-12	195
Non current liabilities	4	–	4
Current liabilities	27	–	27
Total liabilities	31	–	31
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	238	-12	226

¹ Rounded off to closest million and based on the SEK/USD exchange rate as at June 30, 2016 (1.00 USD = 8.4813 SEK).

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 based 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 the net 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 capital gains on shares and other securities taxed as shares in later years without any limitation in time.

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.

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 restitution (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.

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. As of 2012 certain foreign UCITS funds and equivalent to Swedish special funds, domiciled and resident in the European Economic Area or in a 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 circumstances, 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 40.00 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 60.00, that the Redemption Shares are listed and that the lowest quotation the first day of trading of the Redemption Shares is SEK 3.00.

Furthermore, assume that the Tax Agency in its general recommendation on this basis determines that 5 per cent (SEK 3.00 divided with SEK 60.00) of the cost basis for an original share in Tethys Oil shall be allocated to the Redemption Shares and that 95 per cent shall be allocated to the remaining share.

Then, the cost basis per Redemption Share equals SEK 2.00 (5 per cent of SEK 40.00). The remaining share is therefore allocated a cost basis of SEK 38.00 (95 per cent of SEK 40.00).

If the Redemption Shares are disposed (by way of a sale or redemption) for SEK 3.00 per Redemption Share a capital gain arises of (SEK 3.00 – SEK 2.00 =) SEK 1.00. If, in the above example, the average cost basis instead is SEK 70.00, a capital loss will arise at the disposal of the Redemption Share of (SEK 3.00 – SEK 3.50 =) SEK -0.50.

Questions and answers

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

Conditional upon that the EGM on October 25, 2016 resolves 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 3.00.

Why does Tethys Oil propose a share redemption procedure?

Tethys Oil has a strong financial position and continues to generate positive cash flow from operations. The Company's capital structure target is to have a balanced approach to growth and shareholder distributions, with a long term capital structure target of a zero net cash position. Taking the Company's capital structure target into account, it is the Board's view that further capital can be distributed to shareholders at this time while sufficient capital remains to also pursue growth.

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 3.00 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 October 31, 2016 or sell your Redemption Shares no later than November 16, 2016.

What are my options in connection with the redemption procedure?

You have two options:

1. Do nothing, and you will then receive SEK 3.00 per Redemption Share when they are redeemed; or
2. Sell all or a part of your Redemption Shares during the trading period from November 3 up until November 16, 2016. 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 will occur between November 3 and November 16, 2016.

When and how is the redemption settlement paid?

The redemption settlement will be paid on or about November 23, 2016. Payment will be effected automatically via Euroclear Sweden 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 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, see "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, see "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 EGM is available at www.tethysoil.com under the heading "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.