*This document is only being and may only be distributed to and directed at (i) persons outside the United Kingdom (the "**U.K.**"); or (ii) persons in the U.K. who (a) are "qualified investors" within the meaning of Section 86(7) of the U.K. Financial Services and Markets Act 2000 (the "**FSMA**"), and (b) have professional experience in matters relating to investments and who are persons referred to in Article 19 (investment professionals) or Article 49 (high net worth companies, unincorporated associations, etc.) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended); or (c) are otherwise lawfully permitted to receive it (all such persons together being referred to as "**relevant persons**"). The securities being offered hereunder are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. By accepting a copy of this short form prospectus and by offering to acquire Offered Shares (as defined below) under the Offering (as defined below), potential investors in the U.K. will be deemed to have represented that they satisfy the criteria specified in clause (ii) above to be a relevant person. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document is not a prospectus for the purposes of Section 85(1) of the FSMA and contains no offer to the public within the meaning of section 102B of the FSMA, the U.K. Companies Act 2006 or otherwise. Accordingly, this document has not been approved as a prospectus by the U.K. Financial Services Authority (the "**FSA**"), under Section 87A of the FSMA and has not been filed with the FSA pursuant to the U.K. prospectus rules nor has it been approved by a person authorized under the FSMA.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), or any state securities laws. Accordingly, except as permitted by the Agency Agreement (as defined herein) and pursuant to an exemption from the registration requirements of the 1933 Act and state securities laws, these securities may not be offered or sold within the United States except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America. See "Plan of Distribution".*

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, Investor Relations of Tethys Petroleum Limited, at TD Canada Trust Tower, 161 Bay Street, 27th Floor, P.O. Box 508, Toronto, Ontario, Canada M5J 2S1, telephone number (416) 572-2065, and are also available electronically at www.sedar.com.*

SHORT FORM PROSPECTUS

New Issue **June 12, 2009**

TETHYS
Petroleum

US$8,000,000 (Minimum Offering)
US$20,000,000 (Maximum Offering)

A Minimum of 20,672,000 Ordinary Shares and a Maximum of 51,680,000 Ordinary Shares

This short form prospectus qualifies the distribution (the "**Offering**") of a minimum of 20,672,000 ordinary shares (the "**Offered Shares**") (the "**Minimum Offering**") and a maximum of 51,680,000 Offered Shares (the "**Maximum Offering**") of Tethys Petroleum Limited ("**Tethys**" or the "**Company**") at a price of $0.387 per Offered Share or C$0.425 per Offered Share (the "**Offering Price**"). The issued and outstanding ordinary shares in the capital of the Company (the "**Ordinary Shares**") are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "TPL". On June 11, 2009, the last trading day prior to the date of this short form prospectus, the closing price of the Ordinary Shares on the TSX was C$0.425. The Offering will be made in each of the Provinces of British Columbia, Alberta and Ontario by Fraser Mackenzie Limited (the "**Agent**") and in certain jurisdictions outside Canada by Quam Securities Company Limited ("**Quam**") and Renaissance Securities (Cyprus) Limited ("**Renaissance Capital**") (individually, a "**Special Selling Agent**" and collectively, the "**Special Selling Agents**"). The terms of the Offering have been determined by negotiation between the Company and the Agent. The TSX has conditionally approved the listing of the Offered Shares to be distributed under this short form prospectus on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX on or before August 20, 2009. See *"Plan of Distribution"*.

Price: US$0.387 per Ordinary Share(1)

	Price to the Public	Agents' Commission(2)	Net Proceeds to the Company(3)
Per Ordinary Share	$0.387	$0.027	$0.360
Minimum Offering(4)............................	$8,000,000	$560,000	$7,440,000
Maximum Offering(4)...........................	$20,000,000	$1,400,000	$18,600,000

Notes:

(1) **The Offering Price is payable in US dollars or in Canadian dollars.** The US dollar amount ($0.387) is the equivalent of the Canadian dollar (C$0.425) denominated price of the Offered Shares, calculated at the Noon Buying Rate (as hereinafter defined) on June 11, 2009.

(2) The Company has agreed to pay the Agent and the Special Selling Agents an aggregate fee equal to 7% of the gross proceeds of the Offering, including a fee equal to 1% of the gross proceeds of the Offering payable at the discretion of the Company (the "**Agents' Fee**").

(3) Before deducting the expenses of the Offering, estimated to be $750,000.

(4) Rounded down to the nearest thousand.

The Agent conditionally offers the Offered Shares on a "commercially reasonable efforts" basis if, as and when issued, sold and delivered by the Company in accordance with the conditions contained in the agency agreement referred to under *"Plan of Distribution"*, subject to approval of certain legal matters relating to the Offering on behalf of the Company by Borden Ladner Gervais LLP and on behalf of the Agent by Blake, Cassels & Graydon LLP. See *"Plan of Distribution"*.

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Provided the Minimum Offering has been achieved, it is expected that the closing of the Offering will take place on or about June 19, 2009, or such later date as the Company and the Agent may agree. Notwithstanding the foregoing, the distribution of the Offered Shares will not continue for a period of more than 90 days after the date of the receipt for this short form prospectus if subscriptions for the Minimum Offering are not obtained within that period, unless each of the persons or companies who subscribed within that period has consented to the continuation of the Offering.

Until such time as a closing has occurred in respect of the Minimum Offering, all subscription funds received by the Agent will be held in trust, pending closing of the Minimum Offering. If the Minimum Offering has not been subscribed for prior to the expiry of the 90-day period, the Agent shall promptly return the proceeds of the subscription to the subscribers without interest or deduction unless such subscribers otherwise have instructed the Agent. Should a closing occur in respect of the Minimum Offering, one or more additional closings, if necessary, may occur until the earlier of the Maximum Offering being subscribed for and the expiry of the 90-day period.

It is expected that definitive certificates representing the Offered Shares will be available for delivery at the closing of the Offering. The Company has been advised by the Agent that, in connection with the Offering, the Agent may effect transactions which stabilize or maintain the market price of the Ordinary Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution"*.

Subject to applicable laws, the Agent may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Ordinary Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See *"Plan of Distribution"*.

The mailing address for the Company's principal executive office is P.O. Box 524, St. Peter Port, Guernsey, GY1 6EL, British Isles, and the registered office is located at Queensgate House, South Church Street, P.O. Box 1234, Grand Cayman, KY1-1108, Cayman Islands.

An investment in the securities offered hereunder is speculative and involves a high degree of risk. The risk factors identified under the headings *"Note Regarding Forward-Looking Statements"* and *"Risk Factors"* in this short form prospectus and in the AIF (as defined herein) should be carefully reviewed and evaluated by prospective subscribers before purchasing the securities being offered hereunder.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain certain forward-looking statements and forward-looking information which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs as at the date of such statements or information, including, among other things, assumptions with respect to production, future capital expenditures and cash flow. In some cases, words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur, are intended to identify forward-looking statements and forward-looking information. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements or information. In addition, this short form prospectus and the documents incorporated by reference herein may contain forward-looking statements and information attributed to third party industry sources. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Such forward-looking statements and information in this short form prospectus speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference herein.

Forward-looking statements and information in this short form prospectus and the documents incorporated by reference herein include, but are not limited to, statements with respect to:

- the use of proceeds of the Offering;
- the completion and the closing of the Offering and the timing thereof;
- drilling inventory, drilling plans and timing of drilling, re-completion and tie-in of wells;
- plans for facilities construction and completion of the timing and method of funding thereof;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- drilling, completion and facilities costs;
- results of various projects of the Company;
- ability to realize forecast prices for gas production;
- growth expectations within the Company;
- timing of development of undeveloped reserves;
- the tax horizon of the Company;
- the performance and characteristics of the Company's oil and natural gas properties;
- oil and natural gas production levels;
- the quantity of oil and natural gas reserves and resources;
- capital expenditure programs;
- supply and demand for natural gas and commodity prices;
- the impact of governmental regulation on the Company relative to other oil and gas issuers of similar size;
- expected levels of royalty rates, operating costs, general administrative costs, costs of services and other costs and expenses;
- expectations regarding the Company's ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- treatment under governmental regulatory regimes and tax laws; and
- realization of the anticipated benefits of acquisitions and dispositions.

With respect to forward-looking statements and information contained in this short form prospectus, the Company has made assumptions regarding, among other things:

- the continued existence and operation of existing pipelines;
- future prices for natural gas and natural gas liquids;
- future currency and exchange rates;
- the Company's ability to generate sufficient cash flow from operations and access capital markets to meet its future obligations;

- the regulatory framework representing royalties, taxes and environmental matters in the countries in which the Company conducts its business;
- gas production levels; and
- the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand.

Although the Company believes that the expectations reflected in the forward-looking statements and information are reasonable, there can be no assurance that such expectations will prove to be correct. Neither the Company nor the Agent can guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements and information. Some of the risks and other factors, some of which are beyond the Company's control, which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this short form prospectus and the documents incorporated by reference herein include, but are not limited to:

- general economic conditions in Kazakhstan, Tajikistan, Uzbekistan and globally;
- inability to realize the forecast natural gas prices used in reserve calculations;
- industry conditions, including fluctuations in the price of oil and natural gas;
- governmental regulation of the oil and gas industry, including environmental regulation;
- geological, technical, drilling and processing problems and other difficulties in producing reserves;
- failure to realize anticipated benefits of exploration activities;
- unanticipated operating events which can reduce production or cause production to be shut in or delayed;
- failure to obtain industry partner and other third party consents and approvals, when required;
- stock market volatility and market valuations;
- competition for, among other things, capital, acquisitions of reserves, undeveloped land and skilled personnel;
- competition for and/or inability to retain drilling rigs and other services;
- the availability of capital on acceptable terms;
- the need to obtain required approvals from regulatory authorities; and
- the other factors disclosed under "Risk Factors" in this short form prospectus and in the AIF (as herein defined), which is incorporated by reference herein.

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing list of factors is not exhaustive. **The forward-looking statements and information contained in this short form prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Neither the Company nor the Agent is under any duty to update any of the forward-looking statements after the date of this short form prospectus to conform such statements to actual results or to changes in the Company's expectations except as otherwise required by applicable legislation.**

FOREIGN JURISDICTION

The Company and those directors and officers of the Company that have signed this short form prospectus, are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or reside outside of Canada. Although the Company and those directors and officers of the Company that have signed this short form prospectus have appointed Borden Ladner Gervais LLP at 40 King Street West, Toronto, Ontario, M5H 3Y4 as its agent for service of process in Canada, it may not be possible for investors to enforce judgements obtained in Canada against the Company.

ABBREVIATIONS AND CONVERSION FACTORS

In this short form prospectus, the following abbreviations and technical terms set forth below have the meanings indicated:

Natural Gas

Bcf	billion cubic feet
Bcfpd	billion cubic feet per day
Bcm	billion cubic metres
Mcf	thousand cubic feet
Mcfpd	thousand cubic feet per day
Mcm	thousand cubic metres
Mcmpd	thousand cubic metres per day
MMcf	million cubic feet
MMcfpd	million cubic feet per day

Oil

bbl	barrel
bbls	barrels
bbl/d	barrels per day
Mbbl	thousand barrels
MMbbl	million barrels

Other

BOE	barrels of oil equivalent. A barrel of oil equivalent is determined by converting a volume of natural gas to barrels using the ratio of 6 Mcf to one barrel. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
BOE/d	barrels of oil equivalent per day
°C	degrees, Celsius
ft	feet
km	kilometre
km^2	square kilometre
m	metre
M$	one thousand dollars
MM$	one million dollars
MMBOE	million barrels of oil equivalent

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
ft	m	0.305
m	ft	3.281
miles	km	1.610
km	miles	0.621
acres	km^2	0.004
km^2	acres	247.1
bbl	Mcm	0.000159
Mcm	bbl	6.290
Mcf	Mcm	0.0283
Mcm	Mcf	35.315
Bcf	Bcm	0.0283
Bcm	Bcf	35.315

PRESENTATION OF OIL AND GAS RESERVES AND RESOURCES INFORMATION

All oil and natural gas reserve and resource information contained in this short form prospectus and the documents incorporated by reference herein has been prepared and presented in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101"**). The actual oil and natural gas reserves and future production will be greater than or less than the estimates provided in this short form prospectus and in the documents incorporated by reference herein. The estimated future net revenue from the production of the disclosed oil and natural gas reserves does not represent the fair market value of these reserves. The Company has adopted the standard of 6 Mcf:1 BOE when converting natural gas to barrels of oil equivalent. **BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.**

In respect of reserves and resources data contained in this short form prospectus, the following terms have the meanings indicated:

"**Contingent Resources**" means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage.

"**Developed**" reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

"**Developed Non-Producing**" reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

"**Developed Producing**" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"**Gross**" means:

(a) in relation to the Company's interest in production or reserves, its "company gross reserves", which are the Company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Company;

(b) in relation to wells, the total number of wells in which the Company has an interest; and

(c) in relation to properties, the total area of properties in which the Company has an interest.

"**Net**" means:

(a) in relation to the Company's interest in production or reserves, the Company's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Company's royalty interests in production or reserves;

(b) in relation to the Company's interest in wells, the number of wells obtained by aggregating the Company's working interest in each of its gross wells; and

(c) in relation to the Company's interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company.

"**Possible**" reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves. At least a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves is the targeted level of certainty.

"**Probable**" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. At least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves is the targeted level of certainty.

"**Prospective Resources**" means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development.

"**Proved**" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. At least 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves is the targeted level of certainty.

"**Reserves**" are the estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to degree of certainty associated with the estimates.

"**Resources**" encompasses all petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced.

"**Undeveloped**" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g. when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

CURRENCY

The following table sets forth, for each of the periods indicated, the high and low rates of exchange for one US dollar expressed in Canadian dollars, the average rate of exchange during each such period and the end of period rate, each based on the noon buying rate published by the Bank of Canada (the "**Noon Buying Rate**").

	Three months ended March 31,	**Year ended December 31,**		
	2009	**2008**	**2007**	**2006**
High	C$1.3000	C$1.2969	C$1.1853	C$1.1726
Low	C$1.1823	C$0.9719	C$0.9170	C$1.0990
Average	C$1.2456	C$1.0060	C$1.0748	C$1.1341
End of Period	C$1.2602	C$1.2246	C$0.9881	C$1.1653

On June 11, 2009, the Noon Buying Rate was $1.00 = C$1.0982 as reported by the Bank of Canada.

In this short form prospectus, references to $ are references to US dollars and references to C$ are references to Canadian dollars.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, Investor Relations, Tethys Petroleum Limited, TD Canada Trust Tower, 161 Bay Street, 27th Floor, P.O. Box 508, Toronto, Ontario, Canada M5J 2S1, telephone: (416) 572-2065. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at www.sedar.com.

The following documents of the Company, filed with the various provincial securities commissions or similar authorities in Canada, are specifically incorporated into and form an integral part of this short form prospectus:

(a) the annual information form of the Company dated March 31, 2009, for the fiscal year ended December 31, 2008 (the "**AIF**");

(b) the audited comparative consolidated financial statements of the Company and the notes thereto as at and for the years ended December 31, 2008 and 2007, and the auditors' report thereon (as revised on April 6, 2009);

(c) the management's discussion and analysis of the financial condition and results of operations for the year ended December 31, 2008 (as revised on April 6, 2009) (the "**Annual MD&A**");

(d) the unaudited comparative consolidated interim financial statements of the Company and the notes thereto as at and for the three months ended March 31, 2009 and 2008 (as revised on May 22, 2009);

(e) the management's discussion and analysis of the financial condition and results of operations for the three months ended March 31, 2009 (as revised on May 22, 2009) (the "**Interim MD&A**");

(f) the Company's management information circular dated April 7, 2009, in connection with the annual general and extraordinary meeting of the shareholders of the Company held on May 7, 2009;

(g) the material change report of the Company dated March 4, 2009, prepared in respect of the acquisition of all of the shares of a subsidiary of the Isle of Man company Rosehill Energy plc ("**Rosehill**"); and

(h) the material change report of the Company dated May 21, 2009, prepared in respect of the results of the Reserve Report and the Resource Report (as such terms are defined herein).

Any documents of the type referred to in National Instrument 44-101 - *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any annual information forms, material change reports (except confidential material change reports), financial statements and related management's discussion and analysis, business acquisition reports and information circulars, if filed by the Company with the provincial securities commissions or similar authorities in Canada after the date of this short form prospectus and before the termination of the Offering, are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not

misleading in light of the circumstances in which it is made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

TETHYS PETROLEUM LIMITED

General

The Company was incorporated under the name “Tethys Petroleum Investments Limited” pursuant to the laws of Guernsey on August 12, 2003. On September 22, 2006, the Company changed its name to “Tethys Petroleum Limited”. The Company was continued under the laws of the Cayman Islands on July 17, 2008. The mailing address for the Company’s principal executive office is P.O. Box 524, St. Peter Port, Guernsey, GY1 6EL, British Isles, and the Company’s registered office is located at Queensgate House, South Church Street, P.O. Box 1234, Grand Cayman, KY1-1108 Cayman Islands.

Business of the Company

The Company is engaged in the exploration for, and the acquisition, development and production of, oil and natural gas resources in Central Asia, currently in Kazakhstan, Tajikistan and Uzbekistan. In Kazakhstan, the Company’s oil and natural gas interests relate to three areas, namely the Kyzyloi natural gas field and the Akkulka and Kul-Bas exploration blocks, located in three contiguous blocks in an area of Kazakhstan to the west of the Aral Sea, in a geological area known as the North Ustyurt basin. In Tajikistan, the Company’s projects are located in the south west of the country, in a geologic basin known as the Afghan-Tajik Basin which is the easterly extension of the Amu-Darya Basin which is productive in Uzbekistan and Turkmenistan. In Uzbekistan, the Company has incremental production rights to wells on the North Urtabulak oil field which is located in the Amu-Darya Basin.

Further details concerning the Company, including information with respect to the Company’s assets, operations and development history and the Company’s reserve and other oil and gas information relating to the Company’s assets in Kazakhstan, are provided in the AIF. The contents of the AIF are incorporated by reference into this short form prospectus. Readers are encouraged to thoroughly review the AIF as it contains important information concerning the Company.

RECENT DEVELOPMENTS

The Acquisition

Overview

On April 9, 2009, the Company and its wholly owned subsidiary, Tethyda Limited, completed the acquisition (the “**Acquisition**”) from Rosehill of its wholly owned subsidiary, Baker Hughes (Cyprus) Limited (the “**Contractor**”), which holds the entire interest in a production enhancement contract dated August 19, 1999, as amended (the “**PEC**”) for the North Urtabulak oil field in Uzbekistan. The purchase price for the Acquisition was satisfied by the issuance of 15,000,000 Ordinary Shares, restricted from resale for a period of six months (in respect of an aggregate of 7,500,000 Ordinary Shares) and one year (in respect of an aggregate of 7,500,000 Ordinary Shares) from the date of completion of the Acquisition. The value ascribed to the 15,000,000 Ordinary Shares issued as consideration for the Acquisition was $4,844,000 (or $0.32 per share). The principal assets of the Contractor consist of its rights under the PEC.

The North Urtabulak oil field is located in southern Uzbekistan in the northern portion of the Amu-Darya basin. The nearest city is Bukhara, which is approximately 120 km north-west of the field. The field produces from a Jurassic age reef structure at a depth of approximately 2,500 m (8,125 ft). Surface elevation is approximately 320 m (1,040 ft).

Work is underway on further production enhancement in respect of the field, including workovers on existing wells and improvement of beam pumps. A dedicated gas lift system is expected to be installed in the third quarter of 2009, assuming ancillary equipment can be sourced in a timely fashion, which is expected to significantly increase oil production. Tethys is also considering other development activities, including further development well drilling and commencing work on other nearby fields referenced in the PEC.

Description of the PEC

Under the PEC, the Contractor is a partner with two state-owned Uzbek oil companies, Uznefteprodukt and Uzgneftegazdobycha, each a member of the Uzbek state oil and gas organization, Uzbekneftegaz (collectively, the "**Uzbek Partners**"). The work program and budget under the PEC is approved by an operating committee (the "**Operating Committee**") which is jointly run by the Contractor and the state-owned company, Uzneftegazdobycha (the successor state-owned company of Uzgeoneftegazdobycha). Under the PEC, the Contractor receives 50% of all incremental production of each individual well it works on for the first three years of production, and the Uzbek Partners receive 50%. After three years of production from the well, the Contractor receives 20%, and the Uzbek Partners 80%. By agreement of the Operating Committee, if at any time certain defined work is carried out on the well then the three year initial period starts again. Under the PEC, the Contractor is responsible for all capital investment and carrying out all operations on its wells in the North Urtabulak oil field. The oil produced under the PEC is refined at a local refinery and the Contractor uses jointly appointed marketing agents to sell its share of the refined products for export. The PEC terminates eight years after the date of the first incremental production from the final well drilled or used in the field by the Contractor during the term of the PEC. The Company expects the Contractor to begin work on additional wells in 2009, which would have the effect of resetting this eight year period each time a well is completed and production obtained. No reserves or resources have been attributed to the Contractor's interest under the PEC as of the date hereof.

Under the terms of the PEC, the Company has no expenditure commitments to be fulfilled during the 2009 financial year with respect to the PEC. However, the Company currently intends to expend funds totalling approximately $500,000 with respect to operations to be carried out in Uzbekistan during 2009, which will primarily involve workovers on existing wells. The Company has allocated a portion of the use of the proceeds from the Offering towards such operations in Uzbekistan. See *"Use of Proceeds"*.

Protocol Signed for Northern Tajikistan Areas

The Company signed a Protocol of Intent ("**POI**") on May 19, 2009, with the Government of Tajikistan, represented by the Ministry of Energy and Industry of Tajikistan (collectively, the "**Tajik State**") concerning the negotiation of a production sharing contract for exploration and production in certain prospective areas in the north of Tajikistan. Pursuant to the POI, the parties have agreed to work towards negotiating a production sharing contract for the Asht district and Khodja Bokirghon area of the Konibodom District in the Soghd (Sogdiana) Region of Northern Tajikistan (the "**Asht PSC**"). The POI is intended to provide a framework to negotiate and finalize the Asht PSC. Finalization of the Asht PSC is conditional upon Tethys continuing its work in the south of Tajikistan, particularly in the Dushanbe area, including continuation of the seismic survey and drilling and testing of natural gas in the eastern part of the Komsomolsk field under the city of Dushanbe for supply of gas to the Dushanbe area for the 2009/2010 winter season. Tethys' seismic program in Tajikistan is progressing with lines being shot in the area around Dushanbe. Tethys is also mobilizing its new drilling rig to the Komsomolsk field to drill a directional well.

The Asht PSC area includes the Asht district, which covers an area of some 2,700 square km (667,000 acres), and the Khodja Bokirghon area of the Konibodom district to the south. These areas lie within the Fergana basin, a well established oil and gas province which spans three republics, namely Tajikistan, Uzbekistan and Kyrgyzstan.

Second Phase of Gas Development Project in Kazakhstan

The second phase of the Company's gas development project in Kazakhstan, which tie-in the discoveries made in the Akkulka Block to the existing infrastructure, have been completed and certified by the State Commission of Kazakhstan. Six dry gas wells in the Akkulka Block have been completed and tied-in to the Company's 56 km pipeline. In addition, the installation of two additional reciprocating compressors at the Company's compressor station have been completed. Production from this second phase is expected to be at a rate comparable to production from the Kyzyloi Field wells which are currently producing. Production will commence once the approval of the Kazakh State has been obtained for a production licence, the process of which is well underway and expected to be completed in the third quarter of 2009. Once this approval is obtained, the Company expects to be in a position to confirm the terms of gas sales contracts with potential buyers.

Tajikistan Reserves Information

Overview

The Company engaged TRACS International Consultancy Limited ("**TRACS**") to evaluate the Company's oil and natural gas reserves attributable to Beshtentak and Komsomolsk fields, located within the Tajikistan Contract Area (as defined below). In connection therewith, TRACS prepared an independent evaluation of the Company's oil and natural gas reserves in respect of the Beshtentak and Komsomolsk fields dated May 20, 2009, with an effective date of March 31, 2009 (the "**Reserve Report**"). The Reserve Report was prepared in accordance with NI 51-101.

The Bokhtar PSC and the Tajikistan Contract Area

On June 13, 2008, the Company's wholly owned subsidiary, Kulob Petroleum Limited ("**KPL**"), entered into a production sharing contract (the "**Bokhtar PSC**") with the Tajik State. The Bokhtar PSC gives KPL the exclusive right, as contractor under the Bokhtar PSC, to conduct oil and gas operations in the Tajikistan Contract Area (as defined herein) during the term of the Bokhtar PSC and to receive the Company's share of production from the Tajikistan Contract Area. The term of the Bokhtar PSC is 25 years.

Under the Bokhtar PSC, KPL will recover 100% of its costs from up to 70% of total production from oil and natural gas ("**Cost Production**"), the maximum allowed under the production sharing law in Tajikistan. After KPL has recovered its costs, it will receive 70% of the additional oil and natural gas produced from the Tajikistan Contract Area ("**Profit Production**") and the Tajik State will receive 30%. The Tajik State's share of the costs includes all taxes, levies and duties.

Under the terms of the Bokhtar PSC, the production from the oil and gas wells in production at the date of the Bokhtar PSC in the Tajikistan Contract Area is for the account of the Tajik State. A baseline study was carried out on the Beshtentak Field to calculate current production at the commencement of the Bokhtar PSC. Current and historical production rates were used to calculate a forward decline rate on that production to determine proved developed producing reserves which are attributable to the Tajik State (reported at 36.9 Mbbls as at March 31, 2009). Those reserves are not included in the reserves information contained in this short form prospectus. Any production from these producing wells in addition to this baseline production, is attributable to the Contractor in accordance with the terms of the Bokhtar PSC.

The total net area covered under the Bokhtar PSC is approximately 8.6 million acres (34,785 km^2) (the "**Tajikistan Contract Area**"). The Tajikistan Contract Area is located in the south-western part of Tajikistan and covers a large prospective region which has existing oil and gas discoveries but has seen limited exploration to date. The Tajikistan Contract Area includes over 50 different prospective structures (as identified by the Chief Administration of Geology, the Tajik Government's Department of Geology) and several existing oil and gas fields, including the Beshtentak, Komsomolsk and Khoja Sartez fields. Subsequent work carried out by the Company has revealed additional structures.

On December 24, 2007, the Company announced that it had entered into an agreement to create a joint venture for the exploration and development of the Company's projects in Tajikistan that would have given the Company a 51% operating interest. As of the date hereof, this joint venture had not been completed and as such, the Company currently owns 100% of KPL's interest in the Bokhtar PSC, but discussions are currently underway with the joint venture party as to certain issues relating to the possible completion of this joint venture. The Company does not know at this time what the commercial terms may be, but any commercial arrangement could reduce the attributable reserves and resources in the Reserve Report and Resource Report, respectively, to the Company by the percentage of the ownership in KPL that is agreed to be assigned to the joint venture party.

For a more detailed description of the Bokhtar PSC and the Tajikistan Contract Area, please see the AIF under the headings *"General Development of the Business – Company History – 2008 and 2009 to Date"* and *"Description of the Business - Tajikistan"*.

Reserves Information

The tables below are a summary of the oil and natural gas reserves attributable to the Beshtentak and Komsomolsk fields and the net present value attributable to such reserves as evaluated in the Reserve Report, based on forecast prices and costs assumptions. See *"Recent Developments – Tajikistan Reserves Information – Reserves Information – Pricing and Inflation Rate Assumptions"* for a summary of the pricing and inflation rate assumptions with respect to the reserves information contained in this short form prospectus. No reserves have been attributed to the Khoja Sartez field. The tables summarize the data in the Reserve Report and, as a result, may contain slightly different numbers than the report due to rounding. Also, due to rounding, certain columns may not add exactly.

The estimated future net revenue figures contained in the following tables do not necessarily represent the fair market value of the reserves attributable to the Beshtentak and Komsomolsk fields. There is no assurance that the forecast price and cost assumptions contained in the Reserve Report will be attained and variances could be material. Other assumptions relating to costs and other matters are included in the Reserve Report. The reserves estimates attributable to the Beshtentak and Komsomolsk fields described herein are estimates only. The actual reserves attributable to the Beshtentak and Komsomolsk fields may be greater or less than those calculated. A reader should note that the estimates of reserves and future net reserves for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Summary of Oil and Natural Gas Reserves Attributable to the Beshtentak and Komsomolsk Fields
As of March 31, 2009
(Forecast Prices and Costs) (1)(2)(3)(4)(5)

	Light and Medium Crude Oil		**Natural Gas**	
Reserves Category	**Gross (Mbbl)**	**Net (Mbbl)**	**Gross (Bcf)**	**Net (Bcf)**
Proved				
Developed Producing	-	-	-	-
Developed Non-Producing	-	-	3.3	2.3
Undeveloped	-	-	-	-
Total Proved	-	-	3.3	2.3
Probable	13.7	9.6	2.8	2.0
Total Proved Plus Probable	13.7	9.6	6.1	4.3
Possible	13.7	9.6	2.3	1.6
Total Proved Plus Probable Plus Possible	27.4	19.1	8.4	5.9

Notes:

(1) Columns may not add due to rounding.

(2) Under the Bokhtar PSC, KPL will: (i) recover 100% of its costs from the Cost Production; and (ii) receive 70% of the Profit Production. The Tajik State's share of production includes all taxes, levies and duties.

(3) Light and medium crude oil includes condensate.

(4) Possible reserves are those additional reserves less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

(5) Forecast prices and costs are presented on the same basis as constant prices and costs as the net revenues and reserves presented assume no escalation in prices and costs. See *"Recent Developments – Tajikistan Reserves Information - Pricing and Inflation Rate Assumptions"."*

Net Present Value of Future Net Revenue Attributable to the Beshtentak and Komsomolsk Fields
As of March 31, 2009
Before Income Taxes
(Forecast Prices and Costs)[(1)(2)(3)(4)(5)(6)(7)]

	Beshtentak Discounted at (%/year)				
Reserves Category	0% (MM$)	5% (MM$)	10% (MM$)	15% (MM$)	20% (MM$)
Proved					
Developed Producing	-	-	-	-	-
Developed Non-Producing and Undeveloped	10.4	8.2	6.6	5.5	4.6
Total Proved	10.4	8.2	6.6	5.5	4.6
Probable	5.1	4.1	3.3	2.8	2.3
Total Proved Plus Probable	15.5	12.3	10.0	8.3	7.0
Possible	3.3	2.6	2.1	1.8	1.5
Total Proved Plus Probable Plus Possible	18.8	14.9	12.1	10.0	8.5

	Komsomolsk Discounted at (%/year)				
Reserves Category	0% (MM$)	5% (MM$)	10% (MM$)	15% (MM$)	20% (MM$)
Proved					
Developed Producing	-	-	-	-	-
Developed Non-Producing and Undeveloped	-	-	-	-	-
Total Proved	-	-	-	-	-
Probable	2.0	1.5	1.2	0.9	0.6
Total Proved Plus Probable	2.0	1.5	1.2	0.9	0.6
Possible	5.4	4.7	4.2	3.8	3.4
Total Proved Plus Probable Plus Possible	7.4	6.3	5.4	4.7	4.0

	Beshtentak and Komsomolsk Aggregate Discounted at (%/year)				
Reserves Category	0% (MM$)	5% (MM$)	10% (MM$)	15% (MM$)	20% (MM$)
Proved					
Developed Producing	-	-	-	-	-
Developed Non-Producing and Undeveloped	10.4	8.2	6.6	5.5	4.6
Total Proved	10.4	8.2	6.6	5.5	4.6
Probable	7.1	5.6	4.5	3.7	3.0
Total Proved Plus Probable	17.5	13.8	11.1	9.1	7.6
Possible	8.7	7.4	6.4	5.6	4.9
Total Proved Plus Probable Plus Possible	26.2	21.2	17.5	14.7	12.5

	Unit Value Before Income Taxes Discounted at 10%/yr ($/BOE)		
Reserves Category	**Beshtentak**	**Komsomolsk**	**Total**
Proved			
Developed Producing	-	-	-
Developed Non-Producing and Undeveloped	17.5	-	17.5
Total Proved	17.5	-	17.5
Total Proved Plus Probable	18.7	7.1	16.0
Total Proved Plus Probable Plus Possible	19.1	15.7	17.9

Notes:
(1) Columns may not add due to rounding.

(2) Under the Bokhtar PSC, KPL will: (i) recover 100% of its costs from the Cost Production; and (ii) receive 70% of the Profit Production. The Tajik State's share of the production includes all taxes, levies and duties.
(3) In determining the aggregate future net revenue from a property, TRACS estimated and deducted future well abandonment costs.
(4) Abandonment and reclamation costs are included in the calculation of the net present value of future net revenue relating to the Beshtentak and Komsomolsk fields.
(5) As the Tajik State's share of production includes all taxes, levies and duties, the net present value of future net revenue after income taxes equals the net present value of future net revenue before income taxes. Accordingly, information is only presented on a before income taxes basis.
(6) Insufficient information relating to cost allocation for capital expenditures and operating expenses is available to distinguish between developed non-producing and undeveloped reserves.
(7) Forecast prices and costs are presented on the same basis as constant prices and costs as the net revenues and reserves presented assume no escalation in prices and costs. See *"Recent Developments – Tajikistan Reserves Information - Pricing and Inflation Rate Assumptions"."*

Total Future Net Revenue Attributable to the Beshtentak and Komsomolsk Fields
(Undiscounted)
As of March 31, 2009
(Forecast Prices and Costs)(1)(2)(3)

Reserves Category	Revenue (MM$)	Royalties (MM$)	Operating Costs (MM$)	Development Costs (MM$)	Abandonment and Reclamation Costs (MM$)	Future Net Revenue Before Tajik State's Profit Production Share (MM$)	Income Taxes (MM$)	Future Net Revenue After Tajik State's Profit Production Share (MM$)
Proved	17.5	-	2.1	0.4	0.2	14.9	-	10.4
Proved Plus Probable	32.7	-	3.1	4.4	0.3	24.9	-	17.5
Proved Plus Probable Plus Possible	45.2	-	3.3	4.4	0.3	37.2	-	26.2

Notes:
(1) Columns may not add due to rounding.
(2) Under the Bokhtar PSC, KPL will: (i) recover 100% of its costs from the Cost Production; and (ii) receive 70% of the Profit Production. The Tajik State's share of production includes all taxes, levies and duties.
(3) Forecast prices and costs are presented on the same basis as constant prices and costs as the net revenues and reserves presented assume no escalation in prices and costs. See *"Recent Developments – Tajikistan Reserves Information - Pricing and Inflation Rate Assumptions"."*

Pricing and Inflation Rate Assumptions

In determining net present values of future revenue and total future net revenue presented in the Reserve Report and summarized above: (i) the price of light and medium crude oil assumed is $53.90/bbl, based on the Brent crude oil price, as at the date of the Reserve Report, less a discount factor of 2% and a location adjustment factor of $5/bbl (as a reduction), and (ii) the price of natural gas assumed is $190/Mcm, ($5.38/Mcf) representing current cost of Uzbek gas imports into Tajikistan, currently at $240/Mcm, ($6.80/Mcf) less a 20% discount to the cost of contracted Uzbek gas imports. TRACS has assumed constant petroleum prices and costs with no escalation over time in calculating future revenue.

Future Development Costs

The following table sets forth future development costs deducted in the estimation of the future net revenue attributable to the reserves categories noted below.

Future Development Cost Attributable to the Beshtentak and Komsomolsk Fields
(Forecast Prices and Costs)[(1)]
(MM$)

Year	Proved Reserves	Proved Plus Probable Reserves	Proved Plus Probable Plus Possible Reserves
2009	0.4	4.4	4.4
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
Thereafter	-	-	-
Total (undiscounted)	0.4	4.4	4.4
Total (discounted at 10%)	0.4	4.2	4.2

Note:
(1) Forecast prices and costs are presented on the same basis as constant prices and costs as the net revenues and reserves presented assume no escalation in prices and costs. See *"Recent Developments – Tajikistan Reserves Information - Pricing and Inflation Rate Assumptions"*."

The Company expects to fund its future development capital with a combination of internally generated cash flow and the periodic issuance of equity and bank debt. Future development costs are associated with reserves as disclosed in the Reserve Report and do not necessarily represent the Company's full exploration and development budget.

Oil and Gas Wells

The number of producing and non-producing wells in which the Company had an interest as of March 31, 2009 in respect of the Tajikistan Contract Area is presented in the table below. "Non-producing" wells means wells which are not producing but which are capable of production. The number of net wells corresponds to the number of gross wells as the Company has a 100% working interest in each well, subject to revenue sharing and royalties under the relevant contracts.

	Natural Gas			
	Producing		**Non-Producing[(1)]**	
Tajikistan Contract Area				
Khoja Sartez	0	0	1	1
Total	**0**	**0**	**1**	**1**

Pursuant to the Bokhtar PSC, KPL, as contractor, is required to select and relinquish portions of the Tajikistan Contract Area with the first relinquishment being after seven (7) contract years in respect of 25% of the Tajikistan Contract Area (less any development areas) and at five year intervals thereafter in respect of 50% of the then remaining Tajikistan Contract Area (less any development areas).

Properties with No Attributed Reserves

The following table sets out the Company's undeveloped land position in respect of the Tajikistan Contract Area as at March 31, 2009.

Undeveloped Acreage

Area	Gross Acres	Net Acres[(1)]
Tajikistan Contract Area (Bokhtar PSC)	8,586,899	8,586,899

Note:

(1) "Net Acres" is considered to be the same as "Gross Acres" as KPL's interest under the Bokhtar PSC is not subject to any royalties. Under the Bokhtar PSC, KPL will: (i) recover 100% of its costs from Cost Production; and (ii) receive 70% of the Profit Production.

Marketing Contracts

Effective January 1, 2009, KPL entered into a gas supply contract with OJSC Kulyabgaz to supply gas to the town of Kulob in Southern Tajikistan (the "**Tajik Gas Supply Contract**"). The price under the contract is fixed for the period of the contract at 300 Somoni (approximately $75.00 as at April 30, 2009) per Mcm ($2.13 per Mcf) and the initial contract is to supply up to 65 Mcm (2.3 MMcf) of gas per day. For a more detailed description of the Tajik Gas Supply Contract, please see the AIF under the headings *"Description of the Business – Tajikistan – The Khoja Sartez Field"* and *"Description of the Business – Marketing – Khoja Sartez Field"*. Delivery of gas under the Tajik Gas Supply Contract was suspended in March 2009 when production from the one producing well in the Khoja Sartez field was halted pending well rehabilitation.

The nature of the Company's natural gas operations exposes the Company to risks associated with fluctuations in commodity prices and foreign currency exchange rates. To date, the Company has not utilized derivative instruments to manage these risks.

Abandonment and Reclamation Costs

The Company estimates well abandonment and reclamation costs area by area by taking into consideration the costs associated with remediation, decommissioning, abandonment and reclamation, as well as salvage values of existing equipment. These costs are adjusted to reflect working interests held and are time discounted in accordance with NI 51-101. As of March 31, 2009, the Company had approximately 8 net wells for which abandonment and reclamation costs are expected to be incurred in respect of the Tajikistan Contract Area. The Company's estimate of abandonment and reclamation costs, net of estimated salvage value, for surface leases, wells, facilities and pipelines, undiscounted and discounted at 10%, are $325,000 and $145,000, respectively. In the next three years, no abandonment and reclamation costs are expected to be incurred.

The Company will be liable for its share of ongoing environmental obligations and for the ultimate reclamation of the properties held by it upon abandonment. Ongoing environmental obligations are expected to be funded out of cash flow from operations of the Company.

Significant Factors or Uncertainties

The process of evaluating reserves is inherently complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on current production forecasts, geological evaluation, engineering data, prices and economic conditions. The reserves associated with the acquired reserves have been evaluated by TRACS. These factors and assumptions include among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserves estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions. Revisions to reserves estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative.

For additional details of significant economic factors and uncertainties affecting the reserves, see "*Risk Factors*"

Tajikistan Resources Information

Overview

The Company engaged TRACS to evaluate the contingent and prospective resources of the Company attributable to the Tajikistan Contract Area. In connection therewith, TRACS provided an independent evaluation of the contingent and prospective resources of the Company dated May 20, 2009, with an effective date of March 31, 2009 (the "**Resource Report**"). Certain terms used herein have the meanings attributed to such terms in the Canadian Oil and Gas Evaluation ("**COGE**") Handbook, which is referenced by the Canadian Securities Administrators in NI 51-101.

Estimates of resources always involve uncertainty, and the degree of uncertainty can vary widely between accumulations and projects and over the life of a project. Consequently, estimates of resources should generally be quoted as a range according to the level of confidence associated with the estimates. The range of uncertainty of estimated recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. Resources should be provided as low, best and high estimates as follows:

- **Low Estimate:** This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90% probability (P_{90}) that the quantities actually recovered will equal or exceed the low estimate.

- **Best Estimate:** This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50% probability (P_{50}) that the quantities actually recovered will equal or exceed the best estimate.

- **High Estimate:** This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10% probability (P_{10}) that the quantities actually recovered will equal or exceed the high estimate.

Contingent Resources

A summary of the contingent crude oil, condensate and natural gas resources for each of the Komsomolsk, Beshtentak and Khoja Sartez fields within the Tajikistan Contract Area is set forth below.

	Contingent Resources as at March 31, 2009[(1)(2)(3)]					
	Gross			Net		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Komsomolsk Field						
Gas Condensate Resources, Mbbl	7.9	51.2	186.0	5.6	35.8	130.2
Natural Gas Resources, Bcf	2.7	17.3	62.8	1.9	12.1	44.0
BOE Resources, Mbbl	457.6	2,932.0	10,643.8	320.3	2,052.4	7,450.6
Beshtentak Field						
Crude Oil Resources, Mbbl	110.0	610.0	4,350.0	77.0	427.0	3,045.0
Natural Gas Resources, Bcf	0.0	4.5	5.3	0.0	3.2	3.7
BOE Resources, Mbbl	110.0	1,359.4	5,232.6	77.0	959.9	3,661.1
Khoja Sartez Field						
Natural Gas Resources, Bcf	2.1	2.3	2.4	1.5	1.6	1.7
BOE Resources, Mbbl	349.7	383.0	399.7	244.8	268.1	279.8
Total Company – Bokhtar PSC						
Crude Oil Resources, Mbbl	110.0	610.0	4,350.0	77.0	427.0	3,045.0

Contingent Resources as at March 31, 2009(1)(2)(3)

	Gross			Net		
	Low Estimate	**Best Estimate**	**High Estimate**	**Low Estimate**	**Best Estimate**	**High Estimate**
Gas Condensate Resources, Mbbl	7.9	51.2	186.0	5.6	35.8	130.2
Natural Gas Resources, Bcf	4.8	24.1	70.5	3.3	16.9	49.4
BOE Resources, Mbbl	917.3	4,674.4	16,276.0	642.1	3,280.4	11,391.5

Notes:
(1) Based on an arithmetic aggregation of the individual prospects.
(2) Each prospect has its own estimated probability of geological success.
(3) Low, best and high estimates follow the COGE Handbook Section 5 resources definitions and guidelines for prospective resources. The resource range presented above is "unrisked" meaning that it is valid in the event of successfully finding hydrocarbons in each and every prospect. In this case, the possible range of recoverable resources would likely lie in the range between the low estimate and the high estimate.

There is no certainty that it will be commercially viable to produce any portion of the contingent resources from any of the Khoja Sartez, Komsomolsk or Beshtentak fields. In respect of the Komsomolsk and Beshtentak resources, the main contingency is based upon the distribution of the hydrocarbons within the structures, which will only be defined by new workover or drilling activity, although the size of the hydrocarbons for both structures is well defined. In respect of the Khoja Sartez resources, the contingency is due to commerciality as it has not been demonstrated to date that sufficient volumes of gas can be produced from a single well in order to pass the economic limits that define reserves.

There are numerous uncertainties inherent in estimated resources, including many factors beyond the Company's control, and no assurance can be given that the indicated level of resources or recovery of natural gas and crude oil will be realized. In general, estimates of recoverable natural gas and crude oil resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties and the assumed effect of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the recoverable natural gas and crude oil, the classification of such resources based on risk of recovery, prepared by different engineers or by the same engineers at different times, may vary substantially.

Prospective Resources

A summary of the prospective crude oil and natural gas resources for each of the Komsomolsk and Beshtentak fields and within the Tajikistan Contract Area is presented below:

Prospective Resources as at March 31, 2009(1)(2)(3)

	Gross				Net			
	Low Estimate	**Best Estimate**	**High Estimate**	**Risked Mid Estimate**	**Low Estimate**	**Best Estimate**	**High Estimate**	**Risked Mid Estimate**
Prospects								
Komsomolsk Field								
Gas Condensate Resources, Mbbl	131.3	170.7	262.2	49.5	91.9	119.5	183.5	34.7
Natural Gas Resources, Bcf	44.4	57.7	88.6	16.7	31.1	40.4	62.0	11.7
BOE Resources, Mbbl	7,525.0	9,779.2	15,016.3	2,830.5	5,267.5	6,845.4	10,511.4	1,981.3
Beshtentak Field								
Crude Oil Resources, Mbbl	6.6	11.7	17.7	3.4	4.6	8.2	12.4	2.4
Natural Gas Resources, Bcf	9.1	16.1	27.7	5.0	6.4	11.3	19.4	3.5
BOE Resources, Mbbl	1,522.4	2,693.5	4,631.8	835.6	1,065.7	1,885.5	3,242.2	584.9
Total Prospects MMBOE	9.0	12.5	19.6	3.7	6.3	8.7	13.8	2.6

Leads								
Lead Resources MMBOE	-	1,132.0	-	-	-	792.4	-	-
Total Bokhtar PSC Leads and Prospects MMBOE	-	1,144.5	-	-	-	806.2	-	-

Notes:

(1) Based on an arithmetic aggregation of the individual prospects.

(2) Each prospect has its own estimated probability of geological success.

(3) Low, best and high estimates follow the COGE Handbook Section 5 resources definitions and guidelines for prospective resources.

There is no certainty that any portion of the prospective resources identified in the Resource Report will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

There are numerous uncertainties inherent in estimated resources, including many factors beyond the Company's control, and no assurance can be given that the indicated level of resources or recovery of natural gas and crude oil will be realized. In general, estimates of recoverable natural gas and crude oil resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties and the assumed effect of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the recoverable natural gas and crude oil, the classification of such resources based on risk of recovery, prepared by different engineers or by the same engineers at different times, may vary substantially.

CONSOLIDATED CAPITALIZATION

The following table sets forth the Company's capitalization as at May 31, 2009, before and after giving effect to the Offering.

Designation	Authorized	As at May 31, 2009 before giving effect to the Offering	As at May 31, 2009 after giving effect to the Maximum Offering(1)
Shareholders' Equity	700,000,000	$151,156,000	$169,006,000
Ordinary Shares(2) (3) (basic)		(82,874,769 Ordinary Shares)	(134,554,769 Ordinary Shares)
Preferred Shares	50,000,000	-	-
Accumulated Deficit(4)	N/A	($72,670,000)	($72,670,000)
		$78,486,000	$96,336,000
Financial Borrowing(5)(6)	N/A	$4,800,000	$4,800,000
Total		$83,286,000	$101,136,000

Notes:

(1) Based on the issuance of 51,680,000 Offered Shares pursuant to the Maximum Offering for gross proceeds of approximately $20,000,000, less the Agents' Fee of approximately $1,400,000 and the expenses of the Offering estimated to be $750,000. If the Minimum Offering is achieved, Shareholders' Equity as at May 31, 2009, will be $157,846,000 (103,546,769 Ordinary Shares), based on the issuance of 20,672,000 Ordinary Shares issued for gross proceeds of approximately $8,000,000, less the Agents' Fee of approximately $560,000 and the expenses of the Offering estimated to be $750,000.

(2) See *"Description of Share Capital"*.

(3) As at April 30, 2009, the Company also had outstanding: (i) options to purchase an aggregate of 7,005,000 Ordinary Shares at a weighted average exercise price of $2.67 per share; (ii) warrants to acquire an aggregate of 2,090,000 Ordinary Shares at an exercise price of $2.50 per share; (iii) performance warrants to acquire an aggregate of 6,767,504 Ordinary Shares at a weighted average exercise price of $5.87; (iv) warrants to acquire an aggregate of 1,346,154 Ordinary Shares at an exercise price of $2.50 per share; (v) warrants to acquire an aggregate of 795,000 Ordinary Shares at an exercise price of C$3.25 per share; (vi) warrants to acquire an aggregate of 638,298 Ordinary Shares at an exercise price of C$1.25 per share. In connection with the Loan Agreement (as defined below), the Company has agreed to issue to the lenders, subject to regulatory approval, warrants to acquire up to 2,500,000 Ordinary Shares exercisable for a period of eighteen months from the date of issuance at a price of C$0.60 per share. The Company expects that these warrants will be issued by June 20, 2009

(4) As at March 31, 2009.

(5) Excludes current portion.

(6) On May 22, 2009, the Company signed a 12-month term loan agreement (the "**Loan Agreement**") to borrow funds from a group of lenders. Under the terms of the Loan Agreement, the lenders made available to the Company a US dollar term loan facility of $2,500,000. As security for the repayment of the loan, the Company has provided certain drilling and operational equipment including a workover rig and a coiled tubing unit. The loan, together with all accrued interest and other amounts outstanding under the loan, shall be repaid on the earlier of: (a) ten business days from a loan being granted to the Company that is more than $8,000,000; (b) the raising of funds in an offering or private placement, provided the funds received by the Company are more than $8,000,000; (c) the term, which is 12 months; or (d) voluntarily at the Company's option with five business days notice. The interest due on the loan is payable quarterly, with the first three months calculated at 1% per month, the second three months at 1.5% per month, the third three months at 1.75% per month and the final three months at 2% per month.

The material changes to the consolidated share and loan capital of the Company from March 31, 2009 to the date hereof, consist of the issuance of 15,000,000 Ordinary Shares ($4,844,000) as part of the Acquisition (See *"Recent Developments – The Acquisition"*) and the issuance of 81,477 Ordinary Shares ($234,000) in connection with the acquisition of the Telesto rig (See *"Prior Sales"*).

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of 700,000,000 Ordinary Shares and 50,000,000 preference shares ("**Preference Shares**") issuable in one or more series, of which 82,874,769 Ordinary Shares and no Preference Shares are issued and outstanding as at June 11, 2009.

The holders of Ordinary Shares are entitled to receive such dividends as the Company's directors may from time to time declare. In the event of the winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, the holders of Ordinary Shares are entitled to the surplus assets of the Company in proportion to their respective shareholdings and generally will be entitled to enjoy all of the rights attaching to shares of the Company. At a general meeting, holders of Ordinary Shares are entitled on a show of hands to one vote and on a poll to one vote for every Ordinary Share held. The holders of Ordinary Shares have rights of dissent in respect of certain fundamental transactions and the Ordinary Shares are subject to compulsory acquisition if an acquiror acquires over 90% of the outstanding Ordinary Shares pursuant to a take-over bid, as set out in the Company's articles of association.

The holders of Preference Shares (if and when issued), will be entitled to dividends granted on such shares in priority to dividends granted to holders of Ordinary Shares, and the Preference Shares also confer upon holders thereof, certain rights on dissolution, which are in priority the rights conferred upon holders of Ordinary Shares in such circumstances. The Preference Shares may (but are not required to) entitle the holders thereof to vote at general meetings of the shareholders.

PRIOR SALES

Prior Sales

The following table summarizes the issuances by the Company of Ordinary Shares or securities convertible into Ordinary Shares in the 12-month period prior to the date of this short form prospectus:

Date	Securities	Price Per Security	Number of Securities
June 27, 2008[(1)]	Ordinary Shares	$2.35	21,276,596
June 27, 2008[(1)]	Options	$2.50[(2)]	2,145,000
January 5, 2009[(3)]	Options	$2.50[(2)]	30,000
January 13, 2009[(4)]	Ordinary Shares	$0.43	1,400,000

Date	Securities	Price Per Security	Number of Securities
February 1, 2009[5]	Options	$2.50[2]	300,000
March 14, 2009[6]	Warrants	C$1.25[2]	638,298
April 9, 2009[7]	Ordinary Shares	$0.32	15,000,000
April 24, 2009[8]	Ordinary Shares	C$2.80	81,477

Notes:

(1) On June 27, 2008, the Company completed a public offering by way of short form prospectus whereby an aggregate of 21,276,596 Ordinary Shares were issued at a price of $2.35 (C$2.39) for gross proceeds of $50,000,000.60. In connection with the closing of the Offering, the Company granted options to certain directors, officers and employees of the Company to purchase an aggregate of 2,145,000 Ordinary Shares at an exercise price of $2.50.

(2) Represents the exercise price of warrants or stock options, as applicable.

(3) On January 5, 2009, the Company granted options to certain directors and employees of the Company to purchase an aggregate of 30,000 Ordinary Shares at an exercise price of $2.50.

(4) On January 13, 2009, the Company issued an aggregate of 1,400,000 Ordinary Shares in connection with the acquisition of a coiled tubing work-over unit using a reference price of $0.43 per share.

(5) On February 1, 2009, the Company granted options to certain officers of the Company to purchase an aggregate of 300,000 Ordinary Shares at an exercise price of $2.50.

(6) On March 14, 2009, the Company issued warrants to purchase an aggregate of 638,298 Ordinary Shares at an exercise price of C$1.25 per Ordinary Shares in connection with the acquisition of a drilling rig.

(7) On April 9, 2009, the Company issued 15,000,000 Ordinary Shares in connection with the Acquisition using a reference price of $0.32 per share. See *"Recent Developments – The Acquisition"*.

(8) On April 24, 2009, the Company issued 81,477 Ordinary Shares at a reference price of C$2.80 in connection with the acquisition of the Telesto rig.

In addition to the above, in connection with the Loan Agreement referred to in Note 6 to the table under the heading *"Consolidated Capitalization"*, the Company has agreed to issue to the lenders, subject to regulatory approval, warrants to acquire up to 2,500,000 Ordinary Shares exercisable for a period of eighteen months from the date of issuance at a price of C$0.60 per share. The Company expects that these warrants will be issued by June 20, 2009.

Price Range and Volume of Trading of Ordinary Shares

The Ordinary Shares trade on the TSX under the symbol "TPL". The following table sets forth the reported high and low sales prices (which are not necessarily the closing prices) and the trading volumes for the Ordinary Shares on the TSX as reported by sources Tethys believes to be reliable for the periods indicated:

Date	High (C$)	Low (C$)	Trading Volume
2008			
May	2.60	2.20	2,516,127
June	2.80	2.01	6,396,748
July	2.79	2.15	2,052,481
August	2.35	2.00	3,572,205
September	2.20	1.01	289,658
October	1.25	0.50	2,771,529
November	1.25	0.74	2,563,500
December	0.83	0.52	1,162,477
2009			
January	0.80	0.56	1,131,400
February	0.66	0.46	1,662,400
March	0.57	0.47	1,898,200
April	0.51	0.35	292,800
May	0.70	0.45	629,017
June 1 – 11	0.495	0.39	1,590,444

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Offered Shares distributed under this short form prospectus are estimated to be approximately $6,690,000, in the case of the Minimum Offering and approximately $17,850,000, in the case of the Maximum Offering, after deducting the Agent's Fee of approximately $560,000, in the case of the

Minimum Offering and approximately $1,400,000, in the case of the Maximum Offering and the estimated expenses of this Offering of $750,000.

The net proceeds of the Offering are intended to be used by the Company to fund work on the Company's existing properties in Tajikistan, Uzbekistan and Kazakhstan. The aim of the Offering is to provide funding for near-term development and appraisal activities in Tajikistan and Uzbekistan, to further expand the Company's gas development in Kazakhstan and to acquire additional data to potentially enhance the value of the Company's exploration assets in Tajikistan. This is further described below.

	Minimum Offering (M$)	**Maximum Offering (M$)**
Tajikistan		
East Komsomolsk – Drill Directional Gas Appraisal Well KOM200-Phase 1	3,500[(1)]	3,500[(1)]
Infrastructure - Komsomolsk Gas Processing Plant - Phase 1	2,000	2,000
East Komsomolsk- Drill Directional Gas Development Well KOM201-Phase 2	-	3,500
Additional Seismic on Bokhtar PSC	-	3,660
Uzbekistan		
North Urtabulak Gas Lift Compression System	1,190	1,190
North Urtabulak New Well	-	4,000
Total	**6,690**	**17,850**

Note:

(1) Of this amount, $2,500,000 (plus accrued interest) will be applied to repay the loan described in Note 5 to the table under the heading *"Consolidated Capitalization"*. The proceeds of that loan will be used to fund the purchase of materials and equipment associated with drilling operations in Tajikistan.

If the Minimum Offering is achieved, the Company intends to drill the East Komsomolsk directional gas appraisal well KOM200 in Tajikistan for an expected cost of $3,500,000, construct the Komsomolsk Gas Processing Plant for an expected cost of $2,000,000 and add a gas lift compression system in the North Urtabulak oil field in Uzbekistan for an estimated cost of $1,190,000.

If the Maximum Offering is achieved, in addition to the work outlined above with respect to the Minimum Offering, the Company intends to drill a second directional well on East Komsomolsk KOM201 in Tajikistan for an estimated cost of $3,500,000 and conduct additional seismic operations under the Bokhtar PSC for an estimated cost of $3,660,000. In Uzbekistan, the Company plans to drill a new well on the North Urtabulak oil field for an estimated cost of $4,000,000.

The net proceeds of the Offering will be used by Tethys to accomplish the Company's stated business objective of building a diversified oil and gas exploration and production company, initially focused on Kazakhstan, Tajikistan and Uzbekistan in Central Asia, through the enhancement of the Company's asset base through exploratory and development drilling within its core project areas. In addition, the Company will continue to evaluate strategic acquisition opportunities of oil and natural gas properties from time to time where it views further exploration and development opportunities exist. Potential acquisitions are pursued to complement Tethys' development programs and generally occur within the boundaries of its core regions. While the Company believes it has the skills and resources necessary to accomplish its stated business objectives, participation in the exploration for and development of oil and natural gas has a number of inherent risks. See *"Risk Factors"* in this short form prospectus and in the AIF.

Although the Company intends to expend the proceeds from the Offering as described above, the actual allocation of the net proceeds may vary from that set out above, depending on future operations and unforeseen events.

PLAN OF DISTRIBUTION

Pursuant to the terms and conditions of the agency agreement dated as of June 12, 2009 between the Company and the Agent (the "**Agency Agreement**"), the Company has appointed the Agent to offer for sale on a "commercially reasonable efforts" basis, subject to compliance with all legal requirements and the terms and conditions contained in the Agency Agreement, 20,672,000 Offered Shares in the case of the Minimum Offering and up to 51,680,000 Offered Shares in the case of the Maximum Offering at a price of $0.387 per Offered Share or C$0.425 per Offered Share, payable in cash against delivery of certificates representing the Offered Shares, for gross proceeds of $8,000,000 in the case of the Minimum Offering and $20,000,000 in the case of the Maximum Offering. In addition, pursuant to the Agency Agreement and the selling agency agreement among the Company, the Agent and the Special Selling Agents dated as of June 12, 2009, Quam and Renaissance Capital have been designated as the Special Selling Agents for the purpose of procuring subscribers in certain jurisdictions outside of Canada and the United States, where each such Special Selling Agent is qualified to carry on business. The Offering Price is payable in US dollars or in Canadian dollars. The Canadian dollar amount is the equivalent of the US dollar denominated price of the Offered Shares, calculated at the Noon Buying Rate on June 11, 2009. Closing of the Offering is expected to be on or about June 19, 2009 or such later date as may be agreed upon by the Company and the Agent. While the Agent has agreed to use its commercially reasonable efforts to sell the Offered Shares, the Agent is not obliged to purchase any Offered Shares that are not sold. The obligations of the Agent under the Agency Agreement may be terminated at the Agent's discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The terms of the Offering have been determined by negotiation between the Company and the Agent.

The Agency Agreement provides for payment by the Company of the Agents' Fee, which is equal to 7% of the gross proceeds raised in the Offering, for various services rendered to the Company in connection with the Offering, including a fee equal to 1% of gross proceeds of the Offering payable at the discretion of the Company.

Provided that the Minimum Offering has been achieved, it is expected that closing of the Offering will take place on or about June 19, 2009, or such later date as the Company and the Agent may agree. Notwithstanding the foregoing, the distribution of the Offered Shares will not continue for a period of more than 90 days after the date of a receipt for this short form prospectus if subscriptions for the Minimum Offering are not obtained within that period, unless each person or company who subscribed within that period has consented to the continuation of the Offering. It is expected that definitive certificates representing the Offered Shares will be available for delivery at closing.

Until such time as a closing has occurred in respect of the Minimum Offering, all subscription funds received by the Agent will be held in trust, pending closing of the Minimum Offering. If the Minimum Offering has not been subscribed for prior to the 90-day period, the Agent shall promptly return the proceeds of subscription to the subscribers without interest or deduction unless such subscribers have otherwise instructed the Agent. Should a closing occur in respect of the Minimum Offering, one or more additional closings, if necessary, may occur until the earlier of the Maximum Offering being subscribed for and the expiry of the 90-day period.

The Company has been advised by the Agent that, in connection with the Offering, the Agent may effect transactions which stabilize or maintain the market price of the Ordinary Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Company has agreed that it will not, without the prior consent of the Agent, which consent shall not be unreasonably withheld, directly or indirectly, issue, sell, grant an option or right in respect of, or otherwise dispose of any Ordinary Shares or any securities convertible into or exercisable or exchangeable for any Ordinary Shares, at any time prior to 180 days after the initial closing of the Offering, other than: (i) the grant or exercise of stock options and other similar issuances pursuant to the Company's stock incentive plan; (ii) the issue of Ordinary Shares upon the exercise of the convertible securities, warrants or options outstanding prior to the initial closing of the Offering; and (iii) the issue of Ordinary Shares or other equity securities of the Company as consideration for the acquisition of oil and natural gas properties or shares of companies in the energy industry or for the acquisition of equipment required for the Company's operations.

The Company has agreed to indemnify the Agent against certain liabilities and expenses, including liabilities under applicable securities legislation in certain circumstances, or to contribute to payments the Agent may have to make in respect thereof.

The TSX has conditionally approved the listing of the Offered Shares to be distributed under this short form prospectus on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX on or before August 20, 2009.

This short form prospectus is only being and may only be distributed to and directed at (i) persons outside the U.K.; or (ii) persons in the U.K. who (a) are "qualified investors" within the meaning of Section 86(7) of the FSMA, and (b) have professional experience in matters relating to investments and who are persons referred to in Article 19 (investment professionals) or Article 49 (high net worth companies, unincorporated associations, etc.) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended); or (c) are otherwise lawfully permitted to receive it (all such persons together being referred to as "**relevant persons**").

The securities being offered hereunder are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. By accepting a copy of this short form prospectus and by offering to acquire Offered Shares under the Offering, potential investors in the U.K. will be deemed to have represented that they satisfy the criteria specified in clause (ii) above to be a relevant person. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document is not a prospectus for the purposes of Section 85(1) of FSMA and contains no offer to the public within the meaning of section 102B of FSMA, the U.K. Companies Act 2006 or otherwise. Accordingly, this document has not been approved as a prospectus by the FSA, under Section 87A of FSMA and has not been filed with the FSA pursuant to the U.K. prospectus rules nor has it been approved by a person authorized under FSMA.

The Agent has agreed in the Agency Agreement that it will not directly or indirectly, offer for subscription or sale or solicit applications for any of the Offered Shares, nor will it distribute any documents in relation to the Offering to any person: (a) if by doing so it would cause the Offering to be regarded as an offer to the public within the meaning of section 102B of the FSMA and/or which would require the Company to issue a prospectus (within the meaning of the U.K. prospectus rules published by the U.K. Financial Services Authority) with regard to the same; and/or (b) who does not fall within Article 19 (investment professionals) and/or 49 (high net worth entities, unincorporated associations etc.) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

The Offered Shares offered hereby have not been and will not be registered under the 1933 Act or any state securities laws, and accordingly may not be offered or sold within the United States except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Agency Agreement also permits the Agent to arrange for certain accredited investors to purchase Offered Shares directly from the Company pursuant to exemptions from registration under the 1933 Act. In addition, the Agency Agreement provides that the Agent will offer and sell Offered Shares outside the United States only in accordance with Regulation S under the 1933 Act. The Agent has agreed that, except as permitted by the Agency Agreement, it will not offer or sell the Offered Shares within the United States.

In addition, until 40 days after the closing of the Offering, any offer or sale of Offered Shares within the United States by any dealer (whether or not participating in the Offering), may violate the registration requirements of the 1933 Act if such offer or sale is made other than in accordance with an available exemption under the 1933 Act.

RISK FACTORS

The acquisition of Ordinary Shares involves a high degree of risk and should be considered speculative. An investor should carefully consider the following risk factors and all of the other information contained in this short form prospectus (including the documents incorporated by reference) before purchasing any of the Ordinary Shares. If any event arising from these risks occurs, the Company's business, prospects, financial condition, results of operations or cash flows could be adversely affected, the trading price of the Ordinary Shares could decline and all or part of any investment may be lost. Additional risks and uncertainties not currently known to the Company, or that are currently deemed immaterial, may also materially and adversely affect the Company's business operations.

Risks Relating to the Company and its Business

An investor should carefully consider the risk factors disclosed in the AIF under the heading *"Risk Factors"*, in the Annual MD&A and in the Interim MD&A and in the other documents incorporated by reference herein. See *"Documents Incorporated by Reference"*. The following is a list of the risks which are described in detail in the annual information form and all of which are incorporated by reference herein: competition in the oil and gas industry; marketability of our production; commodity price fluctuations; nature of the oil and gas business; dependence on gas pipelines; management services provided pursuant to a services agreement and dependence on key personnel; gas supply contracts and other hedging activities; sufficiency of financial resources; international operations; foreign currency and fiscal matters; political and regulatory risk; diverse legal systems; production variances from reported reserves; distinction between "resources" and "reserves"; availability of equipment and access restrictions; operating hazards; seasonality and weather patterns; environmental risks; reliance on third party operators; recurring losses and going concern; cost of new technologies; production delays; property interests and governmental approvals; disclosure controls and procedures; internal controls over financial reporting; adoption of International Financial Reporting Statements; conflicts of interest; relinquishment of exploration rights; as well as certain risks related to operating in Kazakhstan and Tajikistan, including political, economic, legal and fiscal instability, risks relating to the legal and regulatory environment of such countries and lack of infrastructure.

In addition to the risk factors in the AIF describing risks to the Company's business, the following additional risk factors should be considered by persons considering an investment in the Ordinary Shares.

Current Market Conditions

As a result of the weakened global economic situation and the recent downturn in oil, natural gas and other commodity prices, the Company, along with other oil and gas issuers, will face reduced cash flow and restricted access to capital until these conditions improve. A prolonged period of adverse market conditions may impede the Company's ability to finance planned capital expenditures and operating expenses. The continued existence of adverse conditions in global commodities markets and credit markets may negatively affect the Company's ability to maintain and grow its reserves and fully exploit its properties for the benefit of shareholders. As noted in the notes to the Company's financial statements, factors relating to the Company's ability to access cash from financing activities and operations to fund the Company's capital expenditures and other requirements create doubt as to the Company's ability to continue as a going concern.

Risks of Exploration for Oil and Natural Gas

Exploratory drilling involves numerous risks, including the risk that the Company will not encounter commercially productive reservoirs of hydrocarbons, and even if the Company makes commercial discoveries, it may be unable to finance capital expenditures related to field development programs or otherwise bring its fields into production. A variety of factors may require the Company to curtail, delay or cancel drilling operations or implementation of field development programs, or cause it to incur unforeseeable and unpredictable cost overruns, including, among other things, unexpected drilling conditions, abnormal pressure or other irregularities in geological formations, equipment failures or accidents, mechanical difficulties, adverse weather conditions, difficulty complying with legal, governmental or licensing requirements, suspension or termination of licences and shortages or delays in the availability of drilling rigs and equipment deliveries.

The Company's drilling activities may be subject to enhanced risks of failure, delay and cost overruns. The Company explores in a challenging physical environment where access to adequate and modern equipment may be limited from time to time. Even if the Company's drilling program results in commercial discoveries of hydrocarbons, implementation of field development programs will require substantial capital expenditures. There can be no assurance that the Company will be able to continue to arrange successfully for the financing and construction of gas processing facilities, at all or on commercially reasonable terms. Accordingly, delays, curtailments or cancellation of the Company's drilling programs or, in the event of commercial discoveries, field development programs may have a material adverse affect on the Company's ability to meet its production targets which, in turn may materially adversely affect the Company's business, financial condition, results of operations prospects and the market price of the Ordinary Shares.

Dependence on Pipeline

The Company is economically dependent on the pipeline from the Kyzyloi field in Kazakhstan to the compressor station and the onward Bukhara-Urals trunkline. Should anything adverse happen to these pipelines, then the sales revenue would cease. Although the trunkline is owned by Intergaz Central Asia ("**Intergaz**"), currently a Kazakh State company, and no problems are currently envisaged by management of the Company with respect to exporting the Company's gas through this system, it may be that in the future the trunkline owners refuse to take the Company's gas, impose excessively high transportation charges or that the trunkline capacity may be reached.

Earlier in May 2009, gas production from the Kyzyloi field was temporarily reduced at the request of Intergaz. The Company has been advised that this is a temporary measure due to technical works and Intergaz expects normal flow to resume in June 2009. Currently, production is approximately 243,000 Mcmpd (8.58 MMcfpd), however, with resumption of normal operations, the Company expects to again be producing approximately 566,000 Mcmpd (20 MMcfpd).

Potential Declines in Reserves

The Company intends to continue to explore for further reserves in its contract areas and seeks to add new reserves to its reserve base. However, the Company cannot assure investors that its exploration programs will be successful. Except to the extent the Company completes successful exploration and development projects or acquires properties containing proven reserves, or both, the Company's reserves will decline as its natural gas and liquid hydrocarbons are produced and its reserves are depleted. The Company's future production is highly dependent upon the Company's ability to develop its existing reserve base and, in the longer term, finding or acquiring additional reserves. If the Company is unsuccessful in developing its current reserve base and if the Company fails to add new reserves through exploration or acquisitions, its total proved reserves will decline, which would adversely affect the Company's business, financial condition, prospects or the market price of the Ordinary Shares.

Reserve and Resource Estimate Risks

Prospective investors should be aware that the reserve and resource estimates contained or incorporated by reference in this short form prospectus are estimates only and are not meant to provide a determination as to the volume or value of hydrocarbons attributable to the Company's properties. There are numerous uncertainties inherent in estimating quantities of resources and reserves and cash flows to be derived therefrom, including many factors that are beyond the control of the Company. The reserves from the Company's properties in Kazakhstan have been independently evaluated by McDaniel & Associates Consultants Ltd. ("**McDaniel**") in McDaniel's reserve report, effective December 31, 2008 (the "**McDaniel Report**") which is described in the AIF. The reserves and resources from the Company's properties in Tajikistan have been independently evaluated by TRACS in the Reserve Report and the Resource Report, respectively. The McDaniel Report, the Reserve Report and the Resource Report each include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of the Company. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material. These evaluations are based, in part, on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations.

In addition, direct comparisons between the information regarding the McDaniel Report summarized in the AIF and the information regarding the Reserve Report summarized in this short form prospectus may not be reliable. Each of these reserve reports were prepared by different independent reserve engineering firms, who may have applied different approaches and methodologies to evaluating reserves. The McDaniel Report has an effective date of December 31, 2008, while the Reserve Report has an effective date of March 31, 2009, and each of the reserve reports uses different pricing assumptions.

In this short form prospectus, the Company provides information with respect to the potential that the Company's asset base offers. In doing so, the Company uses terms such as "resource(s)". These terms refer to the estimated original resource size of a particular prospect and it should be distinguished from reserves. Reserves are the amount of hydrocarbons that are estimated to be economically recoverable from a particular resource base from a given date forward. Data supplied in this short form prospectus with respect to the Resource Report represents resources, not reserves. Resource estimates always involve uncertainty, and the degree of uncertainty can vary widely between accumulations and projects over the life of a project. Ultimate recoverable reserves can range widely depending on resource characteristics, available technologies and economic and contractual parameters.

Potential Loss of Rights to Explore, Develop and Produce

The interests of the Company's subsidiaries in their exploration and/or production contracts in Kazakhstan, Uzbekistan and Tajikistan are represented by contracts and/or licences with governmental agencies in such countries, (the "**Contracts**") which grant the holder exploration and/or production rights over a defined area. Ownership of the land covered by the Contracts remains with the relevant governmental agencies. The Contracts to which the Company's subsidiaries are a party and, if applicable, pursuant to which a licence is granted to the Company's subsidiaries, are subject to certain conditions, including minimum work obligations, minimum expenditures, reimbursement requirements, obligatory contributions to socio-economic development funds and requirements for procuring local goods and services, and hiring and training of local personnel. In addition, the Contracts are subject to extensions. There is a risk that the Contracts may not be extended or, in the case of exploration only contracts, new production contracts may not be entered into on a timely basis or be based on terms satisfactory to the Company.

There are also a number of restrictions or transfers or alienation of rights with respect to the Contracts in particular, with respect to the Contracts relating to the Company's projects in Kazakhstan (the "**Kazakh Contracts**"), any transfer of the Kazakh Contracts or shares (interests) in the company holding the Kazakh Contracts requires governmental consent; the ability of the Company to transfer the Kazakh Contracts in the future or use the Kazakh Contracts as a security for future borrowing may be restricted or denied. In addition to the consent described above in respect of the Kazakh Contracts, the purchase and sale of oil and gas properties and oil and gas businesses in Kazakhstan (including transfers of interests in companies that can directly or indirectly control such business in Kazakhstan), is subject to the Kazakhstan government's waiver of its priority right to purchase the alienated oil and gas assets and businesses. Business acquisitions may also be subject to review by the Agency of the Republic of Kazakhstan for Regulation of Natural Monopolies (the "**Antimonopoly Agency**") under the Kazakhstan antimonopoly legislation and may be subject to findings of non-compliance with other regulatory authorities. The Company is not in a position to verify its compliance with the antimonopoly legislation, if required. Failure to obtain the Antimonopoly Agency's approval does not make the transaction invalid, although Kazakhstan's antimonopoly legislation gives the Antimonopoly Agency authority to intervene in cases of activities considered to be monopolistic, including the right to file a claim in a court to invalidate prior acquisitions if the transactions violated the antimonopoly legislation. Prior and future acquisitions and divestitures of the Company may be subject to review and possible invalidation by a court if considered to be contrary to antimonopoly legislation. The offering of securities by the Company, may also, in certain circumstances, be interpreted as being subject to the waiver of the Kazakhstan government's priority right relating to transfers of interest in the beneficial ownership of subsurface use contracts. This Offering and future offerings by the Company may be subject to delays to the extent that notice to the applicable government authority is required to ensure compliance with the Kazakhstan government's priority right. The failure to comply with the requirement to obtain the Kazakhstan government's priority right could trigger termination of the Kazakhstan subsurface use contracts.

Effect of Regulation and Influence from Other Countries

The Company operates in Kazakhstan, Uzbekistan and Tajikistan. These countries border on other countries that may not have the same level of stability and security as would be the case for a Western country. Such stability and security issues may have an adverse effect on the ability of the Company to gain access to equipment and personnel. In addition, any particular domestic or international incidents in the region may have an adverse effect on the sentiment of the market towards energy companies that operate in Central Asia, as well as an adverse effect on the willingness of lenders and new investors to provide financing to the Company.

In addition, the government of Russia and Russian oil and gas companies exert a significant degree of influence in the region. Russian regulations and policies may have a significant impact on the market price of natural gas in the Company's markets. Actions taken by Russian authorities and companies may also have an impact on the Company's ability to provide its products to market. Actions taken by the Russian government and competitors in Russia can be unpredictable and would be out of the Company's control. There is no guarantee that actions taken by Russian and other foreign entities will not have a material adverse effect on the Company's prospectus and the trading price of the Ordinary Shares.

Taxation Risks and Issues in Kazakhstan

The taxation system in Kazakhstan is at an early stage of development and the tax risks and problems with respect to its operations and investment in Kazakhstan are significant. Tax legislation is evolving and is subject to different and changing interpretations as well as inconsistent enforcement at both the local and state levels. Laws related to these taxes have not been in force for significant periods in contrast to more developed market economies, therefore, regulations are often unclear or nonexistent. Accordingly, few precedents with regard to issues have been established.

Tax declarations, together with other legal compliance areas (for example, customs, currency control and transfer pricing matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax and other risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems. In addition, amendments to current Kazakhstan taxation laws and regulations which alter tax rates and/or capital allowances could have a material adverse impact on the Company.

All legal entities carrying on activities in Kazakhstan must be registered with the local tax committee. Taxes in Kazakhstan include income tax, value added tax, excise tax, social tax, land tax, property tax, transport tax, special subsurface use taxes, as well as required payments to various funds, duties and fees. In addition, the Company has, through its various operations, been making and expects to continue to make, contributions to various social and environmental funds.

Additional payments, such as signing bonuses, commercial discovery bonuses, mineral extraction taxes and excess profit taxes, are required from oil and gas companies and other subsurface users. A signing bonus is a one-time payment for the rights to explore and/or develop and produce resources. A commercial discovery bonus is a one-time payment for each commercial discovery and is payable once a discovery of commercial value is made in a contract territory as well as for any increase in reserves.

A new tax code (the "**Tax Code**") was adopted for Kazakhstan effective as of January 1, 2009. Subject to limited exceptions which do not apply to the Company's subsidiaries, the tax provisions previously applicable to subsurface use contracts will not be "stabilized" and accordingly, taxes will be payable under the new Tax Code in respect of the Company's Kazakhstan operations.

Under the new Tax Code, subsurface users (including the Company's subsidiaries) will be subject to, among other taxes, the following taxes to the extent applicable: (i) special subsurface users payments (which include a signature bonus, commercial discovery bonus, and payment for reimbursement of historical costs); (ii) mineral extraction tax; (iii) excess profits tax; (iv) corporate income tax; and (v) rent tax on exports, as further described below:

- a signature bonus for a production contract is required to be negotiated, with the minimum amount calculated equal to the aggregate of 0.04% of the total value of proved reserves and 0.01% of the total value of estimated reserves (in each case, as approved by the authorized state agency) and is payable within 30 days after entering into the production contract;

- a commercial discovery bonus is payable for each commercial discovery at a rate of 0.1% of the calculation base and is based on the volume of recoverable reserves (as approved by the authorized state agency);

- an amount of historical costs determined by the authorized state agency to compensate the state's exploration and related expenditures incurred before the conclusion of the subsurface use contract, is payable during the production stage in quarterly instalments in accordance with a negotiated payment schedule, not to exceed 10 years;

- mineral extraction tax for oil and for gas condensate is payable at fixed rates, determined on a sliding scale, based on the actual production levels at rates ranging from 5% to 18% for 2009 (from 6% to 19% for 2010, and from 7% to 20% for 2011); mineral extraction tax for natural gas is payable at rates ranging from 0.5% to 1.5% of the value of annual produced gas for domestic sales and 10% for exports;

- excess profits tax is payable based on the contractor's net disposable income with the rates varying from 0% to 60%; and
- corporate income tax is payable at a rate of 20% in 2009, 17.5% in 2010, 15% in 2011.

In addition, in the case of oil exports, rent tax on oil exports is set at a rate from 0% to 32%, depending on the market price for oil, without taking into consideration transportation costs or other deductions.

In early 2008, Kazakhstan adopted a new customs duty on oil exports, but at the end of 2008 the rate of the oil export customs duty had been set at 0%, due to decreases in world-market oil prices. Kazakhstan may increase the export customs rate in the future.

Taxation Risks and Issues in Tajikistan

Tajikistan introduced production sharing legislation in 2007 and the Bokhtar PSC is the first to be adopted under the new regulatory regime. As the legal and regulatory framework for oil and gas is emerging in Tajikistan, it is possible that the terms of such a production sharing contract may be challenged, additional taxes may be imposed, or may be found to conflict with other Tajik laws and regulations. There may also be problems with repatriation of currency from Tajikistan, and in the use of the banking system.

Although under the Bokhtar PSC KPL's tax obligations are covered through the Tajik State's share of production, the taxation system in Tajikistan is at an early stage of development and the tax risks and problems with respect to its operations and investment in Tajikistan are significant. Tax legislation is evolving and is subject to different and changing interpretations as well as inconsistent enforcement at both the local and state levels. Laws related to these taxes have not been in force for significant periods in contrast to more developed market economies, therefore, regulations are often unclear or nonexistent. Accordingly, few precedents with regard to issues have been established. Despite the fact that the Company's Chief Executive Officer currently sits on the Consultative Council for the Improvement of the Investment Climate under the President of Tajikistan, there can be no guarantee that such involvement can prevent negative changes in the business environment which may affect the Company.

Tax declarations, together with other legal compliance areas are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax and other risks in Tajikistan substantially more significant than typically found in countries with more developed tax systems. In addition, amendments to current Tajikistan taxation laws and regulations which alter tax rates and/or capital allowances could have a material adverse impact on the Company.

In general terms, taxes in Tajikistan include income tax, value added tax ("**VAT**"), excise tax, social tax, land tax, property tax, transport tax, as well as fees for licences. Profits are taxed at a rate of 25% of taxable income (calculated as revenue less permitted deductions). VAT at a rate ranging to 20% is imposed on goods produced in Tajikistan and goods imported into Tajikistan. Payments due to state agencies in respect of oil and gas production are determined under the particular terms of production sharing contracts of which the Bokhtar PSC is an example. Under the Bokhtar PSC, the Tajik State's share of production covers the Company's taxes, levies and duties relating to subsoil users tax, profit tax and road user tax in respect of production thereunder.

Risks Relating to Uzbekistan

In addition, since the date of the AIF, pursuant to the Acquisition, the Company acquired the Contractor, a company which operates in Uzbekistan. The following additional risk factors relating to carrying on business in Uzbekistan should be considered when considering an acquisition of Ordinary Shares.

Political, Economic, Legal and Fiscal Instability

Uzbekistan is a former constituent republic of the Soviet Union. At the time of its independence in 1991, it became a member of the Commonwealth of Independent States ("**CIS**"). Because Uzbekistan has a relatively short history of political stability as an independent nation and has experienced significant change in adapting to a market oriented economy, there is significant potential for social, political, economic, legal and fiscal instability. These risks include, among other things:

- local currency devaluation;
- civil disturbances;
- exchange controls or availability of hard currency and other banking restrictions;
- changes in crude oil and natural gas export and transportation regulations;
- changes with respect to taxes, royalty rates, import and export tariffs, withholding on the distributions to foreign investors;
- changes in legislation applicable to oil and gas exploration, development, production, acquisition and investment activities;
- restrictions, prohibitions or imposition of additional obligations on foreign investors;
- nationalisation or expropriation of property; and
- interruption or blockage of oil or natural gas exports.

The occurrence of any of these factors could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, adverse economic conditions in Uzbekistan could have a material adverse effect on the Company's business, financial condition and results of operations.

Further, Uzbekistan also depends on neighbouring states to access world markets for a number of its exports, including oil and gas. Uzbekistan is thus dependent upon good relations with its neighbours to ensure their ability to export. Although one of the aims of economic integration within the CIS is to assure continued access to export routes, should access to those routes be materially impaired or tariffs could be materially increased, this could adversely impact Uzbekistan.

While rich in natural resources, Uzbekistan is developing country. Uzbekistan's political and economic climate, similar to other developing countries in Central Asia, may lead to potential disruptions to the Company's business.

Like other countries in Central Asia, Uzbekistan could be affected by military action taken in the region, including in Afghanistan, and the effect such military action may have on the world economy and political stability of other countries. In particular, countries in Central Asia, such as Uzbekistan, whose economies and state budgets rely in part on the export of oil, gas and other commodities, the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by any resulting volatility in oil, gas and other commodity prices and by any sustained fall in them or by the frustration or delay of any infrastructure projects caused by political or economic instability in countries engaged in such projects. In addition, instability in other countries, such as Russia, has affected in the past, and may materially affect in the future, economic conditions in Uzbekistan.

The transition of Uzbekistan to market oriented economies marked in the earlier years by political uncertainty and tension, a recessionary economy marked by high inflation and instability of the local currency and rapid, but incomplete, changes in the legal environment. Although reforms designed to establish a free market economy have been adopted, there can be no assurance that such reforms will continue or that such reforms will achieve all or any of their intended aims.

Legal and Regulatory Environment in Uzbekistan

Uzbekistan's foreign investment, petroleum, subsoil use, licensing, corporate, tax, customs, currency, banking and antimonopoly laws and legislation are still developing and uncertain. Legislation in respect of some or all of these areas could be passed. Currently, the regulatory system contains many inconsistencies and contradictions. Many of the laws are structured to provide substantial administrative discretion in their application and enforcement. In addition, the laws are subject to changing and different interpretations. These factors mean that even the Company's best efforts to comply with applicable law may not always result in compliance. Non-compliance may have consequences disproportionate to the violation. The uncertainties, inconsistencies and contradictions in Uzbek laws and their interpretation and application could have a material adverse effect on the Company's business and results of operations. For example, under the terms of the PEC, the Acquisition (See "*Recent Developments – The*

Acquisition") did not require the consent of third parties. However, there is no certainty that other parties will not take a contrary view notwithstanding the terms of the PEC. Moreover, the volume of hydrocarbons produced for export to date under the PEC exceeds the target volume initially referred to in the Uzbek government decree concluding the terms of the PEC. As a result, the Uzbek government may seek to deny the Contractor the benefit of certain tax and customs exceptions initially contemplated in connection with production under the PEC.

The judicial system in Uzbekistan may not be fully independent of outside social, economic and political forces, and court decisions can be difficult to predict. In addition, senior Uzbek government officials may not be fully independent of outside economic forces owing to the underdeveloped regulatory supervision system enabling improper payments to be made without detection.

Legal and Regulatory Framework in Uzbekistan

As the legal and regulatory framework for oil and gas is emerging in Uzbekistan, it is possible that the terms of the PEC may be challenged, additional taxes may be imposed, or may be found to be in conflict with other Uzbek laws and regulations. There may also be problems with repatriation of currency from Uzbekistan, and in the use of the banking system.

Taxation Risks and Issues in Uzbekistan

The taxation system in Uzbekistan is at an early stage of development and the tax risks and problems with respect to its operations and investment in Uzbekistan are significant. Tax legislation is evolving and is subject to different and changing interpretations as well as inconsistent enforcement at both the local and state levels. Laws related to these taxes have not been in force for significant periods in contrast to more developed market economies, therefore, regulations are often unclear, contradictory or nonexistent. Accordingly, few precedents with regard to these types of issues have been established.

Tax declarations, together with other legal compliance areas are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax and other risks in Uzbekistan substantially more significant than typically found in countries with more developed tax systems. In addition, amendments to current Uzbekistan taxation laws and regulations which alter tax rates and/or capital allowances could have a material adverse impact on the Company.

All legal entities carrying on activities in Uzbekistan must be registered with the local tax committee. Taxes in Uzbekistan include income tax, value added tax, excise tax, social tax, land tax, property tax, transport tax, as well as required contributions to various funds, duties and fees for licences. In addition, the Company has, through its various operations, been making and expects to continue to make, contributions to various social funds.

Lack of Infrastructure in Uzbekistan

Uzbekistan depends on neighbouring countries to access world markets, and this could lead to problems bringing in equipment and services to the country, as well as exporting products. Although there are two refineries in Uzbekistan, there is a limit to their capacity and a limited internal market in Uzbekistan. Accordingly, there is a limit to the internal use of crude oil and oil products and as such, crude oil and/or oil products may require export, either to other regional refineries or to world markets. There are no guarantees that this export will be allowed by the surrounding countries, and/or additional taxes or levies imposed, or prices offered being substantially less than world market prices. Similarly, although there is an extensive gas infrastructure in Uzbekistan, parts of this infrastructure may be poorly maintained, and although pipelines exist, it is possible that such infrastructure would not be available to the Company on commercially attractive terms, or may be unsuitable. Similarly export of gas to world markets would require access to pipelines and infrastructure in neighbouring countries and such access may not be given, or not be given on commercially attractive terms.

Risks Relating to the Offering

Share Price Volatility

A number of factors could influence the volatility in the trading price of the Ordinary Shares, including changes in the economy or in the financial markets, industry related developments, and the impact of changes in the Company's daily operations. Each of these factors could lead to increased volatility in the market price of the Ordinary Shares. In addition, variations in earnings estimates by securities analysts and the market prices of the securities of the Company's competitors may also lead to fluctuations in the trading price of the Ordinary Shares.

Liquid Public Market

The trading volume of the Ordinary Shares on the TSX has been subject to significant fluctuations. See "*Prior Sales - Price Range and Volume of Trading of Ordinary Shares*". Trading volumes can be expected to continue to be subject to significant fluctuations. There is no assurance that trading volumes on the TSX will increase to provide greater liquidity to shareholders in the future.

Discretion in the Use of Proceeds

The Company's management will have broad discretion concerning the use of the proceeds of the Offering as well as the timing and application of their expenditure. As a result, purchasers of Ordinary Shares will be relying on the judgment of management for the application of the proceeds of the Offering. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the results of the Company's operations may suffer.

Dividends

The Company has not declared or paid any cash dividends on the Ordinary Shares to date. The payment of dividends in the future will be dependent on the Company's earnings and financial condition and on such other factors as the Board of Directors considers appropriate. Unless and until the Company pays dividends on the Ordinary Shares, shareholders may not receive a return on their Ordinary Shares.

Dilution

The Offering Price significantly exceeds the net tangible book value per share of the Ordinary Shares. Accordingly, purchasers of Offered Shares will experience immediate and substantial dilution of their investment. Investors may be subject to further dilution in connection with the expiry of the resale restrictions on the Ordinary Shares issued in connection with the Acquisition, if the Company sells additional Ordinary Shares or issues additional Ordinary Shares in connection with future acquisitions. In addition, Ordinary Shares issued upon the exercise of outstanding stock options will lead to further dilution for purchasers in the Offering.

Enforcement of Judgments Against the Company and its Directors and Officers

The Company and those directors and officers of the Company that have signed this short form prospectus, are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or reside outside of Canada. Although the Company and those directors and officers of the Company that have signed this short form prospectus have appointed Borden Ladner Gervais LLP at 40 King Street West, Toronto, Ontario, M5H 3Y4 as its agent for service of process in Canada, it may not be possible for investors to enforce judgements obtained in Canada against the Company.

ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP, counsel to the Company, and Blake, Cassels & Graydon LLP, counsel to the Agent, based on the provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder in force as of the date hereof and the proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, the Offered Shares if issued on the date hereof, would be "qualified investments" under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, registered education savings plans and tax-free savings accounts (“**TFSA**”) (collectively, “**Plans**”), provided that the Ordinary Shares are listed on a designated stock exchange (which currently includes the TSX) at such time. Notwithstanding that the Offered Shares may be a qualified investment for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax on the Offered Shares held in the TFSA if such Offered Shares are a “prohibited investment” for the purposes of section 207.01 of the Tax Act. The Offered Shares will generally be a “prohibited investment” if the holder of the TFSA does not deal at arm’s length with the Company for the purposes of the Tax Act or the holder of the TFSA has a significant interest (under the meaning of the Tax Act, generally 10% or more of the issued shares of any class owned directly or indirectly by the holder or persons not dealing at arm’s length with the holder) in the Company or a corporation, partnership or trust with which the Company does not deal at arm’s length for the purposes of the Tax Act.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Company, and Blake, Cassels & Graydon LLP, counsel to the Agent, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations applicable to a purchaser of Offered Shares pursuant to the Offering. This summary is applicable only to a purchaser who, at all relevant times, is resident in Canada, deals at arm’s length and is not affiliated with the Company, and who will acquire and hold such Offered Shares as capital property (a “**Holder**”) and in respect of whom the Company is not a foreign affiliate, all within the meaning of the Tax Act. Any Offered Shares will generally be considered to be capital property to a Holder unless the Holder holds such securities in the course of carrying on a business or has acquired them in a transaction or transactions considered to be an adventure in the nature of trade.

This summary does not apply to a Holder that is a “financial institution” for purposes of the mark-to-market provisions of the Tax Act or a Holder of an interest which is a “tax shelter investment” (both as defined in the Tax Act) or to whom the functional currency reporting rules in the Tax Act would apply. Such Holders should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act (the “**Tax Proposals**”) which have been announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”). This summary assumes that the Tax Proposals will be enacted in the form proposed and does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that such Tax Proposals will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Offered Shares. The following description of income tax matters is of a general nature only and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular Holder. It does not address the tax considerations relevant to a Holder that borrows in order to acquire Offered Shares. **Holders are urged to consult their own income tax advisors with respect to the tax consequences applicable to them based on their own particular circumstances.**

Foreign Investment Entity Status

The Tax Proposals contain provisions that relate to the taxation of certain interests held by Canadian residents in certain non-resident entities, applicable for taxation years commencing after 2006 (the “**FIE Tax Proposals**”), notwithstanding that they have yet to be passed into law. However, the January 27, 2009 Federal Budget announced that the Government of Canada will review the existing FIE Tax Proposals in light of submissions that it has received before proceeding with measures in the area. In general terms, the FIE Tax Rules, as currently drafted, would apply to require a Holder that holds a “participating interest” (that is not an “exempt interest”) in a non-resident entity that is a “foreign investment entity” (“**FIE**”) at the entity’s taxation year-end to take into account in computing the Holder's income for the Holder's taxation year that includes such taxation year-end: (i) an amount based on a prescribed rate of return on the "designated cost" of such participating interest held by the Holder at the end of each month ending in the Holder's taxation year at which time the participating interest is held by the Holder; (ii) in certain limited circumstances, any gains or losses accrued on such participating interest for the year; or (iii) in certain limited circumstances, the Holder's proportionate share of the FIE's income (or loss) for the year calculated using Canadian tax rules. For the purposes of the FIE Tax Rules, the Offered Shares will constitute participating interests in the Company.

The Company will not be a FIE at the end of a taxation year provided that, at that time, the "carrying value" of all of the Company's "investment property" is not greater than one-half of the "carrying value" of all of its property or, throughout the taxation year, its principal undertaking was the carrying on of a business other than an investment business as determined for purposes of the FIE Tax Rules. The Company is of the view, and has advised counsel, that if the Company had a taxation year-end on the closing date of the Offering, the Company would not be a FIE on that date on the basis that on the closing date of the Offering the carrying value of its investment property would not be greater than one-half of the carrying value of all of its property. However, the determination of whether or not the Company is a FIE must be made on an annual basis at the end of each taxation year of the Company and no assurance can be given that the Company will not be a FIE at the end of any of its taxation years.

The FIE Tax Rules are complex and have been subject to extensive amendments. No assurances can be given that these provisions will be enacted in the form proposed. Holders should consult their own tax advisors regarding the application of the FIE Tax Rules to their particular circumstances.

Foreign Property Information Reporting

A Holder that is a "specified Canadian entity" for a taxation year or a fiscal period and whose total cost amount of "specified foreign property", including the Offered Shares, at any time in the year or fiscal period exceeds C$100,000 (as such terms are defined in the Tax Act) will be required to file Form T-1135 for the year or period disclosing prescribed information. Subject to certain exceptions, a Holder will generally be a specified Canadian entity. Holders should consult their own tax advisors regarding these rules.

Disposition of Offered Shares

A Holder who disposes of or is deemed to have disposed of an Offered Share will realize a capital gain (or incur a capital loss) equal to the amount by which the proceeds of disposition in respect of the Offered Share exceed (or are exceeded by) the aggregate of the adjusted cost base of such Offered Share and any reasonable expenses associated with the disposition.

Generally, one-half of any capital gain (a "**taxable capital gain**") realized must be included in the Holder's income and one-half of any capital loss (an "**allowable capital loss**") offsets taxable capital gains realized by the Holder in the same taxation year, and any excess is generally deductible against net taxable capital gains in any of the three prior years or in any subsequent year in the circumstances and to the extent provided in the Tax Act.

Capital gains realized by an individual and certain trusts may result in the individual or trust paying alternative minimum tax under the Tax Act.

A Holder that is a Canadian controlled private corporation (as defined in the Tax Act) throughout the relevant taxation year may be subject to the 6⅔% refundable tax in respect of its aggregate investment income, which includes an amount in respect of taxable capital gains.

Taxation of Dividends Received by Holders of Offered Shares

Dividends received or deemed to be received on the Offered Shares by a Holder who is an individual will be included in computing the Holder's income, but will not be eligible for the gross-up and dividend tax credit treatment normally applicable under the Tax Act to taxable dividends received from taxable Canadian corporations.

Dividends received or deemed to be received on the Offered Shares by a Holder that is a corporation generally will be included in computing the Holder's income, but will not be entitled to the inter-corporate dividend deduction in computing taxable income which generally applies to dividends received from taxable Canadian corporations.

A Holder that is a Canadian controlled private corporation (as defined in the Tax Act) throughout the relevant taxation year may be subject to the 6⅔% refundable tax in respect of its aggregate investment income, which includes an amount in respect of dividends on the Offered Shares.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta.

The transfer agent and registrar for the Ordinary Shares is Equity Transfer and Trust Company, Toronto, Ontario.

INTERESTS OF EXPERTS

Certain legal matters in connection with the issuance of the Ordinary Shares offered hereby will be passed upon on behalf of the Company by Borden Ladner Gervais LLP, Calgary, Alberta and on behalf of the Agent by Blake, Cassels & Graydon LLP, Calgary, Alberta. As of the date hereof, the partners and associates of Borden Ladner Gervais LLP, as a group, and the partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially own, directly and indirectly, less than 1% of the securities of the Company.

Reserve and resource estimates contained herein in respect of Tajikistan have been prepared by TRACS and reserves estimates incorporated by reference in this short form prospectus in respect of Kazakhstan have been prepared by McDaniel. As at the date hereof, the principals of TRACS and McDaniel, each as a group, beneficially own, directly or indirectly, less than 1% of the securities of the Company.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

Consent of PricewaterhouseCoopers LLP

We have read the short form prospectus of Tethys Petroleum Limited (the "**Company**") dated June 12, 2009, qualifying the distribution of a minimum of 20,672,000 Ordinary Shares of the Company and a maximum of 51,680,000 Ordinary Shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, cash flows and changes in stockholders' equity for the years then ended. Our report is dated March 31, 2009.

Calgary, Alberta
June 12, 2009

(signed) *"PricewaterhouseCoopers LLP"*
Chartered Accountants

CERTIFICATE OF TETHYS PETROLEUM LIMITED

Dated: June 12, 2009

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of British Columbia, Alberta and Ontario.

(signed) *"Dr. David Robson"* President and Chief Executive Officer	(signed) *"Bernard Murphy"* Finance Director and Chief Financial Officer

On Behalf of the Board of Directors

(signed) *"Russ Hammond"* Director	(signed) *"Liz Landles"* Director

CERTIFICATE OF THE AGENT

Dated: June 12, 2009

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of British Columbia, Alberta and Ontario.

FRASER MACKENZIE LIMITED

By: (signed) *"JC St-Amour"*