

This document comprises a prospectus relating to Tethys Petroleum Limited ("**Tethys Petroleum**" or the "**Company**") prepared in accordance with the Prospectus Rules of the Financial Conduct Authority made under section 73A of the Financial Services and Markets Act 2000. This prospectus will be made available to the public in accordance with the Prospectus Rules. If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the price of securities and the income from them can go down as well as up.

The Company and its Directors (whose names appear on pages 70 - 72 of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

Application will be made to the Financial Conduct Authority for 19,789,159 of the New Ordinary Shares (as defined herein) to be admitted to listing on the Official List and to the London Stock Exchange for such New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together "**Admission**"). It is expected that Admission will become effective at 8 a.m. on 20 June 2014. Admission of 17,105,764 of the New Ordinary Shares took place on 20 May 2014.

**Prospective investors should read this entire document. For a discussion of certain risk and other factors that should be considered in connection with an investment in the New Ordinary Shares, see "Risk Factors" set out on pages 16 - 36 of this document.**

## **TETHYS PETROLEUM LIMITED**

*(a company continued under the laws of the Cayman Islands with registered number:OG-214254)*

Admission of 19,789,159 New Ordinary Shares to listing on the Official List (by way of Standard Listing under Chapter 14 of the Listing Rules) and to trading on the London Stock Exchange

Expected share capital immediately following Admission

<b>Issued Ordinary Shares of USD0.10</b>	
<b>Authorised</b>	<b>Issued and Fully Paid</b>
<b>700,000,000</b>	<b>336,452,667</b>

The New Ordinary Shares rank *pari passu* in all respects with the existing Ordinary Shares and rank in full for all dividends and other distributions declared, made or paid on Ordinary Shares.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, any New Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful.

The distribution of this document in certain jurisdictions may be restricted by law. Neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction. The Ordinary Shares and the New Ordinary Shares are not registered under the US Securities Act of 1933, as amended (the "**Securities Act**").

The Company's Ordinary Shares are listed on the Toronto Stock Exchange (the "**TSX**") as well as the London Stock Exchange. Completion of the offering of 19,789,159 of the New Ordinary Shares is subject to the conditional acceptance by the TSX of the Company's listing application. Notwithstanding the Company's application to list 19,789,159 of the New Ordinary Shares on the TSX, resale thereof on the TSX or in a sale otherwise subject to Canadian securities laws, will be subject to restrictions. See "Restrictions on Transfer".

**Investors should rely only on the information contained in this document and any supplementary prospectus produced to supplement the information contained in this document. No person has been authorized to give any information or to make any representations other than those contained in this document in connection with the New Ordinary Shares and, if given or made, such information or representations must not be relied upon as having been authorized by or on behalf of the Company. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G(1) of FSMA and Rule 3.4 of the Prospectus Rules, neither the delivery of this document nor any subscription or sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date of this document or that the information contained herein is correct as of any time subsequent to the date of this document.**

The contents of this document are not to be construed as legal, business or tax advice. Investors should consult their own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to the acceptance of New Ordinary Shares.

FirstEnergy Capital LLP ("FirstEnergy") and Cantor Fitzgerald Europe ("Cantor", together with FirstEnergy the "Placing Agents") have acted exclusively for the Company and no one else in connection with the Offer and will not regard any other person as a client in relation to such matters and will not be responsible to any other person for providing the protections afforded to its clients, or for providing advice in connection with the Offer, or any other matters referred to in this document. This document

has not been prepared or independently verified by the Placing Agents and neither of the Placing Agents give, has given or has authority to give, any representations or warranties (express or implied) as to, or in relation to, the accuracy, reliability or completeness of the information in this document and liability therefore is expressly disclaimed. Accordingly, the Placing Agents take no responsibility for, or will not accept any liability whether direct or indirect, express or implied, contractual, tortious, statutory or otherwise, in respect of the accuracy or completeness of the contents of this document or for any opinions, errors, omissions or misstatements in or for any loss, howsoever arising from the use of this document.

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## SUMMARY

Summaries are made up of disclosure requirements known as "Elements". The Elements are numbered in Sections A–E (A.1–E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer (defined below). Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

<b>Section A – Introduction and Warnings</b>		
A.1	<b>Introduction</b>	This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investors. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	<b>Subsequent resale of securities or final placement of securities through financial intermediaries</b>	Not applicable. There is no subsequent resale of securities or final placement of securities through financial intermediaries.
<b>Section B – Issuer</b>		
B.1	<b>Legal and Commercial Name</b>	The legal and commercial name of the issuer is Tethys Petroleum Limited.
B.2	<b>Domicile/ Legal Form/ Legislation/ Country of Incorporation</b>	The Company was incorporated in Guernsey but redomiciled to the Cayman Islands and is continued under the laws of the Cayman Islands with registered number OG-214254. It is tax resident in the Cayman Islands and has its principal executive office in Guernsey, British Isles.

B.3	<b>Key factors of issuer's current operations and principal activities</b>	Tethys Petroleum is an oil and gas exploration and production company currently focused on projects in Central Asia and the Caspian Region. At present, the Company has projects in the Republic of Kazakhstan, the Republic of Tajikistan and Georgia.			
B.4	<b>Significant recent trends affecting the Company and the industries in which it operates</b>	<p>On January 2, 2014, the Company announced receipt of the final Georgian government consent for the acquisition of a 56% interest in Blocks XIA, XIM and XIN in eastern Georgia.</p> <p>On January 17, 2014, the Company announced receipt of an updated Oil Resource Report from an independent auditor for a new prospect in Kazakhstan. This prospect will be tested with a new exploration well to be spudded in the second half of 2014.</p> <p>On March 7, 2014, the Company announced that AKK17, the first shallow gas exploration well of its 2014 programme, was successful. The current shallow gas programme includes the drilling of up to 10 new exploration wells.</p> <p>On March 20, 2014, the Company announced that AKK18, the second shallow gas exploration well of its 2014 programme, was successful.</p> <p>On April 24, 2014, the Company announced that AKK19, the third shallow gas well of its 2014 programme was successful.</p> <p>On May 14, 2014, the Company announced that it had conditionally raised USD 15 million through the issue of the New Ordinary Shares.</p> <p>On May 21, 2014, the Company announced that the Kazakh State Reserves Committee had approved the Company's gas reserve evaluation for the Kyzylloi Field Licence and Production Contract area. This approval is a precursor to a further extension of 15 years of the Kyzylloi Field Licence and Production Contract, subject to confirmation and registration of this extension with the relevant bodies.</p> <p>On June 2, 2014, the Company announced the drilling and logging of the AKK20 exploration well.</p>			
B.5 <b>Group structure</b>		<p>The Company is the holding company of the Group.</p> <p>The following table illustrates the intercorporate relationships between the Company and its material and certain other subsidiaries and sets out the respective jurisdictions of incorporation of such subsidiaries and the percentage of their voting securities owned, controlled or directed, directly or indirectly, by the Company.</p>			
		<b>Name of Subsidiary</b>	<b>of Voting Securities Beneficially Owned, Controlled or Directed by the Company Percentage</b>	<b>Country of registration</b>	<b>Country of operation</b>

Tethys Services Limited	100%	United Kingdom	United Kingdom
Tethys Services Guernsey Limited	100%	Guernsey	Guernsey
Tethys Petroleum Incorporated	100%	USA	USA
Tethys Tajikistan Limited	100%	Cayman Islands	Tajikistan
Seven Stars Energy Corporation	85%	BVI	BVI
Tethys Services Tajikistan Limited	85%	Tajikistan	Tajikistan
Kulob Petroleum Limited	85%	Cayman Islands	Tajikistan
Imperial Oilfield Services Limited	100%	Cayman Islands	Cayman Islands
Tethyda Limited	100%	Cyprus	Cyprus
Asia Oilfield Equipment BV	100%	Netherlands	Netherlands
South Caucasus Petroleum Corporation	100%	Cayman Islands	Cayman Islands
Tethys Services Georgia limited	100%	Georgia	Georgia
Trialeti Petroleum limited	100%	Cayman Islands	Georgia
Lisi Petroleum Limited	100%	Cayman Islands	Georgia
Saguramo Petroleum Limited	100%	Cayman Islands	Georgia
Tethys Kazakhstan SA	100%	Belgium	Kazakhstan
Tethys Services Kazakhstan LLP	100%	Kazakhstan	Kazakhstan
TethysAralGaz LLP	100%	Kazakhstan	Kazakhstan
Kul-Bas LLP	100%	Kazakhstan	Kazakhstan

		Transcontinental Oil Transportation SPRL	100%	Belgium	Kazakhstan																																										
		<b>Jointly controlled entities</b>																																													
		Aral Oil Terminal LLP	50%	Kazakhstan	Kazakhstan																																										
		Bokhtar Operating Company BV	33.33%	Netherlands	Tajikistan																																										
B.6	<b>Notifiable interests</b>	As at 13 June 2014 (being the last practicable date prior to the publication of this document), to the Company's knowledge, Pope Asset Management LLC holds, directly and indirectly, 17.64 % of the voting rights in the Company and JPMorgan Asset Management Holdings Inc, holds, directly and indirectly, 9.67% of the voting rights. To the Company's knowledge, no other beneficial holder of the Company's Ordinary Shares has a shareholding which is notifiable.																																													
B.7	<b>Historical Financial Information</b>	The historical financial information set forth below in respect of the Company for the years ended 31 December 2011, 2012 and 2013 has been extracted without material adjustment from the audited financial statements incorporated by reference into this document.																																													
		<p><i>Consolidated Statement of Comprehensive Income (expressed in thousands of U.S. dollars, except where indicated)</i></p> <table border="1"> <thead> <tr> <th></th> <th>2011 financial year</th> <th>2012 financial year (1)</th> <th>2013 financial year</th> <th>3 months to end 31 March 2013 (unaudited)</th> <th>3 months to end 31 March 2014 (unaudited)</th> </tr> </thead> <tbody> <tr> <td><b>Total revenue and other income</b></td> <td><b>30,297</b></td> <td><b>33,629</b></td> <td><b>36,945</b></td> <td><b>10,474</b></td> <td><b>6,781</b></td> </tr> <tr> <td><b>Loss before taxation from continuing operations</b></td> <td><b>(28,936)</b></td> <td><b>(20,162)</b></td> <td><b>(7,452)</b></td> <td><b>(3,829)</b></td> <td><b>(5,730)</b></td> </tr> <tr> <td>Taxation</td> <td>1,947</td> <td>(798)</td> <td>(3,083)</td> <td>(854)</td> <td>1,321</td> </tr> <tr> <td><b>Loss for the year from continuing operations</b></td> <td><b>(26,989)</b></td> <td><b>(20,960)</b></td> <td><b>(10,535)</b></td> <td><b>(4,683)</b></td> <td><b>(4,409)</b></td> </tr> <tr> <td><b>(Loss)/profit for the year from discontinued operations net of tax</b></td> <td><b>-</b></td> <td><b>56</b></td> <td><b>(7,096)</b></td> <td><b>356</b></td> <td><b>(492)</b></td> </tr> <tr> <td><b>Loss and total comprehensive income for the year</b></td> <td><b>(26,989)</b></td> <td><b>(20,904)</b></td> <td><b>(17,631)</b></td> <td><b>(4,327)</b></td> <td><b>(4,901)</b></td> </tr> </tbody> </table> <p><i>(1) 2012 figures have been restated to exclude operations discontinued</i></p>					2011 financial year	2012 financial year (1)	2013 financial year	3 months to end 31 March 2013 (unaudited)	3 months to end 31 March 2014 (unaudited)	<b>Total revenue and other income</b>	<b>30,297</b>	<b>33,629</b>	<b>36,945</b>	<b>10,474</b>	<b>6,781</b>	<b>Loss before taxation from continuing operations</b>	<b>(28,936)</b>	<b>(20,162)</b>	<b>(7,452)</b>	<b>(3,829)</b>	<b>(5,730)</b>	Taxation	1,947	(798)	(3,083)	(854)	1,321	<b>Loss for the year from continuing operations</b>	<b>(26,989)</b>	<b>(20,960)</b>	<b>(10,535)</b>	<b>(4,683)</b>	<b>(4,409)</b>	<b>(Loss)/profit for the year from discontinued operations net of tax</b>	<b>-</b>	<b>56</b>	<b>(7,096)</b>	<b>356</b>	<b>(492)</b>	<b>Loss and total comprehensive income for the year</b>	<b>(26,989)</b>	<b>(20,904)</b>	<b>(17,631)</b>	<b>(4,327)</b>	<b>(4,901)</b>
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during 2013

*Consolidated Statement of Financial Position (expressed in thousands of U.S. dollars, except where indicated)*

	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013	As at 31 March 2013 (un audited)	As at 31 March 2014 (un audited)
<b>Non-current assets</b>	241,614	237,574	47,351	233,352	58,532
<b>Current assets</b>	21,777	14,379	187,267	13,544	174,349
<b>Total assets</b>	263,391	251,953	234,618	246,896	232,881
<b>Total equity</b>	237,880	220,153	202,593	216,239	203,513
<b>Non-current liabilities</b>	4,676	7,475	-	9,883	5,744
<b>Current liabilities</b>	20,835	24,325	32,025	20,774	23,624
<b>Total liabilities</b>	25,511	31,800	32,025	30,657	29,368
<b>Total equity and liabilities</b>	263,391	251,953	234,618	246,896	232,881

*Consolidated Cash Flow Statement (expressed in thousands of U.S. dollars, except where indicated)*

	2011 financial year	2012 financial year	2013 financial year	3 months to end 31 March 2013 (un audited)	3 months to end 31 March 2014 (unaudited )
<b>Cash (used in)/generated from operating activities</b>	(12,558)	1,358	(505)	2,562	(4,167)
Corporation tax paid	-	-	(276)	-	(138)
<b>Net cash (used in)/generated from operating activities</b>	(12,558)	1,358	(781)	2,562	(4,305)
<b>Cash flow from investing activities</b>					
<b>Net cash used in investing activities</b>	(69,041)	(15,732)	30,507	(1,251)	(6,274)
<b>Net cash (used in)/generated from financing activities</b>	13,220	5,391	(5,795)	(1,709)	74
Effects of exchange rate changes on cash and cash equivalents	(10)	(13)	50	6	99
<b>Net decrease in</b>	<b>(68,389)</b>	<b>(8,996)</b>	<b>23,981</b>	<b>(392)</b>	<b>(10,406)</b>



		<p><b>cash and cash equivalents</b></p> <p><i>(1) The Company has elected to present a statement of cash flows that analyses cash flows for both continuing and discontinued operations; 2012 amounts have been restated for operations discontinued in 2013</i></p> <p>Certain significant changes to the Group's financial condition and results of operations occurred during the 2011, 2012 and 2013 financial years, and the first 3 months of 2014. These changes are as set out below:</p> <p><b>2011</b></p> <p>Received approval for pilot production from the Doris field.</p> <p>Admitted to the official list of the London Stock Exchange.</p> <p>Private placement of 26,062,975 ordinary shares for gross proceeds of USD13,001,981.</p> <p>Purchased 34% of shares in SSEC from the joint venture partner thereby increasing the Company's shareholding from 51% to 85%. As such SSEC was accounted for as a subsidiary.</p> <p><b>2012</b></p> <p>Inauguration of the joint venture AOT (which subsequently reduced costs of production)</p> <p><b>2013</b></p> <p>An effective doubling of gas price in Kazakhstan following the finalisation of two new annual gas supply contracts with Intergas Central Asia JSC. The contracts are for volumes up to 150 million cubic metres at a price of KZT13,365 (approximately USD 86.78 per Mcm (USD 2.47 per Mcf) of gas (USD 97.19 per Mcm or USD 2.76 per Mcf including VAT). Sales costs are KZT3712.50 (approximately USD 24.11) per Mcm. The contracts ran through to December 31, 2013 and were renewed on similar terms post year end.</p> <p>Extension of exploration period for the Kul-Bas Exploration and Production Contract by a further two years until November 11, 2015. The Kul-Bas contract area surrounds the Akkulka contract area which contains the Company's producing oil and gas fields. This extension gives further time to explore this attractive area, which has several prospects and leads.</p> <p>Completion of the farm-out agreement announced in December 2012 with subsidiaries of Total Exploration and Production SA ("Total") and CNPC whereby each acquired a one third interest in the Bokhtar PSC in Tajikistan. Tethys' subsidiary, KPL which held the Company's interest in the Bokhtar PSC received USD63.4 million relating to its past costs. KPL is owned by SSEC in which the Company holds an 85% share. KPL also has a part carry on an USD80.0 million initial work programme whereby KPL contributes only USD8.8 million towards this programme;</p>
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		<p>The acquisition (completed early January 2014) of a 56% interest in Blocks XIA, XIM and XIN, in eastern Georgia through three Production Sharing Contracts in Georgia for a payment of USD 9.6 million, being the issue of 12,000,000 ordinary shares in Tethys (based on a price of CDN 0.84 per share) and funding of a USD 4.4 million carry on the next USD 10 million work programme. Tethys is now Operator of these production sharing contracts;</p> <p>Drilling of the AKD08 ("Doto") Exploration well in Kazakhstan to a total depth of 3,566 metres using Tethys' own ZJ70 "Telesto" rig. This well encountered both the Jurassic carbonate and Lower Cretaceous sandstone reservoirs present in the Doris field and drilling and wireline data indicated the possible presence of hydrocarbons although the Cretaceous sandstone was of poorer quality than in the Doris field. The Jurassic section has been partially tested to date but the Company plans to use radial or horizontal drilling in an attempt to establish commercial flow by intersecting fractures;</p> <p>Drilling of the AKD09 ("Dexa") well in Kazakhstan to a total depth of 2,452 metres. Although a thick "Doris" sand was found, this did not contain moveable hydrocarbons thereby limiting the possible stratigraphic trapping to the north west of the Doris field. This well may be used as a future horizontal producer sidetracked into the main body of the field;</p> <p>Conditional sale of 50% (plus one share) of the Company's Kazakh oil &amp; gas assets to SinoHan Oil and Gas Investment B.V, part of HanHong, a Beijing, PRC based private equity fund. On closing, Tethys will receive consideration of USD75 million plus the potential for future bonuses and will remain as the operator of the Kazakh assets with both partners having equal board representation in Tethys Kazakhstan SA. The sale is subject to Kazakh State approvals, including the waiver on pre-emption (Article 36). Closing will take place once these approvals are received; and</p> <p>Announcement of the Company's decision to exit Uzbekistan effective immediately due to recent changes in the business climate and political environment. It is expected to take up to three months to complete the process of exiting from the existing Production Enhancement Contract for the North Urtabulak field. This strategic decision will allow the group to refocus capital to other countries of operation, progressing both exploration and production activities.</p> <p><b>2014</b></p> <p>Completion of the acquisition of a 56% interest in Blocks XIA, XIM and XIN, in eastern Georgia through three production sharing contracts in Georgia for a payment of USD 9.6 million, being the issue of 12,000,000 ordinary shares in Tethys (based on a price of CAD 0.84 per share) and funding of a USD 4.4 million carry on the next USD 10 million work programme. Tethys is now Operator of these production sharing contracts;</p> <p>Drilling of a further 3 successful shallow gas exploration wells: AKK17, AKK18 and AKK19. AKK17 and AKK18 are similar to AKK15 which tested gas at a stable rate of approximately 195,000 cubic metres (6.9 million cubic feet or 1,167 barrels of oil equivalent) per day and analysis of data from the well indicates AKK19 has a pay zone twice as</p>
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		<p>thick as in AKK15;</p> <p>20% devaluation of the Kazakh Tenge mid February 2014 (from 154 to 185 Tenge per 1 USD). The Company has assessed the impact on its Kazakh operations and has concluded that adverse effects on revenue will be offset by positive effects of certain payments such as the Kazakh loan and other payables denominated in local currency, such that the overall effect should be neutral;</p> <p>Renewal of gas sale contracts for volumes up to 150 million cubic metres at a price of KZT13,365 (approximately USD 72.24 per Mcm (USD 2.05 per Mcf) of gas (USD 80.90 per Mcm or USD 2.29 per Mcf including VAT). Sales costs are KZT3712.50 (approximately USD 20.07) per Mcm. The contracts run through to December 31, 2014.</p> <p>Subsequent to 31 March 2014, the Company has announced that it has conditionally raised USD 15 million through the issue of the New Ordinary Shares.</p> <p>There have been no other significant changes to the financial condition or the operating results of the Group since 31 March 2014, the end of the period covered by the selected historical key financial information set out in the tables above.</p>
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<p>B.8</p> <p><b>Pro forma Financial Information</b></p>		<p>The unaudited consolidated pro forma net asset statement set out below has been prepared to illustrate the effect of the disposal of 50 percent (plus one share) in Tethys Kazakhstan SA as if it had occurred on 31 December 2013.</p> <p>The unaudited information, which has been prepared for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited consolidated pro forma net asset statement has been prepared in accordance with the Group's accounting policies, and other adjustments as described in the notes below, and in accordance with the requirements of paragraph 20.2 of Annex I of the Prospectus Directive Regulation.</p>																																				
		<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="4" style="text-align: center;">Adjustments</th> </tr> <tr> <th style="text-align: center;">As at December 31 2013 <sup>(1)</sup></th> <th style="text-align: center;">Share sale and loss of control of Kazakh assets <sup>(2)</sup></th> <th style="text-align: center;">Equity interest in Kazakh assets <sup>(3)</sup></th> <th style="text-align: center;">Unaudited Pro Forma Total <sup>(4)</sup></th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>US\$ 000's</b></td> </tr> <tr> <td>Non-current assets</td> <td style="text-align: right;">47,351</td> <td style="text-align: center;">-</td> <td style="text-align: right;">75,572</td> </tr> <tr> <td>Current assets</td> <td style="text-align: right;">187,267</td> <td style="text-align: right;">(80,752)</td> <td style="text-align: center;">-</td> </tr> <tr> <td><b>Total assets</b></td> <td style="text-align: right;"><b>234,618</b></td> <td style="text-align: right;"><b>(80,752)</b></td> <td style="text-align: right;"><b>75,572</b></td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">32,025</td> <td style="text-align: right;">(21,433)</td> <td style="text-align: center;">-</td> </tr> <tr> <td><b>Total liabilities</b></td> <td style="text-align: right;"><b>32,025</b></td> <td style="text-align: right;"><b>(21,433)</b></td> <td style="text-align: center;"><b>-</b></td> </tr> <tr> <td><b>Net assets</b></td> <td style="text-align: right;"><b>202,593</b></td> <td style="text-align: right;"><b>(59,319)</b></td> <td style="text-align: right;"><b>75,572</b></td> </tr> </tbody> </table>	Adjustments				As at December 31 2013 <sup>(1)</sup>	Share sale and loss of control of Kazakh assets <sup>(2)</sup>	Equity interest in Kazakh assets <sup>(3)</sup>	Unaudited Pro Forma Total <sup>(4)</sup>	<b>US\$ 000's</b>				Non-current assets	47,351	-	75,572	Current assets	187,267	(80,752)	-	<b>Total assets</b>	<b>234,618</b>	<b>(80,752)</b>	<b>75,572</b>	Current liabilities	32,025	(21,433)	-	<b>Total liabilities</b>	<b>32,025</b>	<b>(21,433)</b>	<b>-</b>	<b>Net assets</b>	<b>202,593</b>	<b>(59,319)</b>	<b>75,572</b>
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Notes:

(1) The consolidated net asset statement as at 31 December 2013 has been extracted without material adjustment from the Tethys 2013 Financial Statements.

(2) On November 2, 2013, the Company agreed the sale of a 50% (plus one share) interest in its Kazakhstan business to SinoHan Oil and Gas Investment Number 6 B.V. ("SinoHan"), part of the Han Hong Private Equity Management Company Limited, a Beijing, PRC based private equity fund. The sale is subject to Kazakh State approvals, including the waiver on pre-emption (Article 36). Closing will take place once these approvals are received. Timing of these approvals cannot be assured. Under the terms of the Sale and Purchase Agreement ("SPA") entered into by the Company and SinoHan the Company will receive Base Consideration of USD75 million in cash.

Two further payments (the First and Second Bonus Payouts) of up to USD30 million will be made to the Company for any increase in 2P (proven and probable) oil and gas reserves in calendar years 2013 and 2014 (adjusted for any production in 2013 and 2014).

In addition to the Base Consideration and the First and Second Bonus Payments, Tethys will be eligible to profit sharing of excess profit on any exit by SinoHan from the project.

Based on the increase in 2P reserves in calendar year 2013 as set out in the Gustavson Reserves Report the Company estimates it is entitled to a First Bonus Payment of USD0.573 million.

The fair value of the remaining contingent consideration is assessed by the Directors as USDnil as at 31 December 2013 due to the significant uncertainty of any amount becoming payable.

(3) Following completion of the sale described in (2) above the Company will exercise joint control over the Kazakh business with SinoHan and will equity account for its remaining 50% (minus one share) interest in the Kazakh business. The interest will be shown in the Company's consolidated net asset statement at fair value which has been estimated at USD75.572 million based on the consideration to be received by the Company from SinoHan for a 50% (plus one share) interest in the Kazakh business (see note (2) above for details) and the Company's remaining 50% (minus one share) interest.

(4) No account has been taken of any trading or other transactions since 31 December 2013.

**Impact on Earnings**

The unaudited consolidated pro forma profit statement set out below has been prepared to illustrate the effect of the disposal of 50 percent (plus one share) in Tethys Kazakhstan SA on the earnings of the Group for the year ended 31 December 2013 and accordingly the disposal has been treated as if it had occurred on 1 January 2013.

The unaudited information, which has been prepared for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or

results. The unaudited consolidated pro forma profit statement has been prepared in accordance with the Group's accounting policies, and other adjustments as described in the notes below and in accordance with the requirements of paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

	Adjustments				Unaudited Pro Forma Total <sup>(5)</sup>
	Year ended December 31, 2013 <sup>(1)</sup>	Loss of control of Kazakh assets <sup>(2)</sup>	Gain on sale of Kazakh assets <sup>(3)</sup>	Equity interest in Kazakh assets <sup>(4)</sup>	
<b>US\$ 000's</b>					
Sales and other revenues	36,945	(36,118)	-	583	1,410
<b>(Loss) / profit before taxation from continuing operations</b>	<b>(7,452)</b>	<b>(4,639)</b>	<b>16,253</b>	<b>403</b>	<b>4,565</b>
Taxation	(3,083)	2,471	-	-	(612)
<b>(Loss) / profit for the year from continuing operations</b>	<b>(10,535)</b>	<b>(2,168)</b>	<b>16,253</b>	<b>403</b>	<b>3,953</b>
<b>Loss for the year from discontinued operations net of tax</b>	<b>(7,096)</b>	-	-	-	<b>(7,096)</b>
<b>Loss and total comprehensive income for the year</b>	<b>(17,631)</b>	<b>(2,168)</b>	<b>16,253</b>	<b>403</b>	<b>(3,143)</b>

Notes:

(1) The consolidated net profit statement of the Group for the year ended 31 December 2013 has been extracted without material adjustment from the Tethys 2013 Financial Statements.

(2) On November 2, 2013, the Company agreed the sale of a 50% (plus one share) interest in its Kazakhstan business to SinoHan Oil and Gas Investment Number 6 B.V. ("SinoHan"), part of the Han Hong Private Equity Management Company Limited, a Beijing, PRC based private equity fund. The sale is subject to Kazakh State approvals, including the waiver on pre-emption (Article 36). Closing will take place once these approvals are received. Timing of these approvals cannot be assured. Upon completion of the sale the Company will lose control of the Kazakh business and will cease to fully consolidate the results of the Kazakh business. The

		<p>comments shown have been sourced from management information used to support the Tethys 2013 Financial Statements.</p> <p>(3) The Company will also recognise a gain on disposal of USD16.253 million, calculated as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;"><b>US\$ 000's</b></td> </tr> <tr> <td>Sale proceeds received</td> <td style="text-align: right;">75,573</td> </tr> <tr> <td>Fair value of remaining investment in joint arrangement</td> <td style="text-align: right;">75,572</td> </tr> <tr> <td>Assets of disposal group disposed</td> <td style="text-align: right;">(156,325)</td> </tr> <tr> <td>Liabilities of disposal group disposed</td> <td style="text-align: right;">21,433</td> </tr> <tr> <td><b>Gain on sale of assets</b></td> <td style="text-align: right;"><b>16,253</b></td> </tr> </table> <p>(4) Following completion of the sale described in (2) above the Company will exercise joint control over the Kazakh business with Sinohan and will equity account for its remaining 50% (minus one share) interest in the Kazakh business. The Company's interest will be adjusted upwards or downwards for the Company's 50% (minus one share) interest in the post tax result of the Kazakh business which has been estimated would be a loss of USD0.18 million based on management information used to support the Tethys 2013 Financial Statements.</p> <p>(5) No account has been taken of any trading or other transactions since 31 December 2013.</p>		<b>US\$ 000's</b>	Sale proceeds received	75,573	Fair value of remaining investment in joint arrangement	75,572	Assets of disposal group disposed	(156,325)	Liabilities of disposal group disposed	21,433	<b>Gain on sale of assets</b>	<b>16,253</b>
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B.9	<b>Profit forecast/ Estimates</b>	Not applicable. There are no profit forecasts or estimates contained in this document.												
B.10	<b>Qualifications in the audit report</b>	Not applicable. There are no qualifications to the audit reports incorporated by reference into this document.												
B.11	<b>Insufficient Working Capital</b>	Not applicable; the Company is of the opinion that the working capital is sufficient for the Group's present requirements, that is for at least 12 months following the date of this document.												
<b>Section C – Securities</b>														
C.1	<b>Type and class of securities being offered</b>	The securities to be admitted comprise Ordinary Shares with ISIN Number KYG876361091												
C.2	<b>Currency</b>	USD0.10 par value												
C.3	<b>Issued Share Capital</b>	316,663,508 issued Ordinary Shares.												
C.4	<b>Rights attaching to the Ordinary Shares</b>	<p>The Ordinary Shares rank <i>pari passu</i> in all respects with each other, including for voting purposes and in full for all dividends and distributions on Ordinary Shares declared, made or paid after their issue and for any distributions made on a winding up of the Company.</p> <p>Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profits of the Company.</p>												

C.5	<b>Restrictions on transfer</b>	<p>The Ordinary Shares are freely transferable and there are no restrictions on transfer in the UK.</p> <p>The distribution of the New Ordinary Shares has not been qualified in Canada. As a result, notwithstanding that the Company's Ordinary Shares are listed for trading on the Toronto Stock Exchange, any purchaser or subsequent holder of the New Ordinary Shares must not trade those New Ordinary Shares through the facilities of the Toronto Stock Exchange or otherwise in Canada before the date that is 4 months and a day after their date of issue (the "Canadian Restricted Period"). Should a shareholder or agent request the withdrawal of any of the New Ordinary Shares from the CREST system or other depository outside Canada during the Canadian Restricted Period or otherwise request a certificate for the New Ordinary Shares, such share certificate will bear a legend to that effect, unless the resale is not subject to restrictions under the securities laws of Canada.</p>
C.6	<b>Admission to trading</b>	<p>Application will be made to the FCA for 19,789,159 of the New Ordinary Shares to be admitted to the standard listing segment of the Official List and to the London Stock Exchange for such New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.</p>
C.7	<b>Dividend policy</b>	<p>The Company has not declared or paid any dividends or distributions on the Ordinary Shares to date. The payment of dividends or distributions in the future are dependent on the Company's earnings, financial condition and such other factors as the Board considers appropriate. The Company currently does not anticipate paying any dividends in the foreseeable future due to the stage of development of the Company. One of the Company's subsidiaries, SSEC, paid a USD10 million dividend in 2013, 85% of which was paid to the Company and 15% of which was paid to the subsidiary's 15% shareholder.</p>
<b>Section D – Risks</b>		
D.1	<b>Key information on the key risks that are specific to the Issuer or its industry</b>	<p>The Company's exploration and/or production in Kazakhstan and Tajikistan is governed by various contracts with governmental agencies and is subject to extensive laws and regulations. There is no assurance that the Company has or will be granted the necessary land use rights, licences, permits or authorisations for the Company to carry out its operations in such countries. There is also no assurance as to whether it has complied with all of the environmental, safety, health and sanitary regulations.</p> <p>In particular, the Company is subject to risks associated with the Kazakh Subsurface Law and the Kazakh regulatory authorities, including the Kazakh Antimonopoly Agency.</p> <p>Kazakhstan's New Local Content Rules are currently difficult to comply with which also poses a risk to the Company.</p> <p>The marketability of oil and gas acquired or discovered is affected by numerous factors beyond the Company's control.</p> <p>The oil and gas industry is intensely competitive. Furthermore, oil and gas competes with substitutable energy sources. Oil and gas prices are unstable and subject to fluctuation. Any material decline in oil and/or natural gas prices could result in a reduction of the Company's net</p>

		<p>production revenue and overall value. The exploration, development and acquisition of reserves is capital intensive and there can be no assurance that the Company's future activities will result in additional proved reserves or the ability to drill productive wells at acceptable costs.</p> <p>The Company is partly economically dependent on the pipeline from the Kyzylol Field. Should anything happen to this pipeline then gas sales revenue (which is not the majority of the Company's revenue at present) could be affected.</p> <p>Loss of capacity or delay in truck or rail shipments or significant problems with the AOT storage and load facility may negatively impact the Company's oil sales revenue.</p> <p>The departure of any executive officer or key employee may negatively impact the Company.</p> <p>The Company's cash flow from operations may not be sufficient to fund its activities outside of the scope of its current operations. The inability of the Company to access sufficient capital in such circumstances could have a material adverse impact on the Company's financial condition, results of operations and prospects.</p> <p>The Company is subject to the risk of significant potential social, political, economical, legal and fiscal instability in the countries in which it has operations.</p>
D.3	<p><b>Key information on the key risks that are specific to the Ordinary Shares</b></p>	<p>The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control, including but not limited to variations in operating results in the Group's reporting period, changes in market conditions, changes in financial estimates by securities analysts and speculation about the Group in the press or investment community.</p> <p>The ability of the Company to pay any dividends in respect of Ordinary Shares will depend on the level of the earnings, reserves and any ongoing regulatory capital requirements of the Company as well as its cash position and the judgement of the directors.</p> <p>The Ordinary Shares will be quoted in Pound Sterling and Canadian Dollars. An investment in the Ordinary Shares by an investor in a jurisdiction whose principal currency is not Pound Sterling or Canadian Dollars exposes the investor to foreign currency rate risk.</p> <p>Securities of oil and gas companies, including the Company's Ordinary Shares, have experienced substantial volatility, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in the countries where the Company carries on business and globally, and market perceptions of the attractiveness of particular industries.</p>



<b>Section E – Offer</b>		
E.1	<b>Total net proceeds of the issue and estimated expenses</b>	<p>The Company will receive approximately £8.5 million net proceeds from the Offer (after deducting placing commissions and other estimated offering/related fees and expenses of approximately £0.4 million).</p> <p>No expenses will be charged to the purchasers of the New Ordinary Shares by the Company.</p>
E.2a	<b>Reasons for the offer and use of proceeds</b>	<p>The Company intends to use the net proceeds it receives from the Offer for continued development of its Kazakh shallow gas programme including installation of a gas dehydrator, drilling of new shallow gas wells, and the purchase and installation of tie-in pipelines and associated infrastructure (seven previously drilled successful gas wells are ready to be tied in now).</p>
E.3	<b>Terms and conditions of the offer</b>	<p>The New Ordinary Shares consist of two tranches:</p> <ul style="list-style-type: none"> <li>• 17,105,764 Ordinary Shares which were issued by the Company pursuant to allotments on 20 May 2014 and 5 June 2014 (the "<b>First Tranche</b>"); and</li> <li>• 19,789,159 Ordinary Shares which will be issued by the Company on or around 20 June 2014 (the "<b>Second Tranche</b>").</li> </ul> <p>All New Ordinary Shares were sold, or will be sold, at the Offer Price. Under the Offer, the New Ordinary Shares were offered to certain institutional and professional investors in the UK and elsewhere.</p> <p>Admission of the Second Tranche is expected to become effective, and unconditional dealings in the second tranche of New Ordinary Shares, are expected to commence on the London Stock Exchange, at 8.00 a.m. on 20 June 2014. Admission of the First Tranche took place on 20 May 2014.</p> <p>The Offer was subject to the satisfaction of conditions which are customary for transactions of this type contained in the Placing Agreement, including Admission becoming effective no later than 30 June 2014 and the Placing Agreement not having been terminated prior to Admission. The Placing Agreement was entered into between the Company and the Placing Agents. The Placing Agreement provides for the Placing Agents to be paid a commission in respect of the New Ordinary Shares.</p> <p>None of the New Ordinary Shares were offered for subscription, sale, purchase or delivery, and neither this Prospectus nor any other offering material in relation to the New Ordinary Shares, was or will be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction, or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.</p>
E.4	<b>Material interests</b>	<p>Not applicable. There are no material interests.</p>

E.5	<b>Selling Shareholders/ Lock-up Arrangements</b>	Not applicable. There are no selling shareholders/ lock-up arrangements.
E.6	<b>Dilution</b>	<p>Assuming the Second Tranche of New Ordinary Shares is issued, a total of 36,894,923 New Ordinary Shares will have been issued pursuant to the Offer.</p> <p>The amount and percentage of immediate dilution as a result of the issue of the New Ordinary Shares pursuant to the Offer will be (immediately following the issue of the Second Tranche of such New Ordinary Shares) 12.4 per cent.</p>
E.7	<b>Estimated expenses charged to investors</b>	Not applicable: there are no commissions, fees, expenses or taxes to be charged to investors by the Company under the Offer.

## **RISK FACTORS**

*Any investment in the Company is subject to a number of risks. Accordingly, prospective investors should carefully consider the risks and uncertainties associated with any investment in the Ordinary Shares, the Group's business and the industry in which it operates, described below, together with all other information contained in this document, prior to making an investment decision.*

*Prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in the section of this document headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.*

*The risks and uncertainties described below represent those the Directors consider to be material as at the date of this document. However, these risks and uncertainties are not the only ones facing the Group. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, may individually or cumulatively also materially and adversely affect the business, results of operations, financial condition and/or prospects of the Group. If any or a combination of these risks actually occurs, the business, results of operations, financial condition and/or prospects of the Group could be materially and adversely affected. In such case, the market price of the Ordinary Shares could decline and investors may lose all or part of their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.*

### **RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY**

#### ***Property Interests and Governmental Approvals***

The Company's subsidiaries obtain their exploration and/or production rights in Kazakhstan and Tajikistan and, to end of December 2013, in Uzbekistan through entering into various contracts with governmental agencies in such countries (the "Company Contracts"). Ownership of the land covered by the Company Contracts usually remains with the relevant state and/or state-owned companies, with the Company only obtaining land use rights as necessary for the operations. The Company's subsidiaries are required to obtain other specific operational licences for example, to carry out their exploration and/or production activities. Some of these licences, permits and authorisations may be held by third party service providers such as drilling companies. There is no assurance that all licences, permits or authorisations have been or will be granted to the Company and there is no assurance that the Company has all the requisite licences, permits or authorisation to carry out their exploration and/or production activities. There is also no assurance whether the Company has complied with all of the environmental, safety, health and sanitary regulations. In this respect, no experts or advisers have been engaged to conduct any audit or technical review of the operations of the Company, including any audit to determine if the Company has the required licences, permits or authorisations necessary to conduct operations.

In Uzbekistan, the North Urtabulak PEC was terminated effective at the end of December 2013.

There are also a number of restrictions on direct or indirect transfers or alienation of rights with respect to the Company Contracts in Kazakhstan (the "Kazakh Contracts") and "User Rights" as defined below. The Kazakh State introduced a law on subsurface use with effect from July 2010 (the "Subsurface Law"). The Subsurface Law replaced a prior law on subsurface use (the "Prior Law") and is discussed below.

Pursuant to the Subsurface Law, the objects associated with subsoil use rights include, in addition to contracts with Kazakh governmental agencies, the following:

- participatory interests or shares in a legal entity holding the subsoil use right, as well as a legal entity which may directly and/or indirectly determine and/or influence decisions adopted by a subsoil user if the principal activity of such subsoil user is related to subsoil use in Kazakhstan; and
- securities confirming title to shares or securities convertible to shares of a subsoil user as well as a legal entity who may directly and/or indirectly determine the decisions and/or influence the decisions adopted by such a subsoil user if such a legal entity's main activities are associated with subsoil use in Kazakhstan (the "User Rights").

### ***Risks Associated with the Kazakh Subsurface Law***

The Kazakh Contracts are subject to the Subsurface Law, among other Kazakh laws. The Subsurface Law provides the Kazakh State with a statutory priority right, exercisable in the event of transfer of an interest in a legal entity that has the right to directly or indirectly make decisions and/or exert influence on decisions adopted by a subsoil user if such legal entity's main activity is related to subsoil use in Kazakhstan.

In addition, under the Subsurface Law, any transfer or alienation of subsoil use rights and/or User Rights to any third party, in whole or in part, may only be made with the prior consent of the competent authority in Kazakhstan (the "Kazakh Competent Authority"), if the main activity of that legal entity is related to subsurface use in Kazakhstan. Under the Subsurface Law, transactions requiring the consent from the Kazakh Competent Authority include the issuance of shares for circulation on an organized market by an entity whose main activity is related to subsoil use in Kazakhstan and also include the following:

- foreclosure of subsoil use rights and User Rights;
- transfer of subsoil use rights and User Rights to the third parties' charter capital;
- transfer of subsoil use rights and User Rights in the course of bankruptcy proceedings;
- obtaining a right to a participatory interest in a subsoil user or its parent company if such right arises as a result of charter capital increase or by accession of a new participant to such legal entity;
- the initial public offering on an organized market of a subsoil user or its parent companies' securities;
- a pledge of participatory interests (shares) in a subsoil user;
- the transfer of subsoil use rights or User Rights due to the reorganization of a subsoil user or its parent companies.

The Subsurface Law also provides for certain exemptions from the provisions applicable to the transfer or alienation of subsoil rights and User Rights in the following instances:

- public market transactions that take place on a recognized securities exchange and are in respect of securities already listed and in circulation, notwithstanding the fact that these transactions would otherwise be subject to the pre-emptive right of the Kazakh State;
- the transfer, in full or in part, of subsoil use rights or objects associated with subsoil use rights to a subsidiary of a subsoil user in which not less than 99% of the equity of such subsidiary is owned directly or indirectly by the subsoil user, provided that such subsidiary is not registered in a country with a preferential tax regime;
- the transfer, in full or in part, of subsoil use rights or objects associated with subsoil use rights between legal entities in which not less than 99% of the equity of both parties is

owned directly or indirectly by the same entity, provided that the acquiring entity is not registered in a country with a preferential tax regime;

- transactions involving the purchase or sale of securities that would otherwise be subject to the pre-emptive right, but which would result in the transfer of less than 0.1% of the equity of the acquirer.

The transfer or alienation of subsoil use rights and User Rights by the Company's subsidiaries whose main activity is related to subsoil use in Kazakhstan will be subject to the Kazakh State's priority right and consent requirement under the Subsurface Law. In addition, should the Competent Authority decide that the Company's main activity is subsoil use rights in Kazakhstan, then the Kazakh State would have a priority right under the Subsurface Law (as it did under the Prior Law in respect of prior offerings) in respect of the transfer or alienation of subsoil use rights and User Rights (as described above). In the event the Company does not or did not comply with these provisions of the Subsurface Law, the Kazakh Competent Authority will have the right to terminate the Company's Kazakh Contracts. If the Kazakh Contracts were terminated by the Kazakh Competent Authority, the Company would lose its subsurface use rights in the Kazakh Contracts and any revenue generated from them. In addition, the Subsurface Law provides that any transaction involving the transfer of subsoil use interests which are subject to the Subsurface Law without the Kazakh Competent Authority's consent is invalid. If the Kazakh State decided the Company's main activity was subsoil use rights in Kazakhstan and took such action to terminate the Kazakh Contracts, the Company would assert that the Kazakh State had no right to terminate the Kazakh Contracts because the Company's main activity is not subsurface use in Kazakhstan.

The Company is not aware of any instances to date when the Kazakh State has exercised its priority right to purchase, nor is it aware of any instances when the Kazakh State has terminated a subsoil use contract when a transfer occurred without the Kazakh State's waiver.

A previous acquisition of the Company's interests in Kul-Bas resulted in a non-material minor technical infringement of article 10 of the limited liability partnership law of Kazakhstan. That law prohibits a Kazakh limited liability partnership to have another Kazakh partnership as a single participant, which in turn is owned by a single entity. This infringement was cured by transfer of the 100% participating interest in Kul-Bas from TAG to TKL (which is the 100% owner of TAG). Kul-Bas has obtained MEMR's consent and therefore Kazakh State's waiver under the relevant articles of the sub-surface law in respect of such restructuring.

The Company has received several extensions to its Kazakh Contracts, including extensions effective since the adoption of the Subsurface Law.

### ***Risks Associated with Kazakh Regulatory Authorities***

The main government authority responsible for supervising and regulating the oil and gas industry in Kazakhstan was MEMR. As of March 12, 2010, MEMR's responsibilities with respect to the oil and gas industry were transferred to MOG.

The Subsurface Law establishes the general and specific powers for MOG which include, but are not limited to, the authority to: (i) tender subsoil use rights; (ii) supervise subsoil users' compliance with their obligations under relevant subsoil use contracts including the authority to supervise compliance with local content requirements; and (iii) grant regulatory approvals. MOG also has the specific authority to grant permission for flaring of associated gas and natural gas and the determination of the volumes of crude oil to be supplied by subsoil users to the internal Kazakh market.

The Subsurface Law also attempts to clarify the roles and specific duties of other committees and commissions involved in the regulation of various aspects of subsoil use operations. Despite this, it is not clear as to which role each ministry, agency and committee will play. The absence of clarity results in a compliance burden for the Company. However, the Company works hard with the Kazakh authorities to ensure compliance with applicable regulation.

### ***Risks Associated with Antimonopoly Regulations***

Prior consent from the Antimonopoly Agency is needed for certain transactions, which may reduce or restrict competition in the Kazakh market. Specifically, the consent of the Antimonopoly Agency, among others, is required for an acquisition by a person (or group of persons) of voting shares in the capital of an entity, whereby such person (or group of persons) gains the right to control more than 25% of such voting shares, where such person (or group of persons) prior to the purchase did not hold voting shares of that entity, or held 25% or less of the voting shares in the capital of such entity, provided that certain turnover or asset thresholds are met or where one of the parties to the transaction holds a dominant position in a certain market. The consent is required in respect of a transaction involving entities outside Kazakhstan, where such transaction either directly or indirectly affects fixed or intangible assets, shares, property or non-property rights in relation to Kazakh legal entities, or restricts competition in Kazakhstan.

A transaction which occurs without the Antimonopoly Agency's approval is not void under the law, but may be challenged in a Kazakh court. The Company is not aware of any case where a transaction involving an international company was challenged in Kazakh court.

Generally, no consent of the Antimonopoly Agency will be required if no person (or group of persons) acquires more than 25% of a legal entity's shares. However, the Antimonopoly Agency's authority is discretionary and it may, in certain instances (including instances where consent would not otherwise appear to be required), require an issuer to obtain its consent to a particular transaction.

The Company believes that previous acquisitions of the interests in TAG did not obtain the Antimonopoly Agency's consent. However, the Company is not in a position to verify such prior transactions' compliance with the antimonopoly legislation, if required. The failure to obtain the Antimonopoly Agency's consent may be subject to an administrative fine, which is most likely to arise in the event that there is any subsequent sale that requires the Antimonopoly Agency's consent. In addition, income received as a result of anti-competition agreements between the companies, or as a result of abuse by a company of its monopoly or dominant position may be confiscated. The Company does not believe that currently it has a dominant position in the Kazakhstan oil and gas market.

### ***Kazakhstan Local Content Rules***

On September 20, 2010, the new local content rules were adopted approving a uniform procedure for calculating local content in relation to the purchase of goods, works and services ("New Local Content Rules"). Under the Subsurface Law, all subsoil users must give preference to local companies when procuring goods, works and services for subsoil use operations. The New Local Content Rules provide formulae for local content calculation in supply and service contracts as well as customer purchases.

On September 25, 2010, the Government of Kazakhstan approved the rules for the formation and maintenance of a register of goods, works and services used in subsoil use operations and the entities (producers) providing same ("New Register Rules"). The New Register Rules also set out criteria for assessing whether a producer is required to be included in the register. Under the New Register Rules the Ministry of Industry and New Technologies was named as the Competent Authority responsible for formation and maintenance of a register of goods, works and services used in subsoil use operations and their producers ("Register"). Information to be included in the Register is to be based on the information as to procurement of goods, works and services contained in the annual work programmes provided by subsoil users to competent authorities (i.e. MOG).

In March 2012, the Company, as well as many other subsoil users, were notified by MOG that they were in violation of certain provisions of the New Local Content Rules. The Company worked closely with MOG and proved that such violations were minor and mainly caused by technical reasons. In April 2012, MOG confirmed that Tethys' Kazakh subsidiaries comply with rules on

Kazakh content. The Company has worked hard with the appropriate Kazakh authorities to ensure compliance with these rules and is very pleased to be one of subsoil users who currently comply.

The New Local Content Rules, which provide stringent rules and regulations governing supply and service contracts as well as customer purchases, are extremely difficult to comply with at this time given the shortage of available local services in several parts of Kazakhstan. It is generally understood that the vast majority of Kazakh subsoil users are in technical violation of the New Local Content Rules. The Company is taking all necessary steps to ensure its Kazakh subsidiaries comply with the New Local Content Rules as far as possible. The Company believes it has submitted all required documents to MOG to support its intent to be in compliance with the New Local Content Rules.

### ***Competition***

The oil and gas industry is intensely competitive. Competition is particularly intense in the acquisition of prospective oil properties and oil and gas reserves. The Company's competitive position depends on its geological, geophysical and engineering expertise, its financial resources, its ability to develop its properties and its ability to select, acquire and develop proved reserves. The Company competes with a substantial number of other companies which have a larger technical staff and greater financial and operational resources. Many such companies not only engage in the acquisition, exploration, development and production of oil and gas reserves, but also carry on refining operations and market refined products. The Company also competes with major and independent oil and gas companies and other industries supplying energy and fuel in the marketing and sale of oil and gas to transporters, distributors and end users, including industrial, commercial and individual consumers. The Company also competes with other oil and gas companies in attempting to secure drilling rigs and other equipment necessary for drilling and completion of wells. Such equipment may be in short supply from time to time. In addition, equipment and other materials necessary to construct production and transmission facilities may be in short supply from time to time. Finally, companies not previously investing in oil and gas may choose to acquire reserves to establish a firm supply or simply as an investment. Such companies will also provide competition for the Company.

### ***Substitute Energy Sources***

As with any other product, the Company's production of oil and gas is subject to substitution. Alternative energy sources such as renewable electricity (for example, wind power or hydroelectric power), nuclear power, liquefied natural gas, biofuel or biomass and other alternative forms of energy for usage in transport, heating and power generation all represent competing sources of energy to the Company's products. If the prices of these forms of energy fall and/or the prices of the Company's products rise dramatically, then the Company's products will face substitution as economic agents look for cheaper forms of energy. The Company currently produces low-cost forms of energy (i.e., onshore oil and gas). There is no guarantee that the Company's products will remain competitive in the future marketplace due to changes in technology, governmental regulations, economic and taxation or other as yet unforeseen scenarios. Further, the continuous call from the international community for a reduction in the use of fossil fuels may have an impact upon oil and gas companies of all sizes operating world-wide in being required to reduce production or output or lacking market for their product. The demand for alternative sources of energy, especially renewables, could affect the Company's production of oil or gas or sale of its products, which may in turn materially adversely affect the business, results of operation and prospects of the Company.

### ***Marketability of Production***

The marketability and ultimate commerciality of oil and gas acquired or discovered is affected by numerous factors beyond the control of the Company. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and gas pipelines and processing equipment and government regulation. The Company currently produces gas into the transcontinental gas trunkline system which ultimately supplies gas to Russia and Europe. Political

issues, system capacity constraints, export issues and possible competition with Russian gas supplies may in the future cause problems with marketing production, particularly for export. Oil and gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Restrictions on the ability to market the Company's production could have a material adverse effect on the Company's revenues and financial position.

### ***Commodity Price Fluctuations***

Oil and gas prices are unstable and are subject to fluctuation. Any material decline in oil and/or natural gas prices could result in a reduction of the Company's net production revenue and overall value and could result in ceiling test write downs. In Kazakhstan, the Company had fixed (Tenge) price gas contracts up to the end of 2013. Subsequent to the year end, these gas supply contracts were renewed at the same fixed (Tenge) price and run through to December 31, 2014.

The Company's oil contract in Kazakhstan is subject to commodity price fluctuation and it may become uneconomic to produce from some wells as a result of lower prices, which could result in a reduction in the volumes and value of the Company's reserves. The Company might also elect not to produce from certain wells because of lower prices. These factors could result in a material decrease in the Company's net production revenue causing a reduction in its acquisition and development activities.

Beyond 2013, fluctuations in oil and gas prices could materially and adversely affect the Company's business, financial condition, results of operation and prospects. There is no government control over the oil and gas price in the countries where the Company operates.

Although the Company believes that the medium to long term outlook for oil and gas prices in the region is good, the recent events in various parts of the world demonstrate the volatility and uncertainties of the oil and gas industry. Also, consideration needs to be given to production and other factors such as OPEC, refinery shut-ins and inventory. Any discussion of price or demand is subjective and, as such, there are many differing opinions on the cause of recent price changes.

As previously stated, gas production from both the Kyzylai and Akkulka contracts in Kazakhstan is sold at fixed prices, at least until the end of 2014, and so the fluctuation in world commodity prices should have no effect on the Company's revenue from the Kazakh gas operations up to the end of 2014, however, it would be affected by exchange rate risk.

### ***Nature of the Oil and Gas Business***

An investment in the Company should be considered speculative due to the nature of the Company's involvement in the exploration for, and the acquisition, development and production of, oil and natural gas in Central Asia and the Caspian Region. The volume of production from oil and natural gas properties generally declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. The Company's proved reserves will decline as reserves are produced from its properties unless it is able to acquire or develop new reserves. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash flow from operations is reduced and external sources of capital become limited or unavailable, the Company's ability to make the necessary capital investment to maintain or expand the Company's asset base of oil and natural gas reserves will be impaired. In addition, there can be no assurance that even if the Company is able to raise capital to develop or acquire additional properties to replenish the Company's reserves, the Company's future exploration, development and acquisition activities will result in additional proved reserves or that the Company will be able to drill productive wells at acceptable costs.

The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse



weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment.

### ***Dependence on Gas Pipeline***

The Company is partly economically dependent on the pipeline from the Kyzylloi Field in Kazakhstan to a booster compression station constructed at 910 km on the Bukhara-Urals gas trunkline and onwards in the Bukhara-Urals trunkline in that should anything adverse happen to these pipelines then the gas sales revenue (which is not the majority of the Company's revenue at present) would cease. Should such cessation of revenue continue for a significant period of time it could have a material adverse effect on the financial position of the Group as the Group may continue to incur significant operational expenditure during the period of cessation. The Bukhara-Urals trunkline was initially designed to carry gas from Central Asia through Kazakhstan and into the Russian gas export system. The Bukhara-Urals trunkline is a twin line system currently supplying gas to the Aktobe region of Kazakhstan by way of northward transport, and southwards to the Bozoi underground storage facility with no export into the Russian system. In October 2013, the Bozoi-Shymkent pipeline opened, and gas from the Bozoi underground storage system is being transported by this new line to Shymkent. The Company is not aware of any current material risks to these pipelines. The Bozoi/Shymkent pipeline is being linked to the Kazakhstan-China gas pipeline; this link is currently under construction and expected to be completed in 2014, which will allow for an alternative route for the sale of the Company's gas. The Company will seek to utilise this pipeline to transport its gas to China, however, there is no guarantee that this will occur. If this does not occur, the Company will be limited to its current sales route and dependent on the functioning of the Bukhara-Urals trunkline as described above.

### ***Dependence on Refinery and Transportation Facilities***

On January 30, 2012, the Company announced the official inauguration of AOT, a storage and rail loading facility for its oil shipments from the Doris oilfield. Any loss of capacity or delay in truck or rail shipments or significant problems with AOT may negatively affect the Company's oil sales revenue from the Pilot Production Project.

### ***Management Services Provided by Vazon and Dependence on Key Personnel***

The services of the Company's Executive Chairman and President and the Chief Administrative Officer and Corporate Secretary are provided under the terms of two management services agreements with a corporate entity, Vazon. As a result, these two executive officers of the Company, although officers of the Company, are not employed directly by the Company but rather by Vazon. Vazon is a corporation wholly-owned by Dr. David Robson, the Company's Executive Chairman and President. Either management services agreement may be terminated on up to six months' notice by Vazon or the Company. Should Vazon (acting through Dr. Robson) determine to terminate either or both management services agreements, the Company would be required to enter into an employment or other relationship directly with these executive officers or, failing which, would be required to retain the services of alternate executive officers. There is no certainty that the Company would be able to attract and retain suitable candidates should either of the management services agreements be terminated and the executive officers choose not to be employed or retained by the Company. Any such termination may materially and adversely affect the Company. Moreover, the Company is dependent on its key executive officers to manage its affairs and operations. The departure of any one key executive officer may negatively impact on certain of the Company's operations until a suitable replacement candidate is appointed.

The Company does not carry key man insurance on any of its executives as at the date hereof. The role of Dr. Robson is clearly instrumental and critical to the Group and its continual growth and success. The loss of Dr. Robson would likely have a significant impact upon the Group until a suitable replacement could be found. The expertise and knowledge of Dr. Robson is an extremely valuable asset to the Group and not one that is easily found in a potential successor or replacement. In the event that the Company is unable to attract, retain and train key personnel, the Group's business, operations and prospects could be materially and adversely affected.

### ***Hedging Activities***

The Company's subsidiary, TAG, has entered into the Kazakh Gas Supply Contract and the Akkulka Gas Supply Contract. From time to time the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such increases. Similar risks will apply to any hedging agreements the Company may enter into in order to set exchange rates or fix interest rates on its debt.

As at the latest practicable date prior to the date of this Prospectus, no hedging agreements or contracts were in place.

### ***Financial Resources***

The Company's cash flow from operations may not be sufficient to fund activities outside of the scope of its current operations. From time to time the Company may enter into transactions to acquire assets or the shares of other companies. These transactions along with the Company's ongoing operations may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards and lead to increased borrowing costs, reducing the Company's income. Alternatively, the Company may seek further funding through issue of equity but, particularly in the current market conditions, there can be no assurance, particularly in the current economic climate, that debt or equity financing will be available when required or sufficient to meet the Company's requirements or if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital in such circumstances could have a material adverse impact on the Company's financial condition, results of operations and prospects.

### ***International Operations***

International operations are subject to political, economic and other uncertainties, including but not limited to, risk of terrorist activities, revolution, border disputes, expropriation, renegotiations or modification of existing contracts, import, export and transportation regulations and tariffs, taxation policies, including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labour disputes and other uncertainties arising out of foreign government sovereignty over the Group's international operations. The Group is subject to risks related to its operations in or interests relating to Kazakhstan, Tajikistan, and to December 2013, Uzbekistan, including those related to the exploration, development, production, marketing, transportation of natural gas, taxation and environmental and safety matters. The Group's operations may also be adversely affected by applicable laws and policies of Kazakhstan, Tajikistan, Georgia or other countries in which it operates in the future, the effect of which could have a negative impact on the Company.

In particular, Tajikistan borders Afghanistan. Afghanistan is currently in a situation of instability. Such stability and security issues may have an adverse effect on the ability of the Group 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 and the Caspian Region, as well as an adverse effect on the willingness of lenders and new investors to provide financing to the Group. Currently, the Group is not subject to any foreign investment restrictions in Kazakhstan, Tajikistan or Georgia.

The government of the Russian Federation and Russian oil and gas companies may exert a significant degree of influence in the region. Russian regulations and policies may have a significant impact on the market prices of natural gas in the Company's current markets. Actions taken by Russian authorities and companies may also have an impact on the Company's ability to provide its products to market although this is mitigated by the Group's oil product exports to other markets and the planned natural gas pipelines from Central Asia to the People's Republic of China. Actions taken by the Russian government and competitors in Russia may be unpredictable and would be out of the Group'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 prospects and the trading price of the Ordinary Shares.

### ***Foreign Currency and Fiscal Matters***

The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. A material change in the value of any such foreign currency could result in a material adverse effect on the Company's cash flow and future profits. The Company is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US Dollar.

In addition, a portion of expenditures in Kazakhstan, Tajikistan and Georgia are denominated in local currency, the Tenge, Somoni and Lari respectively. The Company also attempts to negotiate exchange rate stabilization conditions in new local Tenge denominated service and supply contracts in Kazakhstan. In the first quarter of 2014, Kazakhstan devalued its currency to approximately 185 Tenge to the US Dollar compared with the rate at December 31, 2013 of 152.5 Tenge.

While the Company holds the majority of its cash and cash equivalents in US Dollars it does hold other balances, mainly Pounds Sterling and Tenge, to meet the requirements to fund ongoing general and administrative and other spending requirements in these currencies.

Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Kazakhstan or Tajikistan to foreign entities. There can be no assurance that restrictions on repatriation of capital or distributions of earnings from Kazakhstan or Tajikistan will not be imposed in the future. Moreover, there can be no assurance that the Tenge or Somoni will continue to be exchangeable into U.S. Dollars or that the Company will be able to exchange sufficient amounts of Tenge or Somoni into U.S. Dollars or Pounds Sterling to meet its foreign currency obligations.

Moreover, the Ordinary Shares trade in Canadian Dollars on the TSX and Pounds Sterling on the LSE and, accordingly, the variation in exchange rates between the U.S. Dollar, Canadian Dollar and Pound Sterling may also affect the market price of the Company's shares on the TSX and LSE.

### ***Political and Regulatory***

The Company decided in December 2013 and announced on January 2, 2014 that it had made a decision to exit Uzbekistan and surrender its rights under the PEC due to changes in the business climate and political environment. The Company's decision was principally as a result of problems encountered by Tethys Production Uzbekistan (the trading name of the Company's subsidiary, Baker Hughes (Cyprus) Limited, ("BHCL") in receiving allocation and payment for the delivery of crude oil to the Fergana refinery. Uzbek authorities have requested access to certain records of BHCL. To date, the Company has received two claims as a result of tax inspections undertaken, the financial impact of which is considered by the Company to be remote. In addition, the Company will incur expenses, relating to its exit from Uzbekistan for which provision has been made. Moreover, as a result of problems encountered by the Company with the Fergana refinery, the Company may be unable to recover payment for oil previously delivered to the Fergana refinery (estimated at USD1.6 million) which has been written down in the audited consolidated financial statements. Political, regulatory and similar risks are reviewed by Management and further reviewed by the Strategic Risk Committee of the Board at which mitigating strategies and policies are discussed and agreed. The members (and advisors) of the Strategic Risk Committee include experienced diplomats, politicians and personnel familiar with the Company's operating areas.

The oil and gas industry in general is subject to extensive government policies and regulations, which result in additional cost and risk for industry participants. Environmental concerns relating to the oil and gas industry's operating practices are expected to increasingly influence government regulation and consumption patterns which favour cleaner burning fuels such as natural gas. The Company is uncertain as to the amount of operating and capital expenses that will be required to

comply with enhanced environmental regulation in the future. The Company is also subject to changing and extensive tax laws, the effects of which cannot be predicted. Among other things, the Company and TK SA are subject to regulatory filings with respect to the repatriation of funds to its shareholders which must be complied with to avoid sanctions. Legal requirements are frequently changed and subject to interpretation, and the Company is unable to predict the ultimate cost of compliance with these requirements or their effect on its operations. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations may change in the future and materially adversely affect the Company's results of operations and financial condition.

The Company is conducting exploration and development activities in Kazakhstan and Tajikistan and to December 2013 was in Uzbekistan, and now in Georgia, and is dependent on receipt of government approvals or permits to develop its properties. Based on past performance, the Company believes that the governments of Kazakhstan, Tajikistan and Georgia support the exploration and development of their oil and gas properties by foreign companies. Nevertheless, there is no assurance that future political conditions in Kazakhstan and Tajikistan will not result in their respective governments adopting different policies respecting foreign development and ownership of oil and gas, environmental protection and labour relations. This may affect the Company's ability to undertake exploration and development activities in respect of present and future properties, as well as its ability to raise funds to further such activities. Any delays in receiving government approvals or permits or no objection certificates may delay the Company's operations or may affect the status of the Company's contractual arrangements or its ability to meet its contractual obligations. Similar risks apply in other countries in which the Company may operate in the future.

### ***Legal Systems***

The Company is governed by the laws of the Cayman Islands and the Company's principal subsidiaries are incorporated under the laws of Kazakhstan, Tajikistan, Belgium, Cyprus, British Virgin Islands, Delaware, the Netherlands, Georgia and England. The Company through its subsidiaries carries on operations in Kazakhstan, Tajikistan, Georgia and, to date of its exit, in Uzbekistan. Accordingly, the Company is subject to the legal systems and regulatory requirements of a number of jurisdictions with a variety of requirements and implications for shareholders of the Company. Shareholders of the Company will not have rights identical to those available to shareholders of a corporation incorporated under the federal laws of Canada or the laws of the United Kingdom. Moreover, in certain circumstances, the Company may require a shareholder to divest itself of its Ordinary Shares if the ownership or holding of such Ordinary Shares would be in breach of laws or a legal requirement of any country or if such shareholder is not qualified to hold the Ordinary Shares and if such ownership or holding would in the reasonable opinion of the Board cause a pecuniary or tax disadvantage to the Company or any other shareholder.

Exploration and development activities outside Canada and the United Kingdom may require protracted negotiations with host governments, national oil and gas companies and third parties. Foreign government regulations may favour or require the awarding of drilling contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. If a dispute arises with foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons, especially foreign oil and gas ministries and national oil and gas companies, to the jurisdiction of Canada or the United Kingdom.

Kazakhstan, Tajikistan and Georgia may have less developed legal systems than jurisdictions with more established economies, which may result in risks such as: (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. In certain jurisdictions the commitment of local business people,

government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness and enforcement of such arrangements in these jurisdictions cannot be assured.

### ***Production Variances from Reported Reserves***

The Company's reserve evaluations have been prepared in accordance with NI 51-101. There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived therefrom, including many factors that are beyond the control of the Company. The reserves information set forth in this Prospectus represent estimates only. The reserves from the Company's properties have been independently evaluated by Gustavson in the Gustavson Reserve Report. The Gustavson Reserve Report includes 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.

The Company is subject to risks related to its operations in Kazakhstan, Tajikistan, Uzbekistan and Georgia, including those related to the development, production, marketing, transportation of natural gas, taxation and environmental and safety matters. The Company may be adversely affected by changes in governmental policies or social instability or other political or economic developments that are outside the Company's control including among other things, expropriation, risks of war and terrorism, foreign exchange and repatriation restrictions, changing political conditions and monetary fluctuations and changing governmental policies including taxation policies.

### ***"Resource" vs. "Reserves"***

Throughout this Prospectus, the Company has attempted to provide an appreciation of 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. Ultimate recoverable reserves can range widely depending on resource characteristics, available technologies and economic and contractual parameters.

The reserves and resources estimates contained or referred to herein are estimates only and are not meant to provide a determination as to the volume or value of hydrocarbons attributable to the Group'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 Group. Reserves and resources 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.

### ***Availability of Equipment and Access Restrictions***

Oil and gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. There can be no assurance that sufficient drilling and completion equipment, services and supplies will be available when needed. Shortages could delay the Company's proposed exploration, development, and sales activities and could have a material adverse effect on the Company's financial condition. If the demand for, and wage rates of, qualified rig crews rise in the drilling industry then the oil and gas industry may experience shortages of qualified personnel to operate drilling rigs. This could delay the Company's drilling operations and adversely affect the Company's financial condition and results of operations. To the extent that the Company is not the operator of its oil and gas properties, the Company will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

### ***Operating Hazards and Limited Insurance Coverage***

Oil and gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts and oil spills, each of which could result in substantial damage to oil wells, production facilities, other property and the environment or in personal injury and/or death and/or interruption of operations. Due to the nature of its business, the Company has to handle highly inflammable, explosive and toxic materials and other dangerous articles. The Company has implemented safety precautions and measures for the safe operation and maintenance of its operational facilities; however, there can be no assurance that industry-related accidents will not occur during the operation of the Company. Significant operating hazards and in some cases natural disasters may cause partial interruptions to the Company's operations and environmental damage that could have an adverse impact on the financial condition of the Company. In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although the Company maintains liability insurance in an amount that it considers adequate and consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition. Oil and gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

### ***Seasonality and Weather Patterns***

The level of activity in the Central Asia oil and gas industry is influenced by seasonal and unexpected weather patterns which may lead to declines in production and exploration activity. Harsh winter conditions may impede access to remote locations and drilling activities and limit the Company's ability to perform maintenance on equipment. Also, certain oil and gas producing areas may be located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Moreover, wet weather and spring thaw may make the ground unstable. Consequently, the movement of rigs and other heavy equipment may be restricted, thereby reducing activity levels. As an example, extreme weather conditions in the Kazakh production area during the construction phase of the pipelines and compressors did cause some delays and excess muddy conditions in Spring may cause delays in construction and the transport of equipment. In addition, the Group is susceptible to the risks of unexpected weather changes that may cause delay in its oil and gas exploration and production activities. For example, oil production, particularly in the first quarter of each year, may be affected by extreme winter weather conditions in Kazakhstan.

### ***Environmental***

The Company's operations are subject to environmental, safety and health and sanitary regulations in the jurisdictions in which it operates. While the Company believes that it carries out its activities and operations in material compliance with all relevant and applicable environmental, safety and health and sanitary regulations, there can be no guarantee that this is the case. In

Kazakhstan, quarterly reports are required to be submitted by the Company to the Shalkar (Bozoi) Tax Committee. The Company is also required to prepare reports on any pollution of air, toxic waste and current expenses on environmental protection which have been made by the Company and which are submitted to the appropriate Kazakh authorities. Reports are submitted on a semi-annual basis for information purposes and no payments are applicable.

Under the Bokhtar PSC, any development plan in Tajikistan must also include an abandonment and site restoration programme together with a funding procedure for such programme. All funds collected pursuant to the funding procedure shall be allocated to site restoration and abandonment and will be placed in a special interest bearing account originally by KPL, and since the Farm Out by the Bokhtar Contractor Parties, which now shall be held in the joint names of the State and the Bokhtar Contractor Parties or their respective nominees, or designee. The Bokhtar Contractor Parties' responsibilities for environmental degradation, site restoration and well abandonment obligations, and any other actual contingent and potential activity associated with the environmental status of the development area shall be limited to the obligation to place the necessary funds in the approved account. In addition, any relinquished areas must be brought into the same condition as they were prior to their transfer to KPL (soil fertility condition, quality of the ground and environment). All expenditures incurred in abandonment and site restoration are cost recoverable. An independent environmental base line study was carried out on the Beshtentak Field.

At present, the Company believes that it meets all applicable environmental standards and regulations, in all material respects, and has included appropriate amounts in its capital expenditure budget to continue to meet its current environmental obligations. However, the discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur significant costs to remedy such discharge. No assurance can be given that changes in environmental laws or their application to the Company's operations will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

### ***Reliance on Third Party Operators and Key Personnel***

To the extent that the Company is not the operator of its properties, the Company will be dependent upon other guarantors, contractors or third parties' operations for the timing of activities and will be largely unable to control the activities of such operators. In addition, the Company's success depends, to a significant extent, upon management and key employees. The loss of key employees could have a negative effect on the Company. Attracting and retaining additional key personnel will assist in the expansion of the Company's business. The Company faces significant competition for skilled personnel, in particular to certain areas where the oil and gas industry is less developed. The Company's inability to retain and recruit sufficient skilled personnel may cause delays in completing certain exploration and production projects on time or within the budgeted costs. There is no assurance that the Company will successfully attract and retain personnel required to continue to expand its business and to successfully execute its business strategy.

### ***Recurring Losses and Profitability***

Since inception, the Company has incurred significant losses from operations and negative cash flows from operating activities and has an accumulated consolidated deficit of USD182 million as at December 31, 2013. Since the Group intends to invest in developing its business, further losses and negative cash flows may be incurred. While management of the Company has confidence in the future potential of the Group, there is no assurance that the Group will become or remain profitable in the future. The ability of the Company to successfully carry out its business plan is primarily dependent upon its ability not only to maintain the current level of production but also to achieve further production of commercial oil and gas and to control the costs of operating and capital expenditures. No assurance can be given that the Group will not experience operating losses in the future.

### ***Cost of New Technologies***

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company does. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be materially adversely affected. If the Company is unable to utilize the most advanced commercially available technology, the Company's business, financial condition and results of operations could be materially adversely affected.

### ***Production Delays***

There is a possibility of delays in obtaining the necessary governmental approvals to commence or increase production. Any such delays could reduce the Company's revenues and income below those anticipated in the Company's business plan. Unanticipated delays in drilling or production could materially and adversely affect the Group's business, results of operation and prospects.

### ***Disclosure Controls and Procedures; Internal Controls Over Financial Reporting***

Disclosure controls and procedures have been designed by the Company's management to ensure that information required to be disclosed by the Company is accumulated, recorded, processed and reported to the Company's management as appropriate to allow timely decisions regarding disclosure. While the Company's management has concluded that the Company's disclosure controls and procedures are sufficiently effective to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is communicated to them as appropriate to allow timely decisions regarding required disclosure this cannot be guaranteed and changes may be required to ensure their effectiveness.

The Company's management has designed and implemented a system of internal controls over financial reporting as of December 31, 2013 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. While management believes that these controls are effective for a company of its size there can be no guarantee that errors will not occur.

### ***Conflicts of Interest***

Certain of the directors of the Company may have associations with other oil and gas companies or with other industry participants with whom the Company does business. The directors of the Company are required by applicable corporate law to act honestly and in good faith with a view to the Company's best interests and to disclose any interest, which they may have in any project or opportunity to the Company. However, their interests in the other companies may affect their judgment and cause such directors to act in a manner that is not necessarily in the best interests of the Company.

### ***Relinquishment of Exploration Rights***

The Company is contractually obliged to relinquish certain exploration rights pursuant to the exploration and production contracts to which the Company (or its subsidiaries) is a party. There are mandatory relinquishments under the Kul-Bas Exploration and Production Contract, which require the Company to relinquish contract areas annually (with the exception of areas in which a discovery is made). As of December 31, 2013, 31% of the total contract area has been relinquished. The Kul-Bas Exploration and Production Contract was amended firstly in December 2010, when the Company received approval for the extension of the exploration period to November 11, 2013, and it was further extended in 2013 until November 11, 2015.



In addition, there are also mandatory relinquishments under the Bokhtar PSC in Tajikistan after seven contract years.

In regards to the Georgian PSCs, 25% of the Contract Area will be relinquished after 5 years, 25% of the remainder of the Contract Area will be relinquished after 10 years, 50% of the remainder of the Contract Area will be relinquished after 15 years, and 100% of the remainder of the Contract Area will be relinquished after 20 years. Relinquishments do not apply to areas where a discovery has been made.

Save as aforesaid, the Group is not subject to relinquishment of exploration rights under any of its other contracts. A relinquishment of exploration rights may affect the Group's exploration prospects and its ability to expand production in the relevant Contract Areas.

### ***Current Market Conditions***

The increasing prices for oil, natural gas and other commodities may benefit the Company in the short term. However, there is no certainty as to how long this market condition will last. Along with other oil and gas issuers, the Company faces the potential that the demand and prices for oil and gas may fall, perhaps significantly, which may result in reduced cash flow and restricted access to capital.

In the event of a future prolonged period of adverse market conditions, the Company's ability to finance planned capital expenditures and operating expenses may be limited. 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 the Shareholders.

### ***Potential Declines in Reserves***

The Group intends to continue to explore for further reserves in its contract areas and seek to add new reserves to its reserve base. However, the Group cannot guarantee that its exploration programmes will be successful. Except to the extent the Group completes successful exploration and development projects or acquires properties containing proved reserves, or both, the Group's reserves will decline as its natural gas and liquid hydrocarbons are produced and its reserves are depleted. The Group's future production is highly dependent upon the Group's ability to develop its existing reserve base and, in the longer term, finding or acquiring additional reserves. If the Group is unsuccessful in developing its current reserve base and if the Group fails to add new reserves through exploration or acquisitions, its total proved reserves will decline, which would adversely affect the Group's business, financial condition, prospects or the market price of the Ordinary Shares. In addition, the volume of production from oil and natural gas fields generally declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. This may cause unit production cost to increase. As production efficiency decreases, the Group's business and results of operations could be adversely affected.

### ***Leased Properties***

All of the Group's offices are located in leased properties. The Group has not obtained relevant building ownership certificates and/or land use right certificates from the respective landlords to prove their titles or rights to these properties as may be required under the relevant laws. It is uncertain what the legal implications are in the absence of such certificates. It is also uncertain whether the absence of the certificates and/or lack of registration will affect the validity or performance of the leases. In the event that the Group is required to cease its occupation and use of the properties as a result thereof, its business or operations at such location may be disrupted although the Group believes any such disruption would not be material.

## **Risks Related to the Republics of Kazakhstan, Tajikistan, Georgia and Uzbekistan**

### ***Political, Economic, Legal and Fiscal Instability***

Kazakhstan, Tajikistan, Georgia and Uzbekistan are former constituent republics of the Soviet Union. At the time of their respective independence in 1991, each became a member of the CIS. Because Kazakhstan, Tajikistan, Georgia and Uzbekistan have a relatively short history of political stability as independent nations and have 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, and withholding taxes on distributions to foreign investors;
- changes in legislation applicable to oil and gas exploration, development, acquisition and investment activities;
- restrictions, prohibitions or imposition of additional obligations on investors;
- nationalisation or expropriation of property; and
- interruption or blockage of oil or natural gas exports.

Many of these risks are common to other countries in the world and perhaps more so. However, 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 Kazakhstan, Tajikistan, Georgia or Uzbekistan could have a material adverse effect on the Company's business, financial condition and results of operations.

Further, Kazakhstan and Tajikistan also depend on neighbouring states to access world markets for a number of their exports, including oil and gas. Kazakhstan and Tajikistan are thus dependent upon good relations with their 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, this could adversely impact the economies of Kazakhstan and Tajikistan. The development of export routes to China and potentially to the Indian sub-continent will dilute these problems to a degree if and when these routes are developed and allow the Company's production to access them.

Since its independence from the former Soviet Union, Tajikistan suffered a destructive civil war which not only caused significant damage to the infrastructure and industry of the country, but also led to regional and ethnic rivalries. Although the situation has stabilized since 1997, there is still the potential for instability, particularly with respect to these regional rivalries, and the potential for the emergence of radical Islamist groups. Tajikistan is the poorest country in Central Asia, and this poverty may lead to further civil unrest and potential disruption to the Company's business. Tajikistan's proximity to Afghanistan may lead to further instability dependent on the situation in that country.

Like other countries in Central Asia and the Caucasus, Kazakhstan, Georgia and Tajikistan 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 Kazakhstan and Tajikistan, 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 Kazakhstan, Tajikistan and Georgia. The Russo- Georgian war of 2008 resulted in a significant impact on Georgia as well as loss of territory. Although the relationship between Russia and Georgia is currently stable there is no guarantee that this stability will continue in the future.

The transition of Kazakhstan, Tajikistan and Georgia to market oriented economies was 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 Kazakhstan***

Kazakhstan's foreign investment, petroleum, subsoil use, licensing, corporate, tax, customs, currency, banking and antimonopoly laws and legislation are still developing and uncertain. From time to time, including the present, draft laws on these subjects are prepared by government ministries and some have been submitted to Parliament for approval. 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 Kazakh laws and their interpretation and application could have a material adverse effect on the Company's business and results of operations.

The judicial system in Kazakhstan may not be fully independent of outside social, economic and political forces, and court decisions can be difficult to predict. In addition, senior Kazakh 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. Both Kazakhstan and TAG are signatories to the Extractive Industries Transparency Initiative promoted by the UK government. TAG was one of the first signatories to this agreement with the Kazakhstan government. This initiative supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil and gas and which also works to build multi-stakeholder partnerships in developing countries in order to increase the accountability of governments. In addition, the government of Kazakhstan has stated that it believes in continued reform of the corporate governance processes and will ensure discipline and transparency in the corporate sector to promote growth and stability. However, there can be no assurance that the Kazakh State will continue such policy, or that such policy, if continued, will ultimately prove to be successful. Therefore, it is not possible to predict the effect of future legislative developments on the Company's business and prospects.

The Company's exploration and production licences, hydrocarbon contracts and other agreements may be susceptible to revision or cancellation, and legal redress may be uncertain, delayed or unavailable. In addition, it is often difficult to determine from governmental records whether statutory and corporate actions have been properly completed by the parties or applicable regulatory agencies. Ensuring the Company's ongoing rights to licences and its hydrocarbon contracts will require a careful monitoring of performance of the terms of the licences and hydrocarbon contracts, and monitoring their evolution under Kazakh laws and licensing practices.

In March 2010, the Kazakh State announced a restructuring of MEMR to create MOG. In addition, the new subsoil use law has been adopted and came into force on June 24, 2010 under the registration number 291-IV.

### ***Taxation Risks and Issues in Kazakhstan***

Kazakh tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation and legislation on transfer pricing by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Company may be assessed for additional taxes, penalties and interest. Tax periods remain open to retroactive review by the tax authorities for five years. The Company's management believes that its interpretation of the relevant legislation is appropriate and that the Company's tax, currency legislation and customs positions will be sustained.

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 were not "stabilised" and accordingly, taxes are payable under the Tax Code in respect of the Group's operations in Kazakhstan.

Under the Tax Code, subsurface users (including the Company's subsidiaries) are subject to, among others, 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) MET; (iii) excess profit 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 authorised 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 authorised state agency);
- an amount of historical costs determined by the authorised state agency to compensate the Kazakhstan 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;
- MET for oil and 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%;
- MET 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 profit tax is payable based on the contractor's net disposable income with the rates varying from 0% to 60%, as the profits exceed pre-set profit thresholds; and
- corporate income tax is payable at a rate of 20%.

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.

Kazakhstan may increase the export customs rate in the future. The uncertainty of application and the evolution of tax laws creates a risk of additional payment of tax by the Company, which could have a material adverse effect on the business, financial condition and results of operations of the Company.

### ***Legal and Regulatory Framework in Tajikistan***

Tajikistan introduced production sharing legislation in 2007, with some amendments in 2008, and the Bokhtar PSC was 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 the Bokhtar PSC may be challenged, additional taxes may be imposed, or may be found to conflict with other Tajik laws and regulations. There is no assurance that the terms of the Bokhtar PSC will not be challenged and that no claims will be made against the Company resulting in a material adverse effect. In addition, these inconsistencies may lead to potential disputes with the relevant tax authorities and result in material adverse effect on the financial performance of the Company. There may also be problems with repatriation of currency from Tajikistan, and in the use of the banking system.

### ***Taxation Risks and Issues in Tajikistan***

Although under the Bokhtar PSC, all of the Bokhtar Contractor Parties' 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 may be 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 and accordingly, few precedents with regard to 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 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, excise tax, social tax, land tax, property tax, transport tax, as well as fees for licences. Effective from January 1, 2013, profits are taxed at a rate of 15% for activities related to production of any kind of goods (previously 20%) of taxable income (calculated as revenue less permitted deductions) and 25% for all other types of activities (previously 20%) of taxable income (calculated as revenue less permitted deductions). VAT at a rate ranging to 18% (previously 20%) is imposed on goods imported into Tajikistan, and 5% for goods produced in 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 all of the Company's taxes, levies and duties in respect of production thereunder. Any changes to this status or the tax treatment of the Bokhtar PSC would potentially have a negative effect on the Company.

### ***Lack of Infrastructure in Tajikistan***

Tajikistan 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. There are only limited oil refining facilities in Tajikistan, and as such any crude oil will require export, either to 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 may not be imposed, or prices offered may not be substantially less than world market prices. Similarly, the gas infrastructure is poorly developed and maintained in Tajikistan, 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.

### ***Legal and Regulatory Environment in Georgia***

The Company has recently established operations in Georgia. Consequently, the Company is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Georgia.

#### ***Taxation Risks and Issues in Georgia***

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying degrees of interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after six years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are more significant than in other countries.

#### ***Legal and Regulatory Environment in Uzbekistan***

The Company no longer operates in Uzbekistan having terminated the North Urtaulak PEC at the end of December 2013, however legal risks may remain.

#### ***Taxation Risks and Issues in Uzbekistan***

Uzbekh tax, currency and customs legislation allow for different interpretations and are subject to frequent changes. Management's interpretation of such legislation as applied to the Company's transactions and operations may be challenged by the relevant authorities. As a result, the authorities may dispute transactions and accounting methods which have never been challenged before. Significant additional taxes, penalties and interest may therefore be assessed. Fiscal periods remain open to review by the tax authorities for three calendar years prior to the year of review. Under specific conditions, even earlier periods may be re-examined.

Management undertakes regular checks in order to ensure that the Company's taxation complies with the applicable laws, norms, decrees and interpretations published by regulatory bodies of the jurisdiction where it operates. Although management believes that relevant provisions of the law have been interpreted correctly and provisions have been made for all relevant taxes, nevertheless the Company and tax authorities may have different interpretations of the tax law that may ultimately result in additional taxes and penalties being payable.

### **RISKS RELATING TO THE ORDINARY SHARES**

***The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which will be out of the Group's control.***

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the company that has issued them. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control, including but not limited to variations in operating results in the Group's reporting period, changes in market conditions, changes in financial estimates by securities analysts, speculation about the Group in the press or investment community, changes in market valuation of similar companies, announcements by the Group of corporate events such as significant acquisitions or capital commitments, loss of any customers, additions or departures of key personnel, any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts, future issues or sales of Ordinary Shares, strategic acquisitions by competitors and regulatory changes. Any or all of these events could result in a material decline in the price of the Ordinary Shares.

***The Company has not paid any dividends to date***

The ability of the Company to pay any dividends in respect of Ordinary Shares will depend on the level of the earnings, reserves and any ongoing regulatory capital requirements of the Company as well as its cash position and the judgement of the directors. The Company has not paid any dividends since inception and does not anticipate paying dividends during the current state of its development. Any change in tax or accounting treatment of any dividends may also affect the level of dividends received by holders of the Ordinary Shares.

***Exchange rate fluctuations may impact the price of the Ordinary Shares***

The Ordinary Shares will be quoted in Pound Sterling and Canadian Dollars. An investment in the Ordinary Shares by an investor in a jurisdiction whose principal currency is not Pound Sterling or Canadian Dollars exposes the investor to foreign currency rate risk. Any depreciation of the Pound Sterling and/or the Canadian Dollar in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares in foreign currency terms.

***Current global financial conditions***

Current global financial conditions have been characterised by increased volatility and some financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Although there has been some recovery, there is no certainty that the disruptions and their effects have ended and will not continue to affect the markets. These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company or at all. In addition, general economic indicators, including employment levels, announced corporate earnings, economic growth and consumer confidence, deteriorated in the later part of 2008 and into 2009. Although there has been some recovery, recent economic events in Europe starting in mid-2011 have created further uncertainty in global financial and equity markets. Any or all of these economic factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Ordinary Shares may be adversely affected.

Securities of oil & gas companies, including the Company's Ordinary Shares, have experienced substantial volatility, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in the countries where the Company carries on business and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of the Company is also likely to be significantly affected by short-term movements in oil and gas prices, currency exchange fluctuation and the political environment in the countries in which the Company does business and globally.

## **FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION**

### **Information regarding forward-looking statements**

This document includes forward-looking statements. The words "believe", "anticipate", "expect", "intend", "aim", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Group's actual results of operations and financial condition, and the development of the industry in which the Group operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Factors that may cause the Group's actual results to differ materially from those expressed or implied by the forward-looking statements in this document include but are not limited to the risks described under "Risk Factors."

These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. Save for those forward-looking statements required by the Listing Rules, Disclosure Rules and Transparency Rules and or/the Prospectus Rules, the Company undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. The Company will comply with its obligations to publish updated information as required by law or by any regulatory authority but assumes no further obligation to publish additional information. Nothing in this paragraph constitutes a qualification of the working capital statement contained on page 54 of this document.

### **Notice in connection with Member States of the European Economic Area**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "relevant member state") (except for the United Kingdom), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the "relevant implementation date") no New Ordinary Shares will be offered to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual turnover of more than €50 million, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Ordinary Shares shall result in a requirement



for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purpose of the expression an "offer of any New Share to the public" in relation to any New Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the New Ordinary Shares so as to enable an investor to decide to purchase any New Ordinary Shares as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

In the case of any New Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Ordinary Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any New Ordinary Shares to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent of the Company to each such proposed offer or resale. The Company and its affiliates, and others, will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

The contents of this document should not be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for advice. None of the Company or its representatives is making any representation to any investor in New Ordinary Shares regarding the legality of an investment in the New Ordinary Shares by such investor under the laws applicable to such investor.

Any reproduction or distribution of this document in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than in considering an investment in the New Ordinary Shares offered or otherwise made available hereby, is prohibited. Each investor in the New Ordinary Shares by accepting delivery of this document agrees to the foregoing.

#### **Information not contained in this document**

No person has been authorized to give any information or make any representation other than those contained in or incorporated by reference into this document and, if given or made, such information or representation must not be relied upon as having been so authorized. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in or incorporated by reference into this document is correct as of any time subsequent to the date hereof.

#### **No incorporation of website information**

The contents of the Company's website or any website directly or indirectly linked to the Company's website do not form part of this document and investors should not rely on it.

## PART I

### Business of Tethys Petroleum

#### 1. BUSINESS OVERVIEW AND HISTORY OF THE BUSINESS

Tethys is an oil and gas exploration and production company currently focused on projects in Central Asia and the Caspian Region. At present, the Company has projects in the Republic of Kazakhstan, Republic of Tajikistan and Georgia. The Board formally decided in December 2013 to exit from Uzbekistan, due to changes in the business and political environment and announced on January 2, 2014, being the next working day, that it would do so effective immediately.

Tethys was incorporated in Guernsey on August 12, 2003, specifically to hold the Central Asian interests of its then parent company. The Company is now redomiciled to the Cayman Islands. In light of the significant capital required to develop Tethys and its Kazakh assets, its then parent company made a decision to spin out Tethys.

On June 27, 2007, the Company completed its initial public offering and the Ordinary Shares commenced trading on the TSX. The Ordinary Shares are listed on the TSX under the symbol "TPL". The Company commenced commercial gas production in December 2007 from its initial production project in the Kyzylai Field in Kazakhstan. On July 25, 2011, the Company completed a listing on the main market of the LSE and its entire issued Ordinary Share capital was admitted to the standard category of the Official List with trading commencing on the LSE under the symbol "TPL".

The address of the registered office of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9007, Cayman Islands. The Company's principal executive office is at P.O. Box 524, St. Peter Port, Guernsey, GY1 6EL, British Isles (telephone number +44 1481 725 922).

Set out below is a description of significant events that occurred in the past three years and to-date in 2014 that have influenced the general development of the business.

#### **2011**

On January 11, 2011, the Company received Kazakh State approval for the pilot production project for the Doris oil discovery in the Akkulka Block (the "Pilot Production Project"). This approval gave the Company the right to produce oil from the Doris accumulation during the exploration period and allowed for the installation and operation of production facilities for the planned 4,000 bopd (Phase 1) production target.

On February 17, 2011, the Company signed a Joint Venture agreement with Eurasia Gas LLP to build a joint venture oil terminal (named the "Aral Oil Terminal" or "AOT") so that oil production from Akkulka Block could be delivered and sold to market more effectively.

On May 31, 2011, the Company announced that the AKD03 ("Dione") exploration well in Kazakhstan tested oil from the Cretaceous interval, the uppermost pay zone of the well. The well, which reached a total depth of 3,975 m (13,401 ft) in the Triassic, tested oil at a rate of some 400 bopd from Jurassic sands and also tested oil from a Cretaceous sandstone.

On July 26, 2011, the Company announced that, following acidisation, its AKD05 Doris appraisal well in Kazakhstan flowed some 2,088 bpd from the Jurassic carbonate interval, of which 1,568 bpd was good quality (45° API) oil.

On August 8, 2011, the Company announced the opening of its Doris oil production facilities in Kazakhstan after receiving final Kazakh governmental approvals.

On September 7, 2011, the Company announced that its KBD01 (Kalypso) exploration well on the Kul-Bas Block reached total depth at approximately 4,300 m in what was interpreted to be the

rocks of Permo-Carboniferous age. Initial logging results indicated more than 100 m of gross potential hydrocarbon bearing zones.

On September 12, 2011, the Company announced that its East Olimtoi EOL09 exploration well reached a total depth of 3,765 m in the Akdzhar formation and was flowing a mixture of completion brine and oil from the Upper Alai sandstone interval.

On November 15, 2011, the Company announced that the AKD06 Doris appraisal well tested oil at a rate of over 4,300 bopd from the Cretaceous sand interval. The flow was restricted but data indicated that open flow potential was in excess of 6,000 bopd.

On December 9, 2011, the Company announced the completion of the private placement of 26,062,975 Ordinary Shares for gross proceeds of USD13,001,981 at a rate of CAD0.52 and GBP0.32. The net proceeds of the Offering were for Tethys to contribute towards the purchase of an additional 34% of shares in SSEC and to carry out additional work in Tajikistan.

On December 13, 2011, the Company announced that it had completed the purchase of 34% of the shares in SSEC from its Tajik joint venture partner, Sangam Limited, and increased its shareholding to 85% (from 51%). SSEC is the owner of the rights to the Bokhtar PSC in Tajikistan and became a controlled subsidiary of the Company. The release and discharge of Sangam from their share of a shareholder loan entered into on December 30, 2009 of USD49,920,000, and the payment of USD7 million was the consideration for the purchase from Sangam of a 34% interest in SSEC and the purchase was completed on December 13, 2011.

On December 19, 2011, the Company announced the initial results of its Persea 1 exploration well in Tajikistan. The well reached a total depth of 2,655 m and wireline logs showed a 50 m gross zone of possible hydrocarbons.

## **2012**

Phase 2 of the AOT construction, which allows an increase in throughput capacity from 4,200 barrels of oil per day up to 6,300 bopd, was completed in November 2012 (subject to final state approval) with the installation of two 1,000 cubic metre tanks (approximately 12,500 barrels), associated dehydration and pumping equipment.

On April 13, 2012, the Company announced it had completed the first shipment of commercial oil production through AOT. The AOT is dedicated solely to Tethys oil sales.

On April 18, 2012, the Company announced it had received permission from MOG to extend the Akkulka Exploration Contract for a further two years from March 10, 2013 to March 10, 2015. This would allow more comprehensive appraisal of the commercial discovery of oil at AKD01 and exploration of further identified prospects in the contract area.

On June 29, 2012, the Company, through its wholly owned Kazakh subsidiary, TAG, reached an agreement on an approximately USD16.5 million (KZT2,460 million) loan facility provided by a Kazakh bank. The facility is provided to fund capital expenditures in Kazakhstan with a term of up to four years depending on the Company's requirements and bears an interest rate of 14% per annum on sums drawn down.

On July 30, 2012, the Company announced the appointment of Julian Hammond as Chief Executive Officer.

On September 10, 2012, the Company announced that Dr. David Robson had been appointed as Executive Chairman and President.

On October 18, 2012, the Company announced that it had reached total depth of 2,750 meters on the AKD07 exploration well in Kazakhstan and had run a production liner in order to test the Jurassic carbonate zone which appeared to be oil bearing from the drilling and wireline results. To date no commercial flow has been achieved from the well but further testing is planned.

On December 21, 2012, the Company announced that it signed the Tajikistan Farm-Out Agreement for the Bokhtar PSC with subsidiaries of Total S.A. ("Total") and the China National Oil and Gas Exploration and Development Corporation ("CNODC"), a 100%-owned subsidiary of China National Petroleum Company. The Tajikistan Farm-Out related for two thirds of KPL's interest in the Bokhtar PSC for repayment of a portion of past costs and a forward carry in an agreed work programme. Completion of the transaction contemplated by the Tajikistan Farm-Out Agreement was subject to the agreement of the Tajik government and certain other completion conditions.

## **2013**

On January 31, 2013, the Company announced that it had effectively doubled the net price of the gas that it is selling in Kazakhstan. Two gas supply contracts were signed by TAG with Intergas Central Asia JSC, a wholly owned subsidiary of the Kazakh State company KazTransGas JSC, for the Kyzylloi and Akkulka natural gas fields. The contracts are for annual volumes up to 150 million cubic meters at an increased net price of USD65 per 1,000 cubic metres (or USD1.84 per 1,000 cubic feet) of gas (USD72.8 per 1,000 cubic metres or USD2.06 per 1,000 cubic feet including VAT) net of marketing and distribution costs, and run through to December 31, 2013.

On February 27, 2013, the Company announced it had extended the exploration period for the Kul-Bas Exploration and Production Contract by a further two years until November 11, 2015. The Kul-Bas contract area surrounds the Akkulka contract area which contains the Company's producing oil and gas fields. This extension gives further time to explore this attractive area, which has several prospects and leads and is subject to the usual contract amendments being finalised.

On April 16, 2013, the Company announced the appointment of Denise Lay as Deputy Chief Financial Officer (Deputy CFO).

On May 16, 2013, the Company announced it had signed a Protocol of Intent ("POI") with UNG for exploration work on the Bayterek block in the North Ustyurt Basin of Northern Uzbekistan.

On June 18, 2013, the Company announced the completion of the Tajik Farm-Out Agreement announced in December 2012 with subsidiaries of Total and CNPC. The three partners hold the Bokhtar PSC equally and a joint operating company, the Bokhtar Operating Company, was established. As part of the acquisition, the Tajik Government added a further 1,186.37 km<sup>2</sup> of highly prospective acreage which was not previously included in the Bokhtar PSC, and also extended the first relinquishment period under the PSC by five years until 2020.

On July 8, 2013, the Company announced that it had entered into an agreement to acquire a 56% interest in Production Sharing Contracts covering three blocks in eastern Georgia (the "Iberia" blocks). On January 2, 2014, the Company announced that it had received Georgian governmental consents for the acquisition. The Company also announced on January 2, 2014 that it would not pursue the acquisition of an interest in two additional blocks in eastern Georgia (the "Tamar" blocks).

On August 12, 2013, the Company announced the appointment of Clive Oliver as Vice President, Finance.

On September 10, 2013, the Company announced that it had received final presidential approvals for the Production Enhancement Contract ("PEC") for the Chegara Group of Oilfields in southern Uzbekistan.

On September 11, 2013, the Company announced the appointment of Stephen Elliott to the position of Vice President, Project Development and the appointment of Mark Sarssam to the new position of Senior Vice President.

On September 12 and October 31, 2013, the Company announced the commencement of drilling on the AKD08 (Doto) and AKD09 (Dexa) in Kazakhstan exploration wells, respectively.

On November 1, 2013, the Company announced that it had entered into a definitive agreement (the "Kazakhstan Farm-Out Agreement") for the sale of 50% of its Kazakh oil and gas assets to SinoHan Oil and Gas Investment B.V., part of HanHong, a Beijing PRC based private equity fund. If the Kazakhstan Farm-Out Agreement completes, the Company's attributable reserves in Kazakhstan will reduce by 50%.

On November 14, 2013, the Company disclosed that recent problems relating to the Fergana refinery and crude allocation had caused issues with processing and delivery of the Company's subsidiary BHCL's oil product entitlement from the North Urtabulak field production and that the Company may choose to reduce or suspend production from the North Urtabulak field until these issues are resolved and may delay the commencement of activities on the Chegara field. The Board formally decided in December 2013 to exit from Uzbekistan, due to changes in the business and political environment and announced on January 2, 2014, being the next working day, that it would do so effective immediately.

On November 21, 2013, the Company won the prestigious World Finance Oil & Gas Award for the Best Exploration and Production Company, Asia 2013.

On December 4, 2013, the Company announced the commencement of a testing programme for exploration well KBD01 (Kalypso) in Kazakhstan. The first phase of the stimulation on the KBD01 has been successfully completed in March 2014 with the reservoir being successfully hydraulically fractured. From the analysis of the results, the Company believed that further work was required to complete the stimulation of the well, including acidisation, and the necessary equipment and chemicals were to be sourced.

On December 4, 2013, the Company also announced the preparation of exploration well AKD08 (Doto) in Kazakhstan for a testing programme, and plans for exploration well AKD09 (Dexa) to be used as a semi-horizontal Doris development well in the Jurassic Carbonate sequence close to the Doris field discovery AKD01 well.

## **2014**

On January 2, 2014, the Company announced receipt of the final Georgian government consent for the acquisition of a 56% interest in Blocks XIA, XIM and XIN in eastern Georgia.

On January 17, 2014, the Company announced receipt of an updated Oil Resource Report from an independent auditor for a new prospect in Kazakhstan. This prospect will be tested with a new exploration well to be spudded in the second half of 2014.

On January 31, 2014, Bernard Murphy, the Company's former Chief Financial Officer and Finance Director, retired.

On February 1, 2014, Denise Lay, the Company's former Deputy Chief Financial Officer, was appointed as Chief Financial Officer and Finance Director.

On March 7, 2014, the Company announced that AKK17, the first shallow gas exploration well of its 2014 programme, was successful. The current shallow gas programme includes the drilling of up to 10 new exploration wells.

On March 20, 2014, the Company announced that AKK18, the second shallow gas exploration well of its 2014 programme, was successful.

On April 24, 2014, the Company announced that AKK19, the third shallow gas well of its 2014 programme was successful.

On May 14, 2014, the Company announced that it had conditionally raised USD 15 million through the issue of the New Ordinary Shares.

On May 21, 2014, the Company announced that the Kazakh State Reserves Committee had approved the Company's gas reserve evaluation for the Kyzylai Field Licence and Production Contract area. This approval is a precursor to a further extension of 15 years of the Kyzylai Field Licence and Production Contract, subject to confirmation and registration of this extension with the relevant bodies.

This document is being published in connection with the issue of 19,789,159 New Ordinary Shares. Under LR 14.3.4, the Company must apply for admission of the New Ordinary Shares to the Official List as soon as possible following their allotment and in any event within one year. The First Tranche of New Ordinary Shares were admitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities on 20 May 2014. This document has been prepared in connection with the application for Admission of 19,789,159 of the New Ordinary Shares.

## 2. SIGNIFICANT SUBSIDIARIES

The following table illustrates the intercorporate relationships between the Company and its material and certain other subsidiaries and sets out the respective jurisdictions of incorporation of such subsidiaries and the percentage of their voting securities owned, controlled or directed, directly or indirectly, by the Company.

<b>As at 13 June 2014</b>			
<b>Name of Subsidiary</b>	<b>Percentage of Voting Securities Beneficially Owned, Controlled or Directed by the Company</b>	<b>Country of registration</b>	<b>Country of operation</b>
Tethys Services Limited	100%	United Kingdom	United Kingdom
Tethys Services Guernsey Limited	100%	Guernsey	Guernsey
Tethys Petroleum Incorporated	100%	USA	USA
Tethys Tajikistan Limited	100%	Cayman Islands	Tajikistan
Seven Stars Energy Corporation	85%	BVI	BVI
Tethys Services Tajikistan Limited	85%	Tajikistan	Tajikistan
Kulob Petroleum Limited	85%	Cayman Islands	Tajikistan
Imperial Oilfield Services Limited	100%	Cayman Islands	Cayman Islands
Tethyda Limited	100%	Cyprus	Cyprus

Asia Oilfield Equipment BV	100%	Netherlands	Netherlands
South Caucasus Petroleum Corporation	100%	Cayman Islands	Cayman Islands
Tethys Services Georgia limited	100%	Georgia	Georgia
Trialeti Petroleum limited	100%	Cayman Islands	Georgia
Lisi Petroleum Limited	100%	Cayman Islands	Georgia
Saguramo Petroleum Limited	100%	Cayman Islands	Georgia
Tethys Kazakhstan SA	100%	Belgium	Kazakhstan
Tethys Services Kazakhstan LLP	100%	Kazakhstan	Kazakhstan
TethysAralGaz LLP	100%	Kazakhstan	Kazakhstan
Kul-Bas LLP	100%	Kazakhstan	Kazakhstan
Transcontinental Oil Transportation SPRL	100%	Belgium	Kazakhstan
<b>Jointly controlled entities</b>			
Aral Oil Terminal LLP	50%	Kazakhstan	Kazakhstan
Bokhtar Operating Company BV	33.33%	Netherlands	Tajikistan

### 3. EMPLOYEES

The approximate number of full-time employees employed by the Group as at 31 December 2011, 31 December 2012 and 31 December 2013 are set out below:

	<b>As at 31 December 2011</b>	<b>As at 31 December 2012</b>	<b>As at 31 December 2013</b>
<b>No. of Employees</b>	531	560	502

4. **RESERVES AND RESOURCES**

The Tethys Petroleum 2013 AIF (incorporated by reference in Schedule 1 of this prospectus) contains up to date information on the reserves and resources of the Group (there have been no material changes to the reserves and resources of the Group since the publication of the Tethys Petroleum 2013 AIF).



## **PART II**

### **UNAUDITED PRO FORMA FINANCIAL INFORMATION**

#### **Section A – Accountants report on unaudited pro forma financial information**

The Directors  
Tethys Petroleum Limited  
89 Nexus Way  
Camana Bay  
Grand Cayman KY1-9007  
Cayman Islands

16 June 2014

Dear Sirs

We report on the pro forma financial information (the “Pro Forma Financial Information”) set out in this Part II, which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Group’s disposal of a 50 percent (plus one share) interest in Tethys Kazakhstan SA might have affected the financial information presented on the basis of the accounting policies adopted by Tethys Petroleum Limited in preparing the financial information for the year ended 31 December 2013.

This report is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that item and for no other purpose.

#### **Responsibilities**

It is the responsibility of the directors of Tethys Petroleum Limited to prepare the Pro Forma Financial Information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent

examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of Tethys Petroleum Limited.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Tethys Petroleum Limited.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Tethys Petroleum Limited.

### **Declaration**

For the purposes of the Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

## Section B – Unaudited pro forma financial information

The unaudited consolidated pro forma net asset statement set out below has been prepared to illustrate the effect of the disposal of 50 percent (plus one share) in Tethys Kazakhstan SA as if it had occurred on 31 December 2013.

The unaudited information, which has been prepared for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited consolidated pro forma net asset statement has been prepared in accordance with the Group's accounting policies, and other adjustments as described in the notes below, and in accordance with the requirements of paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

	Adjustments			Unaudited Pro Forma Total <sup>(4)</sup>
	As at December 31 2013 <sup>(1)</sup>	Share sale and loss of control of Kazakh assets <sup>(2)</sup>	Equity interest in Kazakh assets <sup>(3)</sup>	
<b>US\$ 000's</b>				
<b>Non-current assets</b>				
Deferred tax	322	-	-	322
Intangible assets	31,074	-	-	31,074
Property, plant and equipment	15,291	-	-	15,291
Restricted cash	660	-	-	660
Investment in joint arrangements	4	-	75,572	75,576
	<b>47,351</b>	<b>-</b>	<b>75,572</b>	<b>122,923</b>
<b>Current assets</b>				
Trade and other receivables	1,358	-	-	1,358
Advances	4,000	-	-	4,000
Cash and cash equivalents	25,109	75,573	-	100,682
Restricted cash	475	-	-	475
Assets of a disposal group classified as held for sale	156,325	(156,325)	-	-
	<b>187,267</b>	<b>(80,752)</b>	<b>-</b>	<b>106,515</b>
<b>Total assets</b>	<b>234,618</b>	<b>(80,752)</b>	<b>75,572</b>	<b>229,438</b>
<b>Current liabilities</b>				
Financial liabilities - borrowings	4,965	-	-	4,965
Derivative financial instruments – warrants	17	-	-	17
Current taxation	144	-	-	144
Trade and other payables	4,946	-	-	4,946
Provisions	520	-	-	520
Liabilities of a disposal group classified as held for sale	21,433	(21,433)	-	-
	<b>32,025</b>	<b>(21,433)</b>	<b>-</b>	<b>10,592</b>
<b>Total liabilities</b>	<b>32,025</b>	<b>(21,433)</b>	<b>-</b>	<b>10,592</b>
<b>Net assets</b>	<b>202,593</b>	<b>(59,319)</b>	<b>75,572</b>	<b>218,846</b>

- (1) The consolidated net asset statement as at 31 December 2013 has been extracted without material adjustment from the Tethys 2013 Financial Statements.
- (2) On November 2, 2013, the Company agreed the sale of a 50% (plus one share) interest in its Kazakhstan business to SinoHan Oil and Gas Investment Number 6 B.V. ("Sinohan"), part of the Han Hong Private Equity Management Company Limited, a Beijing, PRC based private equity fund. The sale is subject to Kazakh State approvals, including the waiver on pre-emption (Article 36). Closing will take place once these approvals are received. Timing of these approvals cannot be assured.

Under the terms of the Sale and Purchase Agreement ("SPA") entered into by the Company and Sinohan the Company will receive Base Consideration of USD75 million in cash.

Two further payments (the First and Second Bonus Payouts) of up to USD30 million will be made to the Company for any increase in 2P (proven and probable) oil and gas reserves in calendar years 2013 and 2014 (adjusted for any production in 2013 and 2014).

In addition to the Base Consideration and the First and Second Bonus Payments, Tethys will be eligible to profit sharing of excess profit on any exit by Sinohan from the project.

Based on the increase in 2P reserves in calendar year 2013 as set out in the Gustavson Reserves Report the Company estimates it is entitled to a First Bonus Payment of USD0.573 million.

The fair value of the remaining contingent consideration is assessed by the Directors as USDnil as at 31 December 2013 due to the significant uncertainty of any amount becoming payable.

The assets and liabilities within the Kazakh business have been grouped together in the consolidated net asset statement as at 31 December 2013 under the categories "Assets of a disposal group classified as held for sale" and "Liabilities of a disposal group classified as held for sale". These amounts of USD156.325 million and USD21.433 million respectively are taken directly from the Tethys 2013 Financial Statements. Upon completion of the sale the Company will lose control of the Kazakh business and the assets and liabilities classified as held for sale will cease to be shown in the Company's consolidated net asset statement. Except where described otherwise, these adjustments were extracted without material adjustment from the Tethys 2013 Financial Statements.

Further detail on the assets and liabilities of a disposal group classified as held for sale was given in the Tethys 2013 Financial Statements and this has been reproduced without amendment in the table below.

<b>US\$ 000's</b>	<b>December 31, 2013</b>
<b>Non-current assets</b>	
Intangible assets	26,467
Property, plant and equipment	107,710
Restricted cash	1,664
Prepayments and other receivables	10,639
Investment in jointly controlled entities	1,116
	<b>147,596</b>
<b>Current assets</b>	
Inventories	1,446
Trade and other receivables	3,985
Loan receivable from jointly controlled entity	2,676
Cash and cash equivalents	622

<b>Total assets</b>	<b>8,729</b> <b>156,325</b>
<b>Non-current liabilities</b>	
Financial liabilities - borrowings	5,171
Deferred taxation	4,684
Trade and other payables	263
Asset retirement obligations	795
	<b>10,913</b>
<b>Current liabilities</b>	
Financial liabilities - borrowings	3,776
Trade and other payables	6,744
	<b>10,520</b>
<b>Total liabilities</b>	<b>21,433</b>
<b>Net assets</b>	<b>134,892</b>

(3) Following completion of the sale described in (2) above the Company will exercise joint control over the Kazakh business with Sinohan and will equity account for its remaining 50% (minus one share) interest in the Kazakh business. The interest will be shown in the Company's consolidated net asset statement at fair value which has been estimated at USD75.572 million based on the consideration to be received by the company from Sinohan for a 50% (plus one share) interest in the Kazakh business (see note (2) above for details) and the Company's remaining 50% (minus one share) interest.

(4) No account has been taken of any trading or other transactions since 31 December 2013.

### **Impact on Earnings**

The unaudited consolidated pro forma profit statement set out below has been prepared to illustrate the effect of the disposal of 50 percent (plus one share) in Tethys Kazakhstan SA on the earnings of the Group for the year ended 31 December 2013 and accordingly the disposal has been treated as if it had occurred on 1 January 2013.

The unaudited information, which has been prepared for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited consolidated pro forma profit statement has been prepared in accordance with the Group's accounting policies, and other adjustments as described in the notes below and in accordance with the requirements of paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

	Adjustments				Unaudited Pro Forma Total <sup>(5)</sup>
	Year ended December 31, 2013 <sup>(1)</sup>	Loss of control of Kazakh assets <sup>(2)</sup>	Gain on sale of Kazakh assets <sup>(3)</sup>	Equity interest in Kazakh assets <sup>(4)</sup>	
<b>US\$ 000's</b>					
Sales and other revenues	36,945	(36,118)	-	583	1,410
Sales expenses	(3,036)	3,036	-	-	-
Production expenses	(13,640)	12,366	-	-	(1,274)
Depreciation, depletion and amortization	(12,619)	10,878	-	-	(1,741)
Business development expenses	(2,695)	-	-	-	(2,695)
Administrative expenses	(18,703)	3,897	-	-	(14,806)
Transaction costs of assets held for sale	(611)	22	-	-	(589)
Share based payments	(862)	-	-	-	(862)
Gain on sale of assets	8,214	-	16,253	-	24,467
Foreign exchange loss - net	(113)	95	-	-	(18)
Fair value gain on derivative financial instrument - net	830	-	-	-	830
Profit from jointly controlled entity	298	(298)	-	(180)	(180)
Finance costs - net	(1,460)	1,483	-	-	23
<b>(Loss) / profit before taxation from continuing operations</b>	<b>(7,452)</b>	<b>(4,639)</b>	<b>16,253</b>	<b>403</b>	<b>4,565</b>
Taxation	(3,083)	2,471	-	-	(612)
<b>(Loss) / profit for the year from continuing operations</b>	<b>(10,535)</b>	<b>(2,168)</b>	<b>16,253</b>	<b>403</b>	<b>3,953</b>
<b>Loss for the year from discontinued operations net of tax</b>	<b>(7,096)</b>	-	-	-	<b>(7,096)</b>
<b>Loss and total comprehensive income for the year</b>	<b>(17,631)</b>	<b>(2,168)</b>	<b>16,253</b>	<b>403</b>	<b>(3,143)</b>
<b>Loss and total comprehensive income attributable to:</b>					
Shareholders					
Non-controlling interest	(483)	-	-	-	(483)
<b>Loss and total comprehensive income for the year</b>	<b>(17,631)</b>	<b>(2,168)</b>	<b>16,253</b>	<b>403</b>	<b>(3,143)</b>

- (1) The consolidated net profit statement of the Group for the year ended 31 December 2013 has been extracted without material adjustment from the Tethys 2013 Financial Statements.
- (2) On November 2, 2013, the Company agreed the sale of a 50% (plus one share) interest in its Kazakhstan business to SinoHan Oil and Gas Investment Number 6 B.V. ("Sinohan"), part of the Han Hong Private Equity Management Company Limited, a Beijing, PRC based private equity fund. The sale is subject to Kazakh State approvals, including the waiver on pre-emption (Article 36). Closing will take place once these approvals are received. Timing of these approvals cannot be assured. Upon completion of the sale the Company will lose control of the Kazakh business and will cease to fully consolidate the results of the Kazakh business. The amounts shown in column 2 have been taken from the Tethys 2013 Financial Statements (in the case of "Sales and other revenues", "profit before taxation", "taxation" and "profit after taxation") and from management information used to support the Tethys 2013 Financial Statements (in the case of the other amounts shown).
- (3) The company will recognise a gain on disposal of USD16.253 million calculated as follows:

	<b>US\$ 000's</b>
Sale proceeds received	75,573
Fair value of remaining investment in joint arrangement	75,572
Assets of disposal group disposed	(156,325)
Liabilities of disposal group disposed	21,433
<b>Gain on sale of assets</b>	<b>16,253</b>

The amounts in the table above are taken from the consolidated net asset statement above.

- (4) Following completion of the sale described in (2) above the Company will exercise joint control over the Kazakh business with Sinohan and will equity account for its remaining 50% (minus one share) interest in the Kazakh business. The Company's interest will be adjusted upwards or downwards for the Company's 50% (minus one share) interest in the post-tax result of the Kazakh business.

In addition, equipment rental charges from the Company's Corporate segment to the Kazakh business, which previously eliminated on consolidation, will be shown as sales and other revenue of the Company. For the year ended 31 December 2013 these charges amounted to USD0.583 million based on management information used to support the Tethys 2013 Financial Statements.

The Company's share of profit from the Kazakh business for the period 1 January 2013 to 31 December 2013 would have been a loss of USD0.18 million based on management information used to support the Tethys 2013 Financial Statements and is calculated as follows:

	<b>US\$ 000's</b>
Net profit after tax from the Kazakh business as shown in the Tethys 2013 Financial statements	2,168
Additional depreciation, depletion and amortisation <sup>1</sup>	(2,255)
Other adjustments <sup>2</sup>	(273)
<b>Loss from the Kazakh business assuming a disposal date of 1 January 2013</b>	<b>(360)</b>
<b>Company's 50% (minus one share) interest in loss</b>	<b>(180)</b>

**Note 1** In accordance with IFRS accounting requirements assets of "a disposal group held for sale" are not depreciated. The disposal of the Kazakh business was announced on 2 November 2013 and accordingly the Company ceased depreciating its Kazakh assets from that date. The Company's depreciation, depletion and amortisation charge in relation to its Kazakh assets was

USD10.878 million in the year to 31 December 2013 (see column 2 of the pro forma profit statement) being the charge for the 10 month period from 1 January 2013 to 2 November 2013. The charge that would have been made for the remaining two months of the year had the assets not been classified as held for sale is USD2.255 million based on management information used to support the Tethys 2013 Financial Statements.

**Note 2** Comprises certain other intra-group equipment rental charges, depreciation on equipment and associated deferred tax amounts which are fully eliminated on consolidation in the Tethys 2013 Financial Statements but which do not fully eliminate under equity accounting principles following disposal of the Kazakh business. This amount has been sourced from management information used to support the Tethys 2013 Financial Statements.

(5) No account has been taken of any trading or other transactions since 31 December 2013.



## PART III

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Company and the Directors, whose names and functions appear on pages 70 - 72 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. WORKING CAPITAL

The Company is of the opinion that the working capital is sufficient for the Group's present requirements, that is, for at least 12 months following the date of this document.

#### 3. SHARE CAPITAL

- (a) The Ordinary Shares are fully paid up. The authorised capital of the Company is 700,000,000 Ordinary Shares of USD0.10 par value and 50,000,000 preference shares of USD0.10 par value (the "**Preference Shares**"). As at 31 December 2013 there were 299,557,744 Ordinary Shares issued and outstanding. This includes 12,000,000 shares issued on July 9, 2013 in connection with the proposed acquisition of certain Georgian assets (see note 24 of the 2013 audited consolidated financial statements). These shares were held in escrow pending Georgian governmental consent for the acquisition, which was received on January 2, 2014. Whilst the shares were issued as at December 31, 2013 they did not qualify for recognition as equity in the Company at that date under the Company's accounting policies. As at December 31, 2013 no Preference Shares were issued or outstanding.
- (b) As at 31 December 2013, the Company did not hold any Ordinary Shares as treasury stock and no member of the Group holds any Ordinary Shares on behalf of the Company.
- (c) Details of warrants and convertibles in issue are incorporated by reference into Schedule 1.
- (d) Save for stock options granted to employees, directors or consultants of the Company, or any subsidiary or Vazon Energy Limited, periodically, no share capital of the Company or any other member of the Group is under option or is, or will, immediately following Admission, be agreed, conditionally or unconditionally, to be put under option. Information on grants of stock options as at 31 December 2013 are incorporated by reference into Schedule 1.
- (e) Since 1 January 2011 there have been the following changes in the issued and fully paid share capital of the Company (Ordinary Shares in thousands):

Ordinary Shares in issue at 31 December 2010	<u>260,629,769</u>
Ordinary Shares issued on 9 December 2011	<u>26,062,975</u>
Ordinary Shares in issue at 31 December 2011	<u>286,692,744</u>

Ordinary Shares issued on 1 March 2012	15,000
Ordinary Shares in issue at 31 December 2012	286,707,744
Ordinary Shares issued on 11 February 2013 <sup>(1)</sup>	75,000
Ordinary Shares issued on 29 April 2013 <sup>(2)</sup>	75,000
Ordinary Shares issued on 9 May 2013 <sup>(3)</sup>	250,000
Ordinary Shares issued on 29 May 2013 <sup>(4)</sup>	200,000
Ordinary Shares issued on 30 May 2013 <sup>(5)</sup>	250,000
Ordinary Shares issued on 9 July 2013 <sup>(6)</sup>	12,000,000
Ordinary Shares issued on 15 July 2013 <sup>(7)(9)</sup>	8,000,000
Ordinary Shares issued on 15 July 2013 <sup>(8)(10)</sup>	320,000
Ordinary Shares in issue at 31 December 2013 <sup>(11)</sup>	299,557,744
Ordinary Shares issued pursuant to allotments on 20 May 2014 and 5 June 2014 <sup>(12)</sup>	17,105,764
Ordinary Shares in issue at 13 June 2014 (being the latest practicable date prior to the date of this document)	316,663,508

Notes:

(1) On February 11, 2013, the Company issued 75,000 shares in connection with the exercise of warrants relating to the rig loan.

(2) On April 29, 2013, the Company issued 75,000 shares in connection with the exercise of warrants relating to the rig loan.

(3) On May 9, 2013, the Company issued 250,000 shares in connection with the exercise of warrants relating to the rig loan.

(4) On May 29, 2013, the Company issued 200,000 shares in connection with the exercise of warrants relating to the rig loan.

(5) On May 30, 2013, the Company issued 250,000 shares in connection with the exercise of warrants relating to the rig loan.

(6) On July 9, 2013, the Company issued 12,000,000 shares for the acquisition of a 56% interest in Blocks XIA, XIM and XIN in the Republic of Georgia.

(7) On July 15, 2013, the Company issued 8,000,000 shares for the acquisition of Blocks VIII and XIG in the Republic of Georgia.

(8) On July 15, 2013, the Company issued 320,000 shares in relation to the commission payable on the deal for arranging the acquisition of Blocks VIII and XIG in the Republic of Georgia.

(9) On December 31, 2013, the Company cancelled the 8,000,000 shares issued on July 15, 2013 as the deal relating to the acquisition of Blocks VIII and XI<sup>G</sup> in the Republic of Georgia did not complete.

(10) On December 31, 2013, the Company cancelled the 320,000 commission shares issued on July 15, 2013 as the deal relating to the acquisition of Blocks VIII and XI<sup>6</sup> in the Republic of Georgia did not complete.

(11) Includes 12,000,000 shares issued July 9, 2013 in connection with the proposed acquisition of Georgian assets. These shares were held in escrow pending Georgian governmental consent for the acquisition which was received January 2, 2014.

(12) Pursuant to allotments on May 20, 2014 and June 5, 2014, the Company issued 17,105,764 of the New Ordinary Shares, the First Tranche, pursuant to the Offer.

#### 4. **ARTICLES OF CONTINUANCE OF THE COMPANY**

The Articles contain provisions, inter alia, to the following effect:

The Company was incorporated in Guernsey on 12 August 2003 and redomiciled to the Cayman Islands on 17 July 2008 as an exempted company with limited liability under the Cayman Islands Companies Law. The Memorandum and the original articles, which are the constitution of the Company, were approved by the shareholders of the Company at the Company's 24 April 2008 Annual General Meeting. The articles of association approved at that meeting were amended at an extraordinary meeting of the Company held on 10 February 2011. The following is the summary of some key provisions of the Memorandum and Articles.

##### ***The Memorandum***

(a) The Memorandum provides that:

- (i) the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them;
- (ii) the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by law as provided by Section 7(4) of the Companies Law (Revised);
- (iii) the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law. However, nothing in the preceding sentence permits the Company to carry on the business of a bank or trust company without being licensed in that behalf under the Banks and Trust Companies Law (Revised) of the Cayman Islands or to carry on insurance business from within the Cayman Islands or the business of an insurance manager, agent, sub-agent or broker without being licensed in that behalf under the Insurance Law (Revised) of the Cayman Islands or to carry on the business of company management without being licensed in that behalf under the Companies Management Law (Revised) of the Cayman Islands; and

as the Company is an exempted company under the Companies Law, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) As provided for in the Companies Law, the Company may by special resolution alter the Memorandum with respect to any objects, powers or other matters specified therein.

## **The Articles**

### (a) Directors

#### (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum, the Articles and any direction that may be given to the Company in a general meeting, all unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

The Directors may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Neither the Company nor the Directors shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to existing members or others with registered addresses in any particular territory or territories.

#### (ii) *Power to dispose of the assets of the Company or any subsidiary*

Except with respect to a sale, lease or exchange of all or substantially all of the assets of the Company other than in the ordinary course of business, which must be approved by a special resolution, there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors have the general authority to deal with the Company's assets pursuant to their general authority to manage the affairs of the Company.

#### (iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in a general meeting.

#### (iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles that prohibit the Company from making loans to Directors if such loans are prohibited by the rules of a stock exchange on which the Shares are listed.

#### (v) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

Provided that a Director has disclosed to the other Directors the nature and extent of any material interest, a Director, notwithstanding holding such office: may be a party to or otherwise interested in, any transaction with the Company or in which the Company is otherwise interested; may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the

Company may be interested, and shall not, by reason of his office, be accountable to the for any benefit which he derives from any such office or employment or from such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters:

- (A) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (B) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (C) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (D) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (E) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (F) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Directors, such sum to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally. The Directors shall also be entitled to be repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company, makes a special journey or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

(vii) *Retirement, appointment and removal*

At each annual general meeting, all of the Directors for the time being will retire from office. Any retiring director shall be eligible for re-election if qualified. Prior to each general meeting where directors are being elected, the Directors shall determine the number of vacancies for director to be filled at the meeting which, unless the Directors otherwise determine, shall be equal to the number of Directors then in office.

Where permitted by applicable law, at a general meeting where directors are being elected the ordinary resolution for the election of each nominee as director must only provide the option for Members to vote in favour of the resolution or to withhold their votes with respect to the resolution. After all resolutions for election of directors have been voted on, the nominees receiving the highest number of votes in favour of their election shall be elected to fill the number of vacancies for director to be filled at such meeting.

The Directors have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to

any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors. At no time shall a majority of the Directors be resident in the United Kingdom.

The office or director shall be vacated:

- (A) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (B) where he has been appointed for a fixed term, the term expires;
- (C) if he ceases to be or is prohibited from being a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (D) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (E) he is or has been suffering from mental ill health or becomes a patient for the purpose of any statute relating to mental health or any court claiming jurisdiction on the ground of mental disorder (however stated) makes an order for his detention or for the appointment of a guardian, receiver or other person (howsoever designated) to exercise powers with respect to his property or affairs, and in any such case the Board resolves that his office be vacated;
- (F) both he and his alternate director appointed pursuant to the provisions of the Articles (if any) are absent, without the permission of the Board, from Board meetings for six consecutive months and the Board resolves that his office be vacated; or
- (G) if he becomes resident in the United Kingdom and as a result thereof a majority of the Directors are resident in the United Kingdom.

The board may from time to time appoint one or more of its body to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and,

subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall not have an additional or casting vote, and the question shall be considered again at the next meeting of the Board.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(xi) *Indemnification*

Without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was a Director, or secretary of the Company and their respective heirs and executors shall be entitled to be indemnified (to the extent permitted by the Companies Law) out of the assets and profits of the Company from and against all actions, expenses and liabilities which they or their respective heirs or executors may incur by reason of any contract entered into or any act in or about the execution of their respective offices or trusts except such (if any) as they may incur by or through their own wilful act, neglect or default respectively and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipt for the sake of conformity or for any bankers or other person with whom any moneys or assets of the Company may be lodged or deposited for safe custody or for any bankers or other persons into whose hands any money or assets of the Company may come or for any defects of title of the Company to any property purchased or for insufficiency or deficiency of or defect in title of the Company to any security upon which any moneys of the Company shall be placed out or invested or for any loss, misfortune or damage resulting from any such cause as aforesaid or which may happen in or about the execution of their respective offices or trusts except should the same happen by or through their own wilful act, neglect or default.

The Directors may exercise all the powers of the Company to purchase and maintain insurance for the benefit of a person who is or was a Director, secretary or auditor of the Company or of a company which is or was a subsidiary undertaking of the Company or in which the Company has or had an interest (whether direct or indirect), indemnifying him against liability for negligence, default, breach of duty or breach of trust or other liability which may lawfully be insured against by the Company, (including, without prejudice to the generality of the foregoing, insurance against any costs, charges, expenses, losses or liabilities suffered or



incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or the exercise or purported exercise of their powers and discretions and/or otherwise in relation to or in connection with their duties, powers or offices in relation to the Company or any such other body).

(b) ***Alterations to Constitutional Documents***

The Company may by special resolution amend any provision of the Memorandum or Articles.

(c) ***Alteration of capital***

The Company may from time to time by special resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) reduce its authorised share capital as set out in the Articles; or
- (iii) create new classes of shares.

The Company may also, by ordinary resolution:

- (iv) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (vi) convert all or any of its fully paid shares the nominal amount of which is expressed in a particular currency into fully paid shares of a nominal amount of a different currency, the conversion being effected at the rate of exchange (calculated to not less than three significant figures) current on the date of the resolution or on such other date as may be specified therein; or
- (vii) where its share capital is expressed in a particular currency, denominate or redenominate it, whether by expressing its amount in units or subdivisions of that currency, or otherwise.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) ***Variation of rights of existing shares or classes of shares***

All or any of the rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than

three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith or by the purchase or redemption by the Company of its own shares in accordance with the Companies Law and the Articles.

(e) ***Ordinary and special resolutions and notice for general meetings***

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than two-thirds of the votes cast by such members as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or by proxy. Except with respect to the election of Directors and auditors, an ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or by proxy at a general meeting held in accordance with the Articles.

A general meeting shall be called by not less than twenty-one (21) and not more than sixty (60) days' notice, provided that if it is so agreed by all of the members having a right to attend and vote at such meeting, a resolution may be proposed and passed at a meeting of which less than twenty-one (21) clear days' notice has been given.

The notice of meeting shall specify:

- (i) whether the meeting is an annual general meeting or an extraordinary general meeting;
- (ii) the place, the date and the time of the meeting;
- (iii) the particulars with respect to the nature of the business to be conducted and the resolutions to be considered at the meeting;
- (iv) if the meeting is convened to consider a special resolution, the intention to propose the resolution as such; and
- (v) with reasonable prominence, that a member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member.

The notice of meeting shall be given to all the members entered on the Company's Register of Members as of such date prior to the date that the notice of meeting is to be sent to members as determined by the Directors. Notice of the meeting

shall also be sent to the Company's auditor and each Director. The notice of meeting may also specify a time (which shall not be more than 48 hours before the time fixed for the meeting) by which a person must be entered on the Company's Register of Members in order to have the right to attend or vote at the meeting. Changes to entries on the Company's Register of Members after the time so specified in the notice shall be disregarded in determining the rights of any person to so attend or vote.

The accidental omission to send a notice of meeting or any document relating to the meeting or the non-receipt of any such notice or document by a person entitled to receive any such notice or document shall not invalidate the proceedings at that meeting.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

(f) ***Voting rights (generally and on a poll) and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is demanded by:

- (i) the chairman of the meeting;
- (ii) at least five members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting;
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

(g) ***Requirements for annual general meetings***

An annual general meeting of the Company must be held in each year provided that not more than 15 months shall elapse between one annual general meeting

and the next. Annual general meetings shall take place at such time and place as may be determined by the Directors, provided that the annual general meeting shall not be in the United Kingdom.

(h) ***Accounts and audit***

The Directors shall cause proper books of account to be kept with respect to all the transactions, assets and liabilities of the Company in accordance with the Companies Law, which shall be kept at the Company's registered office or at such other place as the Directors shall think fit and shall at all times be open to the inspection of the Directors. The Directors shall determine whether and to what extent and at what times and places and under what conditions the accounts books and documents of the Company shall be open to inspection and no person other than a Director or the Company's auditor or other person whose duty requires and entitles him to do so shall have any right of inspecting any account or book or document except as provided by the Companies Law or authorised by the Directors or by the Company in general meeting.

A balance sheet shall be laid before the Company at its annual general meeting in each year and such balance sheet shall contain a general summary of the assets and liabilities of the Company. The balance sheet shall be accompanied by a report of the Directors as to the state of the Company as to the amount (if any) which they recommend to be paid by way of dividend and the amount (if any) which they have carried or propose to carry to reserve. The auditors' report shall be attached to the balance sheet or there shall be inserted at the foot of the balance sheet a reference to the report.

A copy of every profit and loss account and balance sheet and of all documents annexed thereto including the reports of the Directors and the Company's auditors shall, at the time the notice of meeting for the annual meeting is delivered to Members, be delivered or sent by post to each Member and to the Company's auditors.

Except in limited circumstances, a person other than a retiring auditor shall not be capable of being appointed auditor at an ordinary general meeting unless notice of intention to nominate that person as auditor has been given by a member to the Company not less than thirty days before the meeting and the Directors shall send a copy of any such notice to the retiring auditor and shall give notice to the members not less than seven days before the meeting.

The first auditors shall be appointed by the board before the first general meeting and they shall hold office until the first ordinary general meeting unless previously removed in which case the Members at such meeting may appoint the auditors.

Where permitted by applicable law, at a general meeting where auditors are being elected the ordinary resolution for the election of auditor shall provide the option for Members to vote in favour of the resolution or to withhold their votes with respect to the resolution. After all resolutions for election of auditors have been voted on, the nominee receiving the highest number of votes in favour of their election shall be elected as auditor.

The board may fill any casual vacancy in the office of auditor but while any such vacancy continues the surviving or continuing Auditors (if any) may act.

The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the Company may determine except that the

remuneration of any auditors appointed by the board shall be fixed by the Directors.

Every auditor shall have a right of access at all times to the books accounts and documents of the Company. The auditors shall make a report to the members on the accounts examined by them and the report shall state whether in their opinion the accounts give a true and fair view of the state of the Company's affairs and whether they have been prepared in accordance with the Companies Law.

(i) ***Transfer of shares***

A member may generally transfer all or any of his shares by instrument of transfer in writing in any usual form or in any other form approved by the Board, and the instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee. Every instrument of transfer in respect of a share shall be left at such place as the board may prescribe with the certificate of every share to be transferred and such other evidence as the board may reasonably require to prove the title of the transferor or his right to transfer the shares; and the transfer and certificate (if any) shall remain in the custody of the board but shall be at all reasonable times produced at the request and expense of the transferor or transferee or their respective representatives. A new certificate shall be delivered free of charge to the transferee after the transfer is completed and registered on his application and when necessary a balance certificate shall be delivered if required by him in writing.

Subject to Article 23 of the Company's articles, shares of the Company are free from any restriction on transfer. In exceptional circumstances approved by each Recognised Investment Exchange on which the Company's shares are listed from time to time and, if applicable, the securities regulatory authority having jurisdiction over any such Recognised Investment Exchange(which, for as long as the Ordinary Shares of the Company are admitted to the Official List (the "Official List") of the UK Financial Services Authority (the "FSA"), shall include the FSA), the Directors may refuse to register a transfer of shares provided that such refusal would not disturb the market in those shares (and, for as long as the Ordinary Shares of the Company are admitted to the Official List, the FSA is satisfied that such refusal would not disturb the market in those shares). Subject to the requirements of any such recognised investment exchange and, if applicable, the securities regulatory authority having jurisdiction over any such Recognised Investment Exchange, the Board may, in its absolute discretion and without giving a reason, refuse to register the transfer of a share which is not fully paid or the transfer of a share on which the Company has a lien.

If the board refuses to register any transfer of a share it shall, within two months after the date on which the share transfer form was lodged with the Company, send notice of the refusal to the transferee. An instrument of transfer which the Board refuses to register shall (except in the case of suspected fraud) be returned to the person depositing it. The Company may retain all instruments of transfer which are registered.

If it shall come to the notice of the Directors that any shares are or may be owned or held directly or beneficially by any person in breach of any law or requirement of any country or by virtue of which such person is not qualified to own those shares and, in the sole and conclusive determination of the Directors, such ownership or holding or continued ownership or holding of those shares (whether on its own or in conjunction with any other circumstance

appearing to the Directors to be relevant) would, in the reasonable opinion of the board, cause a pecuniary or tax disadvantage to the Company or any other holder of shares or other securities of the Company which it or they might not otherwise have suffered or incurred the board may require the holder of such shares to transfer (and/or procure the disposal of interests in) such shares to another person.

Subject to compliance with the provisions of the Articles, if, in relation to a takeover offer, a person has acquired or contracted to acquire not less than nine-tenths in value of the Shares of any class to which the takeover offer relates he may give notice to the holder of any Shares of that class which he has not acquired or contracted to acquire that he desires to acquire those shares and shall thereafter be entitled and bound to acquire those Shares on the terms of the takeover offer.

(j) ***Power for the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any recognised investment exchange.

(k) ***Power for any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(l) ***Dividends and other methods of distribution***

Subject to the Cayman Islands Companies Law, the Directors may declare dividends in accordance with the respective rights of the members and authorize the payment of the same out of the funds of the Company lawfully available therefore; and the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Directors.

Except as otherwise provided by the rights attached to, or the terms of issue of, shares a dividend shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid and dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Except as otherwise provided by the rights attached to Shares, dividends may be declared or paid in any currency. The board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for the Company or any other person to bear any costs involved.

The Company may pay any dividend, interest or other amount payable in respect of a share: in cash; by cheque, warrant or money order made payable to or to the order of the person entitled to the payment; by a bank or other funds transfer system to an account designated in writing by the person entitled to the payment; if the board so decides, by means of a relevant system in respect of an

uncertificated share, subject to any procedures established by the board to enable a holder of uncertificated shares to elect not to receive dividends by means of a relevant system and to vary or revoke any such election; or by such other method as the person entitled to the payment may in writing direct and the board may agree.

Where a Share is held jointly or two or more persons are jointly entitled by transmission to a share the Company may pay any dividend, interest or other amount payable in respect of that share to any one joint holder, or any one person entitled by transmission to the share, and in either case that holder or person may give an effective receipt for the payment; and the Company may rely, in relation to a share, on the written direction or designation of any one joint holder of the share, or any one person entitled by transmission to the share.

The Board may withhold payment of a dividend (or part of a dividend) payable to a person entitled by transmission to a share until he has provided any evidence of his right that the Board may reasonably require.

No dividend or other amount payable by the Company on or in respect of a share bears interest as against the Company unless otherwise provided by the rights attached to the share.

The Board may deduct from any dividend or other amounts payable to a person in respect of a share all sums of money (if any) due from him to the Company on account of a call or otherwise in relation to a share.

Any unclaimed dividend, interest or other amount payable by the Company in respect of a share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. A dividend unclaimed for a period of 12 years from the date it was declared or became due for payment is forfeited and ceases to remain owing by the Company.

If, in respect of a dividend or other amount payable in respect of a share, on any two consecutive occasions a cheque, warrant or money order is returned undelivered or left uncashed; or a transfer made by a bank or other funds transfer system is not accepted, and reasonable enquiries have failed to establish another address or account of the person entitled to the payment, the Company is not obliged to send or transfer a dividend or other amount payable in respect of that share to that person until he notifies the Company of an address or account to be used for that purpose. If the cheque, warrant or money order is returned undelivered or left uncashed or transfer not accepted on two consecutive occasions, the Company may exercise this power without making any such enquiries.

Subject to the specific provisions contained in the Articles, the board may, direct that payment of a dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid-up shares or debentures of another company. Subject to the Companies Law, the board may, with the prior authority of an ordinary resolution of the Company, allot to those holders of a particular class of shares who have elected to receive them further shares of that class or ordinary shares in either case credited as fully paid instead of cash in respect of all or part of a dividend or dividends specified by the resolution, subject to any exclusions, restrictions or other arrangements the board may in its absolute discretion deem necessary or expedient to deal with legal or practical problems under the laws of, or the requirements of a recognised regulatory body or a stock exchange in, any territory.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company unless otherwise provided by the rights attached to the Share.

(m) ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(n) ***Lien on shares***

The Company has a first and paramount lien on all partly paid shares for an amount payable in respect of the share, whether the due date for payment has arrived or not. The lien applies to all dividends from time to time declared or other amounts payable in respect of the share. For the purpose of enforcing such lien, the Directors may sell any shares subject to the lien in such manner as it may decide provided that: the due date for payment of the relevant amounts has arrived; and the board has served a written notice on the Member concerned (or on any person who is entitled to the shares by transmission or by operation of law) stating the amounts due, demanding payment thereof and giving notice that if payment has not been made within 14 clear days after the service of the notice that the Company intends to sell the Shares.

The net proceeds of such sale, after payment of the Company's costs of the sale, shall be applied in or towards satisfaction of the amount in respect of which the lien exists. Any residue shall (on surrender to the Company for cancellation of any certificate for the shares sold, or the provision of an indemnity as to any lost or destroyed certificate required by the Board and subject to a like lien for amounts not presently payable as existed on the shares before the sale) be paid to the member (or person entitled to the shares) immediately before the sale.

(o) ***Inspection of register of members***

Pursuant to the Articles, if required by a recognised investment exchange, the register and branch register of members shall be open to inspection upon the terms required by such recognised investment exchange.

(p) ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled



to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

5. **SIGNIFICANT CHANGE**

- (a) Save as set out in paragraph 5(b), there has been no significant change in the financial or trading position of the Group since 31 March 2014, being the end of the last financial period for which financial information of the Company has been published.
- (b) Since 31 March 2014, the following significant post balance sheet event has occurred; on May 14, 2014, the Company announced that it had conditionally raised USD 15 million through the issue of the New Ordinary Shares.

6. **EXECUTIVE OFFICERS AND DIRECTORS**

Set out below are the names, principal occupation and five year business history of the Executive Officers and Directors of the Company.

- (a) Executive Officers of the Company (and, where stated, Directors)

<b>Name Municipality Residence</b>	<b>and of</b>	<b>Position with the Company</b>	<b>Principal Occupation During the Past Five Years</b>
<b>Julian Hammond</b>  London, England	Director, Chief Executive Officer and Chief Commercial Officer  Officer since May 10, 2007; Director since January 17, 2012	Executive Director, Chief Executive Officer and Chief Commercial Officer of Tethys. Mr. Hammond was Deputy CEO from February 2011 until July 2012 when he took over as CEO. Prior to May 2007, Mr. Hammond was Business Development Manager and Vice President, Investor Relations of CanArgo.	
<b>Russ Hammond</b>  Savoie, France	Director since July 26, 2006	Director of Tethys. Mr. Hammond was a non-executive Director of Questerre Energy Corporation from 2000 to 2013, and was Chairman of Terrenex Acquisition Corporation from 1995 to 2008 and a nonexecutive Director of CanArgo from July 1998 to December 2008.	
<b>Piers Johnson</b>  London, England	Director since April 2, 2008	Director of Tethys. Managing Director of Oilfield Production Consultants (OPC) Limited, Oilfield Production Consultants (OPC) Asia LLP	

		and Oilfield Production Consultants (OPC) USA LLC (Consulting firm to the Oil and Gas Industry). Member of the Reserves Committee. Member of the Compensation and Nomination Committee. Member of the Strategic Risk Committee.
<b>Ambassador Zalmay Khalilzad</b>  Washington, D.C., USA	Director since July 6, 2012	Director of Tethys. Ambassador Khalilzad is currently the President of a Washington, D.C. based firm focused on the Middle East and Central Asia. From 2007 to 2009, Ambassador Khalilzad served as the United States Permanent Representative to the United Nations. Prior to that, he served as United States Ambassador to Iraq from 2005 to 2007, and United States Ambassador to Afghanistan from 2003 to 2005. Member of the Strategic Risk Committee.
<b>Liz Landles</b>  Guernsey, British Isles	Executive Director, Chief Administrative Officer and Corporate Secretary since August 12, 2003	Executive Director, Chief Administrative Officer and Corporate Secretary of Tethys. Ms. Landles was Executive Vice President and Corporate Secretary of CanArgo until September 2007.
<b>Denise Lay</b>  Guernsey, British Isles	Finance Director and Chief Financial Officer.  Director and Chief Financial Officer since February 1, 2014	Finance Director and Chief Financial Officer of Tethys. Ms. Lay was Vice President, Finance of Tethys from November 2009 to April 2013 and Deputy Chief Financial Officer of Tethys from April 2013 to January 2014. Prior to November 2009, Ms. Lay worked as Finance Director for NRG International, a subsidiary of Ricoh, from October 2007 to October 2009. Between 2000 and 2006, Ms. Lay was Finance Director of certain subsidiaries within the Gallaher Group.
<b>Rt. Hon Peter Lilley M.P.</b>	Vice Chairman and Director since July 26, 2006	Vice Chairman and Director of Tethys. Member of the United Kingdom Parliament, House of Commons. Mr.

London, England		Lilley has been a non-executive director of IDOX PLC since 2002 and was a non-executive director of Melchior Japan Investment Trust PLC from March 2006 to November 2010. He has been a consultant to Ferro Alloys Corporation Limited since 2011. Member of the Reserves Committee. Member of the Compensation and Nomination Committee. Member of the Audit Committee. Member of the Strategic Risk Committee.
<b>James Rawls</b> Ridgeland, Mississippi, USA	Director since September 1, 2009	Director of Tethys. Mr. Rawls has been the president and owner of Rawls Resources Inc., an oil and gas exploration company, since June 2000. Member of the Reserves Committee. Member of the Audit Committee
<b>Marcus Rhodes</b> Sotogrande, Cadiz, Spain	Director since September 1, 2009	Director of Tethys. Mr. Rhodes was Audit Partner with Ernst & Young LLC from 2002 to 2008. Member of the Audit Committee
<b>Dr. David Robson</b> Guernsey, British Isles	Executive Chairman and President and Director since August 12, 2003	Executive Chairman and President of Tethys. Dr. Robson was CEO of Tethys until July 2012. Prior thereto, Dr. Robson was Chairman and Chief Executive Officer of CanArgo. Member of the Reserves Committee. Member of the Strategic Risk Committee.
<b>Luka Chachibaia</b> Dubai, UAE	Vice President, Operations	Currently Vice President, Operations of Tethys. Prior to July 2008, Mr. Chachibaia was an oil and gas engineer including 11 years working for Schlumberger in various engineering and management positions.
<b>Steve Elliott</b> Dubai, UAE	Vice President, Project Development	Currently Vice President, Project Development of Tethys. Mr. Elliott has overall responsibility for Tethys' activities at the project stage in all countries of operation. He joined in April 2009 and has lived and worked in all of

		the Company's principal areas of operations in key senior management positions. Recently he has also served as General Director in the Kazakh operating companies.
<b>Rosemary Johnson Sabine OBE</b>  London, England	Vice President, Exploration	Currently Vice President, Exploration of Tethys. Prior to September 2007, Ms. Johnson Sabine was Managing Director (London office) and Vice President Exploration and New Business Development of Maersk Oil and Gas, an independent Danish oil and gas company.
<b>George Mirtskhulava</b>  Dubai, UAE	Vice President, Corporate Development & Asset Management	Currently Vice President, Corporate Development & Asset Management. Previously Vice President, Corporate Development & Planning of Tethys and CEO of Tethys Kazakhstan SPRL. Prior thereto, Mr. Mirtskhulava was Vice President Commercial and Head of Kazakhstan Business Unit for Tethys. Prior thereto, Mr. Mirtskhulava held various positions for CanArgo from December 2000 until August 2004.
<b>Mamuka Murjikneli</b>  Washington, D.C, USA	Vice President of External Affairs and Asset Protection, Regional Manager for Tajikistan and Uzbekistan.	Currently Vice President of External Affairs and Asset Protection of Tethys, Regional Manager, South Central Asia, and CEO of Kulob Petroleum Limited. Prior to March 2005, Mr. Murjikneli was the Manager of External Affairs for CanArgo.
<b>Clive Oliver</b>  Guernsey, British Isles	Vice President, Finance	Currently Vice President, Finance of Tethys since August 2013. Mr. Oliver was previously Director of Financial Operations at Essar and before that held Finance Director positions with Charles Taylor plc and senior manager positions with Deloitte & Touche in London and Australia.

<p><b>Ian Philliskirk</b> Istanbul, Turkey</p>	<p>General Counsel and Vice President</p>	<p>Currently General Counsel and Vice President of Tethys. Prior to February 2009, Mr. Philliskirk worked for Pinsent Masons LLP as a Director, as well as Emirates National Oil Company in Dubai where he was the Group Legal Manager and Company Secretary. Mr Philliskirk was placed on garden leave effective April 23, 2014.</p>
<p><b>Sabin Rossi</b> Boston, Massachusetts, USA</p>	<p>Vice President, Investor Relations</p>	<p>Currently Vice President, Investor Relations of Tethys and President of TPI. Prior to 2007, Mr. Rossi was Vice President External Affairs and Investor Relations for CanArgo. Prior thereto, Mr. Rossi was a Business Consultant.</p>
<p><b>Mark Sarssam</b> Dubai, UAE</p>	<p>Senior Vice President</p>	<p>Currently Senior Vice President of Tethys. Mr. Sarssam was Vice President, Petroleum Development of Tethys from April 2011 until September 2013. Prior to April 2011, Mr. Sarssam was New Ventures Advisor and Head of Reservoir Development at Dragon Oil plc, Senior Reservoir Engineer and Field Leader with Shell in Oman and in Brunei.</p>
<p><b>Veronica Seymour</b> London, England</p>	<p>Vice President, Communications</p>	<p>Currently Vice President, Corporate Communications of Tethys. Prior to October 2010, Ms. Seymour held senior roles with ITE Group Plc in business development, external relations and organising government-led events in Central Asian countries.</p>
<p><b>Graham Wall</b> Dubai, UAE</p>	<p>Chief Operating Officer</p>	<p>Currently Chief Operating Officer of Tethys since February 2010. Prior thereto, Mr. Wall was VP Technical of Tethys since 2006. In 2005, Mr. Wall was Exploration Manager for CanArgo.</p>

(b) Except as disclosed below, At the date of this document none of the Directors have:

- (i) any convictions in relation to fraudulent offences for the previous five years;
- (ii) been declared bankrupt or been subject to any individual voluntary arrangement or been associated with any bankruptcy, receivership or liquidation in his capacity as a director for the previous five years;
- (iii) been an executive director or senior manager, within the previous five years, of any Company which has been subject to a receivership or liquidation;
- (iv) been a partner or senior manager, within the previous five years, in any partnership which has been subject to a liquidation; and/or
- (v) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any recognized or designated professional bodies) or been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of a Corporation or from acting in the management or conduct of the affairs of any Corporation for the previous five years.

Mr. Russ Hammond was a non-executive director of CanArgo and resigned his directorship of CanArgo on December 8, 2008. On October 28, 2009, CanArgo filed a voluntary petition for reorganisation under Chapter 11 in the U.S. Bankruptcy Court for the Southern District of New York.

- (c) Save as disclosed below, elsewhere in this Prospectus or incorporated by reference into Schedule 1, none of the Directors or Executive Officers have any potential conflicts of interest between their duties to the Company and their private interests or other duties.

Certain officers and Directors of the Company are also officers and/or directors of other companies engaged in the oil and gas business generally. As a result, situations may arise where the interests of such Directors and officers, as they relate to the Company, conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by the applicable laws of the Cayman Islands, which require that the directors act honestly, in good faith and with a view to the best interests of the Company. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in such laws. The Memorandum and Articles provide that in the event that a Director has an interest in a proposed transaction or agreement, the Director shall disclose in good faith the material facts of his or her interest in such proposed transaction and his or her interest in or relationship to any other party to the transaction or agreement. Such Director is not entitled to vote in respect of matters in which he has a material interest or relate to his appointment as the holder of an office or place of profit with the Company.

- (d) Each of the Directors, other than Denise Lay, was elected by the shareholders at the annual meeting of the Company ("**AGM**") held on 27 June 2013 and re-elected at the 2014 AGM held on 12 June 2014. Denise Lay was appointed as director effective 1st February 2014 and her appointment was confirmed at the 2014 AGM.

The term of office of each of the Directors expires on the date of the 2015 AGM.

Bernard Murphy, who was elected by the shareholders at the 2013 AGM, retired effective 31st January 2014.

- (a) Details of the contractual provisions for the Directors and Executive Officers with the Company providing for benefits upon termination of employment and change of control or responsibility are incorporated by reference in Schedule 1 of this document.
- (b) Details of the Directors' remuneration on an individual basis (including any contingent or deferred compensation) during the last completed financial year are incorporated by reference in Schedule 1 of this document.
- (c) The Company has not set aside or accrued any amount to provide pension, retirement or similar benefits for the Directors or the Executive Officers.

## 7. **MAJOR SHAREHOLDERS**

As of the date of this document, to the Company's knowledge, (i) Pope Asset Management LLC holds, directly and indirectly, 17.64% of the voting rights in the Company and (ii) JPMorgan Asset Management Holdings Inc, holds, directly and indirectly, 9.67% of the voting rights in the Company. To the Company's knowledge, no other beneficial holder of the Company's Ordinary Shares has a shareholding which is notifiable.

- (f) The Company is not aware of any persons, other than the Directors, who could directly or indirectly, jointly or severally, exercise control over the Company.
- (g) There are no differences in the voting rights enjoyed by the Company's shareholders in respect of the Ordinary Shares.

## 8. **AUDITORS**

The auditors of the Company for the period from 1 January 2011 to 1 April 2014 were KPMG Audit Plc of 15 Canada Square, Canary Wharf, London, E14 5GL whose partners are members of the Institute of Chartered Accountants in England and Wales. The auditors appointed effective 1 April 2014 are KPMG LLP, of 15 Canada Square, Canary Wharf, London, E14 5GL whose partners are also members of the Institute of Chartered Accountants in England and Wales.

## 9. **MATERIAL CONTRACTS**

9.1 Save for the contracts described or referred to in paragraphs 9.2 to 9.8 below, no member of the Group has:

- (a) entered into any material contract (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document; or
- (b) entered into any other contract (not being a contract entered into in the ordinary course of business) which contains any provision under which any member of the Group has any obligation or entitlement which is or may be material to the Group as at the date of this document.

### 9.2 ***Placing Agreement***

The Placing Agents entered into a Placing Agreement with the Company under which, subject to the conditions set out in that agreement, the Placing Agents agreed as agents on behalf of the Company to use reasonable endeavours to procure subscribers for New Ordinary Shares at the Placing Price.

The obligations of the Placing Agents in respect of the placing of the First Tranche of New Ordinary Shares. Admission of the First Tranche of New Ordinary Shares took place on 20 May 2014 under the Placing, conditional on certain customary conditions.

The obligations of the Placing Agents in respect of the placing of the Second Tranche of New Ordinary Shares under the Placing are conditional on, amongst other things, (a) the Company having complied with all its obligations which fall to be performed by it prior to Admission of the Second Tranche of New Ordinary Shares which the Placing Agents consider in good faith to be material in the context of the Placing; and (b) the FCA approving a prospectus in relation to the issue of the Second Tranche of New Ordinary Shares.

The Company has given certain standard warranties and undertakings to the Placing Agents. The Company has also given a standard indemnity to the Placing Agents.

### 9.3 ***Bokhtar PSC***

The Bokhtar PSC production sharing contract entered into between KPL and the Government of Tajikistan, represented by MEI, on June 13, 2008 covering the Bokhtar area of Tajikistan, an area of approximately 36,000 km<sup>2</sup> in the south-west of Tajikistan in the Afghan-Tajik Basin (Amu Darya) (representing approximately 21.6% of the total land area of Tajikistan). The Company holds an indirect 28.33% effective economic interest through KPL. The expiry date of the Bokhtar PSC (assuming no extensions) is June 2038 and the first relinquishment period is until 2020.

### 9.4 ***Management Services Agreements***

- (a) a management services agreement dated May 10, 2007 between the Company and Vazon providing for, among other things, the services of Dr. David Robson as Chairman of the Board of Directors, and as President and Chief Executive Officer of the Company. The management services agreement may be terminated on up to six months' notice by Vazon or the Company; and
- (b) the management services agreement dated June 8, 2007, as amended, between the Company and Vazon providing for, among other things, the services of Vazon and the services of Mr. Bernard Murphy, Ms. Liz Landles, Mr. George Mirtskhulava and Ms. Denise Lay as executive officers of the Company and related deed of guarantee and indemnity dated June 13, 2012. The management services agreement may be terminated on up to six months' notice by Vazon or the Company.;

### 9.5 ***Kyzyloi Field Licence and Production Contract***

The Company's Kyzyloi Field Licence and Production Contract in respect of the Kyzyloi Field. This contract was initially issued by the Kazakh State to the state holding company Kazakhgas on June 12, 1997 and was transferred to TAG on May 15, 2001.

The contract was entered into between MEMR and TAG on May 5, 2005, initially until June 12, 2007. However, in January 2005, MEMR agreed to extend the contract until June 2014, subject to certain contractual amendments, which the Company finalized in 2007 by signing Addition #1 on November 1, 2007 (State registration No. 2480). Gas production commenced under the contract in December 2007. There are no mandatory relinquishments, surrenders, back-ins or changes in ownership in respect of the Kyzyloi production contract area.

The Kyzyloi Field Licence and Production Contract grants TAG exploration and production rights over an area of approximately 287.2 km<sup>2</sup> that extends down to the base of the



Paleogene sequence. Pursuant to the contract, TAG must reimburse the Kazakh State for approximately USD1,211,000 in historical costs that are to be paid in equal quarterly instalments from the commencement of production until full reimbursement. To date, TAG has fulfilled this obligation.

Under the latest extension of the contract, TAG committed to spending approximately USD2.7 million for a work programme over the seven year period until 2014. With respect to 2013, a work programme amounting to USD2,519,000 was agreed, which has been fulfilled through payments amounting to USD5,848.222 during the year ended December 31, 2013.

MET on domestic gas sales is calculated at a rate between 0.5% to 1.5% of the value of the annual gas production sales and 10% for exports. Kyzylai sales are currently domestic and as such MET is at 0.5%. MET payments are payable quarterly.

According to the Kyzylai Field Licence and Production Contract, TAG is obliged to allocate annually not less than 1% of its capital expenditure for the professional training of Kazakh personnel participating in the work under the Kyzylai Field Licence and Production Contract. In addition, TAG is required to provide USD30,000 annually for participation in the social and economic development of the Aktobe region. TAG is also required to establish a liquidation fund for reclamation of the contract area and to contribute annually to such fund in the amount of 1% of its capital expenditure.

#### 9.6 ***Akkulka Production Contract***

the Akkulka Production Contract dated December 23, 2009 between TAG and MEMR which gives TAG exclusive rights to produce gas from the Akkulka Block for an initial period of nine years.

The initial seven wells assigned to the Akkulka Production Contract are tied into the Company's existing Kyzylai pipeline infrastructure and additional compression has been installed at the BCS on the Bukhara-Urals gas trunkline. As such, production of gas from the Akkulka Block under the Akkulka Production Contract commenced upon signature of the gas sales agreement by Asia Gas NG LLP and allocation of pipeline capacity by Intergas Central Asia. Commercial production commenced on October 6, 2010. There are no mandatory relinquishments, surrenders, back-ins or changes in ownership in respect of the Akkulka production contract area.

Contingent upon commencement of commercial production on the Akkulka contractual territory, an amount of USD3,500,000 was due to the Kazakh State as a reimbursement of historical costs previously incurred in relation to the contractual territory. For that part of the contractual territory from which production commenced in 2010, staged payments over a period of nine years totalling approximately USD933,997 are to be paid in equal quarterly instalments from the commencement of production until full reimbursement. To December 31, 2013, TAG had reimbursed the government USD552,000 in respect of the Akkulka Field.

The Akkulka Gas Production Contract is subject to MET, which replaced royalties. MET on gas sales is calculated at a rate between 0.5% to 1.5% of the value of the annual gas production for domestic sales and 10% for exports. The MET currently payable on the Akkulka Production Contract is 0.5%.

According to the Akkulka Field Licence and Production Contract, TAG is obliged to allocate annually not less than 1% of its capital expenditure for the professional training of Kazakh personnel participating in the work under the Kyzylai Field Licence and Production Contract. In addition, TAG is required to provide USD30,000 annually for participation in the social and economic development of the Aktobe region. TAG is also required to

establish a liquidation fund for reclamation of the contract area and to contribute annually to such fund in the amount of 1% of its capital expenditure.

#### 9.7 **North Urtabulak PEC**

The North Urtabulak PEC is a production enhancement contract dated August 19, 1999 entered into among TPU, jointstock companies Uzneftegazdobycha (formerly known as Uzgeoneftegazdobycha) and Uznefteproduct (formerly known as Uzneftepererabotka) in respect of the North Urtabulak Field as amended by supplementary agreements dated September 13, 2004, November 30, 2006 and December 19, 2007, which is for an indefinite term, however, three months' notice of termination was given at the end of December 2013

#### 9.8 **Shareholders Rights Plan**

The Shareholders Rights Plan Amended and Restated as of February 10, 2011 (the "**Rights Plan**"), originally approved in 2008.

The terms of the Rights Plan are such that, subject to certain exceptions, if a person acquires 20% of the outstanding Ordinary Shares, a take-over bid must be made for all Ordinary Shares and must be open for 60 days after the bid is made. If more than 50% of the Ordinary Shares held by persons independent of the acquiror are deposited or tendered pursuant to the bid, and not withdrawn, the acquiror may take up and pay for such shares. The bid must then remain open for a further period of 10 business days on the same terms.

In the event a take-over bid is made that does not adhere with the above terms, the rights attaching to each Ordinary Share pursuant to the Rights Plan will separate from the Ordinary Shares and become exercisable 10 trading days after the earlier of: (a) a person having acquired 20% or more of the Ordinary Shares, or (b) the commencement or announcement in respect of a take-over bid to acquire 20% or more of the Ordinary Shares. Prior to such separation event, the rights are not transferable separately from the Ordinary Shares. After such separation, rights will be evidenced by certificates, which are transferable and will be traded separately from the Ordinary Shares.

The rights, when exercisable, permit the holder to purchase, for the exercise price, one Ordinary Share for each right. The exercise price of the rights will be equal to three times the prevailing market price at the time the rights separated from the Ordinary Shares pursuant to the Rights Plan. Rights that are beneficially owned by the person making the take-over bid which does not adhere to the above terms shall become null and void.

The Shareholders approved and renewed the Rights Plan of the Company on February 10, 2011. The Rights Plan must be reconfirmed and approved by a resolution passed by an ordinary resolution of the shareholders at a shareholders' meeting to be held in the year ended December 31, 2014 and at such a meeting to be held every three years thereafter. If the Rights Plan is not so reconfirmed and approved or is not presented for reconfirmation at any such meeting, the Rights Plan and all outstanding rights shall terminate.

### 10. **DIVIDENDS AND WITHHOLDING TAX**

#### 10.1 **Certain Cayman Islands Tax Considerations**

The laws of the Cayman Islands do not impose taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty.

Stamp duty is not chargeable in respect of the incorporation, registration or licensing of an exempted company, nor subject to certain minor exceptions, on their transactions if the documents are not executed in, brought to or produced before a court in the Cayman Islands. Accordingly, generally no stamp duty will be payable on the issue or transfer of the share capital of the Company.

## 10.2 **Certain United Kingdom Tax Considerations**

The following comments are intended only as a general guide to certain United Kingdom tax considerations based on current UK legislation and what is understood to be the current practice of the United Kingdom HM Revenue & Customs both of which may change, and possibly with retroactive effect. They apply only to Shareholders who are resident, and in the case of individuals, ordinarily resident and domiciled for tax purposes in the United Kingdom (except insofar as express reference is made to the tax treatment of non-residents), who hold their Ordinary Shares or Depositary Interests as an investment. The following statements may not apply to certain categories of Shareholder to whom special rules apply, such as persons who acquire their Ordinary Shares or Depositary Interests in connection with employment, dealers in securities and insurance companies. Any person who is in doubt as to his tax position is strongly recommended to consult his own professional tax adviser.

### (a) Taxation of Dividends

#### (i) The Company

Dividend payments will be made without withholding or deduction for or on account of United Kingdom income tax.

#### (ii) UK Resident Individual Shareholders

An individual resident in the UK for taxation purposes who holds less than 10 per cent. of the Company's issued ordinary share capital will generally be liable to income tax on the aggregate amount of any dividend received and a tax credit equal to 10 per cent. of the gross dividend (or one-ninth of the dividend received). For example, on a dividend received of £90, the tax credit would be £10, and an individual would be liable to income tax on £100.

Taking the tax credit into account, therefore, no further income tax is payable in respect of the dividend by UK resident individuals who are liable to income tax only at the basic rate.

UK resident individuals who are subject to tax at the higher rate are subject to tax on dividends at the dividend upper rate (currently 32.5 per cent.) but are entitled to offset the ten per cent. tax credit against such liability. For example, on a dividend received of £90 such a taxpayer would have to pay additional tax of £22.50 (representing 32.5 per cent. of the gross dividend less the ten per cent. credit) which is equal to an effective rate of income tax of 25 per cent. of the net dividend. UK resident individuals who receive taxable income in excess of £150,000 are subject to tax on dividends at the dividend additional rate (currently 37.5 per cent), but are entitled to offset the ten per cent. tax credit against such liability. For example, on a dividend received of £90 such a taxpayer would have to pay additional tax of £27.50 (representing 37.5 per cent of the gross dividend less the ten per cent. Tax credit) which is equal to an effective rate of income tax of 30.56 per cent. For this purpose dividends are treated as the top slice of an individual's income.

If an individual Shareholder holds 10 per cent. or more of the Company's issued ordinary share capital their entitlement to a United Kingdom tax credit in respect of dividends paid on the Ordinary Shares will depend upon whether the source country has a double tax treaty with the United Kingdom which contains a non-discrimination clause.

No repayment of the tax credit in respect of dividends paid by the Company (including in respect of any dividend paid where the Ordinary Shares or Depositary Interests are held in a personal equity plan or in an individual savings account) can be claimed by a United Kingdom resident shareholder (including pension funds and charities).

(iii) UK Resident Corporate Shareholders

Subject to certain exceptions for traders in securities and insurance companies, and provided that certain anti-avoidance provisions do not apply, a corporate Shareholder resident in the United Kingdom for tax purposes will generally not be subject to corporation tax or income tax on dividends received from the Company.

(b) Taxation of Chargeable Gains

(i) UK Resident Shareholders

A disposal (or deemed disposal) of the Ordinary Shares or Depositary Interests by a Shareholder who is (at any time in the relevant United Kingdom tax year) resident or, in the case of an individual, ordinarily resident in the United Kingdom for tax purposes, may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains, depending on the Shareholder's circumstances and subject to any available exemption or relief.

(ii) Non-resident Shareholders

A Shareholder who is not resident in the United Kingdom for tax purposes but who carries on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a non-UK resident corporate Shareholder, a permanent establishment) to which the Ordinary Shares or Depositary Interests are attributable will be subject to the same rules which apply to United Kingdom resident Shareholders.

A Shareholder who is an individual and who has ceased to be resident or ordinarily resident for tax purposes in the United Kingdom for a period of less than five years of assessment and who disposes of the Ordinary Shares or Depositary Interests during that period may also be liable, on his return, to United Kingdom taxation on chargeable gains (subject to any available exemption or relief).

(c) Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The following comments do not (except in so far as express reference is made) relate to persons to whom special rules apply, such as market makers, brokers, dealers, intermediaries, persons connected with depositary receipt arrangements or clearance services or persons who enter into sale and repurchase transactions in respect of the Ordinary Shares or Depositary Interests.

No United Kingdom stamp duty or SDRT will be payable on the issue by the Company of the Ordinary Shares direct to persons acquiring those Ordinary Shares or to the Depository or on the issue of Depository Interests by the Depository.

United Kingdom stamp duty and SDRT will not normally be payable in connection with a transfer or agreement to transfer the Ordinary Shares in certificated form, provided that the instrument of transfer is executed outside the United Kingdom by the transferor or transferee and provided that no register of members is kept in the United Kingdom by or on behalf of the Company.

No United Kingdom SDRT will be payable in respect of any transfer or agreement to transfer Depository Interests, provided that the Ordinary Shares are not registered in a register kept in the United Kingdom by or on behalf of the Company, the Company is not centrally managed and controlled in the United Kingdom, and any such transfer is effected electronically within the CREST system.

## 11. CAPITALISATION AND INDEBTEDNESS

The Company's total borrowings at March 31, 2014 (being the date of the latest published financial information of the Company prior to the date of this document), were USD 13,470,000. There have been no material changes since then.

The following table sets out the indebtedness of the Group as at March 31, 2014 (being the date of the latest published financial information of the Company prior to the date of this document) (and there have been no material changes since then):

<b>Current Debt</b>	(US\$ 000's)
Secured	971
Liabilities of a disposal group-secured	3,190
<b>Total current debt</b>	<u>4,161</u>
<b>Non-current Debt</b>	
Secured	5,744
Liabilities of a disposal group-secured	3,565
<b>Total non-current debt</b>	<u>9,309</u>
<b>Total indebtedness as at 31 March 2014</b>	<u>13,470</u>

The following table, which has been derived from the Company's latest published financial information, sets out the capitalisation of the Group as at 31 March 2014:

<b>Shareholders' equity</b>	(US\$ 000's)
Share capital	29,956
Share premium	311,797
Other reserves	42,740
Accumulated other comprehensive loss	(187,382)
Non-controlling interests	6,402
<b>Total shareholders' equity as at 31 March 2014</b>	<u>203,513</u>

The only material change since March 31, 2014 was the issue of the 17,105,764 New Ordinary Shares on 20 May 2014 and 5 June 2014, which increased the share capital by approximately US\$1.7 million and share premium by approximately US\$5.2 million

The following table sets out the net financial indebtedness of the Group as at 30 April 2014:

**Net financial indebtedness**

(US\$ 000's)

**Liquidity**

Cash and cash equivalents 10,387

Cash and cash equivalents of a disposal group 1,633

**Total liquidity** 12,020

**Total current debt** 4,264

**Net current funds** 7,756

**Non-current financial indebtedness** 9,032

**Net financial indebtedness** (1,276)

**Indirect and Contingent Indebtedness**

The Company had no off-balance sheet arrangements as at June 13, 2014 (being the latest practicable date prior to the date of this document).

12. **MISCELLANEOUS**

(a) Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months prior to the date of this document, a significant effect on the Company and/or the financial position or profitability of the Group.

(b) The Company's paying agent for the Ordinary Shares in Canada is Equity Financial Trust Company at its principal offices in Toronto, Ontario and Calgary, Alberta, Canada. The registrar in relation to the Company's standard listing on the London Stock-Exchange is Capita Registrars (Guernsey) Limited with its registered offices at Longue Hougue House, St. Sampson, Guernsey GY2 4JN, British Isles.

(c) The Company is in compliance with the applicable corporate governance requirements of the Cayman Islands.

(d) The ISIN for the Ordinary Shares is KYG876361091.

(e) No specific arrangements apply to the transfer of the New Ordinary Shares which are, therefore, freely transferable save for Canadian re-sale restrictions described in this section (e).

The distribution of the New Ordinary Shares has not been qualified in Canada. As a result, notwithstanding that the Company's Ordinary Shares are listed for trading on the Toronto Stock Exchange, any purchaser or subsequent holder of the New Ordinary Shares must not trade those New Ordinary Shares through the facilities of the Toronto Stock Exchange or otherwise in Canada before the date that is 4 months and a day after their date of issue (the "Canadian Restricted Period"). Should a shareholder or agent request the withdrawal of any of the New Ordinary Shares from the CREST system or other depository outside Canada during the Canadian Restricted Period or otherwise request a certificate for the New Ordinary

Shares, such share certificate will bear a legend to that effect, unless the resale is not subject to restrictions under the securities laws of Canada.

- (f) The New Ordinary Shares were issued in accordance with the laws of the Cayman Islands. The New Ordinary Shares were issued pursuant to a Board resolution dated 12 May 2014.
- (g) The Ordinary Shares are in registered form.
- (h) None of the persons involved in the issue of the New Ordinary Shares has any interest (including any conflicting interest) which is material to such issue.
- (i) The Company will receive approximately £8.5 million net proceeds from the Offer (after deducting placing commissions and other estimated offering/related fees and expenses of approximately £0.4 million). No expenses will be charged to the purchasers of the New Ordinary Shares by the Company.
- (j) The Company intends to use the net proceeds it receives from the Offer for continued development of its Kazakh shallow gas programme including installation of a gas dehydrator, drilling of new shallow gas wells, and the purchase and installation of tie-in pipelines and associated infrastructure (seven previously drilled successful gas wells are ready to be tied in now).
- (k) The amount and percentage of immediate dilution as a result of the issue of the New Ordinary Shares pursuant to the Offer will be (immediately following the issue of the Second Tranche of such New Ordinary Shares) 12.4 per cent.
- (l) The Directors are not aware of any arrangement, the operation of which may at a subsequent date result in a change of control of the Company.
- (m) Details of related party transactions between the Company and members of the Group that were entered into during the financial years ended 31 December 2011, 2012 or 2013 or during the period 1 January 2014 and the date of this prospectus are incorporated by reference into Schedule 1.
- (n) Certain information has been obtained from external publications and/or third parties and is sourced in this document where the information is included. The Company confirms that this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.
- (o) KPMG LLP has given and has not withdrawn its written consent to the inclusion in this document of its report included in Part II (Unaudited pro forma financial information) in the form and context in which it appears, and has authorised the contents of that report for the purposes of Prospectus Rule 5.5.3(2)(f).

### 13. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 14 days from the date of publication of this document at the offices of Ashurst LLP at Broadwalk House, 5 Appold Street, London EC2A 2HA, United Kingdom:

- (a) the Articles;

- (b) the Tethys Petroleum 2011 Annual Information form;
- (c) the Tethys Petroleum 2011 Audited annual financial statements
- (d) the Tethys Petroleum 2011 MD&A
- (e) the Tethys Petroleum 2011 Certificate of Annual Filings
- (f) the Tethys Petroleum 2012 Annual Information form;
- (g) the Tethys Petroleum 2012 Audited annual financial statements
- (h) the Tethys Petroleum 2012 MD&A
- (i) the Tethys Petroleum 2012 Certificate of Annual Filings
- (j) the Tethys Petroleum 2013 Annual Information form;
- (k) the Tethys Petroleum 2013 Audited annual financial statements
- (l) the Tethys Petroleum 2013 MD&A
- (m) the Tethys Petroleum 2013 Certificate of Annual Filings;
- (n) the Tethys Petroleum 2014 Q1 Interim Financial Information;
- (o) the Tethys Petroleum 2014 Q1 Interim MD&A; and
- (p) this document.

Dated: 16 June 2014



## SCHEDULE 1

### Checklist of Documentation Incorporated by Reference

Sections of the following documents, which can be accessed on the SEDAR website (www.sedar.com), are incorporated by reference into this document. The non-incorporated parts of these documents are not relevant for the purposes of this document. Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this prospectus. For the avoidance of doubt, no information incorporated by reference into the documents set out below shall be incorporated into, nor shall such incorporated information form any part of, this document.

Tethys Petroleum's Annual Report and Accounts for 2013 which consists of three documents detailed below:

- (a) Annual Information form for the year ended 31 December 2013 (the "**Tethys Petroleum 2013 AIF**");
- (b) Audited annual financial statements for the year ended 31 December 2013 (the "**Tethys Petroleum 2013 Financial Statements**"); and
- (c) Management's Discussion & Analysis for the year ended 31 December 2013 (the "**Tethys Petroleum 2013 MD&A**")

together, (the "**Tethys Petroleum 2013 Annual Report**").

Tethys Petroleum's Annual Report and Accounts for 2012 which consists of three documents detailed below:

- (a) Annual Information form for the year ended 31 December 2012 (the "**Tethys Petroleum 2012 AIF**");
- (b) Audited annual financial statements for the year ended 31 December 2013 (the "**Tethys Petroleum 2012 Financial Statements**"); and
- (c) Management's Discussion & Analysis for the year ended 31 December 2012 (the "**Tethys Petroleum 2012 MD&A**")

together, (the "**Tethys Petroleum 2012 Annual Report**").

Tethys Petroleum's Annual Report and Accounts for 2011 which consists of three documents detailed below:

- (a) Annual Information form for the year ended 31 December 2011 (the "**Tethys Petroleum 2011 AIF**");
- (b) Audited annual financial statements for the year ended 31 December 2011 (the "**Tethys Petroleum 2011 Financial Statements**"); and
- (c) Management's Discussion & Analysis for the year ended 31 December 2011 (the "**Tethys Petroleum 2011 MD&A**")

together, (the "**Tethys Petroleum 2011 Annual Report**").

Tethys Petroleum Q1 2014 Interim Financial Information which consists of:

- (a) Tethys Petroleum Q1 2014 Interim MD&A; and

(b) Tethys Petroleum Q1 2014 Interim Financial Information.

<b>Information Incorporated by Reference</b>	<b>Document Reference</b>	<b>Prospectus Rule</b>
Operating and Financial Review	"Management's Discussion and Analysis" on pages 2-19 of the Tethys Petroleum 2013 MD&A	Annex I, Item 6.1.1 Annex I, Item 9 and Annex I, Item 5.2.1
	"Management's Discussion and Analysis" on pages 2- 28 of the Tethys Petroleum 2012 MD&A	
	Management's Discussion and Analysis" on pages 2- 38 of the Tethys Petroleum 2011 MD&A	ESMA 27, ESMA 28, ESMA, 29, ESMA 30, ESMA 31, ESMA 32
Principal investments in progress and principal future investments	"Forward Contracts" on pages 56 and 57 of Tethys Petroleum 2013 AIF	Annex I, Items 5.2.2 and 5.2.3
Revenues by activity and geographic market	"Segmental Reporting" on pages 30 to 33 to Tethys Petroleum 2013 Financial Statements	Annex I, Item 6.2 Annex I, Item 6.3
	"Segmental Reporting" on pages 31 - 34 of the Tethys Petroleum 2012 Financial Statements	
	"Segmented Reporting" on pages 29 - 32 of the Tethys Petroleum 2011 Financial Statements	
Property, plant and equipment	"Property, Plant and Equipment" on page 13 – 15 of the Tethys Petroleum 2013 Financial Statements	Annex I, Item 8.1
Capital resources	"Consolidated Statement of Cash Flows" at page 7 of the Tethys Petroleum 2013 Financial Statements	Annex I, Item 10
	Notes 13 to 22 on pages 39 - 48 of the Tethys Petroleum 2013 Financial Statements	
	"Commitments and contingencies" pages 56 – 57 of the Tethys Petroleum 2013 Financial Statements	
Liquidity and capital resources	See "Liquidity and Capital Resources" section on page 14 of Tethys Petroleum Q1 2014 Interim MD&A	ESMA 33

	See "Financing" on page 15 of Tethys Petroleum Q1 2014 Interim MD&A	ESMA 36
Cash inflows and outflows	See "Cash flow" and "Capital expenditure" sections on pages 16 and 17 of Tethys Petroleum Q1 2014 Interim MD&A	ESMA 34
	See "Financing" on page 15 of Tethys Petroleum Q1 2014 Interim MD&A	
Treasury activities	See "Liquidity Risk" section on page 19 of Tethys Petroleum Q1 2014 Interim MD&A	ESMA 35
Currencies of cash and cash equivalents	See "Foreign exchange risk" section on page 20 of Tethys Petroleum Q1 2014 Interim MD&A	ESMA 35
Borrowings	See "Interest rate risk" section on page 20 of Tethys Petroleum Q1 2014 Interim MD&A	ESMA 35, ESMA 36
Trend information	"Management's Discussion and Analysis" on pages 1–25 of the Tethys Petroleum 2013 MD&A	Annex I, Item 12
Arrangements for employee involvement in capital	See "Share-based payments" at page 18 and pages 32 – 35 of the Tethys Petroleum 2013 AIF	Annex I, Items 17.3 and 21.1.6
Audited historical financial information and audit report	"Consolidated Statement of Financial Position" as at 31 December 2013 and 31 December 2012 on page 4 of the Tethys Petroleum 2013 Financial Statements	Annex I, Items 20, 20.1, 20.4.1 and 20.5.1
	"Consolidated Statement of Financial Position" as at 31 December 2012 and 31 December 2011 on page 4 of the Tethys Petroleum 2012 Financial Statements	
	"Consolidated Statement of Financial Position" as at 31 December 2011 and 31 December 2010 on page 4 of the Tethys Petroleum 2011 Financial Statements	
	"Consolidated Statement of Comprehensive Income" as at 31 December 2013 and 31 December 2012 on page 5 of the Tethys Petroleum 2013 Financial Statements	
	"Consolidated Statement of Comprehensive Income" as at 31 December 2012 and 31 December 2011	

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on page 5 of the Tethys Petroleum  
2012 Financial Statements

"Consolidated Statement of  
Comprehensive Income" as at 31  
December 2011 and 31 December 2010  
on page 5 of the Tethys Petroleum  
2011 Financial Statements

"Consolidated Statement of Changes in  
Equity" as at 31 December 2013 and 31  
December 2012 on page 6 of the  
Tethys Petroleum 2013 Financial  
Statements

"Consolidated Statement of Changes in  
Equity" as at 31 December 2012 and 31  
December 2011 on page 6 of the  
Tethys Petroleum 2012 Financial  
Statements

"Consolidated Statement of Changes in  
Equity" as at 31 December 2011 and 31  
December 2010 on page 6 of the  
Tethys Petroleum 2011 Financial  
Statements

"Consolidated Statement of Changes in  
Cash Flows" as at 31 December 2013  
and 31 December 2012 on page 7 of  
the Tethys Petroleum 2013 Financial  
Statements

"Consolidated Statement of Changes in  
Cash Flows" as at 31 December 2012  
and 31 December 2011 on page 7 of  
the Tethys Petroleum 2012 Financial  
Statements

"Consolidated Statement of Changes in  
Cash Flows" as at 31 December 2011  
and 31 December 2010 on page 7 of  
the Tethys Petroleum 2011 Financial  
Statements

"Notes to Consolidated Financial  
Statements" for the year ended 31  
December 2013 on pages 8 - 57 of the  
Tethys Petroleum 2013 Financial  
Statements

"Notes to Consolidated Financial  
Statements" for the years ended 31  
December 2012 and 31 December 2011  
on pages 8 - 68 of the Tethys  
Petroleum 2012 Financial Statements

"Notes to Consolidated Financial

	Statements" for the year ended 31 December 2011 on pages 8 - 61 of the Tethys Petroleum 2011 Financial Statements	
	"Auditors' Report" for the year ended 31 December 2013 on page 2-3 of the Tethys Petroleum 2013 Financial Statements	
	"Auditors' Report" for the year ended 31 December 2012 on pages 2 - 3 of the Tethys Petroleum 2012 Financial Statements	
	"Auditors' Report" for the year ended 31 December 2011 on page 2 -3 of the Tethys Petroleum 2011 Financial Statements	
Comparable Dividend Per Share	"Dividends or Distributions" on page 78 of the Tethys Petroleum 2013 MD&A	Annex I, Item 20.7.1
Dividends	"Dividends" on page 19 of the Tethys Petroleum 2013 AIF	Annex I, Item 20.7 and 20.7.1
Capital under option	"Share-based payments" at page 18 and pages 32 – 35 of the Tethys Petroleum 2013 AIF	Annex I, Items 17.3, 21.1.4 and 21.1.6
Corporate Governance Statement	"Corporate Governance Statement" on pages 85 – 97 of the Tethys Petroleum 2013 AIF	Annex 1, Item 16.4
Remuneration and benefits of Directors	"Remuneration of key management personnel" at page 55 of the Tethys Petroleum 2013 Financial Statements	Annex 1, Item 15.1
Service Contracts	"Post-Termination or Change in Control Benefits" at page 12, "Management and Employment Agreements at pages 17 – 22 and "Termination and Change of Control of Benefits" at page 22 of the Tethys Management Information Circular dated 12 May 2014	Annex 1, Item 16.2
	"External Auditor Service Fees" at pages 94 -95 of the Tethys Petroleum 2013 AIF	
Audit Committee	"Audit Committee Charter" and "Composition of the Audit Committee" at page 93 – 94 of the Tethys Petroleum 2013 AIF	Annex 1, Item 16.3
Compensation and Nomination Committee	"Nomination of Directors and Compensation" at page 92 – 93 of the	Annex 1, Item 16.3

	Tethys Petroleum 2013 AIF	
	"Executive Compensation" at pages 9 – 17 of the Tethys Management Information Circular dated 12 May 2014	
2014 Q1 Interim Financial Report and Accounts	Tethys Petroleum Q1 2014 Interim Financial Information	Annex 1, Item 20.9
		Annex 1, Item 3.2
	Tethys Petroleum Q1 2014 Interim MD&A	Annex 1, Item 20.6.1
Mineral reserves and resources	"Statement of reserves data and other oil and gas information" at pages 45 – 61 of the Tethys Petroleum 2013 AIF	ESMA, 132(a) ESMA, 132 (b)
	"Appendix A1 - Form 51-101F2 report on reserves data by an independent qualified reserves evaluator" to the Tethys Petroleum 2013 AIF	
	"Description of the business" at pages 22 – 43 of Tethys Petroleum 2013 AIF	
Licenses	"Description of the business" at pages 22 – 43 of Tethys Petroleum 2013 AIF	ESMA, 132 (c)
Current exploration and production	"Description of the business" at pages 22 – 43 of Tethys Petroleum 2013 AIF	ESMA, 132 (d)
	"Results of Operations and Operational Review" at pages 4 – 14 of Tethys Petroleum 2014 Q1 Interim MD&A	
Related Party Transactions	"Transactions with Related Parties" at page 18 of Tethys Petroleum 2014 Q1 Interim MD&A	Annex I, Item 19
	"Transactions with Related Parties" at pages 19 and 20 and "Related party transactions" on page 53 of the Tethys Petroleum 2013 MD&A	
	"Related party transactions with key management personnel" page 29 of the Tethys Petroleum 2012 MD&A	
	"Related party transactions with key management personnel" page 31 – 32 of the Tethys Petroleum 2011 MD&A	
Potential Conflicts of Interest	"Transactions with Related Parties" at page 18 of Tethys Petroleum 2014 Q1 Interim MD&A	Annex 1, Item 14.2
	"Transactions with Related Parties" at pages 19 and 20 of the Tethys Petroleum 2013 MD&A	

## Definitions

Admission	the admission of 19,789,159 of the New Ordinary Shares to the Official List together with admission to trading on the London Stock Exchange's market for listed securities
Akkulka, Akkulka Block or Akkulka Field	the area that is subject to the Akkulka Exploration Licence and Contract in Kazakhstan
Akkulka Exploration Licence and Contract	the exploration licence and contract of TAG in respect of the Akkulka Block
Akkulka Production Contract	the Akkulka Production Contract dated December 23, 2009 between TAG and MEMR which gives TAG exclusive rights to produce gas from the Akkulka Block for an initial period of nine years
Antimonopoly Agency	the Agency of the Republic of Kazakhstan for Competition Protection
AOT	the Aral Oil Terminal
Beshtentak Field	a known oilfield which is located within the Tajikistan Bokhtar Contract Area
BHCL	Baker Hughes (Cyprus) Limited
Board	the board of Directors of the Company
Bokhtar Contractor Parties (each a Bokhtar Contractor Party)	KPL, CNPC and Total
Bokhtar PSC	the production sharing contract entered into between KPL and the Government of Tajikistan, represented by MEI, on June 13, 2008 covering the Bokhtar area of south-west Tajikistan
CanArgo	CanArgo Energy Corporation, formerly a US public oil and gas company
Cdn.\$ or Canadian Dollar or CAD	the lawful currency of Canada
CIS	the Commonwealth of Independent States which is a regional organization made up of certain countries of the former Soviet Union
CNPC	China National Petroleum Corporation
Company or Tethys Petroleum	Tethys Petroleum Ltd.
CREST	the system of paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated

	Securities Regulations 2001 (SI 2001/3755)
CSA	Canadian Standards Association
Directors	the directors of the Company as set out on pages 70 - 72 of this document
Disclosure Rules and Transparency Rules	the disclosure rules and transparency rules made by the Financial Conduct Authority for the purposes of Part VI of FSMA, as amended
ESMA	European Securities and Markets Authority
FCA	the UK Financial Conduct Authority
FSMA	the Financial Services and Markets Act 2000 (as amended)
Group	Tethys Petroleum and its subsidiaries and interests in limited liability partnerships
Gustavson	Gustavson Associates LLC, independent oil and gas reservoir engineers of Boulder, Colorado
Gustavson Reserve Report	the independent engineering evaluation of the Company's crude oil and natural gas reserves prepared by Gustavson, as appended to the Tethys Petroleum 2013 AIF
IFRS	International Financial Reporting Standards
Kazakh Gas Supply Contract	the gas supply contract originally entered into between TAG and GazImpex on January 5, 2006 in relation to the supply of natural gas produced from the Kyzylai Field
Kazakh State	the government of Kazakhstan
Kazakhstan	the Republic of Kazakhstan
Kazakhstan Farm-Out Agreement	the farm-out agreement dated November 1, 2013 between the Company and SinoHan Oil and Gas Investment B.V.
KPL	Kulob Petroleum Limited, a company continued into the Cayman Islands and a 100% subsidiary of SSEC
Kul-Bas	Kul-Bas LLP, a limited liability partnership registered in Kazakhstan in which the Company has a 100% interest through TKL
Kul-Bas Block	the area that is subject to the Kul-Bas Exploration and Production Contract in Kazakhstan
Kul-Bas Exploration and Production Contract	the Kul-Bas exploration licence and production contract in respect of the Kul-Bas Block



Kyzyloi or Kyzyloi Field	the area that is subject to the Kyzyloi Field Licence and Production Contract in Kazakhstan
Kyzyloi Field Licence and Production Contract	the Company's field licence and production contract in respect of the Kyzyloi Field
Listing Rules	the listing rules made by the FCA for the purposes of Part VI of FSMA, as amended
LSE	The London Stock Exchange
MEI	the Ministry of Energy and Industry of the Republic of Tajikistan
MEMR	the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan
MET or Mineral Extraction Tax	the mineral extraction tax payable to the Kazakh State in respect of oil and gas production in Kazakhstan
MOG	the Ministry of Oil and Gas of the Republic of Kazakhstan
New Ordinary Shares	36,894,923 Ordinary Shares in the Company (of which, 17,105,764 New Ordinary Shares were issued pursuant to allotments on 20 May 2014 and 5 June 2014 and 19,789,159 New Ordinary Shares will be issued on or around 20 June 2014).
NI 51-101	National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators
Non-Resident Shareholder	a holder of Ordinary Shares who, for the purposes of the Income Tax Act (Canada) the (" <b>Tax Act</b> ") deals at arms-length with the Company, is not affiliated with the Company and holds Ordinary Shares as capital property and who, for the purposes of the Tax Act and any applicable income tax treaty or convention, is neither resident nor deemed to be resident in Canada, does not and is not deemed to use or hold the Ordinary Shares in carrying on a business in Canada, and does not hold Ordinary Shares as part of the business property of a permanent establishment in Canada or in connection with a fixed base in Canada
North Urtabulak Field	the area which is subject to the North Urtabulak PEC in Uzbekistan
North Urtabulak PEC	the production enhancement contract dated August 19, 1999 entered into among TPU, jointstock companies Uzneftegazdobycha (formerly known as Uzgeoneftegazdobycha)

	and Uznefteproduct (formerly known as Uzneftepererabotka) in respect of the North Urtabulak Field as amended by supplementary agreements dated September 13, 2004, November 30, 2006 and December 19, 2007, which is for an indefinite term
Offer	the offer of New Ordinary Shares to certain institutional and professional investors
Offer Price	24 pence per New Ordinary Share
Official List	the official list maintained by the UK Listing Authority for the purposes of Part VI of FSMA
Ordinary Shares	Ordinary Shares of common stock of Tethys Petroleum
Placing Agents	Cantor Fitzgerald Europe and FirstEnergy LLP
Placing Agreement	The placing agreement dated 14 May 2014 entered into between the Company and the Placing Agents, and described in Section 9 of Part 3 (Additional Information).
Pound Sterling or GBP	British pounds sterling
Preference Shares	the Preference Shares of Tethys Petroleum
Prospectus Directive	Directive 2003/71/EC
Prospectus Rules	the prospectus rules made by the FCA for the purposes of Part VI of FSMA, as amended
Q1	first quarter of the year
Q2	second quarter of the year
Q3	third quarter of the year
Q4	fourth quarter of the year
Russia	The Russian Federation
SEC	the US Securities and Exchange Commission
SEDAR	the System for Electronic Document Analysis and Retrieval, used for electronically filing securities related information with the Canadian securities regulatory authorities
Somoni	the Tajik Somoni, the lawful currency of Tajikistan
Shareholders	holders of Ordinary Shares
SSEC	Seven Stars Energy Corporation, an 85% owned subsidiary of Tethys Tajikistan Limited

Standard Listing	A Standard Listing on the Main Market of the LSE
TAG	TethysAralGaz LLP (formerly known as BN Munai LLP), a limited liability partnership registered in Kazakhstan in which the Company has a 100% interest through TKL
Tajik State	the government of Tajikistan
Tajikistan	the Republic of Tajikistan
Tajikistan Farm-Out Agreement	the farm-out agreement for the Bokhtar PSC signed on December 21, 2012 by the Company with the subsidiaries of Total S.A. and the China National Oil and Gas Exploration and Development Corporation, a 100% owned subsidiary of Chinese National Petroleum Company
Tenge or KZT	the Kazakh Tenge, the lawful currency of Kazakhstan
Tethys Petroleum 2011 AIF	Tethys Petroleum's Annual Information form for the year ended 31 December 2011
Tethys Petroleum 2011 Annual Report	Tethys Petroleum's Annual Report and Accounts for the year ended 31 December 2011 which consists of: (i) Tethys Petroleum 2011 AIF; (ii) Tethys Petroleum 2011 Financial Statements and (iii) Tethys Petroleum 2011 MD&A
Tethys Petroleum 2011 Financial Statements	Tethys Petroleum's audited annual financial statements for the year ended 31 December 2011
Tethys Petroleum 2011 MD&A	Tethys Petroleum's Management's Discussion & Analysis for the year ended 31 December 2011
Tethys Petroleum 2012 AIF	Tethys Petroleum's Annual Information form for the year ended 31 December 2012
Tethys Petroleum 2012 Annual Report	Tethys Petroleum's Annual Report and Accounts for the year ended 31 December 2012 which consists of: (i) Tethys Petroleum 2012 AIF; (ii) Tethys Petroleum 2012 Financial Statements and (iii) Tethys Petroleum 2012 MD&A
Tethys Petroleum 2012 Financial Statements	Tethys Petroleum's audited annual financial statements for the year ended 31 December 2012
Tethys Petroleum 2012 MD&A	Tethys Petroleum's Management's Discussion & Analysis for the year ended 31 December 2012

Tethys Petroleum 2013 AIF	Tethys Petroleum's Annual Information form for the year ended 31 December 2013
Tethys Petroleum 2013 Annual Report	Tethys Petroleum's Annual Report and Accounts for the year ended 31 December 2013 which consists of: (i) Tethys Petroleum 2013 AIF; (ii) Tethys Petroleum 2013 Financial Statements and (iii) Tethys Petroleum 2013 MD&A
Tethys Petroleum 2013 Financial Statements	Tethys Petroleum's audited annual financial statements for the year ended 31 December 2013
Tethys Petroleum 2013 MD&A	Tethys Petroleum's Management's Discussion & Analysis for the year ended 31 December 2013
Tethys Petroleum Q1 2014 Interim Financial Information	Tethys Petroleum condensed consolidated interim financial statements for the period ended 31 March 2014
Tethys Petroleum Q1 2014 Interim MD&A	Tethys Petroleum's Management's Discussion & Analysis for the period ended 31 March 2014
Tethys Petroleum Q1 2014 Interim Report and Accounts	Tethys Petroleum's 2014 Interim Report and Accounts consists of the Tethys Petroleum 2014 Interim MD&A and Tethys Petroleum 2014 Interim Financial Information
TKL	Tethys Kazakhstan Limited, a wholly-owned subsidiary of the Company
Total	Total S.A., the French supergiant oil and gas company
TPI	Tethys Petroleum Incorporated, a wholly-owned subsidiary of the Company
TPU	Tethys Production Uzbekistan, the trading name of Baker Hughes (Cyprus) Limited, a company incorporated in Cyprus and a wholly-owned subsidiary of the Company
TSX	Toronto Stock Exchange
TTL	Tethys Tajikistan Limited, a wholly-owned subsidiary of the Company
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UNG	the Uzbek State oil and gas company, National Holding Company "Uzbekneftgaz"
US or United States	the United States of America, its territories, possessions, any State of the United States of America and the District of Columbia

US\$ or USD	the lawful currency of the United States of America
Uzbek State	the government of Uzbekistan
Uzbekistan	the Republic of Uzbekistan
Uzneftegazdobycha	the Uzbek joint-stock company that is an associated entity of UNG
Uznefteproduct	the Uzbek joint-stock company that is an associated entity of UNG
VAT	value added tax
Vazon	Vazon Energy Limited, a company incorporated in Guernsey that is owned by the Executive Chairman and President of the Company