*A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the Provinces of Canada, other than Newfoundland, Prince Edward Island and Québec, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.*

*This document is in draft form, is being circulated on a restricted and confidential basis only for the purpose of selected pre-marketing and is subject to correction, completion and amendment. As such, this document does not constitute, nor may it accompany, nor form part of, an offer or invitation or the basis on which an offer or invitation may be made by or on behalf of the Company or any placing agent to subscribe or purchase securities and shall not form the basis of, nor may it accompany, nor form part of, any contract to acquire securities in any jurisdiction. Applications for securities will only be considered on the terms of the short form prospectus if and when issued. This document has not been approved by any competent authority including the Guernsey Financial Services Commission and the information contained herein is subject to correction, completion, verification and amendment. Statements herein include statements of circumstances which may exist at the dates upon which the short form prospectus is circulated but which may not exist at the present time.*

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

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

# AMENDED AND RESTATED PRELIMINARY SHORT FORM PROSPECTUS

**New Issue** **May 7, 2008**

TETHYS
Petroleum

**US$20,000,000 (Minimum Offering)**
**US$75,000,000 (Maximum Offering)**

**A Minimum of ● Ordinary Shares and a Maximum of ● Ordinary Shares**

This short form prospectus qualifies the distribution (the "**Offering**") of a minimum of ● ordinary shares (the "**Offered Shares**") (the "**Minimum Offering**") and a maximum of ● Offered Shares (the "**Maximum Offering**") of Tethys Petroleum Limited ("**Tethys**" or the "**Company**") at a price of US$● per Offered Share or C$● per Offered Share (the "**Offering Price**"). The issued and outstanding ordinary shares in the capital of the Company (the "**Ordinary Shares**") are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "TPL". On May 6, 2008, the last trading day before the date of this short form prospectus, the closing price of the Ordinary Shares on the TSX was C$2.50 per Ordinary Share. The terms of the Offering will be determined by negotiation between the Company and Jennings Capital Inc. ("**Jennings**") and TD Securities Inc. (collectively, the "**Agents**"). The Company has applied to list the Ordinary Shares distributed under this short form prospectus on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX. See *"Plan of Distribution"*.

Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council accept any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regards thereto.

**Price: US$● per Ordinary Share[1]**

| | Price to the Public | Agents' Commission[2] | Net Proceeds to the Company[3] |
|---|---|---|---|
| Per Ordinary Share ............................... | US$● | US$● | US$● |
| Minimum Offering ............................... | US$20,000,000 | US$1,400,000 | US$18,600,000 |
| Maximum Offering[4] ........................... | US$75,000,000 | US$4,725,000 | US$70,275,000 |

**Notes:**

(1) The Offering Price is payable in US dollars or in Canadian dollars. The US dollar amount (US$●) is the equivalent of the Canadian dollar (C$●) denominated price of the Offered Shares, calculated at the Noon Buying Rate (as hereinafter defined) on ●, 2008.

(2) The Company has agreed to pay the Agents an aggregate fee equal to 6% of the gross proceeds of the Offering. In addition, the Company has agreed to pay the Agents an additional fee equal to 1% of the gross proceeds of the Offering attributable to the Special Selling Agents (as defined herein). See *"Plan of Distribution".* The Agents' commission was calculated on the assumption that the amount of the gross proceeds of the Offering attributable to the Special Selling Agents will be US$20,000,000 in the case of the Minimum Offering and US$22,500,000 in the case of the Maximum Offering.

(3) Before deducting the expenses of the Offering, estimated to be US$500,000.

(4) The Company has granted to the Agents an irrevocable right (the "**Over-Allotment Option**") to offer for sale up to an additional ● Ordinary Shares (representing 10% of the number of Ordinary Shares sold in the Offering) at the Offering Price on the same terms and conditions as the Offering, exercisable from time to time, in whole or in part, for a period of up to 30 days following closing of the Offering, to cover over-allotments, if any, and for market stabilization purposes. This short form prospectus qualifies both the grant of the Over-Allotment Option and the Ordinary Shares issuable pursuant to the exercise of the Over-Allotment Option. A purchaser who acquires Ordinary Shares forming a part of the Over-Allotment Option acquires those Ordinary Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, in the case of the Maximum Offering, assuming an aggregate fee payable to the Agents equal to 6% of the gross proceeds of the Offering and an additional fee equal to 1% of the gross proceeds of the Offering attributable to the Special Selling Agents, on the basis described in note 2 above, and assuming that no Ordinary Shares sold pursuant to the Over-Allotment Option are attributable to the Special Selling Agents, the total Offering, the Agents' fee and the Net Proceeds to the Company will be US$82,500,000, US$5,175,000 and US$77,325,000, respectively. See *"Plan of Distribution".*

| Agents' Position | Maximum Size | Exercise Period | Exercise Price |
|---|---|---|---|
| Over-Allotment Option | ● Ordinary Shares | Exercisable not later than 30 days after closing of the Offering | US$● per Ordinary Share |

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

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Provided the Minimum Offering has been achieved, it is expected that the closing of the Offering will take place on or about ●, 2008, or such later date as the Company and the Agents may agree. Notwithstanding the foregoing, the distribution of the Offered Shares will not continue for a period of more than 90 days after the date of the receipt for this short form prospectus if subscriptions for the Minimum Offering are not obtained within that period, unless each of the persons or companies who subscribed within that period has consented to the continuation of the Offering.

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

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

The mailing address for the Company's registered office is P.O. Box 524, St. Peter Port, Guernsey, GY1 6EL, British Isles, and the registered office is located at Suite 3, Borough House, Rue du Pre St. Peter Port, Guernsey, British Isles. The Company currently conducts the majority of its operations through its wholly-owned subsidiary, Tethys Services Kazakhstan LLP ("**TSK**"), the head office of which is located at B.C. "Old Square", 98 Panfilov Street, Offices 707-710, 050000 Almaty, Kazakhstan.

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

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## NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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

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

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

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

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

## FOREIGN JURISDICTION

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

## ABBREVIATIONS AND CONVERSION FACTORS

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

| | | | |
|---|---|---|---|
| "atm" | atmospheres | "Mcm" | thousand cubic metres |
| "boe" | barrels of oil equivalent | "Mcm/d" | thousand cubic metres per day |
| "ft" | feet | "mm" | millimetre |
| "km" | kilometre | "MMcf" | million cubic feet |
| "$km^2$" | square kilometre | "MMcf/d" | million cubic feet per day |
| "m" | metre | "psig" | pound - force per square inch gauge |
| "Mboe" | thousands of barrels of oil equivalent | "Tcf" | trillion cubic feet |
| "Mcf" | thousand cubic feet | "Tcm" | trillion cubic metres |
| "Mcf/d" | thousand cubic feet per day | | |

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

| To Convert From | To | Multiply By |
|---|---|---|
| inches | mm | 0.0394 |
| ft | m | 0.305 |
| m | ft | 3.281 |
| miles | km | 1.610 |
| km | miles | 0.621 |
| acres | $km^2$ | 0.004 |
| $km^2$ | acres | 247.1 |
| Mcf | Mcm | 0.0283 |
| Mcm | Mcf | 35.315 |

## PRESENTATION OF OIL AND GAS RESERVES AND PRODUCTION INFORMATION

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

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

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

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

"**Probable**" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"**Possible**" reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

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

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

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

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

## CURRENCY

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

| | **Year ended December 31,** | | |
|---|---|---|---|
| | **2007** | **2006** | **2005** |
| High | C$1.1853 | C$1.1726 | C$1.2704 |
| Low | C$0.9170 | C$1.0990 | C$1.1507 |
| Average | C$1.0748 | C$1.1341 | C$1.2116 |
| End of Period | C$0.9881 | C$1.1653 | C$1.1659 |

On May 6, 2008, the Noon Buying Rate was US$1.00 = C$1.0035 as reported by the Bank of Canada.

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

## DOCUMENTS INCORPORATED BY REFERENCE

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

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

(a) the revised annual information form of the Company dated March 28, 2008, as revised April 21, 2008, for the fiscal year ended December 31, 2007 (the "**AIF**");

(b) the audited comparative consolidated financial statements of the Company and the notes thereto as at and for the years ended December 31, 2007 and 2006, and the auditors' reports thereon;

(c) the independent auditors' report of PricewaterhouseCoopers LLP, Chartered Accountants, dated April 29, 2008 with respect to the compatibility of Canadian Generally Accepted Auditing Standards and International Standards on Auditing (UK and Ireland);

(d) the management's discussion and analysis of the financial condition and results of operations for the year ended December 31, 2007;

(e) the Company's management information circular dated March 20, 2008 in connection with the annual general meeting of the shareholders of the Company held on April 24, 2008; and

(f) the material change report of the Company dated April 30, 2008 with respect to the Offering.

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

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

## TETHYS PETROLEUM LIMITED

The Company was incorporated under the name "Tethys Petroleum Investments Limited" pursuant to *The Companies (Guernsey) Law*, *1994*, as amended, on August 12, 2003. By a special resolution passed on September 11, 2006 and an application granted by the Royal Court of Guernsey on September 22, 2006, the Company changed its name to "Tethys Petroleum Limited". The mailing address for the Company's registered office is P.O. Box 524, St. Peter Port, Guernsey, GY1 6EL, British Isles, and the registered office is located at Suite 3, Borough House, Rue du Pre, St. Peter Port, Guernsey, British Isles. The Company currently conducts the majority of its operations through its wholly owned subsidiary, TSK, the head office of which is located at B.C. "Old Square", 98 Panfilov Street, Offices 707-710, 050000 Almaty, Kazakhstan.

The Company is engaged in the exploration for, and the acquisition, development and production of, oil and natural gas resources in Central Asia, currently in Kazakhstan and Tajikistan. In Kazakhstan, the Company's oil and natural gas interests relate to three areas, namely the Kyzyloi natural gas field and the Akkulka and Kul-Bas exploration blocks, located in three contiguous blocks in an area of Kazakhstan to the west of the Aral Sea, in a geological area known as the North Ustyurt basin. In Tajikistan, the Company's projects are located in the south of the country, in a geologic basin known as the Afghan-Tajik Basin which is the easterly extension of the Amu-Darya Basin which is productive in Uzbekistan and Turkmenistan. In Tajikistan, the Company has concluded an investment and operating agreement covering certain oil and gas fields in southern Tajikistan and has negotiated protocols with the government of Tajikistan which gives the Company the exclusive rights for a period to negotiate a production sharing agreement for the large Kulob area of southern Tajikistan.

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

## RECENT DEVELOPMENTS

### The Rostoshinskoe MOU

On April 24, 2008, Tethys Europa BV ("**Tethys Europa**"), a direct wholly owned subsidiary of Tethys Kazakhstan Limited (which is a direct wholly owned subsidiary of the Company), signed a Memorandum of Understanding (the "**MOU**") with Halyk Finance on behalf of Closed Mutual Investment Fund Halyk Perspectiva ("**Halyk Perspectiva**") in respect of the negotiation of the grant of an option (the "**Option**") in favour of Tethys Europa for the acquisition of up to 50% of the interest (the "**Option Interest**") in the charter capital of Melon Ltd. LLP ("**Melon**"). Melon is a Kazakhstan limited liability partnership whose participation interests are held 100% by Halyk Perspectiva. Melon, through its 99% interest subsidiary, TNG Company LLP ("**TNG**"), holds the rights to explore and produce hydrocarbons from the Rostoshinskoe field (the "**Rostoshinskoe Property**") in Western Kazakhstan, located near the City of Oral, close to the Russian border. The MOU gives Tethys Europa until July 1, 2008 to negotiate the terms of the Option.

Chapman Petroleum Engineering Ltd. of Calgary, Alberta, Canada ("**Chapman**") has prepared a NI 51-101 compliant reserve report as at April 1, 2008, in respect of the Rostoshinskoe Property. A summary of the natural gas reserves evaluated in this report is provided in this short form prospectus. See *"Information Concerning the Rostoshinskoe Property"*.

The MOU contemplates that Tethys Europa will commission McDaniel & Associates Consultants Ltd. ("**McDaniel**") to carry out an assessment of and to prepare a report in respect of the reserves for the Rostoshinskoe Property. It is expected that the report will be finalised by June 15, 2008. Pursuant to the MOU, Halyk Perspectiva will provide all technical and economic data to McDaniel for use by McDaniel in its assessment of and report on the Rostoshinskoe Property. The terms of the agreement in respect of the Option (the "**Option Agreement**") will be negotiated between the Company and Halyk Perspectiva upon reviewing this report.

Under the terms of the MOU, Tethys Europa has a right of first refusal to acquire up to a 50% interest in Melon in the event that Halyk Perspectiva wishes to transfer all or part of its participation interest in Melon, excluding the

Option Interest. Pursuant to the MOU, this right expires July 1, 2008 and the Company expects that it will determine, on or before this date, whether or not to enter into the Option Agreement.

**There is no assurance that the Option Agreement will be entered into and if entered into, no assurance that the Option will be exercised, either in full or in part. Halyk Perspectiva is under no obligation to enter into the Option Agreement or to otherwise dispose of the Option Interest, and Tethys Europa is under no obligation to enter into the Option Agreement or to exercise the Option. The exercise of the Option will be subject to certain conditions, anticipated to include, but not to be limited to, completion of a satisfactory due diligence review of Melon and its assets, a review of the rights held by TNG to the Rostoshinskoe Property and the consent of the Ministry of Energy and Mineral Resources in the Republic of Kazakhstan to the transfer of the Option Interest. In addition, should Tethys Europa enter into the Option Agreement and elect to exercise the Option, the Company may need to raise additional financing to fund the Option and there is no guarantee that such financing will be available on terms acceptable to the Company, or at all.**

For a more detailed description of the Rostoshinskoe Property and the reserves attributable thereto, please see *"Information Concerning the Rostoshinskoe Property"* in this short form prospectus.

### Rig Financing Secured

The Company announced on March 19, 2008, that its wholly-owned subsidiary, Tethys Petroleum Inc. ("**TPI**") secured loan financing (the "**Capital Loan**") from a group of accredited investors in the amount of US$5,300,000 to be used to fund the purchase of a new drilling rig originating from China ("**Drilling Rig #1**"). Drilling Rig #1 is expected to be available for delivery in May 2008.

The availability of a Company-owned drilling rig should provide additional flexibility for the Company and result in lower costs when compared to costs incurred in hiring a drilling rig from a third party. Drilling Rig #1 would also be available for third party contracts to create an additional revenue stream during periods of inactivity. Delivery of Drilling Rig #1 is expected by June 30, 2008.

The average annual interest payable on the loan expressed as a percentage of the total borrowed funds is 9.3%. Interest and principal payments are required to be made monthly, with a significant balance due at the end of the three-year term. The Company also issued 795,000 warrants to the lenders (the "**Lender Warrants**") to purchase Ordinary Shares within a term of three years at an exercise price of C$3.25 per share. Tethys and TPI are parties to the loan agreement and the loan is secured by a pledge of the shares of TPI.

### Listing on Kazakhstan RFCA

The Company announced on March 28, 2008, that its Ordinary Shares had been approved for listing on the Official List of the Regional Financial Centre of Almaty Special Trading Floor (the "**RFCA**") operated by the Kazakhstan Stock Exchange JSC. The listing will become effective following the execution of registration documentation and is expected in May 2008.

### AKK14 Exploration Well

On April 2, 2008, the Company announced drilling results from the AKK14 exploration well in the Central part of the Akkulka Block in Western Kazakhstan. The Company reported that the AKK14 exploration well had tested gas from two intervals at a combined rate of 13.3 MMcf (377 Mcm) of gas per day, the highest rate tested on a well by the Company to date.

The AKK14 well was drilled in the central part of the Akkulka Block on a separate prospect between the AKK13 and AKK04 discoveries and targeted both the Kyzyloi Sand interval (the productive reservoir in Tethys' nearby Kyzyloi Field) and the deeper Tasaran Sand interval.

The well reached a total depth of 2,152 ft (656 m) having encountered the top of the Tasaran Sand at 1,985 ft (605 m) and the Kyzyloi Sand at 1,608 ft (490 m). Evaluation of the wireline log data indicated that gas was present in both zones and as such two separate production tests were carried out on the well.

The Tasaran Sand interval flowed gas at a stabilised rate of 7.5 MMcf/d (212 Mcm/d) with a flowing tubing head pressure ("**FTHP**") of 163 psig (11.1 atm) on a 76/64 inch (30 mm) choke. The Kyzyloi Sand interval flowed gas at a stabilised rate of 5.8 MMcf/d (164 Mcm/d) with a FTHP of 152 psig (10.4 atm) on 76/64 inch (30 mm) choke. Further work will be required to ascertain the extent of the deposit.

This is the first commercial discovery of gas made in the Tasaran Sand in the area and opens up a new play over the Company's Akkulka and Kul-Bas Blocks. The Tasaran is made up of several units of thick (up to 20 ft (6 m)), blocky, medium grained sandstones and are more conventional reservoirs than the generally thinner and finer grained overlying Kyzyloi sandstone unit. In the light of the Tasaran test, Tethys is re-examining existing seismic and in conjunction with revised petrophysics has outlined several potential untested Tasaran zones in older wells, as well as new leads, which will form part of the focus for further exploration for this play within Akkulka and Kul-Bas areas later in the year.

**Drilling Commenced on First Exploration Well on Kul-Bas Exploration Block**

The Company announced on April 11, 2008 the commencement of drilling on well KUL01, the first of the Company's exploration wells planned on the Kul-Bas exploration block (8,658 $km^2$ or 2.14 million acres) which surrounds the Akkulka area on which Tethys has made several gas discoveries to date.

Well KUL01 is located 5.3 miles (8.6 km) to the south west of Bozoi village and to the north of the tie-in point of the Company's producing Kyzyloi gas field to the Bukhara-Urals trunkline system. The well is planned to be drilled to a total depth of 1,968 ft (600 m) targeting the shallow gas sands equivalent to the Kyzyloi sand units and potential deeper targets. The Company expects that the well will take approximately six weeks to drill and complete and that preliminary test results will become available in June 2008.

**Results of 2008 Annual General Meeting**

At the Company's April 24, 2008 Annual General Meeting, shareholders of the Company approved the following matters (in addition to the election of directors and the appointment of auditors):

(i) the continuance of the Company as a company governed by the laws of the Cayman Islands (the "**Continuance**"), which is expected to be completed by June 30, 2008, subject to approvals in Guernsey;

(ii) the adoption of new Memorandum and Articles and an increase in the authorized share capital of the Company from US$50,000,000 to US$75,000,000 by the creation of an additional 200,000,000 Ordinary Shares (for a total of 700,000,000) and 50,000,000 preference shares of US$0.10 par value each, in each case to be effective upon completion of the Continuance;

(iii) the adoption of a shareholder rights plan, which the Company proposes to adopt concurrently with the Continuance; and

(vi) an increase in the number of Ordinary Shares reserved for issuance under the Company's stock incentive plan from 4,511,670 to 7,511,670 Ordinary Shares and the ratification of an option grant.

Since the Continuance was approved at the Annual General Meeting, the Company proposes to proceed in this regard and expects that the Continuance will be effective after the completion of the Offering.

A detailed description of each of the foregoing matters, including a description of the procedure for completing the Continuance, and the effect of the Continuance on the Ordinary Shares, is included in the Company's management information circular dated March 20, 2008, which is incorporated by reference into this short form prospectus.

## CURRENT CAPITAL INVESTMENT PROGRAM

The Company intends to carry out additional capital investment on its projects in Kazakhstan and Tajikistan during the remainder of 2008. On Kyzyloi and on the recent shallow gas discoveries made in the Akkulka Block, the Company plans to tie-in these discoveries, modify and increase compression capacity, and add additional facilities with the aim of doubling current production by the end of the year; the capital cost of this program being estimated at US$6,000,000. In addition, the Company plans to drill three new shallow gas exploration wells (including KB01) on the Kul-Bas block, targeting both the Kyzyloi and other sands at a cost of US$3,000,000, and additional seismic at a cost of US$870,000. Drilling Rig #1 is to be moved from the factory in China to drill the first deep exploration well on the Akkulka Block (well AD01), targeting Jurassic/Triassic oil, gas and condensate potential in a large mapped structure on the south-east of the Akkulka high. This well, to be drilled with Drilling Rig #1, is budgeted at approximately US$7,000,000 and is currently expected to commence drilling in August, 2008. The well is expected to reach a total depth of 4,500 m (14,760 ft) in 120 days. In Tajikistan, work is underway on re-perforating wells on the Beshtentak field and work on the Khoja Sartez field is expected to commence soon. These data will assist in future redevelopment activities on the fields. Subject to finalization of a Production Sharing Agreement, the Company plans to spend approximately US$3,000,000 of its current capital in Tajikistan in 2008 (representing its 51% share of expenditures planned by the subsidiary of Seven Stars Energy Corporation, which is expected to be the counterparty to a Production Sharing Agreement if such agreement is finalized).

The capital investment program described above is not dependant on completion of the Offering. For a description of the work program to be funded by the proceeds of the Offering, see "*Use of Proceeds*".

## INFORMATION CONCERNING THE ROSTOSHINSKOE PROPERTY

### General

On April 24, 2008, the Company announced that it had entered into the MOU to negotiate the terms of an option to acquire up to a 50% interest in the Rostoshinskoe Property. See "*Recent Developments*".

As the Company does not currently own or have a right to acquire the Rostoshinskoe Property, the information under this heading has been summarized from publicly available information and information available from third parties.

The reserves data for the Rostoshinskoe Property contained in this short form prospectus is based solely upon an independent engineering report prepared by Chapman dated April 1, 2008 with an effective date of April 1, 2008 (the "**Chapman Report**") in respect of the reserves attributable to the Rostoshinskoe Property. The reserves data summarizes the natural gas reserves of the Rostoshinskoe Property. The Chapman Report has been prepared in accordance with NI 51-101.

**The Chapman Report was prepared by Chapman for the Company based on data supplied by Halyk Perspectiva to Chapman, for the purpose of assisting the Company in making a determination as to the hydrocarbon potential of the Rostoshinskoe Property. The Company was unable to assess Halyk Perspectiva's procedures for providing information to Chapman or for assembling and reporting other information to Chapman associated with TNG's oil and gas activities. The Company plans to commission a reserve report from McDaniel to confirm the Chapman Report. The report to be prepared by McDaniel is expected to be completed by June 15, 2008. The reserves reported by McDaniel may differ from the reserves reported by Chapman.**

### Description of the Rostoshinskoe Property

The Rostoshinskoe Property covers approximately 31 $km^2$ (7,660 acres), located in the Zelenovsky region of Western Kazakhstan, approximately 15 km from the City of Oral. The Rostoshinskoe field is located within Blocks XIV-10-A (partially) and XIV-10-B (partially), in Kazakhstan, on the northern edge of the Pre-Caspian basin and to the west of the giant Karachaganak gas condensate field.

In Tethys' management's view, the natural gas market in this region is well developed. There is a system of domestic and export pipelines adjacent to the Rostoshinskoe Property. The Company anticipates that if it were to acquire an interest in the property and proceed to development, it would work toward producing natural gas for export sales and also for domestic customers. Production from the Rostoshinskoe Property will be subject to the royalty and tax regime of the Republic of Kazakhstan.

The field was discovered in 1993 with well Rostoshinskoe #1 which tested gas from the Middle Carboniferous and Lower Permian and Upper Permian Sequences. The well was drilled to evaluate a base Upper Permian structure associated with salt tectonics and mapped on 2D seismic data. These reservoir zones consist of carbonate rocks with the Middle Carboniferous reservoir comprising an organic partly oolitic reefal type build up, with porosity ranging from 4.4 to 12% and averaging 6.1%. Several tests were carried out on the well with two zones tested in the Middle Carboniferous with rates averaging 7.1 MMcf/d, a Lower Permian zone with rates averaging 6 MMcf/d and an Upper Permian zone with rates averaging 1 MMcf/d. The top of the Upper Permian carbonates was encountered at 13,835 ft (4,218 m), while the Lower Permian/ Middle Carboniferous stacked reservoirs was at a depth of 15,110 ft (4,607 m). The gas tested was predominantly methane (89 - 95%). Well Rostoshinskoe #2 was drilled to appraise well #1 and was abandoned for geologic reasons. It encountered an unexpected fault and salt tectonic structure not identified on the seismic data. The Upper Permian came in high to well #1 but the Lower Permian /Middle Carboniferous came in low and did not test gas.

## Reserves Data

The table below is a summary of the natural gas reserves attributable to the Rostoshinskoe Property as evaluated and presented in the Chapman Report. The table summarizes the data in the Chapman Report and, as a result, may contain slightly different numbers than the report due to rounding. Also, due to rounding, certain columns may not add exactly.

**The reserves estimates attributed to the Rostoshinskoe Property described herein are estimates only. The actual reserves attributed to the Rostoshinskoe Property may be greater or less than those calculated.**

**Summary of Oil and Natural Gas Reserves Attributable to the Rostoshinskoe Property**
**As of April 1, 2008**
**(Forecast Prices and Costs)[(1)(2)(3)]**

| | Natural Gas | | Boes | |
|---|---|---|---|---|
| **Reserves Category** | **Gross (MMcf)** | **Net (MMcf)[(4)]** | **Gross (Mboe)** | **Net (Mboe)[(4)]** |
| **Proved** | | | | |
| Developed Producing | - | - | - | - |
| Developed Non-Producing | 82,826 | 81,169 | 13,804 | 13,528 |
| Undeveloped | 82,826 | 81,169 | 13,804 | 13,528 |
| **Total Proved** | **165,652** | **162,339** | **27,608** | **27,056** |
| Probable | 398,473 | 367,360 | 66,412 | 65,084 |
| **Total Proved Plus Probable** | **564,125** | **552,843** | **94,021** | **92,141** |

**Notes:**
(1) Columns may not add due to rounding.
(2) The forecast cost and price assumptions set out in the table above, assume a gas price of US$5.66 per Mcf and the continuance of current laws and regulations, and take into account inflation with respect to future operating and capital costs. In the Chapman Report, operating costs and capital costs are assumed to escalate at 2.0% per annum from 2009 to 2023. Thereafter there is no escalation.
(3) The values presented are for 100% of the Rostoshinskoe Property. The Company's potential Option Interest contemplated in the MOU is up to a maximum of a 50% interest in a corporation which holds a 99% indirect interest in the rights to explore and produce hydrocarbons from the Rostoshinskoe Property.
(4) After 2% royalty.

## Additional Information Relating to Reserves Data

### *Significant Factors or Uncertainties*

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

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

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

## CAPITALIZATION OF THE COMPANY

The following table sets forth the Company's capitalization as at December 31, 2007, before and after giving effect to the Offering and the Capital Loan associated with the purchase of Drilling Rig #1 in 2008, described under "*Recent Developments - Rig Financing Secured*".

| **Description of the Security** | **Authorized** | **As at December 31, 2007 before giving effect to the Offering and the Capital Loan[4]** | **As at December 31, 2007 after giving effect to the Offering[1] and the Capital Loan[4]** |
|---|---|---|---|
| ***Stockholders Equity*** Ordinary Shares[2] [3] (basic) | 500,000,000 | US$119,565,000 (45,116,696 Ordinary Shares) | US$189,340,000 (● Ordinary Shares) |
| ***Accumulated Deficit*** | N/A | (US$51,625,000) | (US$51,625,000) |
| | | US$67,940,000 | US$137,715,000 |
| ***Capital Loan[4]*** | N/A | - | US$5,238,500 |
| ***Total*** | | US$67,940,000 | US$142,953,500 |

**Notes:**

(1) Based on the issuance of ● Ordinary Shares pursuant to the Maximum Offering for gross proceeds of US$75,000,000, less the Agents' fee of US$4,725,000, and other expenses of the Offering estimated to be US$500,000 (assuming that the Over-Allotment Option is not exercised), the payment in aggregate of fees to the Agents of 6% of the gross proceeds of the Offering, and the payment to the Agents of the additional fee equal to 1% of the gross proceeds of the Offering attributable to the Special Selling Agents (US$22,500,000). If the Maximum Offering is achieved and the Over-Allotment Option is exercised in full, Stockholders Equity as at December 31, 2007 after giving effect to the Offering, will be approximately US$196,390,000 (● Ordinary Shares).

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

(3) As at May 6, 2008, the Company also had outstanding: (i) options to purchase an aggregate of 4,590,000 Ordinary Shares at a weighted average exercise price of US$2.76 per share; (ii) warrants ("**2017 Warrants**") to acquire an aggregate of 2,090,000 Ordinary Shares at an exercise price of US$2.50 per share; (iii) performance warrants ("**Performance Warrants**") to acquire an aggregate of 6,767,504 Ordinary Shares at a weighted average exercise price of US$5.87; (iv) warrants ("**Short Term Loan Warrants**") to acquire an aggregate of 1,346,154 Ordinary Shares at an exercise price of US$2.50 per share; (v) Lender Warrants to acquire an aggregate of 795,000 Ordinary Shares at an exercise price of C$3.25 per share; and (vi) agents' compensation options ("**Agents' Compensation Options**") issued on June 27, 2007 in connection with the Company's initial public offering, to acquire an aggregate of 659,090 Ordinary Shares at a price of US$2.75 per Ordinary Share.

(4) On March 19, 2008, the Company's wholly owned subsidiary, TPI, secured loan financing in the amount of US$5,300,000 (US$5,238,500 as at May 6, 2008). The average annual interest payable on the loan is 9.3%. Interest and principal payments are required to be made monthly, with a significant balance due at the end of the three-year term. The loan is secured by a pledge of the shares of TPI. See *"Recent Developments"*.

## DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of 500,000,000 Ordinary Shares of which 45,116,696 Ordinary Shares are issued and outstanding as at May 6, 2008. The holders of Ordinary Shares are entitled to receive such dividends as the Company's directors may from time to time declare. In the event of the winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, the holders of Ordinary Shares are entitled to the surplus assets of the Company in proportion to their respective shareholdings and generally will be entitled to enjoy all of the rights attaching to shares of the Company. At a general meeting, holders of Ordinary Shares are entitled on a show of hands to one vote and on a poll to one vote for every share held.

At the Company's Annual General Meeting held on April 24, 2008, shareholders approved an increase in the Company's authorised capital, effective upon completion of the Continuance. The rights of holders of Ordinary Shares will be substantially the same following completion of the Continuance. Additionally, following the completion of the Continuance, the Company will be authorized to issue up to 50,000,000 preference shares ("**Preference Shares**"), issuable in one or more series. The holders of Preference Shares (if and when issued), will be entitled to dividends granted on such shares in priority to dividends granted to holders of Ordinary Shares, and the Preference Shares also confer upon holders thereof, certain rights on dissolution, which are in priority the rights conferred upon holders of Ordinary Shares in such circumstances. See "*Recent Developments - Results of 2008 Annual General Meeting*".

## PRIOR SALES

### Prior Sales

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

| Date | Securities | Price Per Security | Number of Securities |
|---|---|---|---|
| May 9, 2007 | Ordinary Shares | US$2.50 | 6,000,000 |
| June 8, 2007 | 2017 Warrants | US$2.50(1) | 2,090,000 |
| June 26, 2007 | Options | US$2.75(1) | 4,167,000 |
| June 26, 2007 | Performance Warrants | (2) | 6,767,504 |
| June 27, 2007 | Short Term Loan Warrants | US$2.50(1) | 1,346,154 |
| June 27, 2007 | Ordinary Shares | US$2.75 | 18,181,818 |
| June 27, 2007 | Agents' Compensation Options | US$2.75 | 659,090 |
| September 19, 2007 | Options | US$2.75(1) | 270,000 |
| December 7, 2007 | Options | US$3.18(1) | 60,000 |
| April 7, 2008 | Lender Warrants | C$3.25 | 795,000 |
| April 25, 2008 | Options | US$2.75 | 129,000 |

**Notes:**

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

(2) On June 26, 2007, the Company granted to certain of its officers, Performance Warrants to acquire an aggregate of 6,767,504 Ordinary Shares. The Performance Warrants are exercisable at US$4.125 per share until December 27, 2009, US$5.50 per share until June 27, 2011 and US$6.875 per share until December 27, 2012.

### Price Range and Volume of Trading of Ordinary Shares

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

| Date | High (C$) | Low (C$) | Trading Volume |
|---|---|---|---|
| **2007** | | | |
| June(1) | 3.00 | 2.65 | 123,708 |
| July | 4.01 | 2.77 | 9,452,684 |
| August | 3.10 | 2.31 | 1,811,915 |

| | | | |
|---|---|---|---|
| September | 3.20 | 2.40 | 1,506,990 |
| October | 3.90 | 2.81 | 1,378,900 |
| November | 3.40 | 2.80 | 696,852 |
| December | 3.10 | 2.80 | 3,290,290 |
| **2008** | | | |
| January | 3.10 | 2.59 | 1,142,659 |
| February | 2.90 | 2.60 | 273,510 |
| March | 2.84 | 2.50 | 1,964,502 |
| April | 2.84 | 2.25 | 896,960 |
| May(2) | 2.68 | 2.30 | 65,700 |

**Notes:**

(1) Represents the period from June 27, 2007 to June 30, 2007.

(2) Represents the period from May 1, 2008 to May 6, 2008.

## USE OF PROCEEDS

The net proceeds to the Company from the sale of the Offered Shares distributed under this short form prospectus are estimated to be US$18,100,000, in the case of the Minimum Offering and US$69,775,000, in the case of the Maximum Offering, after deducting the Agents' fee of US$1,400,000, in the case of the Minimum Offering and US$4,725,000, in the case of the Maximum Offering and the estimated expenses of this Offering of US$500,000. If the Over-Allotment Option is exercised in full, the net proceeds of the Offering, after deducting the Agents' fee and the expenses of the Offering, are estimated to be approximately US$76,825,000. If the Over-Allotment Option is exercised in full, the total price to the public, the Agents' fee and net proceeds to the Company will be approximately US$82,500,000, US$5,175,000 and US$77,325,000, respectively, before deducting the expenses of the Offering.

The net proceeds of the Offering are intended to be used by the Company to fund work on the Company's existing properties in Kazakhstan and Tajikistan and for working capital and general corporate purposes, as provisionally indicated in the table below.

| | Minimum Offering(1) (US$000) | Maximum Offering(1) (US$000) |
|---|---|---|
| ***Existing Projects*** | | |
| *Kul–Bas Block* | | |
| Additional Shallow Gas Exploration Wells and Tie-Ins | 9,600 | 12,000 |
| West Kul-Bas Deep Well | - | 8,000 |
| Additional Seismic | 2,500 | 2,500 |
| Additional Infrastructure | - | 8,000 |
| *Tajikistan* | | |
| Horizontal Drilling | - | 2,550 |
| Additional Seismic and Studies | - | 2,040 |
| Infrastructure | - | 1,275 |
| Deepening Potential Gas Exploration Well | - | 2,550 |
| *Physical Drilling Equipment Purchases* | | |
| Drilling Rig #1 Finance Make-Up | 5,000 | 5,000 |
| Top Drive for Drilling Rig #1 | - | 2,000 |
| Rig #2 - Estimated Purchase Cost | - | 8,000 |
| ***New Projects*** | | |
| *Other Central Asian Countries* | - | 3,000 |
| *Kazakhstan* | - | 10,000 |
| ***Working Capital and General Corporate Purposes*** | 1,000 | 2,860 |
| **Total** | **18,100** | **69,775** |

**Note:**

(1) The net proceeds have been calculated on the basis that the gross proceeds of the Offering attributable to the Special Selling Agents will be US$20,000,000 (for the Minimum Offering) and US$22,500,000 (for the Maximum Offering), and therefore, the portion attributable to the Special Selling Agents will be subject to an aggregate commission of 7%, with the balance (if any), being subject to a commission of 6%.

If the Minimum Offering is achieved, the Company intends to drill an additional eight shallow exploration wells in the Kul-Bas exploration and production area in Kazakhstan for an expected cost (including tie-ins) of US$9,600,000, acquire additional seismic on the Kul-Bas area for approximately US$2,500,000 (or possibly use a portion of these funds to accelerate exploration and development activities in Tajikistan), replace US$5,000,000 of funds spent by Tethys toward the cost of Drilling Rig #1 recently acquired, and for additional working capital of US$1,000,000.

If the Maximum Offering is achieved, in addition to the work outlined above with respect to the Minimum Offering, the Company intends to drill an additional two shallow exploration wells in the Kul-Bas exploration and production area in Kazakhstan for an expected cost (including tie-ins), of US$2,400,000, resulting in a total of ten wells drilled in this area (including the wells expected to be drilled from funds raised under the Minimum Offering), drill a deep exploration well in the Kul-Bas area for US$8,000,000, purchase additional development infrastructure and optimize the Company's gas pipeline system in Kazakhstan for an expected cost of US$8,000,000 and fund possible acquisition costs in Kazakhstan for up to US$10,000,000. In Tajikistan, the Company plans to drill a horizontal well for a net cost of US$2,550,000, shoot additional seismic for US$2,040,000, fund additional infrastructure in the Kulob area for approximately US$1,275,000 and deepen an existing possible gas exploration well for an estimated cost of US$2,550,000. These costs represent the amount Tethys expects to be required to fund in connection with its 51% interest in Seven Stars Energy Corporation (with Sangam Limited holding the remaining 49%), in respect of the production sharing agreement being negotiated over the Kulob area in Tajikistan and in connection with the Investment and Operating Agreement in place on certain fields in this area. In addition, if the Maximum Offering is achieved, the Company anticipates purchasing an additional land drilling rig for use on shallower fields and horizontal drilling (estimated expenditures of approximately US$8,000,000) and a "top drive" drilling unit for Drilling Rig #1 (estimated expenditures of approximately US$2,000,000). The Company would also allocate US$3,000,000 toward additional opportunities in Central Asia and a further US$1,860,000 for working capital purposes (for a total of US$2,860,000).

If the Company enters into an Option Agreement in respect of the Rostoshinskoe Property, the Company may re-allocate some of the funds allocated for additional projects to the payment of a deposit for the Option and associated work program.

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

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

## PLAN OF DISTRIBUTION

Pursuant to the terms and conditions of the agency agreement dated as of ●, 2008 between the Company and the Agents (the "**Agency Agreement**"), the Company has appointed the Agents to offer for sale on a "commercially reasonable efforts" basis, subject to compliance with all legal requirements and the terms and conditions contained in the Agency Agreement, ● Offered Shares in the case of the Minimum Offering and up to ● Offered Shares in the case of the Maximum Offering at a price of US$● per Offered Share or C$● per Offered Share, payable in cash against delivery of certificates representing the Offered Shares, for gross proceeds of US$20,000,000 in the case of the Minimum Offering and US$75,000,000 in the case of the Maximum Offering. The Offering Price is payable in US dollars or in Canadian dollars. The Canadian dollar amount is the equivalent of the US dollar denominated price of the Offered Shares, calculated at the Noon Buying Rate on ●, 2008. Closing of the Offering is expected to occur on or about ●, 2008 or such later date as may be agreed upon by the Company and the Agents. While the Agents have agreed to use their commercially reasonable efforts to sell the Offered Shares, the Agents are not obliged to purchase any Offered Shares that are not sold. The obligations of the Agents under the Agency Agreement may be terminated at the Agents' discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The terms of the Offering will be determined by negotiation between the Company and the Agents.

The Agency Agreement provides for payment by the Company of the Agents' fee, which is equal to 6% of the gross proceeds raised in the Offering, for various services rendered to the Company in connection with the Offering. In addition, the Agency Agreement provides that Quam Capital Ltd. ("**Quam**") and Astana Finance ("**Astana**") (individually, a "**Special Selling Agent**" and collectively, the "**Special Selling Agents**") will be designated as special selling agents for the purpose of procuring subscribers in certain jurisdictions outside of Canada, where each such Special Selling Agent is qualified to carry on business. Of the amount of the Maximum Offering, a minimum of US$22,500,000 will be made available to be sold by the Special Selling Agents, allocated as to US$20,000,000 for Quam and US$2,500,000 for Astana. The Special Selling Agents may be allocated, at the discretion of the Company, subject to Jennings' approval on behalf of the Agents, up to an additional US$52,500,000, subject to the Offering not exceeding the amount of the Maximum Offering. The Agency Agreement provides that the Company will pay to the Agents an additional fee equal to 1% of the gross proceeds of the Offering attributable to sales made by the Special Selling Agents.

The Company has granted to the Agents the Over-Allotment Option to offer for sale up to ● Ordinary Shares (representing 10% of the number of Ordinary Shares sold in the Offering), at the Offering Price, on the same terms and conditions as the Offering, exercisable from time to time, in whole or in part, for a period of up to 30 days following closing of the Offering, to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, assuming the Maximum Offering and an Agents' fee equal to 6% of the gross proceeds of the Offering and an additional fee equal to 1% of the gross proceeds of the Offering attributable to the Special Selling Agents (on the assumption that US$22,500,000 of the gross proceeds of the Offering are attributable to the Special Selling Agents), the total Offering, the Agents' fee and the net proceeds to the Company (before deducting expenses of the Offering) will be US$82,500,000, US$5,175,000 and US$77,325,000, respectively.

Provided that the Minimum Offering has been achieved, it is expected that closing of the Offering will take place on or about ●, 2008, or such later date as the Company and the Agents may agree. Notwithstanding the foregoing, the distribution of the Offered Shares will not continue for a period of more than 90 days after the date of a receipt for this short form prospectus if subscriptions for the Minimum Offering are not obtained within that period, unless each person or company who subscribed within that period has consented to the continuation of the Offering. It is expected that definitive certificates representing the Offered Shares will be available for delivery at closing.

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

Pursuant to the policies of certain Canadian securities regulatory authorities, the Agents may not, throughout the period of distribution under this short form prospectus, bid for or purchase any Offered Shares for their own account or for accounts over which they exercise control or discretion. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Ordinary Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by Market Regulation Services Inc. relating to market stabilization and passive market making activities, and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing, the Agents may over-allot and effect transactions which stabilize or maintain the market price of the Ordinary Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Company has agreed that it will not, without the prior consent of Jennings, on behalf of the Agents, which consent shall not be unreasonably withheld, issue, sell, grant an option or right in respect of, or otherwise dispose of (or announce any intention to effect the foregoing) any Ordinary Shares or any securities giving the right to acquire Ordinary Shares, at any time prior to 90 days after the initial closing of the Offering, except in accordance with the Company's stock incentive plan, pursuant to previously issued securities convertible or exchange into Ordinary Shares or pursuant to a corporate or asset acquisition by the Company.

The Company has granted Jennings a right of first refusal to act as lead agent or lead underwriter with respect to any equity financings undertaken by the Company for a period of three months following the initial closing of the Offering.

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

The Company has applied to list the Ordinary Shares distributed under this short form prospectus on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX.

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

This preliminary short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in the United States. In addition, until 40 days after the closing of the Offering, any offer or sale of Offered Shares within the United States by any dealer (whether or not participating in the Offering), may violate the registration requirements of the 1933 Act if such offer or sale is made other than in accordance with an available exemption under the 1933 Act.

## RISK FACTORS

An investment in the Ordinary Shares is subject to certain risks and 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 reserves. Investors should carefully consider the risks described under the heading *"Risk Factors"* in the AIF incorporated by reference in this short form prospectus as well as the risk factor set forth below and elsewhere in this short form prospectus prior to making an investment decision and consult their own experts where necessary.

### Risks Related to the Company and its Business

#### *Possible Failure to Reach Agreement on the Terms of the Option*

Although the Company has the exclusive right to negotiate the terms of the Option (until July 1, 2008) and has a right of first refusal (until June 15, 2008), the Company does not have a right to the Option. The negotiation of the terms of the Option are subject to normal commercial risks that agreement may not be reached on terms acceptable to the Company or at all. If the Company is unable to reach agreement in respect of the Option, the Company could suffer adverse consequences, including the payment of costs in respect of reports from reserves auditors and legal fees and the loss of investor confidence. Even if the Company is successful in entering into the Option Agreement, there is no certainty that the Company will elect to acquire the Option Interest in the Rostoshinskoe Property. If the Company enters into the Option Agreement, it may be required, through its wholly owned subsidiary, Tethys Europa, to pay a deposit and complete a specified work program. If the Company chooses not to proceed with the acquisition of the Option Interest, it may not be able to recover any part of the deposit paid in respect thereof or any amounts paid in respect of the work program.

***Completion, Operational and Reserves Risks Relating to the Rostoshinskoe Property***

The risk factors set forth in the AIF relating to the oil and natural gas business and the operations and reserves of the Company apply equally with respect to the Rostoshinskoe Property. In particular, the reserve and recovery information contained in the Chapman Report in respect of the Rostoshinskoe Property is only an estimate of actual production from, and ultimate reserves of, those properties. Reserves of those properties may be greater or less than the estimates contained in such reports. Currently, the Company has only the MOU in respect of the Rostoshinskoe Property and therefore, there is no guarantee that negotiations will result in the acquisition of the Option, that if obtained, the Option will be exercised, or that the Company will have sufficient funds to exercise the Option and thereby acquire any or all of the Option Interest.

***Acquisitions***

Acquisitions of oil and gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the Company. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

Although contract and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in exploration and production rights will not arise to compromise the Company’s rights to certain assets or that environmental defects or deficiencies do not exist. Such deficiencies or defects could reduce the amounts distributable to shareholders, and could result in a reduction of capital.

The integration of acquired businesses requires the dedication of substantial management effort, time and resources which may divert management’s focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the Company’s ability to achieve the anticipated benefits of these and future acquisitions.

***Relinquishment of Exploration Rights***

There are mandatory relinquishments under the Kul-Bas Exploration and Production Contract (see “*Kul-Bas Block and Kul-Bas Exploration and Production Contract*” in the AIF) which require the Company to relinquish 20% of the contract area annually, except for areas in which a discovery is made. Twenty percent (20%) of the contract area was relinquished at the end of 2007. Although the Company proposes to drill additional wells on the Kul-Bas Block in 2008, it will relinquish 20% of the contract area at the end of 2008 and may relinquish additional areas in each year thereafter (until the end of the six year exploration period ending at the end of 2011). In addition, the exploration rights under the Akkulka Exploration Licence and Contract (see “*Akkulka Exploration Licence and Contract*” in the AIF) are currently in effect until September 17, 2009. The Company has obtained an extension to evaluate discoveries made on the Akkulka Block and is in the process of applying for production contracts in respect of discoveries in the contract area. The exploration rights on those areas of the Akkulka Block outside the areas subject to an application for a production contract or subject to an evaluation extension, are not expected to be renewed after September 17, 2009.

**Risks Relating to the Offering**

***Share Price Volatility***

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

***Liquid Public Market***

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

***Discretion in the Use of Proceeds***

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

***Dividends***

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

***Dilution***

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

***Enforcement of Judgments Against the Company and Directors and Officers***

The Company and the directors and officers of the Company, including those directors and officers that have signed this short form prospectus, are incorporated or reside outside of Canada and all of the Company's operations and related assets are located outside Canada. Although the Company and those directors and officers of the Company that have signed this short form prospectus have appointed Borden Ladner Gervais LLP, Toronto, Ontario, Canada as agent for service of process, it may not be possible for investors to collect from the Company or those directors and officers of the Company that have signed this short form prospectus, judgments obtained in Canadian courts predicated on the civil liability provisions of securities legislation.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP and Blake, Cassels & Graydon LLP, and subject to the provisions of any particular plan, provided that the Ordinary Shares are listed on a prescribed stock exchange (which includes the TSX) at the relevant time, the Ordinary Shares will, when issued, constitute qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income plans, deferred profit sharing plans, registered disability savings plans and registered education savings plans.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

This summary does not apply to a Holder that is a "financial institution" for purposes of the mark-to-market provisions of the Tax Act or a Holder of an interest which is a "tax shelter investment" (both as defined in the Tax Act) or to whom the functional currency reporting rules contained in subsection 261(4) of the Tax Act would apply. Such Holders should consult their own tax advisors.

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

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

### Foreign Investment Entity Status

Bill C-10, which received second reading in the Senate and was referred to the Banking, Trade and Commerce Committee on December 4, 2007, will amend the Tax Act (if passed by the Senate and enacted in their current form) in relation to the income tax treatment of investments by Canadian residents in non-resident entities that constitute "foreign investment entities" (each, a "**FIE**") applicable for taxation years commencing after 2006 (the "**FIE Tax Rules**"). In general terms, the FIE Tax Rules, as currently drafted, would apply to require a Holder that holds a "participating interest" (that is not an "exempt interest") in a non-resident entity that is a FIE at the entity's taxation year-end to take into account in computing the Holder's income for the Holder's taxation year that includes such taxation year-end: (i) an amount based on a prescribed rate of return on the "designated cost" of such participating interest held by the Holder at the end of each month ending in the Holder's taxation year at which time the participating interest is held by the Holder; (ii) in certain limited circumstances, any gains or losses accrued on such participating interest for the year; or (iii) in certain limited circumstances, the Holder's proportionate share of the FIE's income (or loss) for the year calculated using Canadian tax rules. For the purposes of the FIE Tax Rules, the Offered Shares will constitute participating interests in the Company.

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

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

**Foreign Property Information Reporting**

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

**Disposition of Offered Shares**

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

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

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

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

**Taxation of Dividends Received by Holders of Offered Shares**

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

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

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

## AUDITORS, TRANSFER AGENT AND REGISTRAR

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

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

## INTERESTS OF EXPERTS

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

Reserves estimates contained herein in respect of the Rostoshinskoe Property have been prepared by Chapman and reserves estimates incorporated by reference in this short form prospectus in respect of the Company's current assets have been prepared by McDaniel. As at the date hereof, the principals of Chapman and McDaniel, each as a group, beneficially own, directly or indirectly, less than 1% of the securities of the Company.

## PURCHASERS' STATUTORY RIGHTS

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

## AUDITORS' CONSENTS

### Consent of PricewaterhouseCoopers LLP

We have read the short form prospectus of Tethys Petroleum Limited (the "**Company**") dated ●, 2008, qualifying the distribution of a minimum of ● Ordinary Shares of the Company and a maximum of ● Ordinary Shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report dated March 28, 2008, to the shareholders of the Company on the consolidated balance sheet of the Company as at December 31, 2007 and the consolidated statements of operations and comprehensive loss, cash flows and changes in stockholder's equity for the year then ended. We further consent to the incorporation by reference in the above-mentioned short form prospectus of our independent auditors' report dated April 29, 2008, to the board of directors and shareholders of the Company with respect to the compatibility of Canadian Generally Accepted Auditing Standards and International Standards on Auditing (UK and Ireland).

Calgary, Alberta
●, 2008

Chartered Accountants

### Consent of PricewaterhouseCoopers LLP

We have read the short form prospectus of Tethys Petroleum Limited (the "**Company**") dated ●, 2008, qualifying the distribution of a minimum of ● Ordinary Shares of the Company and a maximum of ● Ordinary Shares of the Company. We have complied with International Standards on Auditing (UK and Ireland) for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the directors of the Company on the consolidated balance sheet of the Company as at December 31, 2006 and the consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended. Our report is dated May 10, 2007.

London, England
●, 2008

Chartered Accountants

**CERTIFICATE OF TETHYS PETROLEUM LIMITED**

Dated: May 7, 2008

This amended and restated short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada, except Newfoundland, Prince Edward Island and Québec.

| | |
|---|---|
| (signed) *"Dr. David Robson"*<br>President and Chief Executive Officer | (signed) *"Bernard Murphy"*<br>Finance Director and Chief Financial Officer |

**On Behalf of the Board of Directors**

| | |
|---|---|
| (signed) *"Liz Landles"*<br>Director | (signed) *"Colin Smith"*<br>Director |

## CERTIFICATE OF THE AGENTS

Dated: May 7, 2008

To the best of our knowledge, information and belief, this amended and restated short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada, except Newfoundland, Prince Edward Island and Québec.

| **JENNINGS CAPITAL INC.** | **TD SECURITIES INC.** |
|---|---|
| By: (signed) *"David McGorman"* | By: (signed) *"Greg Saksida"* |