

Dated: 10/5/07 

SHARE PURCHASE AGREEMENT

Among

(1) SISTEMA INTERNATIONAL S.A. (as Vendor)

(2) TETHYS KAZAKHSTAN LIMITED (as Purchaser)

(3) TETHYS PETROLEUM LIMITED

Agreement for the sale and purchase of Nursat – Bauyr & Co LLP
and the Acquisition of the Aral-Vostochniy Block

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10th May

THIS AGREEMENT is made on 2007 among:

- (1) **SISTEMA INTERNATIONAL S.A.** a company registered in Nevis having its registered office at Hunkins Plaza, Main Street, P.O. Box 556, Charlestown, Nevis (the "Vendor"); and
- (2) **TETHYS KAZAKHSTAN LIMITED** a company registered in Guernsey with number 41210 and having its registered office at Borough House, Rue due Pre, St Peter Port, Guernsey (the "Purchaser"); and
- (3) **TETHYS PETROLEUM LIMITED** a company registered in Guernsey with number 41075 and having its registered office at P.O. Box 524, St Peter Port, Guernsey GY1 6EL ("TPL").

WHEREAS:-

- (A) Nursat – Bauyr & Co Limited Liability Partnership ("NBC") is a legal entity of the Republic of Kazakhstan having state registration certificate No • issued by the Qyzylorda Department of the Ministry of Justice on •.
- (B) The Legal Owners are the registered holders and the Vendor is the beneficial owner of (or is otherwise able to procure the transfer of) all of the Participating Interest (ownership) of NBC.
- (C) The Vendor and the Legal Owners are willing to sell and the Purchaser is willing to purchase the Participating Interests for the Consideration and on the terms and conditions set out in this Agreement.

IT IS AGREED:-

1 **DEFINITIONS AND INTERPRETATION**

1.1 **Definitions**

1.1.1 In this Agreement unless the context requires otherwise:-

"Additional Consideration" means the additional consideration for the Participating Interest calculated in accordance with Clause 4.2.1;

"Adjustment Payment" has the meaning ascribed in Clause 4.2.3;

"Agreement" means this agreement including the Schedules and the Recitals;

"Associates" means any subsidiary or subsidiary undertaking or holding company of such company and any other subsidiary or subsidiary undertaking of any holding company of such company;

"Bonus Payments" means bonus payments payable to the Vendor, calculated in accordance with Clause 4.2.2;

"Business Day" means a day (other than a Saturday, Sunday or public holiday) where banks in Guernsey, the City of London and Republic of Kazakhstan are open for business;

"C1 Reserves" represents the reserves of a deposit (or of a portion thereof) whose Oil or natural Gas content has been determined on the basis of commercial flows of Oil or natural

Gas obtained in wells and positive results of geological and geophysical exploration of non-probed wells;

"**C1 Recoverable Commercial Gas Reserves**" means the C1 Reserves in the form of Commercial Gas;

"**C1 Recoverable Gas Reserves**" means the C1 Reserves in the form of Gas;

"**C1 Recoverable Oil Reserves**" means the C1 Reserves in the form of Oil;

"**Commercial Discovery**" has the meaning ascribed to it in the Exploration Contract; or for the avoidance of doubt is an Oil or Gas discovery made by NBC on the Contract Area which is deemed, by NBC, to be commercially exploitable, and which NBC begins appraisal and/or development drilling with the aim of producing hydrocarbons for sale. Commercial Discovery will be delineated by the extent of the Oil and/or Gas deposit, as demonstrated by drilling and geophysical data;

"**Completion**" means completion of the sale and purchase of the Participating Interest by virtue of the performance by the Vendor and the Purchaser of the obligations assumed by them respectively under Clauses 3 and 6;

"**Completion Date**" means the date on which Completion takes place;

"**Conditions Precedent**" means the conditions precedent contained in or referred to in Clause 2.1;

"**Condensate**" means hydrocarbons in Gas which condensate to a liquid state during processing;

"**Consideration**" means the consideration for the Participating Interest calculated in accordance with Clause 4;

"**Consideration Shares**" has the meaning given in Clause 4.1.1(b);

"**Contract Area**" means the area covered by the Exploration Contract from time to time, the current area being as detailed in Schedule 1;

"**Encumbrance**" means in respect of any property, asset or right, any interest or equity of any person (including but without limitation any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, royalty interest, title retention or other security or third party agreement or arrangement of whatsoever nature over or in that property, asset or right;

"**Escrow Account**" means the bank account in the joint names of the Purchaser and the Vendor as notified by the Escrow Agent to the parties in writing and into which the Purchaser shall deposit the Initial Cash Consideration at the Escrow Point;

"**Escrow Agents**" means the escrow agents as notified by the Purchaser to the Vendor in writing prior to the satisfaction of the condition specified in Clause 2.1(a) and as duly appointed pursuant to the Escrow Agreement;

"**Escrow Agreement**" means the escrow agreement in the agreed form among the Purchaser, the Vendor and the Escrow Agents;

"**Escrow Point**" has the meaning ascribed to it in Clause 4.1.3;



"**Evaluation Period**" means the period when the Exploration Contract (or any extension to the Exploration Contract) is in effect;

"**Exploration Contract**" means the exploration contract for the Aral Vostochniy (East Aral) exploration area between the Ministry of Energy and Mineral Resources and NBC dated 18 November 2004;

"**First Commercial Discovery**" means the first occurrence of a Commercial Discovery;

"**Gas**" means a mixture of hydrocarbons which are gaseous at surface conditions, principally methane together with varying quantities of ethane, propane, butane and other gases;

"**Initial Consideration**" means the initial consideration for the Participating Interest, calculated in accordance with Clause 4.1;

"**Interests**" means all rights, title and interests in the exploration contract for the Aral Vostochniy (East Aral) exploration area between the Ministry of Energy and Mineral Resources and NBC dated 18 November 2004;

"**Legal Owners**" means the legal and registered owners of NBC from time to time as notified in writing by the Vendor to the Purchaser;

"**MEMR**" means the Kazakh Ministry of Energy and Mineral Resources, its successors and assignees, as the competent body for Oil and Gas contracts in the Republic of Kazakhstan;

"**Natural Gas Liquids**" means any hydrocarbon or mixture of hydrocarbons other than Oil and Gas;

"**Oil**" means a mixture of hydrocarbons which existed in the liquid phase in natural underground reservoirs and which remains liquid at atmospheric pressure after passing through surface separating facilities and hydrocarbons which existed in the gaseous phase in natural underground reservoirs but which are liquid at atmospheric pressure after being recovered, and natural gas liquids recovered from gas well effluent in separators or facilities and includes Condensate and Natural Gas Liquids;

"**Other Commercial Gas**" means noble gases, that is helium, neon, argon, krypton, xenon, and radon, or any other gases which have commercial use and can be sold (for example Carbon Dioxide);

"**Participating Interest**" means 100% of the legal and beneficial ownership, or participating interest in NBC;

"**Tethys Group**" means TPL, its subsidiaries and subsidiaries undertakings from time to time;

"**TPL Shares**" means ordinary shares of £0.01 each in the capital of TPL;

"**Trigger Date**" means the date on which the Commercial Discovery is announced by NBC or when the MEMR State Commission on Reserves states any adjustment of the C1 Recoverable Gas Reserves or C1 Recoverable Oil Reserves or C1 Recoverable Commercial Gas Reserves; and

"**Warranties**" means the statements and representations set out in Clause 7 (*Warranties*) and Schedule 3.

1.2 Interpretation and Construction

1.2.1 In this Agreement, unless otherwise specified or the context otherwise requires:-

- (a) words importing the singular shall include the plural and *vice versa*;
- (b) words importing any gender shall include all other genders;
- (c) reference to a Recital or Clause is to the relevant recital or clause of this Agreement;
- (d) reference to a Schedule is to a schedule to this Agreement;
- (e) reference to a paragraph is to a paragraph in a Schedule;
- (f) reference to this Agreement or to any other document is a reference to this Agreement or to that other document as modified, amended, varied, supplemented, assigned, novated or replaced from time to time;
- (g) reference to a provision of law is a reference to that provision as extended, applied, amended, consolidated or re-enacted or as the application thereof is modified from time to time and shall be construed as including reference to any order, instrument, regulation or other subordinate legislation from time to time made under it; and
- (h) reference to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept, state of affairs or thing shall in respect of any jurisdiction other than England be deemed to include that which most approximates in that jurisdiction to the English legal term.

1.2.2 Headings used in this Agreement shall not affect its construction or interpretation.

1.2.3 The Schedules and Recitals form part of this Agreement and have the same full force and effect as if expressly set out in their entirety in the operative part of this Agreement.

1.2.4 Any action required to be performed by a which falls to be performed on a day which is not a Business Day shall be performed on the immediately following Business Day.

2 CONDITIONS PRECEDENT

2.1 Conditions

Subject as provided in Clause 2.2 below, the parties obligations under this Agreement are and Completion is conditional upon the satisfaction or waiver by notice in writing of the following conditions (provided that no such waiver shall be permitted if the failure to satisfy a condition would constitute a breach of the applicable law):

- (a) TPL listing on the Toronto Stock Exchange and raising a minimum of US\$25 million of aggregate gross proceeds in connection with such listing and obtaining consent for this Agreement under The Control of Borrowing (Bailiwick of Guernsey) Ordinance, 1959;
- (b) NBC obtaining the binding written consent of the requisite Kazakh State authorities to:-



- (i) the extension of the Exploration Period (as defined in the Exploration Contract) until 17 November 2010 or such other date as is acceptable to the Purchaser;
- (ii) the modification of the Minimum Work Programme (as defined in the Exploration Contract) to the minimum work programme substantially in the form outlined in Schedule 2 or as otherwise agreed by the Purchaser;
- (iii) the waiver by MEMR of any pre-emption rights the Kazakh State may have in respect of the Exploration Contract or the Contract Area;
- (iv) the submission by the Vendor to the Purchaser of any other necessary documents to enable the re-registration of NBC with the Purchaser as the sole participant, legally and beneficially owning 100% of NBC.

The Parties may agree to waive or modify one or more of these Conditions Precedent, any such agreement must be in writing signed by the Purchaser, the Vendor and NBC.

2.2 Satisfaction of Conditions Precedent

2.2.1 The Purchaser shall use all reasonable endeavours to ensure that the condition specified in Clause 2.1(a) is satisfied as soon as practicable and, in any event, not later than 31 August 2007 and the Vendor shall use all reasonable endeavours to ensure that the conditions specified in Clause 2.1(b) are satisfied as soon as practicable after the satisfaction of the condition specified in Clause 2.1(a) and, in any event, not later than four months from the date of satisfaction of the condition specified in Clause 2.1(a).

2.2.2 If any of the conditions in Clause 2.1 has not been satisfied or waived by the respective dates specified in Clause 2.2.1 (or by such later date as may be agreed in writing between the Vendor and the Purchaser), and has not been converted into a condition subsequent to Completion then the rights and obligations of the parties under this Agreement will terminate, except in relation to the obligations of the parties under Clauses 8.1 and 8.14.

3 SALE AND PURCHASE

3.1 Obligation to sell and purchase

On and with effect from the Completion Date, the Vendor shall sell (or shall procure that the Legal Owners sell), and the Purchaser shall, subject to the terms of this Agreement, purchase the Participating Interest with full title guarantee free from any Encumbrance and with all rights attached thereto at the Completion Date.

3.2 Waiver of rights

The Vendor hereby waives or agrees to procure the waiver of any pre-emption rights which may exist in relation to the Participating Interest pursuant to NBC's charter and foundation agreement or otherwise.

3.3 Sale of all Participating Interest

On the Completion Date, the Purchaser shall not be obliged to complete the purchase of any of the Participating Interest unless the purchase of all the Participating Interest is completed simultaneously but completion of the purchase of some of the Participating Interest shall not affect the rights of the Purchaser with respect to the others.

4 **CONSIDERATION**

4.1 **Initial Consideration**

4.1.1 The initial consideration payable to the Vendor (or its nominees) for the Participating Interest shall be:

- (a) US\$100,000 in aggregate in cash payable by way of a refundable deposit within five Business Days of the date of this Agreement to the bank account nominated in writing by the Vendor to the Purchaser (the "Deposit")
- (b) US\$2.5 million (minus the Deposit) in aggregate payable in cash at Completion (the "Initial Cash Consideration"); and
- (c) the allotment, credited as fully paid, at Completion of 7,500,000 TPL Shares (the "Consideration Shares").

4.1.2 In the event of a share split, share capital consolidation, capital reorganisation, share reclassification, or any other similar event (but excluding, for the avoidance of doubt, any issue of shares for value pursuant to any fundraising or corporate, business or assets acquisitions (including, without limitation, any fundraising pursuant to a listing of TPL on the Toronto Stock Exchange)) in relation to the capital of TPL between the date of this Agreement and the Escrow Point, then TPL shall procure that at the Escrow Point, the issue to the Vendor, by way of capitalisation of TPL's share premium account or such other distributable reserve, such number of additional TPL Shares as would result in the Vendor holding the same percentage of the equity share capital of TPL as they would have held had the Vendor been issued with the Consideration Shares on the date of this Agreement. The parties acknowledge that in connection with TPL's proposed listing on the Toronto Stock Exchange, it is anticipated that the share capital of TPL shall be consolidated with five of the existing ordinary shares of £0.01 each in the capital of TPL being consolidated as one ordinary share of £0.05 each in the capital of TPL and that in such an event the number of Consideration Shares to be allotted pursuant to Clause 4.1(c) of this Agreement shall be 1,500,000 ordinary shares of £0.05 each in the capital of TPL.

4.1.2.1 Following the satisfaction of the condition specified in Clause 2.1(a) (the "Escrow Point"), the Purchaser shall:-

- (a) give instructions to its bank to transfer telegraphically to the Escrow Account the Initial Cash Consideration; and
- (b) procure the allotment nil paid by TPL of the Consideration Shares and the delivery by TPL to the Escrow Agent of a legended share certificate in respect of such Consideration Shares.

4.1.2.2 In the event that the conditions specified in Clause 2.1(b) have not been satisfied or waived within four months of the Escrow Point (the "Longstop Date"), then:-

- (a) the Deposit shall be duly returned within five Business Days of the Longstop Date to the bank account nominated in writing by the Purchaser to the Vendor;
- (b) the Escrow Agent shall and is hereby irrevocably authorised to return from the Escrow Account to the Purchaser (or its nominee) the Initial Cash Consideration; and

Where:-

$z =$ C1 Recoverable Oil Reserves in cubic metres

$EROP =$ Estimated realisable Oil price per cubic of metre Oil at Qyzylorda for local Oil sales

$ERGP =$ Estimated realisable Gas price per thousand cubic metre of Gas at Qyzylorda

ERGP shall be based on either:-

- (i) the prices specified in any long term sales contract to which NBC is a party if any such contract is in place; or
- (ii) if no such long term sales contract is in place, 80% of the Uzbek/Kazakh cross border price for a cubic metre of Gas.

In such circumstances the Additional Consideration and the Bonus Payments shall be calculated on the basis of the formulae in Clauses 4.2.1 and 4.2.2 respectively, with the exception that in relation to each calculation the figure x shall be replaced with the figure for the Equivalent Gas Reserves calculated pursuant to this Clause 4.2.4.

4.2.5 In the event that the Commercial Discovery is of any Other Commercial Gas or contains any other recoverable Other Commercial Gas and C1 Reserves are attributed by NBC, such Other Commercial Gas reserves shall be converted into Gas equivalent based on the following formula (calculated based on prices for the period of 30 Business Days immediately preceding the Trigger Date):-

$$OCG \text{ Equivalent Gas Reserves} = z \times \frac{ERGP}{ERCGP}$$

Where:-

$z =$ C1 Recoverable Commercial Gas Reserves in cubic metres

$ERCGP =$ Estimated realisable price per cubic metre of the particular Other Commercial Gas at Qyzylorda for local sales of such Other Commercial Gas;

$ERGP =$ Estimated realisable Gas price per cubic metre of Gas at Qyzylorda

ERGP shall be based on either:-

- (i) the prices specified in any long term sales contract to which NBC is a party if any such contract is in place; or
- (ii) if no such long term sales contract is in place, 80% of the Uzbek/Kazakh cross border price for a cubic metre of Gas.

In such circumstances the Additional Consideration and the Bonus Payments shall be calculated on the basis of the formulae in Clauses 4.2.1 and 4.2.2 respectively, with the exception that in relation to each calculation the figure x shall be replaced with the figure for the OCG Equivalent Gas Reserves calculated pursuant to this Clause 4.2.5.

4.2.6 TPL may at its sole discretion, elect to satisfy all payments due pursuant to Clauses 4.2.1 to 4.2.5 above by the issue, to the Vendor (or its nominee) credited as fully paid, of an equivalent number of TPL Shares together with such additional TPL Shares as represents a 10% premium to the amount which would have been payable to the Vendor had a cash payment been made pursuant to such Clauses. TPL shall use all reasonable endeavours to ensure that any TPL Shares issued pursuant to this Clause 4.2.6 shall be:

- (i) freely tradeable; or
- (ii) freely tradable within four (4) months of the issue date.

The aggregate number of TPL Shares issuable to the Vendor in the event that TPL elects to satisfy the Additional Consideration or any Bonus Payments in TPL Shares shall be calculated based on the volume weighted average closing price of the TPL Shares on the Toronto Stock Exchange (or, in the event that TPL is not quoted on the Toronto Stock Exchange, any other exchange on which the TPL Shares are quoted) for the 30 Business Days preceding the Trigger Date. In the event that the TPL Shares are quoted on more than one exchange, the calculation pursuant to this Clause 4.2.6 shall be based on a volume weighted average of the volume weighted average closing prices of the TPL Shares on all the exchanges on which the TPL Shares are quoted.

4.2.7 Any Additional Consideration or Bonus Payments payable pursuant to this Clause 4.2 shall be made by TPL (on behalf of the Purchaser) as soon as reasonably practicable following the relevant Trigger Date and, in any event, not later than 3 months from the Trigger Date.

4.2.8 In the event that NBC commences test production in relation to the Contract Area which continues for a period of at least 6 consecutive months, then NBC shall appoint an independent reserve auditor acceptable to the Vendor to calculate the C1 Recoverable Gas Reserves according to the principles of the Russian Reserve reporting and these will be deemed to be the "Approved Reserves" for the purposes of the calculation of the Additional Consideration or any Bonus Payments payable pursuant to Clauses 4.2.1 and 4.2.2 respectively. In the event of any disagreement between NBC and the Vendor in relation to the appointment of the independent reserve auditor, the independent reserve auditor shall be appointed by the Chairman of the Institute of Petroleum. The decision of the independent reserve auditor, who shall act as expert and not as arbitrator, shall be final and binding and his costs shall be met by NBC.

4.3 Entitlement to Consideration

4.3.1 The Initial Consideration shall be paid to the Vendor or the nominee of the Vendor (if requested in writing by the Vendor).

4.3.2 The Additional Consideration and Bonus Payments shall be paid to the Vendor or the nominee of the Vendor (if requested in writing by the Vendor).

5 CONDUCT OF BUSINESS PENDING COMPLETION

5.1 Conduct of business

Pending Completion, the Vendor shall procure that the business of NBC will be properly managed and carried on in the normal course and the Purchaser will be kept fully and promptly informed of all material matters relating to the business, assets and affairs of NBC.

5.2 Notification by Vendor

The Vendor undertakes to notify the Purchaser in writing fully and promptly on becoming aware of anything which constitutes or may constitute a breach of the Vendor's obligations under Clause 5.1.

5.3 Breach/Failure to comply**5.3.1 If at any time before Completion:**

- (a) any of the Vendor fails to comply in any material respect with all or any of its obligations contained in this Agreement whether to be performed on or before Completion; or
- (b) the Purchaser becomes aware of any fact or event (not being a fact or event provided for by this Agreement) which in its reasonable opinion:
 - (i) is a material breach of the Warranties or would be a material breach of any of the Warranties when repeated on Completion; or
 - (ii) is evidence that any obligation of the Vendor has not been or will not be complied with in any material respect within the period required by this Agreement,

then the Purchaser may, by written notice given by the Vendor, elect to terminate this Agreement without prejudice to any remedies available to it against the Vendor.

- 5.3.2 Any termination of this Agreement pursuant to Clause 5.3.1 shall be without prejudice to any rights or liabilities which any party may have in respect of any antecedent breach or non-performance of this Agreement and shall not effect those Clauses which are intended either expressly or by implication to survive termination of this Agreement.

6 COMPLETION**6.1 Time and place**

Completion shall take place at 11.00a.m. (Guernsey time) on the Completion Date at the offices of TPL in Guernsey, Channel Islands or such other place as agreed in writing between the Purchaser and the Vendor.

6.2 Vendor's obligations

At Completion the Vendor shall:-

- (a) deliver to the Purchaser transfers of:-
 - (i) the Participating Interest duly executed by the Vendor, and procure that such is delivered by the Legal Owners in the event that the legal ownership of the Participating Interest shall not have transferred to the Vendor by the time of Completion, in favour of the Purchaser; and
 - (ii) such waivers, consents or documents which may be required by Kazakh law and regulation to vest in the Purchaser the full legal and beneficial ownership of NBC and to enable the Purchaser to procure that NBC be re-registered in the name of the Purchaser.

- (b) procure the transaction of the following business to the Purchaser's satisfaction at a duly convened and quorate meeting of the participants of NBC:-
- (i) approval of the re-registration of NBC in the name of the Purchaser;
 - (ii) appointment of such directors of NBC as the Purchaser may nominate; and
 - (iii) revocation of all existing bank mandates and instructions for the operation of bank accounts and the issue of new bank mandates and instructions giving authority to persons nominated by the Purchaser.
- (c) deliver to the Purchaser a duly executed Power of Attorney enabling the Purchaser to undertake the business of NBC and to re-register NBC in the name of the Purchaser,

and shall deliver to the Purchaser duly signed minutes of all such meetings.

6.3 Purchaser's obligations

At Completion the Purchaser shall, subject to satisfaction by Vendor of the Vendor's obligations under Clause 6.2:-

- (a) procure that TPL credits the Consideration Shares as paid up in full; and
- (b) notify the Escrow Agents that they are irrevocably authorised to release to the Vendor (or its nominee) the Initial Consideration and to transfer to the Vendor (or its nominee) the Consideration Shares.

7 WARRANTIES

7.1 Warranties

- 7.1.1 The Vendor warrants and represents to the Purchaser that each of the Warranties is true and accurate.
- 7.1.2 Each of the Warranties set out in Schedule 3 shall be separate and independent and shall not be limited by reference to any other Warranty.

7.2 Repetition of Warranties

- 7.2.1 The Warranties shall be deemed to be given at the date of this Agreement and shall be deemed to be repeated on the Completion Date with reference to the facts then existing (save that references to any fact or matter existing, occurring or having occurred at or before the date of this Agreement shall be construed as references to at or before Completion).
- 7.2.2 The Vendor undertakes to the Purchaser that, upon any of them becoming aware of the actual, impending or threatened occurrence of any event after the date of this Agreement, both before and after Completion, which might reasonably be expected to cause or constitute a breach of any of the Warranties (whether when repeated at Completion or otherwise), they will promptly give written notice thereof to the Purchaser together with such details of the relevant event as they then have.

8 GENERAL**8.1 Announcements**

No party to this Agreement shall issue any public document containing, or make any public statement containing or otherwise disclose to any person who is not a party to this Agreement, information which relates to or is connected with or arises out of this Agreement or the matters contained in it, without the prior written consent of the other parties (such consent not to be unreasonably withheld or delayed) as to its content and the manner, timing and extent of its publication, except if required by any court, legal or regulatory authority or stock exchange competent to require the same; or by any applicable law or regulation.

8.2 Assignment

8.2.1 Subject to Clause 8.2.2, no party shall without the prior written consent of all other parties assign, transfer or otherwise delegate (in whole or in part) the benefit of this Agreement or any of its rights or obligations under it.

8.2.2 TPL and the Purchaser shall each be entitled to assign or transfer their respective rights or obligations under this Agreement to a wholly owned subsidiary of the Tethys Group.

8.3 Entire Agreement

This Agreement constitutes the entire agreement between the parties in connection with NBC and supersedes and extinguishes any prior drafts, agreements, undertakings, understandings, representations, warranties and arrangements of any nature whatsoever, whether or not in writing between the parties to this Agreement in relation to the subject matter of this Agreement.

8.4 No Reliance

Each of the parties acknowledges and confirms that it has not entered into this Agreement in reliance on any representation, warranty or other undertaking not fully reflected in this Agreement and any warranty, condition or other undertaking implied at law or by custom is expressly excluded.

8.5 Waiver

Without limiting the generality of the foregoing, each of the parties irrevocably and unconditionally waives any right or remedy it may have to claim damages or to rescind this Agreement by reason of any misrepresentation (other than a fraudulent misrepresentation) having been made to it by any person (whether party to this Agreement or not) and on which it has relied in entering into this Agreement.

8.6 Liability for fraud

Nothing in this Agreement operates to exclude any liability or remedy for fraud.

8.7 Continuing obligations

Notwithstanding Completion each and every right and obligation of the Purchaser and the Vendor under this Agreement shall, except in so far as fully performed at Completion, continue in full force and effect.



8.8 Continuing effect or force of provisions

Any provision of this Agreement which is expressed or intended to have effect on, or to continue in force after, any event referred to in this Agreement shall have such effect, or, as the case may be, continue in force, after that event.

8.9 Amendments

No amendment or variation of this Agreement shall be effective unless it is in writing and signed by or on behalf of each of the parties. Such instrument may consist of several instruments in the same form each executed by or on behalf of one or more of the parties. References in this Agreement to documents "in the agreed form" shall, where appropriate, be construed as references to such documents as so amended.

8.10 Waivers and remedies**8.10.1 The rights of each party under this Agreement:-**

- (a) may be exercised as often as necessary;
- (b) are cumulative and not exclusive of rights under the general law; and
- (c) may be waived only in writing and specifically.

8.10.2 Delay in exercising or non-exercise of any right under this Agreement is not a waiver of that right.

8.11 Completion

The rights of the Purchaser in respect of a breach of any provision of this Agreement shall not be affected by Completion.

8.12 Agreement binding on successors

This Agreement shall be binding on the Vendor and its executor, personal representative and successor and, unless the context otherwise requires, references to the Vendor shall include references to such executor, personal representative and successor.

8.13 Agreement binding on assignees

This Agreement shall be binding on, and shall continue for the benefit, of any person to whom any right and/or obligation is validly assigned or transferred pursuant to Clause 8.2.

8.14 Payment of costs, losses and expenses

Each party shall pay its own costs, charges and expenses in relation to the negotiation, preparation, execution and implementation of this Agreement.

8.15 Rights of Third Parties

A person who is not a party to this Agreement has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce, or to enjoy the benefit of, any term of this Agreement but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

11 COUNTERPARTS

This Agreement may be entered into in any number of counterparts and by the parties on different counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement but all the counterparts shall together constitute one and the same agreement.

12 GOVERNING LAW AND JURISDICTION

12.1 Governing Law

This Agreement shall be governed by and construed in accordance with the law of England.

12.2 Jurisdiction

The parties to this Agreement submit to the non-exclusive jurisdiction of the Courts of England as regards any claim, dispute or matter arising out of or in connection with this Agreement or its implementation and effect.

EXECUTED and DELIVERED on the date first written above



SCHEDULES**SCHEDULE 1****Geological Lease**

Issued to the Limited Liability Company "Nursat-Bauyr and K" for the right of subsoil use for prospecting and production of hydrocarbon materials within the following blocks: XXXII-30; XXXIII-30, 31; XXXIV-29-A (partially), B (partially), C (partially), F (partially), 30-A, B, C, D (partially), E, F, 31; XXXV-30-A (partially), B (partially), C, E (partially), F (partially), 31.

The geological lease is located in Kyzylorda region.

The borders of the geological lease are indicated by the salient points from 1 up to 6 on cartogram.

Salient Points	(i) Coordinates of salient points	
	Northern Latitude	Eastern Longitude
1	44° 00' 00"	61° 25' 25"
2	44° 38' 12"	60° 36' 15"
3	44° 38' 12"	61° 00' 00"
4	45° 20' 00"	61° 00' 00"
5	45° 20' 00"	62° 00' 00"
6	44° 00' 00"	62° 00' 00"

Note: From the point 1 up to the point 2 the contract territory passes along state border of Kazakhstan with Uzbekistan.

The area of the geological lease – 11 316 (eleven thousand three hundred sixteen) square kilometres.

The depth of the lease – up to the base.

SCHEDULE 2**Revised Minimum Work Programme**

Year	Amount	Details
2007	\$70,000	Seismic re-interpretation and mapping
2008	\$3,187,500	Seismic acquisition, drilling and testing of 2 exploration wells 1,000-2,000 metres
2009	\$3,582,500	Drilling of 1 additional exploration well, re-entering and testing of one well, seismic, facilities
2010	\$1,600,000	Completion of test production, construction of commercial production facilities
Total	\$8,440,000	



SCHEDULE 3**Warranties**

- 1 The information set out in the recitals and Schedule 1 is true and accurate and there is no matter which renders any of such information untrue, inaccurate, incomplete or misleading.
- 2 There is no option, right of pre-emption (except the State's rights), right or obligation to acquire, redeem or convert or Encumbrance on, over or affecting NBC (or any Participating Interest) and neither the Vendor or the NBC have agreed to give or create any of the foregoing and, so far as the Vendor is aware, no person has claimed to be entitled to any of the foregoing.
- 3 The Participating Interest comprises all the Participating Interest in NBC and all the Participating Interest and charter capital of NBC are fully paid or are credited as fully paid.
- 4 NBC is duly incorporated, validly existing and in good standing under the laws of its country of incorporation.
- 5 The Legal Owners are the registered holders and the Vendor is the beneficial holder of and is entitled to sell and transfer (or to procure the sale and transfer) to the Purchaser the full legal and beneficial ownership of the Participating Interest free from all Encumbrances on the terms of this Agreement.
- 6 There are no liabilities (actual or contingent) which are currently outstanding on the part of NBC. Without prejudice to the foregoing generality, NBC has no borrowings or other liabilities in the nature of indebtedness.
- 7 The execution of this Agreement by the Vendor does not (a) materially breach any instrument, document or contract to which the Vendor is bound; or (b) materially breach any order, judgement or decree of any court or governmental agency to which the Vendor is a party or by which the Vendor is bound.
- 8 NBC has not since its incorporation traded or been involved in any commercial activity other than in relation to the Exploration Contract.
- 9 NBC has no assets other than the Exploration Contract.
- 10 There is no Encumbrance on, over or affecting the Exploration Contract, no agreement to create any Encumbrance has been made by the Vendor or NBC and no claim has been received by the Vendor or the NBC that any person is entitled to any Encumbrance.
- 11 All debts or liabilities owed by NBC to any of its Associates have been either waived, repaid or capitalised.
- 12 NBC is not currently engaged in and has not at any time been engaged in any litigation or arbitration proceedings, there are no litigation or arbitration proceedings pending or threatened by or against the NBC and, so far as the Vendor is aware, there is no matter or fact in existence which is reasonably likely to give rise to the same.
- 13 NBC is not insolvent, or unable to pay its debts or has stopped paying its debts as they fall due.



- 14 NBC has only minimal finance and administration staff.
- 15 NBC has conducted its business in all material respects in accordance with applicable laws and regulations of the Republic of Kazakhstan and there is no order, decree or judgment of any court or any governmental agency of the Republic of Kazakhstan outstanding against NBC.
- 16 NBC is the sole contractor pursuant to the Exploration Contract.
- 17 Subject to the provisions of the Exploration Contract, no mortgage, charge (whether fixed or floating), pledge, lien, encumbrance or other security or net profit or royalty interest is in existence and in force over the Contract Area nor, subject as aforesaid, is there in effect any agreement or commitment to create the same.
- 18 NBC has not committed any material breach of the Exploration Contract and has not received notice that any of the parties to the Exploration Contract is in breach thereof, which breach, at the date of making this statement, is of a material nature and is subsisting.
- 19 The Exploration Contract and all rights and interests of NBC thereunder or deriving therefrom are in full force and effect. So far as the Vendor is aware, no act or omission of the Vendor or NBC has occurred which would entitle the MEMR to revoke the Exploration Contract and no notice has been given to NBC by the MEMR of any intention to revoke the Exploration Contract.
- 20 As far as the Vendor is aware, the Exploration Contract, in so far as it relates to the Contract Area, is not in the course of being surrendered in whole or in part.
- 21 All accrued obligations and liabilities imposed by the Exploration Contract, including the work obligations arising from the Exploration Contract, have been duly fulfilled and discharged and there is no outstanding work obligation to be fulfilled under the Exploration Contract.
- 22 So far as the Vendor is aware, the Exploration Contract is the only document which governs or relates to the creation, existence and validity of the Interests and is the only material agreement to which the Vendor and NBC are a party relating to the Contract Area.
- 23 The Exploration Contract has not been amended or varied, since it was entered into on 18 November 2004.
- 24 As far as the Vendor is aware, no force majeure event has been declared by either parties to the Exploration Contract.
- 25 As far as the Vendor is aware, there has been no major health, safety or environmental incident that would materially affect the value of NBC.
- 26 NBC have purchased the required geological data package in respect of the Contract Area and have paid the initial Historical Costs and paid the US\$450,000 Signature Bonus [(as such terms are defined in the Exploration Contract)] in respect of the Exploration Contract.



SISTEMA INTERNATIONAL S.A.

acting by

Director

Full Name

Director/Secretary

Full Name

Nazarov Marut Timurovich
Hozepob Maxey

(acting according to power of attorney dated 30 April 2007)

STEPHEN CLIFFORD

TETHYS KAZAKHSTAN LIMITED

acting by

Director

Full Name

Director/Secretary

Full Name

DR DAVID ROBSON

ELIZABETH ANNE LANDLES

TETHYS PETROLEUM LIMITED

acting by

Director

Full Name

Director/Secretary

Full Name

DR DAVID ROBSON

BERNARD MURPHY

Where:

$x =$ C1 Recoverable Gas Reserves in cubic metres

$y =$ 1,000,000,000

In the event that a Commercial Discovery is declared (or deemed to be declared) without C1 Recoverable Gas Reserves being approved by the MEMR, NBC shall appoint an independent reserve auditor acceptable to the Vendor to calculate the C1 Recoverable Gas Reserves according to the principles of the Russian Reserve reporting and these will be deemed to be the "Approved Reserves" for the purposes of the calculation of any Bonus Payments due pursuant to this Clause 4.2.2. In the event of any disagreement between NBC and the Vendor in relation to the appointment of the independent reserve auditor, the independent reserve auditor shall be appointed by the Chairman of the Institute of Petroleum. The decision of the independent reserve auditor, who shall act as expert and not as arbiter, shall be final and binding and his costs shall be met by NBC.

For the avoidance of doubt, in the event that there has been any payment to the Vendor (or its nominee) pursuant to Clause 4.2.1 in respect of a First Commercial Discovery, the Vendor (or its nominee) shall not be entitled to further payment pursuant to this Clause 4.2.2 in respect of the same C1 Recoverable Gas Reserves.

- 4.2.3 In the event that the MEMR State Commission on Reserves revises upwards the C1 Recoverable Gas Reserves for a previously made Commercial Discovery during the Evaluation Period, an adjusting payment shall be made by the Purchaser to the Vendor (or its nominee) (the "Adjustment Payment"). The aggregate amount of the Adjustment Payment payable to the Vendor shall be calculated on the basis of the following formula:-

$$\text{Adjustment Payment (US\$)} = 1,000,000 X \frac{w}{y}$$

Where:-

$w =$ The difference between the revised C1 Recoverable Gas Reserves figure in cubic metres specified by the MEMR State Commission on Reserves, and the C1 Recoverable Gas Reserves in cubic metres used in the calculation of the Additional Consideration or Bonus Payments due to the Vendor pursuant to Clauses 4.2.1 or 4.2.2 respectively

$y =$ 1,000,000,000

For the avoidance of doubt, any Adjustment Payment payable pursuant to this Clause 4.2.3 cannot be negative and if it is less than US\$100,000 shall be deemed immaterial and accordingly the Purchaser shall have no obligation pursuant to this Clause 4.2.3 to make any payment to the Vendor.

- 4.2.4 In the event that the Commercial Discovery is of Oil or contains recoverable Oil and C1 Reserves are attributed by NBC, such Oil reserves shall be converted into gas equivalent based on the following formula (calculated based on prices for the period of 30 Business Days immediately preceding the Trigger Date):-

$$\text{Equivalent Gas Reserves} = z X \frac{ERGP}{EROP}$$

(c) subject to TPL being able to comply in all respects with the provisions of the appropriate Guernsey legislation, the TPL articles of association (the "TPL Articles") or otherwise, the board of directors of TPL shall serve notice pursuant to the TPL Articles requiring the Consideration Shares to be paid up in full within 5 Business Days of the Longstop Date and in the event that the Consideration Shares remain unpaid by the date falling 14 clear days from the date of such notice the Consideration Shares will be duly forfeited pursuant to a resolution of the board of directors of TPL.

4.2 Further Consideration

4.2.1 Additional Consideration

In addition to the Initial Consideration, on the occurrence of First Commercial Discovery the Purchaser shall pay to the Vendor (or its nominee from time to time):-

- (a) US\$1,000,000 in aggregate payable in cash; and
- (b) US\$1,000,000 for each billion cubic metre of C1 Recoverable Gas Reserves declared by NBC in the declaration of Commercial Discovery and approved by the MEMR State Commission on Reserves, calculated in accordance with the following formula:

$$\text{Additional Consideration (US\$)} = 1,000,000 \times \frac{x}{y}$$

Where:-

x = C1 Recoverable Gas Reserves in cubic metres

y = 1,000,000,000

In the event that a Commercial Discovery is declared (or deemed to be declared) without C1 Recoverable Gas Reserves being approved by the MEMR, NBC shall appoint an independent reserve auditor acceptable to the Vendor to calculate the C1 Recoverable Gas Reserves according to the principles of the Russian Reserve reporting and these will be deemed to be the "Approved Reserves" for the purposes of the calculation of the Additional Consideration pursuant to this Clause 4.2.1. In the event of any disagreement between NBC and the Vendor in relation to the appointment of the independent reserve auditor, the independent reserve auditor shall be appointed by the Chairman of the Institute of Petroleum. The decision of the independent reserve auditor, who shall act as expert and not as arbiter, shall be final and binding and his costs shall be met by NBC.

4.2.2 Bonus Payments

In addition to the Initial Consideration and Additional Consideration, on the occurrence of subsequent Commercial Discoveries the Purchaser shall pay to the Vendor (or its nominee from time to time) US\$1,000,000 for each billion cubic metre of C1 Recoverable Gas Reserves declared by NBC in the declaration of Commercial Discovery and approved by the MEMR State Commission on Reserves, calculated in accordance with the following formula:-

$$\text{Bonus Payment (US\$)} = 1,000,000 \times \frac{x}{y}$$