

THIS DEED OF GUARANTEE AND INDEMNITY is made on 10 December 2009

BETWEEN:

- (1) **TETHYS PETROLEUM LIMITED**, a company continued under the laws of the Cayman Islands having its business office at PO Box 524, St Peter Port, Guernsey, GY1 6EL (the “Guarantor”); and
- (2) **VAZON ENERGY LIMITED**, a company incorporated under the laws of Guernsey having its business office at 16 The Bordage, St Peter Port, Guernsey GY1 3HX (“Vazon”).

WHEREAS:

- (A) By way of an Umbrella Management Services Agreement dated 8 June 2007 Vazon agreed to provide management services to the Guarantor and to make available certain employees to hold key and strategic positions in and for the Guarantor for the Guarantor to grow its business in its oil and gas exploration & production business in the Central Asian Republics and elsewhere.
- (B) It is a term of Umbrella Management Services Agreement that Vazon enter into several employment contracts for the certain employees in these key and strategic positions of the Guarantor.

NOW THIS DEED WITNESSES and the Guarantor hereby agrees:

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Guarantee (unless otherwise provide) words and expressions defined in the Umbrella Management Services Agreement have the same meanings.
- 1.2 Clause headings are for convenience of reference only and shall not affect the construction of this Guarantee.
 - 1.2.1 words importing the singular shall include the plural and vice versa;
 - 1.2.2 references to a person shall be construed so as to include that person’s assigns or transferees or successors in title and shall be construed as including references to an individual, firm, partnership, joint venture, company, corporation, unincorporated body of persons or any state or any agency thereof;
 - 1.2.3 references to any statute or statutory provision include any statute or statutory provision which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any orders, regulations, instruments or other subordinate legislation made under the relevant statute;
 - 1.2.4 references to liability or liabilities are to be construed to include all liabilities and obligations whether actual, contingent, present or future and whether incurred solely or jointly;
 - 1.2.5 the words “other” and “otherwise” shall not be construed *eiusdem generis* with any foregoing words where a wider construction is possible; and
 - 1.2.6 the words “including” and “in particular” shall be construed as being by way of illustration or emphasis only and shall not be construed as, nor shall they take effect as, limiting the generality of any foregoing words.

2. **REPRESENTATIONS AND WARRANTIES**

2.1 The Guarantor hereby warrants, represents and undertakes to Vazon (such warranties, representations and undertakings to continue so long as this Guarantee remains subsisting) that:

2.1.1 it is duly continued under the laws of the Cayman Islands, possesses the capacity to sue and be sued in its own name and has the power to carry on its business and to own its property and other assets;

2.1.2 it has power to execute, deliver and perform its obligations under this Guarantee and all necessary corporate, shareholder and other action and consents have been taken or, as the case may be, received to authorise the execution, delivery and performance of this Guarantee;

2.1.3 its obligations under this Guarantee constitute its legal, valid and binding obligations and are in full force and effect;

2.1.4 the creation of this Guarantee and the performance and observance of the obligations hereunder does not and will not:

(a) contravene any existing applicable law, statute, rule or regulation or any judgment, decree or permit to which it is subject;

(b) conflict with or result in any breach of any of the terms of or constitute a default under any agreement or other instrument to which it is a party or is subject;

(c) result in the creation or imposition of or oblige it or any of its subsidiaries to create any charge or other encumbrance on any of its or its subsidiaries assets, rights or revenues.

3. **GUARANTEE AND INDEMNITY**

3.1 In consideration of Vazon entering into the Umbrella Management Services Agreement and the contractual commitments, covenants and obligations that emanate from the Umbrella Management Services Agreement, the Guarantor hereby irrevocably and unconditionally guarantees to Vazon that it will indemnify Vazon with respect to any contractual commitments, covenants and obligations that Vazon may have in or from the Umbrella Management Services Agreement and the contractual commitments, covenants and obligations of and from the Umbrella Management Services Agreement shall to all intents and purposes be contractual commitments, covenants and obligations as if it were a signatory to them.

3.2 If Vazon's obligations are not recoverable from any of the certain employees employed in key positions of the Guarantor by reason of illegality, incapacity, the lack or exceeding of powers, ineffectiveness of execution or any other reason, the Guarantor shall notwithstanding any of the foregoing be liable hereunder for Vazon's obligations as if it were a party itself.

4. **TERMINATION**

4.1 The Guarantee shall terminate in accordance with the termination provisions of the Umbrella Management Services Agreement and any contractual commitment, covenant or obligation.

5. **LESSEE PROTECTIONS**

5.1 The liability of the Guarantor under this Guarantee shall not be reduced, discharged or otherwise adversely affected by:

- 5.1.1 any variation, extension, compromise, discharge, dealing with, exchange or renewal of any right or remedy which Vazon may now or hereafter have against any of the certain employees and the Umbrella Management Services Agreement and any contractual commitment, covenant or obligation;
- 5.1.2 any termination, amendment, variation, novation or supplement of or to any of Vazon's obligations in the Umbrella Management Services Agreement and any contractual commitment, covenant or obligation.

6. NO COUNTERCLAIM OR DEDUCTIONS

- 6.1 All sums payable by the Guarantor under this Guarantee or the Umbrella Management Services Agreement and any contractual commitment, covenant or obligation shall be paid to Vazon in full:
 - 6.1.1 without any set-off or counterclaim whatsoever; and
 - 6.1.2 free and clear of all deductions or withholdings whatsoever save only as may be required by law.
- 6.2 If any deduction or withholding is required by any law in respect of any payment due from the Guarantor under this Guarantee the sum payable by the Guarantor shall be increased so that, after making the minimum deduction or withholding so required, the Guarantor shall pay to Vazon, and Vazon shall receive and be entitled to retain on the due date for payment, a net sum at least equal to the sum which it would have received had no such deduction or withholding been required to be made.

7. CURRENCY

- 7.1 Payment shall be in the currency in which the monies, obligations or liabilities of the Umbrella Management Services Agreement and any contractual commitment, covenant or obligation are due, owing or incurred.

8. ASSIGNMENT

- 8.1 This Guarantee is freely assignable or transferable by Vazon.

9. NOTICES

- 9.1 All notices and demands to be made under this Guarantee shall be made in writing but, unless otherwise provided, may be made by telex, fax or letter.
- 9.2 Any notice or demand to be made or delivered any party pursuant to this Guarantee shall (unless either party has by 15 days' written notice to the other specified another address) be made or delivered at the addresses following:

If to Vazon:
Vazon Energy Limited
PO Box 144
St Peter Port
Guernsey
Attention: Dr D Robson
Fax: +44 1481 711086

If to the Guarantor:
Tethys Petroleum Limited
PO Box 524
St Peter Port

Guernsey GY1 6EL

Attention:

CFO

Fax:

+44 1481 725922

- 9.3 Any notice given by a party shall be deemed to have been received:
- 9.3.1 if sent by telex with the relevant answerback appearing at the beginning and end of the relevant telex, on the business day on which transmitted or the following business day if transmitted after normal business hours;
 - 9.3.2 if sent by fax, when a legible copy is received on the day of actual transmission or the following business day is delivered after normal business hours;
 - 9.3.3 in the case of a written notice delivered by hand, on the day of actual delivery or the following business day is delivered after normal business hours; and
 - 9.3.4 if posted, on the second business day following the day on which it was properly despatched by first class mail postage prepaid. If posted by airmail by the fifth business day.

10. **MISCELLANEOUS**

- 10.1 No delay or omission on the part of a party in exercising any right or remedy under this Guarantee shall impair that right or remedy or operate as or be taken to be a waiver of it nor shall any single, partial or defective exercise of any such right or remedy preclude any other or further exercise under this Guarantee of that or any other right or remedy.
- 10.2 Any demand, notification or certificate given by Vazon specifying amounts due and payable under this Guarantee shall, in the absence of manifest error, be conclusive and binding on the Guarantor.
- 10.3 Any waiver by Vazon of any terms of this Guarantee, or any consent or approval given by Vazon under it, shall be effective only if given in writing and then only for the purposes and upon the terms and conditions, if any, on which it is given.
- 10.4 If at any time any one or more of the provisions of this Guarantee is or becomes illegal, invalid or unenforceable in any respect under any law or any jurisdiction, neither the legality, validity and enforceability of the remaining provisions of this Guarantee nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall be in any way affected or impaired as a result.

11. **LAW AND JURISDICTION**

- 11.1 This Guarantee is governed by and shall be construed in accordance with Guernsey law.
- 11.2 The courts of Guernsey shall have jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee.
- 11.3 For the purposes of this Guarantee the Guarantor hereby:
 - 11.3.1 waives any objections on the grounds of venue or *forum non-conveniens* or any similar grounds; and
 - 11.3.2 consents to service of process of mail or in any other manner permitted by the relevant law.

IN WITNESS whereof the parties have executed this deed with the intention that it be delivered the day and year first before written.

EXECUTED as a **Deed** by)

TETHYS PETROLEUM LIMITED)

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Director:

(signed) "Bernard Murphy"

Director:

(signed) "Peter Lilley"

EXECUTED as a **Deed** by)

VAZON ENERGY LIMITED)

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Director:

(signed) "Dr. David Robson"

Secretary:

(signed) "Elizabeth Landles"