

**TETHYS**  
Petroleum

**NOTICE OF ANNUAL GENERAL AND EXTRAORDINARY MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 7, 2009**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**DATED APRIL 7, 2009**

**TETHYS PETROLEUM LIMITED**  
**Queensgate House, Third Floor, South Church Street, P.O. Box 1234,**  
**Grand Cayman, KY1-108, Cayman Islands**

**NOTICE OF ANNUAL GENERAL AND EXTRAORDINARY MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN THAT** an annual general and extraordinary meeting (the “**Meeting**”) of the holders of ordinary shares (“**Ordinary Shares**”) of Tethys Petroleum Limited (the “**Company**”) will be held at the registered office of the Company, Queensgate House, Third Floor, South Church Street, Grand Cayman, Cayman Islands on May 7, 2009 at 10.30 a.m. (Eastern Standard Time – local time in the Cayman Islands) for the following purposes:

**Ordinary Business**

1. To receive and consider the financial statements of the Company for the year ended December 31, 2008 and the report of the auditors thereon.
2. To propose each of the following resolutions as ordinary resolutions of the Company:
  - 2.1 to re-elect Russ Hammond as a director of the Company;
  - 2.2 to re-elect Piers Johnson as a director of the Company.
  - 2.3 to re-elect Liz Landles as a director of the Company;
  - 2.4 to re-elect the Rt. Hon. Peter Lilley M.P. as a director of the Company;
  - 2.5 to re-elect Bernard Murphy as a director of the Company;
  - 2.6 to re-elect Paul Murphy as a director of the Company;
  - 2.7 to re-elect Dr. David Robson as a director of the Company; and
  - 2.8 to re-elect Colin Smith as a director of the Company.
3. To propose the following resolution as an ordinary resolution of the Company:

“That PricewaterhouseCoopers LLP, Chartered Accountants, be re-appointed as auditors of the Company, to hold office until the close of the next annual general meeting of shareholders and that their compensation be fixed by the board of directors.”

**Special Business**

4. To propose the following resolution as an ordinary resolution of the Company:

“That:

  - (a) the Company is hereby authorized to amend the Company’s *2007 Long Term Stock Incentive Plan (as amended)* (the “**Stock Incentive Plan**”) to provide that the aggregate number of Ordinary Shares which are reserved for issuance under the Stock Incentive Plan equal twelve per cent (12%) of the number of Ordinary Shares outstanding at the time of grant of Options (as defined under the Stock Incentive Plan) by amending section 4.1 of the Stock Incentive Plan by deleting the number “7,511,670” and replacing it with “the number of Shares equal to twelve per cent (12%) of the Outstanding Issue”;

- (b) any one (or more) director or officer of the Company is authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

The details of all matters proposed to be put before shareholders at the Meeting are set forth in the information circular accompanying this Notice of Meeting. At the Meeting, shareholders will be asked to approve each of the foregoing items.

Only shareholders of record as of April 6, 2009, the record date, are entitled to receive notice of the Meeting.

**DATED** this 7<sup>th</sup> day of April, 2009.

**BY ORDER OF THE BOARD OF DIRECTORS**

*“Liz Landles”*

Executive Vice President and Corporate Secretary

**IMPORTANT**

It is desirable that as many Ordinary Shares as possible be represented at the Meeting. If you do not expect to attend and would like your Ordinary Shares represented, please complete the enclosed form of proxy and return it as soon as possible in the envelope provided for that purpose. In accordance with the articles of association of the Company, all proxies, to be valid, must be deposited at the office of the Registrar and Transfer Agent of the Company, Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1, not later than 11:30 a.m. (Eastern Daylight Time) on May 5, 2009, or on the second last business day preceding any adjournment of the Meeting.

The Company gives notice that only those shareholders entered on the register of shareholders (or their duly appointed proxies) at 11:30 a.m. (Eastern Daylight Time) on May 5, 2009, will be entitled to attend and vote at the Meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend and vote at the Meeting.

A shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote in his place. A proxy need not be a shareholder of the Company. Completion of a form of proxy does not preclude a shareholder from subsequently attending and voting at the Meeting in person if he so wishes.

Any transferee or person acquiring Ordinary Shares after the Record Date may, on proof of ownership of Ordinary Shares, demand of the Registrar and Transfer Agent of the Company, Equity Transfer & Trust Company, not later than 11:30 a.m. (Eastern Daylight Time) on May 5, 2009, that his or her name be included in the list of persons entitled to attend and vote at the Meeting.

# TETHYS PETROLEUM LIMITED

## ANNUAL GENERAL AND EXTRAORDINARY MEETING OF SHAREHOLDERS TO BE HELD ON MAY 7, 2009

### MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by the management of Tethys Petroleum Limited (“**Tethys**”, the “**Company**” or “**we**”) for use at the annual general and extraordinary meeting of the holders of ordinary shares of the Company (“**Ordinary Shares**”) to be held on May 7, 2009 at the registered office of the Company, being Queensgate House, Third Floor, South Church Street, Grand Cayman, Cayman Islands at 10:30 a.m. (Eastern Standard Time), or at any adjournment thereof (the “**Meeting**”), for the purposes set forth in the notice of meeting (the “**Notice of Meeting**”). The information contained herein is given as of April 7, 2009 except where otherwise indicated.

The costs incurred in the preparation and mailing of both the instrument of proxy and this Information Circular will be borne by the Company. In addition to the use of mail, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication or by directors, officers and employees of the Company who will not be directly compensated therefor.

**In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Ordinary Shares held of record by such persons and the Company may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Company. The record date to determine the registered shareholders entitled to receive the Notice of Meeting is April 6, 2009 (the “Record Date”).**

**All information provided herein is as at the Record Date unless otherwise indicated.**

### APPOINTMENT AND REVOCATION OF PROXIES

**The persons named (the “Management Designees”) in the enclosed instrument of proxy (the “Instrument of Proxy”) have been selected by the directors of the Company and have indicated their willingness to represent as proxy the shareholder who appoints them. A shareholder has the right to designate a person (whom need not be a shareholder) other than the Management Designees to represent him or her at the Meeting.** Such right may be exercised by inserting in the space provided for that purpose on the Instrument of Proxy the name of the person to be designated and by deleting therefrom the names of the Management Designees, or by completing another proper form of proxy and delivering the same to the transfer agent of the Company, Equity Transfer & Trust Company. Such shareholder should notify the nominee of the appointment, obtain the nominee’s consent to act as proxy and should provide instructions on how the shareholder’s shares are to be voted. The nominee should bring personal identification with him or her to the Meeting. In any case, the form of proxy should be dated and executed by the shareholder or an attorney authorized in writing, with proof of such authorization attached, where an attorney executed the proxy form or, if the appointor is a company, under its seal or under the hand of its duly authorized officer or attorney or other person authorized to sign. In addition, a proxy may be revoked by a shareholder personally attending at the Meeting and voting his or her shares.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and delivered to the Company’s transfer agent, Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1, Canada, at least forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays) prior to the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the shareholder or by his or her authorized

attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, either at the registered office of the Company or with Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1, Canada, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, at which the proxy is to be used, or by depositing the instrument in writing with the Chairman of such Meeting on the day of the Meeting, or any adjournment thereof. In addition, a proxy may be revoked by the shareholder personally attending the Meeting and voting his or her shares.

### VOTING OF PROXIES

Each shareholder may instruct his or her proxy how to vote his or her Ordinary Shares by completing the blanks on the Instrument of Proxy. All Ordinary Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting (including the voting on any ballot), and where a choice with respect to any matter to be acted upon has been specified in the Instrument of Proxy, the Ordinary Shares represented by the proxy will be voted in accordance with such specification. **In the absence of any such specification as to voting on the Instrument of Proxy, the Management Designees, if named as proxy, will vote in favour of the matters set out therein. In the absence of any specification as to voting on any other form of proxy, the Ordinary Shares represented by such form of proxy will be voted in favour of the matters set out therein.**

**The enclosed Instrument of Proxy confers discretionary authority upon the Management Designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. As of the date hereof, the Company is not aware of any amendments to, variations of or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the Management Designees intend to vote in accordance with the judgment of management of the Company.**

### ADVICE TO BENEFICIAL SHAREHOLDERS

**The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Ordinary Shares in their own name.** Shareholders who hold their Ordinary Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Ordinary Shares in their own name (referred to in this Information Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by shareholders who appear on the records maintained by the Company’s registrar and transfer agent as registered holders of Ordinary Shares will be recognized and acted upon at the Meeting. If Ordinary Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Ordinary Shares will, in all likelihood, not be registered in the shareholder’s name. Such Ordinary Shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Ordinary Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing securities regulations require brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Ordinary Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered shareholders by the Company. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A Beneficial Shareholder who receives

a Broadridge voting instruction form cannot use that form to vote Ordinary Shares directly at the Meeting. **The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Ordinary Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Ordinary Shares voted. If you have any questions respecting the voting of Ordinary Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Ordinary Shares registered in the name of his or her broker, a Beneficial Shareholder may attend the Meeting as proxy holder for the registered shareholder and vote the Ordinary Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Ordinary Shares as proxy holder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Information Circular and the accompanying Instrument of Proxy and the Notice of Meeting are to registered shareholders unless specifically stated otherwise.

### VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at April 6, 2009, Tethys had 67,793,292 Ordinary Shares issued and outstanding. Every shareholder present has on a show of hands one vote and on a poll every shareholder present in person or by proxy has one vote for every Ordinary Share of which he is the holder. Only those shareholders of record on the Record Date are entitled to receive notice of and vote at the Meeting. Any transferee or person acquiring Ordinary Shares after the Record Date may, on proof of ownership of Ordinary Shares, demand of Equity Transfer & Trust Company not later than 2 business days before the Meeting (or any adjournment thereof) that his or her name be included in the list of persons entitled to attend and vote at the Meeting.

Two or more holders present in person or represented by proxy constitutes a quorum for the Meeting, irrespective of the number of persons actually present at the Meeting.

To the knowledge of the directors and executive officers of the Company, as of the date hereof, no person or company beneficially owns, or exercises control or direction over, directly or indirectly, more than 10% of the voting rights attached to all of the issued and outstanding Ordinary Shares other than as indicated in the table below.

Name and Municipality of Residence of Shareholder	Number and Percentage of Ordinary Shares
Pope Asset Management LLC Memphis, Tennessee	13,177,900 (19.4%)

### PARTICULARS OF MATTERS TO BE ACTED UPON

#### 1. Receipt of the Financial Statements and Auditors' Report

At the Meeting, shareholders will receive and consider the financial statements of the Company for the year ended December 31, 2008 and the auditors' report thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken.

#### 2. Election of Directors

The Company currently has eight (8) directors, all of whom are being nominated for re-election. The following table sets forth the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Company presently held by such nominee, the nominee's municipality of residence, principal occupation at present and during the preceding five years, the period during which the nominee has served as a director, and the number of Ordinary Shares that the nominee has advised are beneficially owned or over which control or direction is exercised by the nominee, directly or indirectly, as of the Record Date.

**In the absence of contrary directions, the Management Designees, if named as proxy, intend to vote for the election of the persons named in the following table to the board of directors (the “Board” or the “Board of Directors”).** Each director elected will hold office until the next annual general meeting of shareholders or until his or her successor is duly elected, unless his or her office is earlier vacated.

<b>Name, Municipality of Residence and Position</b>	<b>Director Since</b>	<b>Principal Occupation for Past Five Years</b>	<b>Number of Ordinary Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly</b>
<b>Russ Hammond</b> <sup>(2)</sup> London, United Kingdom Director	July 26, 2006	Corporate Director.	Nil
<b>Piers Johnson</b> <sup>(1)(3)</sup> London, United Kingdom Director	April 2, 2008	Founder and Managing Director of Oilfield Production Consultants. (Consulting firm to the Oil and Gas Industry.)	25,000
<b>Liz Landles</b> <sup>(4)</sup> St. Peter Port, Guernsey, Channel Islands Director, Executive Vice President and Corporate Secretary	August 12, 2003	Currently Director, Executive Vice President and Corporate Secretary of the Company. Prior thereto, Ms. Landles was Executive Vice President and Corporate Secretary of CanArgo Energy Corporation (Oil and Gas Exploration and Development).	22,000
<b>Rt. Hon. Peter Lilley M.P.</b> <sup>(1)(2)(3)</sup> London, United Kingdom Vice Chairman	July 26, 2006	Member of the United Kingdom Parliament, House of Commons.	15,000
<b>Bernard Murphy</b> <sup>(4)</sup> Hertfordshire, United Kingdom Finance Director and Chief Financial Officer	August 16, 2006	Currently the Finance Director and Chief Financial Officer of the Company; prior thereto, Mr. Murphy was a company director within the Abacus Accountancy Network (Accounting Services) and prior to 2005, Mr. Murphy held a number of senior financial positions for several organizations.	30,000
<b>Paul Murphy</b> Jumeirah Islands, Dubai Director	July 26, 2006	Managing Director of Kraken Financial Group Limited (Financial and Wealth Management Services); prior thereto, Mr. Murphy was director of MeesPierson Reads (Financial Services).	44,127
<b>Dr. David Robson</b> <sup>(3)(4)</sup> St. Peter Port, Guernsey, Channel Islands Chairman, President and Chief Executive Officer	August 12, 2003	Currently the Chairman, President and Chief Executive Officer of the Company. Prior thereto, Dr. Robson was the Chairman and Chief Executive Officer of CanArgo Energy Corporation.	430,000
<b>Colin Smith</b> <sup>(1)</sup> St. Peter Port, Guernsey, Channel Islands Director	August 16, 2006	Chief Operating Officer and Director of Raven Russia Limited (Property Investment Company). Prior thereto, Mr. Smith was a director of BDO Novus Limited (Accounting Services).	Nil

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Compensation and Nomination Committee.
- (3) Member of the Reserves Committee.
- (4) Member of the Executive Board (Executive Committee).

### ***Corporate Cease Trade Orders and Penalties or Sanctions***

No proposed director nor the Chief Executive Officer or Chief Financial Officer is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company that was:

- (i) subject to an order (within the meaning of Canadian securities legislation) that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (ii) subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalty or sanction imposed by a court or regulatory body.

### ***Corporate Bankruptcies***

Other than as disclosed below, no proposed director nor the Chief Executive Officer or Chief Financial Officer is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Peter Lilley was a director of E-Loft UK Ltd. (“**E-Loft**”), a private company engaged in the business of providing information and portal management services for universities, from September 11, 1999 to March 7, 2001. On July 10, 2001, E-Loft entered into a voluntary liquidation agreement with its creditors.

### ***Personal Bankruptcies***

No proposed director nor the Chief Executive Officer or Chief Financial Officer has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

## **3. Appointment of Auditors**

Shareholders will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution appointing PricewaterhouseCoopers LLP, Chartered Accountants (“**PWC**”), as auditors for the Company for the next ensuing year, to hold office until the close of the next annual general meeting of shareholders, and authorizing the Board to fix the compensation of the auditors. PWC was first appointed as auditor of the Company on May 9, 2007.

In order to be effective, this resolution requires the affirmative vote of a majority of the votes recorded (including, where there is a poll, any votes cast by proxy). **In the absence of contrary directions, the Management Designees, if named as proxy, intend to vote proxies in favour of the ordinary resolution approving the appointment of PWC as auditors for the Company for the ensuing year and authorizing the Board to fix the compensation of the auditors.**

#### 4. Approval of Amendment to the Stock Incentive Plan

The Company previously adopted the *2007 Long Term Stock Incentive Plan (as amended)* (the “**Stock Incentive Plan**”) pursuant to which options (“**Stock Options**”) to purchase Ordinary Shares may be granted to eligible employees, officers, directors and other service providers of the Company. 7,511,670 Ordinary Shares (which is equal to 11.3% of the currently issued and outstanding Ordinary Shares) are reserved for issuance upon the exercise of Stock Options granted under the Stock Incentive Plan. For a description of the Stock Incentive Plan, see “*Executive Compensation - Stock Incentive Plan*” contained herein.

The Board of Directors have approved an amendment (the “**Amendment**”) to the Stock Incentive Plan to provide that the number of Ordinary Shares reserved for issuance under the Stock Incentive Plan be equal to twelve per cent (12%) of the number of Ordinary Shares outstanding at the time of grant of Stock Options. For example, based on 67,793,292 Ordinary Shares outstanding as at April 6, 2009, 8,135,195 Ordinary Shares will be reserved for issuance upon exercise of Stock Options. The number of Ordinary Shares which are reserved for issuance upon the exercise of Stock Options granted under the Stock Incentive Plan will increase as the outstanding number of Ordinary Shares increases from time to time.

The Stock Incentive Plan provided (prior to giving effect to the Amendment) that no more than 7,511,670 Ordinary Shares are reserved for issuance upon the exercise of Stock Options granted under the Stock Incentive Plan. Of the 7,511,670 Ordinary Shares which are reserved for issuance upon the exercise of options granted under the Plan, 7,005,000 (which is equal to 10.3% of the issued and outstanding Ordinary Shares) are subject to currently issued and outstanding options and 506,670 (which is equal to less than 1% of the issued and outstanding Ordinary Shares) are currently available for future grants of options. As the number of Ordinary Shares available for issuance under the Stock Incentive Plan has been effectively exhausted, the Board of Directors has approved the Amendment to increase the number of Ordinary Shares available for issuance under the Stock Incentive Plan as an inducement to attract and retain top quality personnel.

The number of Ordinary Shares reserved and available for issuance under the Stock Incentive Plan will (after giving effect to the Amendment) consist of: (i) the 7,005,000 Ordinary Shares which are reserved for issuance upon the exercise of Stock Options that, as of March 31, 2009, have already been granted and are still outstanding; and (ii) that number of additional Ordinary Shares reserved for issuance upon the exercise of future grants of Stock Options such that the aggregate number of Ordinary Shares reserved for issuance upon exercise of all current and future Stock Options granted under the Stock Incentive Plan is equal to 12% of the number of outstanding Ordinary Shares at the time of grant.

The Amendment has been submitted to the Toronto Stock Exchange (the “**TSX**”) for approval subject to the condition that shareholders approve the Amendment at the Meeting. Accordingly, pursuant to the policies of the TSX, the disinterested shareholders of the Company (excluding directors, officers and any other insiders of the Company entitled to participate under the Plan) will be asked to consider and if thought fit, approve an ordinary resolution of disinterested shareholders, approving the Amendment. **In the absence of contrary directions, the Management Designees, if named as proxy, intend to vote proxies in favour of the ordinary resolution approving the Amendment.**

The text of the ordinary resolution which management intends to place before the Meeting for approval is set forth below:

“**BE IT RESOLVED** as an ordinary resolution of the Company that:

- (a) the Company is hereby authorized to amend the Company’s *2007 Long Term Stock Incentive Plan (as amended)* (the “**Stock Incentive Plan**”) to provide that the aggregate number of Ordinary Shares which are reserved for issuance under the Stock Incentive Plan equal twelve per cent (12%) of the number of Ordinary Shares outstanding at the time of grant of Options (as defined under the Stock Incentive Plan) by amending section 4.1 of the Stock Incentive Plan by deleting the number “7,511,670” and replacing it with “the number of Shares equal to twelve per cent (12%) of the Outstanding Issue”;

- (b) any one (or more) director or officer of the Company is authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

In order to be approved, the foregoing resolution must be passed by a simple majority of the votes recorded by disinterested shareholders of the Company (including, where there is a poll, any votes cast by proxy).

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Introduction*

We depend on the performance of experienced and committed executive officers with the skills, education, experience and personal qualities necessary to manage our business. Our executive compensation program is designed and administered to attract and retain such individuals in a competitive market, particularly with the skills to work successfully in our specific areas of operation.

Set out below is our discussion and analysis in respect of the compensation of our Named Executive Officers for the year ended December 31, 2008.

#### *Objectives of our Compensation Program*

The objectives of the compensation program for our Named Executive Officers are to:

- motivate executives to achieve strong financial, technical and operational performance;
- retain management talents to support our corporate goals;
- effectively compete against other oil and gas companies for executive talents;
- source and retain high quality staff with specific skills to operate in our areas of interest;
- provide a balance between the achievement of near-term and long-term objectives;
- link the interests of executives with shareholders by providing a portion of total pay in the form of stock incentives; and
- encourage long-term commitment to the Company.

Our compensation program is designed to reward the individual performance of our Named Executive Officers in meeting their individual and corporate objectives. In addition our compensation program seeks to reward exceptional performance and contribution to the growth of our Company.

#### *Elements of Compensation*

We use several different compensation elements in our executive compensation program for the purpose of addressing both near-term and longer-term value creation for the Company. The primary components of our executive compensation program are:

- base compensation;
- long-term incentives (stock options); and
- other benefits.

The following table gives an overview of the elements of the compensation of our Named Executive Officers, including the description and purpose of each element.

COMPENSATION ELEMENTS	DESCRIPTION AND PURPOSE
Base Compensation <sup>(1)</sup>	Provides fixed compensation to pay for experience, expertise and knowledge.
Long-Term Incentives (stock options)	Aligns executives' long-term interests with those of our shareholders. Promotes retention of executives through time-based vesting of awards. Provides for meaningful share ownership opportunities. Emphasizes long-term performance results.
Other Benefits	Other benefits include health, life, critical illness and income protection (disability).

**Note:**

- (1) Base compensation includes, depending on the Named Executive Officer, salaries and base management fees payable under the terms of the Management Agreements referred to under “*Management and Employment Agreements*”.

We have not set the compensation of our Named Executive Officers to discrete benchmarks. We instead consider the terms of each Named Executive Officer’s employment contract or management contract and compare his or her performance with prior years’ performance, his or her contribution to the development of our business in general and that of other Named Executive Officers. The role of the Chief Executive Officer in recommending to the Compensation Committee (as defined below) the compensation for Named Executive Officers is described under “*Role of the Compensation Committee*”.

To reinforce the goals of delivering both near-term results and long-term shareholder value, the Company provides executives with long-term stock incentive awards (Stock Options).

***Determination of Amount of Compensation***

The design of each compensation element and 2008 pay decisions are described further below.

***Base Compensation***

The base compensation of our Named Executive Officers was previously established at the time we entered into the employment or management contracts described elsewhere in this Information Circular (See “*Executive Compensation – Management and Employment Agreements*”). The Compensation Committee reviews on a regular basis the base compensation of our Named Executive Officers. We consider competitive base compensation vital to ensuring the continuity of our management. The following factors are considered when establishing base compensation for the Named Executive Officers:

- the importance of each Named Executive Officer to the development of our business;
- external market forces and data;
- the scope of responsibility, experience and tenure of each Named Executive Officer;
- the extensive travel required and long periods spent in often remote and difficult working environments in our areas of operation;
- the experience of each Named Executive Officer in our area of operations and related areas;
- the development plans for the Named Executive Officer and his or her potential to take on greater or different responsibilities; and
- internal equity considerations.

***Cash Bonuses***

The Company does not currently have an annual cash incentive bonus program or plan. However, the Company accepts that work carried out by the Chief Executive Officer may contribute to significant business progress for the Company, including for example without limitation, the acquisition of new projects, increase of revenue from existing projects, rationalisation of costs, increase in positive cash flow for the Company, successful corporate restructuring, merger, takeover or similar, or some such other event which is positive for the Company (the “**Event**”), and in these circumstances the Compensation Committee of the Company shall cause the Company to pay a discretionary cash bonus to the Chief Executive Officer in an amount (if any) to be determined by the Compensation and Nomination Committee (the “**Compensation Committee**”) which will take into account, inter alia, the value to the Company of the Event.

In addition, *ad hoc* cash bonuses may be paid to the Named Executive Officers in recognition of Events at the discretion of the Chief Executive Officer in consultation, if necessary, with the Compensation Committee.

The bonuses paid to Named Executive Officers in 2008 were in recognition of the successful completion of the public offering of the Company completed in June 2008, this offering providing funding for the development of our business.

For further information on the amounts of discretionary bonuses awarded in 2008, please refer to the “*Summary Compensation Table*”.

***Long-Term Incentives (Stock Options)***

A key component of our compensation program is to reward executives for long-term strategic accomplishments and enhancement of longer-term shareholder value through equity-based long-term incentives. We believe that long-term incentive compensation plays an essential role in attracting and retaining executive officers and aligns their interests with the goal of maximizing shareholder value.

We have established long-term incentive target values for each level of responsibility within the Company, including the Named Executive Officers.

In awarding incentives to our executives, the Compensation Committee takes into account the following factors:

- recent Company performance;
- each executive officer's individual performance during the year;
- competitive market conditions;
- historical practices;
- incentive awards for others in the organization;
- the Company's desire for its long-term incentive plans to accommodate an awards program lasting seven years; and
- our compensation philosophy.

The Company's long-term incentive awards are currently limited to Stock Options. The exercise price of outstanding Stock Options is currently very high compared to the Company's current stock price following the market turmoil which has effected the global markets since the third quarter of 2008. As such, the incentive of such Stock Options is currently limited, both for existing employees and for new employees which the Company may aim to recruit. The Company is seeking approval of its shareholders for an amendment to the Stock Incentive Plan to provide for a maximum number of Ordinary Shares issuable pursuant to options granted thereunder equal to 12% of outstanding Ordinary Shares from time to time. The increase in the number of Ordinary Shares reserved for issuance upon exercise of Stock Options as a result of increases in the Company's issued capital will give the Company greater flexibility in granting options as part of its overall efforts to provide members of management with appropriate incentives and to recruit as necessary other high quality staff. See “*Particular of Matters to be Acted Upon – Approval of Amendment to Stock Incentive Plan*”. In addition, prior to its initial public offering in June 2007, the Company issued the 2017 Warrants and Performance Warrants as one time incentives to certain officers of the Company. See “*Executive Compensation – Performance Warrants*” and “*Executive Compensation - 2017 Warrants.*”

Stock Options are intended to align executives' interests with those of shareholders by providing an incentive for executives to enhance shareholder value. Due to the significance of the risk/reward profile of stock options, executives stand to gain from their receipt of stock options only to the extent our common stock appreciates in value. The vesting schedule provides incentive to continue service with the Company for an extended period. For awards made in 2008, 33.33% of the stock options immediately vested and became exercisable on the grant date. An additional 33.33% of each grant vests and becomes exercisable on each of the first two anniversaries of the original grant.

Stock Options to acquire 1,020,000 Ordinary Shares were granted to Named Executive Officers in 2008 in accordance with the approval of the Compensation Committee. The number of Stock Options granted to the Named Executive Officers (other than to the President and Chief Executive Officer) was determined by the Compensation Committee after review of a recommendation of the President and Chief Executive Officer based on his assessment of the optionee's contributions to the development of the Company's operations and importance to the success of the Company, and after considering prior grants of option-based awards. The number of Stock Options granted to the President and Chief Executive Officer was determined by the Compensation Committee based on similar criteria. Moreover, the Company has determined that the number of Ordinary Shares reserved for issuance in respect of Stock Options should not exceed 12% of outstanding Ordinary Shares from time to time.

***Other Benefits***

Our Named Executive Officers and their immediate families are eligible for medical insurance, and the Named Executive Officers themselves to accidental death insurance, life insurance, disability insurance, vacation and other similar benefits. The cost of these benefits for each Named Executive Officer is set out in the Summary Compensation Table.

We provide executive officers with the following perquisites on a limited basis:

- (i) life insurance;
- (ii) health insurance;
- (iii) income protection (disability insurance);
- (iv) critical illness insurance; and
- (vi) cash contribution (equal to 9% of basic salary or base management fee) toward each Named Executive Officer's personal pension requirements.

***Post-Termination or Change in Control Benefits***

We currently have employment or management agreements with each of our Named Executive Officers. These agreements may be terminated on six months' notice. Accordingly, these agreements give the Named Executive Officers six months' compensation if their employment is terminated without notice. See "*Management and Employment Agreements*". In the event of a "Change of Control" (as defined in the Stock Incentive Plan), the unvested options held by each of the Named Executive Officers become fully vested.

***Role of the Compensation Committee***

Without prejudice to the specific duties of the Compensation Committee detailed below, the general aims of the Compensation Committee are to assist the Board in: (i) setting the compensation of senior management and directors; and (ii) nominating members for election or appointment to the Board, in each case pursuant to a process whereby those responsible for recommendations to the Board have no personal interest in the outcome of the decisions.

The Compensation Committee:

- (a) reviews and approves corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluating the Chief Executive Officer's performance in the light of those corporate goals and objectives and determines (or makes recommendations to the Board with respect to) the Chief Executive Officer's compensation level based on this evaluation;
- (b) considers and, if deemed appropriate, approves the Chief Executive Officer's recommendations for compensation for the directors and executive officers, and Company incentive-compensation plans;
- (c) reviews executive compensation disclosure before the Company publicly discloses this information;
- (d) is responsible for appointing and determining the terms of appointment of any consultants in respect of the executive officers' compensation.

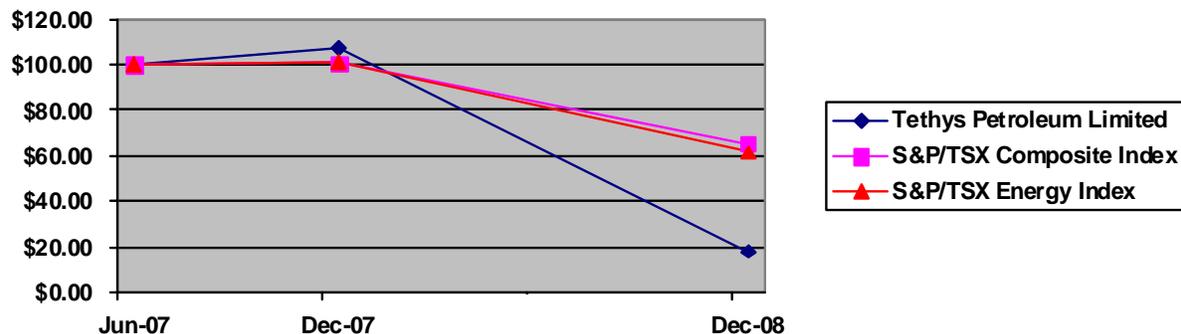
In fulfilling its role, the following general policies apply:

- (i) the Compensation Committee determines and review with the Chief Executive Officer and with the Board the framework or policies for the compensation of the Executives;
- (ii) in determining such policy, the Compensation Committee takes into account all factors which it deems necessary;
- (iii) the remuneration of non-executive directors is a matter for the Board; and
- (iv) no director or executive officer is involved in any decisions as to his or her own compensation.

Under the direction of the Compensation Committee, the Company is committed to the fundamental principles of pay for performance, improved shareholder returns and external competitiveness in the design, development and administration of its compensation programs. The Compensation Committee recognizes the need to attract and retain a stable and focused leadership with the capability to manage the operations, finances and assets of the Company.

### Performance Graph

The Ordinary Shares commenced trading on the TSX on June 27, 2007 concurrently with the completion of the Company's initial public offering. The following graph illustrates cumulative shareholder return, as measured by the closing price of the Ordinary Shares as at June 27, 2009 and at the end of the financial years ended December 31, 2007 and 2008, assuming an initial investment of CDN \$100 on June 27, 2007, compared to the S&P/TSX Composite Index and the S&P/TSX Energy Index.



The following table shows the value of \$100 invested in Ordinary Shares on June 27, 2007 compared to \$100 invested in the S&P/TSX Composite Index and the S&P/TSX Energy Index\*:

	<u>June 27, 2007</u>	<u>December 31, 2007</u>	<u>December 31, 2008</u>
Tethys Petroleum Limited.....	\$100.00	\$100.00	\$18.98
S&P/TSX Composite Index .....	\$100.00	\$100.66	\$65.40
S&P/TSX Energy Index .....	\$100.00	\$101.42	\$61.45

\*Assuming reinvestment of dividends/distributions. All amounts in Canadian \$.

The compensation paid by the Company to its Named Executive Officers in 2008 was not based in whole or in part on the trading price of the Ordinary Shares in 2008 and does not compare to the trends in such trading price or the above market indices.

## Option-based Awards

The process the Company follows in respect of the grant of option-based awards is set out under “*Compensation Disclosure and Analysis – Long-Term Incentives (Stock Options)*”. The Compensation Committee, after consultation with the Chief Executive Officer, made recommendations to the Board in respect of amendments to the Stock Incentive Plan approved to date (including the Amendment described under “*Particulars of Matters to be Acted Upon*”).

## Summary Compensation Table

The following table sets forth all annual and long-term compensation paid in respect of Dr. David Robson, Chairman, President and Chief Executive Officer, Bernard Murphy, Finance Director and Chief Financial Officer, Julian Hammond, Chief Commercial Officer and Vice President Corporate Development, Liz Landles, Director, Executive Vice President and Corporate Secretary and Rosemary Johnson-Sabine, Vice President Exploration (collectively, the “**Named Executive Officers**”), each of whom for the year ended December 31, 2008, met the requirements to be classified as “Named Executive Officers” of the Company, as such term is defined in Form 51-102F6 - *Statement of Executive Compensation* to National Instrument 51-102 - *Continuous Disclosure Obligations* (“**NI 51-102**”).

Name and Principal Position	Year <sup>(1)</sup>	Salary (US\$)	Share-based awards (US\$)	Option-based awards (US\$) <sup>(2)</sup>	Non-equity incentive plan compensation (US\$)		Pension value (US\$)	All other compensation (US\$) <sup>(4)</sup>	Total compensation (US\$) <sup>(8) (9)</sup>
					Annual Incentive plans <sup>(3)</sup>	Long-term Incentive plans			
Dr. David Robson <sup>(5) (6)</sup> Chairman, President and Chief Executive Officer	2008	379,887	N/A	464,790	62,500	N/A	N/A	71,888	979,064
Bernard Murphy <sup>(6)</sup> Finance Director and Chief Financial Officer	2008	204,554	N/A	278,874	25,000	N/A	N/A	43,240	551,668
Julian Hammond Chief Commercial Officer and Vice President Corporate Development	2008	178,985	N/A	278,874	37,500	N/A	N/A	29,940	525,299
Liz Landles <sup>(6) (7)</sup> Executive Vice President and Corporate Secretary	2008	204,554	N/A	278,874	37,500	N/A	N/A	31,755	552,683
Rosemary Johnson-Sabine Vice President, Exploration	2008	197,249	N/A	278,874	12,500	N/A	N/A	35,961	524,584

### Notes:

- (1) Information is not presented for periods prior to 2008 in accordance with the provisions of NI 51-102.
- (2) Represents the grant date fair value of Stock Options granted in 2008 based on a weighted average fair value on the date of grant, estimated using the Black-Scholes option pricing model of \$1.5493 per option, using the following weighted average assumptions: dividend yield of 0%; expected term of 4.0 years; a risk free interest rate of 3.32%; and an expected volatility of 73.5%.
- (3) Represents discretionary cash bonus awarded on completion of the Company’s public offering in June 2008.

- (4) The amounts shown in this column reflect for each Named Executive Officer:
- (i) the Company's contribution equal to 9% of their annual personal pension requirements;
  - (ii) permanent health insurance (including family healthcare premiums);
  - (iii) life insurance premiums;
  - (iv) critical illness premiums; and/or
  - (v) income protection premiums.
- (5) Represents amounts paid to Vazon Energy Limited under the terms of the CEO Services Agreement in respect of services of the President and Chief Executive Officer. See "*Management Agreements*".
- (6) Dr. Robson, Mr. Murphy and Ms. Landles are also members of the Board of Directors. However, no additional compensation is paid to them in respect of their duties as directors.
- (7) Represents amounts paid to Vazon under the terms of the Umbrella Services Agreement in respect of the services of Ms. Landles. See "*Management and Employment Agreements*".
- (8) Amounts paid in respect of the services of Dr. Robson, Ms. Landles, Mr. Murphy, Mr. Hammond and Ms. Johnson-Sabine were paid in pounds sterling (£). These amounts were converted into US\$ for the purposes of the above table at the rate of UK£1.00 = US\$1.461102, based on the exchange rate quoted by the fxtop.com on December 31, 2008.
- (9) Total compensation for the year represents the sum of all cash compensation paid and the value of option-based awards granted in the year. Total cash compensation, excluding the grant date fair value of option-based awards (which value is not a cash amount), was as follows in 2008:
- |       |                          |             |
|-------|--------------------------|-------------|
| (i)   | Dr. David Robson:        | US\$514,274 |
| (ii)  | Bernard Murphy:          | US\$272,794 |
| (iii) | Julian Hammond:          | US\$246,425 |
| (iv)  | Liz Landles              | US\$273,809 |
| (v)   | Rosemary Johnson-Sabine: | US\$245,710 |

### Management and Employment Agreements

The compensation paid in respect of the services of Dr. Robson, Ms. Landles Mr. Hammond, Mr. Murphy and Ms. Johnson-Sabine were paid in accordance with the management and employment agreements described below.

#### *Dr. David Robson*

The Company and Vazon Energy Limited ("**Vazon**") entered into a management services agreement dated May 10, 2007 (the "**CEO Services Agreement**") providing for, among other services, the services of Dr. David Robson as Chairman of the Board of Directors and as President and Chief Executive Officer of the Company. Dr. Robson is the owner and Managing Director of Vazon. Effective July 1, 2008, the CEO Services Agreement requires that the Company pay Vazon a monthly fee of £24,583.33 for these services, plus a further 9% of this sum as a contribution to Dr. Robson's personal pension requirements. The agreement also provides for the possibility of a bonus payable to Vazon, at the discretion of the Compensation Committee, if the work carried out by Vazon and Dr. Robson contributes significantly to the business progress of the Company. No further cash compensation is provided to Dr. Robson by the Company. The agreement further provides that the Company will maintain specified insurance policies (life, health, disability and travel) for Dr. Robson and provide for other customary non-cash benefits. The Company will also be required to reimburse Vazon for expenses incurred by Vazon's employees in connection with the services provided to the Company. The CEO Services Agreement may be terminated on six months' notice from either party and the Company is not required to make any payment upon termination, other than the payment of amounts due to the effective date of termination.

#### *Liz Landles*

The Company and Vazon entered into a management services agreement dated June 8, 2007 (the "**Umbrella Management Services Agreement**") providing for, among other services, the services of Vazon and the services of Liz Landles as Executive Vice President and Corporate Secretary, Graham Wall as Vice President, Technical and George Mirtskhulava as Vice President Commercial and Head of Kazakhstan Business Unit. The Umbrella Management Services Agreement requires that the Company pay Vazon a monthly fee of £31,284.17 (including contributions towards personal pension requirements), plus any required local or similar taxes, for their services. In addition, the Umbrella Management Services Agreement provides for the provision of other services including office accommodation, corporate, administrative, financial, treasury, accounting, technical, information technology and human resources. The Company will also be required to reimburse Vazon for expenses incurred by Vazon's employees in connection with the services provided to the Company. The Umbrella Management Services Agreement may be terminated on six months' notice from either party. The Company is not required to make any payment upon termination, other than the payment of amounts due to the effective date of termination.

*Bernard Murphy*

Bernard Murphy and the Company's wholly-owned subsidiary, Tethys Services Limited (“**TSL**”), are parties to an employment agreement dated May 2, 2007, pursuant to which Mr. Murphy is employed as Finance Director and Chief Financial Officer of the Company (the “**CFO Agreement**”). The CFO Agreement does not have an express term and may be terminated by the Company as well as by Mr. Murphy with six months' notice. Effective July 1, 2008, the annual compensation payable to Mr. Murphy is £155,000, plus £13,950 annually in respect of personal pension requirements. The Company has also agreed to pay for certain premiums for health and life insurance. Mr. Murphy is eligible to participate in the Stock Incentive Plan and any bonus plan the Company may adopt.

*Julian Hammond*

Julian Hammond and the Company's wholly-owned subsidiary, TSL, are parties to an employment agreement dated May 2, 2007, pursuant to which Mr. Hammond is employed as Chief Commercial Officer and Vice President, Corporate Development of the Company (the “**CCO Agreement**”). The CCO Agreement does not have an express term and may be terminated by the Company as well as by Mr. Hammond with six months' notice. Effective July 1, 2008, the annual compensation payable to Mr. Hammond is £135,000, plus £12,150 annually in respect of personal pension requirements. The Company has also agreed to pay for certain premiums for health and life insurance. Mr. Hammond is eligible to participate in the Stock Incentive Plan and any bonus plan the Company may adopt.

*Rosemary Johnson-Sabine*

Rosemary Johnson-Sabine and the Company's wholly-owned subsidiary, TSL, are parties to an employment agreement dated September 19, 2007, pursuant to which Ms. Johnson-Sabine is employed as Vice President Exploration of the Company (the “**VPE Agreement**”). The VPE Agreement does not have an express term and may be terminated by the Company as well as by Ms. Johnson-Sabine with six months' notice. Effective July 1, 2008, the annual compensation payable to Ms. Johnson-Sabine is £140,000, plus £12,600 annually in respect of personal pension requirements. The Company has also agreed to pay certain premiums for health and life insurance. Ms. Johnson-Sabine is eligible to participate in the Stock Incentive Plan and any bonus plan the Company may adopt.

**Incentive Plan Awards***Outstanding Option-based Awards*

The following table sets forth all option-based awards held by Named Executive Officers as at December 31, 2008, consisting of Stock Options granted under the Stock Incentive Plan, Performance Warrants and 2017 Warrants (as described below under the corresponding headings). The Company has not granted any share based awards (which term does not include option-based awards) since inception.

Name	Number of securities underlying unexercised options (#)	Option exercise price (US\$/per share)	Option expiration date	Value of unexercised in-the-money-options (US\$) <sup>(6)</sup>
Dr. David Robson <sup>(1)</sup>	900,000	2.75	June 25, 2014	Nil
	300,000	2.50	June 26, 2015	
	378,981	4.13	December 27, 2009	
	631,635	5.50	June 27, 2011	
	884,288	6.88	December 27, 2012	
Bernard Murphy <sup>(2)</sup>	450,000	2.75	June 25, 2014	Nil
	180,000	2.50	June 26, 2015	
	243,630	4.13	December 27, 2009	
	406,050	5.50	June 27, 2011	
	568,470	6.88	December 27, 2012	
Julian Hammond <sup>(3)</sup>	450,000	2.75	June 25, 2014	Nil
	180,000	2.50	June 25, 2015	
	243,630	4.13	December 27, 2009	
	406,050	5.50	June 27, 2011	
	568,470	6.88	December 27, 2012	
Liz Landles <sup>(4)</sup>	450,000	2.75	June 25, 2014	Nil
	180,000	2.50	June 26, 2015	
	243,630	4.13	December 27, 2009	
	406,050	5.50	June 27, 2011	
	568,470	6.88	December 27, 2012	
Rosemary Johnson-Sabine <sup>(5)</sup>	270,000	2.75	September 18, 2014	Nil
	180,000	2.50	June 26, 2015	

**Notes:**

- (1) The unexercised options consist of 1,200,000 Stock Options, 1,894,904 Performance Warrants and 0 2017 Warrants.  
(2) The unexercised options consist of 630,000 Stock Options, 1,218,150 Performance Warrants and 190,000 2017 Warrants.  
(3) The unexercised options consist of 630,000 Stock Options, 1,218,150 Performance Warrants and 0 2017 Warrants.  
(4) The unexercised options consist of 630,000 Stock Options, 1,218,150 Performance Warrants and 0 2017 Warrants.  
(5) The unexercised options consist of 450,000 Stock Options, 0 Performance Warrants and 0 2017 Warrants.  
(6) Based on the difference between the closing price of the Ordinary Shares on the Toronto Stock Exchange on December 31, 2008 and the relevant exercise price. The closing price of the Ordinary Shares on the Toronto Stock Exchange on December 31, 2008 was the Canadian dollar equivalent of US\$0.46.

***Option-based Awards – value vested during the year ended December 31, 2008.***

The following table provides details of the aggregate value of option-based awards (consisting of Stock Options, Performance Warrants and 2017 Warrants) held by the Named Executive Officers which vested during the financial year ended December 31, 2008 and Non-Equity Incentive Plan awards during financial year ended December 31, 2008.

Name	Option-based awards – Value vested during the year (US\$) <sup>(1)(2)</sup>	Non-equity incentive plan – Value earned during the year (US\$) <sup>(3)</sup>
Dr. David Robson	Nil	62,500
Bernard Murphy	Nil	25,000
Julian Hammond	Nil	37,500

Name	Option-based awards – Value vested during the year (US\$) <sup>(1)(2)</sup>	Non-equity incentive plan – Value earned during the year (US\$) <sup>(3)</sup>
Liz Landles	Nil	37,500
Rosemary Johnson-Sabine	Nil	12,500

**Notes:**

- (1) The value in the above table reflects the difference between the market value Ordinary Shares on the TSX on the date of vesting and the exercise price of the Stock Options.
- (2) The following numbers of Stock Options granted under the Stock Incentive Plan vested in 2008:
- (i) Dr. David Robson: 400,000 options
  - (ii) Bernard Murphy: 210,000 options
  - (iii) Julian Hammond: 210,000 options
  - (iv) Liz Landles: 210,000 options
  - (v) Rosemary Johnson-Sabine: 150,000 options
- (3) Represents discretionary cash bonus awarded on completion of the Company’s public offering in June 2008.

The option based awards (the “**Stock Options**”) granted or which vested in 2008 were granted under our Stock Incentive Plan which is described below. In addition, certain Named Executive Officers were granted Performance Warrants and 2017 Warrants in 2007, all of which vested at the time of grant. The Performance Warrants and 2017 Warrants are described below.

The process followed by the Company for the grant of Stock Options referred to above is described under “*Compensation Discussion Analysis - Long-Term Incentives (Stock Options)*”.

*Stock Incentive Plan*

The Company has adopted a stock incentive plan referred to as the “*2007 Long Term Stock Incentive Plan (as amended)*” (the “**Stock Incentive Plan**”) pursuant to which the Company may grant stock options to any director, officer, employee or consultant of the Company, or any subsidiary or Vazon Energy Limited (“**Vazon**”) (collectively, “**Service Providers**”). The purpose of the Stock Incentive Plan is to secure for the Company and its shareholders the benefits of incentives inherent in share ownership by Service Providers who, in the judgment of the Board of Directors, will be largely responsible for its future growth and success. The Stock Incentive Plan was adopted prior to the Company’s initial public offering and an amendment thereto was approved by shareholders of the Company at the 2008 annual shareholders’ meeting.

The maximum number of Ordinary Shares reserved for issuance under the Plan currently equals 7,511,670 Ordinary Shares. An Amendment to such maximum number is proposed at the Meeting in accordance with the resolution set out under “*Particular of Matters to be Acted Upon – Approval of Amendment to the Stock Incentive Plan*”.

The Stock Incentive Plan is administered by the Compensation Committee of the Board of Directors. Options may be granted pursuant to recommendations of the Compensation Committee. The Compensation Committee may determine the vesting schedule and term, provided that options may not have a term exceeding ten years. Subject to any resolution passed by the Compensation Committee, options will terminate three months after an optionee ceases to be a Service Provider.

The exercise price of options granted under the Stock Incentive Plan may not be less than the closing price of the Ordinary Shares on the TSX as at the date of the option grant. Subject to any resolution of the Compensation Committee, the Stock Options will cease to be exercisable three months after an optionee ceases to be a director, officer, employee or consultant of the Company or Vazon, subject to earlier termination in the event of termination for cause. The Stock Incentive Plan contains amendment provisions which allow amendments to the Stock Incentive Plan by the Board of Directors, without shareholder approval, for amendments of a “housekeeping” nature, changes to vesting or termination provisions, and discontinuance of the Stock Incentive Plan. The Stock Incentive Plan also provides that outstanding Stock Options will vest immediately on the occurrence of a “change in control” (as defined in the Plan). Options granted under the Plan are only assignable to certain related entities of an optionee or otherwise with the consent of the Company.

The Stock Incentive Plan contains provisions for adjustment in the number of Ordinary Shares issuable thereunder in the event of a subdivision, consolidation or reclassification of the Ordinary Shares, the payment of stock dividends by the Company (other than dividends in the ordinary course) or other relevant changes in the capital stock of the Company.

The Stock Incentive Plan does not contain any restriction on the number of Ordinary Shares which may be reserved for issuance in respect of Stock Options granted to insiders under the Stock Incentive Plan or pursuant to any other share compensation arrangement. Accordingly, amendments to the Stock Incentive Plan (including the Amendment) and other compensation arrangements of the Company which require approval of shareholders will require approval of disinterested shareholders for as long as the number of Ordinary Shares reserved for issuance under options or other share compensation arrangements exceeds 10% of the outstanding Ordinary Shares and the Stock Incentive Plan or share compensation arrangements do not limit the participation of insiders to 10% of outstanding Ordinary Shares.

#### *Performance Warrants*

In connection with the closing of the Company's initial public offering which was completed on June 27, 2007, the Company granted to its executive officers warrants (the "**Performance Warrants**" or "**PW**") to acquire an aggregate of 6,767,504 Ordinary Shares. Performance Warrants to acquire an aggregate of 1,353,501 Ordinary Shares are exercisable at US\$4.125 until December 27, 2009, Performance Warrants to acquire an aggregate of 2,255,835 Ordinary Shares are exercisable at US\$5.50 until June 27, 2011 and Performance Warrants to acquire an aggregate of 3,158,168 Ordinary Shares are exercisable at US\$6.875 until December 27, 2012.

#### *2017 Warrants*

On February 14, 2007 the Company agreed to issue and on June 8, 2007 the Company issued certain warrants (the "**2017 Warrants**") to purchase an aggregate of 2,090,000 Ordinary Shares. The 2017 Warrants are exercisable at a price of US\$2.50 per share and expire ten years from the date of issuance. 2017 Warrants to acquire an aggregate of 190,000 Ordinary Shares were granted to certain of the Named Executive Officers. The 2017 Warrants were granted in connection with a private placement completed in January 2007.

#### *Defined Benefit or Actuarial Plans*

The Company did not have any defined benefit (or actuarial plans) or defined contribution plan during the financial year ended December 31, 2008.

Although the Company does not provide any of its Named Executive Officers with a pension plan, the Company pays a monthly contribution of 9% of the Named Executive Officer's basic salary or base management fee as a contribution towards the Named Executive Officer's pension requirements. Payments made to the Named Executive Officer with relation to pension provisions are made on the basis that the Named Executive Officer decides how to direct these payments in accordance with their own pension requirements and objectives.

#### **Termination and Change of Control Benefits**

The Management and Employment Agreements may be terminated by either the Company or the relevant Named Executive Officer on six months' notice. None of the Management Agreements provides for payment upon a change of control of the Company.

The Stock Incentive Plan provides that, in the event of a "Change of Control" (as defined), all outstanding Stock Options will immediately vest and become exercisable. Had such "Change of Control" occurred as at December 31, 2008, the value of Stock Options vested upon such occurrence (calculated as the difference between the market price of the Ordinary Shares on the Toronto Stock Exchange on December 31, 2008 and the exercise price of the Stock Options) would have been nil.

## Compensation of Directors

The following table sets forth all amounts of compensation provided to the directors of the Company (other than those directors who are also Named Executive Officers) during the year ended December 31, 2008.

Name	Fee earned (US\$)	Share-based awards (US\$)	Option- based awards (US\$) <sup>(1)</sup>	Non-equity incentive plan compensation (US\$)	Pension value	All other compensation (US\$)	Total (US\$) <sup>(2)</sup>
Russ Hammond	54,061	-	69,719	-	-	-	123,780
Piers Johnson	40,546	-	69,719	-	-	-	110,265
Peter Lilley	65,750	-	69,719	-	-	-	135,469
Paul Murphy	51,869	-	69,719	-	-	-	121,588
Colin Smith	55,522	-	69,719	-	-	-	125,241

**Note:**

- (1) See Note (2) to the “*Summary Compensation Table*.”  
(2) Total compensation includes the grant date fair value of option-based awards during the year (which value is not a cash amount).

The Company’s directors who are not also executive officers are entitled to receive an annual retainer of £35,000 and receive additional annual fees ranging from £1,000 to £2,000 for serving as a member of, and holding the position of chairman of, a committee of the Board of Directors. Mr. Lilley receives an extra £5,000 a year as a result of being the Vice Chairman of the Company.

In addition, in 2008 each director who was not a member of management was awarded options to acquire 45,000 Ordinary Shares in accordance with the terms of the Stock Incentive Plan. These options are exercisable at a price of US\$2.50 and have a term of 7 years from the date of grant. The options vested one third immediately, one third after one year and one third after two years.

The following table provides details of the aggregate value of option based awards held by directors (who are not also Named Executive Officers) which vested during the financial year ended December 31, 2008.

Name	Option-based awards – Value vested during the year (US\$) <sup>(1)</sup>
Russ Hammond	Nil
Piers Johnson	Nil
Peter Lilley	Nil
Paul Murphy	Nil
Colin Smith	Nil

**Note:**

- (1) The following number of Stock Options granted to directors vested in 2008:  
(i) Russ Hammond: 58,000 options;  
(ii) Piers Johnson: 58,000 options;  
(iii) Peter Lilley: 65,000 options;  
(iv) Paul Murphy: 58,000 options;  
(v) Colin Smith: 58,000 options.

The appointment of each director who is not also an executive officer (a “**non-executive director**”) is confirmed under the terms of an appointment letter. Such appointment letter provides that non-executive directors will be

indemnified by the Company from and against all actions, expenses and liabilities incurred in the execution of his or her functions, subject to such limitations which may apply at law.

### Equity Compensation Plan Information

The following table provides details as at December 31, 2008 with respect to all compensation plans of the Company under which equity securities of the Company are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected herein)
Equity compensation plans approved by securityholders	Options: 6,675,000	Options: US\$2.67	Options: 836,670
Equity compensation plans not approved by securityholders <sup>(1)</sup>	PWs: 6,767,504 2017 Warrants: 2,090,000	PWs: US\$5.87 2017 Warrants: US\$2.50	PWs: Nil 2017 Warrants: Nil
<b>Total</b>	Options: 6,675,000 PWs: 6,767,504 2017 Warrants: 2,090,000	Options: US\$2.67 PWs: US\$5.87 2017 Warrants: US\$2.50	Options: 836,670 PWs: Nil 2017 Warrants: Nil

**Note:**

(1) The Performance Warrants (PWs) and 2017 Warrants were granted in 2007 prior to the Company's initial public offering. See "Executive Compensation - Performance Warrants" and "Executive Compensation - 2017 Warrants" for a description.

## DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Pursuant to National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, the Company is required to include in this Information Circular the disclosure required under Form 58-101F1 with respect to the matters set out under National Policy 58-201 - *Corporate Governance Guidelines* ("**NP 58-201**").

### Introduction

The Board of Directors is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interests of shareholders but that it also promotes effective decision making at Board level. The Board is of the view that its approach to corporate governance is appropriate and continues to work to align with the recommendations currently in effect and contained in NP 58-201. In addition, the Board monitors and considers for implementation the corporate governance standards which are proposed by various Canadian regulatory authorities.

### Board of Directors

The Board of Directors is responsible for overseeing the conduct of the business of the Company and supervising management, who are responsible for the daily conduct of the business of the Company. The Board of Directors is currently comprised of eight directors. A director is "independent" within the meaning of National Instrument 52-110 - *Audit Committees* ("**NI 52-110**") if he or she does not have any direct or indirect material relationship with the Company which, in the view of the Board of Directors, could reasonably interfere with the exercise of the member's independent judgement. In addition, under NI 52-110, certain individuals are deemed to have a "material relationship" with the Company, including any individual whose immediate family member is, or has recently been, an executive officer of the Company. Based on the foregoing definition, the Board currently has 3 independent directors and 5 directors who are not independent:

<b>Independence Status of Current Directors and Proposed Director</b>				
<b>Name</b>	<b>Management</b>	<b>Independent</b>	<b>Not Independent</b>	<b>Reason for Non-Independent Status</b>
Russ Hammond			✓	Mr. Hammond is the father of Julian Hammond, the Chief Commercial Officer and Vice President Corporate Development of Tethys
Piers Johnson		✓		N/A
Liz Landles	✓		✓	Ms. Landles is Executive Vice President and Corporate Secretary of Tethys
Peter Lilley		✓		N/A
Bernard Murphy	✓		✓	Mr. Murphy is the Chief Financial Officer and Finance Director of Tethys
Paul Murphy			✓	Mr. Murphy is the brother of Bernard Murphy, the Chief Financial Officer and Finance Director of Tethys
Dr. David Robson	✓		✓	Dr. Robson is the President and Chief Executive Officer of Tethys
Colin Smith		✓		N/A

Although the Board of Directors is not comprised of a majority of independent directors, the Board has concluded that the Board of Directors has functioned and can continue to function independently as required. The independent members of the Board of Directors do not hold regularly scheduled meetings at which the non-independent directors and members of management are not in attendance, however, the Board provides an opportunity to hold such meetings at the request of an independent director in order to facilitate the exercise of the directors' independent judgement. In addition, the Board holds "in-camera" sessions for independent members during each Board meeting to facilitate open and candid discussion amongst the independent directors.

The Chairman of the Board of Directors, Dr. Robson, is not an independent director as he is the President and Chief Executive Officer of the Company. In order to provide leadership for the independent directors, the Board encourages communication among the independent directors with the Vice Chairman, Peter Lilley, being the leading independent director providing guidance to the other non-independent directors.

The table below summarizes the meetings of the Board and its committees held during 2008 and the attendance of the individual directors of the Company at such meetings:

Director	Meetings of the Board and Committees			
	Board	Audit Committee	Compensation and Nomination Committee	Reserves Committee
Russ Hammond	12/13	N/A	4/4	N/A
Piers Johnson	9/13 <sup>(1)</sup>	3/4 <sup>(2)</sup>	N/A	1/1
Liz Landles	13/13	N/A	N/A	N/A
Peter Lilley	11/13	4/4	4/4	1/1
Bernard Murphy	12/13	N/A	N/A	N/A
Paul Murphy	7/13	1/4 <sup>(2)</sup>	N/A	N/A
Dr. David Robson	13/13	N/A	N/A	1/1
Colin Smith	6/13	4/4	N/A	N/A

**Notes:**

(1) Piers Johnson joined the Board effective April 2, 2008 after which there were 9 Board meetings held.

(2) Paul Murphy stepped down from the Audit Committee on April 2, 2008 and was replaced by Piers Johnson.

Certain of the directors are also directors of other reporting issuers (or the equivalent) in a Canadian or foreign jurisdiction as indicated in the table below:

Name	Reporting Issuer
Russ Hammond	Questerre Energy Corporation
Peter Lilley	Melchior Japan Investment Trust plc IDOX plc
Colin Smith	Raven Russia Limited

**Board Mandate**

The Board has not adopted a formal written mandate. The Board approves all significant decisions of the Company before they are implemented and supervises their implementation and reviews the results. In addition, the Board is actively involved in the Company's strategic planning process. The Board discusses and reviews all materials relating to strategic and operating plans with management. Management seeks Board approval for any transaction that would have a significant impact on the strategic plan.

The Board is responsible for selecting the President and Chief Executive Officer and the appointment of senior management and for monitoring their performance. The Board delegates to management responsibility for, among other things, meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business, evaluating new business opportunities and complying with applicable regulatory requirements.

The Board periodically reviews the Company's business and implementation of appropriate systems to manage any associated risks, communications with investors and the financial community and the integrity of the Company's

internal control and management information systems. The Board also monitors the Company's compliance with timely disclosure obligations and reviews material disclosure documents prior to distribution. The Board has adopted a disclosure policy to ensure the accurate and timely communications of all important information to the investing public.

### Position Descriptions

The Board has not developed written position descriptions for the Chairman of the Board or the Chairman of the respective Board committees. The Board believes management is responsible for the effective, efficient and prudent management of the Company's day-to-day operation subject to the Board's stewardship.

The role of the Chairman is to provide leadership to the directors, manage the affairs of the Board and ensure that the Board is organized properly, functions effectively and meets its obligations and responsibilities. The Chairman presides at each meeting of the Board and is responsible for coordinating with management and the Corporate Secretary to ensure that documents are delivered to directors in sufficient time in advance of Board meetings for a thorough review, that matters are properly presented for the Board's consideration at meetings, and that the Board has an appropriate opportunity to discuss issues at each meeting. The Chairman is responsible for communicating with each Board member, ensuring that each director has the opportunity to be heard, that each director is accountable to the Board, and that the Board and each Committee is discharging its duties. The Chairman is also responsible for organizing the Board to function independently of management. Additionally, the Chairman is the Board's role model for responsible, ethical and effective decision-making.

During the fiscal year ended December 31, 2008, the Board had four standing committees, the majority of which were composed of independent directors, with the exception of the Executive Board (Executive Committee). The Board has delegated certain responsibilities to each of its committees, and they report to and make recommendations to the Board on a regular basis. The Chair of each committee is expected to be responsible for ensuring that the written terms of reference of the committee for which he or she serves as Chair is adhered to and that the objectives of each committee are accomplished.

The Board has established the following standing committees comprised of the members and chaired by the individuals set out in the following table.

Committee	Members	Independent
Audit Committee	Colin Smith, Chair	Yes
	Peter Lilley	Yes
	Piers Johnson	Yes
Compensation and Nomination Committee	Peter Lilley, Chair	Yes
	Russ Hammond	No
Reserves Committee	Piers Johnson, Chair	Yes
	Peter Lilley	Yes
	Dr. David Robson	No
Executive Board (Executive Committee)	Dr. David Robson	No
	Bernard Murphy	No
	Liz Landles	No

The Board and the President and Chief Executive Officer have established a position description for the Company's President and Chief Executive Officer. The President and Chief Executive Officer has the overall responsibility for the successful management of the business and affairs of the Company.

### **Orientation and Continuing Education**

The Board currently provides a limited orientation and education program for new directors. This process includes discussions with the Chairman and senior management with respect to the business and operations of the Company. In addition, each member of the Board and any new member of the Board is provided with the constating documents of the Company and the Company's policy with respect to public disclosure, communication and insider trading and reporting. Each new Board member is also entitled to review all previous minutes of the Board and the shareholders. In addition, directors are encouraged to visit the Company's facilities, to interact with management and employees and to stay abreast of industry developments and the evolving business of the Company.

The Board is currently considering implementing a formal orientation and continuing education program whereby all directors will receive a Board manual containing any terms of reference of the Board and its committees, the constating documents of the Company, corporate fact sheets, and scheduling information sessions for directors on topics relating to significant aspects of the Company's business and operations, including the legal, regulatory and industry requirements affecting the Company.

### **Ethical Business Conduct**

The Company has adopted a written Code of Business Conduct and Ethics (the "Code") which applies to the Company's directors, officers and employees, a copy of which can be obtained under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Board of Directors takes reasonable steps to monitor compliance with the Code by requiring employees, on the commencement of employment and as otherwise directed by management, to sign a copy of the Code acknowledging that the employee has read, understood and will comply with the Code. The Code encourages that an employee report to their supervisor or the Board possible unethical conduct and breaches of the Code.

In addition to the Code, the Company has adopted an Audit Committee Charter and a Whistleblower Policy with respect to accounting and auditing irregularities. The Company has also adopted a disclosure and insider trading policy to ensure the communications to the investing public about the Company are timely, factual and accurate in accordance with applicable legal and regulatory requirements and to help ensure that the directors, officers and other insiders of the Company understand and comply with the insider trading restrictions under applicable securities legislation.

Since the beginning of the Company's most recently completed financial year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code.

The Board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs. Directors are required to abide by the Code and are expected to make responsible and ethical decisions in discharging their duties, thereby setting an example of the standard to which management and employees should adhere.

The Board requires that the Chief Executive Officer and other executive officers are acting with integrity and fostering a culture of integrity throughout the Company. The Board is responsible for reviewing departures from the Code, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. In addition, the Board is responsible for responding to potential conflict of interest situations, particularly with respect to considering existing or proposed transactions and agreements in respect of which directors or executive officers advise they have a material interest. Directors and executive officers are required to disclose any interest and the extent, no matter how small, of their interest in any transaction or agreement with the Company, and that directors excuse themselves from both Board deliberations and voting in respect of transactions in which they have an interest. By taking these steps the Board strives to ensure that directors exercise independent judgement, unclouded by the relationships of the directors and executive officers to each other

and the Company, in considering transactions and agreements in respect of which directors and executive officers have an interest.

### **Nomination of Directors and Compensation**

The Compensation Committee is responsible for identifying new candidates to join the Board of Directors. The Committee is responsible for identifying qualified candidates, recommending nominees for election as directors and appointing directors to committees. The Compensation Committee is requested to objectively consider the independence of candidates, financial and technical acumen, skills and available time to devote to the duties of the Board of Directors in making their recommendations for nomination to the Board of Directors. The Committee reviews the composition and size of the Board of Directors and tenure of directors in advance of annual general meetings when directors are most ordinarily elected by the Company's shareholders, as well as when individual directors indicate that their terms may end or that their status may change. The Compensation Committee encourages all directors to participate in considering the need for and in identifying and recruiting new nominees for the Board of Directors. In doing so, the directors are requested by the Compensation Committee to have regard to the skill sets which are deemed, from time to time, to be most desired in proposed nominees for the Board of Directors.

With respect to compensation, the Compensation Committee reviews and approves corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluates the Chief Executive Officer's performance in the light of those corporate goals and objectives and determines or makes recommendations to the Board of Directors with respect to the Chief Executive Officer's compensation level based on this evaluation. This committee also considers and, if deemed appropriate, approves the Chief Executive Officer's recommendations for compensation for executive officers of the Company and incentive compensation plans of the Company. This includes the review of the Company's executive compensation and other human resource philosophies and policies, the review and administration of the Company's bonuses, stock options and share purchase plan and the preparation and submission of a report for inclusion in annual continuous disclosure documents, as required.

The Compensation Committee is comprised of non-management members of the Board of Directors and is required to convene at least two times each year. Russ Hammond is not considered independent within the meaning of NI 52-110 as he is the father of the Company's Chief Commercial Officer and Vice President Corporate Development. The Board of Directors has determined that Mr. Lilley's position as Vice Chairman and Mr. Hammond's relationship with the Company's Chief Commercial Officer and Vice President Corporate Development are not reasonably expected to interfere with the exercise of their independent judgement.

### **Other Board Committees**

The Company's four standing committees are the Audit Committee, the Compensation Committee, the Reserves Committee and the Executive Committee (Executive Board). The function of the audit committee is set out in detail in the Company's annual information form (available at [www.sedar.com](http://www.sedar.com)). The function of the Compensation Committee is set out above under "*Nomination of Directors and Compensation*" and "*Compensation Discussion and Analysis*", and the function of the Reserves Committee and Executive Board are set out below.

### **Reserves Committee**

The function of the Reserves Committee is to recommend the engagement of a reserves evaluator, ensure the reserves evaluator's independence, review the procedures for disclosure of reserves evaluation, meet independently with the reserves evaluator to review the scope of the annual review of reserves, discuss findings and disagreements with management, annually assess the work of the reserves evaluator and approve the Corporation's annual reserve report and consent forms of management and the reserves evaluator thereto.

### **Executive Board (Executive Committee)**

In February 2008, the Board approved the formation of an "Executive Board" (which functions as an executive committee). The Executive Board comprises of Dr. David Robson, Mr. Bernard Murphy and Ms. Liz Landles, each of whom is an executive officer of the Company. The purpose of the Executive Board is to allow the Board of

Directors to delegate to the Executive Board the authority to respond to minor or time sensitive matters where it is impractical to call a meeting of the Board of Directors. The Executive Board makes a report to the Board of Directors of its meetings and actions at subsequent meetings of the Board of Directors.

### **Assessments**

The Board will periodically review the effectiveness of the Board, its committees and the contributions of individual Board members. It is anticipated that this assessment will be conducted through an informal discussion and evaluation of members' contributions.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director or executive officer of the Company, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of any of them is or was indebted to the Company at any time since the beginning of the last completed financial year of the Company.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No director or executive officer of the Company, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of any one of them, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting except in respect of the eligibility of directors and executives officers to participate in the Stock Incentive Plan which is proposed to be amended as described in this Information Circular under the heading "*Particulars of Matter to be Acted Upon – Approval of Amendment to the Stock Incentive Plan*".

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than set forth in this Information Circular and set out below, the Company is not aware of any material interest, direct or indirect, of any "informed person" of the Company (as defined under Canadian securities legislation), any proposed director of the Company, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Company's most recently completed financial year, or in any proposed transaction which has materially affected or would materially affect the Company.

One of the Company's directors, Paul Murphy, is Managing Director of Kraken Financial Group ("**KFG**"). In 2008, KFG was engaged by the Company to assist in obtaining loan financing in relation to the purchase of two drilling rigs (Telesto and Tykhe). As a result of the services provided in connection with the Telesto transaction, KFG received a 6% commission calculated as percentage of the funds advanced by investors it was responsible for introducing to the Company. This commission is to be taken in the form 81,447 Ordinary Shares, which have yet to be issued. In relation to similar services provided in connection with the loan financing of the Tykhe drilling rig, KFG received commission of US\$21,000. KFG also acted as broker for the Company in the placement of various insurance policies, including Directors & Officers insurance, for which the combined annual premiums were US\$112,615.

One of the Company's directors, Piers Johnson, is Managing Director of Oilfield Production Consultants Ltd. and Oilfield Production Consultants USA LLC, (collectively "**OPC**"). OPC has charged the Company a monthly retainer fee for engineering expertise, provided services relating to the optimization of certain operations, and has consulted on certain reservoir modelling work.

### **MANAGEMENT CONTRACTS**

During the financial year ended December 31, 2008, management functions of the Company were performed by Vazon. See "*Management and Employment Agreements*". Dr. David Robson is the only "informed person" of Vazon (as such term is defined under applicable Canadian securities legislation).

### **AUDIT COMMITTEE**

Under Canadian securities laws, the Company is required to include in its annual information form for the year ended December 31, 2008 (the “**AIF**”) prescribed disclosure with respect to its audit committee, including the text of its audit committee charter, the composition of the audit committee and the fees paid to the external auditor. The Company’s disclosure with respect to the foregoing is contained in the AIF under the heading “*Audit Committee*”, a copy of which is available on SEDAR.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available under the Company’s profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). Financial information relating to Tethys is provided in the Company’s financial statements and management’s discussion and analysis (“**MD&A**”) for the financial year ended December 31, 2008. Shareholders may contact the Company to request copies of the financial statements and MD&A by: (i) mail to P.O. Box 524, Suite 3, Borough House, Rue du Pre, St. Peter Port, Guernsey, Channel Islands, GY1 6EL; or (ii) fax to 44 1481725922.