



TETHYS
Petroleum

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 27, 2013

AND

MANAGEMENT INFORMATION CIRCULAR

DATED MAY 24, 2013

TETHYS PETROLEUM LIMITED
89 Nexus Way, Camana Bay,
Grand Cayman, KY1-9007, Cayman Islands

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT an annual general and special 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, 89 Nexus Way, Camana Bay, Grand Cayman, Cayman Islands on June 27, 2013 at 10:30 a.m. (Eastern Standard Time – local time in the Cayman Islands) for the following purposes:

Ordinary Business

1. Resolution 1 – Receipt of Financial Statement and Auditors Report

To receive and consider the financial statements of the Company for the year ended December 31, 2012 and the report of the auditors thereon.

2. Resolution 2.1 to 2.10 – Election of Directors

To propose each of the following resolutions as ordinary resolutions of the Company:

- 2.1 to re-elect Julian Hammond as a director of the Company;
- 2.2 to re-elect Russ Hammond as a director of the Company;
- 2.3 to re-elect Piers Johnson as a director of the Company.
- 2.4 to re-elect Elizabeth Landles as a director of the Company;
- 2.5 to re-elect the Rt. Hon. Peter Lilley M.P. as a director of the Company;
- 2.6 to re-elect Bernard Murphy as a director of the Company;
- 2.7 to re-elect James Rawls as a director of the Company;
- 2.8 to re-elect Marcus Rhodes as a director of the Company;
- 2.9 to re-elect Dr. David Robson as a director of the Company; and
- 2.10 to elect Ambassador Zalmay Khalilzad as a director of the Company.

3. Resolution 3 – Appointment of Auditors

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

That KPMG Audit Plc, Chartered Accountants, be 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. Resolution 4 – Adoption of an Employee Share Purchase Plan

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

THAT:

1. The employee share purchase plan (the “**ESPP**”), in the form attached as Schedule A to the Company’s Management Information Circular dated May 24, 2013, is approved and adopted as the employee share purchase plan of Tethys Petroleum Limited (the “**Company**”);
2. The number of ordinary shares of the Company reserved for issuance pursuant to the ESPP shall be 10,000,000 ordinary shares; and
3. Any one officer or director of the Company is hereby authorized and directed, for and on behalf of the Company, to execute and deliver all such documents and to do all such acts and things as he or she may determine to be necessary or desirable in order to carry out the foregoing provisions of this resolution, the execution of any such document or the doing of any such acts and things being conclusive evidence of such determination.

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 May 20, 2013, the record date (the “Record Date”), are entitled to receive notice of the Meeting.

DATED this 24th day of May 2013.

BY ORDER OF THE BOARD OF DIRECTORS

“Elizabeth Landles”

Chief Administrative Officer 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 Financial Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1, not later than 10:30 a.m. (Eastern Standard Time) on June 25, 2013, or twenty-four hours 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 close of business on May 20, 2013, 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.

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 not later than 10:30 a.m. (Eastern Standard Time) on June 25, 2013 request that the Registrar and Transfer Agent of the Company, Equity Financial Trust Company add his or her name on the register of members and include him or her in the list of persons entitled to attend and vote at the Meeting.

TETHYS PETROLEUM LIMITED

**ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 27, 2013**

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 special meeting of the holders of ordinary shares of the Company (“**Ordinary Shares**”) to be held on June 27, 2013 at the registered office of the Company, being 89 Nexus Way, Camana Bay, Grand Cayman, Cayman Islands at 10:30 a.m. (Eastern Standard Time – local time in the Cayman Islands), or at any adjournment thereof (the “**Meeting**”), for the purposes set forth in the notice of meeting (the “**Notice of Meeting**”).

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.

The Company has retained Georgeson Shareholder Communications Canada Inc. (“**Georgeson**”) in connection with the solicitation of proxies. For this service, and other advisory services, Georgeson will be paid a fee of \$27,500 plus a per call fee for retail shareholder calls and will be reimbursed for its reasonable out-of-pocket expenses. The cost of solicitation will be borne by the Company.

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 May 20, 2013 (the “Record Date”).

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

VOTING BY PROXY - APPOINTMENT AND REVOCATION OF PROXIES

The persons named (the “Management Designees”) in the enclosed instrument of proxy (the “Instrument of Proxy”) are directors or officers of the Company and have been selected by the directors of the Company and have indicated their willingness to represent as proxy the shareholder who appoints them. A registered shareholder has the right to designate a person (whom needs 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 Financial 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 proxy nominee need not be a shareholder of the Company.

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 Financial Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1, Canada, at least forty-eight (48) hours prior to the Meeting or twenty-four (24) hours prior to any adjournment thereof. Any proxy delivered in respect of the Meeting will be valid for any adjournment of the

Meeting. 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 Financial 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.

A shareholder giving a proxy has the right to attend the Meeting, or appoint someone else to attend as his or her proxy at the Meeting and the proxy submitted earlier can be revoked in the manner described above.

If you have any questions or require additional information with regards to the voting of your Shares, please contact our proxy solicitation agent, Georgeson, toll-free within North America at 1-866-676-3005 or via Email: askus@georgeson.com.

VOTING IN PERSON AT THE MEETING

A registered shareholder will appear on a list of shareholders prepared by the registrar and transfer agent for purposes of the Meeting. To vote in person at the Meeting each registered shareholder will be required to register for the Meeting by identifying themselves at the registration desk. Non-registered beneficial shareholders must appoint themselves as a proxyholder to vote in person at the Meeting. Also see "Advice to Beneficial Shareholders" below.

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 (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 Resolutions 1, 2.1 to 2.10, 3 and 4 as set out in the Notice of Meeting. 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 AND TO HOLDERS OF DEPOSITORY INTERESTS

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 (a "Beneficial Shareholder") in the following manner:

- (a) registered in the name of an intermediary that the Beneficial Shareholder deals with in respect of the Ordinary Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or certain administrators;

- (b) registered in the name of a depository (such as The Canadian Depository for Securities Limited or “CDS”); or
- (c) represented by depository interests (“**Depository Interests**”) in respect of which Capita IRG Trustees Limited acts as depository.

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. Ordinary Shares represented by Depository Interests are not registered in the Beneficial Shareholder’s name.

In accordance with Canadian securities law, the Company has distributed copies of the Notice of Meeting, this Management Information Circular and the form of proxy (collectively, the “**meeting materials**”) to CDS and intermediaries for onward distribution to Beneficial Shareholders.

Intermediaries are required to forward meeting materials to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Typically, intermediaries will use a service company to forward the meeting materials to Beneficial Shareholders. Beneficial Shareholders, other than NOBOs, will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit Beneficial Shareholders to direct the voting of the Common Shares they beneficially own. Beneficial Shareholders should follow the procedures set out below, depending on which type of form they receive.

A. Voting Instruction Form. In most cases, a Beneficial Shareholders will receive, as part of the meeting materials, a voting instruction form. If the Beneficial Shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder’s behalf), the voting instruction form must be completed, signed and returned in accordance with the directions on the form. If a Beneficial Shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Beneficial Shareholder’s behalf), the Beneficial Shareholder must complete, sign and return the voting instruction form in accordance with the directions provided and a form of proxy giving the right to attend and vote will be forwarded to the Beneficial Shareholder.

or,

B. Form of Proxy. Less frequently, a Beneficial Shareholder will receive, as part of the meeting materials, a form of proxy that has already been signed by the intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Beneficial Shareholder but which is otherwise uncompleted. If the Beneficial Shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder’s behalf), the Beneficial Shareholder must complete the form of proxy and deposit it with the Company’s registrar and transfer agent, Equity Financial Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1, as described above. If a Beneficial Shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the holder’s behalf), the Beneficial Shareholder must strike out the names of the Management Designees named in the proxy and insert the Beneficial Shareholder’s (or such other person’s) name in the blank space provided.

or,

C. Form of Direction. A Beneficial Shareholder who holds Depository Interests will receive, as part of the meeting materials, a Form of Direction. If the Beneficial Shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder’s behalf), the Form of Direction must be completed, signed and returned in accordance with the directions on the form. To be effective, this Form of Direction and the power of attorney or other authority (if any) under which it is signed, or a notarially or otherwise certified copy of such power or authority, must be deposited at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 17:30 (BST) on Thursday June 20, 2013. Depository Interest holders wishing to attend the Meeting should contact the Depository at Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU in accordance with the instructions set out in the Form of Direction.

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 May 20, 2013, the Record Date, Tethys had 287,101,744 Ordinary Shares issued and outstanding. There are no preference shares issued and outstanding as at May 20, 2013. 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, she or it 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 Financial Trust Company not later than 48 hours 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 of Ordinary Shares present in person or represented by proxy constitute 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 of this Circular, 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	55,378,794 (19.29%)

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, 2012 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 ten (10) directors, nine of whom are being nominated for re-election and one of whom is being nominated for 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.

The TSX has adopted amendments to its Company Manual, which became effective December 31, 2012, requiring listed companies to disclose whether they have adopted a majority voting policy for the election of directors. Shareholders are entitled to vote "for" or "withhold" their vote in respect of the election of each director. A majority

voting policy generally provides that a director who receives a majority of “withhold” votes, but is elected as a matter of law, must tender his resignation for consideration by the board of directors.

The Company has not adopted a majority voting policy. The Company’s articles of association (the "Articles") expressly provide for the election of directors by plurality. The Company believes that the adoption of a majority voting policy may result in an unfair outcome in a number of circumstances, including where voter turnout is low. Accordingly, the Company believes that additional consideration is required before any implementation of a policy by the Company which would in effect be inconsistent with the Articles. The current practice of the Company, which management and the Board of Directors consider to be in the best interest of the Company, is to consider individual directors elected in accordance with applicable corporate and securities laws.

Voting for directors is on an individual basis. The Company will publicly disclose the voting results, providing the number of votes for and withheld from each individual director.

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.

Name, Municipality of Residence and Position	Director Since	Principal Occupation for Past Five Years	Number of Ordinary Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly
Julian Hammond ⁽⁵⁾ London, United Kingdom Executive Director, Chief Executive Officer and Chief Commercial Officer	January 17, 2012	Executive Director, Chief Executive Officer and Chief Commercial Officer of Tethys. Mr. Hammond was Deputy CEO from February 2011 until July 2012 when he took over as CEO. Prior to May 2007, Mr. Hammond was Business Development Manager and Vice President, Investor Relations of CanArgo Energy Corporation (oil and gas exploration and production).	25,000
Russ Hammond Savoie, France Director	July 26, 2006	Director of Tethys. Mr. Hammond has been a Non Executive Director of Questerre Energy Corporation since 2000. Mr. Hammond was Chairman of Terrenex Acquisition Corporation from 1995 to 2008 (oil and gas exploration and development) and Non-executive Director of CanArgo Energy Corporation (oil and gas exploration and production) from July 1998 to December 2008.	Nil
Piers Johnson ⁽²⁾⁽³⁾⁽⁴⁾ London, United Kingdom Director	April 2, 2008	Director of Tethys. Managing Director of Oilfield Production Consultants (OPC) Limited. (Consulting firm to the Oil and Gas Industry.)	81,500

Name, Municipality of Residence and Position	Director Since	Principal Occupation for Past Five Years	Number of Ordinary Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly
Ambassador Zalmay Khalilzad ⁽⁴⁾ Washington D.C., USA Director	July 6, 2012	Director of Tethys. Ambassador Khalilzad is currently the President of a Washington, D.C. based business consultancy focused on the Middle East and Central Asia. From 2007 to 2009, Ambassador Khalilzad served as the United States Permanent Representative to the United Nations. Prior to that, he served as United States Ambassador to Iraq from 2005 to 2007, and United States Ambassador to Afghanistan from 2003 to 2005.	43,400
Elizabeth Landles ⁽⁵⁾ St. Peter Port, Guernsey, British Isles Executive Director, Chief Administrative Officer and Corporate Secretary	August 12, 2003	Executive Director, Chief Administrative Officer and Corporate Secretary of Tethys. Ms. Landles was Executive Vice President (until September 2007) and Corporate Secretary (until February 2008) of CanArgo Energy Corporation (oil and gas exploration and production).	42,000
Rt. Hon. Peter Lilley M.P. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ London, United Kingdom Vice Chairman	July 26, 2006	Vice Chairman and Director of Tethys. Member of the United Kingdom Parliament, House of Commons. Mr. Lilley has been a non-executive director of IDOX plc (developer and supplier of software solutions and information services) since 2002 and non-executive director of Melchior Japan Investment Trust PLC from March 2006 to November 2010. He has been a consultant to Ferro Alloys Corporation Limited since 2011.	15,000
Bernard Murphy ⁽⁵⁾ St Martins, Guernsey, British Isles Executive Director, Finance Director and Chief Financial Officer	August 16, 2006	Executive Director, Finance Director and Chief Financial Officer of Tethys. Prior to August 2006, Mr. Murphy was a company director within the Abacus Accountancy Network (Accounting Services) since 2005 and prior thereto, Mr. Murphy held a number of senior financial positions for several organizations.	30,000
James Rawls ⁽¹⁾⁽³⁾ Germantown, Tennessee, USA Director	September 1, 2009	Director of Tethys. Mr. Rawls has been the president and owner of Rawls Resources Inc. (oil and gas exploration and development) since 2000.	118,000

Name, Municipality of Residence and Position	Director Since	Principal Occupation for Past Five Years	Number of Ordinary Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly
Marcus Rhodes ⁽¹⁾ Sotogrande, Cadiz, Spain Director	September 1, 2009	Director of Tethys. Mr. Rhodes was Audit Partner with Ernst & Young LLC (audit and accounting services) from 2002 to 2008.	Nil
Dr. David Robson ⁽³⁾⁽⁴⁾⁽⁵⁾ St. Peter Port, Guernsey, British Isles Executive Chairman and President	August 12, 2003	Executive Chairman and President of Tethys. Dr. Robson was CEO of Tethys until July 2012. Prior thereto, Dr. Robson was the Chief Executive Officer of CanArgo Energy Corporation (oil and gas exploration and production) until June 2007 and Chairman until February 2008.	1,020,747

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 Strategic Risk Committee.
- (5) Member of the Executive Board.

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. Russ Hammond was a non-executive director of CanArgo Energy Corporation (“**CanArgo**”). Mr. Hammond resigned his directorship of CanArgo on December 8, 2008. On October 28, 2009, CanArgo filed a voluntary petition for reorganisation under Chapter 11 in the US Bankruptcy Court for the Southern District of New York.

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 and Remuneration of the Auditor

Shareholders will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution appointing KPMG Audit Plc, Chartered Accountants (“**KPMG**”), 15 Canada Square, Canary Wharf, London E14 5GL, United Kingdom, 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. KPMG were first appointed as auditors of the Company on May 13, 2011.

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 KPMG as auditors for the Company for the ensuing year and authorizing the Board to fix the compensation of the auditors.

4. Adoption of an Employee Share Purchase Plan

At the Meeting, Shareholders will be called upon to approve the adoption of an employee share purchase plan of the Company. The complete text of the ESPP is set out in Schedule “A” hereto and provided below is a summary of the material terms. The ESPP is intended to enable eligible employees and consultants to acquire Ordinary Shares in a convenient and systematic manner, so as to encourage a proprietary interest in the operation, growth and development of the Company.

All full-time and part-time permanent employees and consultants of the Company and its subsidiaries are eligible to participate in the ESPP, subject to the discretion of the Company. Participants in the ESPP (“**Participants**”) accumulate funds for the purchase of Ordinary Shares through payroll or fee deductions. A Participant may elect to contribute an amount during each regular payroll period of not less than 1% and up to 10% of the Participant’s pro rata base salary for the payroll period (a “**Participant Contribution**”). On or following the second business day after the announcement of the results of each fiscal quarter of the Company (a “**Purchase Date**”), all Participant Contributions received since the last Purchase Date and any dividends paid on Ordinary Shares in a Participant’s account will be used to purchase Ordinary Shares subject to any adjustments to the number of Ordinary Shares to be purchased or the timing of such purchase arising out of the need to maintain an orderly market.

The Company shall allocate to a Participant one (1) notional Ordinary Share (a “**Matching Share Allocation**”) for each Ordinary Share purchased on each Purchase Date on behalf of a Participant. Matching Share Allocations will be awarded on the second anniversary date of a Purchase Date, provided that the purchased Ordinary Shares corresponding to the Matching Share Allocation have not been sold (an “**Award Date**”). On each Award Date, Ordinary Shares to which a Participant is entitled (“**Award Shares**”) will be purchased on behalf of a Participant.

Ordinary Shares that are purchasable on a Purchase Date will be purchased through open-market purchases. Award Shares purchasable on an Award Date may, at the discretion of the Company, be purchased through open-market purchases or issued from treasury. If issued from treasury, such Ordinary Shares will be issued for a price equal to the volume weighted average trading price of the Ordinary Shares on the TSX for the five (5) consecutive trading days immediately preceding the Award Date.

Subject to the provision for certain adjustments provided for in the ESPP and summarized below, there is a maximum of 10,000,000 Ordinary Shares reserved for issuance to Participants under the ESPP, representing approximately 3.48% of the issued and outstanding Ordinary Shares. The ESPP does not provide for a maximum number of Ordinary Shares which may be issued to an individual pursuant to the plan and any other share compensation arrangement (expressed as a percentage or otherwise). The ESPP does not limit insider participation

Where a Participant's employment or engagement with the Company terminates for any reason, all Matching Share Allocations allocated to the Participant shall be forfeited. The interest of any Participant in the ESPP shall not be assignable either by voluntary assignment or by operation of law, except upon death.

The ESPP provides the Board with discretion, subject to prior approval of the TSX, to make certain adjustments to the number of Ordinary Shares underlying Matching Share Allocations upon the occurrence of certain events to prevent dilution or enlargement of the rights of a Participant. Such events include (a) any change in the Ordinary Shares through a subdivision, consolidation, reclassification, amalgamation, plan of arrangement or merger, (b) a distribution of Ordinary shares or securities exchangeable for or convertible into Ordinary Shares to Shareholders, (c) the issuance of any rights to Shareholders to purchase Ordinary Shares at a discount greater than 15% below the prevailing market price, or (d) the Ordinary Shares being converted into or exchangeable for any other securities as a result of a recapitalization, plan of arrangement, merger or consolidation. The Board may also accelerate the award of outstanding Matching Share Allocations or otherwise amend any terms and conditions of outstanding Matching Share Allocations upon a change of control of the Company.

Substantive amendments to the ESPP relating to the number of shares allocated for issuance from treasury under the ESPP or amendment of the provision of the ESPP to eliminate a matter listed as requiring Shareholder approval will in each case require Shareholder and TSX approval. Except for this, the ESPP can be amended by the Board at any time and the Company may also, at any time by a resolution of the Board, terminate the ESPP. The Board may, in its sole discretion, without obtaining any approval of Shareholders, make any other amendments to the ESPP, or any Matching Share Allocation allocated under the ESPP, including, without limitation: (a) amendments of a "housekeeping" or "practical" nature; (b) reductions in the number of Ordinary Shares reserved from time to time for issuance under the ESPP; (c) changes in the mechanism of awarding any previously allocated Matching Share Allocation; (d) cancellations of Matching Shares Allocations; (e) amendments in respect of the persons eligible to participate in the ESPP; (f) amendments as are necessary for the purpose of complying with any changes in any applicable law, rule, regulation or policy of any securities regulatory authority, stock exchange or other governmental entity having jurisdiction over the Company; and (g) amendments to correct or rectify any ambiguity, defective provision, error or omission in the ESPP.

At the Meeting, Shareholders will be asked to consider and, if thought appropriate, approve an ordinary resolution of Shareholders to adopt the ESPP. The complete text of the resolution for approval, with or without modification, at the Meeting is set out below. Under the rules of the Toronto Stock Exchange, adoption of this resolution requires the favourable vote of a majority of the votes cast thereon at the Meeting other than votes attaching to Ordinary Shares beneficially owned by those insiders of the Company and their associates entitled to participate in the ESPP. As such, the Chief Executive Officer and Chief Financial Officer of the Company, together with other directors of the Company who are also permanent employees or consultants of the Company, will be excluded from voting in respect of this resolution.

Unless a proxy specifies that the Ordinary Shares it represents are to be voted against the matter proposed above, the proxies named in the accompanying form of proxy intend to vote in favour of the resolution to approve the ESPP.

BE IT RESOLVED, as an ordinary resolution of the shareholders of the Company, that:

1. The employee share purchase plan (the "**ESPP**"), in the form attached as Schedule A to the Company's Management Information Circular dated May 24, 2013, is approved and adopted as the employee share purchase plan of Tethys Petroleum Limited (the "**Company**");
2. The number of ordinary shares of the Company reserved for issuance pursuant to the ESPP shall be 10,000,000 ordinary shares; and
3. Any one officer or director of the Company is hereby authorized and directed, for and on behalf of the Company, to execute and deliver all such documents and to do all such acts and things as he or she may determine to be necessary or desirable in order to carry out the foregoing provisions of this resolution, the execution of any such document or the doing of any such acts and things being conclusive evidence of such determination.

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.

Dr. David Robson, Executive Chairman and President, Julian Hammond, Director, Chief Executive Officer and Chief Commercial Officer, Bernard Murphy, Finance Director and Chief Financial Officer, Elizabeth Landles, Director, Chief Administrative Officer and Corporate Secretary, and Ian Philliskirk, Vice President and General Counsel (collectively, the “**Named Executive Officers**”) 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**”) for the year ended December 31, 2012.

Set out below is our discussion and analysis in respect of the compensation of our Named Executive Officers for the year ended December 31, 2012.

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 international 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 and other senior staff 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 ⁽¹⁾	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, income protection (disability) and hardship allowance.

Note:

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

Because of our unique working environment and activities, 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 Executive Chairman in recommending to the Compensation and Nomination Committee (the "**Compensation Committee**") 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 2012 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; and
- the development plans for the Named Executive Officer and his or her potential to take on greater or different responsibilities.

Cash Bonuses

The Company does not currently have a formalized annual cash incentive bonus program or plan. However, the Company accepts that work carried out by the Executive Chairman 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 Executive Chairman in an amount (if any) to be determined by the Compensation Committee which will take into account, inter alia, the value to the Company of the Event.

In addition, discretionary cash bonuses may be paid to the Named Executive Officers in recognition of Events at the discretion of the Executive Chairman in consultation, if necessary, with the Compensation Committee.

A cash bonus was awarded to Julian Hammond in January 2012 on his appointment as a Director to the Board.

Long-Term Incentives (Stock Options)

A key component of our compensation program is to reward executives for long-term strategic accomplishments and enhancement of long-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 up to seven years; and
- our compensation philosophy.

The Company's long-term incentive awards are currently limited to option-based awards (“**Stock Options**”). In addition, prior to its initial public offering in June 2007, the Company issued the 2017 Warrants and Performance Warrants (as defined and described below) as one time incentives to certain officers of the Company. See “*Executive Compensation – 2017 Warrants*” and “*Executive Compensation - Performance 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 2012, a third of the Stock Options immediately vested and became exercisable on the grant date. An additional third of each grant vests and becomes exercisable on each of the first two anniversaries of the original grant.

Stock Options to acquire 1,410,000 Ordinary Shares were granted to Named Executive Officers in 2012 in accordance with the approval of the Compensation Committee. The number of Stock Options granted to the Named Executive Officers (other than to the Executive Chairman) was determined by the Compensation Committee after review of a recommendation of the Executive Chairman 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 Executive Chairman was determined by the Compensation Committee based on similar criteria. Pursuant to the Stock Incentive Plan (as defined below), the number of Ordinary Shares reserved for issuance in respect of Stock Options may 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, hardship allowance, 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 Named Executive Officers with the following perquisites (or their equivalent) on a limited basis:

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

Hedging of Economic Risks in the Company's Securities

While the Company has not adopted a formal policy prohibiting Directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of the Company's securities granted as compensation or held, directly or indirectly, by Directors or officers, the Company is not aware of any Directors or officers having entered into this type of transaction.

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 Stock 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 Executive Chairman's compensation, evaluates the performance of the Executive Chairman in the light of those corporate goals and objectives and determines (or makes recommendations to the Board with respect to) the Executive Chairman's compensation level based on this evaluation;
- (b) considers and, if deemed appropriate, approves the Executive Chairman'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) reviews and assesses the risks associated with the compensation and benefit programmes and ensures such programmes' are in alignment with the Company's corporate goals and value creation objectives; and
- (e) 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 reviews with the Executive Chairman and with the Board the framework or policies for the compensation of the executive officers;
- (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 recommended by the Executive 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.

Risks of Compensation Policies and Practices

The Compensation Committee recently reviewed its compensation policies and practices and considered whether the compensation programme provided executive officers of the Company with adequate incentives to achieve both short and long term objectives without motivating them to take inappropriate or excessive risk. This assessment was based on a number of considerations including the following:

- The terms of the Stock Incentive Plan provide that the options will vest one-third on the date of the grant and one third on each of the first and second anniversaries of the grant, thus encouraging executive officers to continue to develop favourable results over a longer period of time and reducing the risk of actions which may have short term advantages; and
- Discretionary cash bonuses may be awarded to Named Executive Officers in recognition of an Event. However these bonuses are not guaranteed, may not be payable annually and vary in amount.

Having reviewed these, the Compensation Committees believes that the Company's compensation policies and practices give greater weight toward long-term incentives to mitigate the risk of encouraging short-term goals at the expense of long-term sustainability. The discretionary nature of any option grants under the Stock Incentive Plan and any ad hoc bonuses provide the Compensation Committee with the ability to reward historical performance and behaviour which it believes is aligned with the Company's best interests.

Given the current stage of the Company's development, the Compensation Committee is able to closely monitor and consider any risks, which may be associated with the Company's compensation policies and practices. Risks, if any, may be identified and mitigated through regular meetings during which financial and other information of the Company are reviewed. No risks have been identified arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

The current members of the Compensation Committee are the Rt. Hon. Peter Lilley M.P. and Mr. Piers Johnson, both of whom are independent directors. The Board of Directors is of view that the Compensation Committee collectively has the knowledge, experience and background to fulfill its mandate, and that each of the members of the Compensation Committee has direct experience relevant to his responsibilities regarding executive compensation.

Mr. Lilley is a former Cabinet Minister in the British Government. He was involved in selecting suitable employees for Government and associated bodies and assessing their performance and impact in their roles within the British economy and its social security system. Prior to this, Mr. Lilley was a Partner then Director of Greenwell Montagu Securities (a leading UK stockbroking company) where he was also involved in selecting, appraising, remunerating and retaining senior professional staff within a highly active financial institution. He has also chaired the Remuneration and Nomination Committee of IDOX plc, an AIM quoted UK company.

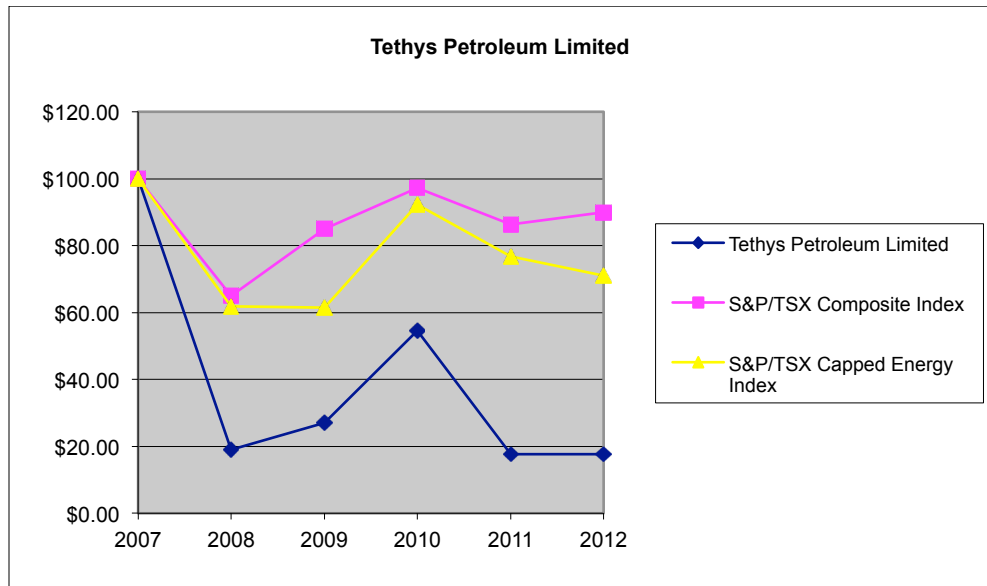
Mr. Johnson is the Managing Director of Oilfield Production Consultants Limited, Oilfield Production Consultants (OPC) Asia LLC and Oilfield Production Consultants USA LLC (collectively “OPC”), all of which companies employ staff engaged in oil and gas development, production and related activities. At OPC, Mr. Johnson is involved in setting Directors’ and Managers’ remuneration and commissions based on financial and non-financial targets and he is also involved in the recruitment process of Directors. Mr. Johnson previously worked for Schlumberger where he was involved in recruiting and retaining senior engineering staff. In addition, OPC provides staff to oil and gas companies worldwide. Mr. Johnson has considerable experience in appraising, assessing and evaluating staff and other contractors to the business. Mr. Johnson is also involved in the training and education of technical personnel both through OPC and personally in his position as Visiting Lecturer to the Petroleum Institute in Paris, France.

Compensation Consultants and Advisors

No compensation consultant or advisor was retained by the Company during 2012.

Performance Graph

The Ordinary Shares commenced trading on the Toronto Stock Exchange (“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 initial public offering price of the Ordinary Shares as at June 27, 2007 and the closing price of the Ordinary Shares at the end of the financial years ended December 31, 2007, 2008, 2009, 2010, 2011 and 2012, assuming an initial investment of CDN\$100 on June 27, 2007, compared to the closing prices of the S&P/TSX Composite Index and the S&P/TSX Capped Energy Index.



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

	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012
Tethys Petroleum Limited.....	\$100.00	\$18.98	\$27.12	\$54.58	\$17.63	\$17.63

S&P/TSX Composite Index	\$100.00	\$64.97	\$84.91	\$97.18	\$86.42	\$89.88
S&P/TSX Capped Energy Index	\$100.00	\$61.82	\$61.46	\$92.27	\$76.75	\$70.96

* All amounts in Canadian \$.

The compensation paid by the Company to its Named Executive Officers in 2012 was not based in whole or in part on the trading price of the Ordinary Shares in 2012 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 Discussion and Analysis – Long-Term Incentives (Stock Options)*”.

Summary Compensation Table

The following table sets forth all annual and long-term compensation paid in respect of each Named Executive Officer.

Name and Principal Position	Year	Salary paid in UK£ conv to (US\$)	Share-based awards (US\$)	Option-based awards (US\$) ⁽²⁾	Non-equity incentive plan compensation (US\$)		Pension value (US\$)	All other compensation (US\$) ⁽³⁾	Total compensation (US\$) ⁽⁶⁾ ⁽¹⁾
					Annual Incentive plans	Long-term Incentive plans			
Dr. David Robson ⁽³⁾ ⁽⁴⁾ Executive Chairman and President	2012	672,969	N/A	181,244	N/A	N/A	N/A	45,314	899,527
	2011	618,709	N/A	474,467	N/A	N/A	N/A	90,821	1,183,997
	2010	542,643	N/A	841,549	454,464	N/A	N/A	101,652	1,940,308
Julian Hammond ⁽⁴⁾ Director, Chief Executive Officer and Chief Commercial Officer	2012	337,590	N/A	131,742	15,939	N/A	N/A	37,430	522,701
	2011	283,111	N/A	272,435	N/A	N/A	N/A	40,301	595,847
	2010	290,413	N/A	383,185	120,000	N/A	N/A	42,721	836,319
Bernard Murphy ⁽⁴⁾ ⁽⁵⁾ Finance Director and Chief Financial Officer	2012	339,909	N/A	103,568	N/A	N/A	N/A	91,267	534,744
	2011	338,292	N/A	293,833	N/A	N/A	N/A	59,987	692,112
	2010	301,976	N/A	445,519	65,255	N/A	N/A	69,096	881,846
Elizabeth Landles ⁽⁴⁾ ⁽⁵⁾ Director, Chief Administrative Officer and Corporate Secretary	2012	339,909	N/A	116,514	N/A	N/A	N/A	57,801	514,224
	2011	338,292	N/A	296,706	N/A	N/A	N/A	56,885	691,883
	2010	302,030	N/A	445,519	173,392	N/A	N/A	49,036	969,977
Ian Philliskirk Vice President and General Counsel	2012	324,885	N/A	38,838	N/A	N/A	N/A	48,976	412,699
	2011	320,216	N/A	180,189	N/A	N/A	N/A	50,990	551,385
	2010	303,969	N/A	335,897	115,255	N/A	N/A	27,961	783,082

Notes:

(1) **NOTE:** 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 2012:

(i) Dr. David Robson: US\$717,283 (equivalent to UK£ 453,596)

- (ii) Julian Hammond: US\$390,959 (equivalent to UK£ 248,471)
 - (iii) Bernard Murphy: US\$431,176 (equivalent to UK£ 272,077)
 - (iv) Elizabeth Landles US\$397,710 (equivalent to UK£ 250,944)
 - (v) Ian Philliskirk: US\$373,861 (equivalent to UK£ 236,763)
- (2) Represents the fair value of Stock Options granted in 2012, calculated using the Black Scholes formula in accordance with International Financial Reporting Standard 2 – “Share Based Payments”. The weighted average fair value on the date of grant is US\$1.46 per option using the following weighted average assumptions: dividend yield of 0%; expected term of 2.96 years; a risk free interest rate of 1.08%; and an expected volatility of 79%.
- (3) 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;
 - (v) income protection premiums; and/or
 - (vi) hardship allowance.
- (4) Represents amounts paid to Vazon Energy Limited under the terms of the CEO Services Agreement (as defined below) in respect of services of the Executive Chairman and President. See “*Management and Employment Agreements*”.
- (5) Dr. Robson, Mr. Murphy, Ms. Landles and Mr. Hammond are also members of the Board of Directors. However, no additional compensation is paid to them in respect of their duties as directors.
- (6) Represents amounts paid to Vazon Energy Limited under the terms of the Umbrella Services Agreement (as defined below) in respect of the services of Mr. Murphy and Ms. Landles. See “*Management and Employment Agreements*”.
- (7) Amounts paid in respect of the services of the Named Executive Officers were paid in pounds sterling (£). These amounts were converted into US\$ for the purposes of the Summary Compensation Table at an average rate of UK£1.00 = US\$1.584, based on the exchange rate quoted by oanda.com on the applicable payment date through the course of the year.

Management and Employment Agreements

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

The Company and Vazon Energy Limited (“**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 Bernard Murphy as Chief Financial Officer, Elizabeth Landles as Chief Administrative Officer and Corporate Secretary, and Denise Lay as Vice President Finance (the “**Vazon Employees**”). The employment agreements of Bernard Murphy and Denise Lay were novated to Tethys Services Guernsey Limited, a wholly owned subsidiary of the Company, on October 30, 2012 and October 1, 2012 respectively. The Umbrella Management Services Agreement is a “flow through” agreement and requires that the Company pays Vazon a monthly fee which was £33,608 as at December 31, 2012 (including contributions towards personal pension requirements), plus any required local or similar taxes (payable by the Company), for the services of the Vazon Employees. 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 the Vazon 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. The Umbrella Management Services Agreement was extended by a Deed of Guarantee and Indemnity on December 10, 2009 which was further amended on June 13, 2012. Vazon makes no profit out of this arrangement which is necessary to address practical and potentially regulatory issues.

Vazon’s registered office address is P.O. Box 144, St Peter Port, Guernsey GY1 3HX, British Isles.

Dr. David Robson

The Company and Vazon entered into a management services agreement dated May 10, 2007 (the “**Executive Chairman Services Agreement**”) providing for, among other services, the services of Dr. David Robson as Executive Chairman of the Board of Directors and as President of the Company. Dr. Robson is the owner and Managing Director of Vazon. The Executive Chairman Services Agreement requires that the Company pay Vazon a monthly fee of £30,833, 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 or equivalent (life, health, disability and travel) for Dr. Robson and provide for other customary non-cash benefits. The Executive Chairman 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.

Julian Hammond

Julian Hammond 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. Hammond is employed as Chief Executive Officer and Chief Commercial Officer of the Company (the "**CEO and CCO Agreement**"). The CEO and 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 April 1, 2010, the annual compensation payable to Mr. Hammond was £178,000, plus £16,020 annually in respect of personal pension requirements. This was increased to £250,000, plus £22,500 annually in respect of personal pension requirements, effective September 1, 2012. The Company has also agreed to pay 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.

Bernard Murphy

Bernard Murphy and 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 was novated to Vazon on August 28, 2009. The CFO Agreement was further novated to Tethys Services Guernsey Limited on October 30, 2012. 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 April 1, 2010, the annual compensation payable to Mr. Murphy is £214,500, plus £19,305 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.

Elizabeth Landles

Elizabeth Landles and Vazon are parties to an employment agreement dated July 26, 2006 pursuant to which Ms. Landles is employed as Chief Administrative Officer and Corporate Secretary of the Company (the "**CAO and Corporate Secretary Agreement**"). The CAO and Corporate Secretary Agreement does not have an express term and may be terminated by the Company as well as by Ms. Landles with six months' notice. Effective April 1, 2010, the annual compensation payable to Ms. Landles is £214,500, plus £19,305 annually in respect of personal pension requirements. The Company has also agreed to pay for certain premiums for health and life insurance. Ms. Landles is eligible to participate in the Stock Incentive Plan and any bonus plan the Company may adopt.

Ian Philliskirk

Ian Philliskirk and TSL are parties to an employment agreement effective February 1, 2009, pursuant to which Mr. Philliskirk is employed as Vice President and General Counsel of the Company (the "**VP and General Counsel Agreement**"). The VP and General Counsel Agreement was novated to the Company on August 28, 2009. The VP and General Counsel Agreement does not have an express term and may be terminated by the Company as well as by Mr. Philliskirk with six months' notice. Effective April 1, 2010, the annual compensation payable to Mr. Philliskirk is £199,500, plus £17,955 annually in respect of personal pension requirements. The Company has also agreed to pay for certain premiums for health and life insurance. Mr. Philliskirk 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, 2012, consisting of Stock Options granted under the Stock Incentive Plan 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.

OPTION-BASED AWARDS				
Name	Number of securities underlying unexercised options/warrants (#)	Option exercise price per share (\$US unless otherwise stated)	Option expiration date	Value of unexercised in-the-money-options (US\$) ⁽⁶⁾
Dr. David Robson ⁽¹⁾	900,000	\$2.75	June 25, 2014	Nil
	300,000	\$2.50	June 26, 2015	
	810,000	\$0.60	August 4, 2014	
	420,000	\$0.80	December 31, 2014	
	420,000	\$2.10	April 8, 2015	
	477,000	C\$1.60	October 19, 2015	
	810,000	C\$0.66	August 18, 2014	
	420,000	C\$0.88	April 22, 2017	
		Average Option Price: \$1.48		
Julian Hammond ⁽²⁾	450,000	\$2.75	June 25, 2014	Nil
	180,000	\$2.50	June 26, 2015	
	140,000	\$0.60	August 4, 2014	
	180,000	\$0.80	December 31, 2014	
	195,000	\$2.10	April 8, 2015	
	195,000	C\$1.60	October 19, 2015	
	90,000	C\$1.72	February 13, 2016	
	480,000	C\$0.66	August 18, 2014	
	120,000	C\$0.66	January 16, 2015	
	270,000	C\$0.88	April 22, 2017	
	Average Option Price: \$1.43			
Bernard Murphy ⁽³⁾	450,000	\$2.75	June 25, 2014	Nil
	180,000	\$2.50	June 26, 2015	
	420,000	\$0.60	August 4, 2014	
	210,000	\$0.80	December 31, 2014	
	210,000	\$2.10	April 8, 2015	
	285,000	C\$1.60	October 19, 2015	
	60,000	C\$1.72	April 10, 2016	
	450,000	C\$0.66	August 18, 2014	
	240,000	C\$0.88	April 22, 2017	
	190,000	\$2.50	June 2, 2017	
	Average Option Price: \$1.62			

OPTION-BASED AWARDS				
Name	Number of securities underlying unexercised options/warrants (#)	Option exercise price per share (\$US unless otherwise stated)	Option expiration date	Value of unexercised in-the-money-options (US\$) ⁽⁶⁾
Elizabeth Landles ⁽⁴⁾	450,000	\$2.75	June 25, 2014	Nil
	180,000	\$2.50	June 26, 2015	
	420,000	\$0.60	August 4, 2014	
	210,000	\$0.80	December 31, 2014	
	210,000	\$2.10	April 8, 2015	
	285,000	C\$1.60	October 19, 2015	
	60,000	C\$1.72	April 10, 2016	
	480,000	C\$0.66	August 18, 2014	
	270,000	C\$0.88	April 22, 2017	
		Average Option Price: \$1.52		
Ian Philliskirk ⁽⁵⁾	300,000	\$2.50	January 31, 2016	Nil
	270,000	\$0.60	August 4, 2014	
	180,000	\$0.80	December 31, 2014	
	180,000	\$2.10	April 8, 2015	
	180,000	C\$1.60	October 19, 2015	
	225,000	C\$0.66	August 18, 2014	
	90,000	C\$0.88	April 22, 2017	
			Average Option Price: \$1.52	

Notes:

- (1) The unexercised options consist of 4,557,000 Stock Options and 0 2017 Warrants.
- (2) The unexercised options consist of 2,300,000 Stock Options and 0 2017 Warrants.
- (3) The unexercised options consist of 2,505,000 Stock Options and 190,000 2017 Warrants.
- (4) The unexercised options consist of 2,565,000 Stock Options and 0 2017 Warrants.
- (5) The unexercised options consist of 1,425,000 Stock Options and 0 2017 Warrants.
- (6) Based on the difference between the closing price of the Ordinary Shares on the TSX on December 31, 2012 and the relevant exercise price. The closing price of the Ordinary Shares on the TSX on December 31, 2012 was the Canadian dollar equivalent of US\$0.50. The value in the column represents the aggregate value for all unexercised options set out next to the name of the relevant Named Executive Officer.

Option-based Awards – value vested during the year ended December 31, 2012

The following table provides details of the aggregate value of option-based awards (consisting of Stock Options and 2017 Warrants) held by the Named Executive Officers which vested during the financial year ended December 31, 2011 and Non-Equity Incentive Plan awards during financial year ended December 31, 2012. There were no share-based awards that vested during 2012.

Name	Option-based awards – Value vested during the year (US\$) ⁽¹⁾⁽²⁾	Non-equity incentive plan – Value earned during the year (US\$)
Dr. David Robson	Nil	Nil
Julian Hammond	Nil	Nil
Bernard Murphy	Nil	Nil

Name	Option-based awards – Value vested during the year (US\$) ⁽¹⁾ , ⁽²⁾	Non-equity incentive plan – Value earned during the year (US\$)
Elizabeth Landles	Nil	Nil
Ian Philliskirk	Nil	Nil

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 2012:
- | | | |
|-------|--------------------|-----------------|
| (i) | Dr. David Robson: | 849,000 options |
| (ii) | Julian Hammond: | 510,000 options |
| (iii) | Bernard Murphy: | 485,000 options |
| (iv) | Elizabeth Landles: | 505,000 options |
| (v) | Ian Philliskirk: | 285,000 options |

The Stock Options granted or which vested in 2012 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 the Stock Incentive Plan referred to as the “*2007 Long Term Stock Incentive Plan (as amended effective April 24, 2008 and May 7, 2009)*” pursuant to which the Company may grant Stock Options to any director, officer, employee or consultant of the Company, subsidiary of the Company, or 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 amendments thereto were approved by shareholders of the Company at the 2008 and 2009 annual shareholders’ meetings. The amendment to the Stock Incentive Plan approved by shareholders of the Company on May 7, 2009 provides that the aggregate number of Ordinary Shares reserved for issuance under the Stock Incentive Plan is equal to 12% of the number of Ordinary Shares outstanding at the time of the grant of Stock Options. The rules of the Toronto Stock Exchange provide that all unallocated options, rights or other entitlements under a security-based compensation arrangement which does not have a fixed number of securities issuable must be approved by shareholders every three (3) years. As such, the plan was approved at the 2012 annual shareholders’ meeting which was the third anniversary of the amendment to the plan approved at the 2009 annual shareholders’ meeting.

The maximum number of Ordinary Shares reserved for issuance under the Stock Incentive Plan currently is equal to 12% of the number of outstanding issued Ordinary Shares. As at the date hereof, Stock Options in respect of 33,699,000 Ordinary Shares are outstanding, representing 11.75% of the issued and outstanding Ordinary Shares. Stock Options in respect of 689,129 Ordinary Shares, representing 0.24% of the issued and outstanding Ordinary Shares, are unallocated at the date hereof.

The Stock Incentive Plan is administered by the Compensation Committee of the Board of Directors. Stock 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 Stock Options granted under the Stock Incentive Plan is determined by the Compensation Committee at the time of each grant based on the market price of the Ordinary Shares on the TSX, provided that it 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, subsidiary 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: (i) amendments of a “housekeeping” nature; (ii) changes to vesting or termination provisions; (iii) discontinuance of the Stock Incentive Plan; (iv) the addition of provisions relating to phantom share units; and (v) the addition of a cashless exercise feature. 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 Stock Incentive Plan). Stock 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 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.

Stock Options may also be exercised from time to time in accordance with the Company’s option assistance program (the “Option Assistance Plan”). Under the Option Assistance Plan, the employee executes a Stock Option exercise form and Stock Option award agreement and executes a nomination agreement with the Company. Pursuant to the Option Assistance Plan, the Corporate Secretary instructs the Company’s transfer agent to issue Ordinary Shares in the name of the Company and instructs its broker to sell such Ordinary Shares once they have been advised that the Ordinary Shares have been issued. In the event that Company or the Company’s broker determines that market conditions are not suitable, then, at the Company’s discretion, the sale may be withdrawn, and either the employee pays the Company for the option exercise price plus any costs and retains the Ordinary Shares, or else the Ordinary Shares are cancelled. Proceeds from the sale are returned to the Company minus any commissions. The amount required to exercise the Stock Options from the net proceeds received is deducted and a cheque or bank transfer is sent to the Employee for the balance. The Company does not experience any loss under the Option Assistance Plan.

Performance Warrants

In connection with the closing of the Company’s initial public offering, which was completed on June 27, 2007, the Company granted warrants (the “**Performance Warrants**” or “**PW**”) to certain of its executive officers to acquire an aggregate of 6,767,504 Ordinary Shares. Performance Warrants to acquire an aggregate of 1,353,501 Ordinary Shares were exercisable at US\$4.125 until December 27, 2009, Performance Warrants to acquire an aggregate of 2,255,835 Ordinary Shares were exercisable at US\$5.50 until June 27, 2011 and Performance Warrants to acquire an aggregate of 3,158,168 Ordinary Shares were exercisable at US\$6.875 until December 27, 2012. All the Performance Warrants had expired at December 31, 2012. No Performance Warrants were exercised.

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, 2012.

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 Umbrella Management Services Agreement, the Executive Chairman Services Agreement, the CEO and COO Agreement, the CFO Agreement, the CAO and Corporate Secretary Agreement and the VP and General Counsel Agreement (collectively the “**Management 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 therein), all outstanding Stock Options will immediately vest and become exercisable. Had such “Change of Control” occurred as at December 31, 2012, the value of Stock Options vested upon such occurrence (calculated as the difference between the market price of the Ordinary Shares on the TSX on December 31, 2012 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, 2012.

Name ⁽¹⁾	Fee earned (US\$) ⁽²⁾	Share-based awards (US\$)	Option-based awards (US\$) ⁽³⁾	Non-equity incentive plan compensation (US\$)	Pension value	All other compensation (US\$)	Total (US\$) ⁽⁴⁾
Russ Hammond	55,911	N/A	51,784	N/A	N/A	Nil	107,695
Piers Johnson	63,568	N/A	51,784	N/A	N/A	Nil	115,352
Zalmay Khalilzad	29,120	N/A	51,784	N/A	N/A	Nil	80,904
Peter Lilley	81,253	N/A	51,784	N/A	N/A	Nil	133,037
James Rawls	62,301	N/A	51,784	N/A	N/A	Nil	114,085
Marcus Rhodes	60,361	N/A	51,784	N/A	N/A	Nil	112,145

Note:

- (1) The compensation information of those directors who are also executive officers is set out under “*Compensation Discussion and Analysis – Summary Compensation Table*”. No additional compensation is paid to them in respect of their duties as directors.

- (2) Cash amounts paid in respect of the services of the non executive directors were paid in pounds sterling (£). These amounts were converted into US\$ for the purposes of the above table at an average rate of UK£1.00 = US\$1.584, based on the exchange rate quoted by oanda.com on the applicable payment date through the course of the year.
- (3) Represents the fair value of Stock Options granted in 2012, calculated using the Black Scholes formula in accordance with International Financial Reporting Standard 2 – “Share Based Payments”. The weighted average fair value on the date of grant is US\$1.46 per option using the following weighted average assumptions: dividend yield of 0%; expected term of 2.96 years; a risk free interest rate of 1.08%; and an expected volatility of 79%.
- (4) 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/or holding the position of chairman of a committee of the Board of Directors. Mr. Lilley receives an extra £5,000 per annum as a result of being the Vice Chairman and Senior Non Executive Director of the Company.

In addition, in 2012 each director who was not a member of management was awarded Stock Options to acquire certain Ordinary Shares in accordance with the terms of the Stock Incentive Plan as set out in the table below. These Stock Options have a term of 5 years from the date of grant. The Stock Options vested one third immediately, one third after one year and one third after two years.

Name	Number of securities underlying unexercised options	Option price	Option expiration date	Value of unexercised in-the-money-options
Russ Hammond	120,000	C\$0.88	April 22, 2017	Nil
Piers Johnson	120,000	C\$0.88	April 22, 2017	Nil
Zalmay Khalilzad	270,000	C\$0.88	July 5, 2017	Nil
Peter Lilley	120,000	C\$0.88	April 22, 2017	Nil
James Rawls	120,000	C\$0.88	April 22, 2017	Nil
Marcus Rhodes	120,000	C\$0.88	April 22, 2017	Nil

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, 2012. There were no share-based awards that vested, nor any non-equity incentive awards earned, during 2012.

Name	Option-based awards – Value vested during the year (US\$) ^{(1) (2)}
Russ Hammond	Nil
Piers Johnson	Nil
Zalmay Khalilzad	Nil
Peter Lilley	Nil
James Rawls	Nil
Marcus Rhodes	Nil

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 number of Stock Options granted to directors vested in 2012:
- (i) Russ Hammond: 182,000 options;
- (ii) Piers Johnson: 182,000 options;

- (iii) Zalmay Khalilzad 90,000 options;
- (iv) Peter Lilley: 182,000 options;
- (v) James Rawls: 182,000 options;
- (vi) Marcus Rhodes: 182,000 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, 2012 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: 33,864,000	Options: US\$1.35	Options: 689,129
Equity compensation plans not approved by securityholders ⁽¹⁾	2017 Warrants: 2,090,000	2017 Warrants: US\$2.50	2017 Warrants: Nil
Total	Options: 33,864,000 2017 Warrants: 2,090,000	Options: US\$1.35 2017 Warrants: US\$2.50	Options: 689,129 2017 Warrants: Nil

Notes:

- (1) The 2017 Warrants were granted in 2007 prior to the Company’s initial public offering. See “*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. In addition, the Company has included in its Annual Information Form a corporate Governance Statement prepared in accordance with point 7.2 of the Disclosure and Transparency Rules of the UK Financial Services Authority (FSA) which Corporate Governance Statement includes disclosure relating 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 nine directors. A director is “independent” within the meaning of Section 1.4 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 had 5 independent directors and 5 directors who are not independent at December 31, 2012:

Independence Status of Directors				
Name	Management	Independent	Not Independent	Reason for Non-Independent Status
Julian Hammond (1)	✓		✓	Mr. Hammond is Chief Executive Officer of Tethys
Russ Hammond			✓	Mr. Hammond is the father of Julian Hammond, Chief Executive Officer and Chief Commercial Officer of Tethys
Piers Johnson		✓		N/A
Zalmay Khalilzad (2)		✓		N/A
Elizabeth Landles	✓		✓	Ms. Landles is Chief Administrative Officer and Corporate Secretary of Tethys
Peter Lilley		✓		N/A
Bernard Murphy	✓		✓	Mr. Murphy is the Chief Financial Officer and Finance Director of Tethys
James Rawls		✓		N/A
Marcus Rhodes		✓		N/A
Dr. David Robson	✓		✓	Dr. Robson is the President of Tethys

Notes:

- (1) On January 17, 2012, Mr. Julian Hammond was appointed to the Board of Directors of the Company. Mr. Hammond has also been appointed as a member of the Executive Board of the Company but, as of the date of this report, not to any of the other Board Committees detailed below.
- (2) On July 6, 2012, Ambassador Zalmay Khalilzad was appointed to the Board of Directors of the Company. Ambassador Khalilzad has also been appointed as chairman of the Strategic Risk Committee.

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 is encouraged to hold such meetings 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 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 independent directors. Although the independent directors do not hold regularly scheduled meetings, the independent directors do hold meetings from time to time as requested by any independent director. In 2012, Peter Lilley chaired one meeting of the independent directors.

In addition, Peter Lilley, as the leading independent director, has full authority to call board meetings and approve meeting materials and engage with shareholders.

The table below summarizes the meetings of the Board and its committees held during 2012 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	Strategic Risk Committee ⁽³⁾
Julian Hammond ⁽¹⁾	8/8	N/A	N/A	N/A	N/A
Russ Hammond	8/8	N/A	N/A	N/A	N/A
Piers Johnson	8/8	N/A	4/4	6/6	1/1
Zalmay Khalilzad ⁽²⁾	4/6	N/A	N/A	N/A	1/1
Elizabeth Landles	8/8	N/A	N/A	N/A	N/A
Peter Lilley	8/8	4/4	4/4	6/6	1/1
Bernard Murphy	8/8	N/A	N/A	N/A	N/A
James Rawls	8/8	4/4	N/A	6/6	N/A
Marcus Rhodes	8/8	4/4	N/A	N/A	N/A
Dr. David Robson	7/8	N/A	N/A	6/6	1/1

Notes:

- (1) Mr. Julian Hammond was appointed a director with effect from January 12, 2012, after which 8 board meetings were held.
- (2) Ambassador Zalmay Khalilzad was appointed a director with effect from July 6, 2012, after which 6 board meetings were held.
- (3) The Strategic Risk Committee was formed on July 19, 2012.

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

Name	Reporting Issuer
Peter Lilley	IDOX plc
Marcus Rhodes	OJSC Phosagro OJSC Cherkisovo Group OJSC Rosinter Restaurant Holding

Board Mandate

The Board adopted a formal written charter (the “**Board Charter**”) in November of 2010. The mandate of the Board is to supervise the management of the Company and to be the steward of the Company with a view to the best interests of the Company.

Under the Board Charter, the Board’s terms of reference include the following:

- Review and approve strategic, business and capital plans for the Company.
- Review the principal risks of the Company’s business and monitor the implementation by management of appropriate systems to manage such risks.
- Review recent developments that may impact the Company’s growth strategy.
- Develop and implement programs for management and Board succession planning including development within the organization.
- Review, approve and amend as required, the Corporate Disclosure Policy and monitor the practices of management to ensure appropriate, fair and timely communication of information concerning the Company.
- Ensure specific and relevant corporate measurement systems are developed and adequate internal controls and management information systems are in place with regard to business performance and the integrity thereof.
- Review and approve corporate governance guidelines applicable to the Company and in accordance with statutory and regulatory requirements.
- Review compliance by the Company and its subsidiaries with their constituent documents and with the laws and regulations of their incorporating jurisdictions and other applicable laws and regulations including those of any stock exchanges on which the Company’s securities may be listed.
- Approve the interim and annual financial statements.
- Responsible for, to the extent feasible, satisfying itself as to the integrity of the Executive Chairman and the other executive officers and that the Executive Chairman and the other executive officers create a culture of integrity throughout the organisation.

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.

Position Descriptions

The Compensation and Nomination Committee provides a written position description for the Chairman of the Board. The Chairman is responsible for leadership of the Board, for the efficient organization and conduct of the Board’s function and for the briefing of all Directors in relation to issues arising at Board meetings. The Chairman is also responsible for shareholder communication and arranging Board performance evaluation.

The Board has not developed written position descriptions for the Chairman of the respective Board committees. During the fiscal year ended December 31, 2012, the Board had five 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	Marcus Rhodes, Chair	Yes
	Peter Lilley	Yes
	James Rawls	Yes
Compensation and Nomination Committee	Peter Lilley, Chair	Yes
	Piers Johnson	Yes
Reserves Committee	Piers Johnson, Chair	Yes
	Peter Lilley	Yes
	James Rawls	Yes
	Dr. David Robson	No
Strategic Risk Committee ⁽³⁾	Zalmay Khalilzad ⁽²⁾ , Chair	Yes
	Peter Lilley	Yes
	Piers Johnson	Yes
	Dr. David Robson	No
Executive Board (Executive Committee)	Dr. David Robson, Chair	No
	Bernard Murphy	No
	Elizabeth Landles	No
	Julian Hammond ⁽¹⁾	No

Notes:

- ⁽¹⁾ On January 17, 2012, Mr. Julian Hammond was appointed to the Board of Directors of the Company. Mr. Hammond has also been appointed as a member of the Executive Board of the Company but, as of the date of this report, not to any of the other Board Committees detailed below.
- ⁽²⁾ On July 6, 2012, Ambassador Zalmay Khalilzad was appointed to the Board of Directors of the Company. Ambassador Khalilzad has also been appointed as chairman of the Strategic Risk Committee.
- ⁽³⁾ The Strategic Risk Committee was formed on July 19, 2012.

The Board and the President and Executive Chairman have established a written position description for the Company's Executive Chairman. The Executive Chairman's prime responsibility is to lead the Company. The Executive Chairman formulates company policies and proposed action plans in conjunction with the officers of the

Company and presents the same to the Board for approval. The Board approves the goals, the objectives and policies within which the Company is managed and then reviews and evaluates performance against these objectives. Reciprocally, the Executive Chairman keeps the Board fully informed of the progress of the Company towards achievement of its established goals and of all material deviations.

Orientation and Continuing Education

Director Orientation

Under the Board Charter, the Chairman and Corporate Secretary are responsible for providing an induction program for new Directors and for periodically providing materials for all Directors on subjects that would assist them in discharging their duties. When a new Director is elected to the Board, he or she will be given a letter of appointment outlining his or her duties, responsibilities, the role of the Board, its committees and its directors, the nature and operation of the Company's business, remuneration and an induction package including material that will assist with the familiarization of the Director with the Company. Within three months of appointment to the Board, each new Director shall spend time visiting the Company's operations for a personal briefing by the executive on the Company's values, operations, corporate interests, strategic plans, financial statements and key policies.

Continuing Education of Directors

Under the Board Charter, the Corporate Secretary shall alert Directors to opportunities to better understand their corporate governance responsibilities through continuing education programs. 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.

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. The Company expects all Directors, officers and employees to act ethically at all times in accordance with the Code.

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. The Company's Secretary acts as Compliance Monitor with respect to such matters.

In addition to the Code, the Company has adopted an Audit Committee Charter and a Whistleblower Policy (the "**Policy**") with respect to accounting and auditing irregularities. The Policy gives Directors, officers and employees a confidential independent "hot line" to report any concerns with respect to the Company's financial matters. Details of the Policy have been distributed to employees and the "hot line" operates in both English and Russian languages. In the event that an individual does not wish to use this system they may and should forward any accounting and auditing concerns to the Chairman of the Audit Committee on an anonymous basis. 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 Executive Chairman, 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.

An Anti-Bribery Policy was put in place in 2011. The policy prohibits the offering, giving, solicitation or acceptance of any bribe, whether cash or other inducement to or from any person or company, wherever they are situated and whether they are a public official or body or private person or company, by any individual employee, agent or other person or body acting on the Company's behalf in order to gain any commercial, contractual or regulatory advantage for the Company in a way which is unethical or in order to gain any personal advantage, pecuniary or otherwise, for the individual or anyone connected with the individual.

The policy has been implemented Company-wide and an Anti-Bribery Compliance Officer has been appointed to ensure the following:

Proportionate Procedures

Procedures are proportionate to the bribery risks faced and to the nature, scale and complexity of the Company's activities. They are also clear, practical implemented and enforced.

Top-level commitment

Top management fosters a culture where bribery is never acceptable.

Risk assessment

It assesses the nature and extent of its exposure to potential external and internal risks of bribery being committed on its behalf by persons associated with it. The assessment is periodic and documented.

Due Diligence

The Company applies appropriate due diligence in respect of persons who perform or will perform services for or on behalf of the Company in order to mitigate identified bribery risks.

Communication

Through internal and external communication, including training, the organisation seeks to ensure that its bribery prevention policies are embedded and understood throughout the Company.

Monitoring and Review

The Company monitors and reviews procedures designed to prevent bribery by persons associated with it.

During 2012, extensive training in the Company's Anti-Bribery Policy was undertaken by the Company's Anti-Bribery Compliance Officer in Kazakhstan, Tajikistan and Uzbekistan. In continuation of the Company's commitment to the Anti-Bribery training, further training will be rolled out to key staff during 2013.

Nomination of Directors and Compensation

The Compensation Committee is composed entirely of independent directors and 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, among other things, a candidate's independence, financial and technical acumen, skills, ethical standards, career experience, financial responsibilities and risk profile, understanding of fiduciary duty 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, 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 Executive Chairman's compensation, evaluates the Executive Chairman'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 Executive Chairman's compensation level based on this evaluation. This committee also considers and, if deemed appropriate, approves the Executive Chairman'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. The Board of Directors has determined that Mr. Lilley's position as Vice Chairman and the fact that Mr. Johnson is Managing Director of Oilfield Production Consultants Ltd., Oilfield Production Consultants (OPC) Asia LLC and Oilfield Production Consultants USA LLC, who provide the Company with technical services, are not reasonably expected to interfere with the exercise of their independent judgement as members of the Compensation Committee.

Other Board Committees

The Company's five standing committees are the Audit Committee, the Compensation Committee, the Reserves Committee, the Strategic Risk Committee and the Executive Board (Executive Committee). The function of the Compensation Committee is set out above under "*Nomination of Directors and Compensation*" and "*Compensation Discussion and Analysis*" on page 10 and the function of the Audit Committee is set out in detail in the Company's annual information form (available at www.sedar.com). The functions of the Reserves Committee, the Strategic Risk Committee and the Executive Board are set out or referred to 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 (or when deemed necessary) assess the work of the reserves evaluator and approve the Corporation's annual reserve report (and resource reports if appropriate) and consent forms of management and the reserves evaluator thereto.

Strategic Risk Committee

The Strategic Risk Committee was set up in July 2012 and is responsible for the oversight and support of the Board of Directors in its review of the Company's risk assessment and growth strategies. The Strategic Risk Committee

considers risks in the Company's operating areas and also reviews potential acquisitions, divestitures and other strategic transactions in light of political, business and related risks.

Executive Board (Executive Committee)

The Board approved the formation of an "Executive Board" (which functions as an executive committee) in February 2008. The Executive Board comprises of Dr. David Robson, Mr. Bernard Murphy, Ms. Elizabeth Landles and Mr. Julian Hammond (who was appointed on January 17, 2012), 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 day-to-day or time sensitive matters where it is impractical to call a full 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

Currently the Board, its Committees and individual directors are not regularly assessed with respect to their effectiveness and contribution as the Board believes that such assessments are generally more appropriate for corporations of significantly larger size and complexity than the Company and which may have significantly larger Boards of Directors. However, the Chairman of the Board meets at least annually with the individual Directors to discuss any concerns they may have on the operation of the Board and its Committees as well as individual Board members. These are informal discussions and, if any points are highlighted, they are brought to the attention of the appropriate Committee Chairman or Director. To date there have been no such issues raised.

The Vice Chairman (Leading Non Executive Director) meets with the Chairman at least annually to discuss his performance and any improvement which might be appropriate and the Executive Board (Executive Committee), which meets regularly, brings to the Chairman any issues which might require attention with respect to individual Directors, the Compensation Committee, the Audit Committee and the Reserves Committee. To date no issues have been raised but if such were to arise, the Chairman would discuss these in the first instance with the Vice Chairman (Leading Non Executive Director).

The Executive Board regularly reviews the performance of the Officers of the Company and, should any issues arise, the Chairman would then discuss any issues with the Compensation Committee. A formal appraisal system is now in place for the Officers of the Company.

The Board believes that these procedures are adequate for the Company in its current stage of development and effectively addresses issues related to Board assessment and evaluation. A more formal assessment process will be instituted as, if, and when the Board considers it to be necessary.

In 2012, the Board undertook an assessment of its effectiveness by undertaking a Board Governance Analysis through the Institute of Directors of the United Kingdom. This assessment reviewed the Board's effectiveness in key areas including strategy, business principles, internal controls, risk management, performance management, boardroom activity and the Company's five standing committees and the role of the board members, including the Chairman. The results of the assessment showed that the Board was working effectively in the majority of areas and identified a couple of areas which required development which the Board plans to address.

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 except as noted below.

Aggregate Indebtedness (USD)
(as at April 30, 2013)

Purpose	To the Company or its subsidiaries	To Another Entity
Share Purchases	Nil	Nil
Other	97,168	Nil

The above advances were made in respect of relocation arrangements and are non-interest bearing.

**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.

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.

Vazon Energy Limited (“**Vazon**”) is a corporation organized under the laws of the Bailiwick of Guernsey, of which Dr. David Robson, Chief Executive Officer, is the sole owner and managing director. Tethys has a management services contract with Vazon that came into effect from June 27, 2007 whereby the services of Dr. Robson, other services and other Vazon employees are provided to the Company. The total cost charged to Tethys for services from Vazon in the year ended December 31, 2012 was USD2,432,239 (2011 – USD3,295,754; 2010 – USD2,525,885). With the formation of Tethys Services Guernsey Limited, these figures are likely to reduce further.

On June 13, 2012, the Company and Vazon amended the Deed of Guarantee and Indemnity dated December 10, 2009, between the two companies, whereby the Company guarantees to indemnify Vazon for certain payments related to the management services provided by Vazon under the management services contract. The guarantee comprises a charge over the assets of one of the Company’s subsidiaries, Tethys Tajikistan Limited (“TTL”), equalling amounts owing under the management services contract from time to time. At December 31, 2012 the amount owed to Vazon by the Company was USD438.

Oilfield Production Consultants (OPC) Limited, Oilfield Production Consultant (OPC) Asia LLC and Oilfield Production Consultants (OPC) USA LLC, all of which have one common director with the Company, has charged Tethys a monthly retainer fee for engineering expertise, provided services relating to the optimization of the existing compressors and those to be installed as part of Phase 2 gas production from Akkulka, and has consulted on well test analysis and on certain reservoir modelling work on projects in Tajikistan and Uzbekistan. Total fees for the year ended December 31, 2012 were USD66,150 (2011 - USD11,422; 2010 – USD182,470).

Oilfield Production Consultants (OPC) Limited, which has one common director with the Company participated in the loan financing that took place in December 2011, advancing USD200,000 under Option B of the facility. As a result, OPC received 100,000 warrants valued at a fair value of USD15,030. The loan was advanced under the same conditions and terms afforded to non-related parties.

Two officers of the Company participated in the 2011 loan financing described in note 20 for which they received 75,000 and 232,620 warrants at a fair value of USD6,143 and USD21,983 respectively. Loans advanced were

USD150,000 and GBP 300,000 respectively and were rolled over upon maturity of their one year term for a further term of one year under the same conditions and terms afforded to non-related parties, except that the warrants originally issued were not extended. Upon rollover, there was a re-issue of 75,000 and 232,620 warrants were issued at a fair value of USD2,940 and USD25,891 respectively.

On July 6, 2012, Ambassador Khalilzad was appointed a director of the Company. His company, Khalilzad Associates, provides consultancy services with respect to business development. Total fees for these services amounted to USD154,078 for the year ended December 2012.

MANAGEMENT CONTRACTS

During the financial year ended December 31, 2012, certain management functions of the Company were performed by Vazon. See "*Management and Employment Agreements*". Dr. David Robson of Guernsey 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, 2012 (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. 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, 2012. Shareholders may contact the Company to request copies of the financial statements and MD&A by: (i) mail to P.O. Box 524, St. Peter Port, Guernsey, British Isles, GY1 6EL; (ii) fax to +44 1481 725922; or (iii) email to info@tethyspetroleum.com.

SCHEDULE 'A'

TETHYS PETROLEUM LIMITED

EMPLOYEE SHARE PURCHASE PLAN

**TETHYS PETROLEUM LIMITED
EMPLOYEE SHARE PURCHASE PLAN**

**ARTICLE 1
PURPOSE**

- 1.1 This Employee Share Purchase Plan has been established to enable Permanent Employees or Consultants to acquire Shares in the Company in a convenient and systematic manner, so as to encourage a proprietary interest in the operation, growth and development of the Company.

**ARTICLE 2
DEFINITIONS AND INTERPRETATION**

- 2.1 “**Account**” means the account to be established in respect of each Participant for purposes of the Plan.
- 2.2 “**Award Date**” means the date on which a Matching Share Allocation vests and is redeemed for a Share, as determined in accordance with Section 7.2.
- 2.3 “**Base Salary**” means the regular base salary or wages of a Participant received or to be received from the Company for the Participant’s service with respect to a particular Fiscal Year, excluding any overtime, bonuses or other compensation with respect to such Fiscal Year and excluding any Matching Share Allocations, Underlying Dividend Amounts or other benefits received by the Participant under the Plan.
- 2.4 “**Black-Out Period**” means any period during which trading of Shares by certain persons is restricted pursuant to the Company’s policies, corporate governance practices and/or as may be established by the Board from time to time.
- 2.5 “**Board**” means the board of directors of the Company or, if established and duly authorized to act, the Committee of the board of directors of the Company.
- 2.6 “**Business Day**” means any day, other than a Saturday or a Sunday, on which the TSX is open for trading.
- 2.7 “**Change of Control**” means the occurrence of any one or more of the following events:
- (a) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its affiliates (as such term is defined in the *Securities Act* (Ontario)) and another corporation or other entity, as a result of which the holders of Shares prior to the completion of the transaction hold less than 50% of the outstanding Voting Securities of the successor corporation after completion of the transaction;
 - (b) any transaction or series of transactions whereby all or substantially all of the assets, rights or properties of the Company and/or any of its Subsidiaries become the property of any other person or entity, other than a disposition to a wholly owned Subsidiary of the Company in the course of a reorganization of the assets of the Company and its Subsidiaries; or
 - (c) the acquisition, or acquisition of control (including, without limitation, the right to vote or direct the voting), by any person, entity or group of persons or entities acting jointly or in concert (an “**Acquiror**”) of Voting Securities of the Company which, when added to the Voting Securities owned or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or associates and/or affiliates of the Acquiror (as such terms are defined in the *Securities Act* (Ontario)) to cast or to direct the casting of 50% or more of the votes attached to all of the Company’s outstanding Voting Securities which may be cast to elect directors of the Company or the successor corporation (regardless of whether a meeting has been called to elect directors).
- 2.8 “**Committee**” means the Compensation and Nomination Committee.

- 2.9 “**Company**” means Tethys Petroleum Limited, and includes any successor thereto.
- 2.10 “**Disability**” means disabled in accordance with, and in receipt of income replacement benefits under, the Company’s long-term disability policy or at the discretion of the Committee.
- 2.11 “**Fiscal Year**” means the fiscal year of the Company.
- 2.12 “**Insider**” means an “insider” as defined in the TSX Company Manual.
- 2.13 “**Market Price**” means the volume weighted average trading price of the Shares on the TSX for the five (5) consecutive trading days immediately preceding the relevant date on which the Market Price is to be determined.
- 2.14 “**Matching Share Allocation**” means a notional share potentially allocated to a Participant in accordance with Article 7.
- 2.15 “**Non-Active Participant**” means a Participant who ceases to contribute to the Plan in accordance with Section 5.3 but who maintains an account balance with the Plan.
- 2.16 “**Participant**” means a Permanent Employee or Consultant who has applied and agreed to participate in the Plan in accordance with the terms of the Plan and on any other terms as the Company may specify and whose application has been accepted by the Company.
- 2.17 “**Participant Contribution**” means the amount of money contributed by a Participant in the Plan, as described in Article 5.
- 2.18 “**Permanent Employee or Consultant**” means a full-time or part-time employee or consultant of the Company or any of its Subsidiaries who has a contract of employment and/or long-term consultancy agreement with a minimum notice period of one (1) month or longer and who is not in a probationary period, and for greater certainty, does not include employees or consultants who have received notice of termination of employment or consulting engagement and does not include directors of the Company who are not otherwise employees or consultants of the Company in a capacity other than director.
- 2.19 “**Plan**” means the trust established as this Employee Share Purchase Plan, as amended from time to time.
- 2.20 “**Purchase Date**” means the second business day following announcement of the results of each fiscal quarter of the Company (currently ending on the last day of March, June, September and December of each year).
- 2.21 “**Release**” means release of a certificate representing Shares under the Plan as described in Article 11.
- 2.22 “**Shareholder**” means a holder of Shares.
- 2.23 “**Shares**” means the ordinary shares in the capital of the Company.
- 2.24 “**Subsidiary**” means a company that is a subsidiary as interpreted in Section 1(2) of the *Business Corporations Act* (Ontario).
- 2.25 “**Termination Date**” has the meaning given to it in Section 11.3.
- 2.26 “**Trust Agreement**” means the trust agreement between the Company and the Trustee governing the administration of the Plan.
- 2.27 “**Trustee**” means Equity Financial Trust Company or such other trustee as may be appointed by the Company from time to time as trustee and administrative agent of the Plan.

- 2.28 “**TSX**” means the Toronto Stock Exchange or such other stock exchange or quotation system on which the Shares are listed or quoted from time to time.
- 2.29 “**Award Shares**” has the meaning given to it in Section 7.3.
- 2.30 “**Voting Securities**” means Shares and any other shares entitled to vote for the election of directors and shall include any securities, whether or not issued by the Company, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors including any options or rights to purchase such shares or securities.
- 2.31 Unless the context requires otherwise, references to the male gender include the female gender, words importing the singular number may be construed to extend to and include the plural number, and words importing the plural number may be construed to extend to and include the singular number.
- 2.32 If any payment is to be made or other action is to be taken on a day which is not a Business Day, such payment must be made or such action must be taken on or not later than the next succeeding Business Day.
- 2.33 The Plan is established under the laws of the Province of Ontario and the rights of all parties and the interpretation of each and every provision of the Plan shall be governed and construed in accordance with the laws of the Province of Ontario, and the laws of Canada applicable therein.

ARTICLE 3 ADMINISTRATION OF THE PLAN

- 3.1 The Trustee will administer the Plan pursuant to the terms and conditions of the Trust Agreement (as agreed between the Company and the Trustee) and the terms and conditions of the Plan as herein set forth. The Company will have the right to replace the Trustee of the Plan at any time.
- 3.2 The Plan is an automatic securities purchase plan and the provisions herein shall continue to operate during any Black-Out Period.
- 3.3 The Trustee may maintain accounts and buy or sell shares on the most appropriate and beneficial recognised investment exchange on which the Company’s shares are listed.

ARTICLE 4 ELIGIBILITY AND PARTICIPATION

- 4.1 All Permanent Employees or Consultants are eligible to participate in the Plan, subject to the terms of the Plan and to the discretion of the Company. To become a Participant, a Permanent Employee or Consultant must complete and sign an application in the form prescribed by the Company from time to time and file it with such officer or employee of the Company as may be designated by the Company from time to time, and authorize the Company in writing to deduct the Participant Contribution from the Participant’s Base Salary in the form of a payroll deduction in respect of each regular payroll period. Upon acceptance of such application by the Company, such Permanent Employee or Consultant shall become a Participant under the Plan. It is the responsibility of any potential Participant to take appropriate tax advice (in their own tax jurisdiction) relating to the Plan.
- 4.2 Participants who are on a leave of absence that has been approved by the Company or on a Disability leave may remain a Participant until the first anniversary of the initial date of the leave of absence or from the initial date of qualification under the Company’s long-term disability program. In the event that payroll deduction is not available to such Participants during such one-year period, the Participant may make Participant Contributions directly to the Trustee. If the Permanent Employee or Consultant continues on a leave of absence or Disability after the first anniversary date, the individual’s participation in the Plan shall terminate as of such date. The individual may re-apply to participate in the Plan if the individual returns to being a Permanent Employee or Consultant.

ARTICLE 5
PARTICIPANT CONTRIBUTIONS

- 5.1 A Participant may elect to contribute as the Participant Contribution under the Plan an amount for each regular payroll period, equal to not less than 1% and not more than 10% of a Participant's pro rata Base Salary for such period. Such election shall initially be made by the Participant on the application form filed with the Company under Section 4.1.
- 5.2 Subject to Section 5.1, a Participant may elect to change the amount of the Participant Contribution by completing, signing and filing with the Company an authorization in the form prescribed by the Company from time to time specifying the new amount which shall thereafter constitute the Participant Contribution. Such a change may be made only twice in each Fiscal Year, unless approved by the Company.
- 5.3 A Participant may elect to suspend the Participant Contribution at any time by completing, signing and filing an authorization in the form prescribed by the Company from time to time. As of the effective date of such suspension, and until the Participant elects to resume such Participant Contribution in accordance with Section 5.4, the Participant shall be deemed to be a Non-Active Participant.
- 5.4 A Participant who has suspended their Participant Contribution in accordance with Section 5.3 may elect, by completing, signing and filing an authorization in the form prescribed by the Company from time to time, to resume making a Participant Contribution at any time which is at least six months subsequent to the effective date of the suspension pursuant to Section 5.3 or such shorter or longer period as may be determined in the sole discretion of the Company.
- 5.5 Subject to the foregoing, the effective date of any initial election, change, suspension or resumption of Participant Contributions under this Article 5 shall be governed by regular payroll input deadlines of the Company.
- 5.6 Notwithstanding Sections 5.2, 5.3 and 5.4, a Participant may not change, suspend or resume their Participation Contribution during any Black-Out Period or while such Participant is in possession of any material undisclosed information with respect to the Company.
- 5.7 All Participant Contributions shall be (i) deducted by the Company out of each regular payroll payment, or paid directly by the Participant in accordance with Section 4.2, if applicable, and (ii) applied in accordance with Section 6.1.
- 5.8 The Trustee shall allocate to each Participant's Account the cash value of any dividends paid on Shares in a Participant's Account as soon as practicable following the payment of any such dividend.
- 5.9 The Company shall pay the administrative costs related to the Plan, including, but not limited to, any fees payable to the Trustee but shall not pay brokerage or related fees or expenses related to the sale of Shares by the Participant. No interest shall be paid or allocated to Participant Contributions received prior to the applicable Purchase Date or in respect of Underlying Dividend Amounts or dividends held in a Participant's Account.

ARTICLE 6
PURCHASE OF SHARES WITH PARTICIPANT CONTRIBUTIONS

- 6.1 On each Purchase Date all Participant Contributions received since the last Purchase Date held in a Participant's Account shall be applied by the Trustee to purchase Shares for the Participant. Such Shares shall be acquired on behalf of a Participant by the Trustee through open market purchases. No fractional Shares shall be purchased or acquired. The Trustees may apply flexibility in the exact purchase date, time and location in order to maintain an orderly market in the shares.

ARTICLE 7
AWARDS OF MATCHING SHARE ALLOCATIONS

- 7.1 The Board shall allocate to a Participant one (1) Matching Share Allocation for every one (1) Share purchased on a Purchase Date on behalf of such Participant. For the avoidance of doubt, this allocation shall not confer any ownership rights to the Participant over the Matching Share Allocation until the conditions in Article 7.2 have been met.
- 7.2 Matching Share Allocations shall be awarded on the second anniversary date of such Purchase Date; provided that the Participant has not previously sold or transferred and continued to hold the Share purchased on the Purchase Date in respect of which the Matching Share Allocation was allocated.
- 7.3 On each Award Date of a Matching Share Allocation the relevant number of Shares to which the Participant is entitled (the "Award Shares") pursuant to such Matching Share Allocation shall, at the Company's option, be issued from treasury for the Participant's Account at the Market Price or purchased for the Participant's Account in accordance with Article 8 without any further action being required on behalf of the Participant.
- 7.4 Where a Participant sells, transfers or otherwise disposes of Shares prior to the Award Date of Matching Share Allocations relating to such Shares, such Matching Share Allocations shall be immediately forfeited and shall be of no further value or effect whatsoever.

ARTICLE 8
ISSUE OR PURCHASE OF SHARES AND AWARD SHARES

- 8.1 Prior to each Award Date, the Company shall determine if the Award Shares to which a Participant is entitled shall be issued from treasury and/or acquired by open market purchases.
- 8.2 If prior to an Award Date the Company determines that all or a portion of the Award Shares to which a Participant is entitled shall be issued from treasury, then:
- (a) the Company shall in writing advise the Company's registrar and transfer agent and the Trustee of such determination and the price showing the number of Award Shares that shall be issued to each Participant;
 - (b) the Company shall issue to a Participant such number of Award Shares to which such Participant is entitled for no additional consideration; and
 - (c) such Award Shares shall be issued as fully paid and non-assessable Shares in the capital of the Company.
- 8.3 If prior to an Award Date the Company determines that all or a portion of the Award Shares to which a Participant is entitled shall be acquired through open market purchases, then the Company shall forward to the Trustee, on or before such Award Date, the applicable purchase price for the number of Award Shares, and the Trustee shall, on the Award Date, purchase such Award Shares through open market purchases for such Participant. For greater certainty, the purchase of Shares through open market purchases by the

Trustee for a Participant using Participant Contributions on a Purchase Date shall be effected in the manner set out in Section 6.1.

- 8.4 The Trustee shall allocate all Shares issued or purchased on behalf of a Participant to such Participant's Account, immediately following the Purchase Date or Award Date, as applicable. All Shares so allocated to a Participant's Account shall be registered in the name of the Trustee, or its nominee. The Participant for whose account such Shares are held by the Trustee (but for greater certainty, not any Matching Shares Awards) shall be entitled to all rights of ownership incidental thereto, including the right to receive dividends and other distributions payable in respect of the Shares and to receive notice of, attend and vote at meetings of Shareholders.
- 8.5 A Participant will receive a cheque for dividends on Shares in the Participant's Account, net of any withholding taxes.
- 8.6 No grant of Matching Share Allocations pursuant to the Plan shall be deemed to give any Participant any rights as a Shareholder in respect of the related Award Shares until such time as the Award Shares are awarded and have been issued and/or purchased in accordance with the terms of the Plan.
- 8.7 Subject to Article 12, the number of Shares reserved for issuance to Participants from time to time under the Plan shall not exceed 10,000,000 shares of the total number of Shares issued and outstanding from time to time.

ARTICLE 9 PARTICIPANT ACCOUNTS

- 9.1 The Trustee shall maintain Accounts for each Participant in such a way that the interests of each Participant in the Plan in respect of Participant Contributions, dividends and Matching Share Allocations may be ascertained. Such individual Accounts shall be posted quarterly. The Trustee shall ensure that the Accounts reflect Shares purchased by Participant Contributions, Award Shares, and Matching Share Allocations which have been credited to such Account, as well as any dividends which have been paid on the Shares.

ARTICLE 10 RELEASE OF SHARES

- 10.1 A Participant may, subject to this Article 10, elect to receive Shares purchase by Participant Contribution plus any Award Shares held in the Participant's Account in electronic or certificated form (a "**Release**"). Such Release shall require not less than seven Business Days' prior written notice to the Trustee. Except as set out in Article 11 or unless otherwise determined by the Company, a Participant may not make more than one such Release from the Account in any three month period. If the Shares are issued in electronic form, these may be issued (at the Participant's instruction) into any suitable electronic system maintained to serve any international investment exchange on which the Company's shares are traded.
- 10.2 Subject to Article 10, a Participant who has notified the Trustee that the Participant wishes to withdraw the whole or a part of the Shares in the Participant's Account shall be entitled to receive such Shares, computed to the date such notice is received. The transfer and delivery of any Shares so withdrawn shall be effected according to the procedures established by the transfer agent of the Company for the transfer and delivery of the Shares. If such Participant is withdrawing all of the Shares in the Participant's Account and is entitled to a fraction of a Share upon such Release, the value of such fraction shall be paid to the Participant by cheque.
- 10.3 The Trustee shall arrange to provide statements to Participants describing the particulars of each Release.

**ARTICLE 11
TERMINATION OF EMPLOYMENT**

- 11.1 Where a Participant's employment with the Company terminates for any reason, on the Participant's Termination Date, all Matching Share Allocations awarded to the Participant shall be forfeited.
- 11.2 Within 15 Business Days following a Participant's Termination Date, the Participant (or his estate or nominee) shall, on a form prescribed by the Company, direct the Trustee to effect a Release of all the Shares and the cash balance, if any, held in the Participant's account pursuant to the provisions of Article 10.
- 11.3 For the purposes of the Plan, a Participant's "**Termination Date**" will be conclusively deemed to have occurred on the date such Participant ceased to actually and actively be employed by the Company (and for greater certainty, will not include any notice period required by any applicable statute or by common law, whether agreed to by the parties or imposed by the Company or a court or tribunal). All Participant Contributions shall be automatically suspended as of the relevant Termination Date.

**ARTICLE 12
ADJUSTMENT IN CERTAIN CIRCUMSTANCES**

- 12.1 Subject to Article 13 and Article 14, but notwithstanding any other provision of the Plan, in the event of any change in the Shares through subdivision, consolidation, reclassification, amalgamation, plan of arrangement, merger or otherwise, 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 Board may, subject to obtaining the prior approval of the TSX, make such adjustment in the Plan as the Board may deem reasonable and appropriate to prevent dilution or enlargement of the rights of Participants under the Plan.

**ARTICLE 13
CHANGE OF CONTROL**

- 13.1 Subject to Section 14.3, but notwithstanding any other provision of the Plan, in the event of an actual or potential Change of Control, the Board may, in its sole discretion, without the necessity or requirement for the agreement of any Participant holding Matching Share Allocations:
- (a) accelerate, conditionally or otherwise, on such terms and conditions as it sees fit, the Award Date of any outstanding Matching Share Allocations; and
 - (b) otherwise amend or modify the terms and conditions of any outstanding Matching Share Allocations including for greater certainty so as to assist any Participant holding Matching Share Allocations to tender the Award Shares to, or participate in, the actual or potential Change of Control or to obtain the advantage of holding the Award Shares during such Change of Control.

The determination of the Board in respect of any such Change of Control shall for the purposes of the Plan be final, conclusive and binding.

**ARTICLE 14
AMENDMENT OR TERMINATION OF THE PLAN**

- 14.1 The following types of amendments to the Plan shall require the approval of the Board, requisite Shareholder approval and the approval of the TSX:
- (a) any increase to the maximum number of securities, either as a fixed number of a fixed percentage of the Company's outstanding capital, which may be reserved for issuance under the Plan; or
 - (b) any amendment to this Article 14 to eliminate a matter requiring approval of Shareholders.

- 14.2 Subject to Sections 14.1 and 15.5, but notwithstanding any other provision of the Plan, the Board may, in its sole discretion, without obtaining any approval of Shareholders, make any other amendments to the Plan, or any Matching Share Allocation granted under the Plan, that are not of the type contemplated in Section 14.1 of the Plan, including, without limitation:
- (a) amendments of a “housekeeping” or “practical” nature, including, without limitation, amendments for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan, or to comply with applicable law or the requirements of any stock exchange on which the Shares are listed;
 - (b) a reduction of the number of Shares reserved from time to time for issuance under the Plan;
 - (c) a change to the mechanism of Matching Share Allocations and to the provisions of any Matching Share Allocation;
 - (d) the cancellation of a Matching Share Allocation;
 - (e) any amendment in respect of the persons eligible to participate in the Plan;
 - (f) such amendments as are necessary for the purpose of complying with any changes in any applicable law, rule, regulation or policy of any securities regulatory authority, stock exchange or other governmental entity having jurisdiction over the Company; and
 - (g) a discontinuance of the Plan.
- 14.3 Subject to Article 12, Article 13, Sections 14.1, 14.2, 14.4 and 15.5, no amendment to the Plan may alter or impair any Matching Share Allocation or any rights pursuant thereto previously granted to any Participant in a manner that is materially adverse to such Participant without the consent of such Participant.
- 14.4 Notwithstanding any other provision of the Plan, the Company may, at any time by a resolution of the Board, terminate the Plan. Upon termination of the Plan, all cash amounts and all Shares held in the Participant’s Account shall be released in full to the Participant by providing to the Participant certificates respecting the Shares, registered in the name of such Participant or such name as the Participant may direct and a cheque equal to any outstanding cash amount, calculated as of the effective date of termination. In the event the Participant shall be entitled to a fraction of a Share upon such termination, a cash payment equal to the value of such fraction shall be paid to such Participant. The Company or, if appointed, the Trustee shall be entitled to wind-up the Plan in accordance with this Article 14 over such reasonable period of time as will allow for the orderly termination of the Plan. The Company may also suspend the Plan if, in its sole opinion, allocations of Award Shares may exceed the Plan limits and further shareholder approval may be required.

ARTICLE 15 GENERAL PROVISIONS

- 15.1 The Company shall cause the Trustee to provide to each Participant a statement of the Participant’s account balances in the Participant’s Account quarterly during each Fiscal Year or such other periodic basis as the Company may determine, in its sole discretion, from time to time.
- 15.2 The interest of any Participant in the Plan shall be assignable with the agreement of the Committee, except upon death when no agreement shall be required.
- 15.3 Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect the employment or engagement of any Permanent Employee or Consultant by the Company or a Subsidiary. No Permanent Employee or Consultant, Participant or other person shall have any claim or right to participate under the Plan. Participation in the Plan shall not affect the right of the Company to terminate

the employment or engagement of a Participant. Neither any period of notice nor any payment in lieu thereof, or combination thereof, upon termination of employment or engagement shall be considered as extending the period of employment or engagement for the purposes of the Plan.

- 15.4 Neither the Company nor the Trustee shall be liable to any Participant for any loss resulting out of any issuance, purchase or sale of any Shares or out of the allocation of dividends applicable to any Shares under the Plan, including any loss relating to the pricing, manner or timing of such issuances, purchases, sales or allocations, or any delay in implementing any instructions to allocate, suspend or reinstate any Participant Contributions or in the transfer or delivery of any Shares to a Participant or otherwise. Neither the Company nor the Trustee shall have any liability for taxation payable or claimed from the Participant related to the Plan.
- 15.5 Notwithstanding any other provision of the Plan:
- (a) the Plan, the Matching Share Allocations and Award Shares granted under the Plan, shall at all times be subject to the ongoing requirements of applicable law and the rules of the TSX and the Company shall not be obliged to issue or purchase any Shares upon purported redemption of Matching Share Allocations if such issuance would violate any applicable law or the rules of the TSX;
 - (b) the Company shall not be required to issue, register or qualify for resale any Shares issuable upon purported redemption of Matching Share Allocations pursuant to a prospectus or similar document; and
 - (c) the Company shall be permitted at any time and from time to time to postpone the issue or purchase of any Shares pursuant to the Plan and to make any amendment to the terms and conditions of the Plan or any Matching Share Allocations granted under the Plan as in the opinion of the Board is reasonably necessary (i) to make the Plan or any Matching Share Allocations granted hereunder comply with applicable laws and the rules of the TSX; or (ii) in order to permit the Company to effect or maintain qualification of the Plan or the Shares issuable pursuant thereto under the securities laws of any applicable jurisdiction, or to ensure that the Shares and the Plan are exempt from any prospectus or equivalent requirements of any applicable securities laws.
- 15.6 As a condition of participating in the Plan, each Participant agrees to comply with all laws, rules and regulations which may apply in connection with the Plan, including the rules and requirements of the TSX, and to fully cooperate with the Company and/or its employer in doing all such things, including executing and delivering all such agreements, undertakings or other documents or furnishing all such information as is reasonably necessary to facilitate compliance with such laws, rules and requirements, including all tax withholding and remittance obligations.
- 15.7 The Company may adopt and apply rules that in its opinion will ensure that the Company, or the applicable employer, will be able to comply with applicable provisions of any federal, provincial, state or local law relating to withholding of tax. For the avoidance of doubt, the Company will be responsible for any normal social or similar payments required to be paid by the Company with respect to provision of a benefit to the Participant. The Company shall have the right, in its sole discretion, to satisfy any withholding tax liability in respect of a Participant by withholding from any amount payable to a Participant, either under the Plan or otherwise, such amounts as are required by law to be withheld or deducted as a consequence of a Participant's participation in the Plan, including by, in its sole discretion, satisfying any such withholding obligations by: (a) selling or causing the sale of any Shares held on behalf of a Participant under the Plan, (b) retaining the amount necessary to satisfy the withholding obligations from any amount which would otherwise be delivered, provided or paid to the Participant, whether under the Plan or otherwise; (c) requiring the Participant to, remit in advance the amount of, or reimburse the Company or the employer for, such withholding obligations; or (d) making such other arrangements as the Company may reasonably require.
- 15.8 The Plan will become effective on June 27, 2013.



www.tethyspetroleum.com

info@tethyspetroleum.com