



TETHYS PETROLEUM LIMITED

**DISCLOSURE, COMMUNICATIONS AND
INSIDER TRADING POLICY**

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TABLE OF CONTENTS

PURPOSE OF THE POLICY	1
APPLICATION OF POLICY	1
CONSEQUENCES OF NON-COMPLIANCE WITH POLICY	1
DISCLOSURE COMMITTEE.....	1
PRINCIPLES OF PUBLIC DISCLOSURE OF MATERIAL INFORMATION	2
Material Information.....	2
Non-Public	3
Disclosure Principles	3
Forward-Looking Information.....	4
INSIDER TRADING RESTRICTIONS AND BLACKOUT PERIODS	4
Selling Short and Margin Trading	5
Standing Sell or Purchase Orders	5
Blackout Periods	5
REPORTING OF TRADES BY DIRECTORS AND OFFICERS	6
INSIDER REPORTING REQUIREMENTS.....	6
PENALTIES.....	6
QUIET PERIODS.....	7
MAINTAINING CONFIDENTIALITY.....	7
Electronic Communications.....	7
Notice to Outside Parties	7
Procedures to be Followed.....	8
DESIGNATED SPOKESPERSONS.....	8
PUBLIC DISCLOSURE	9
News Releases	9
Conference Calls and Shareholder Briefing Sessions.....	9
Industry Conferences	10
Analysts.....	10
Inadvertent Disclosure	10
RUMOURS.....	10
ANALYSTS' RESEARCH REPORTS.....	11
DISCLOSURE RECORD	11

TPL WEB SITE	11
SCHEDULE A: Examples of Material Information.....	13



TETHYS PETROLEUM LIMITED

DISCLOSURE, COMMUNICATIONS AND INSIDER TRADING POLICY

PURPOSE OF THE POLICY

Tethys Petroleum Limited securities are publicly traded and, therefore, must comply with certain legal and regulatory requirements regarding the public disclosure of material information and its directors, officers, employees and other insiders must comply with insider trading and reporting requirements. In this Policy, "TPL" means, collectively, Tethys Petroleum Limited and all of its affiliates and subsidiaries.

The purpose of this Policy is to establish procedures and policies to assist TPL in:

- providing the market with full, true and plain disclosure of information regarding public companies to allow investors to make informed investment decisions;
- preventing insiders of public companies from unfairly benefiting from inside information; and
- avoiding the appearance of improper conduct on the part of anyone employed or associated with TPL with respect to such matters.

APPLICATION OF POLICY

This Policy applies to all directors, officers, employees and other insiders of TPL.

CONSEQUENCES OF NON-COMPLIANCE WITH POLICY

Failure to comply with this Policy may result in severe consequences, which could include civil and criminal penalties and internal disciplinary action or termination of employment. If you have any questions about how this Policy should be followed in a particular case, please contact TPL's Corporate Secretary at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9007 Cayman Islands; Email coliver@tethys-group.com.

DISCLOSURE COMMITTEE

Management of TPL has established a committee of senior members of management (the "Disclosure Committee"), which is responsible for overseeing TPL's disclosure practices and procedures. The members of the Disclosure Committee are:

- Non-Executive Chairman (Chairman);
- Chief Executive Officer; and
- Chief Financial Officer.

It is essential that the Disclosure Committee be kept fully apprised of all pending and potentially material TPL developments in order to be able to determine the appropriateness and timing of the public disclosure of those developments. If it is determined that the information should and may remain confidential, the Disclosure Committee will determine how the confidentiality of that information will be maintained.

The Disclosure Committee will:

- set benchmarks for a preliminary assessment of the materiality of information and will determine when developments justify public disclosure;
- review and approve all material TPL disclosure documents;
- monitor, evaluate and revise, as necessary, procedures for the conduct of TPL's annual review of disclosure controls and procedures, as well as the quarterly review of disclosure control procedures;
- review and update this Policy on an annual basis or as needed to ensure compliance with changing legal and regulatory requirements;
- meet as required; and
- review TPL's financial statements, management's discussion and analysis, and annual and interim earnings press releases before this information is publicly disclosed.

PRINCIPLES OF PUBLIC DISCLOSURE OF MATERIAL INFORMATION

All **material** information will be publicly disclosed by TPL, where required by law and the policies of relevant stock exchanges in accordance with the guidance provided in this Policy.

TPL will not selectively disclose any **material** information, including any report that operating or earnings results will be materially below or above publicly held expectations, unless the information has been publicly disclosed by news release or other appropriate means.

Material Information

In general, information is "material" if a reasonable investor would consider it important in making an investment decision regarding TPL's publicly traded securities. Information about TPL is not likely to be material, however, if the public dissemination of that information would not reasonably be expected to have a significant impact on the market price or value of TPL's publicly traded securities.

Set forth in Schedule A are examples of the types of events or information which may be material. This list is not exhaustive and any questions concerning the materiality of an issue should be directed to a member of the Disclosure Committee.

Non-Public

Material information is "**non-public**" if it has not been disseminated in a manner making it available to investors generally. Directors, officers and employees of TPL should assume that any **material** information that has not been publicly disclosed for at least two business days pursuant to this Policy is still non-public.

Any person who is uncertain as to whether particular information is non-public should contact a member of the Disclosure Committee.

Disclosure Principles

TPL will adhere to the following basic disclosure principles:

- **Material** information will be publicly disclosed by news release on a timely basis, except as set out below.
- Disclosure of **material** information should be balanced and factual.
- If the Disclosure Committee determines that the public disclosure of certain information would be premature (for example, the release of the information would prejudice negotiations in a major corporate transaction or if the information is incomplete, may change or could be misinterpreted), the information will be kept confidential, to the extent permitted by law, until the Disclosure Committee determines it is necessary or appropriate to publicly disclose. In those circumstances, the Disclosure Committee will cause, if deemed necessary, a confidential material change report to be filed with the applicable securities regulators, and will periodically (at least every 10 days) review its decision to keep the information confidential (see "Rumours" below).
- During the period before **material** information is publicly disclosed, market activity in TPL's securities should be monitored.
- Disclosure must include any information, the omission of which would make the rest of the disclosure misleading.
- There must be no selective disclosure of **material** information. Previously undisclosed material information must not be disclosed to selected individuals (for example, in an interview with an analyst or in a telephone conversation with an investor). If previously undisclosed **material** information has been inadvertently disclosed to an analyst or any other person not bound by an express confidentiality obligation, the procedures set out under "Public Disclosure Inadvertent Disclosure" below must be followed.

- Disclosure should be corrected as soon as reasonably practicable if TPL subsequently learns that earlier disclosure by TPL contained a material error at the time it was given.

Forward-Looking Information

"**Forward-looking information**" is information about prospective results of operations, financial position or changes in financial position, based on assumptions about future conditions and courses of action.

The following are guidelines for TPL in publicly disclosing forward-looking information:

- The forward-looking information, if determined to be material, will be broadly disseminated by news release or other appropriate means, in accordance with this Policy.
- The information will be clearly identified as forward-looking.
- TPL will identify material factors and assumptions used in the preparation of the forward-looking information.
- The forward-looking information will be accompanied by a statement that identifies, in specific terms, risks and uncertainties that may cause the actual results to differ materially from those set out in the forward-looking information.
- The forward-looking information will be accompanied by a statement that TPL may, as considered necessary in the circumstance, update or revise forward-looking information, whether as a result of new information, future events or otherwise.

INSIDER TRADING RESTRICTIONS AND BLACKOUT PERIODS

No director, officer, employee or other insider of TPL may purchase or sell, or tip someone else to purchase or sell, or to not purchase or sell, securities of TPL with knowledge of **material** information relating to TPL that has not been publicly disclosed.

A person is an "insider" of TPL if the person falls into any of the following categories:

- (a) director or officer¹ of TPL;
- (b) director or officer of a corporation that is itself an insider of TPL;
- (c) subsidiary of TPL;

¹ An officer includes the following:

(i) Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, Vice-President and Secretary.

(ii) an individual who is designated as an officer under a bylaw or similar authority of the issuer or registrant, and

(iii) an individual who performs functions for a person or company similar to those normally performed by an individual referred to in subclause (i) or (ii).

- (d) person or company that beneficially owns, directly or indirectly, voting securities of TPL, or that exercises control or direction over voting securities of TPL, or that beneficially owns, directly or indirectly, certain voting securities of TPL and exercises control or direction over certain other voting securities of TPL, where these voting securities carry more than 10% of the voting rights attached to all outstanding voting securities of TPL (excluding voting securities held by the person or company as underwriter in the course of a distribution); and
- (e) TPL, if it has acquired any of its securities for so long as it holds any of its securities and has not cancelled them.

Selling Short and Margin Trading

No director, officer, employee or other insider of TPL may, at any time, sell short or trade on margin the securities of TPL. No such person may, at any time, buy or sell a call or put in respect of a security of TPL.

Standing Sell or Purchase Orders

In order to avoid possible inadvertent conflict with this Policy, standing sell orders or standing purchase orders should not be left with a broker.

Blackout Periods

Blackout periods will be determined by the Disclosure Committee on a case-by-case basis, including whether there exists any undisclosed material information in relation to TPL's quarterly results. If this is the case and a blackout period is imposed, no director or officer and no other person involved in the preparation of, or having actual knowledge of, financial or other information to be contained in, TPL's quarterly or annual financial statements may purchase or sell securities of TPL (including the purchase of securities upon exercise of outstanding options, warrants or other convertible securities).

The Disclosure Committee may, upon request, permit the exercise of options or warrants during a blackout (but not the sale of securities acquired upon exercise thereof) if such options or warrants would expire during the blackout period.

Directors, officers and employees of TPL with knowledge of any undisclosed material information relating to TPL will be subject to trading blackouts. Any other party negotiating a material transaction with TPL will likely also be subject to trading blackouts. It is recognised that TPL may be involved in negotiations which are not price sensitive and/or may or may not result in a final binding agreement. The Disclosure Committee (with the assistance of counsel if deemed necessary) will determine if such blackout period should be in force. They will be prohibited from trading in securities of TPL or of those other parties normally until the end of the second business day after the information has been publicly disclosed.

Blackout periods may be prescribed from time to time by the Disclosure Committee as a result of special circumstances relating to TPL which could give rise to material information, pursuant to which directors and senior officers of TPL shall be prohibited from trading in securities of TPL.

All other insiders and persons with knowledge of the special circumstances will also be subject to the blackout. Such parties may include external advisors, such as legal counsel or investment bankers. In the case of a prescribed blackout, affected individuals will be informed as to the application of the blackout to them.

Notwithstanding the above, it is the responsibility of the individual to be informed of the activities or circumstances that would preclude that individual from trading in the securities of TPL.

Any individual who is subject to a blackout period should not disclose to any third party that such blackout period is in effect, unless approved by the Disclosure Committee.

The Disclosure Committee will maintain a list of persons who may be considered “officers” of TPL from time to time for the purposes of this Policy.

REPORTING OF TRADES BY DIRECTORS AND OFFICERS

Each director and officer of TPL must obtain approval from the Disclosure Committee prior to trading in securities of TPL and the Disclosure Committee will decide if a blackout period should apply or if the trade may proceed. Each director and officer of TPL must report every trade he or she makes in securities of TPL, within one business day of the date of the trade, to TPL’s Corporate Secretary. Where required by law, the trades will be reported to the appropriate securities regulators by the applicable director or officer through the filing of insider trading reports described below.

INSIDER REPORTING REQUIREMENTS

Insiders of TPL are required to electronically file insider reports through the System for Electronic Disclosure by Insiders (“SEDI”). Such reports are due to be filed (i) within 5 days of becoming an insider and must disclose such person’s beneficial ownership of, or control or direction over, securities of TPL, (ii) within 5 days of the date of a trade in any securities of TPL (including the grant of options, warrants, share compensation arrangements, and the acquisition of securities upon exercise thereof), and (iii) within 5 days of the date on which any other change in such ownership occurs. Reports may also be required in respect of certain derivative based transactions, including monetization transactions related to securities of TPL. Before an insider can file insider reports on SEDI, they must register with CDS Inc. and file an insider profile. Insiders can take these steps themselves or use an agent to register and file their insider profiles and insider reports for them. Failure to file a report on time will result in late fees being levied on the insider and may cause future regulatory filings by TPL to be reviewed or cleared on an untimely basis by securities regulators, thereby impairing its access to capital markets.

PENALTIES

Failure to comply with this Policy or the procedures set out herein may result in disciplinary action. In addition, the individual may be subject to local laws governing such issues which may result in conviction, in custodial sentences and/or substantial fines. Penalties may also be levied by Canadian securities regulatory authorities for not complying with the requirements to file insider reports.

QUIET PERIODS

During the period following the last day of a fiscal quarter and the issuance of a news release disclosing the quarterly results, the Disclosure Committee will pay particular attention to any public communications carried out by TPL to ensure that there is no selective disclosure of financial information relating to the quarterly financial results during this period.

MAINTAINING CONFIDENTIALITY

All directors, officers and employees of TPL who know material information relating to TPL that has not been communicated to the public are prohibited from communicating that information internally or externally to anyone else, except in the "**necessary course of business**".

Communications in the necessary course of business are permitted if the information must be communicated in order for the person communicating the information or the recipient to be able to perform his or her responsibilities at TPL and would generally cover confidential communications with:

- vendors, suppliers or strategic partners;
- directors, officers and employees of TPL;
- lenders, legal counsel, auditors, underwriters and other professional advisors to TPL;
- parties to negotiations;
- labour unions and industry associations;
- government agencies and non-governmental regulators; and
- credit rating agencies (provided that the information is disclosed for the purpose of assisting the agency to formulate a credit rating and the agency's ratings are or will be publicly available).

Electronic Communications

Caution should be used when transmitting information by e-mail. Communication by e-mail leaves an electronic track of its passage that may be subject to later decryption attempts. If the information being transmitted is critically sensitive or confidential, consideration should be given to using a non-electronic means for the transmission.

Notice to Outside Parties

Outside parties privy to undisclosed **material** information relating to TPL must be notified that they must not divulge the information to anyone else, except on a need-to-know basis, and that they may not trade in securities of TPL until the information is publicly disclosed. An outside party should be required to enter into a written confidentiality agreement. A written confidentiality agreement will not normally be required from an outside party who owes a duty

of trust or confidence to TPL because of a special relationship with TPL (such as a banker or lawyer).

Procedures to be Followed

In order to prevent the misuse or inadvertent disclosure of **material** information, the following procedures should be observed where practicable:

- documents and files containing confidential information should be kept in a safe place to which access is restricted to individuals on a need-to-know basis;
- code names should be used (where appropriate). Confidential matters should not be discussed in places where the discussion may be easily overheard;
- confidential documents should not be displayed in public places and should not be discarded where others can retrieve them;
- employees must ensure that they maintain the confidentiality of information in their possession outside of the office as well as inside the office;
- transmission of documents by electronic means, such as by fax or directly from one computer to another, should be made only where it is reasonable to believe that the transmission can be made and received under secure conditions;
- unnecessary copying of confidential documents should be avoided and documents containing confidential information should be promptly removed from conference rooms and work areas after meetings have concluded. Extra copies of confidential documents should be shredded or otherwise destroyed; and
- access to confidential electronic data should be restricted through the use of passwords.

DESIGNATED SPOKESPERSONS

The following are the only spokespersons designated by the Disclosure Committee to communicate on behalf of TPL with the investment community, investors, regulators and the media:

- Chairman;
- Chief Executive Officer;
- Chief Financial Officer;

No other persons are authorized to communicate on behalf of TPL, unless specifically designated by the Disclosure Committee.

Directors, officers or employees who are not designated spokespersons must not respond under any circumstances to inquiries from the investment community, investors, the media or others,

unless they are specifically asked to do so by a designated spokesperson. All such inquiries should be referred to a member of the Disclosure Committee.

PUBLIC DISCLOSURE

The principal method of publicly disclosing **material** information by TPL will be by news release. No news release may be issued by TPL unless it has been approved in advance by any two members of the Disclosure Committee.

News Releases

If a stock exchange upon which securities of TPL are listed is open for trading at the time of the issuance of a news release announcing **material** information, prior notice of the news release must be provided to the market surveillance department of the stock exchange to enable a trading halt, if deemed necessary by the stock exchange. If a news release announcing **material** information is issued outside of trading hours, the market surveillance department of the stock exchange must be notified before the market reopens.

Annual and interim financial results will be publicly released as soon as possible following approval of the financial statements by the Board.

News releases will be disseminated through an approved news wire service that provides simultaneous national and/or international distribution. News releases will be transmitted to all stock exchanges, relevant regulatory bodies, major business wires, national financial media and appropriate selected local media.

News releases will be posted on TPL's Web site as soon as possible after release over the news wire. The news release section of TPL's Web site shall include a notice that advises the reader that the information posted was accurate at the time of posting, but may be superseded by subsequent publicly disclosed information.

Conference Calls and Shareholder Briefing Sessions

Conference calls and/or shareholder briefing sessions may be held to report on quarterly earnings and major corporate developments so that the information will be accessible simultaneously to all interested parties, some as participants by telephone and others in a listen-only mode by telephone or by a Web cast over the Internet. Conference calls will be preceded by a news release containing all material information.

The news release announcing an upcoming conference call will include:

- the date and time of the conference call;
- a general description of what is to be discussed;
- the means of accessing the conference call; and
- how long a replay of the conference call will be available on TPL's Web site.

Conference calls will normally be preceded by a meeting of TPL participants to review responses to anticipated questions and to identify information that may require public disclosure prior to the conference call.

Industry Conferences

This Policy applies to any form of communication, such as a speech, roundtable discussion or informal conversation on a convention centre floor, by any director, officer or employee of TPL made at any industry conference or similar event.

Analysts

TPL recognizes that meetings with analysts and institutional investors are an important element of TPL's investor relations program. TPL will meet with analysts and investors on an individual or small group basis, as needed, and will initiate contact with, or respond to, analysts and investors in a timely, consistent and accurate fashion in accordance with this Policy.

TPL will provide only non-material information at individual and group meetings, in addition to publicly disclosed information. TPL spokespersons may keep notes of telephone conversations with analysts and investors and, where practical, more than one TPL representative will be present at all individual and group meetings.

Inadvertent Disclosure

If a director, officer or employee of TPL becomes aware that there may have been an inadvertent disclosure of non-public material information relating to TPL, such person should contact immediately a member of the Disclosure Committee. Detailed records or transcripts should be made of any conference call, industry conference presentation or meeting with an analyst. These should be reviewed after the event to determine whether any inadvertent selective disclosure has occurred. To the extent requested by the Disclosure Committee, the director, officer or employee should assist in the development and implementation of a plan to make prompt public disclosure of the **material** information by news release or other appropriate means.

RUMOURS

Except in circumstances where the Disclosure Committee determines it to be in the best interests of the Company and its shareholders, TPL will not normally comment, affirmatively or negatively, on rumours. This Policy also applies to rumours on the Internet.

TPL's spokespersons will respond consistently to rumours, stating, "*It is our policy not to comment on market rumours or speculation*".

Should a stock exchange request that TPL make a definitive statement in response to a market rumour relating to TPL, the Disclosure Committee will respond to the stock exchange.

ANALYSTS' RESEARCH REPORTS

TPL will review analysts' research reports for internal use only and will not normally comment on those reports to any persons outside of TPL, except for the purpose of pointing out factual errors based on already publicly disclosed information.

TPL will not confirm, or attempt to influence, an analyst's opinions or conclusions and will not express comfort with the analyst's model or earnings estimates.

In order to avoid appearing to endorse an analyst's research report or model, TPL will provide its comments orally or will attach a disclaimer to written comments to indicate that the analyst's report or model was reviewed only for factual accuracy based on publicly disclosed information.

TPL may post on its Web site a complete list, regardless of the recommendation, of all of the investment firms and analysts who are known to TPL to provide research coverage on TPL. If provided, the list will not include links to the investment firm's or analyst's Web sites or publications.

DISCLOSURE RECORD

TPL will maintain, for distribution upon request, certain public information about TPL (commencing no earlier than the date of TPL's IPO on the Toronto Stock Exchange).

The documents to be maintained in relation to TPL will include:

- Annual Information Forms for the preceding five fiscal years;
- Management Information Circulars for the preceding five fiscal years;
- Management's Discussion and Analysis for the preceding five fiscal years;
- Quarterly Reports for the current and the immediately preceding fiscal years;
- News Releases for the current and the immediately preceding fiscal years; and
- Material Change Reports for the current and the immediately preceding fiscal years.

TPL WEB SITE

The TPL website is the responsibility of the Chief Financial Officer on behalf of the Disclosure Committee. No posting may be made to the TPL Web site unless it has been approved in advance by the Chief Financial Officer.

Any link from the Investor News section of the TPL Web site to a third party Web site must be approved in advance by a member of the Disclosure Committee. Any link must include a notice that advises the reader that he or she is leaving TPL's Web site and that TPL is not responsible for the contents of the third party Web site.

Investor relations material shall be contained within a separate section of TPL's Web site and shall include a notice that advises the reader that the information posted was accurate at the time of posting, but may be superseded by subsequent disclosures. All data posted to TPL's Web site, including text and audiovisual material, shall show the date that the **material** was posted. TPL will maintain a log indicating the date that material information is posted and removed from the Investor News section of the TPL Web site. Generally it is TPL's policy to post corporate and investor presentations on the TPL website.

Only public information or information which could otherwise be disclosed in accordance with this Policy shall be utilized in responding to electronic inquiries.

In order to ensure that no non-public **material** information is inadvertently disclosed, directors, officers and employees of TPL are prohibited from participating in Internet chat rooms or newsgroup discussions on matters pertaining to TPL's activities or its securities. Any director, officer or employee of TPL who becomes aware of a discussion pertaining to TPL on the Internet should advise a member of the Disclosure Committee as soon as possible.

SCHEDULE A:
EXAMPLES OF MATERIAL INFORMATION

Set forth in Schedule A are examples of the types of events or information which may be material. This list is not exhaustive and any questions concerning the materiality of an issue should be directed to a member of the Disclosure Committee.

Changes in Corporate Structure

- changes in share ownership that may affect control of TPL
- major reorganizations, amalgamations, or mergers
- take-over bids, issuer bids, or insider bids

Changes in Capital Structure

- the public or private sale of additional securities
- planned repurchases or redemptions of securities
- planned splits of common shares or offerings of warrants or rights to buy shares
- any share consolidation, share exchange, or stock dividend
- changes in TPL's dividend policies
- the possible initiation of a proxy fight
- material modifications to rights of security holders

Changes in Financial Results

- a significant increase or decrease in near-term earnings prospects
- significant unexpected changes in the financial results for any periods
- significant shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- significant changes in the value or composition of TPL's assets
- any significant material change in TPL's accounting policy

Changes in Business and Operations

- any significant development that affects TPL's resources, technology, products or markets
- a significant change in capital investment plans or corporate objectives
- major labour disputes or disputes with major contractors or suppliers where those are deemed relevant to significant operations
- significant new contracts or significant losses of contracts
- significant discoveries
- changes to the Board or executive management
- the commencement of, or developments in, material legal proceedings or regulatory matters
- waivers of corporate ethics and conduct rules for officers, directors and other key employees
- any notice that reliance on a prior audit is no longer permissible
- de-listing of TPL's securities or their movement from one quotation system or exchange to another

Acquisitions and Dispositions

- significant acquisitions or dispositions of assets (when fully completed), property or joint venture interests
- acquisitions of other companies, including a take-over bid for, or merger with, another company

Changes in Credit Arrangements

- the borrowing or lending of a significant amount of money
- any significant mortgaging or encumbering of TPL's assets
- defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors
- changes in rating agency decisions
- significant new credit arrangements.