

**TETHYS PETROLEUM LIMITED**



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**Reserve Committee Charter**

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# TETHYS PETROLEUM LIMITED

## RESERVE COMMITTEE

### CHARTER

*(Adopted by the Board of Directors on September 3, 2008)*

#### **A. PURPOSE**

The overall purpose of the Reserve Committee (the “Committee”) is to review the results of the independent engineering appraisal of the Corporation’s oil and gas reserves. The Committee’s responsibility is to ensure that the Corporation’s reserves are assessed in a reasonable and consistent manner and provide a satisfactory level of confidence for all stakeholders and the public.

#### **B. COMPOSITION, PROCEDURES AND ORGANIZATION**

1. The Committee shall consist of at least 3 members of the Corporation’s board of directors (the “Board”), a majority of whom shall be individuals who are not and have not been during the preceding 12 months an officer, employee or 10% securityholder or an immediate family member\* of such individuals, and are free from any business or other relationship which could reasonably be seen to interfere with the exercise of their independent judgment. Individuals having engineering, geological or oil and gas financial evaluation backgrounds would be desirable appointees to the Committee.
2. The Board shall appoint the members of the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
3. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their number (the “Chairperson”).
4. The Chairperson shall appoint another member of the Committee or another individual to be the secretary of the Committee, unless otherwise determined by the Committee.
5. The Committee shall meet regularly on such dates and at such locations as the chair of the Committee shall determine and may also meet at any other time or times on the call of the Chairperson, or any two of the other members of the Committee, or a senior officer of the Corporation responsible for reserve matters.
6. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device.
7. The Committee shall have access to such officers and employees of the Corporation and to such information respecting the Corporation, and may engage independent consultants and advisors at the expense of the Corporation, all as it considers being necessary or advisable in order to perform its duties and responsibilities.

#### **C. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee shall be as follows:

1. to oversee the evaluation of the Corporation’s petroleum and natural gas reserves;

2. to review, with reasonable frequency, the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities, including its procedures for complying with the disclosure requirements and restrictions of Canadian National Instrument 51-101 *Standards of Disclosure for Oil & Gas Activities* ("NI 51-101");
3. to review each appointment of an independent qualified reserves evaluator or auditor (as defined in NI 51-101) and in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed qualified reserves evaluator or auditor and the management of the Corporation;
4. to review, with reasonable frequency, the Corporation's procedures for providing information to the qualified reserves evaluators or auditors who report on reserves data under NI 51-101;
5. before approving the filing of reserves data and the report of the qualified reserves evaluators or auditors as required under NI 51-101, to meet with management and each qualified reserves evaluator or auditor to discuss and review the reserves data and the preparation and the conclusions contained in the report of the qualified reserves evaluator or auditor thereon (the "**Report**") and to ensure that the reserves are reported fairly and in a manner consistent with industry standards;
6. to determine whether any restrictions affect the ability of the qualified reserves evaluator or auditor to report on the reserves data without reservation;
7. to consider and review management's input into the Report and the key assumptions used therein;
8. to review and provide recommendations to the Board as to whether the Board should accept the content and/or filing, as applicable, of:
  - (a) the "*Statement of Reserves Data and Other Information*" specified in Form 51-101 F1;
  - (b) the "*Report of the Independent Qualified Reserves Evaluator or Auditor*" in accordance with Form 51-101 F2; and
  - (c) the "*Report of Management and Directors*" in accordance with Form 51-101 F3;
9. to provide the Board with a summary of all meetings and of its recommendations, together with a copy of the minutes of such meeting for insertion into the minute book kept by the Corporation. Where minutes have not yet been published, the Chairperson shall provide the Board with oral reports as requested. All information reviewed and discussed by the Committee at any meeting shall be retained and made available for examination by the Board upon request to the Chairperson;
10. prior to presenting the Report to the Board, the Committee shall:
  - (a) consider the expertise of the qualified reserves evaluator or auditor;
  - (b) meet, if deemed necessary by the Committee, with representatives of the qualified reserves evaluator or auditor and management of the Corporation to discuss the Report;
  - (c) if deemed necessary by the Committee, hold a meeting with representatives of the qualified reserves evaluator or auditor to discuss the Report, including the following:
    - (i) the scope of the qualified reserves evaluator or auditor's engagement by the Corporation and, in particular, any restrictions thereon;

- (ii) the details of any relationship which the qualified reserves evaluator or auditor has with the Corporation that may affect or might be viewed as affecting its independence;
- (iii) the process followed by the qualified reserves evaluator or auditor in conducting its reserve analysis;
- (iv) the sources of information for the Report;
- (v) whether the qualified reserves evaluator or auditor has any reason to think that any of the information provided to it was not accurate or correct;
- (vi) whether the qualified reserves evaluator or auditor had access to all information it thought relevant to complete its engagement;
- (vii) discussion of the price and cost forecasts used in the Report and whether the assumptions used would still be current;
- (viii) discussion of the assumptions made regarding oil and gas marketing and whether the qualified reserves evaluator or auditor still considers these assumptions to be reasonable;
- (ix) discussion of the reserve additions and reserve revisions, which occurred from the previous report of Corporation's reserves to that of the Report and the reasons for such revisions;
- (x) consideration of operating costs, working interests, royalty burdens, required capital expenditures and timing, recovery rates and decline rates;
- (xi) whether the qualified reserves evaluator or auditor considered it necessary to carry out any on-site inspections as part of its reserve analysis; and
- (xii) what levels of oil and gas production were assumed in the Report and whether the qualified reserves evaluator or auditor had access to information since the date of the Report which allows it to confirm or disaffirm the production profiles and other aspects of the Report since the date of the Report; and

11. to do such other things within the scope of its responsibilities, as it may, in its discretion, deem appropriate.

Ratified, adopted and approved by the Board of Directors of Tethys Petroleum Limited on September 3, 2008.

Chairman of the Board

Secretary

\* Immediate **family** member” means an individual’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of the individual or the individual’s immediate **family** member) who shares the individual’s home.