ANNUAL INFORMATION FORM

For the Year Ended December 31, 2012

March 28, 2013

The Tethys Petroleum Limited Annual Report and Accounts for 2012 consists of three documents as detailed below:

1) Management's Discussion & Analysis: this includes the documents required to be disclosed pursuant to National Instrument 51-102 of Canadian Securities Administrators "Continuous Disclosure Obligations" ("**Canadian NI 51-102**") in respect of an annual Management's Discussion & Analysis and the documents required to be disclosed pursuant to UK's Disclosure & Transparency Rules with respect to DTR 4.1 "Annual Financial Report" (DTR 4.1);

2) Annual financial information: this includes the Consolidated Financial Statements, the documents required to be disclosed pursuant to Canadian NI 51-102 with respect to an annual financial report and the documents required to be disclosed pursuant to DTR 4.1, Directors' Responsibility Statement and the Independent Auditor's Report to Tethys Petroleum Limited; and

3) The Annual Information Form ("**AIF**"): this includes the documents required to be disclosed pursuant to Canadian NI 51 – 102 and DTR 4.1 and the statement which is required to be presented in accordance with DTR 7.2 "Corporate Governance Statements".

TABLE OF CONTENTS

GLOSSARY OF TERMS 3

GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS 7

PRESENTATION OF OIL AND GAS INFORMATION 10

CURRENCY AND EXCHANGE RATES 11

CONVERSION 12

FORWARD-LOOKING STATEMENTS 13

CORPORATE STRUCTURE 16
- Name, Address and Incorporation 16
- Intercorporate Relationships 17

GENERAL DEVELOPMENT OF THE BUSINESS 19
- Company History 19

DESCRIPTION OF THE BUSINESS 23
- General 23
- Overview of Properties 23
- Overview of Land Holdings 30
- Rigs and Equipment 47
- Marketing 48
- Kyzyloi Field — Kazakh Gas Supply Contract 48
- Akkulka Field – Kazakh Gas Supply Contract 48
- Akkulka Field – Kazakh Pilot Oil Supply Contract 48
- Competitive Conditions 51
- Socio-Economic Obligations and Community 51
- Environmental 52
- Employees 53
- Specialized Skill and Knowledge 53
- Foreign Operations 53

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION 54
- Disclosure of Reserves Data 54
- Reserves Reconciliation 64
- Additional Information Relating to Reserves Data 65
- Other Oil and Gas Information 67

RISK FACTORS 79
- Risks Related to the Company and its Business 79
- Risks Related to the Republics of Kazakhstan, Tajikistan and Uzbekistan 94

DIVIDENDS OR DISTRIBUTIONS 99

DESCRIPTION OF SHARE CAPITAL 99
- Ordinary Shares 100
- Preference Shares 100
- Shareholder Rights Plan 100

MARKET FOR SECURITIES 100
- Price Range and Volume of Trading of Ordinary Shares 100
- Prior Sales 101

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER ... 103
DIRECTORS AND EXECUTIVE OFFICERS ... 103
Directors ... 103
Executive Officers ... 104
Corporate Cease Trade Orders ... 106
Bankruptcies ... 106
Penalties or Sanctions ... 106
CONFLICTS OF INTEREST ... 107
PROMOTER ... 107
CORPORATE GOVERNANCE STATEMENT ... 107
Introduction ... 108
Board of Directors ... 108
Election of Directors ... 109
Board Mandate ... 110
Position Descriptions ... 111
Board Committees ... 111
Orientation and Continuing Education ... 112
Ethical Business Conduct ... 112
Nomination of Directors and Compensation ... 113
Audit Committee Charter ... 114
Composition of the Audit Committee ... 114
Relevant Education and Experience of Members of the Audit Committee ... 114
Reliance on Certain Exemptions ... 115
Audit Committee Oversight ... 115
Pre-Approval Policies and Procedures ... 115
External Auditor Service Fees ... 116
Main Features of the Internal Control and Risk Management Systems Pertaining to the Financial Reporting Process ... 116
Other Board Committees ... 118
Assessments ... 118
Voting Securities and Principal Holders of Voting Securities ... 119
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS ... 119
TRANSFER AGENT AND REGISTRAR ... 120
MATERIAL CONTRACTS ... 120
INTEREST OF EXPERTS ... 121
LEGAL PROCEEDINGS AND REGULATORY ACTIONS ... 121
ADDITIONAL INFORMATION ... 121

APPENDICES

APPENDIX A-1 – FORM 51-101F2 REPORT ON RESERVES DATA BY AN INDEPENDENT QUALIFIED RESERVES EVALUATOR

APPENDIX B-1 – FORM 51-101F3 REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

APPENDIX C-1 – AUDIT COMMITTEE CHARTER

GLOSSARY OF TERMS

In this Annual Information Form, the capitalized terms set forth below have the following meanings:

"**Akkulka**", "**Akkulka Block**" or "**Akkulka Field**" means the area that is subject to the Akkulka Exploration Licence and Contract in Kazakhstan;

"**Akkulka Exploration Licence and Contract**" means the exploration licence and contract of TAG in respect of the Akkulka Block;

"**Akkulka Production Contract**" means the Akkulka Production Contract dated December 23, 2009 between TAG and MEMR which gives TAG exclusive rights to produce gas from the Akkulka Block for an initial period of nine years;

"**Annual Information Form**" means this annual information form of the Company dated March 28, 2013;

"**Antimonopoly Agency**" means the Agency of the Republic of Kazakhstan for Competition Protection;

"**BCS**" means booster compression station, a compressor station constructed by TAG at km910 on the Bukhara-Urals gas trunkline for the export of natural gas production from the Kyzyloi Field and the Akkulka Block;

"**Beshtentak Field**" means a known oilfield which is located within the Tajikistan Bokhtar Contract Area;

"**Board of Directors**" means the board of directors of the Company, as constituted from time to time;

"**Bokhtar PSC**" means the production sharing contract entered into between KPL and the Government of Tajikistan, represented by MEI, on June 13, 2008 covering the Bokhtar area of south-west Tajikistan;

"**CanArgo**" means CanArgo Energy Corporation, formerly a US public oil and gas company;

"**CAD**" or "**Canadian Dollar**" means Canadian dollars, the lawful currency of Canada;

"**CIS**" means the Commonwealth of Independent States which is a regional organization made up of certain countries of the former Soviet Union;

"**Company**" or "**Tethys**" means Tethys Petroleum Limited and includes, except where the context otherwise requires, the Company's direct and indirect wholly-owned subsidiaries;

"CPL" means Chegara Production Limited, a company incorporated in the Cayman Islands and a wholly-owned subsidiary of the Company;

"Farm-Out Agreement" means the farm-out agreement for the Bokhtar PSC signed on December 21, 2012 by the Company with the subsidiaries of Total S.A. and the China National Oil and Gas Exploration and Development Corporation, a 100% owned subsidiary of Chinese National Petroleum Company;

"**fSU**" means the countries which previously comprised the Union of Soviet Socialist Republics or "USSR";

"**GazImpex**" means GazImpex S.A., an unaffiliated company registered in the British Virgin Islands;

"**GazProm**" means OAO GazProm, a major Russian gas company majority owned by the government of the Russian Federation;

"**Group**" means the Company, its subsidiaries and interests in limited liability partnerships, including for the avoidance of doubt, the subsidiaries set out herein under the heading "*Corporate Structure*";

“**Gustavson**” means Gustavson Associates LLC, independent oil and gas reservoir engineers of Boulder, Colorado;

“**Gustavson Reserve Report**” means the independent engineering evaluation of the Company’s crude oil and natural gas reserves prepared by Gustavson, dated March 27, 2013 and effective December 31, 2012;

“**IFRS**” means International Financial Reporting Standards;

“**IPO**” means the initial public offering of the Company of 18,181,818 Ordinary Shares at a price of USD2.75 per Ordinary Share for gross proceeds of USD50,000,000, which closed on June 27, 2007;

“**JNOC**” means Japanese National Oil Company;

“**Kazakh Gas Supply Contract**” means the gas supply contract originally entered into between TAG and GazImpex on January 5, 2006 in relation to the supply of natural gas produced from the Kyzyloi Field;

“**Kazakhstan**” means the Republic of Kazakhstan;

“**Kazakh State**” means the government of Kazakhstan;

“**Khoja Sartez Field**” means an area that forms part of the Tajikistan Contract Area;

“**Komsomolsk Field**” means an area that forms part of the Tajikistan Contract Area;

“**KPL**” means Kulob Petroleum Limited, a company continued into the Cayman Islands and a 100% subsidiary of SSEC;

“**Kul-Bas**” means Kul-Bas LLP, a limited liability partnership registered in Kazakhstan in which the Company has a 100% interest through TKL;

“**Kul-Bas Block**” means the area that is subject to the Kul-Bas Exploration and Production Contract in Kazakhstan;

“**Kul-Bas Exploration and Production Contract**” means the Kul-Bas exploration licence and production contract in respect of the Kul-Bas Block;

“**Kyzyloi**” or “**Kyzyloi Field**” means the area that is subject to the Kyzyloi Field Licence and Production Contract in Kazakhstan;

“**Kyzyloi Field Licence and Production Contract**” means the Company’s field licence and production contract in respect of the Kyzyloi Field;

“**LSE**” means the London Stock Exchange;

“**MEI**” means the Ministry of Energy and Industry of the Republic of Tajikistan;

“**MEMR**” means the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan;

“**MET**” or “**Mineral Extraction Tax**” means the mineral extraction tax payable to the Kazakh State in respect of oil and gas production in Kazakhstan;

“**MOG**” means the Ministry of Oil and Gas of the Republic of Kazakhstan;

“**NI 51-101**” means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators;

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators;

"**North Urtabulak Field**" means the area which is subject to the North Urtabulak PEC in Uzbekistan;

"**North Urtabulak PEC**" means the production enhancement contract dated August 19, 1999 entered into among TPU, joint-stock companies Uzneftegazdobycha (formerly known as Uzgeoneftegazdobycha) and Uzneftеproduct (formerly known as Uzneftepererabotka) in respect of the North Urtabulak Field as amended by supplementary agreements dated September 13, 2004, November 30, 2006 and December 19, 2007, which is for an indefinite term;

"**Ordinary Shares**" means the ordinary shares of USD0.10 par value in the share capital of the Company;

"**PBEC**" means Pacific Basin Economic Council;

"**PCK**" means Kazakhstani Petrochemical Company Kemikal LLP;

"**Pound Sterling**" or "**GBP**" means British pounds sterling;

"**SSEC**" means Seven Stars Energy Corporation, an 85% owned subsidiary of Tethys Tajikistan Limited;

"**Somoni**" or "**TJS**" means the Tajik Somoni, the lawful currency of Tajikistan;

"**Soum**" or "**UZS**" means the Uzbek Soum, the lawful currency of Uzbekistan;

"**TAG**" means TethysAralGaz LLP (formerly known as BN Munai LLP), a limited liability partnership registered in Kazakhstan in which the Company has a 100% interest through TKL;

"**Tajikistan**" means the Republic of Tajikistan;

"**Tajikistan Contract Area**" means the total net area covered by the Bokhtar PSC, as further described under "*Description of the Business – Overview of Land Holdings – Tajikistan*";

"**Tajik State**" means the government of Tajikistan;

"**Tenge**" or "**KZT**" means the Kazakh Tenge, the lawful currency of Kazakhstan;

"**TKL**" means Tethys Kazakhstan Limited, a wholly-owned subsidiary of the Company;

"**TMG**" means TethysMunaiGaz LLP, a limited liability partnership registered in Kazakhstan in which the Company has a 100% interest through TKL;

"**TOT**" means Transcontinental Oil Transportation SPRL, a wholly owned subsidiary of the Company;

"**TPI**" means Tethys Petroleum Incorporated, a wholly-owned subsidiary of the Company;

"**TPU**" means Tethys Production Uzbekistan, the trading name of Baker Hughes (Cyprus) Limited, a company incorporated in Cyprus and a wholly-owned subsidiary of the Company;

"**TSK**" means Tethys Services Kazakhstan LLP, a limited liability partnership registered in Kazakhstan in which the Company has a 100% interest; through TKL

"**TSTL**" means Tethys Services Tajikistan Limited, a wholly-owned subsidiary of SSEC;

"**TSX**" means the Toronto Stock Exchange;

"**TTL**" means Tethys Tajikistan Limited, a wholly-owned subsidiary of the Company;

"**UNG**" means the Uzbek State oil and gas company, National Holding Company "Uzbekneftegaz";

"**United States**" or "**U.S.**" means the United States of America;

"**USD**" or "**$**" means U.S. dollars, the lawful currency of the United States of America;

"**Uzbekistan**" means the Republic of Uzbekistan;

"**Uzbek State**" means the government of Uzbekistan;

"**Uzbek State Partners**" means Uznefteproduct and Uzneftegazdobycha, each an associated entity (as defined in the North Urtabulak PEC) of UNG;

"**Uzneftegazdobycha**" means the Uzbek joint-stock company that is an associated entity of UNG;

"**Uznefteproduct**" means the Uzbek joint-stock company that is an associated entity of UNG;

"**VAT**" means value added tax;

"**Vazon**" means Vazon Energy Limited, a company incorporated in Guernsey that is owned by the Executive Chairman and President of the Company.

GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS

In this Annual Information Form, the abbreviations and technical terms set forth below have the following meanings:

"**2D**" means seismic data recorded along discrete tracks;

"**3D**" means a set of numerous closely-spaced seismic data acquired in a grid and which are processed in three dimensions;

"**Alai**" means a geological horizon of the Middle Eocene epoch from ~48.6 to 37.2 million years ago. It comprises predominantly of limestone and sandstone and is a minor play in the Afghan-Tajik Basin;

"**Albian**" means a geological stage of the Cretaceous period from 112.0 to 99.6 million years ago;

"**API**" means American Petroleum Institute, but is generally referred to as a degree of gravity that provides a relative measure of crude oil density;

"**Aptian**" means a geological stage of the Cretaceous period from 125.0 to 112.0 million years ago;

"**atm**" means atmospheres, a measurement of pressure equivalent to 102.667 kilopascals;

"**Akdzhar**" means a geological horizon of the Lower Palaeocene epoch from ~65.5 to ~61 million years ago. It consists mainly of gypsum, anhydrite and carbonate and is a sub-ordinate reservoir to the Buhkara in the Beshtentak Field in the Afghan-Tajik Basin;

"**Barremian**" means a geological stage of the Cretaceous period from 130.0 to 125.0 million years ago;

"**bbl**" means barrel (one barrel is 34.972 Imperial gallons or 42 U.S. gallons);

"**Bcf**" means billion cubic feet;

"**Bcm**" means billion cubic metres;

"**boe**" means barrels of oil equivalent (barrels of oil plus natural gas converted to oil using a conversion rate of six thousand standard cubic feet of natural gas for each barrel of oil);

"**boepd**" means barrels of oil equivalent per day;

"**bopd**" means barrels of oil per day;

"**bpd**" means barrels of fluid per day;

"**Bukhara**" means a geological horizon of the Middle and Upper Palaeocene epoch from ~61.1 to ~55.8 million years ago. It comprises mainly of carbonates and is the proven historic main oil reservoir in the Afghan-Tajik Basin;

"**Carboniferous**" means the geological period from 359.2 to 299 million years ago;

"**Cenomanian**" means a geological stage of the Cretaceous period from 99.6 to 93.5 million years ago;

"**Cenozoic**" means the geological era from 65.5 million years ago to the present time which includes the Paleogene and the Neogene periods;

"**cm**" means cubic metres;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy and Petroleum (Petroleum Society), as amended from time to time;

"**Cretaceous**" means the geological period from 145.5 to 65.5 million years ago;

"**°C**" means degrees Celsius;

"**Devonian**" means the geological period from 416 to 359.2 million years ago;

"**Eocene**" means the geological epoch from 55.8 to 33.9 million years ago within the Paleogene system of the Cenozoic era immediately after the Paleocene;

"**F**" means degrees Fahrenheit;

"**ft**" means feet;

"**gross**" means:

(i) in relation to the Company's interest in production or reserves, its "company gross reserves", which represent the Company's working interest (operating or non-operating) share of gross reserves before deduction of royalties and MET, and without including any royalty interests of the Company;

(ii) in relation to wells, the total number of wells obtained by aggregating the Company's current working interest in each of its gross wells; and

(iii) in relation to the Company's interest in properties, the total area of properties in which the Company has an interest multiplied by the working interest owned by the Company;

"**Hauterivian**" means a geological stage of the Cretaceous period from 136.4 to 130 million years ago;

"**hp**" means horsepower;

"**Jurassic**" means the geological period from 199.6 to 145.5 million years ago;

"**km**" means kilometre;

"**km^2**" means square kilometres;

"**kW**" means kilowatt;

"**Kyzyloi Sandstones**" or "**Kyzyloi Sand**" means Eocene age fine to very fine grained sandstone, sheet type and non-marine in origin, with typical gas saturated thicknesses of between 2 m to 6 m that are generally found in the interval between 400 m to 600 m below surface and have a high porosity range (26% to 35%) with a high bound-water content;

"**m**" means metres;

"**M$**" means thousands of U.S. dollars;

"**Mbbl**" means thousands of barrels;

"**Mbblpd**" means thousands of barrels per day;

"**Mboe**" means thousand barrels of oil equivalent;

"**Mcf**" means thousand cubic feet;

"**Mcfpd**" means thousand cubic feet per day;

"**Mcm**" means thousand of cubic metres;

"**Mcmpd**" means thousand cubic metres per day;

"**mD**" means millidarcies;

"**Mesozoic**" means the geological era from 248 to 65 million years ago which lies between the Paleozoic and Cenozoic eras;

"**millidarcy** or **(mD)**" means one thousandth of a darcy, a unit of measure of permeability;

"**mm**" means millimetre;

"**MM$**" means millions of U.S. dollars;

"**MMbbl**" means million barrels;

"**MMboe**" means million barrels of oil equivalent;

"**MMcf**" means million cubic feet;

"**MMcfpd**" means million cubic feet per day;

"**MMcm**" means million cubic metres;

"**MMcmpd**" means million cubic metres per day;

"**MMstb**" means million stock tank barrels;

"**Neogene**" means a geological period of the Cenozoic era, from 23.03 to 5.33 million years ago, which followed the Paleogene period;

"**net**" means:

(i) in relation to the Company's interest in production or reserves, its working interest (operating or non-operating) share after deduction of amounts payable in respect of the Mineral Extraction Tax;

(ii) in relation to wells, the number of wells obtained by aggregating the Company's current working interest in each of its gross wells; and

(iii) in relation to the Company's interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company;

"**NGL**" means natural gas liquids including condensate, propane, butane and ethane;

"**Paleocene**" means the lower most epoch within the Paleogene period, from 65.5 to 61.7 million years ago, immediately after the Cretaceous period;

"**Paleogene**" means the geological period from 65.5 to 23 million years ago;

"**Paleozoic**" means the geological era from 542 to 251 million years, which includes the Devonian, Carboniferous and Permian periods;

"**Permian**" means the geological period from 299 to 251 million years ago and it is the last period of the Paleozoic era;

"**psi**" means pounds per square inch, a measure of pressure and equivalent to 0.068 atm;

"**super giant**" means the estimated ultimate recoverable reserves of 5 billion bbl of oil or 30 Tcf (0.85 Tcm) of natural gas;

"**Tasaran**" or **Tasaran Sand**" means Eocene age continental to non-marine fine to very fine grained sandstone, with some significant clay content, slightly stratigraphically older than the Kyzyloi Sandstone that are generally found in the interval between 500 m to 600 m (1,641 ft to 1,969 ft) below surface;

"**Tcf**" means trillion cubic feet;

"**Tcm**" means trillion cubic metres;

"**Tertiary**" means the geological period from 65 to 1.8 million years ago; and

"**Triassic**" means the geological period from 251 to 199.6 million years ago.

PRESENTATION OF OIL AND GAS INFORMATION

In this Annual Information Form, unless the context otherwise requires, the following terms have the meanings set forth below.

"**Reserves**" are the estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to degree of certainty associated with the estimates.

"**Proved Reserves**" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved Reserves.

"**Probable Reserves**" are those additional reserves that are less certain to be recovered than Proved Reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved Plus Probable Reserves.

"**Possible Reserves**" are those additional reserves that are less certain to be recovered than Probable Reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated Proved Plus Probable Plus Possible Reserves.

"**Developed Reserves**" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

"**Developed Producing Reserves**" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"**Developed Non-Producing Reserves**" are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

"**Undeveloped Reserves**" are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g. when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

Certain other technical terms used in this Annual Information Form but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101. See "*Statement of Reserves Data and Other Oil and Gas Information*". **Unless otherwise stated, all gas and oil volumes are expressed as at standard conditions of temperature and pressure (temperature = 15°C (60°F) and pressure = 1 atm (14.7 psi)).**

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

In this Annual Information Form, where amounts are expressed on a boe basis, natural gas volumes have been converted to oil equivalence at 6 Mcf:l bbl (170 cm: 1bbl). The term boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:l bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Unless otherwise specified, references to oil include oil and NGLs.

CURRENCY AND EXCHANGE RATES

All references in this Annual Information Form to dollar amounts are to U.S. Dollars unless otherwise noted.

While the Company reports its results of operations in U.S. Dollars, its expenditures are paid and its income earned to a significant extent in foreign currencies. Moreover, the Ordinary Shares of the Company are listed on the TSX and trade in Canadian Dollars and are also listed on the LSE trading in Pounds Sterling. Set out below is certain 2012 exchange rate data for the Tenge, Somoni, Soum, Pound Sterling and Canadian Dollar relative to the U.S. Dollar.

Canadian Dollar:
Highest rate in 2012: USD1 = CAD1.03
Lowest rate in 2012: USD1 = CAD1.97
Rate as of December 31, 2012:USD1 = CAD1.00

Kazakhstan Tenge:
Highest rate in 2012: USD1 = KZT150.80
Lowest rate in 2012: USD1 = KZT145.19
Rate as of December 31, 2012:USD1 = KZT150.44

Uzbekistan Soum:
Highest rate in 2012: USD1 = UZS2,000
Lowest rate in 2012: USD1 = UZS1,800
Rate as of December 31, 2012: USD1 = UZS1,984

Pound Sterling:
Highest rate in 2012: USD1 = GBP0.65
Lowest rate in 2012: USD1 = GBP0.62
Rate as of December 31, 2012: USD1 = GBP0.62

Tajikistan Somoni:
Highest rate in 2012: USD1 = TJS4.77
Lowest rate in 2012: USD1 = TJS4.76
Rate as of December 31, 2012:USD1 = TJS4.77

The source of these rates was OANDA Europe Limited, a company registered in England and authorised and regulated by the Financial Services Authority.

CONVERSION

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Inches	Mm	0.0394
ft	m	0.305
m	ft	3.281
miles	km	1.610
km	miles	0.621
Acres	km^2	0.004
km^2	Acres	247.1
bbl	cubic metres	0.159
cm	bbl	6.290
Mcf	Mcm	0.0283
Mcm	Mcf	35.315
Bcf	Bcm	0.0283
Bcm	Bcf	35.315
Tcf	Tcm	0.0283
Tcm	Tcf	35.315
Atm	psi	14.697
Mcf	boe	0.1667
Mcm	boe	5.885

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form constitute forward-looking statements or information (collectively, "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs as at the date of such statements of information, including, among other things, assumptions with respect to production, future capital expenditures and cash flow. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "target", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements or information. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. These statements speak only as of the date of this Annual Information Form. In particular, this Annual Information Form contains forward-looking statements pertaining to, but not limited to, the following:

- the quantity of reserves and resources;
- the performance and characteristics of the Company's oil and natural gas properties;
- drilling inventory, drilling plans and timing of drilling, re-completion and tie-in of wells;
- oil and natural gas production levels;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- capital expenditure programmes;
- plans for facilities construction and completion of the timing and method of funding thereof;
- projections of market prices and costs;
- drilling, completion and facilities costs;
- results of various projects of the Company;
- timing of development of undeveloped reserves;
- supply and demand for oil and natural gas;
- commodity prices;
- ability to realize forecast prices for gas production;
- access to existing pipelines;
- the quantum of, and future net revenues from, natural gas and natural gas liquids reserves;

- expectations regarding the Company's ability to raise capital and to add to reserves through acquisitions and development;

- expected levels of royalty rates, operating costs, general administrative costs, costs of services and other costs and expenses;

- the tax horizon of the Company;

- future acquisitions and growth expectations within the Company;

- treatment under government regulatory and taxation regimes;

- the impact of governmental regulation on the Company relative to other oil and gas issuers of similar size;

- the ability of the Company to obtain and retain the necessary regulatory licenses and approvals to operate its business as planned; and

- realization of the anticipated benefits of acquisitions and dispositions.

With respect to forward-looking statements contained in this Annual Information Form, the Company has made assumptions regarding, among other things:

- the continued existence and operation of existing pipelines;

- future prices for oil, natural gas and natural gas liquids;

- future currency and exchange rates;

- the Company's ability to generate sufficient cash flow from operations and access capital markets to meet its future obligations;

- the absence of material changes to the regulatory framework representing royalties, taxes and environmental matters in the countries in which the Company conducts its business;

- oil and natural gas production levels; and

- the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand.

Although the Company believes that the expectations reflected in the forward-looking statements and information are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Some of the risks and other factors, some of which are beyond the Company's control, which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this Annual Information Form include, but are not limited to:

- failure to realize anticipated benefits of exploration activities;

- volatility in market prices for oil and natural gas;

- liabilities and risks inherent in oil and natural gas operations;

- uncertainties associated with estimating reserves;
- unanticipated operating events which can reduce production or cause production to be shut in or delayed;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- competition for and/or inability to retain drilling rigs and other services;
- the availability of capital on acceptable terms;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems;
- the need to obtain required approvals and permits from regulatory authorities and third parties, when required;
- general economic conditions in Kazakhstan, Tajikistan, Uzbekistan and globally;
- changes to royalty regimes and government regulations regarding royalty payments;
- risks associated with exploring for, developing, producing, processing, storing and transporting natural gas;
- unavailability of required equipment and services;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- changes in government regulations; and
- the other factors discussed under "*Risk Factors*".

Statements relating to "reserves" and "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves and resources described herein can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement. The Company does not intend, and does not assume any obligation, to update or revise these forward-looking statements except as required pursuant to applicable securities laws.

CORPORATE STRUCTURE

Name, Address and Incorporation

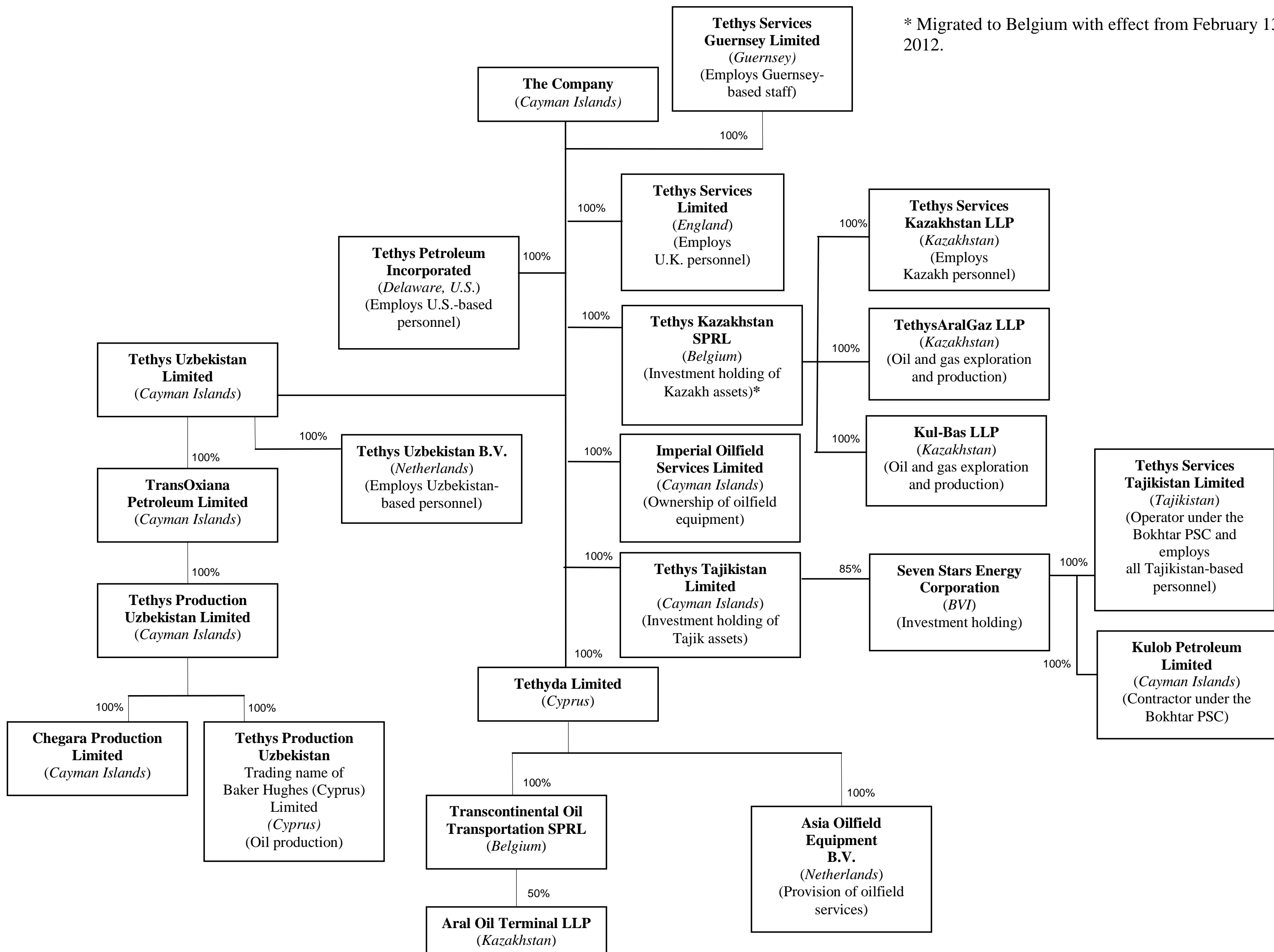
The Company was incorporated under the name "Tethys Petroleum Investments Limited" pursuant to the laws of Guernsey on August 12, 2003. On September 22, 2006, the Company changed its name to "Tethys Petroleum Limited". The Company was continued under the laws of the Cayman Islands on July 17, 2008.

The Company's registered office is located at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9007, Cayman Islands. The Company's principal executive office is at P.O. Box 524, St. Peter Port, Guernsey, GY1 6EL, British Isles.

Intercorporate Relationships

The corporate ownership structure of the Company and its principal active subsidiaries (including the jurisdiction of incorporation and current percentage ownership (voting and equity) by the Company or a subsidiary) is as follows[1]:

Note:
(1) As at December 31, 2012, unless otherwise noted.



Tethys Services
Guernsey Limited
(Guernsey)
(Employs Guernsey-based staff)
* Migrated to Belgium with effect from February 13, 2012.
The Company
(Cayman Islands)
100%
Tethys Services Limited
(England)
(Employs U.K. personnel)
100%
Tethys Petroleum Incorporated
(Delaware, U.S.)
(Employs U.S.-based personnel)
100%
Tethys Services Kazakhstan LLP
(Kazakhstan)
(Employs Kazakh personnel)
100%
Tethys Kazakhstan SPRL
(Belgium)
(Investment holding of Kazakh assets)*
100%
TethysAralGaz LLP
(Kazakhstan)
(Oil and gas exploration and production)
100%
Kul-Bas LLP
(Kazakhstan)
(Oil and gas exploration and production)
100%
Tethys Uzbekistan Limited
(Cayman Islands)
Tethys Uzbekistan B.V.
(Netherlands)
(Employs Uzbekistan-based personnel)
100%
TransOxiana Petroleum Limited
(Cayman Islands)
100%
Imperial Oilfield Services Limited
(Cayman Islands)
(Ownership of oilfield equipment)
100%
Tethys Services Tajikistan Limited
(Tajikistan)
(Operator under the Bokhtar PSC and employs all Tajikistan-based personnel)
100%
Tethys Tajikistan Limited
(Cayman Islands)
(Investment holding of Tajik assets)
85%
Seven Stars Energy Corporation
(BVI)
(Investment holding)
100%
Tethys Production Uzbekistan Limited
(Cayman Islands)
100%
Tethyda Limited
(Cyprus)
100%
Kulob Petroleum Limited
(Cayman Islands)
(Contractor under the Bokhtar PSC)
100%
Chegara Production Limited
(Cayman Islands)
100%
Tethys Production Uzbekistan
Trading name of Baker Hughes (Cyprus) Limited
(Cyprus)
(Oil production)
100%
Transcontinental Oil Transportation SPRL
(Belgium)
100%
Asia Oilfield Equipment B.V.
(Netherlands)
(Provision of oilfield services)
50%
Aral Oil Terminal LLP
(Kazakhstan)

GENERAL DEVELOPMENT OF THE BUSINESS

Company History

Tethys is an oil and gas exploration and production company currently focused on projects in Central Asia. At present the Company has projects in Kazakhstan, Tajikistan and Uzbekistan. Tethys was incorporated in Guernsey on August 12, 2003, specifically to hold the Central Asian interests of its then parent company. In light of the significant capital required to develop Tethys and its Kazakh assets, its parent company made a decision to spin-out Tethys.

On June 27, 2007, the Company completed its IPO and the Ordinary Shares commenced trading on the TSX. The Ordinary Shares are listed on the TSX under the symbol "TPL". The Company commenced commercial gas production in December 2007 from its initial production project in the Kyzyloi Field in Kazakhstan. On July 25, 2011, the Company completed a listing on the main market of the LSE and its entire issued Ordinary Share capital was admitted to the standard category of the Official List of the Financial Services Authority with trading commencing on the LSE under the symbol "TPL".

Set out below is a description of significant events that occurred in the past three years that have influenced the general development of the business.

2010

In January 2010, the Company completed a private placement of 12,615,000 Ordinary Shares for gross proceeds of USD10 million. The Ordinary Shares were placed at a price of CAD0.82 each. The net proceeds of the offering were used by the Company for capital expenditures and general corporate purposes.

On February 7, 2010, the Company announced the initial results of testing the AKD01 ("**Doris**") exploration oil discovery in the Akkulka Block, Kazakhstan. This well flowed oil at a combined rate in excess of 6,800 bopd from two zones: the lower zone being a Jurassic carbonate sequence at approximately 2,355 m; and the upper zone, being a Cretaceous sandstone of Aptian age at approximately 2,174 m.

On March 2, 2010, the Company announced that it had completed a private placement of 30,000,000 Ordinary Shares for gross proceeds of USD46.5 million. The Ordinary Shares were placed at a price of CAD1.55 each. The net proceeds of the offering were used by the Company for capital expenditures and general corporate purposes.

On June 30, 2010, the Company announced that its wholly-owned Kazakh subsidiary, TAG, received permission from MOG to extend the Akkulka Licence and Exploration Contract for another two years, from March 10, 2011 to March 10, 2013. MOG extended the Akkulka Licence and Exploration Contract to enable detailed appraisal of the commercial discovery of oil at Doris along with further exploration in the contract area.

On August 20, 2010, MOG agreed to extend the exploration period for the Company's Kul-Bas Exploration and Production Contract for two years from November 11, 2011 to November 11, 2013. The extension to the exploration period gives the Company an additional two years to explore this area which has several prospects and leads and a proved oil system in the Akkulka Block that is surrounded by the Kul-Bas area. In February 2011, the Company announced that the amendments to the Kul-Bas Exploration and Production Contract had been completed and incorporated into the contract.

On September 10, 2010, the Company commenced selling untreated oil at the well site of AKD01 to an oil trading company which began transporting the oil by truck a location to the north of the town of Emba, located 450 km to the north-east of the field.

On September 16, 2010, the Company entered into a second gas sales contract with Asia Gas NG LLP for domestic gas sales from the newly discovered Akkulka Gas Field.

On October 20, 2010, the Company completed a public offering of 70,600,000 Ordinary Shares for gross proceeds of USD100 million. The Ordinary Shares were placed at a price of CAD1.45 each. The net proceeds of the offering were used to fund work on the Company's properties in Central Asia and for general corporate purposes.

On October 25, 2010, the Company announced that it had received Kazakh State approved oil reserves for its Doris oil discovery in Kazakhstan.

2011

On January 11, 2011, the Company received Kazakh State approval for the pilot production project for the Doris oil discovery in the Akkulka Block (the "**Pilot Production Project**"). This approval gave the Company the right to produce oil from the Doris accumulation during the exploration period and allowed for the installation and operation of production facilities for the planned 4,000 bopd (Phase 1) production target.

On February 17, 2011, the Company signed a Joint Venture agreement with Eurasia Gas LLP to build a joint venture oil terminal (named the "**Aral Oil Terminal**" or "**AOT**") so that oil production from Akkulka Block could be delivered and sold to market more effectively.

On April 18, 2011, the Company was informed by MOG that it had included Tethys' Kazakh subsidiaries, TethysAralGas LLP and Kul-Bas LLP ("Kul-Bas"), on its list of subsoil users which complied with the recently adopted rules on Kazakh content.

On May 18, 2011, the Company announced it had signed a contract with the Institute of Geology and Prospecting for Oil and Gas Deposits of UNG to review materials on exploration areas in the Ustyurt region and the Bukhara-Khiva region with a view to applying for suitable projects in these areas.

On May 31, 2011, the Company announced that the AKD03 ("**Dione**") exploration well in Kazakhstan tested oil from the Cretaceous interval, the uppermost pay zone of the well. The well, which reached a total depth of 3,975 m (13,401 ft) in the Triassic, tested oil at a rate of some 400 bopd from Jurassic sands and also tested oil from a Cretaceous sandstone.

On July 26, 2011, the Company announced that, following acidisation, its AKD05 Doris appraisal well in Kazakhstan flowed some 2,088 bpd from the Jurassic carbonate interval, of which 1,568 bpd was good quality (45° API) oil.

On August 8, 2011, the Company announced the opening of its Doris oil production facilities in Kazakhstan after receiving final Kazakh governmental approvals.

On September 7, 2011, the Company announced that its KBD01 (Kalypso) exploration well on the Kul-Bas Block reached total depth at approximately 4,300 m in what was interpreted to be the rocks of Permo-Carboniferous age. Initial logging results indicated more than 100 m of gross potential hydrocarbon bearing zones.

On September 12, 2011, the Company announced that its East Olimtoi EOL09 exploration well reached a total depth of 3,765 m in the Akdzhar formation and was flowing a mixture of completion brine and oil from the Upper Alai sandstone interval. The oil was of good quality with an API gravity of 36 degrees.

On September 12, 2011, the Company announced that the data collection for the gravity, gradiometry and magnetic aerial survey carried out over the Bokhtar PSC Area in Tajikistan was completed and that it would provide additional and more aerially extensive data to complement the existing seismic acquisition with the final processed data.

On November 14, 2011, Dr. David Robson, then Chairman, President, and CEO of the Company was appointed as a Director on the Board of the PBEC, an organisation committed to expanding trade, investment and business links in the region.

On November 15, 2011, the Company announced that the AKD06 Doris appraisal well tested oil at a rate of over 4,300 bopd from the Cretaceous sand interval. The flow was restricted but data indicated that open flow potential was in excess of 6,000 bopd.

On December 9, 2011, the Company announced the completion of the private placement of 26,062,975 Ordinary Shares for gross proceeds of USD13,001,981 at a rate of CAD0.52 and GBP0.32. The net proceeds of the Offering were for Tethys to contribute towards the purchase of an additional 34% of shares in SSEC and to carry out additional work in Tajikistan.

On December 13, 2011, the Company announced that it had completed the purchase of 34% of the shares in SSEC from its Tajik joint venture partner Sangam Limited and increased its shareholding to 85% (from 51%). SSEC is the owner of the rights to the Bokhtar PSC in Tajikistan and became a controlled subsidiary of the Company. In the two years prior to December 13, 2011, SSEC was a joint venture as neither shareholder had control.

On December 19, 2011, the Company announced the initial results of its Persea 1 exploration well in Tajikistan. The well reached a total depth of 2,655 m and wireline logs showed a 50 m gross zone of possible hydrocarbons.

2012

On January 30, 2012, the Company announced the official inauguration of its Aral Oil Terminal – the storage and rail loading facility for its oil shipments from the Doris oilfield. The AOT is owned and operated through a 50:50 joint venture by Tethys and its Kazakh oil trading partner's company, Olisol Investment Ltd. (a subsidiary of Eurasia Gas).

Phase 2 of the AOT construction, which allows an increase in throughput capacity from 4,200 barrels of oil per day up to 6,300 bopd, was completed in November 2012 (subject to final state approval) with the installation of two 1,000 cubic metre tanks (approximately 12,500 barrels), associated dehydration and pumping equipment.

On February 1, 2012, the Company announced it had signed an additional MOU with UNG. The objective of this MOU was to continue providing the framework for a Joint Study and the negotiation process for an Exploration Agreement relating to certain exploration blocks in the North Ustyurt Basin of Uzbekistan.

On March 21, 2012, the Company announced Total Net Oil and Gas Reserves for Kazakhstan (barrels of oil equivalent: boe) consisting of 1P (Proved reserves) up 96% to 14.5 MMboe and 2P (Proved + Probable reserves) up 45% to 25.3 MMboe.

On April 13, 2012, the Company announced it had completed the first shipment of commercial oil production through AOT. The AOT is dedicated solely to Tethys oil sales.

On April 15, 2012, the Company announced the appointment of FirstEnergy Capital LLP ("FirstEnergy") and Seymour Pierce Limited ("Seymour Pierce") as its new London-based corporate brokers.

On April 18, 2012, the Company announced it had received permission from MOG to extend the Akkulka Exploration Contract for a further two years from March 10, 2013 to March 10, 2015. This would allow more comprehensive appraisal of the commercial discovery of oil at AKD01 and exploration of further identified prospects in the contract area.

On May 16, 2012, the Company through its 100% owned subsidiary, Chegara Production Limited ("CPL"), signed a new 25-year Production Enhancement Contract ("PEC") for a new oil field, the Chegara Group of Fields ("Chegara") in Uzbekistan. The Chegara Group is an underdeveloped group of fields located 14 kilometers south-west of Tethys' existing asset in North Urtabulak. In addition, the Company also signed a further MOU, which agreed to a timetable for the potential signing of an Exploration Agreement for an exploration block in the highly prospective North Ustyurt basin. Work is planned to commence on the Chegara PEC once certain Uzbek governmental permissions have been received.

On May 16, 2012, the Company announced an updated oil resource report prepared by Gustavson Associates for its Kazakhstan assets, estimating gross unrisked recoverable mean prospective oil resources of 1.23 billion barrels of oil plus 634 Bcf of natural gas (1.336 billion boe). The upgrade was attributed to additional 2D and 3D seismic acquisition and interpretation as well as drilling data.

On June 29, 2012, the Company, through its wholly owned Kazakh subsidiary, TAG, reached an agreement on an approximately USD16.5 million (KZT2,460 million) loan facility provided by a Kazakh bank. The facility is provided to fund capital expenditures in Kazakhstan with a term of up to four years depending on the Company's requirements and bears an interest rate of 14% per annum on sums drawn down.

On July 7, 2012, the Company announced the appointment of Ambassador Zalmay Khalilzad to the Board of Directors. Ambassador Khalilzad is President of a Washington, D.C. based firm focused on the Middle East and Central Asia, and former US Ambassador to Afghanistan, Iraq and US Permanent Representative to the United Nations.

On July 11, 2012, the Company announced that its Vice Chairman, the Rt. Hon. Peter Lilley M.P., had been appointed as the Co-Chairman of the Uzbek-British Trade & Industry Council ("UBTIC"). The UBTIC is a government-sponsored trade promotion body for bilateral economic co-operation.

On July 19, 2012, the Company announced an updated resource report prepared by Gustavson Associates for its Tajikistan assets estimating gross unrisked mean recoverable resources of 27.5 billion boe comprising 8.5 billion barrels of oil and 114 Tcf of natural gas.

On July 30, 2012, the Company announced the appointment of Julian Hammond as Chief Executive Officer.

On September 10, 2012, the Company announced that Dr. David Robson had been appointed as Executive Chairman and President.

On October 18, 2012, the Company announced that it had reached total depth of 2,750 meters on the AKD07 exploration well and had run a production liner in order to test the Jurassic carbonate zone which appeared to be oil bearing from the drilling and wireline results. To date no commercial flow has been achieved from the well but further testing is planned.

On October 26, 2012, the Company announced, that through its subsidiary KPL, an MOU was signed with an international oil and gas company to execute the Farm-Out Agreement on its Bokhtar PSC in Tajikistan.

On December 21, 2012, the Company announced that it signed the Farm-Out Agreement for the Bokhtar PSC with subsidiaries of Total S.A. ("Total") and the China National Oil and Gas Exploration and Development Corporation ("CNODC"), a 100%-owned subsidiary of Chinese National Petroleum Company. This Farm-Out is for two thirds of KPL's interest in the Bokhtar PSC for repayment of a portion of past costs and a forward carry in an agreed work programme. The Farm-Out is subject to the agreement of the Tajik government and certain other completion conditions.

2013

On January 31, 2013, the Company announced that it had effectively doubled the net price of the gas that it is selling in Kazakhstan. Two gas supply contracts have been signed by TAG with Intergas Central Asia JSC, a wholly owned subsidiary of the Kazakh State company KazTransGas JSC, for the Kyzyloi and Akkulka natural gas fields. The contracts are for annual volumes up to 150 million cubic meters at an increased net price of USD65 per 1,000 cubic metres (or USD1.84 per 1,000 cubic feet) of gas (USD72.8 per 1,000 cubic metres or USD2.06 per 1,000 cubic feet including VAT) net of marketing and distribution costs, and run through to December 31, 2013.

On February 28, 2013, the Company announced it had extended the exploration period for the Kul-Bas Exploration and Production Contract by a further two years until November 11, 2015. The Kul-Bas contract area surrounds the Akkulka contract area which contains the Company's producing oil and gas fields. This extension gives further time

to explore this attractive area, which has several prospects and leads and is subject to the usual contract amendments being finalised.

DESCRIPTION OF THE BUSINESS

General

Through its subsidiaries, the Company is engaged in the exploration, development and production of oil and natural gas resources in Central Asia, currently in Kazakhstan, Tajikistan and Uzbekistan.

In Kazakhstan, the Company's assets are presently located in four contiguous contract areas in a region to the west of the Aral Sea, in a geological area known as the North Ustyurt basin, which lies on the south-eastern edge of the prolific Pre-Caspian sedimentary basin and is, at the Carboniferous stratigraphic level and deeper, an extension of the Pre-Caspian Sedimentary basin. These are the most mature of the assets owned by Tethys and the Company has experienced considerable exploration success here over the last few years. These successes have been monetised through the construction of complex infrastructure in a remote area that has proved to be logistically challenging. The success of this operation can be seen in the steady growth in oil and gas production over the last few years. The Company sees further growth in this production this year and further into the future.

In Tajikistan, the Company's projects are located in the south-west of the country, in a geological basin known as the Afghan-Tajik basin, which is part of, and the easterly extension of, the Amu Darya basin which is productive in Uzbekistan, Turkmenistan and Afghanistan. The Company has focused on an intensive data acquisition process over the last few years with the aim of bringing in major oil and gas companies with which to work in partnership to drill deep wells to target the very large potential of this underexplored area of the prolific Amu Darya basin. Tethys has executed this plan successfully as demonstrated with the signing of the Farm-Out Agreement with Total and CNODC, which is in the process of closing.

In Uzbekistan, the Company operates as the risk sharing service contractor for Uzbek State Partners under the North Urtabulak PEC, which gives incremental production rights to increase production volume of oil from wells on the North Urtabulak Field in the south-central part of the country, close to the border with Turkmenistan and within the Amu Darya basin. Through operating this field over the last few years, Tethys has demonstrated its technical competence to the Uzbek government and built up good government relations in the meantime, with both aspects resulting in the signing of a new oil field (the Chegara Group of fields) and the commencement of negotiations on a new exploration area. Tethys expects to commence operations on the Chegara-field soon and to work on concluding the exploration contract.

The Company's objective is to build a diversified oil and gas exploration and production company focused on Central Asia and surrounding areas with a mix of short-term cash flow development and exposure to large exploration upside basins with substantial oil and gas potential. The Company's management has considerable experience in the region and similar areas and will follow an opportunistic approach to seeking further high impact projects which fit the Company's profile to enhance value for the future.

Overview of Properties

Kazakhstan

The Company owns its current interests in its Kazakh projects through TAG and Kul-Bas. As a result of this ownership, the Company currently has a 100% interest in, and is operator of, two proven shallow gas fields (the Kyzyloi and Akkulka Fields), producing from the Kyzyloi sand reservoir under the Kyzyloi Field Licence and Production Contract and the Akkulka Production Contract. TAG also has a 100% interest in the surrounding Akkulka Exploration Licence and Contract area and Kul-Bas has a 100% interest in the Kul-Bas Exploration and Production Contract. These contract areas are all within the Aktobe region of western Kazakhstan.

The Kyzyloi Gas Field commenced production on December 19, 2007 and the Central Akkulka Gas Field commenced production on September 16, 2010. The Doris oil field (in the Akkulka Exploration Contract Area)

commenced pilot production in January 2011. Total gas Reserves in the Kyzyloi Field (which includes reserves for eight producing gas wells in the main Kyzyloi Field and reserves in the adjacent fault block discovered by the AKK 05 well) Total Proven plus Probable plus Possible net to the Company's interest are 35.9 Bcf (1.02 Bcm) with Total Proven plus Probable Reserves being 23.9 Bcf (0.68 Bcm) and Total Proven Reserves being 14.2 Bcf (0.40 Bcm). Akkulka Gas reserves (combined Exploration and Production Contracts) Total Proven plus Probable plus Possible net to the Company's interest are 57.9 Bcf (1.64 Bcm) with Total Proven plus Probable Reserves being 44.2 Bcf (1.25 Bcm) and Total Proven Reserves being 30.9 Bcf (0.87 Bcm). Oil reserves for the Akkulka Exploration Contract are Total Proven plus Probable plus Possible net to the Company's interest 20.370 MMbbls with Total Proven plus Probable Reserves being 12.277 MMbbls and Total Proven Reserves being 6.022 MMbbls with corresponding small amounts of associated gas. See "*Statement of Reserves Data and Other Oil and Gas Information*" for further information.

In 2007, Tethys constructed a 56 km, 325 mm diameter export pipeline from the Kyzyloi Field gathering station to the main Bukhara–Urals gas trunkline, where a booster compressor station was constructed at km910 on that trunkline (the "**BCS**") and with natural gas flowing into the main trunkline which is owned by Intergas Central Asia, a division of the Kazakh state natural gas company KazTransGas. The Kyzyloi and Akkulka Fields produce from Eocene age shallow marine sandstones at a depth of approximately 450 m. Subsequently the Akkulka Field was tied into this system and the BCS upgraded. A slightly deeper reservoir (the "**Tasaran**") has also been found to be gas productive in the same area and further development of these gas deposits is planned for the future.

Tethys has also discovered oil in deeper horizons in the Akkulka Block in the Doris field.

Doris oil is initially processed and stored at the Company's Group Unit facility on the Doris field. This facility consists of 8,800 bbls of crude oil storage, three phase separation equipment and an automated loading system. This facility was initially commissioned in October 2011, with subsequent additions of a Reagent Dosing Unit (commissioned in September 2012) and a Group Metering Unit (commissioned in November 2012). Crude oil is currently transported some 250 kms by road from the Group Unit to the Company's purpose built AOT oil storage and rail loading facility at Shalkar. From AOT crude oil is transported by rail to a number of refineries within Kazakhstan.

Gas Production and Sales

Initial gas production from the Kyzyloi Field (Phase 1) was sold under the long-term take-or-pay contract signed between TAG and the gas trading company GazImpex in January 2006 (the "**Kazakh Gas Supply Contract**"). This contract was assigned in December 2007 from GazImpex to the PCK, who utilized the gas in the domestic Kazakh market. This contract was further assigned on May 1, 2009 to Asia Gas NG LLP. The contract price was USD32 per Mcm excluding VAT or USD35.84 per Mcm including VAT at the current 12% rate. The Company has the ability to offset VAT levied on the sale of gas from the Kyzyloi project against VAT costs on the Kyzyloi project. The Gas Supply Contract was scheduled to expire on December 1, 2012, but was subsequently prolonged until December 31, 2012 and then on January 31, 2013, the Company announced it had signed two gas supply contracts for the Kyzyloi and Akkulka natural gas fields, between TAG, and Intergas Central Asia JSC, a wholly owned subsidiary of the Kazakh State company KazTransGas JSC (the "**2013 Gas Supply Contracts**"). The contracts are for annual volumes up to 150 million cubic meters at an increased net price of USD65 per 1,000 cubic metres (or USD1.84 per 1,000 cubic feet) of gas (USD72.8 per 1,000 cubic metres or USD2.06 per 1,000 cubic feet including VAT) net of marketing and distribution costs, and run through to December 31, 2013.

On September 16, 2010, the Company commenced the second phase of gas development (referred to as "Phase 2" of the Kyzyloi / Akkulka shallow gas development) with commencement of production from the Akkulka Field on October 6, 2010. In conjunction with this, the Company entered into a second gas sales contract with Asia Gas NG LLP pursuant to which gas was sold from the Akkulka Field at a price of USD33.93 per Mcm excluding VAT or USD38 per Mcm including payable VAT. Gas sold under this contract was for domestic sales and as such, was subject to a 0.5% Mineral Extraction Tax to the Kazakh State. The Akkulka gas sales contract ran for a period of two years. First deliveries under this contract commenced on October 6, 2010. This Gas Supply Contract expired on September 16, 2012, but was prolonged until December 31, 2012. As stated above, in January 2013, the 2013 Gas Supply Contracts were signed.

TAG has made eleven shallow gas discoveries in the Akkulka Exploration Licence and Contract area. The Akkulka Production Contract now covers seven of these wells, and four are currently producing from a similar horizon to the Kyzyloi Field and are tied into the Company's existing pipeline infrastructure, with additional compression having been installed at the BCS. The development of the other gas discoveries already made in the Akkulka Block is planned as Phase 3.

Oil Production and Sales

On September 10, 2010, the Company commenced the sale of untreated oil at the well site of AKD01 (under test production at a permitted level of up to 750 bopd) to an oil trading company which transported the oil by truck to the north of the town of Emba, located 450 km to the north-east of the field, where it was treated before being transported to local refineries. Tethys sold the unprocessed oil at the wellhead at an initial price of USD22/bbl. This test production scheme was implemented to gain reservoir information, realise early cash flow, and prepare for the higher production and associated logistics for the next stage.

On January 11, 2011, TAG received Kazakh State approval from MOG for the Pilot Production Project for the Doris oil discovery on the Akkulka Field. This approval granted TAG the right to produce oil from the Doris discovery under the exploration contract and allowed the Company to install and operate production facilities for the planned ~4,000 bopd (Phase 2) production target. During 2012 the Company received approval to extend its exploration contract to March 2015 and then applied for an extension to the Pilot Production Project to that date. Once the Pilot Production Project is completed, the relevant final reserve calculations will be submitted to MOG to receive a production contract that will allow for full field development and foreign or domestic sales. The Company is expected to apply for a production contract after the appraisal programme for the Doris oil discovery is complete. With the current well stock, it is expected that a production rate of at least 4,500 bopd could be achieved on a continual basis from the field. Higher rates can be achieved but it is believed that these rates are most optimal for this reservoir with the current wells.

On February 17, 2011, the Company signed a joint venture agreement to construct and operate AOT, the rail oil loading terminal at the town of Shalkar. TOT, a wholly-owned subsidiary of the Company, and Olisol Investment Ltd., a local partner with strong experience in the oil distribution business in Kazakhstan, each has a 50% interest in the project. The construction of the terminal reduced the trucking distance, lowered operating costs and improved margins, as well as reduced the number of trucks required to transport this volume of oil.

On August 8, 2011, the Company announced the opening of its Doris oil production facilities. On December 12, 2012, there was a further State Commission which officially accepted and commissioned two more modifications to the production facility; namely the Automated Gathering Unit – designed for gathering produced fluid from several production wells (the unit can connect up to 8 wells) into one storage, conditioning and loading facility, and a Chemical Dosing Unit – designed to improve oil quality by adding de-emulsification agents to achieve better separation of water and oil, and a paraffin inhibitor with the aim of improving oil pour point for winter production operations (if necessary).

On January 30, 2012, the Company announced the official inauguration of AOT – the new storage and rail loading facility for its oil shipments from the Doris oilfield, which became operational in April 2012.

In the three months from April 1 to June 30, following the opening of AOT, there was a significant increase in the amount of oil trucked. It should be noted that TAG sells the oil at the wellhead and does not participate in the trucking operation and therefore relies on a third party to ensure that the maximum amount of oil produced is trucked and sold.

The AOT facility construction comprises three phases:

Phase 1 - Completed

The Phase 1 facility had a loading capacity of 4,200 bopd and a storage capacity of 1,300 bbls. Under Phase 1 operations, the terminal had the ability to unload 10 road tankers and to simultaneously load 5 rail tankers.

Phase 2 – Completed (subject to State Commission approval)

The Phase 2 construction allows an increase in throughput capacity from 4,200 bopd up to 6,300 bopd with the installation of two x 1000 m3 tanks (approximately 12,500 bbls), associated dehydration and pumping equipment. The electrical dehydration equipment will further improve crude oil quality.

During the run-up to Phase 2 operations the facility became operational 24 hours a day. Further enhancements during Phase 2 operations include oil and water metering systems and a heating capability for winter operations. All process equipment also became automated during Phase 2 operations.

In November 2012, the Company announced the AOT Phase 2 of construction was complete allowing this Phase to commence (subject to final State Commission approval). The Working Commission was successfully completed in November 2012 and the State Commission is expected in May 2013.

Phase 3 – Planned

The Doris field is currently producing approximately 4,000 bopd. It is planned to expand the capacity of AOT to Phase 3 to accommodate future potential production growth which is dependent upon further drilling success. On completion of Phase 3, the facility will have an estimated loading capacity of 12,000 bopd and a storage capacity of 125,800 bbls of crude oil, plus an additional 12,580 bbl storage for refined products. Under Phase 3 operations, the terminal will have the ability to unload 10 road tankers and to simultaneously load 10 rail tankers.

In addition, AOT will be able to act as a rail logistics terminal for equipment to be moved to and from the Doris oil field and surrounding operations, and used to transport refined products for operations.

In April 2012, the Company announced it had received permission from the MOG to extend the Akkulka Exploration Contract for a further two years from March 10, 2013 to March 10, 2015, which will enable a more comprehensive appraisal of the commercial discovery of oil at AKD01 and exploration of further identified prospects in the contract area.

In May 2012, the Company announced an updated oil resource report prepared by Gustavson Associates for its Kazakhstan assets, estimating gross unrisked recoverable mean prospective oil resources of 1.23 billion barrels of oil plus 634 Bcf of natural gas (1.336 billion boe). The upgrade was attributed to additional 2D and 3D seismic acquisition and interpretation as well as drilling data.

Current production from the Doris field has increased steadily in 2012 and is currently averaging approximately 4,000 bopd. Further exploration/appraisal targets in the greater Doris area are currently being finalized for drilling in 2013.

Kazakhstan Oil Producing Wells

During 2012, the Company produced oil (plus a small amount of associated gas) from three wells in the Doris Oil Field, under a Pilot Production Licence. Two wells produced oil from a Cretaceous sandstone reservoir and one well produced oil from a Jurassic limestone reservoir.

The production from these wells during 2012 can be summarized as follows:

Well	Field	Well Type	Reservoir	Oil Produced in 2012 (million bbls)	Number of days on production in 2012
AKD01	Doris	Producer	Cretaceous	0.401	296
AKD05	Doris	Producer	Jurassic	0.036	80
AKD06	Doris	Producer	Cretaceous	0.516	237

The AKD01 well produced from the start of the year, apart from interruptions due to weather and other factors related to the trucking operation. Production from AKD05 commenced in April, however was limited during 2012 due to limited trucking operations and a workover operation conducted in October to install a downhole pump

(successfully completed). Production from AKD06 also started in earnest in April of 2012. During 2012, the Aral Oil Terminal was successfully commissioned and capacity of the trucking operation was steadily increased. The total current production capacity of the wells (on current chokes etc.) is approximately 1700 bopd (AKD01), 1900 bopd (AKD06) and 400 bopd (AKD05), and is subject to continued good well performance and trucking performance. Production may be further increased dependant on well performance, and options for this are under review.

Sales to Customers

During the financial year ended December 31, 2012, sales in Kazakhstan were made to two customers, namely Asia Gas NG LLP and Eurasia Gas Group. Sales to those customers representing greater than 15% of total consolidated revenue were USD25,631,680 and USD5,874,776.

Tajikistan

The Company, through SSEC, pursuant to the Option Agreement signed in December 2011, holds 85% economic interest in the contractor share of the Bokhtar PSC which covers an area of some 35,000 km^2 in the south-west of the country (representing approximately 21.6% of the total land area of Tajikistan).

On December 21, 2012, the Company announced it had signed the Farm-Out Agreement for the Bokhtar PSC with subsidiaries of Total and CNODC, a 100%-owned subsidiary of Chinese National Petroleum Company. Based on the terms contained in the Farm-Out Agreement, a Joint Operating Company will be set up and owned equally by KPL, Total and CNODC for their proportionate equal ownership in the PSC. This Farm-Out is for two thirds of KPL's interest in the Bokhtar PSC for repayment of a portion of past costs and a forward carry in an agreed work programme. The Farm-Out is subject to the agreement of the Tajik government and certain other completion conditions.

The Bokhtar PSC is for a term of 25 years from 2008 and covers a large highly prospective region, which has previously produced oil and gas. The 2012 Gustavson audit of resources recognizes a total mean unrisked recoverable potential of 27.5 bboe. Thus the transaction of late 2011, which saw the purchase of an extra 34% equity holding, can be seen to have provided the Company with valuable benefits including the acquisition of some 9.35 billion barrels of unrisked prospective resources, reducing the interest of a non-funding partner and thereby increasing the return on capital employed going forward, and obtaining control of the Tajikistan joint-venture.

The Bokhtar PSC area includes almost the entire Tajik portion of the Afghan-Tajik basin, part of, and the eastward extension of, the prolific Amu Darya basin, which contains giant and supergiant gas and gas condensate fields in nearby Turkmenistan and Uzbekistan. The area includes the Khatlon Region, and the area around the capital city of Dushanbe and numerous different prospective structures that have already been identified in the area by Tethys specialists.

Tethys believes that the Tajikistan Contract Area has considerable potential for oil and gas condensate. A proven hydrocarbon system exists in the Tajikistan Contract Area but only limited exploration has taken place in the past. Several reservoir horizons are present and both sweet light oil and gas condensate have been produced. Salt and thrust tectonics dominate the southern part of the area where numerous salt domes provide the potential for substantial hydrocarbon traps. The Tajikistan Contract Area includes several oil and gas condensate discoveries and KPL is involved in both appraisal and rehabilitation of these deposits as well as exploration for new targets. The rehabilitation activities are aimed at establishing early cash flow whilst exploring for high potential deeper prospects. Tethys also intends to locate and drill the first deep exploration well, which will target very large prospective resources in plays beneath the regionally extensive Jurassic salt. These prospects have never been drilled before in Tajikistan, and the Company believes no well has been drilled through the salt, but similar structures are prolific producers in the adjacent countries of Uzbekistan and Turkmenistan. Tethys is in the final stages of a farm out process whereby both CNODC and Total will acquire 33.335% of the Bokhtar PSC and share in the running of a joint operating company along with Kulob Petroleum Limited. This will allow for faster exploration of the very large targets described.

Previous work was carried out on the Komsomolsk Field near Dushanbe and the Khoja Sartez Field near Kulob with gas being tested from both fields. In the early part of 2009, some limited gas was produced from the Khoja Sartez Field. In addition, the Beshtentak well BST20 was worked over by applying modern perforating and acidisation techniques. The Company announced in October 2011 that the well was producing over 500 bopd, accompanied by 12,500 cubic metres (441 thousand cubic feet) of gas per day on a restricted choke (10 mm – 25/64 inch) with a flowing tubing head pressure of 26 atmospheres (377 psi). The oil has an API gravity of 38 degrees. Initial sales agreements were signed and the first payments from oil sales received. The well had been placed on oil production and the gas was tied into the nearby local gas grid.

At present, BST20 is producing approximately 70 bopd gross to the PSC. During 2012, workovers were conducted on two wells, namely BST65 and 21, however these were not initially successful and the wells are suspended pending evaluation of results and potential further work.

The Persea 1 exploration well, located near the town of Kurgon-Teppa in the south-west part of the PSC area, was drilled primarily targeting the Bukhara limestone formation in a four-way dip closed structure with the overlying Alai formation forming a potential secondary target. On December 19, 2011, the Company announced the initial results of its Persea 1 exploration well. The well reached a total depth of 2,655 m and wireline logs showed a 50 m gross zone of possible hydrocarbons within mixed sandstone and carbonate sequence assigned to the Alai formation. On January 8, 2012, the well was cased and awaiting production testing of the Alai zone, which is potentially, hydrocarbon bearing from the wireline logs which were run on the well. Further re-interpretation of geophysical data indicates that there is deeper potential in this structure in the Cretaceous.

The East Olimtoi exploration well, EOL09, is located in the south of the Bokhtar PSC area, some 40 km south-west of the city of Kulob, on the flank of a salt swell, and some initial drilling operations had been carried out in the past by the Tajik State using a Soviet-era Ural Mash drilling rig. In April 2009, the Company took over this well and the operation, improving the mud system, optimising drilling bits and various other improvements to the rig. The EOL09 exploration well reached its total depth of 3,765 m in the Akdzhar formation in August 2011. The initial results from the raw logs indicate some zones of interest in the Bukhara limestone sequence but testing has shown this reservoir to be unproductive to date. The Alai formation showed both good oil and gas shows while drilling (with oil and gas to surface) and the electric logs through this interval indicate several hydrocarbon bearing zones with no evidence of any oil-water contact. Some of these salt swells break surface forming “salt mountains” such as the Khoja Mumin salt dome, which has oil and gas leads around and under it and is located close to East Olimtoi. This well will be further evaluated on completion of the Farm-Out Agreement.

The initial strategy in Tajikistan was to complete a comprehensive geological and geophysical data gathering exercise with the intention of locating and drilling the first deep exploration well below the regional salt layer. However the Company was also focused on generating cash flow from the shallower deposits in the short term.

In 2008, Tethys obtained and analysed the State geophysical information and well data of the shallower drilling that had been undertaken in the Soviet period and compiled an extensive database, which was combined with a regional geological model built in-house. In 2009-10, Tethys designed and acquired a regional 2D seismic programme whereby 693 km of good quality 2D seismic was obtained and interpreted.

In 2011, Tethys carried out an aeromagnetic graviometry survey over more than half of the PSC Area. The initial analysis of the data from the aerial graviometry survey completed at the end of 2011 has revealed several attractive prospective areas with the potential presence of very large deep sub-salt and sub-thrust prospects within the Bokhtar PSC Area including potential Jurassic reefs located on the edge of likely Permian basement high features. Jurassic reef form some of the most prolific fields in the Amu Darya basin and no wells have ever been drilled through the overlying salt layer in Tajikistan to date.

The 2012 seismic programme saw the acquisition of approximately 501km of new 2D seismic in the Vaksh valley. When processed and interpreted in 2013, it is expected to identify some possible locations for a deep pre-salt well to be drilled. However, when the proposed farm-out is completed it is planned to invest in the acquisition of a complete regional grid of 2D seismic data and then further detailed seismic coverage before finally locating the deep drilling programme. This will provide a lower risk more informed investigation of the substantial prospectivity seen to date.

The Company announced an updated resource report on July 19, 2012 prepared by Gustavson Associates for its Tajikistan assets estimating gross unrisked mean recoverable resources of 27.5 billion barrels of oil equivalent (114 Tcf (3.23 Tcm) gas and 8.5 billion barrels of oil) within the Tethys PSC acreage.

Uzbekistan

The Company, through TPU, owns a 100% contractor interest in the North Urtabulak PEC for the North Urtabulak Field, together with subsidiaries of UNG. This field is located in southern Uzbekistan in the northern portion of the Amu Darya basin. The North Urtabulak PEC does not confer ownership of the North Urtabulak Field to TPU and no reserves or resources have been attributed to TPU's interest under the North Urtabulak PEC to date. The North Urtabulak Field produces oil from a Jurassic age reef structure at a depth of approximately 2,500m and was at one time the second largest oil field in Uzbekistan. The oil is 32° API low sulphur crude oil. There are currently 123 wells drilled or partly drilled on the North Urtabulak Field. As at December 31, 2012, the Company was producing approximately 640 bopd (gross) from 14 wells under the North Urtabulak PEC. Part of the North Urtabulak Field lies under a zone of active salt movement which has had limited production in the past due to drilling difficulties.

A full-field dynamic reservoir model was completed and interpreted, and further production enhancement operations have been conducted on the North Urtabulak Field – including radial drilling, sidetracking, acid stimulation, water-injection and horizontal drilling.

In March 2011, the Company implemented a jet-pumping trial at North Urtabulak, principally in order to evaluate the suitability of this technology for the Jurassic carbonate reservoirs present in Uzbekistan, and also to optimise production at North Urtabulak. The initial results of this jet-pumping trial were successful, with oil production rates on the two test wells increasing by some 20%.

The remaining two wells that currently net 50% to the Company will revert to net 20% during this year and in Q1 2014. A programme to convert existing gas-lifted wells to high volume Rotaflex pumps is ongoing at present and is expected to be completed in Q2 2013.

Chegara Group of Fields

On September 8, 2010, the Company signed an MOU with UNG. The MOU stated that the Company and UNG would conduct joint studies to determine the possibilities of improving hydrocarbon recovery on certain long-term production fields in Uzbekistan with a view to signing a contract in accordance with the applicable legislation of the Republic of Uzbekistan.

On November 18, 2011, the Company signed a second MOU with UNG to establish a programme for Tethys to acquire two new PECs for two existing oilfields in Uzbekistan. The MOU stated an agreed timetable up to May 1, 2012 to negotiate for these new PECs. The Company has completed negotiations for the award of the Chegara Group of fields located in the same geographical area as North Urtabulak and did not proceed with negotiations on the other PEC for operational reasons. The Chegara Group of fields are producing oilfields but are less developed than North Urtabulak, and Tethys believes that these fields offer significant potential for additional oil production in the short term thereby enhancing its production and cash flow from Uzbekistan.

On May 16, 2012, the Company signed a PEC for the Chegara Group of fields, located within the Amu Darya basin, some 14 kilometers south-west of the North Urtabulak field. The PEC has a term of twenty-five years and under the new PEC, CPL is allocated refined products for the crude oil it produces and sells these refined products on the export market. Unlike the North Urtabulak PEC, under the terms of the Chegara PEC, Tethys has been granted exclusive rights to conduct operations on the Chegara Group of fields.

As of December 31, 2012, the Company is waiting for final governmental approvals to commence operations on the Chegara PEC. These approvals are in their final stages and are expected to be finalised in Q2 2013 with the issuance of the appropriate decree.

The Company intends to focus future efforts in Uzbekistan on developing new contracts such as the Chegara PEC and on potential exploration activities. The North Urtabulak project is a late stage rehabilitation and incremental production project on an old field, and the Company has used this project as a base to develop additional projects and a significant business presence in Uzbekistan. Currently, these new projects include the Chegara PEC and a potential exploration block in the North Ustyurt basin (which is south of the Tethys Doris discovery in Kazakhstan and which the Company believes has considerable exploration potential).

Uzbekistan Exploration MOU

Since the contract signed in May 2011 with the Institute of Geology and Prospecting for Oil and Gas Deposits of UNG to review materials on exploration areas in the Ustyurt region and the Bukhara-Khiva region with a view to applying for suitable projects in these areas, the Company announced in February 2012 it had signed an additional MOU with UNG. The objective of this MOU was to provide the framework for a Joint Study and the negotiation process for an Exploration Agreement relating to the Bayterek exploration block in the North Ustyurt Basin of Uzbekistan.

As of December 31, 2012, the Company was proceeding with discussions for the exploration block in the North Ustyurt and expects to make significant progress towards acquiring this highly prospective acreage in the coming year.

In March 2013, an additional exploration study agreement was signed. Formal negotiations are expected to commence in Q3 2013.

Overview of Land Holdings

The following table summarizes the Company's principal properties in Kazakhstan, Tajikistan and Uzbekistan (and the percentage interest of the Company therein):

PROPERTY & CONTRACT	BASIN	GROSS AREA (in km^2)	EXPIRY DATE (assuming no extensions)
Kazakhstan (100%)			
Kyzyloi Field Licence and Production Contract	North Ustyurt	287.2	June 2014
Akkulka Exploration Licence and Contract	North Ustyurt	1,380.5	March 2015
Akkulka Production Contract[(1)]	North Ustyurt	109.5	December 2018
Kul-Bas Exploration and Production Contract[(2)]	North Ustyurt	7,632.0	Exploration up to November 2015 Production up to November 2032
Tajikistan (85%)			
Bokhtar PSC	Afghan-Tajik (Amu Darya)	34,785	June 2033
Uzbekistan (100%)			
North Urtabulak PEC[(3)]	Amu Darya	5	Eight years from the date of the first incremental production from a final well
Total Area km^2		**44,089.7**	

Notes:

(1) The Akkulka Production Contract lies wholly within the Akkulka Exploration Licence and Contract area.

(2) Following the first contractual relinquishment as confirmed by the Kazakh authorities in December 2008, a further contractual relinquishment was agreed with the Kazakh authorities, which reduced the area to 7,632 km^2 effective November 2009 and was confirmed by the Kazakh authorities in December 2010.

(3) TPU operates as contractor/service provider for the Uzbek State Partners under the North Urtabulak PEC. The North Urtabulak PEC does not confer ownership of the North Urtabulak Field to TPU and no reserves or resources have been attributed to TPU's interest under the North Urtabulak PEC to date.

Each of these properties and contracts is described further below.

Kazakhstan

Kazakhstan is an independent republic and is the largest country in Central Asia and the ninth largest country in the world, with an area of some 2.7 million km^2 and with a population of some seventeen million people. Kazakhstan has abundant hydrocarbon resources with some of the world's most significant oil and gas fields, with 2011 production being some 671 MMbbl of oil and 19.3 Bcm of natural gas.[1] In Kazakhstan, the Company's producing gas fields (Kyzyloi and Akkulka) and two exploration blocks (Akkulka and Kul-Bas, with Akkulka containing the Doris producing oilfield) are to the west of the Aral Sea in a geological area known as the North Ustyurt basin. These fields are all within the Aktobe region of western Kazakhstan.

Shallow Gas

Kyzyloi Field Licence and Production Contract

The Kyzyloi Field Licence and Production Contract for production of gas on the Kyzyloi Field was initially issued by the Kazakh State to the state holding company Kazakhgas on June 12, 1997 and was transferred to TAG on May 15, 2001. The contract was entered into between MEMR and TAG on May 5, 2005, initially until June 12, 2007. However, in January 2005, MEMR agreed to extend the contract until June 2014, subject to certain contractual amendments, which the Company finalized in 2007 by signing Addition #1 on November 1, 2007 (State registration No. 2480). Gas production commenced under the contract in December 2007.

The Kyzyloi Field Licence and Production Contract grants TAG exploration and production rights over an area of approximately 287.2 km^2 that extends down to the base of the Paleogene sequence. Pursuant to the contract, TAG must reimburse the Kazakh State for approximately USD1,211,000 in historical costs that are to be paid in equal quarterly instalments from the commencement of production until full reimbursement. To date, TAG has reimbursed the government USD994,600 in respect of the Kyzyloi Field. Under the latest extension of the Kyzyloi Field Licence and Production Contract, TAG committed to spending approximately USD2.7 million for a work programme over the seven year period until 2014. With respect to 2012, a work programme amounting to USD2,930,900 was agreed, which has been fulfilled through payments amounting to USD2,229,079 during the year ended December 31, 2012. With respect to 2013, a work programme amounting to USD2,519,900 has been agreed.

According to the Gustavson Reserve Report, effective December 31, 2012, total gas Reserves in the Kyzyloi Field (which includes reserves for eight producing gas wells in the main Kyzyloi Field and reserves in the adjacent fault block discovered by the AKK 05 well) Proven plus Probable plus Possible net to the Company's interest are 35.9 Bcf (1.02 Bcm) with Probable Reserves being 23.9 Bcf (0.68 Bcm) and Total Proved Reserves being 14.2 Bcf (0.40 Bcm).

Regarding the Kyzyloi Field Licence and Production Contract, up to December 2008, TAG paid a royalty at the rate of 2%. The royalty payable from January 2009 was replaced by MET and therefore, TAG has paid MET on a quarterly basis since January 2009. MET on domestic gas sales is calculated at a rate between 0.5% to 1.5% of the value of the annual gas production sales and 10% for exports. Kyzyloi sales are currently domestic and as such MET is at 0.5%.

According to the Kyzyloi Field Licence and Production Contract, TAG is obliged to allocate annually not less than 1% of its capital expenditure for the professional training of Kazakh personnel participating in the work under the Kyzyloi Field Licence and Production Contract. In addition, TAG is required to provide USD30,000 annually for participation in the social and economic development of the Aktobe region. TAG is also required to establish a

[1] Source: *BP Statistical Review of World Energy 2012*

liquidation fund for reclamation of the contract area and to contribute annually to such fund in the amount of 1% of its capital expenditure.

Akkulka Gas Production Contract

On December 23, 2009, TAG and MEMR signed the Akkulka Production Contract giving TAG exclusive rights to produce gas from the Akkulka Block for a period of nine years. The initial seven wells assigned to the Akkulka Production Contract are tied into the Company's existing Kyzyloi pipeline infrastructure and additional compression has been installed at the BCS on the Bukhara-Urals gas trunkline. As such, production of gas from the Akkulka Block under the Akkulka Production Contract commenced upon signature of the gas sales agreement by Asia Gas NG LLP and allocation of space in the pipeline by Intergas Central Asia. Commercial production commenced on October 6, 2010.

The Akkulka Gas Production Contract is subject to MET, which replaced royalties. MET on gas sales is calculated at a rate between 0.5% to 1.5% of the value of the annual gas production for domestic sales and 10% for exports. The MET currently payable on the Akkulka Production Contract is 0.5%. Upon commencement of commercial production on the Akkulka contractual territory, a total amount of USD3,500,000 was due to the Kazakh State as a reimbursement of historical costs previously incurred in relation to the contractual territory. For that part of the contractual territory from which production commenced in 2010, staged payments over a period of nine years totalling approximately USD933,997 are to be paid in equal quarterly instalments from the commencement of production until full reimbursement. To date, TAG had reimbursed the government USD331,200 in respect of the Akkulka Field.

According to the Gustavson Reserve Report, effective December 31, 2012, total gas Reserves in the Akkulka Block (which includes reserves across eleven discovered gas wells in the wider Akkulka Exploration Licence and Contract) Proved plus Probable plus Possible net to the Company's interest are 57.9 Bcf (1.64 Bcm) with Probable Reserves being 44.2 Bcf (1.25 Bcm) and Total Proved Reserves being 30.9 Bcf (0.87 Bcm). Development of these reserves by expansion of the Kyzyloi gas development programme began in 2008 with the tying in to the existing Kyzyloi system.

A number of additional shallow gas prospects and leads have been identified based on existing data and on the surface seismic data acquired by the Company in recent years.

Akkulka Pilot Oil Production Project

In January 2011, the Company commenced oil production under the Pilot Production Project for the Doris oil discovery in the Akkulka Block. Under this contract the Company has the right to produce oil from the Akkulka Field during the exploration period and also to install and operate production facilities. Oil production under this contract is subject to MET, which replaced royalties. MET on oil sales is not only dependent upon whether the sales are domestic or export but is also dependent upon the annual volume of sales achieved. Sales to date have all been domestic and the MET currently payable on the Akkulka oil sales is calculated at 2.5% of the oil production costs including depreciation uplifted by 20%.

Akkulka Exploration Licence and Contract

The Akkulka Exploration Licence and Contract was entered into between the Kazakh State Committee of Investments and TAG on November 17, 1998. The Akkulka Exploration Licence initially granted TAG exploration rights for a period of five years and both the Akkulka Exploration Licence and Contract were valid until November 17, 2003. On July 5, 2004, it was extended for the first time when the Company signed Addition # 2 to the Akkulka Exploration License and Contract (State Registration No. 1447) with extension period from November 17, 2003 up to September 17, 2005. The Akkulka Exploration Licence and Contract was further extended five times: (i) on June 26, 2006 from September 17, 2005 to September 17, 2007 by signing the Addition #3 (State Registration No. 2082); (ii) on November 8, 2007 from September 17, 2007 to September 17, 2009 by signing the Addition #4 (State registration No. 2481); (iii) on December 9, 2009 from September 17, 2009 to March 10, 2011 by signing the Addition #7 (State registration No. 3463); and (iv) on November 17, 2010 from

March 10, 2011 to March 10, 2013 by signing the Addition #8 (State registration No. 3622-UVS) and (v) on August 9, 2012 from March 10, 2013 to March 10, 2015 by signing the Addition #10 (State registration No. 3840-UVS). Since August 1999, the Kazakh State abolished the licence regime for subsurface use rights. From that time, all the legal relationships in respect to subsurface use have been regulated only by the contracts not licenses. See "*Risk Factors*".

With respect to 2011, a work programme amounting to USD7,308,000 was agreed, which has been fulfilled through payments amounting to USD26,689,973 during the year ended December 31, 2011. With respect to 2012, a work programme amounting to USD12,025,000 has been agreed.

The original grant of the Akkulka Exploration Licence and Contract extended over an area of approximately 166.17 km^2 (41,000 acres), however, the contract was subsequently amended to cover an area of approximately 1,380.53 km^2 (341,000 acres) at Paleogene level excluding the Kyzyloi Field Licence and Production Contract.

Oil and Gas Exploration and Further Development Potential

Akkulka Block

The Akkulka Block has the potential for oil and gas deposits at several different horizons with gas already having been discovered in shallow Paleogene sandstones similar to those of the Kyzyloi Field and oil in the Cretaceous and Jurassic horizons. Oil was tested at a combined rate in excess of 6,800 bopd from Upper Jurassic carbonates and lower Cretaceous sandstones in the AKD01 ("**Doris**") discovery well and the Doris discovery has been further appraised successfully in wells AKD05 and 06. The presence of hydrocarbons in the Middle Jurassic and Triassic intervals has been indicated from drilling data and wireline logs in Akkulka wells AKD01, 03 and G6. Well AKD03 ("**Dione**") also discovered and tested oil from a separate and different Upper Jurassic sand.

According to the Gustavson Reserve Report, effective December 31, 2012, total oil plus gas Reserves in the Akkulka Block (Proved plus Probable plus Possible) net to the Company's interest are 21.1 MMboe with Proved plus Probable Reserves being 12.7 MMboe and Total Proved Reserves being 6.2 MMboe.

The Company believes that with further appraisal and exploration in the Doris area significant additional potential may be realised.

Akkulka Block — Exploration of Deeper Oil

A number of deeper prospects were originally identified by the Company in the Akkulka Exploration Licence and Contract area. These prospects, located on the flanks of the major Akkulka high, had potential targets in reservoirs ranging from the Cretaceous, through Jurassic, Triassic and Permo-Carboniferous. From 2005 to 2007, work concentrated on the re-interpretation of existing seismic to focus on the deeper potential of the contract area. These plays are located off the main structural Akkulka high. By early 2008, the Company's new and improved 2007 2D seismic dataset was ready for interpretation across the Kul-Bas area and the JNOC extensive 2D dataset was reprocessed which put the previous deeper regional well tests into perspective. The Company's first "deep" well in the area, well AKD01 commenced drilling in late 2008 using the Company's ZJ70 drilling rig "Telesto" and was located on a reprocessed vintage 2D seismic line.

The AKD01 discovered oil in several horizons and was the first commercial oil discovery in the area. The nearest "deep" producing fields are approximately 240 km to the south in Uzbekistan – these produce mainly gas condensate. The nearest significant oilfield is over 300 km in distance. The AKD01 well was drilled on the robust "Doris" prospect and is founded on an old inverted structure to the south-east of the proven shallow gas Kyzyloi and Akkulka Fields. It is less faulted than the main high under these gas fields.

Following the discovery of oil in deeper horizons during 2010 and 2011, some 378 square kilometres of 3D seismic was acquired over the Doris discovery and adjacent areas. This gave a much more detailed picture of the eastern and southern flank of the Akkulka High and an additional 45 kilometre 2D programme was also undertaken at the western end of the Akkulka High to check for additional prospectivity. Processing techniques have included

amplitude analysis to help identify channel and fan sand systems which appear to be involved in the trapping mechanism for the Cretaceous accumulation of the Doris oil discovery.

Well AKD01 successfully encountered and tested two oil-bearing zones, the lower zone being a Jurassic carbonate sequence at approximately 2,355 m and the upper being a lower Cretaceous sandstone of Aptian age at approximately 2,174 m.

The Jurassic carbonate reservoir zone flowed (after acidisation) at rates of up to 2,803 barrels of fluid per day on a 24 mm choke with 1,373 bopd and with a flowing tubing head pressure of 14.2 atmospheres. The oil was a 45° API light crude oil and test data indicated that the reservoir has good permeability and is laterally extensive. The total thickness of the zone has been interpreted as being approximately 25 m with a possible oil-water contact roughly half way through the sequence. It appears that this deeper water zone may be the source of the water produced on test, this being channelled behind the casing following the acidisation. Analysis of final draw down and build-up data indicated good permeability of 700 mD. Given the build-up time, the distance of investigation of the test was in excess of 4 km. The lower zone was sealed off with a bridge plug prior to the testing of the upper zone.

The Cretaceous sandstone zone has interpreted net pay of 9 m with a porosity of 23% and was tested with downhole pressure gauges over an initial 13-day period. Eight metres were perforated and a maximum flow rate equivalent to 5,436 bopd was achieved on a 12 mm choke with a flowing tubing head pressure of 15.7 atmospheres. The oil is a 43°API light crude which has a low viscosity, low paraffin content and a low pour point. The gas-oil ratio is estimated at approximately 9.37 cubic metres of gas per barrel of oil. No water was observed with the oil and no oil-water contact was interpreted in the sand. The maximum flow rate appears to have been mechanically restricted by the tubing or other downhole equipment and if these restrictions were to be removed then a higher production rate may be possible. Limited storage on site also restricted the rate of oil production and the length of the flow period. Initial analysis of the drawdown and build-up pressure data from the test indicated a very good quality reservoir with permeability of around 1,750 mD. No depletion was seen in the test data, although barriers away from the wellbore in two directions were interpreted which could be faulting or a stratigraphic, lithological or fluid phase change. However, given the long build-up time, the distance of investigation of the test was in excess of 10 km in two directions. Due to the large investigated distance the connected volume proved by the test was also very large assuming the connected volume is all oil.

Downhole samples were taken from this zone and a full Pressure Test Analysis ("**PTA**") carried out, which, combined with a flow and build-up test in January 2011, allowed a refinement of the test results. The interpretation of the PTA closely fits the current mapping of the Doris discovery and surroundings on the new 3D seismic and would most likely fit a reservoir thickening and/or widening away from the AKD01 well. Five exploration and appraisal wells on or near the Doris oil discovery were drilled and tested, namely AKD02, AKD04, AKD05, AKD06 and AKD07.

Oil and gas shows were also evident whilst drilling the Permo-Triassic sequence in AKD01, which is below the Jurassic sequence but no significant reservoir intervals were encountered before the well reached total depth. The Triassic sequence is one of the major productive horizons in oilfields located in the Mangyshlak area to the south-west of Akkulka and further exploration drilling may be planned in the future.

The AKD02 appraisal well is 4 km north-west of the Doris oil discovery that was spudded in April 2010 with preliminary results announced in June 2010. Hydrocarbon shows were observed in the Lower Cretaceous core, although the zone showed low hydrocarbon saturation. The Jurassic carbonate zone also had oil shows but the reservoir quality was not as good as in the AKD01 well and no commercial flow obtained.

The G6 well, which is located approximately 16 km to the west of the AKD01 well, was originally drilled in 2001 by the then contractor on the Akkulka Block and was abandoned without running casing or testing but with oil shows noted. The re-entry of well G6 (named well G6RE, on the separate Dodone prospect) was drilled to a depth of 2,835 m in order to test a deeper potential oil bearing zone identified from the wireline logs in the original G6 hole. A possible Triassic sand interval was encountered in this well, which appeared hydrocarbon bearing and is similar to the interval encountered in well AKD03. This interval is at a higher reservoir pressure and the well configuration prevented testing of this zone. The Jurassic carbonate zone encountered in well AKD01 is also present in this well and appears hydrocarbon bearing but not of as good a quality as in well AKD01.

The AKD03 ("**Dione**") exploration well was the second Kazakh well to successfully test flow commercial oil in late April 2011. The well is located approximately 10 km south-west of AKD01 (Doris) and reached total depth of 3,975 metres in January 2011, and a comprehensive testing programme followed in March. The well flowed dry oil at over 400 bopd from the new sandstone zone in the Upper Jurassic as well as flowing oil from a separate Cretaceous interval.

The AKD04 ("**Dero**") appraisal well lies to the east of AKD01 (Doris). The well was designed to ascertain the potential in the Upper Jurassic carbonate zone and the edge of the Lower Cretaceous (Aptian) sandstone in this area. Interpretation of the well data showed both the Jurassic carbonate and Aptian sands to be present in the well with both showing indications of hydrocarbons passing through a potential sidetrack of this well further updip into this prospect is being considered.

The AKD05 Doris appraisal was drilled immediately up-dip of the AKD01 well, targeting both the Lower Cretaceous (Aptian) sandstones and Jurassic carbonates that were successfully tested in AKD01, as well as a possible third, overlying, horizon in the Middle Cretaceous (Albian) sandstone horizon. In July 2011, following acidisation, of the Upper Jurassic carbonate interval, the AKD05 Doris appraisal well flowed some 2,088 bpd, of which 1,568 barrels per day was good quality (45° API) oil, flowing on a 25.4 mm (1 inch) choke from an 18 metre gross interval at a depth of c.2,350 metres. The well flowed with good surface pressures and the flow was limited by the surface facilities.

The well is producing from the same Upper Jurassic carbonate sequence which was also productive in the AKD01 Doris discovery well. The well was re-completed in Q3 2012 with a downhole progressive cavity pump (PCP) and is currently producing approximately 500 bopd. The well is tied into the Doris oil production facilities and trucked for sale along with oil from the AKD01 well.

The AKD06 Doris appraisal well which targeted primarily the Cretaceous sandstone interval tested at a rate of over 4,300 bopd on a 26mm choke with a flowing tubing head pressure of 12.7 atmospheres (psi 186). The oil was light with a gravity of 0.8 SG (45° API). The well is located on an amplitude anomaly derived from detailed spectral analysis of the new 3D seismic dataset and was located primarily to target the Cretaceous sandstone interval, the most prolific producing horizon in the area. This well is also tied into the Doris oil production facilities and trucked for sale along with oil from the AKD01 well.

The AKD07 appraisal/exploration well was located south-east of the original AKD01 discovery well targeting an exploration prospect named "Dyna" which is a shallower sand fan than the "Doris" sand as well as a possible southern down-dip extension of the Cretaceous Aptian sand. It also targeted a Jurassic sand similar to the horizon that tested oil in the AKD03 exploration well. The initial drilling and electric log results showed potential hydrocarbons in the Upper Jurassic carbonate sequence and lower down in a thin Jurassic sandstone. The "Dyna" sand was encountered but found not to have moveable hydrocarbons and the "Doris" sand was found to be absent at that location.

Once the well reached total depth of 2,750 meters a production liner was run in order to test the Jurassic carbonate zone which appeared to be oil bearing from the drilling and wireline results. This is much deeper than the assumed oil-water contact in the Upper Jurassic carbonates inferred from the AKD01 well. In the remainder of the well down to total depth, there were a number of sands encountered with limited hydrocarbon indications, however these zones are likely too thin to contribute to commercial production and were not tested.

After perforating the well no formation oil was recovered. As a result testing has been suspended in the Jurassic carbonate while further options are being evaluated, one of which is to bring a pump to lift the well. However, no suitable pump was available at the time but testing is planned to continue in 2013 once an appropriate testing progressive cavity pump has arrived in the field.

Further interpretation of these well results and the 3D and 2D data has led to the identification of a number of attractive prospects at the Doris reservoir levels and associated horizons and it is planned to both appraise Doris further and explore for further potential during 2013.

The 2012 Gustavson audit of Exploration Resources recognized further prospects at Tertiary gas sand level, Doris equivalent Cretaceous sands, Jurassic, Triassic and Permo-Carboniferous within the Akkulka block and also in nearby Kul-Bas block, with the total mean unrisked recoverable prospective resources being 1,230 MMbbl and 634 bcf (18 Bcm) of natural gas (1,366 million boe).

In late 2012, Tethys went to tender for the acquisition and processing of a new further 100 square kms of 3D seismic data over these further prospects in the Akkulka block. This tender has now been awarded and work is expected to begin later in 2013.

Kul-Bas Exploration and Production Contract

The Kul-Bas Exploration and Production Contract was signed between Kul-Bas and MEMR on November 11, 2005. This contract, which was initially for a period of 25 years with an initial six-year exploration period and a 19-year production period, grants Kul-Bas the exploration and production rights over an original 10,881 km^2 (2,688,695 acres) surrounding the Akkulka Block. The contract was amended in February 2011, when the Company received approval for the extension of the exploration period to November 11, 2013, and this was further extended in February 2013 to November 2015, subject to submission of regulatory paperwork. Pursuant to the Kul-Bas Exploration and Production Contract, 20% of the area is to be relinquished at the end of the second year of the contract, with 20% to be relinquished annually thereafter up to the end of the exploration period, except with respect to combined exploration and production contracts (which mainly only contain a work programme for exploration and not production) for areas where commercial discovery is made. This contract grants Kul-Bas an exclusive right to proceed to the production period where it has made a commercial discovery. The first relinquishment was made in November 2007 and was confirmed by the Kazakh authorities on December 21, 2008. A further relinquishment reduced the area to 7,632 km^2 effective November 2009. Kazakh authorities confirmed this in December 2010. In order to allow the Company time to effectively explore Kul-Bas Block, an application was made by the Company to reduce and/or extend the relinquishments on it. On April 27, 2009, Amendment 1 to the Kul-Bas Exploration and Production Contract was signed, according to which 20% is relinquished by the end of contract year 2 (completed), 0% in contract year 3 (2008), 10% by the end of contract year 4 (completed), 20% by the end of year 5 (2010) and all remaining contract area, outside commercial discovery areas, by the end of year 6 (2011). On December 23, 2010, Amendment 2 to the Kul-Bas Exploration and Production Contract was signed, according to which the exploration period was extended until November 11, 2013. On February 28, 2013, the Company extended the exploration period for the Kul-Bas Exploration and Production Contract by a further two years until November 11, 2015. The Company is to relinquish all of the remaining contract area by the end of the approved exploration period with the exception of areas where a commercial discovery has been made.

The Kul-Bas Exploration and Production Contract area surrounds the Akkulka Block and has similar geological, tectonic and structural features to the Akkulka Block. The Company considers this large area to be underexplored, being subject to regional magnetic, gravity and seismic surveys in the Soviet-era, with limited stratigraphic wells, mainly very shallow, in the southern part surrounding the Akkulka Block. Since the end of the Soviet period, a state funded "Turlan vintage" programme of seismic was carried out in the southern and eastern parts of Kul-Bas Block with a later vintage (1995-1996) JNOC 2D programme over 90% of it, with the northern and north-western part (approximately 25% of the territory) of the contract area having been covered in an approximate 8 km x 8 km (5 mile x 5 mile) grid, and the southern and eastern section covered with a 4 km x 4 km (2.5 mile x 2.5 mile) grid.

The Company made a preliminary assessment of the 1995-1996 vintage JNOC 2D seismic in 2007. The Company considers the shallow prospective horizons to be similar to Akkulka. A total of 15 amplitude anomalies similar to those in the Kyzyloi Field and the Akkulka Block were mapped and with potential in other plays. A contract was signed with a Kazakh seismic acquisition company KazGeCo who conducted a total of 535 line km of 2D seismic from June to September 2007. This new improved dataset was then processed and interpreted with a view to drilling three of the shallow gas anomalies which began in the second quarter of 2008 – of these, two were suspended post initial testing and one was relinquished as part of a mandatory programme in 2009.

The improved data quality from the 2007 seismic survey was used in a new direct hydrocarbon indicator study in 2008 to tie in the gas wells of Akkulka and Kyzyloi to new shallow exploration leads in Kul-Bas with the aim of minimizing exploration risk pre drill. The JNOC data were also reprocessed in 2009. In 2010, Tethys acquired a further 122 kilometres of new 2D seismic data to image deeper targets in part of the area.

The work programme on this area amounted to a total of approximately USD7,773,500 over the initial six-year exploration period. As at December 31, 2008, USD5,768,790 had been spent on work commitments under the contract and the minimum work programme for 2009 was USD706,000 for the acquisition and processing of new seismic. With respect to 2011, a work programme amounting to USD120,000 had been agreed, which was fulfilled through payments amounting to USD9,847,067 during the year ended December 31, 2011. The remaining commitment of USD2,894,000 relating to the contractual territory was required to be satisfied by November 11, 2011 and this was achieved through the spending on well KBD01. With respect to 2012, a minimum work programme amounting to USD1,780,000 had been agreed, of which USD840,000 has been paid during the year. A further work programme for 2013 was agreed at USD4,200,000.

This contract is likely to be subject to MET. MET on gas sales is calculated at a rate between 0.5% to 1.5% of the value of the annual gas production for domestic sales and 10% for exports while MET on oil sales is not only dependent upon whether the sales are domestic or export but is also dependent upon the annual volume of sales achieved. For oil sales, the Company would anticipate a MET rate on domestic sales of approximately 2.5%. See "*Statement of Reserves Data and Other Oil and Gas Information – Other Oil and Gas Information – Tax Horizon*" below. In addition to the minimum work programme commitments, the Kazakh State is to be compensated for the historical costs related to the contractual territory in the amount of USD3,275,780. The Company had previously paid an amount of USD49,137 in relation to the balance. No further payments on this balance are required until commencement of commercial production within the contractual territory. If and when commercial production commences, USD88,666 is due in quarterly instalments until the remaining historical costs of USD3,226,643 have been paid in full.

On December 23, 2010, MOG agreed to extend the exploration period for the Company's Kul-Bas Exploration and Production Contract for two years from November 11, 2011 to November 11, 2013 and in February 2013 this was extended further to November 11, 2015. The extension to the exploration period gives the Company an additional two years to explore this area that has several prospects and leads and with a proved oil system in the Akkulka Block which is surrounded by the Kul-Bas area.

Provided that certain standards and requirements are satisfied, sub-contractors, goods and materials (50%), works (70%) and/or services (70%) used in Kul-Bas' operations under this contract must be of Kazakh origin, and Kazakh specialists must comprise not less than 95% of the total number of Kul-Bas employees. On an annual basis, Kul-Bas must contribute not less than 1% of its investments to the professional education of Kazakh personnel involved in the project during exploration and not less than 0.1% of the operational costs during production. Kul-Bas is also required to establish a fund for reclamation of the contract area; contributions to this fund are required to be made annually and must be equal to 1% of the total investment expenses incurred during exploration and 0.1% of the total amount of operational costs during production.

Kul-Bas – Exploration of Deeper Oil and Gas Condensate

Following exploration success at deeper levels in the Akkulka Block, the Company considers the much larger Kul-Bas Block to also have significant oil and gas potential in deeper horizons ranging from the Carboniferous through to the Cretaceous as well as some limited gas potential in the Tertiary. The target reservoir units are considered to be Jurassic marine carbonates and clastics and Cretaceous marine sandstones as demonstrated by AKD01 and also deeper levels Triassic and Permo-Carboniferous. The most likely source rocks for the shallower plays would be the Jurassic as in AKD01 or lacustrine Triassic age sediments but it is considered that well KBD01 has already demonstrated an active generating source at Permo-Carboniferous level.

The acquisition of new 2D seismic by TAG in 2007 and the seismic reprocessing of the JNOC dataset across Kul-Bas completed in 2009 was aimed at both shallow gas prospects and to highlight deeper plays. In 2010, further 2D seismic was specifically targeted at deep identified prospects. Based on this confirmatory dataset, the Company spudded KBD01, in December 2010 to test one of the best of the deeper prospects which are sizeable but with significant exploration risk remaining at present (although this risk is reduced by the Doris and Dione oil discoveries).

The KBD01 ("**Kalypso**") exploration well is located approximately 50 km to the north-west of the Doris oil discovery. The well reached total depth in September of 2011, with electric logs being run and indicated two

potential Jurassic targets and some 100m of gross pay from a depth of 4,128 metres in what is interpreted to be Permo-Carboniferous limestones with this zone most likely to require acid and fracture stimulation, a common completion process implemented in similar fields in the area. The nearest field, which produces from similar Carboniferous shelf limestones is the Alibekmola field, some 250km to the north in the pre-Caspian Basin Subsalt. The Company plans to test the well during the second half of 2013.

The Kul-Bas block has only limited remaining potential for any shallow gas but does present possible prospects at Cretaceous and Jurassic level and also Permo-Carboniferous potential beyond the Kalypso well which remains to be tested. The recent acquisition of an interest in the blocks around Kul-Bas by the French supermajor Total S.A. further strengthens this view.

In late 2012, Tethys went to tender for the acquisition of a further 200 kms 2D seismic survey to define these prospects in Kul-Bas block better before further exploration drilling. This tender has now been awarded and acquisition of these data is expected to commence later in 2013.

Tajikistan

Tajikistan is an independent republic of approximately seven million people in Central Asia located on the fringe of the Central Asian sedimentary basin abutting the Pamir and Tien-Shan mountains. It borders Uzbekistan to the north and west, Kyrgyzstan to the north, China to the east and Afghanistan to the south. The country is primarily mountainous, with some of the world's highest mountains occurring in the Pamir chain on the edge of the Himalayas but it also has extensive farmed valleys and hills. Oil was first discovered in 1909 in the Fergana valley in the north of the country but exploration and development of oil and gas was limited throughout the Soviet period. By 1996, further lack of investment and a civil war, which broke out in Tajikistan in 1992 following the collapse of the Soviet Union and which lasted until 1997, resulted in oil production falling to approximately 600 bopd and gas production falling to approximately 4 MMcfpd (113 Mcmpd).[1] The oil and gas industry has suffered from extreme under-investment in Tajikistan and basic modern oilfield equipment is lacking, with drilling rigs and other equipment being of 1960s-1970s vintage. At present, only Tethys and Gazprom are actively exploring in the oil and gas sector in Tajikistan.

In June 2008, the Company, through KPL, concluded the Bokhtar PSC, which covers an area of some 35,000 km^2 (approximately 8.6 million acres) – the "**Tajikistan Contract Area**". The Bokhtar PSC is for a term of 25 years for a large highly prospective region which has existing oil and gas. The Tajikistan Contract Area includes the Khatlon Region and the area around Dushanbe and includes many prospective structures, which have already been identified in the area. This area includes almost all of the Tajik portion of the Afghan-Tajik Basin, the eastern part of the prolific Amu Darya Basin.

Bokhtar PSC - Exploration and Appraisal Potential

The Tajikistan Contract Area under the Bokhtar PSC lies within the Afghan-Tajik basin, the eastward extension and part of the prolific Amu Darya basin in Turkmenistan, Uzbekistan and Afghanistan. The Amu Darya basin is primarily natural gas prone (although with some significant oil fields) and contains some super giant natural gas and condensate fields such as the Dauletabad field in Turkmenistan (reported to have had initial estimated recoverable natural gas reserves of approximately 60 Tcf (1.7 Tcm)) and other super giant fields. Gaffney Cline & Associates ("**GCA**"), the UK reserve audit firm who carried out a reserve assessment on the South Yolotan field in the Turkmenistan portion of the Amu Darya basin have concluded that the South-Yolotan field may be the second largest gas field in the world.[2]

There is currently little foreign investment in the Tajik oil and gas sector. However, the present political stability together with the Production Sharing Law may open up the market. In early 2007, the Russian gas company GazProm was granted a licence to explore and develop the Sargazon gas prospect (estimated recoverable resource from GazProm press releases of 1.06 Tcf (30 Bcm)) and the Sarikamysh gas prospect (estimated recoverable

[1] *World Energy Council Report (2005)*
[2] *Jim Gillet, GCA Manager in interview on Turkmen State News Agency, October 2008*

resource 1.24 Tcf (60 Bcm)) in southern Tajikistan.[3] According to GazProm, Tajikistan's total oil and gas deposits are 106 Tcf (3 Tcm) of natural gas.[4]

Tethys believes it is one of the first western companies to progress an oil and gas exploration and production project in the country.

The principal hydrocarbon bearing sedimentary section of the Afghan-Tajik basin lies from the Jurassic to the Paleogene, marine carbonates and clastic rocks. The latter post salt section is well developed in the Tajik part of the basin where the Paleocene-Bukhara formation limestones form an important oil and gas reservoir. The initial regional geological review carried out by Tethys suggests that there is potential for large structures especially sub salt in the Bokhtar area, possibly containing both oil and natural gas. Reservoir rocks are present, as are mature source rocks, with the Company's analysis showing that the source rock is primarily Jurassic and could be oil prone. The area has significant structuring, both tectonic and through active salt movement and potentially attractive prospects should occur in both the sub-salt and post-salt section. The Company believes that the area is under-explored and that it has a very real potential for significant oil and gas deposits, although some of these structures are expected to be at substantial depths.

Most of the Khatlon Region and the area around the Dushanbe in the south-west of the country are subject to the Bokhtar PSC. This covers a large prospective region which has existing oil and gas discoveries but has seen limited exploration to date. The area includes many prospective structures and several existing and abandoned oil and gas fields, including the Beshtentak, Khoja Sartez and Komsomolsk Fields.

Prior to entering into the Bokhtar PSC, the Company entered into a Protocol of Intent in January 2007, which gave it the exclusive right to negotiate a production sharing contract in respect of the Bokhtar area. In early March 2007, the Tajik State introduced the Production Sharing Law, which laid the fiscal and commercial framework for the Bokhtar PSC. As a precursor to the Bokhtar PSC, TTL signed an investment and operating agreement (the "**IOA**") relating to oil and gas fields in Southern Tajikistan in September 2007 with Southern Oil and Gas Exploration State Unitary Enterprise, a wholly state owned oil and gas company that reports to MEI. The IOA allowed Tethys to commence initial production and rehabilitation operations in the Bokhtar area while the Tajik State finalised certain necessary legislative changes to enable the Production Sharing Law to become effective. These changes became effective in the summer of 2008. On June 13, 2008, KPL entered into the Bokhtar PSC with MEI as the representative of the Tajik State.

Existing conventional oil company data in the area consisted of mainly elderly Soviet-era geological maps, well logs and limited seismic data. The first phase of the Company's work on the area is focused on development of existing gas and oil deposits, and on an active exploration work programme with exploration drilling based on modern studies and with the first partial relinquishment due in 2015. The Company has completed a programme of geological and geophysical studies and the acquisition of 693 km of deep penetrating (> 6,000 m) 2D seismic data to map this potential, first regionally and then to detail drillable prospects at both pre and post-salt levels and recently completed a further 501 km. During 2011 a regional aerial graviometric survey based on both gravity and magnetic data using state-of-the-art equipment and technology was undertaken. These data have further strengthened the Company's view that beneath the salt layer there may be large Jurassic reefal structures similar to the prolific fields in Turkmenistan.

In 2012, the Company commissioned an independent resource evaluation of the Tajikistan Contract Area effective June 2012. This resulted in mean, unrisked recoverable prospective resources of 27,497 MMboe, comprising 8,510 MMbbl of oil and condensate plus 114 Tcf (3,257 Bcm) of natural gas.

The Afghan portion of the Afghan-Tajik basin (which lies to the south of the Tajikistan Contract Area) has been estimated to have mean unrisked prospective resources of 3,220 MMboe comprising 1,500 MMbbl of oil, 370 MMbbl of NGLs plus 8.1 Tcf (230 Bcm) of natural gas.[5]

---

[3] *Alexander's Oil and Gas Connections, January 1, 2007*
[4] *RIA Novosti, June 10, 2008*
[3]*Alexander's Oil and Gas Connections, January 1, 2007*

Tajik Market

The legislative framework for oil and gas exploration and development projects is not yet well developed in Tajikistan. To date, oil and gas concessions have been owned and operated primarily by the government under a legislative regime similar to the Soviet regime whereby a licence would be issued and the operator would be responsible for payment of profit taxes and local taxes. Apart from the Production Sharing Law (as defined below), which was adopted in 2007, the Tajik legislation which regulates the oil and gas sectors includes the *Law on Mineral Resources (1994 as amended in 1995 and in 2008)*, the *Law on Energy (2000)* and the *Government Decree on Concluding Contracts for Use of Bowels (2001)*. In addition, the *Law on Investments (2007)* permits foreign investors to have tax remissions as prescribed by Tax and Customs Codes. In addition, foreign companies can establish wholly-owned enterprises in Tajikistan, foreign currency is freely convertible and the tax and customs codes have been simplified as of 2005 by taking into consideration international legislation.

In early March 2007, the Tajik State introduced production sharing legislation (the "**Production Sharing Law**"), which established the framework for production sharing in mineral extraction, with the investor providing the capital for the venture and with the product being split between the investor and the government of Tajikistan. Pursuant to the Production Sharing Law, the maximum level of cost recovery shall not exceed 70% of production, however, the law gives significant flexibility to the negotiation of commercial terms between an investor and the government of Tajikistan in any production sharing contract. For instance, an investor has the right to export their production and to utilise government-owned infrastructure. The Production Sharing Law also provides for contract stability and protection of investor rights.

Current oil production in Tajikistan is small and the infrastructure is under-developed. In the north, there is access to the refineries in the Fergana valley, which are reported to have a capacity of some 170,000 bopd. In the south, rail routes exist from the Kulob area through both Dushanbe and Kurgan-Teppa into the Uzbek rail network and extend into the overall Central Asian rail complex. Oil discovered in the Kulob area would likely be transported initially by rail to nearby regional refineries or small local refineries. An active market does however exist for crude oil in Tajikistan with current prices being in the range of USD60 – 68 per barrel.

With regard to natural gas, the infrastructure is somewhat better developed. Tajikistan is connected to the Central Asian gas grid and currently receives the majority of its gas through this grid. Prior to independence, Tajikistan consumed approximately 5.66 MMcmpd (2.1 Bcmpy) of gas. However, with the economic decline which occurred during and after a civil war that followed the break-up of the Soviet Union, the current consumption is presently much lower at approximately 0.5 MMcmpd (0.2 Bcmpy).[6] Industry is the major user and, with access to domestically produced gas, the Company expects consumption to increase. Major users include the Talco aluminum plant, the Azot fertilizer plant and the Tojikcement cement production factory. Most natural gas is imported from Uzbekistan which is reported to currently charge a price of approximately USD380 per Mcm[7] (USD10.80 per Mcf)[8]. In the event of a large gas discovery, possible export options would include export through the Central Asian system into Uzbekistan and continuing either through one of the major trans-regional pipeline systems such as Bukhara-Urals or Asia Centre and into the Russian-European export system. Alternatively, gas could be routed through the Tashkent-Bishkek-Almaty system, or the Petrochina pipeline system from Turkmenistan into Kazakhstan and potentially onwards into the Chinese market. An additional alternative route for exporting a substantial amount of gas may be via the Trans-Afghan ("**TAPI**") pipeline which, if completed, will take Central Asian gas to Pakistan and India.[9] The Company is currently in discussions with the intention of creating a regional gas trunkline system, (the "**Nowruz Project**") to connect the Tajik gas infrastructure to the gas fields in Northern Afghanistan and ultimately to the TAPI system able to transport large quantities of natural gas to the Indian Sub-Continent. It has also been reported that CNPC is planning a new gas pipeline from Turkmenistan, through the Bokhtar area of Tajikistan and onwards into China. This would potentially provide a further export route for natural gas should it be built and should large volumes of gas be discovered.

---

[4] *RIA Novosti, June 10, 2008*
[5] *US Geological Survey 2006*
[6] *Ministry of Energy of the Republic of Tajikistan, 2012*
[7] *Asia Plus Tajikistan, 2012*
[8] *Per Com, March 2012*
[9] *Heritage Foundation, 2006*

The Bokhtar PSC

The Bokhtar PSC in Tajikistan gives KPL the exclusive right, as contractor under the Bokhtar PSC, to conduct certain oil and gas operations in the Tajikistan Contract Area during the term of the Bokhtar PSC and to receive the Company's share of production from the Tajikistan Contract Area. The Tajikistan Contract Area specifically excludes certain structures on which licences have previously been issued to other entities. Under the Bokhtar PSC, KPL will recover 100% of its costs from up to 70% of total production from oil and natural gas, the maximum allowed under the Production Sharing Law. The remaining production (termed "**Profit Production**") would then be split 70% by KPL and 30% by the Tajik State over each calendar year. The Tajik State's share of the Profit Production includes all taxes, levies and duties. The Tajik State will not receive any royalty fees from KPL. Under the Bokhtar PSC, KPL has the right to sell its share of Profit Production to any third party, whether a resident of Tajikistan or not, at a price determined by KPL. The Operator under the Bokhtar PSC is TSTL, a wholly-owned subsidiary of SSEC. On December 21, 2012, KPL entered into the Farm-Out Agreement as described under "*Description of the Business – Overview of Properties – Sales to Customers – Tajikistan*".

The terms of the Bokhtar PSC are fixed over the life of the Bokhtar PSC, which has a term of 25 years (the "**Initial Term**"). If in respect of any development area, commercial production remains possible beyond the Initial Term, the Bokhtar PSC may be extended with respect to such development area for an additional term of not less than five years or to the end of the producing life of the development area.

Pursuant to the Bokhtar PSC, KPL, as contractor, is required to select and relinquish portions of the Tajikistan Contract Area with the first relinquishment being after seven contract years in respect of 25% of the Tajikistan Contract Area (less any development areas) and at five year intervals thereafter in respect of 50% of the then remaining Tajikistan Contract Area (less any development areas).

KPL is not required to relinquish any portion of the original Tajikistan Contract Area containing a development area or an area containing a declared commercial discovery for which a development plan has been sought and is awaiting approval by the Tajik State.

A coordination committee established by KPL and MEI (the "**Coordination Committee**") is responsible for the overall supervision of oil and gas operations conducted under the Bokhtar PSC. The Coordination Committee is comprised of a total of six representatives, three of whom have been appointed by MEI and three of whom have been appointed by KPL with KPL providing the Chairman of the Committee. Decisions of the Coordination Committee are made by majority decision of the representatives present and entitled to vote. KPL and MEI shall endeavour to reach agreement on all matters presented to the Coordination Committee. In the event that the Coordination Committee is unable to reach agreement on any matter then KPL's point of view shall prevail. However, if MEI is reasonably of the view that the proposed action would result in serious permanent damage to a field or reservoir which would materially reduce economic recovery of petroleum from the field or reservoir, then the matter will be referred to an internationally recognized independent expert appointed by KPL and MEI whose decision on accepted international petroleum industry practice shall be final and binding.

Pursuant to the Bokhtar PSC, KPL committed to funding a minimum work programme (the "**Work Programme**") in respect of the Tajikistan Contract Area. The proposed Work Programme was designed to provide additional data for a focused exploration of the Tajikistan Contract Area and has involved the gathering and reprocessing of vintage datasets, acquisition of additional regional seismic data, exploration drilling, and now further exploration drilling and a modern gradiometric gravity magnetic and topographic aerial survey. The proposed Work Programme was to be carried out in two phases. The first phase ("**Phase I**") was completed in 2009. Phase I consisted of: (i) geological studies; (ii) reprocessing of existing seismic and other geophysical data; (iii) acquisition of seismic and other geophysical data; and (iv) initial rehabilitation activities on the Beshtentak and Khoja Sartez fields. Upon completion of Phase I, KPL decided to proceed with Phase II. Phase II, which was to be completed within 18 months of the completion of Phase I, was to involve the commencement of the drilling of an exploration well to determine the oil and gas potential of the Bukhara formation and to perform additional rehabilitation activities if economically justified. Certain general items of budget expenditure continued into Phase II of the Work Programme. The total minimum cost of the activities planned in Phase I and Phase II was estimated to be approximately USD5,000,000. All of these contractual commitments have now been met.

To December 31, 2012, KPL had spent more than USD82 million on activities under the Bokhtar PSC, significantly exceeding the financial commitments under the Bokhtar PSC while meeting specific work obligations.

Below is a summary of field operations carried out by Tethys in Tajikistan to date (or planned for the near future).

Geophysical

The primary strategy in Tajikistan is to complete a comprehensive geological and geophysical data gathering exercise with the intention of locating and drilling the first deep exploration well below the regional salt layer. This deep well will target very large potential. These prospects have never been drilled before in Tajikistan but similar prospects are prolific producers from the same reservoirs in the adjacent countries including Turkmenistan.

In 2008, Tethys obtained and analysed the State geophysical information and well data of the shallower drilling that had been undertaken in the Soviet period and compiled an extensive database, which was combined with a regional geological model built in-house. In 2009-2010, Tethys designed and acquired a regional 2D seismic programme whereby 693 km of good quality 2D seismic was obtained and interpreted.

In 2011, Tethys carried out an aeromagnetic graviometry survey over more than half of the PSC Area. The initial analysis of the data from the aerial graviometry survey completed at the end of 2011 has revealed several attractive prospective areas with the potential presence of very large deep sub-salt and sub-thrust prospects within the Bokhtar PSC Area. This survey was then used to prioritise areas for additional seismic acquisition.

The 2012 2D seismic acquisition programme involved the acquisition of 501kms data in the Vaksh valley west of the Contract Area. The programme was designed to target these areas as the graviometry survey has identified them to be the most likely to contain large deep prospects including potential Jurassic reefs located on the edge of likely Permian basement high features. Jurassic reefs form some of the most prolific fields in the Amu Darya basin and no wells have ever been drilled through the overlying salt layer in Tajikistan to date.

Beshtentak Field

The Beshtentak Field is located 45 km north of Kulob and was discovered in 1970. The reservoirs are Paleocene age Bukhara limestone and dolomites in a narrow anticlinal structure at a depth of up to 2,000 m, the oil is 33-35° API low sulphur crude, and oil flow rates of up to 800 bopd and up to 200 Mcmpd of gas have been achieved from wells in the past. No deep drilling has been carried out on the field to date.

In September 2011, the Company successfully worked over the BST20 well by applying modern perforating and acidisation techniques and applying natural gas lift. The well tested oil at a rate of 533 bopd accompanied by 12,500 cubic metres (441 thousand cubic feet) of gas per day on a restricted choke (10 mm – 25/64 inch) with a flowing tubing head pressure of 26 atmospheres (377 psi). The oil has an API gravity of 38 degrees. The well was re-completed in 2012 and is currently producing approximately 70 bopd.

Work was conducted by KPL on other wells in the field in 2012, namely BST65 and 21 in the Bukhara and Alai formations respectively; both of these wells are suspended at present. The Group has identified three workover candidates in the Bukhara for 2013. According to the Gustavson Reserve Report, effective December 31, 2012, total net to the Company's interest oil Reserves in the Beshtentak Field Proved plus Probable plus Possible net to the Company's interest are 0.251 MMbbl with Total Probable Reserves being 0.052 MMbbl.

Komsomolsk Field

The Komsomolsk Field is an abandoned and reworked gas condensate field where production dates from the late 1960s lying just to the north and under the Tajik capital Dushanbe. There were 30 prospecting and exploration wells drilled in the area, defining a Komsomolsk anticline that was first identified at surface and that continued and steepened with depth. Commercial gas was produced from the Cenomanian, Hauterivian and Jurassic reservoirs. Each reservoir has a separate gas-water-contact established from logs and test data, and with an active acquifer charged most likely from the mountains to the north and north-east. Faulting appears common within the reservoir

and a north-south trending fault bisects the field along the line of the Varzob River. Historically most of the gas was produced from the eastern part of the field and a relatively small amount was produced from the east. Additional seismic data is required to establish whether there is a scaling fault splitting western and eastern parts.

According to Tajik MEI data, the field has produced a total of approximately 70 Bcf (2.0 Bcm) from 1966 to 2000, more than 50% of which was recovered in the first five years of production. Maximum stabilised single well production rates were recorded as 207 Mcmpd (7.3 MMcfpd) and the field maximum production rate of 767 Mcmpd was achieved in 1968.

The Company has been evaluating and working on West Komsomolsk since 2008 and has to date carried out work programme activities on three wells. Limited sub-commercial production was obtained but, nonetheless, the Company believes that additional potential remains in West Komsomolsk.

In May 2010, the Company commenced drilling of the directional KOM201 well on the eastern part of the Komsomolsk Field under Dushanbe. The well reached a total depth of 2,456 m and encountered a 310 m column of Jurassic limestone with wireline logs and drilling data indicating that it was gas-bearing. Testing commenced in January 2011 with stable gas flow being obtained from the well on an open hole test. Production casing was run however to date commercial gas flow has not been achieved from this interval. Wireline logs indicate hydrocarbons may also be present in the secondary targets of the Cenomanian, Hauterivian and Bukhara. Some limited testing was carried out in 2011, including radial drilling; however, due to an uncertain cement bond, the well did not produce commercial flow – however the Company retains the option to re-visit this field, most likely in 2014.

According to the Gustavson Reserve Report, effective December 31, 2012, total gas and condensate Reserves in the Komsomolsk Field Proved plus Probable plus Possible net to the Company's interest equate to 0.46 MMboe with Total Probable Reserves being 0.10 MMboe.

Khoja Sartez Field

The Khoja Sartez Field is a gas condensate accumulation located some 13 km to the west of the town of Kulob. This deposit is developed on the flank of a clearly visible large salt dome and is at a much earlier stage of development than the Beshtentak Field. Drilling has only been carried out in the surface layers to a depth of some 1,700 m with the Bukhara limestone as primary reservoir target. The Company believes that the deeper layers and other flanks of the dome have the potential to contain substantial volumes of gas condensate. Four wells have been drilled on the structure and a modern gas processing facility was installed but all the wells are currently shut-in due to lack of investment and adequate technology and/or had watered out.

In December 2008, natural gas was successfully tested from the Khoja Sartez 22 (KJZ22) well at estimated rates (based on wellhead pressures) up to 80 Mcmpd on a 12 mm choke with a flowing tubing head pressure of some 40 atmospheres. On January 16, 2009, KPL started limited supplies of this gas to the town of Kulob but these deliveries ceased when the well began to water out in that particular zone. Seismic was conducted over the area and has been incorporated into the database for future evaluation.

During Q3-Q4 2012, the Company re-evaluated this field and concluded that it had no further potential within the current wells and the wells were returned to the State in Q4, however KPL retains the rights to explore beneath and within the structure.

East Olimtoi Prospect

The East Olimtoi exploration well EOL09 is located in the south of the Bokhtar PSC area, some 40 km south-west of the city of Kulob, on the flank of a salt swell, and some initial drilling operations had been carried out in the past by the Tajik State using a Soviet-era Ural Mash drilling rig. In April 2009, the Company took over this well and the operation, improving the mud system and optimising drilling bits and various other improvements to the rig. The EOL09 exploration well reached its total depth of 3,765 metres in the Akdzhar formation in August 2011. The initial results from the raw logs indicated some zones of interest in the Bukhara limestone sequence but testing has shown this reservoir to be unproductive to date. The Alai formation showed both good oil and gas shows while drilling

(with oil and gas to surface) and the electric logs through this interval indicate several hydrocarbon bearing zones with no evidence of any oil-water contact. The well testing programme is planned to be continued later in 2013 (potentially subject to agreement with the farm-in partners) once specialist equipment is available and operational to stimulate and attempt to establish continual flow of oil from the Alai zone, where 36° API oil has been recovered. The EOL 09 well is the first exploration oil discovery in Tajikistan since independence. There are other similar salt swell flank prospects to be explored nearby which were one of the first subjects of the recent deep seismic survey. Some of these salt swells break surface forming "salt mountains" such as the Khoja Mumin salt dome, which has oil and gas prospects around and under it and is located close to East Olimtoi.

Persea 1 Exploration Well

The Persea 1 exploration well, located near the town of Kurgon-Teppa in the south-west part of the PSC area, was drilled primarily targeting the Bukhara limestone formation in a four-way dip closed structure with the overlying Alai formation forming a potential secondary target. On December 19, 2011, the Company announced the initial results of its Persea 1 exploration well. The well reached a total depth of 2,655 metres and wireline logs showed a 50 metre gross zone of possible hydrocarbons within mixed sandstone and carbonate sequence assigned to the Alai formation. Re-interpretation of the seismic along with the aero-magnetic and gravity data has also revealed potential deeper targets within the Cretaceous intervals. Testing of this well is being evaluated.

Seven Stars Energy Corporation ("**SSEC**")

In December 2009, the Group, through TTL, established the joint venture company SSEC with Sangam to explore for and develop oil and gas resources in Tajikistan with TTL holding 51% and Sangam holding 49% of SSEC's shares however with neither party having voting control. The management of Sangam are experienced in operating businesses in Tajikistan and the Company viewed this experience as being very valuable in assisting SSEC to develop its business in Tajikistan. Operations were managed and directed by TTL. TTL provided the financing for SSEC by way of a shareholder loan from TTL to SSEC. In November 2011**,** TTL and Sangam concluded an option agreement for TTL to acquire 34% of SSEC (and full control of the Company) from Sangam for a cash consideration of USD7 million, this option expiring on December 31, 2011. On December 9, 2011, Tethys announced that it had completed the private placement of 26,062,975 Ordinary Shares for gross proceeds of USD13,069,187, with the private placement being primarily to exercise the option to acquire the Sangam interest. On December 13, 2011 the Company announced that the option had been exercised and that TTL now owned 85% of SSEC and controlled the Company. The release and discharge of Sangam from their share of a shareholder loan entered into on December 30, 2009, and the payment of USD7 million of the net proceeds of the private placement was the consideration to purchase from Sangam 34% of their shares in SSEC and the purchase was completed on December 13, 2011. On completion, TTL increased its shareholding from 51% to 85% and holds a controlling interest in SSEC.

The non-cash consideration part of the purchase involved the Company agreeing to waive an amount of USD49,920,000 with respect to the loan between SSEC and TTL, being the loan balance at April 1, 2011. Full details are provided in *Note 25* of the *Company's 2011 Audited Consolidated Financial Statements*.

While the shareholder loan was discharged up to April 1, 2011, however, from April 2, 2011 TTL continued to finance work programmes and field development of its subsidiaries in Tajikistan. The loan bears interest at the rate of the London inter-bank offer rate plus 1%. The loan will be repaid by SSEC from free cash flow before any distribution of profit to SSEC's shareholders. TTL will continue to manage SSEC and subsidiaries in all day-to-day operations in accordance with the Management Agreement as oil and gas experts.

Subsequent to this transaction the Company holds 85% economic interest in the contractor share of the Bokhtar PSC which covers an area of approximately 35,000 km^2 in the southwest of the country (representing approximately 21.6% of the total land area of Tajikistan). On December 21, 2012, KPL entered into the Farm-Out Agreement as described under "*Description of the Business – Overview of Properties – Sales to Customers – Tajikistan*".

The Bokhtar PSC is for a term of 25 years and covers a large highly prospective region, which has previously produced oil and gas. This transaction has provided the Company with valuable benefits including the acquisition of over 9,899 MMboe of mean unrisked prospective resources (708 MMboe risked (according to the June 30, 2012

Gustavson report), reducing the interest of a non-funding partner and thereby increasing the Return on Capital Employed going forward, and obtaining control of the Tajikistan joint-venture.

TTL continues to manage SSEC and subsidiaries in all day-to-day operations in accordance with the Management Agreement as oil and gas experts.

On December 13, 2011, SSEC and TTL entered into a management agreement whereby TTL provides day to day and management services to SSEC in return for USD120,000 per month. The management agreement has an initial term of five years renewable automatically for further five-year terms unless earlier terminated.

Uzbekistan

Uzbekistan is the most populous country in Central Asia with a population of some 28 million people, and its capital city of Tashkent is the most populous city in Central Asia. Uzbekistan is an arid, double-landlocked country, of which 11% of the land area consists of intensely cultivated, irrigated river valleys. Uzbekistan is the world's second-largest cotton exporter and fifth largest cotton producer. It is also the second largest producer of natural gas in the fSU, and makes up 1.7% of the world's total gas production[10]. Other major export earners include gold, and other minerals. Uzbekistan also has a well-developed industrial sector including car manufacturing, petrochemicals, tobacco and a transhipment hub. Uzbekistan has long been a producer of oil and gas, in both the Amu Darya basin in the Bukhara-Khiva region in the south of the country, and in the Fergana valley in the east. Oil production began in the early 1900's and has developed steadily since then. There are two refineries in the country; one in Fergana, which processes mainly crude oil, and one in Bukhara, which process crude oil and condensate. The oil and gas industry is managed by UNG, which reports that there are approximately 193 oil and gas fields in the country.

On April 9, 2009, the Company completed the acquisition of its wholly-owned subsidiary TPU, which holds the entire contractor interest in the North Urtabulak PEC for the North Urtabulak oil field in the Kashkadarya region of Uzbekistan (the "**TPU Acquisition**"). The consideration for the TPU Acquisition was satisfied by the issue of 15,000,000 Ordinary Shares. The value ascribed to these shares was USD4,844,000 (or USD0.32 per share). The basis for determining the consideration of the TPU Acquisition was discounted cash flows based on anticipated levels of production, but also the establishment of a business position in Uzbekistan and the potential for future growth. The North Urtabulak Field is located in southern Uzbekistan and in the northern portion of the Amu Darya basin. The nearest city is Bukhara, which is approximately 120 km north-west of the field. The North Urtabulak Field produces from a sub-salt Jurassic age reef structure at a depth of approximately 2,500 m.

The North Urtabulak field is an old field in its final stages of development. The Company has and continues to use modern oilfield techniques and technologies to increase and maintain production from the field. However, the Company's activity on the field has, in the Company's opinion, also significantly enhanced its position in Uzbekistan, allowing the Company to pursue other projects such as the Chegara field development and exploration projects. Some of the recent technologies applied to North Urtabulak which may be applicable to fields such as Chegara, include pump optimization, radial drilling, infill drilling, jet-pumping and acid simulation.

The Company successfully completed a radial drilling programme on five wells on the North Urtabulak Field, with four of these wells having successfully achieved four radial laterals, and one with eight radial laterals. Technically, the radial drilling trial was very successful and a significant uplift in production (up to over 400%) was seen in all but one of these radially-drilled wells.

The Company also implemented a jet-pumping trial at North Urtabulak, principally in order to evaluate the suitability of this technology for the Jurassic carbonate reservoirs present in Uzbekistan, and also to optimise production at North Urtabulak. The initial results of this jet-pumping trial were successful, with oil production rates on the two test wells increasing by some 20%. A programme of pump replacement involving Rotaflex pumps is currently underway with the objective of more efficiently producing the field.

[10] *BP Statistical Review of World Energy, 2012*

North Urtabulak PEC

Under the North Urtabulak PEC, TPU provides services for the Uzbek State Partners under what is effectively a risk sharing service contract. The objective of the North Urtabulak PEC is to increase production from wells allocated to the contractor within the North Urtabulak Field by improving the efficiency of field development and by applying modern technologies, drilling and production methods. The North Urtabulak PEC does not confer ownership of the North Urtabulak Field to the contractor (TPU), and as UNG still have rights to work on the field and to drill new wells, no reserves or resources have been attributed to the contractor's interest under the North Urtabulak PEC to date. The work programme and budget under the North Urtabulak PEC is approved by an Operating Committee, which is jointly run by the contractor and Uzneftegazdobycha, a subsidiary of UNG. The permanent members of the Operating Committee are fixed, but additional attendees vary depending on the topics of discussion. The Operating Committee is comprised of two members from Uzneftegazdobycha and two members from TPU. According to the North Urtabulak PEC, the Project Manager, the refining agent and/or the marketing agent (as defined in the PEC or in subsequent agreements) may attend a meeting of the Operating Committee upon the request of Uzneftegazdobycha and TPU (without the right to vote on any matter discussed in the meeting). Under the North Urtabulak PEC, the contractor receives 50% of all incremental production from each well from the North Urtabulak Field for the first three years of production, with the remaining 50% being shared between the Uzbek State Partners. For the subsequent five years, the contractor receives 20%, and the Uzbek State Partners 80% of the same.

Under the North Urtabulak PEC, which was signed in August 1999, all costs incurred in the provision of services by TPU are funded solely by the contractor. The oil produced under the North Urtabulak PEC is transported to and is refined at the Fergana refinery (at no cost to the contractor). The contractor appoints marketing agents (jointly approved by the Uzbek State Partners) to sell its share of the refined products for export, with the proceeds being received by TPU in convertible currency (normally USD) and transferred to its external bank accounts. Under the terms of the North Urtabulak PEC the contractor has the right to use all necessary fixed assets such as oil pipelines, oil storage facilities, water separation equipment and gas supply lines that are owned or leased by Uzneftegazdobycha at the North Urtabulak Field. As and when new wells are put onto production, the local division of UNG lays flow lines to the wellhead and connects them to the main production facilities. The North Urtabulak PEC terminates eight years after the date of the first incremental production from the final well drilled or used in the North Urtabulak Field by the contractor. Commercial production under the North Urtabulak PEC commenced in 1999.

As at December 31, 2012, there were some 123 wells on the field, of which TPU were producing from 14.

Under the North Urtabulak PEC, TPU has an ongoing work programme in place and completed a radial drilling programme in November 2010. Additionally, the Company drilled a new development well (NUR116) in the north-west salt zone of the field, and a horizontal development well (NUR96H2), which was completed and put on production in February 2011. The Company has also completed construction and interpretation of a full field dynamic reservoir model using available data and data gathered by TPU. In March 2011, the Company procured jet-pumping equipment in order to evaluate its suitability for the Jurassic carbonate reservoirs present in Uzbekistan and to further optimise oil production at North Urtabulak. The initial results of the jet pump trial on the North Urtabulak oilfield were successful with oil rates on the two test wells increasing by some 20%. Currently a number of wells are being converted to more efficient Rotaflex pumps. The Company believes that current production can be maintained and field economics potentially improved by optimisation of artificial lift and reservoir pressure maintenance, but does not expect (at this time) to drill further wells with the future focus on increasing production in Uzbekistan being on the new Chegara Field.

Chegara PEC

The Chegara Group of fields are producing oilfields but are less developed than North Urtabulak, and Tethys believes that these fields offer significant potential for additional oil production in the short term thereby enhancing its production and cash flow from Uzbekistan.

On May 16, 2012, the Company signed a PEC for the Chegara Group of fields, located, some 14 kilometers south-west of the North Urtabulak field. The PEC has a term of twenty-five years and under the new PEC the contractor (CPL) is allocated refined products for the crude oil it produces and sells these refined products on the export

market. Unlike the North Urtabulak PEC, under the terms of the Chegara PEC, Tethys has been granted exclusive rights to conduct operations on the Chegara Group of fields.

As of December 31, 2012, the Company is waiting for final governmental approvals to commence operations on the Chegara PEC. These approvals are in their final stages and are expected to be finalised in Q3 2013 with the issuance of a Presidential Decree.

The Chegara PEC has a similar contractual arrangement to the North Urtabulak PEC which TPU currently has over the North Urtabulak Field, and which has operated successfully for approximately 14 years. Under this contract TPU is allocated refined oil products and sells these on the export market in USD. The Company believes these new fields offer significant upside and good potential to increase oil production in the near to mid-term.

Uzbekistan Exploration MOU

Following on from the contract signed in May 2011 with the Institute of Geology and Prospecting for Oil and Gas Deposits of UNG to review materials on exploration areas in the Ustyurt region and the Bukhara-Khiva region with a view to applying for suitable projects in these areas, in February 2012 the Company announced it had signed a further MOU with UNG with the objective to provide the framework for a Joint Study and the negotiation process for an Exploration Agreement relating to the Bayterek Block in the North Ustyurt Basin – an area that the Company believes has very similar geological characteristics as the Kazakh portion of the basin and the extensive modeling of the Doris oil discovery and surrounding area can be useful if applied to the Uzbek portion of the basin.

On May 16, 2012, the Company signed a further MOU to agree to a timetable for the potential signing of this Exploration Agreement. Currently additional exploration studies are being carried out jointly with UNG and it is expected that detailed negotiations on an Exploration Agreement will commence soon, leading to the acquisition of this highly prospective acreage. In March 2013, an additional exploration study agreement was signed and formal negotiations are expected to commence in Q3 2013.

Rigs and Equipment

The Company sees significant benefit both operationally and from a cost perspective in owning and operating its own drilling and production equipment. In the areas in which the Company operates, it is often difficult and expensive to source third party drilling and related contractors, and this not only has cost implications but also has the potential for delays and lack of flexibility. It is not the Company's strategy to become a service provider – its equipment is primarily for its own projects. However, if the equipment is not being utilised for the Company's operations, then such equipment may be hired out to third parties.

The Company has established a wholly-owned Cayman subsidiary, Imperial Oilfield Services Limited ("**IOSL**") to own some of its drilling rigs and other production equipment. At the end of 2011, the Company restructured the ownership of the rigs Telesto and Tykhe and their respective equipment by transferring them from Asia Oilfield Equipment B.V. and AOE Tyke S.A. to IOSL.

Currently the main pieces of equipment which are owned by the Company are as follows:

Rig "Telesto"	ZJ70/4500L 2,000 hp (1,470 kW) 450 tonne hookload diesel mechanical drilling rig which was constructed for the Company at the Sichuan Honghua Petroleum Equipment Co., Ltd. factory in Chengdu, China. This has a nominal drilling depth of over 7,000 m (23,000 ft) and is one of the largest rigs in Central Asia and is expected to be further enhanced with the installation of a top drive. Telesto is currently in Kazakhstan.
Rig "Tykhe"	ZJ30/1700 CZ 1,080 hp (792 kW) 180 tonne hookload diesel truck mounted mechanical drilling rig, which was constructed for the Company at a factory in Nanyang, China. This rig has a nominal drilling depth of approximately 3,000 m (9,843 ft). Tykhe is currently in Tajikistan.

Rig “Thoe”	UP60/80 400 hp (294 kW) 80 tonne hookload diesel truck mounted mechanical drilling rig with a nominal drilling depth of 2,000 m (6,562 ft) (with 24 kg/m drilling pipes) and workover depth of 4,000 m (13,123 ft) (with 14 kg/m pipes). Thoe is currently in Kazakhstan.
Rig “Pasithoe”	A50 330 hp (243 kW) 50 tonne hookload diesel truck mounted mechanical drilling/workover rig. Pasithoe is currently in Tajikistan.
Rig “Melite”	A37, 37 tonne diesel truck mounted workover rig primarily used for pulling tubing and light workovers in the Kyzyloi/Akkulka area.

In addition, the Group owns additional equipment such as a workover coiled tubing unit, 25 and 50 tonne cranes, GJC40-17 Cementing Unit, forklifts, trucks, and pipeline welding equipment, oil transportation trucks etc.

Marketing

Kyzyloi Field — Kazakh Gas Supply Contract

Initial gas production from the Kyzyloi Field (Phase 1) was sold under the long-term take-or-pay contract signed between TAG and the gas trading company GazImpex in January 2006 (the “**Kazakh Gas Supply Contract**”). This contract was assigned in December 2007 from GazImpex to the PCK, who utilized the gas in the domestic Kazakh market. This contract was further assigned on May 1, 2009 to Asia Gas NG LLP. The contract price was USD32 per 1,000 cubic metres excluding VAT or USD35.84 per 1,000 cubic metres including VAT at the current 12% rate. The Company has the ability to offset VAT levied on the sale of gas from the Kyzyloi project against VAT costs on the Kyzyloi project. The Gas Supply Contract was scheduled to expire on December 1, 2012, but was subsequently prolonged until December 31, 2012.

On January 28, 2013, two gas supply contracts were signed by TAG with Intergas Central Asia JSC, a wholly owned subsidiary of the Kazakh State company KazTransGas JSC, for both the Kyzyloi and Akkulka natural gas fields. The contracts are for annual volumes up to 150 million cubic metres at an increased net price of USD65 per 1,000 cubic metres of gas or USD72.8 per 1,000 cubic metres including VAT, net of marketing and distribution costs, and run through to December 31, 2013. To the end of Q4 2012, some 662.3 million cubic metres had been delivered under the Gas Supply Contract.

Akkulka Field – Kazakh Gas Supply Contract

In September 2010, the Company commenced the second phase of gas development (referred to as “Phase 2” of the Kyzyloi / Akkulka shallow gas development) and entered into a second gas sales contract with Asia Gas NG LLP pursuant to which gas is sold at a price of USD33.95 per Mcm net of VAT (USD38 per Mcm including VAT). Gas sold under this contract is for domestic sales and as such, is subject to a 0.5% MET to the Kazakh State.

As stated above, in January 2013, two gas supply contracts were signed by TAG with Intergas Central Asia JSC, a wholly-owned subsidiary of the Kazakh State company KazTransGas JSC, for both the Kyzyloi and Akkulka natural gas fields. The contracts are for annual volumes up to 150 MMcm at an increased net price of USD65 per Mcm of gas or USD72.8 per Mcm including VAT, net of marketing and distribution costs, and run through to December 31, 2013.

The Company is hopeful that, with the completion of the Kazakhstan – China gas pipeline (which the Company understands is scheduled for 2013/2014), better gas prices may be obtained with more competition from gas buyers for supply.

Akkulka Field – Kazakh Pilot Oil Supply Contract

In September 2010, the Company commenced the sale of untreated oil at the well site of AKD01 (under test production at a permitted level of up to 750 bopd) to an oil trading company which transported the oil by truck to the

north of the town of Emba, located 450 km to the north-east of the field, where it is treated before being transported to local refineries. Tethys sold the unprocessed oil at the wellhead at an initial price of USD22/bbl. This test production scheme was implemented to gain reservoir information, realise early cash flow, and prepare for the higher production and associated logistics for the next stage.

In January 2011, TAG received Kazakh State approval from MOG for the Pilot Production Project for the Doris oil discovery on the Akkulka Field. This approval granted TAG the right to produce oil from the Doris discovery under the exploration contract and allowed the Company to install and operate production facilities for the planned 3,000-4,000 bopd (Phase 2) production target. During 2012 the Company received approval to extend its exploration contract to March 2015 and then applied for an extension to the Pilot Production Project to that date. Once the Pilot Production Project is completed, the relevant final reserve calculations will be submitted to MOG to receive a production contract that will allow for full field development and foreign or domestic sales. The Company is expected to apply for a production contract after the appraisal programme for the Doris oil discovery is complete.

The total production during 2012 was 954,149 bbls over 318 production days (3,000 bopd).

In February 2011, the Company signed a joint venture agreement to construct and operate AOT, a rail oil loading terminal at Shalkar in Kazakhstan. TOT, a wholly-owned subsidiary of the Company, and Olisol Investment Ltd., a local partner with strong experience in the oil distribution business in Kazakhstan, each has a 50% interest in the project. The construction of the terminal reduced the trucking distance, lowered operating costs and improved margins, as well as reduced the number of trucks required to transport this volume of oil.

In April 2011, Tethys was informed by MOG that it had included Tethys' Kazakh subsidiaries, TAG and Kul-Bas LLP, on its list of subsoil users, which comply with the new rules on Kazakh content, making the Company one of the few subsoil users who comply.

In August 2011, Tethys announced the opening of its Kazakh Oil Production facilities, which was an important step forward in the development of the Doris oilfield. Oil is now being trucked from this location and will increase with the new production facilities. With the opening of the new rail-loading facility in April 2012, which reduced the trucking distance by half, production has been increased to approximately 4,000 bopd. The production facility and terminal are designed for potentially much greater production rates in the future. As production levels increased in 2011 so did the oil price reaching USD33/bbl following the opening of the rail loading facility. While there were problems in June and July where because of a general fall in oil prices in Kazakhstan our sales price fell to USD31, this then increased to USD33 in September and has remained at that level up to the present. We are anticipating that the price will increase to USD37 in Q2 2013.

In January 2012, the Company announced the official inauguration of its Aral Oil Terminal, which was opened in April 2013 – the new storage and rail loading facility for its oil shipments from the Doris oilfield. The AOT is owned and operated through a 50:50 joint venture by Tethys and its Kazakh oil trading partner's company, Olisol Investment Ltd.

In the three months from April 1 to June 30, following the opening of AOT at Shalkar, there was a significant increase in the amount of oil trucked. It should be noted that TAG sells the oil at the wellhead and does not participate in the trucking operation and therefore relies on a third party to ensure that the maximum amount of oil produced is trucked and sold.

The AOT facility construction comprises three phases:

Phase 1 – Completed

The Phase 1 facility had a loading capacity of 4,200 bopd and a storage capacity of 1,300 bbls. Under Phase 1 operations, the terminal had the ability to unload 10 road tankers and to simultaneously load 5 rail tankers.

Phase 2 – Completed (subject to State Commission approval)

The Phase 2 construction allows an increase in throughput capacity from 4,200 bopd up to 6,300 bopd with the installation of two x 1000 m3 tanks (approximately 12,500 bbls), associated dehydration and pumping equipment. The electrical dehydration equipment will further improve crude oil quality. During the run-up to Phase 2 operations the facility became operational 24 hours a day. Further enhancements during Phase 2 operations include oil and water metering systems and a heating capability for winter operations. All process equipment also became automated during Phase 2 operations.

In November 2012, the Company announced the AOT Phase 2 of construction was complete allowing this Phase to commence (subject to final State Commission approval). The Working Commission was successfully completed in November 2012 and the State Commission is expected in May 2013.

Phase 3 – Planned

The Doris field is currently producing approximately 4,000 bopd. It is planned to expand the capacity of AOT to Phase 3 to accommodate future potential production growth which is dependent upon further drilling success. On completion of Phase 3, the facility will have an estimated loading capacity of 12,000 bopd and a storage capacity of 125,800 bbls of crude oil, plus an additional 12,580 bbl storage for refined products. Under Phase 3 operations, the terminal will have the ability to unload 10 road tankers and to simultaneously load 10 rail tankers.

In addition, AOT will be able to act as a rail logistics terminal for equipment to be moved to and from the Doris oil field and surrounding operations, and used to transport refined products for operations.

In April 2012, the Company announced it had received permission from the MOG to extend the Akkulka Exploration Contract for a further two years from March 10, 2013 to March 10, 2015, which will enable a more comprehensive appraisal of the commercial discovery of oil at AKD01 and exploration of further identified prospects in the contract area.

In May 2012, the Company announced an updated oil resource report prepared by Gustavson Associates for its Kazakhstan assets, estimating gross unrisked recoverable mean prospective oil resources of 1.23 billion barrels of oil plus 634 Bcf of natural gas (1.336 billion boe). The upgrade was attributed to additional 2D and 3D seismic acquisition and interpretation as well as drilling data.

Current production from the Doris field has increased steadily in 2012 and is currently averaging approximately 4,000 bopd. Further exploration/appraisal targets in the greater Doris area are currently being finalized for drilling in 2013.

North Urtabulak Field – North Urtabulak PEC

The oil produced under the North Urtabulak PEC is refined at the Fergana refinery and the contractor uses marketing agents jointly appointed with Uzneftegazdobycha and Uznefteproduct to sell its share of the refined products to qualified buyers in the export market with the ability to pay in USD. The prices of refined products under the North Urtabulak PEC are negotiated on an arm’s length basis monthly between TPU and marketing agents based on the prices of the local export market.

In order to maximise the price achieved for the sale of the refined products of the incremental production under the North Urtabulak PEC, the marketing agent, working together with Uzneftegazdobycha and Uznefteproduct, shall when feasible, combine or substitute the refined products of the incremental production with other such products to increase the volume of the specific products being sold by the marketing agent.

Tajikistan – Bokhtar PSC

Under the Bokhtar PSC, the Company has the right to export any oil and gas production from the contract area, but at the current time believes that the optimal market for oil is the domestic market. If produced volumes increase from the Bokhtar area, the Company will re-evaluate marketing options. Oil from the Company’s production in Beshentak is currently being sold to a number of buyers. Prices for this oil currently range from USD 60 to 68 per

barrel. Payment for all oil is in USD and during 2012 the blended average price of oil sold to the buyers was USD55.6/bbl. There are no forward contracts currently in place.

Competitive Conditions

The oil and gas industry is highly competitive. The Company competes for acquisitions and in the exploration, development, production and marketing of oil and gas with numerous other participants, some of whom may have greater financial resources, staff and facilities than the Company. The Company's ability to increase reserves in the future will depend not only on its ability to develop or continue to develop existing properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and gas include price, methods and reliability of delivery and availability of imported products.

The Company's principal competitive advantages relate to its experience in Central Asia (and the fSU), geological expertise and, subject to market conditions, access to capital. Senior management of the Company have developed a thorough understanding of the geology of Central Asia and the region, and of its operational challenges and opportunities. The Company's senior management also has a comprehensive understanding of the commercial and regulatory environments in Kazakhstan, Tajikistan and Uzbekistan and elsewhere in Central Asia and the surrounding area. The Company's Executive Chairman has over 23 years' experience working in the fSU. As a publicly listed issuer, the Company has certain competitive advantages over other foreign entities operating in Kazakhstan, Tajikistan and Uzbekistan, in terms of access to capital (subject to market conditions). However, state-owned companies and certain multi-national oil companies have greater financial resources than the Company. The continued success of the Company will be based on its ability to raise capital to expand its production capabilities and further its exploration initiatives.

Socio-Economic Obligations and Community

The Company's social responsibility strategies include environmental compliance and the promotion of fundamental relationships with local communities in the areas in which the Company operates and also with the provincial and national authorities of such areas. Local employment is promoted by identifying, providing and supporting job opportunities within the Company's operating areas. In the opinion of management, this has been well received by the local communities and has contributed to maintaining a positive relationship in and around the Company's areas of operation. The Company contributes part of its annual expenditure to education and training programmes in the regions in which it operates.

In Kazakhstan, in line with its subsurface use contracts, Tethys is required to invest USD90,000 annually (Kyzyloi Production – USD30,000; Akkulka Exploration – USD20,000; Akkulka Production – USD30,000 and Kul-Bas Exploration and Production Contract – USD10,000) into the socio-economic development of the Aktobe region in co-ordination with the local government. Provided that certain standards and requirements are satisfied, sub-contractors, goods, materials and/or services used in the operations of TAG and Kul-Bas under its subsurface use contracts must be of Kazakh origin. TAG as well as Kul-Bas must also give preference to Kazakh personnel and, on an annual basis, must contribute to the professional education of Kazakh personnel involved in operations being conducted in connection with the contract. This amounts to 1% of operating costs in case of Akkulka and Kyzyloi production contracts; to 1% of exploration costs in case of Akkulka Exploration Contract; and to 1% of total investment costs in case of Kul-Bas Exploration and Production Contract.

Both subsurface use companies in Kazakhstan are also required to establish a fund for reclamation (liquidation fund) of the contract area. Contributions to this fund are required annually. This amounts to 1% of operating costs in case of Akkulka and Kyzyloi production contracts; to 1% of exploration costs in case of Akkulka Exploration Contract; and to 1% of total investment costs in case of Kul-Bas Exploration and Production Contract. The Company is also encouraged to make further voluntary payments for participation in the social development of the Aktobe region. In 2012, a total of USD210,000 was paid in voluntary support. Further significant voluntary payments were made to regional social funds and to UNESCO.

In Tajikistan, according to the Bokhtar PSC, KPL has an obligation to invest in the socio-economic development of the Bokhtar Area annually. KPL has already contributed to several social programmes in Tajikistan, for example in

June 2010, KPL constructed replacement housing in the town of Kulob, Khatlon Region, South Tajikistan, to benefit the population in an area suffering from catastrophic flooding. The Company had also previously provided generators to local maternity hospitals.

During the celebration of Novruz Holiday of 2011, KPL funded and organized a celebration for 42 children and their families of the Hamadoni District nearby East Olimtoi prospect. In September 2011, KPL purchased a fully equipped ambulance car and transferred to Kurgon-Teppa healthcare authorities. In late 2011, substantial material aid was provided to a Lyceum for disabled children under the Ministry of Labour and Social Protection. KPL plans to further support this institution.

In 2012, a Nowruz celebration was held in the Lyceum for disabled children under the Ministry of Labour and Social Protection, and additional supplies were provided to children, including rehabilitation equipment, computers, and the Lyceum's canteen was provided with much needed equipment.

The socio-economic budget for each year is proposed and approved at the Coordinating Committee of the Bokhtar PSC but no minimum amount is provided in the Bokhtar PSC. In addition, KPL has an unquantified obligation to implement appropriate training programmes for Tajik staff with the intention of replacing foreign staff with suitably trained and experienced local specialists. KPL and TSTL have an annual budget provision for staff training which has been effectively used for both in-house and international training. Training opportunities are also offered to partner government agencies such as MEI and TajikGeology. KPL has signed an MOU to cooperate with Tajik Mining and Metallurgy Institute to provide itself with qualified local personnel in the future.

Whilst there are no formal or legislative regulations with regard to the socio-economic obligations of Tethys in Uzbekistan, the Company does endeavour to make its best efforts to integrate into and to assist the local community wherever possible. Historically, small gifts of equipment and educational materials have been made to local hospitals and community associations. Furthermore, English lessons have been provided for all local employees, and several of the Company's more academically-able local employees have been sponsored to pursue distance learning courses at both Karshi and Tashkent Oil and Gas Institutes in Uzbekistan, and at Heriott Watt University in the U.K. A number of the Company's technical staff have attended specialist technical training courses in the U.K, U.S., U.A.E., Kazakhstan and Russia.

Similarly, whilst there is presently no legal requirement for Tethys in Uzbekistan with regard to local employee content, the Uzbek operation comprises approximately 99% local content.

Environmental

The Company's operations are subject to environmental regulations in the jurisdictions in which it operates and the Company carries out its activities and operations in material compliance with all relevant and applicable environmental regulations and pursuant to best industry practices. As is standard practice, provisions for abandonment, site restoration and remediation costs associated with the Company's drilling operations are required in each of the countries in which it operates.

In Kazakhstan, quarterly environmental compliance reports are required to be submitted by the Company to relevant government authorities. The Company may be required to make payments to the Kazakh State in respect of certain emissions. Prior to the introduction of enhanced environmental regulations in 2007, the payments made by the Company in terms of environmental issues were quite small. In respect of the Kazakh operations, the Group's annual cost of compliance of environmental obligations amounted to approximately 2.1 million Tenge (USD17,236) in 2007, 4.9 million Tenge (USD40,661) in 2008 and 1.9 million Tenge (USD12,880) in 2009. In 2010, the Company spent 57.5 million Tenge (USD383,578) for emissions.

In 2010, the Kazakh State introduced enhanced environmental regulations which included relevant payments and costs for emissions, industrial wastes, environmental monitoring and implementation of nature-conservative measure plans together with an additional payment for each well drilled. These new regulations included the depth and amount of waste produced during drilling and the amount of gas that may be flared. The payment cannot be calculated in advance, or even projected, as it depends on the Group's geological and engineering team during the

drilling. The Company paid 14.1 million Tenge (USD94,547) in 2012 for emissions compared to 15.0 million Tenge (USD100,377) in 2011.

In 2011, KPL invested significant funds in HSE improvements at its operational sites in Beshtentak, East Olimtoi and Persea areas. During 2011, mud removal and revegetation operations were carried out at East Olimtoi, Komsomolsk, Beshtentak and Persea areas, with some additional improvements made in 2012 to the BST20 production facilities. All expenditures incurred in abandonment and site restoration are cost recoverable.

The Company's operations in Uzbekistan are required to be in compliance with both the terms of the North Urtabulak PEC and with the environmental legislation of Uzbekistan. The Company makes its best endeavours, so far as consistent with performing the services in accordance with international oil industry standards, to protect natural resources and to avoid pollution and damage to the environment. The North Urtabulak PEC states that TPU shall have no liability for any environmental claim arising from the transportation or refining of hydrocarbons produced from the North Urtabulak Field. Throughout the 14-year history of drilling and workover operations on the North Urtabulak Field, TPU has been in complete compliance with all relevant environmental legislation. TPU's drilling and workover operations are carried out in strict compliance with the Uzbek environmental protection legislation, and with Group corporate policy to minimize the environmental impact of the operations.

Potential risks to the environment resulting from workover and drilling operations on the North Urtabulak Field are addressed through the existing environmental impact procedures of TPU, via environmental impact assessments and via pre-job safety meetings, at which potential environmental risks are discussed. In addition to the Company's own health, safety and environmental policies, the project is subject to compliance with the health, safety and environmental legislation of Uzbekistan. In the oil and gas industry, this legislation is enforced by a government body known as Sanoattehnazorat (Industrial Technical Inspection). Representatives of Sanoattehnazorat perform routine inspections of the North Urtabulak Field operations to ensure compliance with these regulations.

At present, the Company believes that it meets all applicable environmental standards and regulations, in all material respects, and has included appropriate amounts in its capital expenditure budget to continue to meet its environmental obligations.

Employees

As of December 31, 2012, the Company had a total of 560 full-time employees worldwide.

Specialized Skill and Knowledge

The Company believes its success is largely dependent on the performance of its management and key employees, many of whom have specialized skills and knowledge relating to oil and gas operations. The Company believes that they have adequate personnel with the specialized skills and knowledge to successfully carry out the Company's business and operations.

Foreign Operations

The Company's assets are currently located in Kazakhstan, Tajikistan and through the North Urtabulak PEC in Uzbekistan. Consequently, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability. See "*Risk Factors*" for a further description of the risk factors affecting the Company's foreign operations.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The following is a statement of reserves data presented for Kazakhstan and Tajikistan. The Company engaged Gustavson to evaluate the Company's oil and natural gas reserves in Kazakhstan and Tajikistan. The Company engaged Gustavson to evaluate its oil and gas reserves attributable to Beshtentak and Komsomolsk fields, located within the Tajikistan Contract Area. In connection therewith, Gustavson prepared an independent evaluation of the Company's natural gas reserves in respect of Kazakhstan and Tajikistan dated March 27, 2013 (the "**Statement**") with a joint effective date of the Statement is December 31, 2012. The Statement has been prepared in accordance with NI 51-101.

In accordance with the requirements of NI 51-101, attached hereto are the following appendices:

Appendix A-1: Report on Reserves Data by Independent Qualified Reserves Evaluator in Form 51-101F2 for Gustavson

Appendix B-1: Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3

Disclosure of Reserves Data

Kazakhstan

The Company engaged Gustavson to evaluate the Company's crude oil and natural gas reserves as at December 31, 2012, and in connection therewith, Gustavson prepared the Gustavson Reserve Report evaluating the Company's crude oil and natural gas reserves as at December 31, 2012.

The reserves data set forth below is based upon evaluations by Gustavson with an effective date of December 31, 2012. The reserves data summarizes the crude oil and natural gas reserves of the Company and the net present values of future net revenue for these reserves using forecast prices and costs. The reserves data set forth complies with the requirements of NI 51-101. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which the Company believes is important to the readers of this information. Gustavson was engaged by the Company to provide evaluations of proved, probable and possible crude oil and natural gas reserves.

In preparing the Gustavson Reserve Report, basic information was obtained from Tethys, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluations and upon which the Gustavson Reserve Report are based was obtained from public records, other operators and from Gustavson non-confidential files. The extent and character of ownership and the accuracy of all factual data supplied for the independent evaluation, from all sources, was accepted by Gustavson as represented.

Estimated future net revenue based on the Gustavson Reserve Report is presented in U.S. Dollars. All evaluations and reviews of future net cash flow are stated prior to any provision for interest costs or general and administrative costs (other than Kazakhstan-related general and administrative costs) and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. It should not be assumed that the estimated future net cash flow shown below is representative of the fair market value of the Company's properties. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil and natural gas reserves may be greater than or less than the estimates provided herein.

Tajikistan

The Company engaged Gustavson to evaluate the Company's oil and gas reserves as at December 31, 2012, and in connection therewith, prepared the Gustavson Reserve Report evaluating the Company's oil and gas reserves as at December 31, 2012.

The tables below are a summary of the oil and gas reserves attributable to the Beshtentak and Komsomolsk fields and the net present value attributable to such reserves as evaluated in the Gustavson Reserve Report, based on forecast prices and costs assumptions. See "*Pricing and Inflation Rate Assumptions – Tajikistan*" for a summary of the pricing and inflation rate assumptions with respect to the reserves information contained in this Annual Information Form. No reserves have been attributed to the Khoja Sartez field at this time. The tables summarize the data in the Gustavson Reserve Report and, as a result, may contain slightly different numbers than the report due to rounding. Also, due to rounding, certain columns may not add exactly.

The estimated future net revenue figures contained in the following tables do not necessarily represent the fair market value of the reserves attributable to the Beshtentak and Komsomolsk fields. There is no assurance that the forecast price and cost assumptions contained in the Gustavson Reserve Report will be attained and variances could be material. Other assumptions relating to costs and other matters are included in the Gustavson Reserve Report. The reserves estimates attributable to the Beshtentak and Komsomolsk fields described herein are estimates only. The actual reserves attributable to the Beshtentak and Komsomolsk fields may be greater or less than those calculated. A reader should note that the estimates of reserves and future net reserves for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Throughout the following summary tables differences may arise due to rounding.

Summary of Oil and Natural Gas Reserves
As of December 31, 2012
Forecast Prices and Costs[(1)(2)(3)]

Reserves Category	Light and Medium Crude Oil		Natural Gas		Total	
	Gross (Mbbl)	Net (Mbbl)	Gross (Bcf)	Net (Bcf)	Gross (MBoe)	Net (MBoe)
KAZAKHSTAN						
Proved						
Developed Producing	2,013	1,933	17,136	16,152	4,869	4,626
Developed Non-Producing	639	597	13,522	12,272	2,892	2,642
Undeveloped	3,740	3,492	20,023	18,020	7,078	6,495
Total Proved	**6,392**	**6,022**	**50,680**	**46,444**	**14,839**	**13,763**
Probable	6,682	6,255	26,763	24,125	11,142	10,275
Total Proved Plus Probable	**13,074**	**12,277**	**77,443**	**70,569**	**25,981**	**24,038**
Possible	8,968	8,094	31,864	27,337	14,279	12,650
Total Proved Plus Probable Plus Possible	**22,042**	**20,370**	**109,307**	**97,906**	**40,260**	**36,688**
TAJIKISTAN						
Proved						
Developed Producing	0	0	0	0	0	0
Developed Non-Producing	0	0	0	0	0	0
Undeveloped	0	0	0	0	0	0
Total Proved	**0**	**0**	**0**	**0**	**0**	**0**
Probable	58.2	52.9	641.8	584.0	165.1	150.3
Total Proved Plus Probable	**58.2**	**52.9**	**641.8**	**584.0**	**165.1**	**150.3**
Possible	220.7	200.9	2,357.4	2,145.2	613.6	558.4
Total Proved Plus Probable Plus Possible	**278.9**	**253.8**	**2,999.1**	**2,729.2**	**778.8**	**708.7**

TOTAL

Proved						
Developed Producing	2,013	1,933	17,136	16,152	4,869	4,626
Developed Non-Producing	639	597	13,522	12,272	2,892	2,642
Undeveloped	3,740	3,492	20,023	18,020	7,078	6,495
Total Proved	**6,392**	**6,022**	**50,680**	**46,444**	**14,839**	**13,763**
Probable	6,740	6,308	27,404	24,709	11,308	10,426
Total Proved Plus Probable	**13,132**	**12,330**	**78,085**	**71,153**	**26,146**	**24,188**
Possible	9,189	8,295	34,222	29,483	14,893	13,208
Total Proved Plus Probable Plus Possible	**22,321**	**20,624**	**112,306**	**100,636**	**41,039**	**37,397**

Notes:

(1) Under the Bokhtar PSC, KPL will: (i) recover 100% of its costs from the Cost Production; and (ii) receive 70% of the Profit Production. The Tajik State's share of production includes all taxes, levies and duties.

(2) Light and medium crude oil includes condensate.

(3) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Summary of
Net Present Values of Future Net Revenue
As of December 31, 2012
Forecast Prices and Costs(1)(2)(3)(4)(5)(6)

Reserves Category	Before Income Taxes Discounted at (%/year)					After Income Taxes Discounted at (%/year)					Unit Value Before Income Taxes Discounted at 10%/year
	0	**5**	**10**	**15**	**20**	**0**	**5**	**10**	**15**	**20**	**($/boe)**
	(M$)	(M$)	(M$)	(M$)	(M$)	(M$)	(M$)	(M$)	(M$)	(M$)	
KAZAKHSTAN											
Proved											
Developed Producing	$126,698	$111,897	$99,859	$89,926	$81,627	$88,294	$77,833	$69,324	$62,303	$56,437	$21.59
Developed Non-Producing	$106,107	$84,562	$68,659	$56,628	$47,335	$52,718	$41,390	$33,169	$27,043	$22,375	$25.99
Undeveloped	$308,774	$240,805	$191,092	$153,851	$125,399	$116,913	$87,804	$67,031	$51,836	$40,496	$29.42
Total Proved	**$541,579**	**$437,264**	**$359,609**	**$300,406**	**$254,362**	**$257,925**	**$207,027**	**$169,524**	**$141,182**	**$119,307**	**$26.13**
Probable	$548,765	$392,376	$289,443	$219,214	$169,827	$287,710	$198,229	$140,903	$102,845	$76,806	$28.17
Total Proved Plus Probable	**$1,090,345**	**$829,641**	**$649,053**	**$519,620**	**$424,189**	**$545,635**	**$405,257**	**$310,428**	**$244,028**	**$196,113**	**$27.00**
Possible	$761,799	$525,349	$375,635	$276,971	$209,695	$364,273	$246,348	$173,107	$125,663	$93,807	$29.69
Total Proved Plus Probable Plus Possible	**$1,852,144**	**$1,354,990**	**$1,024,688**	**$796,591**	**$633,884**	**$909,908**	**$651,605**	**$483,534**	**$369,690**	**$289,920**	**$27.93**
TAJIKISTAN											
Proved											
Developed Producing	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Developed Non-Producing	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Undeveloped	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Total Proved	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Probable	$1,864	$1,653	$1,476	$1,328	$1,202	$1,864	$1,653	$1,476	$1,328	$1,202	$9.82
Total Proved Plus Probable	**$1,864**	**$1,653**	**$1,476**	**$1,328**	**$1,202**	**$1,864**	**$1,653**	**$1,476**	**$1,328**	**$1,202**	**$9.82**
Possible	$6,680	$5,382	$4,411	$3,675	$3,109	$6,680	$5,382	$4,411	$3,675	$3,109	$7.90
Total Proved Plus Probable Plus Possible	**$8,544**	**$7,034**	**$5,887**	**$5,003**	**$4,312**	**$8,544**	**$7,034**	**$5,887**	**$5,003**	**$4,312**	**$8.31**

Summary of
Net Present Values of Future Net Revenue
As of December 31, 2012
Forecast Prices and Costs(1)(2)(3)(4)(5)(6)

	Before Income Taxes Discounted at (%/year)					After Income Taxes Discounted at (%/year)					Unit Value Before Income Taxes Discounted at 10%/year
Reserves Category	**0**	**5**	**10**	**15**	**20**	**0**	**5**	**10**	**15**	**20**	**($/boe)**
TOTAL											
Proved											
Developed Producing	$126,698	$111,897	$99,859	$89,926	$81,627	$88,294	$77,833	$69,324	$62,303	$56,437	$21.59
Developed Non-Producing	$106,107	$84,562	$68,659	$56,628	$47,335	$52,718	$41,390	$33,169	$27,043	$22,375	$25.99
Undeveloped	$308,774	$240,805	$191,092	$153,851	$125,399	$116,913	$87,804	$67,031	$51,836	$40,496	$29.42
Total Proved	**$541,579**	**$437,264**	**$359,609**	**$300,406**	**$254,362**	**$257,925**	**$207,027**	**$169,524**	**$141,182**	**$119,307**	**$26.13**
Probable	$550,629	$394,029	$290,920	$220,542	$171,029	$289,574	$199,882	$142,380	$104,174	$78,008	$27.90
Total Proved Plus Probable	**$1,092,208**	**$831,293**	**$650,529**	**$520,949**	**$425,391**	**$547,499**	**$406,909**	**$311,904**	**$245,356**	**$197,315**	**$26.89**
Possible	$768,480	$530,731	$380,046	$280,646	$212,804	$370,954	$251,730	$177,518	$129,338	$96,916	$28.77
Total Proved Plus Probable Plus Possible	**$1,860,688**	**$1,362,024**	**$1,030,575**	**$801,594**	**$638,195**	**$918,452**	**$658,639**	**$489,422**	**$374,694**	**$294,231**	**$27.56**

Notes:

(1) Under the Bokhtar PSC, KPL will: (i) recover 100% of its costs from the Cost Production; and (ii) receive 51% of the Profit Production. The Tajik State's share of the production includes all taxes, levies and duties.
(2) In determining the aggregate future net revenue from a property, Gustavson estimated and deducted future well abandonment costs.
(3) Abandonment and reclamation costs are included in the calculation of the net present value of future net revenue relating to the Beshtentak and Komsomolsk fields.
(4) As the Tajik State's share of production includes all taxes, levies and duties, the net present value of future net revenue after income taxes equals the net present value of future net revenue before income taxes. Accordingly, information is only presented on a before income taxes basis.
(5) The unit value for Kazakhstan, Tajikistan and Total is presented in USD/boe.
(6) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Total Future Net Revenue
(Undiscounted)
As of December 31, 2012
Forecast Prices and Costs[(1)(2)(3)(4)]

Reserves Category	Revenue	Royalties	Export Rent Tax	Operating Costs	Development Costs	Abandon-ment and Reclamation Costs	Other Expenses	Future Net Revenue Before Income Taxes	Income Taxes	Future Net after Revenue Income Taxes
	(MM$)	(MM$)		(MM$)	(MM$)	(MM$)	(MM$)	(MM$)	(MM$)	(MM$)
KAZAKHSTAN										
Total Proved	836.73	63.10	97.09	58.62	78.38	0.26	1.92	537.36	280.46	256.90
Total Proved Plus Probable	1,654.95	126.75	239.91	120.42	124.25	0.40	1.92	1,041.29	511.60	529.69
Total Proved Plus Probable Plus Possible	2,751.74	237.11	446.50	160.90	148.59	0.51	1.92	1,756.20	881.86	874.35
TAJIKISTAN										
Total Proved	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Proved Plus Probable	8.45	0.00	0.00	5.61	0.80	0.17	0.00	1.86	0.00	1.86
Total Proved Plus Probable Plus Possible	41.08	0.00	0.00	19.15	13.09	0.29	0.00	8.54	0.00	8.54
TOTAL										
Total Proved	836.73	63.10	97.09	58.62	78.38	0.26	1.92	537.36	280.46	256.90
Total Proved Plus Probable	1,663.39	126.75	239.91	126.03	125.05	0.56	1.92	1,043.16	511.60	531.56
Total Proved Plus Probable Plus Possible	2,792.82	237.11	446.50	180.06	161.68	0.80	1.92	1,764.75	881.86	882.89

Notes:

(1) "Other expenses" refers to the repayment of historical costs and the commercial discovery bonus.

(2) "Royalties" include the Mineral Extraction Tax.

(3) With respect to Tajikistan, under the Bokhtar PSC, KPL will: (i) recover 100% of its costs from the Cost Production; and (ii) receive 51% of the Profit Production. The Tajik State's share of production includes all taxes, levies and duties.

(4) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Future Net Revenue
By Production Group
As of December 31, 2012
Forecast Prices and Costs[1][2]

Reserves Category	Production Group	Future Net Revenue Before Income Taxes (discounted at 10%/year)	Unit Value
		(MM$)	($/Mcf) ($/bbl)
TOTAL PROVED	Light and Medium Crude Oil		
	Kazakhstan	$213.4	$34.22
	Tajikistan	$0.0	$0.00
	Associated Gas and Non-Associated Gas		
	Kazakhstan	$146.2	$19.42
	Tajikistan	$0.0	$0.00
TOTAL PROVED PLUS PROBABLE	Light and Medium Crude Oil		
	Kazakhstan	$415.5	$32.78
	Tajikistan	$0.6	$11.34
	Associated Gas and Non-Associated Gas		
	Kazakhstan	$226.4	$18.68
	Tajikistan	$1.6	$15.93
TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE	Light and Medium Crude Oil		
	Kazakhstan	$702.0	$33.35
	Tajikistan	$2.3	$9.07
	Associated Gas and Non-Associated Gas		
	Kazakhstan	$306.5	$18.28
	Tajikistan	$6.6	$14.36

Notes:

(1) See table below "*Summary of Pricing and Inflation Rate Assumptions*" for pricing assumptions.

(2) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Pricing and Inflation Rate Assumptions

Summary of Pricing and Inflation Rate Assumptions
As of December 31, 2012
Forecast Prices and Costs(1)(2)

KAZAKHSTAN

	Oil			Natural Gas			
	Brent Crude Oil Price ($/bbl)	**Akkulka Export Crude Oil Price ($/bbl)**	**Akkulka Domestic Crude Oil Price ($/bbl)**	**Kyzyloi Domestic Gas Price ($/Mcf)**	**Akkulka Domestic Gas Price ($/Mcf)**	**Gas Export Price ($/Mcf)**	**Inflation rate %/year**
Historical							
2012	$111.63	N/A	$33.00	$1.01	$1.08	N/A	N/A
Forecast							
2013	$109.81	$93.34	$40.00	$1.84	$1.84	$7.65	2.5
2014	$112.56	$95.67	$41.00	$1.89	$1.89	$7.84	2.5
2015	$115.37	$98.06	$42.03	$1.93	$1.93	$8.03	2.5
2016	$118.25	$100.52	$43.08	$1.98	$1.98	$8.23	2.5
2017	$121.21	$103.03	$44.15	$2.03	$2.03	$8.44	2.5
2018	$124.24	$105.60	$45.26	$2.08	$2.08	$8.65	2.5
2019	$127.35	$108.24	$46.39	$2.13	$2.13	$8.87	2.5
2020	$130.53	$110.95	$47.55	$2.19	$2.19	$9.09	2.5
2021	$133.79	$113.72	$48.74	$2.24	$2.24	$9.32	2.5
2022	$137.14	$116.57	$49.95	$2.30	$2.30	$9.55	2.5
2023	$140.57	$119.48	$51.20	$2.36	$2.36	$9.79	2.5
2024	$144.08	$122.47	$52.48	$2.41	$2.41	$10.03	2.5
2025	$147.68	$125.53	$53.80	$2.47	$2.47	$10.28	2.5
2026	$151.37	$128.67	$55.14	$2.54	$2.54	$10.54	2.5
2027	$155.16	$131.88	$56.52	$2.60	$2.60	$10.80	2.5
2028	$159.04	$135.18	$57.93	$2.66	$2.66	$11.07	2.5
2029	$163.01	$138.56	$59.38	$2.73	$2.73	$11.35	2.5
2030	$167.09	$142.03	$60.86	$2.80	$2.80	$11.63	2.5
2031	$171.27	$145.58	$62.39	$2.87	$2.87	$11.92	2.5
2032	$175.55	$149.22	$63.95	$2.94	$2.94	$12.22	2.5
Thereafter	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

(1) The un-contracted gas price was calculated by Gustavson for the Gustavson Reserve Report based on gas sales in the Central Asia and European markets.

(2) The Kazakh Gas Supply Contract is signed with Intergas Central Asia JSC, a wholly owned subsidiary of the Kazakh State company KazTransGas JSC, for the Kyzyloi and Akkulka natural gas fields. The contract is for annual volumes up to 150 million cubic meters at a net price of USD65 per 1,000 cubic metres (USD1.84 per 1,000 cubic feet) of gas (USD72.8 per 1,000 cubic metres or USD2.06 per 1,000 cubic feet including VAT) net of marketing and distribution costs, and runs through to December 31, 2013.

Summary of Pricing and Inflation Rate Assumptions
As of December 31, 2012
Forecast Prices and Costs[(1)]

TAJIKISTAN

	Oil		Natural Gas	
	Beshtentak Crude Oil Price ($/bbl)	**Komsomolsk Crude Oil ($/bbl)**	**Beshtentak Sales Price ($/Mcf)**	**Komsomolsk Sales price ($/Mcf)**
Historical				
2012	$62.40	N/A	N/A	N/A
Forecast				
2013	$62.40	$62.40	N/A	$8.49
2014	$63.96	$63.96	N/A	$8.71
2015	$65.56	$65.56	N/A	$8.93
2016	$67.20	$67.20	N/A	$9.15
2017	$68.88	$68.88	N/A	$9.38
2018	$70.60	$70.60	N/A	$9.61
2019	$72.36	$72.36	N/A	$9.85
2020	$74.17	$74.17	N/A	$10.10
2021	$76.03	$76.03	N/A	$10.35
2022	$77.93	$77.93	N/A	$10.61
2023	$79.88	$79.88	N/A	$10.87
2024	$81.87	$81.87	N/A	$11.15
2025	$83.92	$83.92	N/A	$11.42
2026	$86.02	$86.02	N/A	$11.71
2027	$88.17	$88.17	N/A	$12.00
2028	$90.37	$90.37	N/A	$12.30
2029	$92.63	$92.63	N/A	$12.61
2030	$94.95	$94.95	N/A	$12.93
2031	$97.32	$97.32	N/A	$13.25
2032	$99.76	$99.76	N/A	$13.58
Thereafter	N/A	N/A	N/A	N/A

Reserves Reconciliation

Kazakhstan

The following table sets forth a reconciliation of Tethys' total gross proved, probable and proved plus probable reserves as at December 31, 2012, against such reserves as at December 31, 2011, based on forecast prices and cost assumptions.

	Light and Medium Crude Oil			Associated and Non-Associated Natural Gas		
Factors	**Gross Proved (Mbbl)**	**Gross Probable (Mbbl)**	**Gross Proved Plus Probable (Mbbl)**	**Gross Proved (Bcf)**	**Gross Probable (Bcf)**	**Gross Proved Plus Probable (Bcf)**
December 31, 2011	**6,141**	**7,228**	**13,369**	**56.7**	**26.9**	**83.6**
Extensions and Improved Recovery	0	0	0	0.0	0.0	0.0
Technical Revisions	1,217	-546	671	0.6	-0.1	0.4
Discoveries	0	0	0	0.0	0.0	0.0
Acquisitions	0	0	0	0.0	0.0	0.0
Dispositions	0	0	0	0.0	0.0	0.0
Economic Factors	0	0	0	0.0	0.0	0.0
Production	965	0	965	6.6	0.0	6.6
December 31, 2012	**6,392**	**6,682**	**13,074**	**50.7**	**26.8**	**77.4**

Tajikistan

The following table sets forth a reconciliation of Tethys' total gross proved, probable and proved plus probable reserves as at December 31, 2012, against such reserves as at December 31, 2011, based on forecast prices and cost assumptions.

	Light and Medium Crude Oil & Condensate			Associated and Non-Associated Natural Gas		
Factors	**Gross Proved (Mbbl)**	**Gross Probable (Mbbl)**	**Gross Proved Plus Probable (Mbbl)**	**Gross Proved (Bcf)**	**Gross Probable (Bcf)**	**Gross Proved Plus Probable (Bcf)**
December 31, 2011	**0**	**33.9**	**34**	**0**	**0.9**	**0.9**
Extensions and Improved Recovery	0	0	0	0.0	0.0	0.0
Technical Revisions	33	24	58	0.0	-0.3	-0.3
Discoveries	0	0	0	0.0	0.0	0.0
Acquisitions	0	0	0	0.0	0.0	0.0
Dispositions	0	0	0	0.0	0.0	0.0
Economic Factors	0	0	0	0.0	0.0	0.0
Production	33	0	33	0.0	0.0	0.0
December 31, 2012	**0**	**58**	**58**	**0**	**0.6**	**0.6**

Note:

(1) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Additional Information Relating to Reserves Data

Undeveloped Reserves

The following tables disclose the volumes of Proved and Probable Undeveloped Reserves as at the dates noted therein. The references to "First Attributed" refer to Proved or Probable Undeveloped Reserves as at the earliest date in the relevant year when such Undeveloped Reserves were first attributed to the Company. Undeveloped Reserves are those Reserves that are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production.

KAZAKHSTAN

		Associated and Non-Associated Gas[1]		Light and Medium Crude Oil	
Proved Undeveloped		**First Attributed (Bcf)**	**Total at Year End (Bcf)**	**First Attributed (Mbbl)**	**Total at Year End (Mbbl)**
	Prior	21.3	5.0	-	-
	2009	0.0	4.3	-	-
	2010	0.0	1.1	1,509	1,509
	2011	14.4	15.5	1,337	2,846
	2012	2.5	18.0	646	3,492

		Associated and Non-Associated Gas[1]		Light and Medium Crude Oil	
Probable Undeveloped		**First Attributed (Bcf)**	**Total at Year End (Bcf)**	**First Attributed (Mbbl)**	**Total at Year End (Mbbl)**
	Prior	14.6	7.1	0.0	0.0
	2009	0.0	7.0	0.0	0.0
	2010	0.0	7.0	4,975	4,975
	2011	17.2	24.2	1,782	6,757
	2012	0.0	11.0	0.0	5,593

TAJIKISTAN

		Associated and Non-Associated Gas[1]		Light and Medium Crude Oil	
Proved Undeveloped		**First Attributed[3] (Bcf)**	**Total at Year End (Bcf)**	**First Attributed (Mbbl)**	**Total at Year End (Mbbl)**
	Prior	-	-	-	-
	2009	3.25	-	-	-
	2010	1.00	1.00	2.8	2.8
	2011	-	0.0	-	0.0
	2012	-	0.0	-	0.0

		Associated and Non-Associated Gas[1]		Light and Medium Crude Oil	
Probable Undeveloped		**First Attributed (Bcf)**	**Total at Year End (Bcf)**	**First Attributed (Mbbl)**	**Total at Year End (Mbbl)**
	Prior	-	-	-	-
	2009	2.65	1.76	13.6	56.0
	2010	2.20	2.20	31.6	31.6
	2011	-	0.0	-	0.0
	2012	-	0.0	-	0.0

Note:

(1) Based on the forecast prices and costs evaluations carried out by Gustavson and reflected in the Gustavson Reserve Report.

With respect to the Company's undeveloped reserves in Kazakhstan, the Company is currently in the process of finalizing its plans with regard to developing its proved undeveloped and probable undeveloped reserves. For the shallow gas, the Company plans further development (Phase 3) from Q2 2013 onwards. For the oil reserves, a full field development programme will be finalised over the next twelve months based on the current appraisal well programme. In Tajikistan, the Company has contingent plans to complete well KOM201 in 2014 and to develop the reserves and resources in the Komsomolsk Field. In order to develop the Beshtentak Field, a series of workovers will be completed in 2013.

Significant Factors or Uncertainties

Kazakhstan

There are numerous uncertainties inherent in estimating quantities of proved reserves, including many factors beyond the control of the Company. The reserve data included herein represents estimates only. In general, estimates of economically recoverable gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as test rate production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. The actual production, revenues, taxes and development and operating expenditures of the Company with respect to these reserves will vary from such estimates, and such variances could be material.

Estimates with respect to reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be substantial, in the estimated reserves.

Consistent with the securities disclosure legislation and policies of Canada, the Company has used forecast prices and costs in calculating reserve quantities included herein. Actual future net cash flows will also be affected by other factors such as actual production levels, supply and demand for gas, curtailments or increases in consumption by gas purchasers, changes in governmental regulation or taxation, currency exchange rates and the impact of inflation on costs. TAG has a contractual commitment to sell gas up to the end of 2013 from the Akkulka and Kyzyloi gas fields. See "*Description of the Business — Marketing*".

Tajikistan

The process of evaluating reserves is inherently complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on current production forecasts, geological evaluation, engineering data, prices and economic conditions. These reserves estimates have been evaluated by Gustavson. These factors and assumptions include among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserves estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions. Revisions to reserves estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative.

For additional details of significant economic factors and uncertainties affecting the reserves, see "Risk Factors".

Future Development Costs

The following table sets forth the estimated future development capital expenditure costs based upon the Gustavson Reserve Report. Future development costs are expected to be funded by internally generated cash flow from production and/or through equity financing or debt issuance. Future development costs are associated with reserves as disclosed in the Gustavson Reserve Report and do not necessarily represent the Company's full exploration and development budget.

Year	Total Proved Estimated Using Forecast Prices and Costs (MM$)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs (MM$)	Total Proved Plus Probable Plus Possible Estimated Using Forecast Prices and Costs (MM$)
KAZAKHSTAN			
2013	0.926	1.676	1.676
2014	15.854	21.054	25.554
2015	49.462	55.638	55.730
2016	6.534	35.780	36.012
2017	3.883	5.244	23.640
Thereafter	2.639	3.654	4.669
Total for all years undiscounted(1)	**79.298**	**123.045**	**147.281**
TAJIKISTAN			
2013	0.600	0.600	0.600
2014	0.110	0.110	7.785
2015	-	-	4.161
Thereafter	-	-	0.1
Total for all years undiscounted(1)	**0.710**	**0.710**	**12.646**

Note:

(1) All figures show CAPEX ($2013). Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Other Oil and Gas Information

Oil and Gas Properties

<u>Kazakhstan</u>

The Company's assets in Kazakhstan are presently located in four contiguous blocks in an area of Kazakhstan to the west of the Aral Sea, in a geological area known as the North Ustyurt basin, which lies on the south-eastern edge of the prolific Pre-Caspian sedimentary basin.

As a result of its interest in TAG, the Company currently has a 100% interest in, and is operator of, a proven shallow gas field (the Kyzyloi Field). TAG also has a 100% interest in the surrounding Akkulka Exploration Licence and Contract area and within that the producing shallow gas field located in the Akkulka Production Contract, and a 100% interest in the surrounding Kul-Bas Exploration and Production Contract area. All of the Company's properties are onshore. The Company's developed properties are described in further detail below.

The Kyzyloi Field was first discovered in 1967 with additional seismic being shot in the 1990s. It was not previously developed due to the then low gas price. The Company's involvement and an increase in the gas price has made it possible to extract the gas commercially.

On December 23, 2009, TAG and MEMR signed the Akkulka Production Contract giving TAG exclusive rights to produce gas from the Akkulka Block for a period of nine years. An initial five of the seven wells assigned to the Akkulka Production Contract were already tied into the Company's existing Kyzyloi pipeline infrastructure and additional compression had already been installed and tested at the BCS on the Bukhara-Urals gas trunkline.

Production of gas from the Akkulka Block under the Akkulka Production Contract commenced in October 2010 as the gas sales agreement was signed with Asia Gas NG LLP in September 2010 and Intergas Central Asia allocated the space in the pipeline system. There are no mandatory relinquishments, surrenders, back-ins or changes in ownership in respect of the Kyzyloi or Akkulka production contract areas. There are certain relinquishment requirements under the Kul-Bas Exploration and Production Contract. See "*Description of the Business – Kazakhstan – Kul-Bas Block and Kul-Bas Exploration and Production Contract*".

The Company has constructed a 56 km 325 mm diameter pipeline from its Kyzyloi Field and compressor station to tie-in to the Bukhara-Urals pipeline, which is a gas trunkline transporting gas from Central Asia into Russia and on into Europe.

In August 2011, Tethys announced the opening of its Kazakh Oil Production facilities, which is important step forward in the development of the Doris oilfield. Oil is now being trucked from this location and will increase with the new production facilities. The new rail-loading facility inaugurated in January 2012 has reduced the trucking distance by half.

In January 2012, the Company announced the official inauguration of its Aral Oil Terminal – a new storage and rail loading facility for its oil shipments from the Doris oilfield. The AOT is owned and operated through a 50:50 joint venture by Tethys and its Kazakh oil trading partner's company, Olisol Investment Ltd. The AOT facility was initially commissioned into operation in April 2012 allowing first rail tankers loading through the facility.

Tajikistan

In Tajikistan, the Bokhtar PSC Area is located in the Afghan-Tajik basin, the eastern part of the prolific Amu Darya sedimentary basin.

Under the Bokhtar PSC, the Tajikistan Contract Area covers approximately 35,000 km^2 and includes 130 identified prospective structures/fields. To date, the Company has been operating in East Olimtoi, Beshtentak and Khoja Sartez and Komsomolsk areas.

The EOL09 exploration well reached its total depth of 3,765 metres in the Akdzhar formation in August 2011. The initial results from the raw logs indicate some zones of interest in the Bukhara limestone sequence but further data gathering and analysis is required. The Alai formation showed both good oil and gas shows while drilling (with oil and gas to surface) and the electric logs through this interval indicate several hydrocarbon bearing zones with no evidence of any oil-water contact. The EOL 09 well is the first exploration oil discovery in Tajikistan since independence.

The drilling of Komsomolsk well KOM200 commenced in August 2009. Drilling had reached a total depth of 2,024 m within the Jurassic sequence as at the end of March 2010, however due to the drilling string becoming stuck, the well was temporarily suspended. An open hole flowback test achieved a stable gas flow prior to the temporary suspension.

In May 2010, the Company commenced drilling of the directional KOM201 well on the eastern part of the Komsomolsk Field under Dushanbe. The well reached a total depth of 2,456 m and encountered a 310 metre column of Jurassic limestone with wireline logs and drilling data indicating that it is gas-bearing. Testing commenced in January 2011 with gas flow being obtained from the well on an open hole test. Production casing has been run and preparations are underway to apply radial drilling in an attempt to stimulate the well and obtain commercial gas flow. Wireline logs indicate hydrocarbons may be present in the secondary targets of the Cenomanian, Hauterivian and Bukhara, the former two zones were assessed in a limited testing programme in 2011, which failed to produce commercial hydrocarbons however this is in part attributed to a poor cement bond with the casing. The Company believes that potential does exist here and has plans to re-visit this in 2014, after completing works on Beshtentak, East Olimtoi and Persea and potentially subject to agreement with the new farm-in partners.

The Persea 1 exploration well, located near the town of Kurgon-Teppa in the south-west part of the PSC area, was primarily targeting the Bukhara limestone formation in a four-way dip closed structure with the overlying Alai

formation forming a potential secondary target. On December 19, 2011, the Company announced the initial results of its Persea 1 exploration well in Tajikistan. The well reached a total depth of 2,655 metres and wireline logs show a 50 metre gross zone of possible hydrocarbons within mixed sandstone and carbonate sequence assigned to the Alai formation. The well is now suspended and potential test plans have been internally updated to potentially test this later in 2013-2014.

In addition, the Company successfully worked over the BST20 well by applying modern perforating and acidisation techniques and applying natural gas lift. The well tested oil at a rate of 533 bopd, accompanied by 12,500 cubic metres (441 thousand cubic feet) of gas per day on a restricted choke (10 mm – 25/64 inch) with a flowing tubing head pressure of 26 atmospheres (377 psi). The oil has an API gravity of 38 degrees. The well was re-completed in mid-2012 and is currently being produced by sucker-rod pump at approximately 70 bopd. Two further workover candidates were worked on in 2012, namely BST65 and BST21, targeting the Bukhara and Alai formations respectively; both of these wells are currently suspended. An additional three wells have been identified to conduct re-completion work in 2013 and ultimately it is planned to locate potentially one or two new high angle or horizontal crestal development wells, which would have the potential to achieve higher production rates than those obtained from the BST20 well.

There are mandatory relinquishments for the Bokhtar PSC, starting in the seventh year of the contract (i.e. 2015) and at 5-year intervals after that. There are no surrenders, back-ins or changes in ownership in respect of the Tajikistan Contract Area.

Uzbekistan

In Uzbekistan, the Group operates as the contractor/services provider for the Uzbek State Partners under the North Urtabulak PEC which gives incremental production rights to increase production of oil from wells in the North Urtabulak Field in the Amu Darya Basin. The Company's subsidiary TPU operates the North Urtabulak PEC with Uzbekneftegaz, the national oil company of Uzbekistan.

The North Urtabulak Field is located in the Northern portion of the Amu Darya basin and produces oil from a Jurassic age reef structure from a depth of approximately 2,500 m.

The North Urtabulak Field is approximately 5 km^2 in areal extent and was discovered in 1972. To date, 120 wells have been drilled in the field, of which TPU currently operates a total of 16 wells, of which 14 wells are currently producing. As at December 31, 2012, no reserves have been assigned to / attributed to the Company in Uzbekistan.

Oil and Gas Wells

The number of producing and non-producing wells in which the Company had an interest as of December 31, 2012 is presented in the table below. The number of net wells corresponds to the number of gross wells as the Company has a 100% working interest in each well, subject to revenue sharing and royalties under the relevant contracts.

	Natural Gas			
	Producing		**Non-Producing**[1]	
Kazakhstan	**Gross**	**Net**	**Gross**	**Net**
Kyzyloi Gas Field	8	8	0	0
Akkulka Gas Field	4	4	7[2]	7[2]
Total	**12**	**12**	**7**	**7**

Notes:

(1) "Non-Producing" wells means wells which are not producing but which are considered capable of production.

(2) Part of the Akkulka Proved and Probable Reserves were developed-non producing as at December 31, 2012 as some are out of the current Akkulka production contract area.

	Light and Medium Crude Oil			
	Producing		Non-Producing[1]	
Kazakhstan	Gross	Net	Gross	Net
Akkulka Block (Doris field)	3	3	1	1
Tajikistan				
Beshtentak	1	1	0	0
Uzbekistan				
North Urtabulak	14	14	0	0
Total	18	18	1	1

Note:
(1) "Non-Producing" wells means wells which are not producing but which are considered capable of production.

Properties with No Attributed Reserves

Undeveloped land holdings of the Company consist of the Kul-Bas Exploration and Production Contract area in Kazakhstan and the majority of the Tajikistan Contract Area in Tajikistan. The following table sets forth the Company's undeveloped land position in Kazakhstan and Tajikistan as at December 31, 2012.

Area	Gross Acres	Net Acres
Kazakhstan		
Kul-Bas Exploration and Production Contract	1,885,943	1,885,943
Uzbekistan		
North Urtabulak PEC	1,236[1]	1,236[1]

Notes:
(1) TPU is a non-exclusive contractor and accordingly, reserves are not attributed to TPU.

Kazakhstan

The Kul-Bas Exploration and Production Contract area originally comprised 2,688,695 acres (10,881 km^2) (gross and net) in area. The Kul-Bas Exploration and Production Contract was signed between Kul-Bas and the MEMR on November 11, 2005 and is valid for a period of 25 years (unless extended by mutual agreement of the parties), with an initial six year exploration period and a 19 year production period. 20% of the contract area is to be relinquished at the end of the second year of the contract, with 20% to be relinquished annually thereafter up to the end of the six year exploration period, except with respect to combined exploration and production contracts (which mainly only contain a work programme for exploration and not production) for areas in which a commercial discovery is made as this contract grants Kul-Bas an exclusive right to proceed to the production period where it has made a commercial discovery. The first relinquishment was made in November 2007 and ratified in December 2008 by the Kazakh authorities. The relinquishments were reduced and changed in April 2009 and the Company relinquished approximately 866 km^2 (213,997 acres) in June 2010 (leaving an area of 7,632 km^2 (1,885,943 acres).

The work programme on this area amounted to a total of approximately USD7,773,500 over the initial six-year exploration period. The remaining commitment of USD2,894,000 relating to the contractual territory was required to be satisfied by November 11, 2011 and was included within the 2010 work programme of USD3,045,150. As at December 31, 2011, this requirement had been satisfied by the expenditure of USD3,039,150. With respect to 2012, a minimum work program amounting to USD1,780,000 has been agreed, of which USD839,863 has been paid during the year. On September 5, 2012 a further work program for 2013 was agreed at USD4,200,000.

The royalty payable was expected to range from 4% to 6% depending on the size of the deposit and set 30 days before production commenced but this is likely to be replaced by the Mineral Extraction Tax at 0.5% for domestic gas sales or 10% for exports. For oil sales, the Company would anticipate a MET rate on domestic sales of approximately 2.5%. See "*Tax Horizon*" below. Pursuant to the contract, Kul-Bas must also reimburse the Kazakh State for approximately USD3,280,000 in equal portions on a quarterly basis over the first ten years of any commercial production. In addition, 1% of the total investment incurred during exploration and 0.1% of the total amount of operational costs during production are payable by Tethys for the training of Kazakh specialists, and USD10,000 per year for socio-economic development programmes. See "*Description of the Business – Kul-Bas Block and Kul-Bas Exploration and Production Contract*".

Tajikistan

The Bokhtar PSC in Tajikistan gives KPL the exclusive right, as contractor under the Bokhtar PSC, to conduct certain oil and gas operations in the Tajikistan Contract Area during the term of the Bokhtar PSC and to receive the Company's share of production from the Tajikistan Contract Area. The Tajikistan Contract Area is approximately 8.6 million acres (35,000 km^2) and is located in the south-western part of Tajikistan. The Tajikistan Contract Area includes over 130 different prospective structures and several existing oil and gas fields, including the Beshtentak, Khoja Sartez and Komsomolsk fields. The Tajikistan Contract Area specifically excludes certain structures on which licences have previously been issued to other entities. Under the Bokhtar PSC, KPL would recover 100% of its costs from up to 70% of total production from oil and natural gas, the maximum allowed under the Production Sharing Law. The remaining Profit Production would then be split 70% by KPL and 30% by the Tajik State over each calendar year. The Tajik State's share of the Profit Production includes all taxes, levies and duties. The Tajik State will not receive any royalty fees from KPL. Under the Bokhtar PSC, KPL has the right to sell its share of Profit Production to any third party, whether a resident of Tajikistan or not, at a price determined by KPL. The Operator under the Bokhtar PSC is TSTL, a wholly-owned subsidiary of SSEC. On December 21, 2012, KPL entered into the Farm-Out Agreement as described under "*Description of the Business – Overview of Properties – Sales to Customers – Tajikistan*".

The terms of the Bokhtar PSC are fixed over the life of the Bokhtar PSC, which has a term of 25 years. If in respect of any development area, commercial production remains possible beyond the Initial Term, the Bokhtar PSC may be extended with respect to such development area for an additional term of not less than five years or to the end of the producing life of the development area.

Pursuant to the Bokhtar PSC, KPL, as contractor, is required to select and relinquish portions of the Tajikistan Contract Area with the first relinquishment being after seven contract years in respect of 25% of the Tajikistan

Contract Area (less any development areas) and at five year intervals thereafter in respect of 50% of the then remaining Tajikistan Contract Area (less any development areas).

KPL is not required to relinquish any portion of the original Tajikistan Contract Area containing a development area or an area containing a declared commercial discovery for which a development plan has been sought and is awaiting approval by the Tajik State.

A Coordination Committee established by KPL and MEI is responsible for the overall supervision of oil and gas operations conducted under the Bokhtar PSC. The Coordination Committee is comprised of a total of six representatives, three of whom have been appointed by MEI and three of whom have been appointed by KPL with KPL providing the Chairman of the Committee. Decisions of the Coordination Committee are made by majority decision of the representatives present and entitled to vote. KPL and MEI shall endeavour to reach agreement on all matters presented to the Coordination Committee. In the event that the Coordination Committee is unable to reach agreement on any matter then KPL's point of view shall prevail. However, if MEI is reasonably of the view that the proposed action would result in serious permanent damage to a field or reservoir which would materially reduce economic recovery of petroleum from the field or reservoir, then the matter will be referred to an internationally recognized independent expert appointed by KPL and MEI whose decision on accepted international petroleum industry practice shall be final and binding.

Pursuant to the Bokhtar PSC, KPL committed to funding a minimum work programme (previously defined as the "**Work Programme**") in respect of the Tajikistan Contract Area. The proposed Work Programme was designed to provide additional data for a focused exploration of the Tajikistan Contract Area and has involved the gathering and reprocessing of vintage datasets, acquisition of additional regional seismic data, exploration drilling, and now further exploration drilling and a modern gradiometric gravity magnetic and topographic aerial survey. The proposed Work Programme was to be carried out in two phases. Phase I, completed in 2009, consisted of: (i) geological studies; (ii) reprocessing of existing seismic and other geophysical data; (iii) acquisition of seismic and other geophysical data; and (iv) initial rehabilitation activities on the Beshtentak and Khoja Sartez fields. Upon completion of Phase I, KPL decided to proceed with Phase II. Phase II, which was to be completed within 18 months of the completion of Phase I, was to involve the commencement of the drilling of an exploration well to determine the oil and gas potential of the Bukhara formation and to perform additional rehabilitation activities if economically justified. Certain general items of budget expenditure continued into Phase II of the Work Programme. The total minimum cost of the activities planned in Phase I and Phase II was estimated to be approximately USD5,000,000. All of these contractual commitments have now been met.

To December 31, 2012, KPL had spent more than USD82 million on direct costs under the Bokhtar PSC, significantly exceeding the financial commitments under the Bokhtar PSC while meeting specific work obligations.

Uzbekistan

The North Urtabulak Field has no attributed reserves; however, the Company produces oil under the North Urtabulak PEC.

Forward Contracts

Kazakhstan

TAG was a party to the Kazakh Gas Supply Contract which was entered into in January 2006 and was assigned to PCK in December 2007. The Kazakh Gas Supply was further assigned to Asia Gas NG LLP with effect from May 1, 2009. The Kazakh Gas Supply Contract is for a maximum of 850,000 Mcm (approximately 30 Bcf) at a fixed price of USD32.00 per Mcm excluding VAT. The Gas Supply Contract was scheduled to expire on December 1, 2012, but was subsequently prolonged until December 31, 2012.

A second gas sales contract was entered into with Asia Gas NG LLP, pursuant to which gas will be sold at a price of USD38/Mcm (including VAT). Gas sold under this contract is for domestic sales and as such, was subject to a 0.5% MET payment to the Kazakh State. The Akkulka gas sales contract was to run for a period of two years. First

deliveries under this contract commenced on October 6, 2010. As stated above, on January 28, 2013, a new Gas Sales Contract was concluded with Intergas Central Asia (ICA), realizing a gas price of USD65 plus VAT, valid until December 31, 2013.

Tajikistan

In January 2009, KPL began supplying small amounts of gas to the town of Kulob in southern Tajikistan at a price of 300 Somoni (approximately USD86) per Mcm. This gas supply terminated in March 2009 pending further well rehabilitation.

Oil is being sold to a number of buyers from the Company's production in Beshtentak. Prices for this oil currently range from USD 60 to 68 per barrel. Payment for all oil is in USD and during 2012 the blended average price of oil sold to the buyers was USD54.20/bbl. There are no forward contracts currently in place.

Uzbekistan

The Company sells to independent marketing agents but has no obligation to sell them the products and therefore there are no forward contracts in place.

Abandonment and Reclamation Costs

The Company estimates well abandonment and reclamation costs area by area by taking into consideration the costs associated with remediation, decommissioning, abandonment and reclamation, as well as salvage values of existing equipment. These costs are adjusted to reflect working interests held and are time discounted in accordance with NI 51-101.

Kazakhstan

The Company may become responsible for costs associated with abandoning and reclaiming wells, processing facilities and pipelines which it may use for production of hydrocarbons. Abandonment and reclamation of such facilities and the costs associated therewith is often referred to as "decommissioning". The Company pays 1% of its total annual investments into an abandonment fund and the costs of decommissioning are expected to be paid from these proceeds. Abandonment and reclamation costs were estimated for all legal obligations associated with the retirement of long lived tangible assets such as wells, facilities and plants based on market prices or on the best information available where no market price was available. The asset retirement obligation is recorded at fair value and accretion expense, recognized over the life of the property, increases the liability to its expected settlement value. If the fair value of the estimated asset retirement obligation changes, an adjustment is recorded for both the asset retirement obligation and the asset retirement cost. The Company's asset retirement obligations consist of costs related to the plugging of wells, the removal of facilities and equipment and site restoration on oil and gas properties. The Company has estimated the costs to be USD5,000 per well for shallow gas wells and USD7,500 for deeper wells. An accretion cost is added each year in respect of asset retirement obligations.

Accretion expense is calculated by multiplying the balance of the recorded liability by the Company's credit-adjusted discount rate each year, and is simply the amortization of the present value discount associated with the asset retirement obligation's initial recording.

The Company's estimate of abandonment and reclamation costs, net of estimated salvage value, for surface leases, wells, facilities and pipelines, undiscounted and discounted at 7.4%, are USD166,237 and USD USD169,312, respectively. In the next three years, no abandonment and reclamation costs are expected to be incurred. It is anticipated that two Kul-Bas wells will be due for remediation in 2013.

Tajikistan

As of December 31, 2012, the Company had approximately 13 net wells for which abandonment and reclamation costs are expected to be incurred in respect of the Tajikistan Contract Area. The Company's estimate of

abandonment and reclamation costs, net of estimated salvage value, for surface leases, wells, facilities and pipelines, undiscounted and discounted are USD764,531 and USD524,160, respectively. Some 9 of these wells will be remediated by December 31, 2018 and the remaining 2 by December 31, 2023.

The Company will be liable for its share of ongoing environmental obligations and for the ultimate reclamation of the properties held by it upon abandonment. Ongoing environmental obligations are expected to be funded out of cash flow from operations of the Company.

Under the Bokhtar PSC, any development plan in Tajikistan must also include an abandonment and site restoration programme together with a funding procedure for such programme. All funds collected pursuant to the funding procedure shall be allocated to site restoration and abandonment and will be placed in a special interest bearing account by KPL which shall be held in the joint names of the State and KPL or their respective nominees, or its designee. KPL's responsibilities for environmental degradation, site restoration and well abandonment obligations, and any other actual contingent and potential activity associated with the environmental status of the development area shall be limited to the obligation to place the necessary funds in the approved account. In addition any areas relinquished areas must be brought into the same condition as they were prior to their transfer to KPL (soil fertility condition, quality of the ground and environment). All expenditures incurred in abandonment and site restoration are cost recoverable.

Uzbekistan

Pursuant to the North Urtabulak PEC, in the event that TPU advises the operating committee that it no longer intends to perform any Operating Services on a Contractor Well, TPU is required to plug and abandon such well at its own expense. If TPU does not comply with such provisions, Uzgeoneftegazdobycha is required to immediately assume responsibility for such well.

In the eleven year history of the project, TPU has never been required to plug and abandon a well. In every instance where a well was deemed by TPU to be unsuitable for further production enhancement operations, the well was simply returned to Uzbekneftegaz as per the terms of the PEC. As such, no abandonment costs have been incurred.

Tax Horizon

Kazakhstan

The tax system applied to the Company's operations in subsoil activity in Kazakhstan is mainly based on a combination of MET, corporate income tax and excess profit tax.

Capital equipment and wells are depreciated at various rates, and corporate income tax is applied at the rate of 20% on the taxable income. Since the Company has substantial tax losses to be carried forward, no corporate income tax should arise in 2013.

In 2012, the excess profit tax was applicable to income after corporate income tax, calculated using tax rates on a sliding scale ranging from 0% to 60% on income exceeding a tax allowable base.

No excess profit tax arose in 2012.

MET ranges from 0.5% to 1.5% of the value of produced volumes of natural gas being sold to domestic market and at a rate of 10% of the value of produced gas volumes being sold for export. Currently, both Kyzyloi and Akkulka gas is sold on the domestic market and so is subject to the domestic sales rate of 0.5%.

MET for crude oil is differentiated not only by production volumes but also by type of sales. Domestic deliveries are taxed at half the export sales rates. Additionally the tax base for volumes sold domestically is not linked to the market oil price but rather to the domestic price. For local sales where the oil is sold to third parties for refining/tolling, as the Company does, MET is calculated on operating costs, including depreciation plus 20%. On

this basis the Company would anticipate a MET rate on its domestic sales in 2013 to be approximately 2% of the value of the extracted oil.

Tajikistan

Under the Bokhtar PSC, the Tajik State's share of petroleum production includes all taxes, levies and duties which would otherwise be payable. (See "*Description of the Business – Tajikistan – Bokhtar PSC – Exploration and Appraisal Potential*" for a description of the revenue sharing provisions of the Bokhtar PSC). Accordingly, the Company does not expect that additional corporate income tax will become due on any net revenue earned in Tajikistan under the Bokhtar PSC.

Uzbekistan

In Uzbekistan, TPU operates in accordance with the Decree of the Cabinet of Ministers of Uzbekistan #322 of July 2, 1999 (the "**Decree**") and North Urtabulak PEC. The tax system which applies to the Company's operations in Uzbekistan is based on the Decree.

To permit TPU to carry forward losses of the current period to the future period for the purposes of their deduction from the taxable base, it was established that:

- the income of TPU on this project to be received from sale of its own part of liquid hydrocarbons, shall be subject only to a profit tax at the rate 16% and TPU has no other obligation in Uzbekistan on taxes and payments, including customs duties to the imported equipment;

- the foreign subcontractors of TPU, engaged implementation of the project, shall be exempted from all taxes, duties, fees and other mandatory payments, levied on the territory of the Uzbekistan;

- on payment of profit tax by TPU to deduct from the taxable base the amount of all expenses related to its activity under the project, including the amount of payment of interest on loans of banks and other organizations; and

- Uzgeoneftegazdobycha and Uzneftepererabotka shall pay all taxes and deductions to the centralized and local budgets of Uzbekistan from the whole volume of enhanced production, except profit tax on the part of liquid hydrocarbons is being paid by TPU.

Under the North Urtabulak PEC, TPU receives 50% of the oil for the first 3 years and 20% for the remaining 5 years (per Contractor Well) and its partner takes the balance. The project is liable to a 16% profit tax.

Costs Incurred

The following table summarizes capital expenditures related to the Company's activities for the year ended December 31, 2012:

	Year December 31, 2012[(1)]			
	Kazakhstan	**Tajikistan**	**Uzbekistan**	**Total**
Property Acquisition Costs				
Proved Properties	-	549	-	549
Unproved Properties	-	-	-	-
Exploration Costs	270	7,493	-	7,763
Development Costs	8,717	-	472	9,189
Total[(1)]	**8,987**	**8,042**	**472**	**17,501**

Note:
(1) Does not include the costs incurred in respect of the acquisition of the drilling rigs and ancillary equipment.

Exploration and Development Activities

The following table summarizes the gross and net exploration and development wells in which the Company participated during the year ended December 31, 2012 in Kazakhstan, Tajikistan and Uzbekistan.

Year Ended December 31, 2012

	Kazakhstan		**Tajikistan**		**Uzbekistan**	
Exploration Wells	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Natural Gas	0	0	0	0	0	0
Oil	1	1	0	0	0	0
Service	0	0	0	0	0	0
Dry Holes	0	0	0	0	0	0
Total Exploration Wells	**1**	**1**	**0**	**0**	**0**	**0**
Development Wells						
Natural Gas	0	0	0	0	0	0
Oil	0	0	2	2	0	0
Service	0	0	0	0	0	0
Dry Holes	0	0	0	0	0	0
Total Development Wells	**0**	**0**	**2**	**2**	**0**	**0**

In Kazakhstan, exploration well AKD07 was drilled but there were no new development wells drilled during that period and they are therefore not included in the above table. See "*Description of the Business*" for a discussion of the Company's development and exploration plans.

In Tajikistan, during the year up to December 31, 2012, the BST20 well was re-entered for development on the Beshtentak Field and successfully worked over, wells BST65 and 21 were also entered and perforated and are currently suspended; no commercial hydrocarbons have been produced to date.

In Uzbekistan, no new wells were drilled in the year up to December 31, 2012. Workover operations consisted primarily of routine interventions and production maintenance on the existing TPU well stock.

Production Estimates

The following discloses the estimated production of Tethys in 2013 by product type associated with the future net revenue estimates reported in the Gustavson Reserve Report.

	Natural Gas (Bcf)	**Crude Oil (Mbbl)**
Kazakhstan		
Gross Proved	4.957	1020.3
Gross Proved plus Probable	5.048	1082.8
Tajikistan		
Gross Proved	0	3.79
Gross Proved plus Probable	0	52.2

The following table sets forth the volume of production estimated in the Gustavson Reserve Report for the Kyzyloi, Akkulka Gas Fields in Kazakhstan, the Akkulka deep Oil fields in Kazakhstan and for the Komsomolsk and Beshtentak Fields in Tajikistan, being fields that account for 100% of the estimated production disclosed under the above table, for the year ending December 31, 2012:

Reserves Category	Natural Gas (Bcf)	Light and Medium Crude Oil (Mbbl)
Kyzyloi, Kazakhstan		
Gross Proved	15.224	-
Gross Proved plus Probable	25.947	-
Akkulka, Kazakhstan		
Gross Proved	33.997	-
Gross Proved plus Probable	48.768	-
Komsomolsk, Tajikistan		
Gross Proved	-	-
Gross Proved plus Probable	0.642	0.8
Beshtentak, Tajikistan		
Gross Proved	-	-
Gross Proved plus Probable	-	57.4
Akkulka Deep Oil, Kazakhstan		
Gross Proved	1.458	6.392
Gross Proved plus Probable	2.728	13.074

Production History

Kazakhstan

The following table shows the Company's average daily sales production volume, before deduction of royalties, payable to others by major producing region for each of the last four fiscal quarters and the year ended December 31, 2012.

2012(1)(2)	Natural Gas (Mcmpd)	Light and Medium Crude Oil (bopd)
Daily Production Volume (Gross Mcmpd for natural gas and gross bopd for oil)		
▪ Year Ended December 31, 2012	596	2,607
▪ Quarter ended March 31, 2012	566	1,038
▪ Quarter ended June 30, 2012	509	2,927
▪ Quarter ended September 30, 2012	478	2,732
▪ Quarter ended December 31, 2012	447	3,717
Prices Received(3)	$32.19	$28.0
Royalties Paid	-	-
Production Costs(3)	$16.28	$-7.35
Resulting Netback(3)	$15.91	$20.65

Notes:

(1) Kyzyloi and Akkulka were the only producing gas fields in Kazakhstan in 2012.
(2) The annual average value is based on a full 366-day year.
(3) $/Mcm for natural gas and USD/bbl for oil net of VAT.

Tajikistan

2012(1)	Natural Gas (Mcmpd)	Light and Medium Crude Oil (bopd)
Daily Production Volume (Gross Mcmpd for gas or gross bopd for oil)		
▪ Year Ended December 31, 2012	-	50
▪ Quarter ended March 31, 2012	-	-
▪ Quarter ended June 30, 2012	-	56

2012[1]	Natural Gas (Mcmpd)	Light and Medium Crude Oil (bopd)
▪ Quarter ended September 30, 2012	-	285
▪ Quarter ended December 31, 2012	-	36
Prices Received[2]	-	$54.2
Royalties Paid	-	-
Production Costs[2]	-	$35.8
Resulting Netback[2]	-	$18.4

Notes:
(1) BST 20 was the only well on production in Tajikistan in 2012.
(2) USD/bbl for oil.

Uzbekistan (TPU has no entitlement to gas)

2012[1]	Light and Medium Crude (bopd)
Daily Production Volume (Gross bopd)	
▪ Year Ended December 31, 2012	963
▪ Quarter ended March 31, 2012	706
▪ Quarter ended June 30, 2012	691
▪ Quarter ended September 30, 2012	649
▪ Quarter ended December 31, 2012	628
Prices Received[2]	$18.3
Royalties Paid	-
Production Costs[2]	$5.1
Resulting Netback[2]	$13.2

Note:
(1) North Urtabulak was the only field in production in Uzbekistan in 2012.
(2) USD/bbl for oil.

Production Volume By Field

The following table indicates the Company's total production for the year ended December 31, 2012 from each important field (before taxes, royalties and State take unless otherwise noted):

2012	Natural Gas (Mcm)	Light and Medium Crude Oil (bbl)	Barrels of Oil Equivalent (boe)	Boepd
Kyzyloi Gas Field, Kazakhstan	127,613	-	750,875	2,053
Akkulka Gas Field, Kazakhstan	55,316	-	325,479	889
Doris Oil Field[1] Kazakhstan	-	954,149	954,149	2,607
Beshtentak, Tajikistan[1,2]	-	34,675	34,675	95
North Urtabulak, [3] Uzbekistan	-	244,701	244,701	669
Total [4]	**182,929**	**1,233,525**	**2,309,875**	**6,311**

Notes:
(1) Boepd is calculated on total days in year including non-production days.
(2) Net to SSEC, SSEC is 85% owned by the Company.
(3) Net to TPU, TPU is 100% owned by the Company.
(4) The average oil and gas production per production day for the fourth quarter of 2012 was 7,011 boepd.

RISK FACTORS

An investment in Ordinary Shares is speculative and involves a high degree of risk that should be considered by potential investors. An investor should carefully consider the following risk factors in addition to the other information contained in this Annual Information Form before purchasing Ordinary Shares. The risks and uncertainties below are not the only ones the Company is facing. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. In addition, there are additional risks and uncertainties of which the Company is not presently aware or that the Company currently considers immaterial but which may also impair the Company's business operations and cause the price of the Ordinary Shares to decline. If any of the following risks actually occur, the Company's business may be harmed and the Company's financial condition and results of operations may suffer significantly. In that event, the trading price of the Ordinary Shares could decline, and an investor may lose all or part of his or her investment. Please also see the Company's Management Discussion and Analysis for the year ended December 31, 2012 filed on SEDAR at www.sedar.com for a discussion of risks relevant to the Company's financial performance.

Risks Related to the Company and its Business

Property Interests and Governmental Approvals

The Company's subsidiaries obtain their exploration and/or production rights in Kazakhstan, Uzbekistan and Tajikistan through entering into various contracts with governmental agencies in such countries (the "**Company Contracts**"). Ownership of the land covered by the Company Contracts usually remains with the relevant state and/or state-owned companies, with the Company only obtaining land use rights as necessary for the operations. The Company's subsidiaries are required to obtain other specific operational licences for example, to carry out their exploration and/or production activities. Some of these licences, permits and authorisations may be held by third party service providers such as drilling companies. There is no assurance that all licences, permits or authorisations have been or will be granted to the Company and there is no assurance that the Company has all the requisite licences, permits or authorisation to carry out their exploration and/or production activities. There is also no assurance whether the Company has complied with all of the environmental, safety, health and sanitary regulations. In this respect, no experts or advisers have been engaged to conduct any audit or technical review of the operations of the Company, including any audit to determine if the Company has the required licences, permits or authorisations necessary to conduct operations.

Further, in Uzbekistan, the North Urtabulak PEC grants the exploration and/or production rights in the North Urtabulak Field subject to TPU obtaining all operational permits and licences required under the laws of Uzbekistan. Under the North Urtabulak PEC, Uzneftegazdobycha is only required to assist TPU in obtaining such permits and licences and to allow TPU to use all its land use rights relating to the North Urtabulak Field. There is no assurance that Uzneftegazdobycha will provide such assistance, or even if it does, that the authorities will grant such licences and/or permits failing which there is a risk that TPU may not obtain the requisite operational licences and/or permits for its exploration and/or production activities and/or will be able to comply with all applicable laws and regulations in Uzbekistan, which may result in a material adverse effect on the Company's operations and performance in Uzbekistan. According to the Company, all operational licences, permits and other authorisations required for operations under the North Urtabulak PEC are currently held by Uzneftegazdobycha, and they have not been assigned to the Company. However as Uzneftegazdobycha is a state-owned company, it is not possible to independently verify whether it has all of the required licences, permits or authorisations. Failure of the Company to obtain its operational licences, permits or authorisation may affect its rights under the Contracts which in turn may result in a material adverse effect on the Company's operations.

The Company Contracts to which the Company or its subsidiaries are parties and, if applicable, pursuant to which subsurface use right licences are granted, are subject to certain conditions, including minimum expenditure and work programme commitments, reimbursement requirements, obligatory contributions to socio-economic development funds and liquidation funds, requirements for procuring local goods and services, and hiring and training of local personnel. For example, the work programme and budget under the North Urtabulak PEC is approved by an operating committee which is jointly run by TPU and Uzneftegazdobycha. In the event that Uzneftegazdobycha

does not grant its consent to the work programme and budget under the North Urtabulak PEC, it may materially and adversely affect the Company's business and operations in Uzbekistan. In addition, the Company Contracts and other permits and licences granted to the Company are subject to periodic renewal and extensions. There is a risk that the Company Contracts and such permits and licences may not be renewed and/or extended or, in the case of exploration only contracts, new production contracts may not be entered into due to the Company's breach of conditions, or based on other reasons beyond the Company's control. There are also risks that the Company Contracts and other permits and licences are not renewed and/or extended on a timely basis or may not be based on terms satisfactory to the Company. Any defects in the Company Contracts, permits and licences to conduct its oil and gas exploration and production activities and failure or delays in renewing and/or extending and obtaining such Company Contracts, permits and licences could materially and adversely affect the Company's business, operations and prospects.

There are also a number of restrictions on direct or indirect transfers or alienation of rights with respect to the Company Contracts in Kazakhstan (the "**Kazakh Contracts**") and "User Rights" as defined below. The Kazakh State introduced a law on subsurface use with effect from July 2010 (the "**Subsurface Law**"). The Subsurface Law replaced a prior law on subsurface use (the "**Prior Law**") and is discussed below.

Pursuant to the Subsurface Law, the objects associated with subsoil use rights include, in addition to contracts with Kazakh governmental agencies, the following:

- participatory interests or shares in a legal entity holding the subsoil use right, as well as a legal entity which may directly and/or indirectly determine and/or influence decisions adopted by a subsoil user if the principal activity of such subsoil user is related to subsoil use in Kazakhstan; and
- securities confirming title to shares or securities convertible to shares of a subsoil user as well as a legal entity who may directly and/or indirectly determine the decisions and/or influence the decisions adopted by such a subsoil user if such a legal entity's main activities are associated with subsoil use in Kazakhstan (the "**User Rights**").

Risks Associated with the Kazakh Subsurface Law

The Kazakh Contracts are subject to the Subsurface Law, among other Kazakh laws. The Subsurface Law provides the Kazakh State with a statutory priority right, exercisable in the event of transfer of an interest in a legal entity that has the right to directly or indirectly make decisions and/or exert influence on decisions adopted by a subsoil user if such legal entity's main activity is related to subsoil use in Kazakhstan.

In addition, under the Subsurface Law, any transfer or alienation of subsoil use rights and/or User Rights to any third party, in whole or in part, may only be made with the prior consent of the competent authority in Kazakhstan (the "**Competent Authority**"), if the main activity of that legal entity is related to subsurface use in Kazakhstan. Under the Subsurface Law, transactions requiring the consent from the Competent Authority include the issuance of shares for circulation on an organized market by an entity whose main activity is related to subsoil use in Kazakhstan and also include the following:

- foreclosure of subsoil use rights and User Rights;
- transfer of subsoil use rights and User Rights to the third parties' charter capital;
- transfer of subsoil use rights and User Rights in the course of bankruptcy proceedings;
- obtaining a right to a participatory interest in a subsoil user or its parent company if such right arises as a result of charter capital increase or by accession of a new participant to such legal entity;

- the initial public offering on an organized market of a subsoil user or its parent companies' securities;
- a pledge of participatory interests (shares) in a subsoil user;
- the transfer of subsoil use rights or User Rights due to the reorganization of a subsoil user or its parent companies.

The Subsurface Law also provides for certain exemptions from the provisions applicable to the transfer or alienation of subsoil rights and User Rights in the following instances:

- public market transactions that take place on a recognized securities exchange and are in respect of securities already listed and in circulation, notwithstanding the fact that these transactions would otherwise be subject to the pre-emptive right of the Kazakh State;
- the transfer, in full or in part, of subsoil use rights or objects associated with subsoil use rights to a subsidiary of a subsoil user in which not less than 99% of the equity of such subsidiary is owned directly or indirectly by the subsoil user, provided that such subsidiary is not registered in a country with a preferential tax regime;
- the transfer, in full or in part, of subsoil use rights or objects associated with subsoil use rights between legal entities in which not less than 99% of the equity of both parties is owned directly or indirectly by the same entity, provided that the acquiring entity is not registered in a country with a preferential tax regime;
- transactions involving the purchase or sale of securities that would otherwise be subject to the pre-emptive right, but which would result in the transfer of less than 0.1% of the equity of the acquirer.

Under the Prior Law, article 71 granted the Kazakh State a priority right to acquire any interest being sold in a legal entity, whether directly or indirectly, and on terms no worse than that offered to the buyer, if the main activity of such legal entity is subsurface use rights in Kazakhstan. As was the case under the Prior Law, the Subsurface Law does not have a definition of main activity related to subsurface use in Kazakhstan. The then-appointed Competent Authority for the purposes of the Prior Law, MEMR, has previously taken a preliminary, non-binding view that the Company's main activity was subsoil use rights in Kazakhstan. The Company sent its objection to this view, providing additional information about the Company's assets in Uzbekistan and Tajikistan, as well as its mobile drilling and production equipment, as an explanation why its main activity should not be considered to be subsoil use rights in Kazakhstan, but MEMR never responded. The current Competent Authority, MOG, has not taken a formal position on this issue. The Company's position is strongly that its main activity is not subsoil use rights in Kazakhstan. However, there is no certainty that the Competent Authority will not take a contrary view.

The transfer or alienation of subsoil use rights and User Rights by the Company's subsidiaries whose main activity is related to subsoil use in Kazakhstan will be subject to the Kazakh state's priority right and consent requirement under the Subsurface Law. In addition, should the Competent Authority decide that the Company's main activity is subsoil use rights in Kazakhstan, then the Kazakh State would have a priority right under the Subsurface Law (as it did under the Prior Law in respect of prior offerings) in respect of the transfer or alienation of subsoil use rights and User Rights (as described above). In the event the Company does not or did not comply with these provisions of the Subsurface Law, the Competent Authority will have the right to terminate the Company's Kazakh Contracts. If the Kazakh Contracts were terminated by the Competent Authority, the Company would lose its subsurface use rights in the Kazakh Contracts and any revenue generated from them. In addition, the Subsurface Law provides that any transaction involving the transfer of subsoil use interests which are subject to the Subsurface Law without the Competent Authority's consent is invalid. If the Kazakh State decided the Company's main activity was subsoil use rights in Kazakhstan and took such action to terminate the Kazakh Contracts, the Company would assert that the Kazakh State had no right to terminate the Kazakh Contracts because the Company's main activity is not subsurface use in Kazakhstan.

The Company is not aware of any instances to date when the Kazakh State has exercised its waiver of its priority right to purchase, nor is it aware of any instances when the Kazakh State has terminated a subsoil use contract when a transfer occurred without the Kazakh State's waiver.

A previous acquisition of the Company's interests in Kul-Bas resulted in a non-material minor technical infringement of article 10 of the limited liability partnership law of Kazakhstan. That law prohibits a Kazakh limited liability partnership to have another Kazakh partnership as a single participant, which in turn is owned by a single entity. This infringement was cured by transfer of the 100% participating interest in Kul-Bas from TAG to TKL (which is the 100% owner of TAG). Kul-Bas has obtained MEMR's consent and therefore Kazakh State's waiver under the relevant articles of the sub-surface law in respect of such restructuring.

The Company has received several extensions to its Kazakh Contracts, including extensions effective since the adoption of the Subsurface Law, as are more detailed in this AIF under the heading "*Description of the Business – Overview of Properties*".

Risks Associated with Kazakh Regulatory Authorities

The main government authority responsible for supervising and regulating the oil and gas industry in Kazakhstan was MEMR. As of March 12, 2010, MEMR's responsibilities with respect to the oil and gas industry were transferred to MOG.

The Subsurface Law establishes the general and specific powers for MOG which include, but are not limited to, the authority to: (i) tender subsoil use rights; (ii) supervise subsoil users' compliance with their obligations under relevant subsoil use contracts including the authority to supervise compliance with local content requirements; and (iii) grant regulatory approvals. MOG also has the specific authority to grant permission for flaring of associated gas and natural gas and the determination of the volumes of crude oil to be supplied by subsoil users to the internal Kazakh market.

The Subsurface Law also attempts to clarify the roles and specific duties of other committees and commissions involved in the regulation of various aspects of subsoil use operations. Despite this, it is not clear as to which role each ministry, agency and committee will play.

Risks Associated with Antimonopoly Regulations

Prior consent from the Antimonopoly Agency is needed for certain transactions, which may reduce or restrict competition in the Kazakh market. Specifically, the consent of the Antimonopoly Agency, among others, is required for an acquisition by a person (or group of persons) of voting shares in the capital of an entity, whereby such person (or group of persons) gains the right to control more than 25% of such voting shares, where such person (or group of persons) prior to the purchase did not hold voting shares of that entity, or held 25% or less of the voting shares in the capital of such entity, provided that certain turnover or asset thresholds are met or where one of the parties to the transaction holds a dominant position in a certain market. The consent is required in respect of a transaction involving entities outside Kazakhstan, where such transaction either directly or indirectly affects fixed or intangible assets, shares, property or non-property rights in relation to Kazakh legal entities, or restricts competition in Kazakhstan.

A transaction which occurs without the Antimonopoly Agency's approval is not void under the law, but may be challenged in a Kazakh court. The Company is not aware of any case where a transaction involving an international company was challenged in Kazakh court.

Generally, no consent of the Antimonopoly Agency will be required if no person (or group of persons) acquires more than 25% of a legal entity's shares. However, the Antimonopoly Agency's authority is discretionary and it may, in certain instances (including instances where consent would not otherwise appear to be required), require an issuer to obtain its consent to a particular transaction.

The Company believes that previous acquisitions of the interests in TAG did not obtain the Antimonopoly Agency's consent. However, the Company is not in a position to verify such prior transactions' compliance with the antimonopoly legislation, if required. The failure to obtain the Antimonopoly Agency's consent may be subject to an administrative fine, which is most likely to arise in the event that there is any subsequent sale that requires the Antimonopoly Agency's consent. In addition, income received as a result of anti-competition agreements between the companies, or as a result of abuse by a company of its monopoly or dominant position may be confiscated. The Company does not believe that currently it has a dominant position in the Kazakhstan oil and gas market.

Kazakhstan Local Content Rules

On September 20, 2010, the new local content rules were adopted approving a uniform procedure for calculating local content in relation to the purchase of goods, works and services ("**New Local Content Rules**"). Under the Subsurface Law, all subsoil users must give preference to local companies when procuring goods, works and services for subsoil use operations. The New Local Content Rules provide formulae for local content calculation in supply and service contracts as well as customer purchases.

On September 25, 2010, the Government of Kazakhstan approved the rules for the formation and maintenance of a register of goods, works and services used in subsoil use operations and the entities (producers) providing same ("**New Register Rules**"). The New Register Rules also set out criteria for assessing whether a producer is required to be included in the register. Under the New Register Rules the Ministry of Industry and New Technologies was named as the Competent Authority responsible for formation and maintenance of a register of goods, works and services used in subsoil use operations and their producers ("**Register**"). Information to be included in the Register is to be based on the information as to procurement of goods, works and services contained in the annual work programmes provided by subsoil users to competent authorities (i.e., MOG).

In January 2011, the Company, as well as many other subsoil users, were notified by the MOG that they were in violation of certain provisions of the New Local Content Rules. In April 2011, the Company was informed by the MOG that it included Tethys' Kazakh subsidiaries on its list of subsoil users which comply with the recent new rules on Kazakh content. The Company has worked hard with the appropriate Kazakh authorities to ensure compliance with these rules and is very pleased to be one of the few subsoil users who currently comply.

The new Local Content Rules, which provide stringent rules and regulations governing supply and service contracts as well as customer purchases, are extremely difficult to comply with at this time given the shortage of available local services in several parts of Kazakhstan. It is generally understood that the vast majority of Kazakh subsoil users are in technical violation of the New Local Content Rules. The Company is taking all necessary steps to ensure its Kazakh subsidiaries comply with the New Local Content Rules as far as possible. The Company believes it has submitted all required documents to MOG to support its intent to be in compliance with the New Local Content Rules.

Competition

The oil and gas industry is intensely competitive. Competition is particularly intense in the acquisition of prospective oil properties and oil and gas reserves. The Company's competitive position depends on its geological, geophysical and engineering expertise, its financial resources, its ability to develop its properties and its ability to select, acquire and develop proved reserves. The Company competes with a substantial number of other companies which have a larger technical staff and greater financial and operational resources. Many such companies not only engage in the acquisition, exploration, development and production of oil and gas reserves, but also carry on refining operations and market refined products. The Company also competes with major and independent oil and gas companies and other industries supplying energy and fuel in the marketing and sale of oil and gas to transporters, distributors and end users, including industrial, commercial and individual consumers. The Company also competes with other oil and gas companies in attempting to secure drilling rigs and other equipment necessary for drilling and completion of wells. Such equipment may be in short supply from time to time. In addition, equipment and other materials necessary to construct production and transmission facilities may be in short supply from time to time. Finally, companies not previously investing in oil and gas may choose to acquire reserves to establish a firm supply or simply as an investment. Such companies will also provide competition for the Company.

Substitute Energy Sources

As with any other product, the Company's production of oil and gas is subject to substitution. Alternative energy sources such as renewable electricity (for example, wind power or hydroelectric power), nuclear power, liquefied natural gas, biofuel or biomass and other alternative forms of energy for usage in transport, heating and power generation all represent competing sources of energy to the Company's products. If the prices of these forms of energy fall and/or the prices of the Company's products rise dramatically, then the Company's products will face substitution as economic agents look for cheaper forms of energy. The Company currently produces low-cost forms of energy (i.e., onshore oil and gas). There is no guarantee that the Company's products will remain competitive in the future marketplace due to changes in technology, governmental regulations, economic and taxation or other as yet unforeseen scenarios. Further, the continuous call from the international community for a reduction in the use of fossil fuels may have an impact upon oil and gas companies of all sizes operating world-wide in being required to reduce production or output or lacking market for their product. The demand for alternative sources of energy, especially renewables, could affect the Company's production of oil or gas or sale of its products, which may in turn materially adversely affect the business, results of operation and prospects of the Company.

Marketability of Production

The marketability and ultimate commerciality of oil and gas acquired or discovered is affected by numerous factors beyond the control of the Company. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and gas pipelines and processing equipment and government regulation. The Company currently produces gas into the transcontinental gas trunkline system which ultimately supplies gas to Russia and Europe. Political issues, system capacity constraints, export issues and possible competition with Russian gas supplies may in the future cause problems with marketing production, particularly for export. Oil and gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Restrictions on the ability to market the Company's production could have a material adverse effect on the Company's revenues and financial position.

Commodity Price Fluctuations

Oil and gas prices are unstable and are subject to fluctuation. Any material decline in oil and/or natural gas prices could result in a reduction of the Company's net production revenue and overall value and could result in ceiling test write downs. In Kazakhstan the Company has fixed price gas contracts up to the end of 2012. Two gas supply contracts were signed by TAG with Intergas Central Asia JSC, at a fixed price and run through to December 31, 2013.

The Company's oil contract in Kazakhstan, its refined products in Uzbekistan and its oil sales in Tajikistan are subject to commodity price fluctuation and it may become uneconomic to produce from some wells as a result of lower prices, which could result in a reduction in the volumes and value of the Company's reserves. The Company might also elect not to produce from certain wells because of lower prices. All of these factors could result in a material decrease in the Company's net production revenue causing a reduction in its acquisition and development activities. Beyond 2012 fluctuations in oil and gas prices could materially and adversely affect the Company's business, financial condition, results of operation and prospects. There is no government control over the oil and gas price in the countries where the Company operates.

Although the Company believes that the medium to long term outlook for oil and gas prices in the region is good, the recent events in various parts of the world demonstrate the volatility and uncertainties of the oil and gas industry. Also, consideration needs to be given to production and other factors such as OPEC, refinery shut-ins and inventory. Any discussion of price or demand is subjective and as such there are many differing opinions on the cause of recent price changes.

As previously stated gas production from both the Kyzyloi and Akkulka contracts in Kazakhstan are sold at fixed prices, at least until the end of 2013, and so the fluctuation in world commodity prices should have no effect on the Company's revenue from the Kazakh gas operations up to the end of 2012. In Uzbekistan, the Company sells

refined petroleum products on a monthly or bi-monthly basis and is consequently also subject to movements in the oil price. In Tajikistan although the current production levels are not significant the oil price is subject to fluctuation.

The Bukhara-Urals trunkline carries gas from Central Asia through Kazakhstan and into the Russian export system and consequently any problems would have adverse implications for the economy of Uzbekistan in particular and to a lesser extent the Russian and Kazakh economies, as such it is anticipated that there would be significant efforts to minimize any disruption in supply. However, there are external factors that may affect this. Problems with closure of the pipeline and reduced production levels were encountered in both 2009 and 2010. Although the Kazakh-China gas pipeline is planned to be completed by the end of 2013, which may allow for an alternative export route for the Company's gas, there is no guarantee that this pipeline will ultimately be completed, or that Tethys will be able to access this line.

Nature of the Oil and Gas Business

An investment in the Company should be considered speculative due to the nature of the Company's involvement in the exploration for, and the acquisition, development and production of, oil and natural gas in Central Asia. The volume of production from oil and natural gas properties generally declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. The Company's proved reserves will decline as reserves are produced from its properties unless it is able to acquire or develop new reserves. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash flow from operations is reduced and external sources of capital become limited or unavailable, the Company's ability to make the necessary capital investment to maintain or expand the Company's asset base of oil and natural gas reserves will be impaired. In addition, there can be no assurance that even if the Company is able to raise capital to develop or acquire additional properties to replenish the Company's reserves, the Company's future exploration, development and acquisition activities will result in additional proved reserves or that the Company will be able to drill productive wells at acceptable costs.

The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment.

Dependence on Gas Pipeline

The Company is partly economically dependent on the pipeline from the Kyzyloi Field to a booster compression station constructed at 910 km on the Bukhara-Urals gas trunkline and onwards in the Bukhara-Urals trunkline in that should anything adverse happen to these pipelines then the gas sales revenue (which is not the majority of the Company's revenue at present) would cease. Although the trunkline is owned by Intergas Central Asia, currently a Kazakh State company, and no problems are currently envisaged with respect to exporting the Company's gas through this system, it may be that in the future the trunkline owners refuse to take the Company's gas, impose excessively high transportation charges, or that the trunkline capacity may be reached. The trunkline carries gas from Central Asia through Kazakhstan and into the Russian export system and consequently as any problems would have adverse implications for the economy of Uzbekistan in particular and to a lesser extent the Russian economy, it is anticipated that there would be significant efforts to minimize any break in supply. However external factors may affect this. For example, in December 2008 to January 2009, a dispute between GazProm and Ukraine resulted in a temporary closure of the Russian gas export system to Europe which, although not directly affected, did have a significant knock-on effect on the whole export system, including gas flowing through the Central Asian gas trunkline network. Problems with closure of the pipeline and reduced production levels were encountered in both 2009 and 2010. Although the Kazakh-China gas pipeline is planned and under construction, which may allow for an alternative export route for the Company's gas, there is no guarantee that this pipeline will ultimately be completed, or that Tethys will be able to access this line.

Dependence on Refinery and Transportation Facilities

All of the oil produced under the North Urtabulak PEC in Uzbekistan is transported to and refined by Uznefteproduct at the Fergana refinery. Any loss of capacity at this refinery would negatively impact on revenue

generated by the Company under the North Urtabulak PEC. The oil produced in Kazakhstan under the Pilot Production Project is currently sold only partly treated at the wellhead.

On January 30, 2012, the Company announced the official inauguration of its AOT, a new storage and rail loading facility for its oil shipments from the Doris oilfield. Any loss of capacity or delay in truck or rail shipments or significant problems with the AOT may negatively affect the Company's oil sales revenue from the Pilot Production Project.

Management Services Provided by Vazon and Dependence on Key Personnel

The services of the Company's Executive Chairman and President and the Chief Administrative Officer and Corporate Secretary are provided under the terms of two management services agreements with a corporate entity, Vazon. As a result, these two executive officers of the Company, although officers of the Company, are not employed directly by the Company but rather by Vazon. Vazon is a corporation wholly-owned by Dr. David Robson, the Company's Executive Chairman and President. Either management services agreement may be terminated on up to six months' notice by Vazon or the Company. Should Vazon (acting through Dr. Robson) determine to terminate either or both management services agreements, the Company would be required to enter into an employment or other relationship directly with these executive officers or, failing which, would be required to retain the services of alternate executive officers. There is no certainty that the Company would be able to attract and retain suitable candidates should either of the management services agreements be terminated and the executive officers choose not to be employed or retained by the Company. Any such termination may materially and adversely affect the Company. Moreover, the Company is dependent on its key executive officers to manage its affairs and operations. The departure of any one key executive officer may negatively impact on certain of the Company's operations until a suitable replacement candidate is appointed.

The Company does not carry key man insurance on any of its executives as at the date hereof. The role of Dr. Robson is clearly instrumental and critical to the Group and its continual growth and success. The loss of Dr. Robson would likely have a significant impact upon the Group until a suitable replacement could be found. The expertise and knowledge of Dr. Robson is an extremely valuable asset to the Group and not one that is easily found in a potential successor or replacement. In the event that the Company is unable to attract, retain and train key personnel, the Group's business, operations and prospects could be materially and adversely affected.

Hedging Activities

The Company's subsidiary, TAG, has entered into the Kazakh Gas Supply Contract and the Akkulka Gas Supply Contract. From time to time the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such increases. Similar risks will apply to any hedging agreements the Company may enter into in order to set exchange rates or fix interest rates on its debt.

The Company has a need for GBP on a regular basis to settle its financial liabilities in both Guernsey and the United Kingdom and so on May 12, 2011 the Company took out foreign currency hedge contracts to hedge exposure to the USD/GBP exchange rate. The contracts were in the form of a put option to sell US dollars with a strike price of $1.6495, with a clause that if a barrier level in the foreign currency exchange rate of $1.5675 was breached on the date of expiry, the option converted to a forward contract at the strike price of $1.6495. This arrangement expired at the end of April 2012.

Financial Resources

The Company's cash flow from operations may not be sufficient to fund its ongoing activities and implement its business plans. From time to time the Company may enter into transactions to acquire assets or the shares of other companies. These transactions along with the Company's ongoing operations may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards and lead to increased borrowing costs, reducing the Company's income. Alternatively, the Company may seek further funding through issue of

equity but, particularly in the current market conditions, there can be no assurance, particularly in the current economic climate, that debt or equity financing will be available when required or sufficient to meet the Company's requirements or if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse impact on the Company's financial condition, results of operations and prospects. See Note 2 of the audited consolidated financial statements for the financial year ended December 31, 2012 for a description of the financial condition of the Company as at the date of this Annual Information Form.

International Operations

International operations are subject to political, economic and other uncertainties, including but not limited to, risk of terrorist activities, revolution, border disputes, expropriation, renegotiations or modification of existing contracts, import, export and transportation regulations and tariffs, taxation policies, including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labour disputes and other uncertainties arising out of foreign government sovereignty over the Group's international operations. The Group is subject to risks related to its operations in or interests relating to Kazakhstan, Tajikistan and Uzbekistan, including those related to the exploration, development, production, marketing, transportation of natural gas, taxation and environmental and safety matters. The Group's operations may also be adversely affected by applicable laws and policies of Kazakhstan, Tajikistan, Uzbekistan or other countries in which it operates in the future, the effect of which could have a negative impact on the Company.

In particular, Uzbekistan and Tajikistan border Afghanistan. Afghanistan is currently in a situation of instability. Such stability and security issues may have an adverse effect on the ability of the Group to gain access to equipment and personnel. In addition, any particular domestic or international incidents in the region may have an adverse effect on the sentiment of the market towards energy companies that operate in Central Asia, as well as an adverse effect on the willingness of lenders and new investors to provide financing to the Group. Currently, the Group is not subject to any foreign investment restrictions in Kazakhstan, Tajikistan and Uzbekistan.

The government of the Russian Federation and Russian oil and gas companies may exert a significant degree of influence in the region. Russian regulations and policies may have a significant impact on the market prices of natural gas in the Company's current markets. Actions taken by Russian authorities and companies may also have an impact on the Company's ability to provide its products to market although this is mitigated by the Group's oil product exports to other markets and the planned natural gas pipelines from Central Asia to the People's Republic of China. Actions taken by the Russian government and competitors in Russia may be unpredictable and would be out of the Group's control. There is no guarantee that actions taken by Russian and other foreign entities will not have a material adverse effect on the Company's prospects and the trading price of the Ordinary Shares.

Foreign Currency and Fiscal Matters

The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. A material change in the value of any such foreign currency could result in a material adverse effect on the Company's cash flow and future profits. The Company is exposed to exchange rate risk to the extent that balances and transactions denominated in a currency other than the US dollar. In addition, a portion of expenditures in Kazakhstan and Tajikistan are denominated in local currency, the Tenge and Somoni, respectively. The Company also attempts to negotiate exchange rate stabilization conditions in new local Tenge denominated service and supply contracts in Kazakhstan.

While the Company holds the majority of its cash and cash equivalents in U.S. dollars it does hold other balances, mainly Pounds Sterling and Canadian Dollars, to meet the requirements to fund ongoing general and administrative and other spending requirements in these currencies. For further details please refer to Note 3 of the audited consolidated financial statements for the financial year ended December 31, 2012.

There are laws restricting foreign exchange in Uzbekistan. However, they currently have limited impact on TPU as all sales are settled in accounts located outside of Uzbekistan. However, there can be no assurance that such arrangement will not be prohibited as the relevant laws and requirements may change in the future to prohibit the

Company from freely exporting oil and settling sales through overseas accounts despite the fact that TPU's North Urtabulak PEC specifically states that products should be sold on the export market.

Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Kazakhstan or Tajikistan to foreign entities. While there are in fact restrictions on repatriation of capital and distribution of earnings from Uzbekistan to foreign entities, the Company has not been affected by this as it is paid for its refined product sales in U.S. Dollars outside of Uzbekistan. There can be no assurance that restrictions on repatriation of capital or distributions of earnings from Kazakhstan or Tajikistan will not be imposed in the future. Moreover, there can be no assurance that the Tenge, Somoni or Soum will continue to be exchangeable into U.S. Dollars or that the Company will be able to exchange sufficient amounts of Tenge, Somoni or Soum into U.S. Dollars or Pounds Sterling to meet its foreign currency obligations.

Moreover, the Ordinary Shares trade in Canadian Dollars on the TSX and UK Pounds Sterling on the LSE and, accordingly, the variation in exchange rates between the U.S. Dollar, Canadian Dollar and UK Pound Sterling may also affect the market price of the Company's shares on the TSX and LSE.

See "*Currency and Exchange Rates*" elsewhere in this Annual Information Form for historical data on exchange rates of the Tenge, Somoni, Soum and Pounds Sterling relative to the U.S. Dollar.

Political and Regulatory

The oil and gas industry in general is subject to extensive government policies and regulations, which result in additional cost and risk for industry participants. Environmental concerns relating to the oil and gas industry's operating practices are expected to increasingly influence government regulation and consumption patterns which favour cleaner burning fuels such as natural gas. The Company is uncertain as to the amount of operating and capital expenses that will be required to comply with enhanced environmental regulation in the future. The Company is also subject to changing and extensive tax laws, the effects of which cannot be predicted. Among other things, the Company and TKL are subject to regulatory filings with respect to the repatriation of funds to its shareholders which must be complied with to avoid sanctions. Legal requirements are frequently changed and subject to interpretation, and the Company is unable to predict the ultimate cost of compliance with these requirements or their effect on its operations. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations may change in the future and materially adversely affect the Company's results of operations and financial condition.

The Company is conducting exploration and development activities in Kazakhstan, Tajikistan and Uzbekistan, and is dependent on receipt of government approvals or permits to develop its properties. Based on past performance, the Company believes that the governments of Kazakhstan, Tajikistan and Uzbekistan support the exploration and development of their oil and gas properties by foreign companies. Nevertheless, there is no assurance that future political conditions in Kazakhstan, Tajikistan and/or Uzbekistan will not result in their respective governments adopting different policies respecting foreign development and ownership of oil and gas, environmental protection and labour relations. This may affect the Company's ability to undertake exploration and development activities in respect of present and future properties, as well as its ability to raise funds to further such activities. Any delays in receiving government approvals or permits or no objection certificates may delay the Company's operations or may affect the status of the Company's contractual arrangements or its ability to meet its contractual obligations. Similar risks apply in other countries in which the Company may operate in the future.

Legal Systems

The Company is governed by the laws of the Cayman Islands and the Company's principal subsidiaries are incorporated under the laws of Kazakhstan, Tajikistan, British Virgin Islands, Delaware, Cyprus, England, the Netherlands, Luxembourg and Belgium. The Company through its subsidiaries carries on operations in Kazakhstan, Tajikistan and Uzbekistan. Accordingly, the Company is subject to the legal systems and regulatory requirements of a number of jurisdictions with a variety of requirements and implications for shareholders of the Company. Shareholders of the Company will not have rights identical to those available to shareholders of a corporation incorporated under the federal laws of Canada. Moreover, in certain circumstances, the Company may require a shareholder to divest itself of its Ordinary Shares if the ownership or holding of such Ordinary Shares would be in

breach of laws or a legal requirement of any country or if such shareholder is not qualified to hold the Ordinary Shares and if such ownership or holding would in the reasonable opinion of the Board of Directors cause a pecuniary or tax disadvantage to the Company or any other shareholder.

Exploration and development activities outside Canada may require protracted negotiations with host governments, national oil and gas companies and third parties. Foreign government regulations may favour or require the awarding of drilling contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. If a dispute arises with foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons, especially foreign oil and gas ministries and national oil and gas companies, to the jurisdiction of the Canada.

Kazakhstan, Tajikistan and Uzbekistan may have less developed legal systems than jurisdictions with more established economies, which may result in risks such as: (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness and enforcement of such arrangements in these jurisdictions cannot be assured.

Production Variances from Reported Reserves

The Company's reserve evaluations have been prepared in accordance with NI 51-101. There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived therefrom, including many factors that are beyond the control of the Company. The reserves information set forth in this Annual Information Form represent estimates only. The reserves from the Company's properties have been independently evaluated by Gustavson in the Gustavson Reserve Report. The Gustavson Reserve Report includes a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of the Company. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material. These evaluations are based, in part, on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations.

The Company is subject to risks related to its operations in Kazakhstan, Tajikistan and Uzbekistan, including those related to the development, production, marketing, transportation of natural gas, taxation and environmental and safety matters. The Company may be adversely affected by changes in governmental policies or social instability or other political or economic developments in Kazakhstan, Tajikistan and/or Uzbekistan that are outside the Company's control including among other things, expropriation, risks of war and terrorism, foreign exchange and repatriation restrictions, changing political conditions and monetary fluctuations and changing governmental policies including taxation policies.

"Resource" vs. "Reserves"

Throughout this document, the Company has attempted to provide an appreciation of the potential that the Company's asset base offers. In doing so, the Company uses terms such as "resource(s)". These terms refer to the estimated original resource size of a particular prospect and it should be distinguished from reserves. Reserves are the amount of hydrocarbons that are estimated to be economically recoverable from a particular resource base from

a given date forward. Ultimate recoverable reserves can range widely depending on resource characteristics, available technologies and economic and contractual parameters.

The reserves and resources estimates contained or referred to herein are estimates only and are not meant to provide a determination as to the volume or value of hydrocarbons attributable to the Group's properties. There are numerous uncertainties inherent in estimating quantities of resources and reserves and cash flows to be derived therefrom, including many factors that are beyond the control of the Group. Reserves and resources estimates always involve uncertainty, and the degree of uncertainty can vary widely between accumulations and projects over the life of a project. Ultimate recoverable reserves can range widely depending on resource characteristics, available technologies and economic and contractual parameters.

Availability of Equipment and Access Restrictions

Oil and gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. There can be no assurance that sufficient drilling and completion equipment, services and supplies will be available when needed. Shortages could delay the Company's proposed exploration, development, and sales activities and could have a material adverse effect on the Company's financial condition. If the demand for, and wage rates of, qualified rig crews rise in the drilling industry then the oil and gas industry may experience shortages of qualified personnel to operate drilling rigs. This could delay the Company's drilling operations and adversely affect the Company's financial condition and results of operations. To the extent that the Company is not the operator of its oil and gas properties, the Company will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Operating Hazards and Limited Insurance Coverage

Oil and gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts and oil spills, each of which could result in substantial damage to oil wells, production facilities, other property and the environment or in personal injury and/or death and/or interruption of operations. Due to the nature of its business, the Company has to handle highly inflammable, explosive and toxic materials and other dangerous articles. The Company has implemented safety precautions and measures for the safe operation and maintenance of its operational facilities; however, there can be no assurance that industry-related accidents will not occur during the operation of the Company. Significant operating hazards and in some cases natural disasters may cause partial interruptions to the Company's operations and environmental damage that could have an adverse impact on the financial condition of the Company. In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although the Company maintains liability insurance in an amount that it considers adequate and consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition. Oil and gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Seasonality and Weather Patterns

The level of activity in the Central Asia oil and gas industry is influenced by seasonal and unexpected weather patterns which may lead to declines in production and exploration activity. Harsh winter conditions may impede access to remote locations and drilling activities and limit the Company's ability to perform maintenance on equipment. Also, certain oil and gas producing areas may be located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Moreover, wet weather and spring thaw may make the ground unstable. Consequently, the movement of rigs and other heavy equipment may be restricted, thereby reducing activity levels. As an example, extreme weather conditions in the Kazakh production area during the construction phase of the pipelines and compressors did cause some delays and excess muddy conditions in Spring may cause delays in construction and the transport of equipment. In addition, the Group is susceptible to the risks of unexpected weather changes that may cause delay in its oil and gas exploration

and production activities. For example, in early 2012, oil production was impeded because of extreme winter weather conditions in Kazakhstan.

Environmental

The Company's operations are subject to environmental regulations in the jurisdictions in which it operates and the Company carries out its activities and operations in material compliance with all relevant and applicable environmental regulations and pursuant to best industry practices. In Kazakhstan, quarterly reports are required to be submitted by the Company to the Shalkar (Bozoi) Tax Committee. The Company is also required to prepare reports on any pollution of air, toxic waste and current expenses on environmental protection which have been made by the Company and which are submitted to the appropriate Kazakh authorities. Reports are submitted on a semi-annual basis for information purposes and no payments are applicable.

Under the Bokhtar PSC in Tajikistan, any Development Plan should include an abandonment and site restoration programme together with a funding procedure for such programme. All funds collected pursuant to the funding procedure should be allocated to site restoration and abandonment and be placed in a special interest bearing account by KPL which shall be held in the joint names of the State and KPL or their respective nominees, or its designee. KPL's responsibilities for environmental degradation, site restoration and well abandonment obligations, and any other actual contingent and potential activity associated with the environmental status of the Development Area shall be limited to the obligation to place the necessary funds in the approved account. In addition any relinquished areas must be brought into the same condition as they were prior to their transfer to KPL (soil fertility condition, quality of the ground and environment). All expenditures incurred in abandonment and site restoration are cost recoverable. An independent environmental base line study was carried out on the Beshtentak Field.

Within the North Urtabulak PEC in Uzbekistan, in the event that the Company advises the operating committee that it no longer intends to perform any operating services on a well then it is required to plug and abandon such well at its own expense or the State gas company shall immediately assume responsibility for such well. In the latter such event, the Company shall have no responsibility with regard to plugging and abandoning the well. While operating the well the Company is required to observe all environmental laws of Uzbekistan.

At present, the Company believes that it meets all applicable environmental standards and regulations, in all material respects, and has included appropriate amounts in its capital expenditure budget to continue to meet its current environmental obligations. However, the discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur significant costs to remedy such discharge. No assurance can be given that changes in environmental laws or their application to the Company's operations will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Reliance on Third Party Operators and Key Personnel

To the extent that the Company is not the operator of its properties, the Company will be dependent upon other guarantors, contractors or third parties' operations for the timing of activities and will be largely unable to control the activities of such operators. In addition, the Company's success depends, to a significant extent, upon management and key employees. The loss of key employees could have a negative effect on the Company. Attracting and retaining additional key personnel will assist in the expansion of the Company's business. The Company faces significant competition for skilled personnel, in particular to certain areas where the oil and gas industry is less developed. The Company's inability to retain and recruit sufficient skilled personnel may cause delays in completing certain exploration and production projects on time or within the budgeted costs. There is no assurance that the Company will successfully attract and retain personnel required to continue to expand its business and to successfully execute its business strategy.

Recurring Losses and Going Concern

Since inception, the Company has incurred significant losses from operations and negative cash flows from operating activities and has an accumulated consolidated deficit of USD163 million as at December 31, 2012. Since the Group intends to invest in developing its business, further losses and negative cash flows may be incurred. While management of the Company has confidence in the future potential of the Group, there is no assurance that the Group will become or remain profitable in the future. The ability of the Company to successfully carry out its business plan is primarily dependent upon its ability not only to maintain the current level of production but also to achieve further production of commercial oil and gas and to control the costs of operating and capital expenditures. No assurance can be given that the Group will not experience operating losses in the future. In the event that the Company is unable to generate sufficient revenue and cash flow from its operations, it may need to seek further funding from the equity or debt markets or alternative sources. Particularly in the current market conditions, there can be no assurance that debt or equity financing will be available when required or sufficient to meet the Company's requirements or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse impact on the Company's financial condition, results of operations and prospects. See Note 2 of the audited consolidated financial statements for the financial year ended December 31, 2012.

Cost of New Technologies

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company does. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be materially adversely affected. If the Company is unable to utilize the most advanced commercially available technology, the Company's business, financial condition and results of operations could be materially adversely affected.

Production Delays

There is a possibility of delays in obtaining the necessary governmental approvals to commence or increase production. Any such delays could reduce the Company's revenues and income below those anticipated in the Company's business plan. Unanticipated delays in drilling or production could materially and adversely affect the Group's business, results of operation and prospects.

Disclosure Controls and Procedures; Internal Controls Over Financial Reporting

Disclosure controls and procedures have been designed by the Company's management to ensure that information required to be disclosed by the Company is accumulated, recorded, processed and reported to the Company's management as appropriate to allow timely decisions regarding disclosure. While the Company's management has concluded that the Company's disclosure controls and procedures are sufficiently effective to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is communicated to them as appropriate to allow timely decisions regarding required disclosure this cannot be guaranteed and changes may be required to ensure their effectiveness.

The Company's management has designed and implemented a system of internal controls over financial reporting as of December 31, 2012 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. While management believes that these controls are effective for a company of its size there can be no guarantee that errors will not occur and additionally as the Company grows there will be increases in the administrative burden and expense.

Conflicts of Interest

Certain of the directors of the Company may have associations with other oil and gas companies or with other industry participants with whom the Company does business. The directors of the Company are required by applicable corporate law to act honestly and in good faith with a view to the Company's best interests and to disclose any interest, which they may have in any project or opportunity to the Company. However, their interests in the other companies may affect their judgment and cause such directors to act in a manner that is not necessarily in the best interests of the Company.

Relinquishment of Exploration Rights

The Company is contractually required to relinquish certain exploration rights pursuant to several of the exploration and production contracts to which the Company (or its subsidiaries) is a party. There are mandatory relinquishments under the Kul-Bas Exploration and Production Contract, which require the Company to relinquish contract areas annually, except for areas in which a discovery is made. As of December 31, 2012, 30% of the total contract area has been relinquished. The contract was amended in December 2010, and the Company has received an approval for the extension of the exploration period to November 11, 2013. The contract was further extended with the Kazakh State to be made by the end of the exploration period on November 11, 2015, subject to submission of final regulatory paperwork.

In addition, there are also mandatory relinquishments under the Bokhtar PSC in Tajikistan after seven contract years. Save as aforesaid, the Group is not subject to relinquishment of exploration rights under any of its other contracts. A relinquishment of exploration rights may affect the Group's exploration prospects and its ability to expand production in the relevant Contract Areas. See "*Description of the Business – Kazakhstan – Kul-Bas Block and Kul-Bas Exploration and Production Contract", "Description of the Business – Kazakhstan – Akkulka Block and Akkulka Exploration Licence and Contract", and "Description of the Business – Tajikistan – Bokhtar PSC – Exploration and Appraisal Potential*".

Current Market Conditions

The increasing prices for oil, natural gas and other commodities may benefit the Company in the short term, however there is no certainty as to how long this market condition will last. Along with other oil and gas issuers, the Company faces the potential that the demand and prices for oil and gas may fall, perhaps significantly, which may result in reduced cash flow and restricted access to capital. In the event of a future prolonged period of adverse market conditions, the Company's ability to finance planned capital expenditures and operating expenses may be limited. Adverse conditions in global commodities markets and credit markets may negatively affect the Company's ability to maintain and grow its reserves and fully exploit its properties for the benefit of the Shareholders.

Potential Declines in Reserves

The Group intends to continue to explore for further reserves in its contract areas and seek to add new reserves to its reserve base. However, the Group cannot guarantee that its exploration programmes will be successful. Except to the extent the Group completes successful exploration and development projects or acquires properties containing proved reserves, or both, the Group's reserves will decline as its natural gas and liquid hydrocarbons are produced and its reserves are depleted. The Group's future production is highly dependent upon the Group's ability to develop its existing reserve base and, in the longer term, finding or acquiring additional reserves. If the Group is unsuccessful in developing its current reserve base and if the Group fails to add new reserves through exploration or acquisitions, its total proved reserves will decline, which would adversely affect the Group's business, financial condition, prospects or the market price of the Shares. In addition, the volume of production from oil and natural gas fields generally declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. This may cause unit production cost to increase. As production efficiency decreases, the Group's business and results of operations could be adversely affected.

Leased Properties

All of the Group's offices are located in leased properties. The Group has not obtained relevant building ownership certificates and/or land use right certificates from the respective landlords to prove their titles or rights to these properties as may be required under the relevant laws. It is uncertain what the legal implications are in the absence of such certificates. It is also uncertain whether the absence of the certificates and/or lack of registration will affect the validity or performance of the leases. In the event that the Group is required to cease its occupation and use of the properties as a result thereof, its business or operations at such location may be disrupted although the Group believes any such disruption would not be material.

Risks Related to the Republics of Kazakhstan, Tajikistan and Uzbekistan

Political, Economic, Legal and Fiscal Instability

Kazakhstan, Tajikistan and Uzbekistan are former constituent republics of the Soviet Union. At the time of their respective independence in 1991, each became a member of the CIS. Because Kazakhstan, Tajikistan and Uzbekistan have a relatively short history of political stability as independent nations and have experienced significant change in adapting to a market oriented economy, there is significant potential for social, political, economic, legal and fiscal instability. These risks include, among other things:

- local currency devaluation;
- civil disturbances;
- exchange controls or availability of hard currency and other banking restrictions;
- changes in crude oil and natural gas export and transportation regulations;
- changes with respect to taxes, royalty rates, import and export tariffs, and withholding taxes on distributions to foreign investors;
- changes in legislation applicable to oil and gas exploration, development, acquisition and investment activities;
- restrictions, prohibitions or imposition of additional obligations on investors;
- nationalisation or expropriation of property; and
- interruption or blockage of oil or natural gas exports.

Many of these risks are common to other countries in the world and perhaps more so. However, the occurrence of any of these factors could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, adverse economic conditions in Kazakhstan, Tajikistan or Uzbekistan could have a material adverse effect on the Company's business, financial condition and results of operations.

Further, Kazakhstan, Tajikistan and Uzbekistan also depend on neighbouring states to access world markets for a number of their exports, including oil and gas. Kazakhstan, Tajikistan and Uzbekistan are thus dependent upon good relations with their neighbours to ensure their ability to export. Although one of the aims of economic integration within the CIS is to assure continued access to export routes, should access to those routes be materially impaired, this could adversely impact the economies of Kazakhstan, Tajikistan and Uzbekistan. The development of export routes to China and potentially to the Indian sub-continent will dilute to a degree these problems if and when these routes are developed and allow the Company's production to access them.

Since its independence from the former Soviet Union, Tajikistan suffered a destructive civil war which not only caused significant damage to the infrastructure and industry of the country, but also led to regional and ethnic

rivalries. Although the situation has stabilized since 1997, there is still the potential for instability, particularly with respect to these regional rivalries, and the potential for the emergence of radical Islamist groups. Tajikistan is the poorest country in Central Asia, and this poverty may lead to further civil unrest and potential disruption to the Company's business. Tajikistan's proximity to Afghanistan may lead to further instability dependent on the situation in that country. Certain areas of the country are still military exclusion zones, especially towards the Afghanistan border, and in some areas there may be uncleared landmines, a product of both the civil war and the troubles in Afghanistan. Having said this, the Company has not had any problems working on its East Olimtoi well in southern Tajikistan, only some 10 km from the Afghan border.

While rich in natural resources, Uzbekistan is a developing country. Uzbekistan's political and economic climate, similar to other developing countries in Central Asia, may lead to potential disruptions to the Group's business. Although currently stable, Uzbekistan has seen civil disturbance in the past, most notably the disturbances in the eastern part of the country in 2005. However, the government enforces a strict policy of national unity and no significant disturbances have taken place since then.

Like other countries in Central Asia, Kazakhstan, Tajikistan and Uzbekistan could be affected by military action taken in the region, including in Afghanistan, and the effect such military action may have on the world economy and political stability of other countries. In particular, countries in Central Asia, such as Kazakhstan, Tajikistan and Uzbekistan, whose economies and state budgets rely in part on the export of oil, gas and other commodities, the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by any resulting volatility in oil, gas and other commodity prices and by any sustained fall in them or by the frustration or delay of any infrastructure projects caused by political or economic instability in countries engaged in such projects. In addition, instability in other countries, such as Russia, has affected in the past, and may materially affect in the future, economic conditions in Kazakhstan, Tajikistan and Uzbekistan.

The transition of Kazakhstan, Tajikistan and Uzbekistan to market oriented economies was marked in the earlier years by political uncertainty and tension, a recessionary economy marked by high inflation and instability of the local currency and rapid, but incomplete, changes in the legal environment. Although reforms designed to establish a free market economy have been adopted, there can be no assurance that such reforms will continue or that such reforms will achieve all or any of their intended aims.

Legal and Regulatory Environment in Kazakhstan

Kazakhstan's foreign investment, petroleum, subsoil use, licensing, corporate, tax, customs, currency, banking and antimonopoly laws and legislation are still developing and uncertain. From time to time, including the present, draft laws on these subjects are prepared by government ministries and some have been submitted to Parliament for approval. Legislation in respect of some or all of these areas could be passed. Currently, the regulatory system contains many inconsistencies and contradictions. Many of the laws are structured to provide substantial administrative discretion in their application and enforcement. In addition, the laws are subject to changing and different interpretations. These factors mean that even the Company's best efforts to comply with applicable law may not always result in compliance. Non-compliance may have consequences disproportionate to the violation. The uncertainties, inconsistencies and contradictions in Kazakh laws and their interpretation and application could have a material adverse effect on the Company's business and results of operations.

The judicial system in Kazakhstan may not be fully independent of outside social, economic and political forces, and court decisions can be difficult to predict. In addition, senior Kazakh government officials may not be fully independent of outside economic forces owing to the underdeveloped regulatory supervision system enabling improper payments to be made without detection. Both Kazakhstan and TAG are signatories to the Extractive Industries Transparency Initiative promoted by the UK government. TAG was one of the first signatories to this agreement with the Kazakhstan government. This initiative supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil and gas and which also works to build multi-stakeholder partnerships in developing countries in order to increase the accountability of governments. In addition, the government of Kazakhstan has stated that it believes in continued reform of the corporate governance processes and will ensure discipline and transparency in the corporate sector to promote growth and stability. However, there can be no assurance that the Kazakh State will continue such policy,

or that such policy, if continued, will ultimately prove to be successful. Therefore, it is not possible to predict the effect of future legislative developments on the Company's business and prospects.

The Company's exploration and production licences, hydrocarbon contracts and other agreements may be susceptible to revision or cancellation, and legal redress may be uncertain, delayed or unavailable. In addition, it is often difficult to determine from governmental records whether statutory and corporate actions have been properly completed by the parties or applicable regulatory agencies. Ensuring the Company's ongoing rights to licences and its hydrocarbon contracts will require a careful monitoring of performance of the terms of the licences and hydrocarbon contracts, and monitoring their evolution under Kazakh laws and licensing practices.

In March 2010, the Kazakh State announced a restructuring of MEMR to create MOG. In addition, the new subsoil use law has been adopted and came into force on June 24, 2010 under the registration number 291-IV.

Taxation Risks and Issues in Kazakhstan

Tax legislation in Kazakhstan is evolving and is subject to different and changing interpretations as well as inconsistent enforcement at both the local and state levels and consequently tax risks and problems with respect to its operations and investment in Kazakhstan are significant. Laws related to these taxes have not been in force for significant periods in contrast to more developed market economies and accordingly, few precedents with regard to issues have been established.

Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax and other risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems. In addition, amendments to current Kazakhstan taxation laws and regulations which alter tax rates and/or capital allowances could have a material adverse impact on the Company.

All legal entities carrying on activities in Kazakhstan must be registered with the local tax committee. Taxes in Kazakhstan include income tax, value added tax, excise tax, social tax, land tax, property tax, transport tax, as well as required contributions to various funds, duties and fees for licences. In addition, the Company has, through its various operations, been making and expects to continue to make, contributions to various social and environmental funds.

Additional payments, such as signing bonuses, commercial discovery bonuses, mineral extraction taxes and excess profit taxes, are required from oil and gas companies and other subsoil users. A signing bonus is a one-time payment for the rights to explore and/or develop and produce resources. A commercial discovery bonus is a one-time payment for each commercial discovery and is payable once a discovery of commercial value is made in a contract territory as well as for any increase in reserves.

The Tax Code was adopted for Kazakhstan effective as of January 1, 2009. Subject to limited exceptions which do not apply to the Company's subsidiaries, the tax provisions previously applicable to subsurface use contracts were not "stabilised" and accordingly, taxes are payable under the Tax Code in respect of the Group's operations in Kazakhstan.

Under the Tax Code, subsurface users (including the Company's subsidiaries) are subject to, among others, the following taxes to the extent applicable: (i) special subsurface users payments (which include a signature bonus, commercial discovery bonus and payment for reimbursement of historical costs); (ii) MET; (iii) excess profit tax; (iv) corporate income tax; and (v) rent tax on exports, as further described below:

- a signature bonus for a production contract is required to be negotiated, with the minimum amount calculated equal to the aggregate of 0.04% of the total value of proved reserves and 0.01% of the total value of estimated reserves (in each case, as approved by the authorised state agency) and is payable within 30 days after entering into the production contract;

- a commercial discovery bonus is payable for each commercial discovery at a rate of 0.1% of the calculation base and is based on the volume of recoverable reserves (as approved by the authorised state agency);

- an amount of historical costs determined by the authorised state agency to compensate the Kazakhstan State's exploration and related expenditures incurred before the conclusion of the subsurface use contract, is payable during the production stage in quarterly instalments in accordance with a negotiated payment schedule, not to exceed 10 years;

- MET for oil and gas condensate is payable at fixed rates, determined on a sliding scale, based on the actual production levels at rates ranging from 1% to 18%;

- MET for natural gas is payable at rates ranging from 0.5% to 1.5% of the value of annual produced gas for domestic sales and 10% for exports;

- excess profit tax is payable based on the contractor's net disposable income with the rates varying from 0% to 60%, as the profits exceed pre-set profit thresholds; and

- corporate income tax is payable at a rate of 20%.

In addition, in the case of oil exports, rent tax on oil exports is set at a rate from 0% to 32%, depending on the market price for oil, without taking into consideration transportation costs or other deductions.

Kazakhstan may increase the export customs rate in the future. The uncertainty of application and the evolution of tax laws creates a risk of additional payment of tax by the Company, which could have a material adverse effect on the business, financial condition and results of operations of the Company.

Legal and Regulatory Framework in Tajikistan

Tajikistan introduced production sharing legislation in 2007, with some amendments in 2008, and the Bokhtar PSC is the first to be adopted under the new regulatory regime. As the legal and regulatory framework for oil and gas is emerging in Tajikistan, it is possible that the terms of the Bokhtar PSC may be challenged, additional taxes may be imposed, or may be found to conflict with other Tajik laws and regulations. There is no assurance that the terms of the Bokhtar PSC will not be challenged and that no claims will be made against the Company resulting in a material adverse effect. In addition, these inconsistencies may lead to potential disputes with the relevant tax authorities and result in material adverse effect on the financial performance of the Company. There may also be problems with repatriation of currency from Tajikistan, and in the use of the banking system.

Taxation Risks and Issues in Tajikistan

Although under the Bokhtar PSC, all of KPL's tax obligations are covered through the Tajik State's share of production, the taxation system in Tajikistan is at an early stage of development and the tax risks and problems with respect to its operations and investment in Tajikistan may be significant. Tax legislation is evolving and is subject to different and changing interpretations as well as inconsistent enforcement at both the local and state levels. Laws related to these taxes have not been in force for significant periods in contrast to more developed market economies and accordingly, few precedents with regard to issues have been established.

Tax declarations, together with other legal compliance areas are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax and other risks in Tajikistan substantially more significant than typically found in countries with more developed tax systems. In addition, amendments to current Tajikistan taxation laws and regulations which alter tax rates and/or capital allowances could have a material adverse impact on the Company.

In general terms, taxes in Tajikistan include income tax, value added tax, excise tax, social tax, land tax, property tax, transport tax, as well as fees for licences. Effective from January 1, 2013, profits are taxed at a rate of 15% for

activities related to production of any kind of goods (previously 20%) of taxable income (calculated as revenue less permitted deductions) and 25% for all other types of activities (previously 20%) of taxable income (calculated as revenue less permitted deductions). VAT at a rate ranging to 18% (previously 20%) is imposed on goods imported into Tajikistan, and 5% for goods produced in Tajikistan. Payments due to state agencies in respect of oil and gas production are determined under the particular terms of production sharing contracts of which the Bokhtar PSC is an example. Under the Bokhtar PSC, the Tajik State's share of production covers all of the Company's taxes, levies and duties in respect of production thereunder. Any changes to this status or the tax treatment of the Bokhtar PSC would potentially have a negative effect on the Company.

Lack of Infrastructure in Tajikistan

Tajikistan depends on neighbouring countries to access world markets, and this could lead to problems bringing in equipment and services to the country, as well as exporting products. There are only limited oil refining facilities in Tajikistan, and as such any crude oil will require export, either to regional refineries or to world markets. There are no guarantees that this export will be allowed by the surrounding countries, and/or additional taxes or levies may not be imposed, or prices offered may not be substantially less than world market prices. Similarly, the gas infrastructure is poorly developed and maintained in Tajikistan, and although pipelines exist, it is possible that such infrastructure would not be available to the Company on commercially attractive terms, or may be unsuitable. Similarly, export of gas to world markets would require access to pipelines and infrastructure in neighbouring countries and such access may not be given, or not be given on commercially attractive terms.

Legal and Regulatory Environment in Uzbekistan

Uzbekistan's foreign investment, petroleum, subsoil use, licensing, corporate, tax, customs, currency, banking and antimonopoly laws and legislation are still developing and uncertain. Legislation in respect of some or all of these areas could be passed. Currently, the regulatory system contains many inconsistencies and contradictions. Many of the laws are structured to provide substantial administrative discretion in their application and enforcement. In addition, the laws are subject to change and different interpretations. These factors mean that even the Group's best efforts to comply with applicable laws may not always result in compliance. Non-compliance may have consequences disproportionate to the violation. The uncertainties, inconsistencies and contradictions in Uzbek laws and their interpretation and application could have a material adverse effect on the Group's business and results of operations. For example, under the terms of the North Urtabulak PEC, the TPU Acquisition did not require the consent of the Uzbek State Partners or the other contracting parties under the North Urtabulak PEC, nor is there any requirement under the laws of Uzbekistan for such consent by government authorities. However, despite the fact that no consents are required, there is no certainty that other parties or the authorities will not take a contrary view notwithstanding the terms of the North Urtabulak PEC or the legislation in Uzbekistan and there is a risk that any change of control of the ownership interest in TPU could be a political basis for authorities to claim breach or otherwise find a basis not to recognise the interests of TPU under the North Urtabulak PEC. Moreover, the volume of hydrocarbons produced for export to date under the North Urtabulak PEC exceeds the target volume initially referred to in the Uzbek State decree concluding the terms of the North Urtabulak PEC. As a result, the Uzbek State may seek to deny TPU the benefit of certain tax and customs exemptions and privileges initially contemplated in connection with production under the North Urtabulak PEC. The jurisdiction system in Uzbekistan may not be fully independent of outside social, economic and political forces, and court decisions can be difficult to predict.

Legal and Regulatory Framework in Uzbekistan

As the legal and regulatory framework for oil and gas is emerging in Uzbekistan, it is possible that the terms of the North Urtabulak PEC may be challenged, additional taxes may be imposed, or may be found to be in conflict with other Uzbek laws and regulations. In particular, certain customs duty exemptions and privileges under the North Urtabulak PEC, which were approved by the government by way of a government decree, contradict certain provisions under the Customs Code of Uzbekistan. These contradictions may lead to potential disputes with the relevant tax authorities and certain customs duty exemptions and privileges may no longer be recognised or available resulting in material adverse effect on the financial performance of the Group. Presidential Edict No. UP-4116, dated June 17, 2009 ("**Edict 4116**"), extended the validity of TPU's tax and customs exemptions and privileges under Clause 3 of Decree 322 for an unspecified period of time, although it terminated certain tax exemptions and privileges available to other legal persons and groups of entities. While the tax and customs

exemptions and privileges provided to TPU remain valid, there is no guarantee that such exemptions and privileges will not be changed in the future.

Taxation Risks and Issues in Uzbekistan

As with Tajikistan, the taxation system in Uzbekistan is at an early stage of development and the tax risks and problems with respect to its operations and investment in Uzbekistan may be significant. Tax legislation is evolving and is subject to different and changing interpretations as well as inconsistent enforcement at both the local and state levels. Laws related to these taxes have not been in force for significant periods in contrast to more developed market economies, therefore, regulations are often unclear, contradictory or nonexistent. Accordingly, few precedents with regard to these types of issues have been established. Tax declarations, together with other legal compliance areas are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These factors create tax and other risks in Uzbekistan more significant than typically found in countries with more developed tax systems. In addition, amendments to current Uzbekistan taxation laws and regulations which alter tax rates and/or capital allowances could have a material adverse impact on the Company.

All legal entities carrying on activities in Uzbekistan must be registered with the local tax committee. Taxes in Uzbekistan include income tax, value added tax, excise tax, social tax, land tax, property tax, transport tax, as well as customs duties and payments, contributions to various funds, duties and fees for licences. Currently, the income tax applicable to the Company's operations on the North Urtabulak PEC is 16% as was set by a government decree in 1999. Elsewhere in Uzbekistan, the corporate income tax rate is currently 9%, the same as it was in both 2011 and 2010. In 2008, the Uzbek State introduced an excess profit tax but this does not apply to the North Urtabulak PEC which is covered by the government decree. In addition, the Company has, through its various operations, been making and expects to continue to make, contributions to various social funds.

Lack of Infrastructure relating to Uzbekistan

Uzbekistan depends on neighbouring countries to access world markets, and this could lead to problems bringing in equipment, material and services to the country, as well as exporting products. Although there are two large refineries in Uzbekistan, there is potentially a limited internal market for refined oil products. Currently this poses no issues for the Company as its share of refined products from the North Urtabulak Field is exported under the terms of the North Urtabulak PEC. The previous limits to the volumes of refined products which could be exported from Uzbekistan has been addressed by construction of new product pipelines direct to the People's Republic of China and upgrading of export terminals. The Company is now more freely exporting products from Uzbekistan to regional and world markets. There are no guarantees that this export will be allowed by the neighbouring countries, and/or additional taxes or levies may not be imposed, or prices offered may not be substantially less than world market prices.

DIVIDENDS OR DISTRIBUTIONS

The Company has not declared or paid any dividends or distributions on the Ordinary Shares to date. The payment of dividends or distributions in the future are dependent on the Company's earnings, financial condition and such other factors as the Board of Directors considers appropriate. The Company currently does not anticipate paying any dividends in the foreseeable future due to the stage of development of the Company.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of 700,000,000 Ordinary Shares of USD0.10 par value and 50,000,000 preference shares of USD0.10 par value (the "**Preference Shares**"), of which 286,707,744 Ordinary Shares, and no Preference Shares were issued and outstanding as at December 31, 2012. The principal attributes of the Ordinary Shares and Preference Shares are summarized below. In addition, the Company's shareholder rights plan is summarized below.

Ordinary Shares

The holders of Ordinary Shares are entitled to receive such dividends as the Company's directors may from time to time declare. In the event of the winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, the holders of Ordinary Shares are entitled to the surplus assets of the Company in proportion to their respective shareholdings and generally will be entitled to enjoy all of the rights attaching to shares of the Company. At a general meeting, holders of Ordinary Shares are entitled on a show of hands to one vote and on a poll to one vote for every share held.

Preference Shares

The Preference Shares are issuable in series. Subject to the Company's articles, the Board of Directors is authorized to fix, before issuance, the designation, rights, privileges, restrictions and conditions (including voting rights) attaching to each series. The Preference Shares, when issued, will rank prior to the Ordinary Shares with respect to dividends and return of capital on winding up as the holders of Preference Shares are not entitled to vote at meetings of shareholders.

Shareholder Rights Plan

The Board of Directors and the shareholders of the Company approved a shareholder rights plan (the "**Rights Plan**") in 2008. The terms of the Rights Plan are such that, subject to certain exceptions, if a person acquires 20% of the outstanding Ordinary Shares, a take-over bid must be made for all Ordinary Shares and must be open for 60 days after the bid is made. If more than 50% of the Ordinary Shares held by persons independent of the acquiror are deposited or tendered pursuant to the bid, and not withdrawn, the acquiror may take up and pay for such shares. The bid must then remain open for a further period of 10 business days on the same terms.

In the event a take-over bid is made that does not adhere with the above terms, the rights attaching to each Ordinary Share pursuant to the Rights Plan will separate from the Ordinary Shares and become exercisable 10 trading days after the earlier of: (a) a person having acquired 20% or more of the Ordinary Shares, or (b) the commencement or announcement in respect of a take-over bid to acquire 20% or more of the Ordinary Shares. Prior to such separation event, the rights are not transferable separately from the Ordinary Shares. After such separation, rights will be evidenced by certificates, which are transferable and will be traded separately from the Ordinary Shares.

The rights, when exercisable, permit the holder to purchase, for the exercise price, one Ordinary Share for each right. The exercise price of the rights will be equal to three times the prevailing market price at the time the rights separated from the Ordinary Shares pursuant to the Rights Plan. Rights that are beneficially owned by the person making the take-over bid which does not adhere to the above terms shall become null and void.

The shareholders approved and renewed the Rights Plan of the Company on February 10, 2011. The Rights Plan must be reconfirmed and approved by a resolution passed by an ordinary resolution of the shareholders at a shareholders' meeting to be held in the year ended December 31, 2014 and at such a meeting to be held every three years thereafter. If the Rights Plan is not so reconfirmed and approved or is not presented for reconfirmation at any such meeting, the Rights Plan and all outstanding rights shall terminate.

MARKET FOR SECURITIES

Price Range and Volume of Trading of Ordinary Shares

The Ordinary Shares are listed on the TSX under the symbol "TPL". The following table sets forth the reported high and low sales prices (which are not necessarily the closing prices) and the trading volumes for the Ordinary Shares on the TSX during the year ended December 31, 2012 (in Canadian Dollars).

Period	High	Low	Trading Volume
	Price Range		
2012			
January	0.66	0.435	3,546,000
February	0.98	0.62	6,441,145
March	1.02	0.81	6,405,773
April	0.89	0.68	5,938,735
May	0.88	0.54	3,650,729
June	0.65	0.50	2,837,257
July	0.87	0.56	20,385,657
August	0.61	0.56	11,082,747
September	0.78	0.56	2,772,642
October	0.72	0.48	2,271,862
November	0.55	0.425	4,970,232
December	0.59	0.37	10,925,432

The Ordinary Shares are also listed on the LSE under the symbol "TPL". The following table sets forth the reported high and low sales prices (which are not necessarily the closing prices) and the trading volumes for the Ordinary Shares on the LSE during the year ended December 31, 2012 (in Pounds Sterling).

Period	High	Low	Trading Volume
	Price Range		
2012			
January	0.4025	0.2675	6,606,095
February	0.70	0.40	13,153,160
March	0.70	0.54	9,124,205
April	0.60	0.45	8,115,490
May	0.5775	0.35	10,824,115
June	0.40	0.3375	7,354,633
July	0.64	0.365	40,456,237
August	0.42	0.3575	16,776,384
September	0.4475	0.3575	17,112,393
October	0.4375	0.295	20,043,677
November	0.35	0.27	20,612,552
December	0.405	0.2475	25,871,989

Prior Sales

The following table summarizes the issuances by the Company of Ordinary Shares or securities convertible into Ordinary Shares during the year ended December 31, 2012.

Date	Securities	Price Per Security	Number of Securities
January 5, 2012(1)	Share Options	CAD0.66	30,000
January 17, 2012(2)	Share Options	CAD0.66	120,000
February 2, 2012(3)	Share Options	CAD0.71	60,000
February 21, 2012(4)	Warrants	CAD0.88	50,000
February 22, 2012(5)	Warrants	CAD0.86	40,000
February 23, 2012(6)	Warrants	CAD0.85	75,000
February 24, 2012(7)	Warrants	CAD0.84	1,209,000
February 27, 2012(8)	Warrants	CAD0.84	75,000
February 28, 2012(9)	Warrants	CAD0.95	75,000
February 29, 2012(10)	Warrants	CAD1.08	150,000

Date	Securities	Price Per Security	Number of Securities
March 1, 2012[11]	Ordinary Shares	$0.60	15,000
March 2, 2012[12]	Warrants	CAD1.1	50,000
March 13, 2012[13]	Warrants	CAD1.18	25,000
March 14, 2012[14]	Warrants	CAD1.15	25,000
March 16, 2012[15]	Warrants	CAD1.14	576,551
March 20, 2012[16]	Warrants	CAD1.1	150,000
March 21, 2012[17]	Warrants	CAD1.1	250,000
March 22, 2012[18]	Warrants	CAD1.1	57,000
March 30, 2012[19]	Warrants	CAD1.09	137,450
April 2, 2012[20]	Warrants	CAD1.09	236,417
April 23, 2012[21]	Share Options	CAD0.88	4,995,000
June 29, 2012[22]	Share Options	CAD0.88	30,000
July 6, 2012[23]	Share Options	CAD0.88	270,000
December 1, 2012[24]	Warrants	CAD0.64	482,620
December 2, 2012[25]	Warrants	CAD0.64	200,000
December 9, 2012[26]	Warrants	CAD0.64	325,000
December 15, 2012[27]	Warrants	CAD0.64	75,000

Notes:

(1) On January 5, 2012, the Company granted 30,000 options with an exercise price of CAD0.66 to one of its employees.

(2) On January 17, 2012, the Company granted 120,000 options with an exercise price of CAD0.66 to one of its directors.

(3) On February 2, 2012, the Company granted 60,000 options with an exercise price of CAD0.71 to one of its employees.

(4) On February 21, 2012, the Company issued 50,000 warrants in connection with a loan made to a subsidiary of the Company.

(5) On February 22, 2012, the Company granted 40,000 warrants with an exercise price of CAD0.86 in connection with a loan made to the Company.

(6) On February 23, 2012, the Company granted 750,000 warrants with an exercise price of CAD0.85 to in connection with a loan made to the Company.

(7) On February 24, 2012, the Company granted 1,209,000 warrants with an exercise price of CAD0.84 in connection with a loan made to the Company.

(8) On February 27, 2012, the Company granted 75,000 warrants with an exercise price of CAD0.84 in connection with a loan made to the Company.

(9) On February 28, 2012, the Company granted 75,000 warrants with an exercise price of CAD0.95 in connection with a loan made to the Company.

(10) On February 29, 2012, the Company granted 150,000 warrants with an exercise price of CAD1.08 in connection with a loan made to the Company.

(11) On March 1, 2012, the Company issued 15,000 Ordinary Shares as a result of an option exercise.

(12) On March 2, 2012, the Company granted 500,000 warrants with an exercise price of CAD1.10 in connection with a loan made to the Company.

(13) On March 13, 2012, the Company granted 25,000 warrants with an exercise price of CAD1.18 as a result of a loan exercise.

(14) On March 14, 2012, the Company granted 25,000 warrants with an exercise price of CAD1.158 in connection with a loan made to the Company.

(15) On March 16, 2012, the Company granted 576,551 warrants with an exercise price of CAD1.14 in connection with a loan made to the Company.

(16) On March 20, 2012, the Company granted 150,000 warrants with an exercise price of CAD1.10 in connection with a loan made to the Company.

(17) On March 21, 2012, the Company granted 250,000 warrants with an exercise price of CAD1.10 in connection with a loan made to the Company.

(18) On March 22, 2012, the Company granted 57,000 warrants with an exercise price of CAD1.10 in connection with a loan made to the Company.

(19) On March 30, 2012, the Company granted 137,450 warrants with an exercise price of CAD1.09 in connection with a loan made to the Company.

(20) On April 2, 2012, the Company granted 236,417 warrants with an exercise price of CAD1.09 in connection with a loan made to the Company.

(21) On April 23, 2012, the Company granted 4,995,000 options with an exercise price of CAD0.88 in connection with a loan made to a subsidiary of the Company.

(22) On June 29, 2012, the Company granted 30,000 options with an exercise price of CAD0.88 to one of its employees.

(23) On July 6, 2012, the Company granted 270,000 options with an exercise price of CAD0.88 to one of its directors.

(24) On December 1, 2012, the Company granted 482,620 warrants with an exercise price of CAD0.64 in connection with a loan made to the Company.

(25) On December 2, 2012, the Company granted 200,000 options with an exercise price of CAD0.64 in connection with a loan made to a subsidiary of the Company.

(26) On December 9, 2012, the Company granted 325,000 options with an exercise price of CAD0.64 in connection with a loan made to a subsidiary of the Company.

(27) On December 15, 2012, the Company granted 75,000 options with an exercise price of CAD0.64 in connection with a loan made to a subsidiary of the Company.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

As at the date hereof, no securities of the Company are subject to escrow or contractual restrictions on transfer.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth, for each director and executive officer of Tethys: his or her name; municipality, province or state and country of residence; all positions and offices held by him or her; the month and year in which he or she was first elected a director and his or her principal occupation during the preceding five years.

Directors

Name and Municipality of Residence	Position with the Company	Director/Officer Since	Principal Occupation During the Past Five Years
Julian Hammond London, England	Director, Chief Executive Officer and Chief Commercial Officer	Officer since May 10, 2007; Director since 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.
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, and was Chairman of Terrenex Acquisition Corporation from 1995 to 2008 and a non-executive Director of CanArgo from July 1998 to December 2008.
Piers Johnson(1)(2)(4) London, England	Director	April 2, 2008	Director of Tethys. Managing Director of Oilfield Production Consultants (OPC) Limited (Consulting firm to the Oil and Gas Industry).
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 firm 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.
Liz Landles 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 and Corporate Secretary of CanArgo until September 2007.

Name and Municipality of Residence	Position with the Company	Director/Officer Since	Principal Occupation During the Past Five Years
Rt. Hon Peter Lilley M.P.[(1)(2)(3)(4)] London, England	Vice Chairman and Director	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 since 2002 and was a 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.
Bernard Murphy Guernsey, British Isles	Finance Director and Chief Financial Officer	August 16, 2006	Finance Director and Chief Financial Officer of Tethys. Prior to August 2006, Mr. Murphy was a company director within the Abacus Accountancy Network since 2005 and prior thereto, Mr. Murphy held a number of senior financial positions for several organizations.
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., an oil and gas exploration company, since June 2000.
Marcus Rhodes[(3)] Sotogrande, Cadiz, Spain	Director	September 1, 2009	Director of Tethys. Mr. Rhodes was Audit Partner with Ernst & Young LLC from 2002 to 2008.
Dr. David Robson[(1)(4)] 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 Chairman and Chief Executive Officer of CanArgo.

Notes:

(1) Member of the Reserves Committee.
(2) Member of the Compensation and Nomination Committee.
(3) Member of the Audit Committee.
(4) Member of the Strategic Risk Committee.

Executive Officers

Set out below is a list of the Company's executive officers in addition to those executive officers who are also directors (listed in the above table).

Name and Municipality of Residence	Position with the Company	Principal Occupation During the Past Five Years
Luka Chachibaia Dubai, UAE	Vice President, Operations	Currently Vice President, Operations of Tethys. Prior to July 2008, Mr. Chachibaia was an oil and gas engineer including 11 years working for Schlumberger in various engineering and management positions.
Rosemary Johnson Sabine London, England	Vice President, Exploration	Currently Vice President Exploration of Tethys. Prior to September 2007, Ms. Johnson Sabine was Managing Director (London office) and Vice President Exploration and New Business Development of Maersk Oil and Gas, an independent Danish oil and gas company.

Name and Municipality of Residence	Position with the Company	Principal Occupation During the Past Five Years
Denise Lay Guernsey, British Isles	Vice-President, Finance	Currently Vice President, Finance of Tethys. Prior to November 2009, Ms. Lay worked as Finance Director for NRG International from October 2007 to October 2009. Between 2000 and 2006, Ms. Lay was Finance Director for the Gallaher Group.
George Mirtskhulava Dubai, UAE	Vice President, Corporate Development & Planning	Currently Vice President, Corporate Development & Planning of Tethys and CEO of Tethys Kazakhstan SPRL. Prior thereto, Mr. Mirtskhulava was Vice President Commercial and Head of Kazakhstan Business Unit for Tethys. Prior thereto, Mr. Mirtskhulava held various positions for CanArgo from December 2000 until August 2004.
Mamuka Murjikneli Washington, D.C, USA	Vice President of External Affairs and Asset Protection, Regional Manager for Tajikstan and Uzbekistan	Currently Vice President of External Affairs and Asset Protection of Tethys, Regional Manager for Tajikistan and Uzbekistan, and CEO of Kulob Petroleum Limited. Prior to March 2005, Mr. Murjikneli was the Manager of External Affairs for CanArgo.
Ian Philliskirk Istanbul, Turkey	General Counsel and Vice President	Currently General Counsel and Vice President of Tethys. Prior to February 2009, Mr. Philliskirk worked for Pinsent Masons LLP as a Director, as well as Emirates National Oil Company in Dubai where he was the Group Legal Manager and Company Secretary.
Sabin Rossi Boston, Massachusetts, USA	Vice President, Investor Relations	Currently Vice President, Investor Relations of Tethys and President of TPI. Prior to 2007, Mr. Rossi was Vice President External Affairs and Investor Relations for CanArgo. Prior thereto, Mr. Rossi was a Business Consultant.
Mark Sarssam Dubai, UAE	Vice President, Petroleum Development	Currently Vice President, Petroleum Development of Tethys. Prior to April 2011, Mr. Sarssam was New Ventures Advisor and Head of Reservoir Development at Dragon Oil plc, Senior Reservoir Engineer and Field Leader with Shell in Oman and in Brunei.
Graham Wall Dubai, UAE	Chief Operating Officer	Currently Chief Operating Officer of Tethys since February 2010. Prior thereto, Mr. Wall was VP Technical of Tethys since 2006. In 2005, Mr. Wall was Exploration Manager for CanArgo.
Veronica Seymour London, England	Vice President, Communications	Currently Vice President, Corporate Communications of Tethys. Prior to October 2010, Ms. Seymour held senior roles with ITE Group Plc in business development, external relations and organising government-led events in Central Asian countries.

All of the Company's directors' terms of office will expire at the earliest of their resignation, the close of the next annual shareholders meeting called for the election of directors (if appointed by the Board of Directors), the third anniversary of the confirmation of their election by the shareholders, their retirement in accordance with the Memorandum and Articles or on such other date as they may be removed according to the Companies Law (2007 Revision) of the Cayman Islands.

As at December 31, 2012, the directors and officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly, 1,530,647 Ordinary Shares or approximately 0.53% of the issued and outstanding Ordinary Shares. The information as to the number of Ordinary Shares beneficially owned, not being within the

knowledge of the Company, has been furnished by the respective directors and officers of the Company individually.

Corporate Cease Trade Orders

None of the Company's directors or executive officers has, within 10 years prior to the date of this Annual Information Form, been a director, chief executive officer or chief financial officer of any company that:

(i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of the relevant company; or

(ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer 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.

Bankruptcies

Except as disclosed below, none of the Company's directors or executive officers, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(i) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, 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; or

(ii) has, within the 10 years before the date of this Annual Information Form, 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 director, executive officer or shareholder.

Mr. Russ Hammond was a non-executive director of CanArgo and 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 U.S. Bankruptcy Court for the Southern District of New York.

Penalties or Sanctions

None of the Company's directors or executive officers, nor any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

(i) 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

(ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

CONFLICTS OF INTEREST

Certain officers and directors of the Company are also officers and/or directors of other companies engaged in the oil and gas business generally. As a result, situations may arise where the interests of such directors and officers, as they relate to the Company, conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable laws of the Cayman Islands, which require that the directors act honestly, in good faith and with a view to the best interests of the Company. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in such laws. The Memorandum and Articles provide that in the event that a director has an interest in a proposed transaction or agreement, the director shall disclose the nature and extent of any material interest of his or her interest in such proposed transaction and his or her interest in or relationship to any other party to the transaction or agreement. Such director is not entitled to vote in respect of matters in which he has a material interest or that relate to his appointment as the holder of an office or place of profit with the Company.

PROMOTER

No person or company has been, within the two most recently completed financial years or during the current financial year, a promoter of the Company within the meaning of applicable Canadian securities legislation.

CORPORATE GOVERNANCE STATEMENT

In terms of Corporate Governance requirements the Company is subject to National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, and as such is required to include in its Management Information Circular, which will be circulated in advance of the Annual General Meeting in June 2012, the disclosure required under Form 58-101F1 with respect to the matters set out under National Policy 58-201 – *Corporate Governance Guidelines* ("**NP 58-201**"). NP 58-201 is available on the website of the Ontario Securities Commission at www.osc.gov.on.ca/.

In accordance with point 7.2 of the Disclosure and Transparency Rules of the UK Financial Services Authority (the "**FSA**"), as a foreign company with a standard listing in the United Kingdom, the Company is obligated to prepare a Corporate Governance Statement.

At present, the Company is in full compliance with the majority of the provisions of NP 58-201; however, there are a number of exceptions as follows:

- 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, non-management directors do hold such meetings when management is not present and 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 face-to-face 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 (and Senior Non-Executive Director), Peter Lilley, being the leading independent director providing guidance to the other independent directors.

- The Company currently does not have any formal measures for independent directors receiving feedback directly from stakeholders.

- The Company has no formal procedure for assessing the performance of individual directors as the Board of Directors 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 non-executive directors are encouraged to meet periodically to discuss how the executive directors are performing and to report their conclusions to the Chairman.

- The Board has not developed written position descriptions for the Chairman of the respective Board committees.

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. As at December 31, 2012 and the date of this Annual Information Form, the Board of Directors was comprised of ten directors. A director is "independent" within the meaning of Section 1.4 of 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 and the date of this Annual Information Form.

Independence Status of Directors				
Name	**Management**	**Independent**	**Not Independent**	**Reason for Non-Independent Status**
Julian Hammond	✓		✓	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
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

Independence Status of Directors				
Name	**Management**	**Independent**	**Not Independent**	**Reason for Non-Independent Status**
Marcus Rhodes		✓		N/A
Dr. David Robson	✓		✓	Dr. Robson is the President of the Company
Zalmay Khalilzad		✓		N/A

Election of Directors

The Company currently has ten directors, all of whom 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. The directors are elected each year by the Company's shareholders at the Annual General Meeting of shareholders. The Board reviews the composition of its membership on an annual basis and determines the appropriate size of the Board.

The table below summarizes the meetings of the Board and its committees held during the financial year ended December 31, 2012 and the attendance of the individual directors of the Company at such meetings:

	Meetings of the Board and Committees				
Director	**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

[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
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 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 programmes 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.
- The Board is responsible for, to the extent feasible, satisfying itself as to the integrity of the CEO and the other executive officers and that the CEO 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 Board Charter provides a 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 financial year ended December 31, 2012, the Board had four standing committees, the majority of which were composed of independent directors, with the exception of the Executive Board (Executive Committee). The Board has delegated certain responsibilities to each of its committees, and they report to and make recommendations to the Board on a regular basis. The Chair of each committee is expected to be responsible for ensuring that the written terms of reference of the committee for which he or she serves as Chair is adhered to and that the objectives of each committee are accomplished.

Board Committees

The Company's four standing committees are the Audit Committee, the Compensation and Nomination Committee, the Reserves Committee and the Executive Board (Executive Committee).

The standing committees are 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	Zalmay Khalilzad, Chair	Yes
	Piers Johnson	Yes
	Peter Lilley	Yes
	Dr. David Robson	No
Executive Board (Executive Committee)	Dr. David Robson, Chair	No
	Bernard Murphy	No
	Elizabeth Landles	No
	Julian Hammond	No

On January 17, 2012, Mr. Julian Hammond was appointed to the Board of Directors of Tethys Petroleum Limited. 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.

On July 6, 2012, Ambassador Khalilzad was appointed to the Board of Directors of the Company. Ambassador Khalilzad has also been appointed as Chairman of the Strategic Risk Committee, which was formed on July 19, 2012.

The Board has established a position description for the Executive Chairman & President and for the Chief Executive Officer. The Executive Chairman & President is the leader of the organisation and chairs the Board and Executive Board. He is expected to apply business acumen and strategic vision to lead the Company and improve its competitive standing, guiding the development of the Company's strategy in conjunction with the Board and with input from the Chief Executive Officer. The Chief Executive Officer heads up day-to-day management of the business including operations, exploration, commercial and business development implementation working closely with and providing input to the Executive Chairman & President on the development of the Company's strategy. 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 & President and the Chief Executive Officer keep 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 issuer'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 programmes. 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 Corporate Secretary 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 Chief Executive Officer and other executive officers are acting with integrity and fostering a culture of integrity throughout the Company. The Board is responsible for reviewing departures from the Code, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. In addition, the Board is responsible for responding to potential conflict of interest situations, particularly with respect to considering existing or proposed transactions and agreements in respect of which directors or executive officers advise they have a material interest. Directors and executive officers are required to disclose any interest and the extent, no matter how small, of their interest in any transaction or agreement with the Company, and that directors excuse themselves from both Board deliberations and voting in respect of transactions in which they have an interest. By taking these steps the Board strives to ensure that directors exercise independent judgement, unclouded by the relationships of the directors and executive officers to each other and the Company, in considering transactions and agreements in respect of which directors and executive officers have an interest.

Nomination of Directors and Compensation

The Compensation and Nomination 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 and Nomination 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 when directors are most ordinarily elected by the Company's shareholders, as well as when individual directors indicate that their terms may end or that their status may change. The Compensation and Nomination 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 and Nomination 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 and Nomination Committee reviews and approves corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluates the Chief Executive Officer's performance in the light of those corporate goals and objectives and determines or makes recommendations to the Board of Directors with respect to the Chief Executive Officer's compensation level based on this evaluation. This committee also considers and, if deemed appropriate, approves the Chief Executive Officer's recommendations for compensation for executive officers of the Company and incentive compensation plans of the Company. This includes the review of the Company's executive compensation and other human resource philosophies and policies,

the review and administration of the Company's bonuses, stock options and share purchase plan and the preparation and submission of a report for inclusion in annual continuous disclosure documents, as required.

The Compensation and Nomination 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. 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 and Nomination Committee.

The Compensation and Nomination Committee has a written charter which clearly establishes the Committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations.

The function of the Audit Committee is set out in detail below.

Audit Committee Charter

The audit committee of the Company ("**Audit Committee**") is responsible for reviewing the Company's financial reporting procedures, internal controls and the performance of the external auditors. The Audit Committee Charter of Tethys is set forth as Appendix D of this Annual Information Form.

Composition of the Audit Committee

All members of the committee are considered independent and financially literate within the meaning of NI 52-110. The Audit Committee has a defined mandate and is responsible for reviewing and overseeing the external audit function, recommending the external auditor and the terms of such appointment or discharge, reviewing external auditor reports and significant findings and reviewing and recommending for approval to the Board of Directors all public financial information such as financial statements, management's discussion and analysis, annual information forms and prospectuses.

Relevant Education and Experience of Members of the Audit Committee

Marcus Rhodes

Mr. Marcus Rhodes was appointed as a non-executive Director of the Company in September 2009. He is also the Chairman of the Audit Committee of the Company. Mr. Rhodes was appointed as an Independent Director of OJSC Cherkisovo Group, an integrated meat producer listed on the London Stock Exchange in February 2009. In June 2009, he was appointed as a Director and more recently as Chairman of the Audit Committee of OJSC Rosinter Restaurant Holding, a Russian restaurant chain listed on the Russian Trading System Stock Exchange and Moscow Interbank Currency Exchange; and in April 2011 he was appointed to the Board and as Chairman of the Audit Committee of OJSC Phosagro. Mr. Rhodes was an Audit Partner with Ernst & Young between 2002 and 2008. He holds a Bachelor of Science Degree in Economics and Economic History from Loughborough University, U.K., and is a Member of the Institute of Chartered Accountants of England & Wales.

Rt. Hon. Peter Lilley M.P.

Mr. Peter Lilley was appointed as a non-executive Director of the Company in July 2006. As well as being a member of the Audit Committee, Mr. Lilley is also the Vice Chairman of the Company, Senior Non-Executive Director and the Chairman of the Compensation and Nomination Committee of the Company. Mr. Lilley is currently a non-executive Director of IDOX plc, a company quoted on AIM market in London, he is also currently the member of the UK parliament (M.P.) for the constituency Hitchin & Harpenden as well as Vice-Chairman of the All Party Parliamentary Group on Central Asia. He was appointed Co-Chair of the Uzbek British Trade and Investment Council in 2012. Mr. Lilley worked as an Oil Industry Analyst for W. Greenwell & Co from 1972, becoming a partner of the Company in 1979. In April 1986, the firm became Greenwell Montagu Securities and he was appointed a director of this company from 1986 to 1987. Mr. Lilley was the Parliamentary Private Secretary to the

Chancellor of the Exchequer, Nigel Lawson from 1984 to 1987. His first ministerial appointment was as Economic Secretary to the Treasury in June 1987, then as Financial Secretary to the Treasury in July 1989. He joined Mrs. Thatcher's Cabinet as Secretary of State for Trade and Industry 1990-1992. He was also Secretary of State for Social Security 1992-1997 as well as Shadow Chancellor and Deputy Leader of the Conservative Party responsible for overseeing renewal of policy until June 1999. He was an election observer for the 2005 Kazakhstan presidential elections. Mr. Lilley is currently a serving Member of the United Kingdom Parliament. Mr. Lilley holds a Bachelor Degree in Natural Science and Economics from Clare College, Cambridge.

James Rawls

Mr. James Rawls was appointed as a non-executive Director of the Company in September 2009. Mr. Rawls was appointed to the Audit Committee on May 1, 2010. Mr. Rawls is a registered Petroleum Engineer with over 38 years industry experience in engineering and finance. Mr. Rawls is currently the owner and manager of Rawls Resources, Inc., a private oil and gas exploration company. Mr. Rawls worked for Exxon Company USA in onshore and offshore development as a Senior Project Engineer, and later went on to a successful 12 year career in banking as Manager of the Deposit Guarantee National Bank. Since the early 1990's, Mr. Rawls has been involved in drilling oil and gas wells both onshore and offshore, in the United States and elsewhere. Mr. Rawls serves or has served on the public company boards of Redcliffe Exploration Inc., Harcor Energy Lending Department., Tikal Resources Corporation, and Aquest Energy, Ltd. as well as on the boards of numerous private companies, professional and philanthropic organizations. He holds a Bachelor degree in Petroleum Engineering from Mississippi State University and was named a Distinguished Fellow of the Bagwell School of Engineering in 2007.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year, has the Company relied on any of the following exemptions from NI 52-110, other than as noted below:

(a) the exemption in section 2.4 (*De Minimis Non-Audit Services*);

(b) the exemption in subsection 3.2(2) (*Initial Public Offerings*);

(c) the exemption in subsection 3.3(2) (*Controlled Companies*);

(d) the exemption in section 3.4 (*Events Outside Control of Member*);

(e) the exemption in section 3.5 (*Death, Disability or Resignation of Audit Committee Member*);

(f) the exemption in section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*);

(g) the exemption in section 3.8 (*Acquisition of Financial Literacy*); or

(h) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

Audit Committee Oversight

At no time since the commencement of the Company's most recent financial year, has a recommendation of the audit committee to nominate or compensate an external auditor not been adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee has delegated to the Chairman of the Audit Committee (or such other member of the Audit Committee who may be delegated authority), the authority to act on behalf of the Audit Committee between meetings of the Audit Committee with respect to the pre-approval of audit and permitted non-audited services provided by the external auditor. The Audit Committee is required to be notified of any non-approved services over

and above audit and tax. The Chairman reports on any such pre-approval at the next meeting of the Audit Committee.

External Auditor Service Fees

At the Annual General Meeting held in Grand Cayman on June 13, 2012, KPMG Audit Plc ("**KPMG**") were re-appointed as auditors of the Company to hold office until the close of the 2012 Annual General Meeting of Shareholders. PricewaterhouseCoopers ("**PwC**") had been the previous auditors from 2007 to 2011.

The following table provides information about fees billed to the Company and its affiliates for professional services rendered by Tethys' external auditor. KPMG were responsible for all fees in respect of the financial year ended December 31, 2012. In respect of the year ended December 31, 2011, PwC billed for the Q1 quarterly review while KPMG billed for the remaining audit fees including quarterly reviews, of and the year end.

Type of Service Provided	Year-ended December 31, 2012	Year-ended December 31, 2011
Audit fees (including quarterly reviews)	$492,748	$525,367
Audit-related fees	$123,320	$76,000
Tax fees	-	-
All other fees	$34,096	$73,760
Total	$**650,164**	$**621,560**

Main Features of the Internal Control and Risk Management Systems Pertaining to the Financial Reporting Process

Objectives

The objective of internal control in Tethys is to ensure efficient implementation of the Company's strategy and effective operations, assure compliance with both internal instructions and laws and regulations, achieve appropriate financial reporting, and prevent fraud and other misconduct. The main responsibility for internal control lies with the finance departments within the administration offices within each operating country or within the head office. Identifying the main risks of processes and defining adequate control points are essential to ensuring an appropriate level of control. Within each operating country levels of internal control are reviewed, both locally and by head office, with a view to developing their systems and by taking corrective actions as needed. Line management also has responsibility for organizing sufficient control to ensure compliance with the Company's overall management principles, policies, principles, and instructions.

Roles and Responsibilities

Under the TSX and the Alberta Securities Commission requirements, while the Board of Directors is responsible for ensuring that there is adequate control over the Company's accounts and finances, responsibility for arranging this control lies with the CEO and CFO, who are required to ensure that the Company's accounts are in compliance with the law and that its financial affairs have been arranged in a reliable manner and sign to this effect with each filing of financial statements.

The heads of business units are responsible for establishing and maintaining adequate and effective controls in their operations. Responsibility for the practical implementation of this lies with the finance departments. Managers at each of these levels are responsible for implementing corporate principles and instructions in their organization. Responsibility for assessing the effectiveness of the controls lies ultimately with the CFO.

In respect of financial reporting, Finance has the principal role in control activities. Other corporate functions also play a role in assisting, assuring, and monitoring the operation of internal control procedures, such as HSE audits.

Head office Finance has overall responsibility for evaluating that internal control processes and procedures operate adequately and effectively.

The Audit Committee oversees the Company's finances, financial reporting and participates in risk management.

Control environment

Tethys's values and management systems are the foundation of the control environment and provide the background for shaping people's awareness and understanding of control issues. With respect to financial reporting:

- the Executive Board and corporate management are responsible for underlining the importance of ethical principles and correct financial reporting
- the Audit Committee, appointed by the Board of Directors, is responsible for overseeing the financial reporting process and related controls
- clearly defined financial reporting roles, responsibilities, and authorities provide a clear framework for everyone, and
- the structure of the organization and the resources allocated within it (segregation of duties, adequate financial reporting competencies recruited and retained) are designed to provide effective control over financial reporting).

Control activities

Control activities are instructions, guidelines, and procedures established and executed to help ensure that the financial actions identified by management as necessary to address the relevant risks are carried out effectively. Policies and other principles to be followed are documented in Tethys's management systems. The most important areas from the standpoint of financial reporting are provided in procedures issued by the CFO or VP Finance after approval by the Executive Board. These establish the minimum controls to be used and include controls related to transactions in specific processes, as well as controls carried out as part of the monthly reporting process. Typical control activities include authorizations, automatic or manual reconciliations, third-party confirmations, control reports, access controls to financial IT systems, and analytical reviews.

Internal communications

Information and communication systems enable Tethys's personnel to capture and exchange the information needed to conduct, manage, and control operations. With respect to financial reporting, this means that personnel have access to adequate information and communication regarding accounting and reporting principles. The main means of communicating the matters relevant for appropriate financial reporting are the instructions issued by the CFO.

Monitoring

Monitoring is a key component of the internal control system and enables the CFO and the Executive Board to determine whether the other components of the system are functioning as they should and to ensure that internal control deficiencies are identified and communicated in a timely manner to those responsible for taking corrective action and to management and the Board as appropriate. Effective monitoring is based on an initial evaluation of controls and whether they are effective in mitigating the risks identified. The ongoing operation of controls is regularly monitored as part of regular management activities, as the efficacy of controls can diminish over time due to changes in the operating environment that affect the risks that controls are designed to mitigate, or due to changes in the controls themselves caused by changes in processes, financial IT, or personnel.

Other Board Committees

The functions of the Reserves Committee, Strategic Risk Commitee and 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 assess the work of the reserves evaluator and approve the Company's annual reserve report 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 also reviews potential acquisitions, divestitures and other strategic transactions in light of political, business and related risks.

Executive Board (Executive Committee)

In February 2008, the Board approved the formation of an "Executive Board" (which functions as an executive committee). The Executive Board comprises Dr. David Robson (Chair), Mr. Julian Hammond, Mr. Bernard Murphy and Ms. Elizabeth Landles, each of whom is an executive officer of the Company. The purpose of the Executive Board is to allow the Board of Directors to delegate to the Executive Board the authority to respond to 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 issues 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.

The Board believes that these informal 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.

Voting Securities and Principal Holders of Voting Securities

As at March 28, 2013, Tethys had 286,782,744 Ordinary Shares issued and outstanding.

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

Name and Municipality of Residence of Shareholder	Number and Percentage of Ordinary Shares
Pope Asset Management LLC Memphis, Tennessee	55,940,694[(1)] 19.51%

Note:
(1) As of December 31, 2012.

There are no holders of shares with special voting rights.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below and elsewhere in this Annual Information Form, management of the Company is not aware of any material interest, direct or indirect, of any director or executive officer of the Company, any shareholder of the Company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the voting securities of the Company or any associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company or is otherwise disclosed in the notes to the financial statements for the year ended December 31, 2012.

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).

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.

An interest bearing loan of GBP 32,278 was advanced to a Board Director at an interest rate of 3%. As at December 31, 2012 the loan remained unpaid. The loan was settled in January 2013.

Two further non-interest bearing loans of USD50,960 and USD76,251 were advanced to two officers in respect of relocation arrangements during the year (2011 - USD51,374 to one officer). Balances outstanding at the year-end were USD21,368 and USD50,682 respectively (2011 - USD9,531).

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Ordinary Shares in Canada is Equity Financial Trust Company at its principal offices in Toronto, Ontario and Calgary, Alberta, Canada. The registrar in relation to the Company's standard listing on the London Stock Exchange is Capita Registrars (Guernsey) Limited with its registered offices at Longue Hougue House, St. Sampson, Guernsey GY2 4JN, British Isles.

MATERIAL CONTRACTS

The only material contracts entered into by the Company during the most recently completed financial year, or before the most recently completed financial year that are still in effect, other than contracts entered into during the ordinary course of business, and which are not otherwise required to be disclosed in accordance with the requirements of part 12 of NI 51-102 are as follows:

1. the Bokhtar PSC;

2. the management services agreement dated May 10, 2007 between the Company and Vazon providing for, among other things, the services of Dr. David Robson as Chairman of the Board of Directors, and as President and Chief Executive Officer of the Company;

3. the management services agreement dated June 8, 2007, as amended, between the Company and Vazon providing for, among other things, the services of Vazon and the services of Mr. Bernard Murphy, Ms. Liz Landles, Mr. George Mirtskhulava and Ms. Denise Lay as executive officers of the Company and related deed of guarantee and indemnity dated June 13, 2012;

4. the Kyzyloi Field Licence and Production Contract;

5. the Akkulka Production Contract;

6. the North Urtabulak PEC; and

7. the Shareholders Rights Plan Amended and Restated as of February 10, 2011.

Copies of the foregoing material contracts have been filed by the Company on SEDAR and are available online at www.sedar.com.

INTEREST OF EXPERTS

There is no person or company who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under NI 51 102 by the Company during, or related to, its most recently completed financial year and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company, other than KPMG Audit Plc ("**KPMG**") and Gustavson. None of the designated professionals of Gustavson have any registered or beneficial interest, direct or indirect, in any of the Company's securities or other property or of the Company's associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them.

KPMG have confirmed that they are independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired. KPMG's procedures are fully consistent with the requirements of the Ethical Standards issued by the United Kingdom's Auditing Practice's Board's Ethical Standards for Auditors.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Company, there are no legal proceedings which the Company is or was a party to or of which any of its properties is or was the subject of, during the financial year ended December 31, 2012 nor are there any such proceedings known to the Company to be contemplated. (Proceedings including claims which do not exceed a threshold set out in accordance with Canadian securities legislation applicable to this Annual Information Form have been omitted.)

To the knowledge of the Company, there were no: (i) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2012; (ii) penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the last financial year.

ADDITIONAL INFORMATION

ADDITIONAL INFORMATION CONCERNING TETHYS IS AVAILABLE THROUGH THE INTERNET ON SEDAR WHICH MAY BE ACCESSED AT WWW.SEDAR.COM. COPIES OF SUCH INFORMATION MAY ALSO BE OBTAINED WITHOUT CHARGE BY REQUEST TO THE CORPORATE SECRETARY OF TETHYS BY MAIL AT P.O. BOX 524, ST. PETER PORT, GUERNSEY, GY1 6EL, BRITISH ISLES, TELEPHONE: +44 1481 725911, FACSIMILE +44 1481 725922.

Additional information, including information regarding the Company's directors' and officers' remuneration, is contained in the Company's Management Information Circular prepared in connection with its most recent annual meeting of Tethys' shareholders that involved the election of directors.

Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2012. Copies of such documents may be obtained in the manner set forth above.

APPENDIX A-1

FORM 51-101F2
REPORT ON RESERVES DATA BY AN INDEPENDENT QUALIFIED RESERVES EVALUATOR

(attached)

FORM 51-101F2

REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES
EVALUATOR OR AUDITOR

This is the form referred to in item 2 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("*NI 51-101*").

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.
2. The report on *reserves data* referred to in item 2 of section 2.1 of *NI 51-101*, to be executed by one or more *qualified reserves evaluators or auditors independent* of the *reporting issuer*, shall in all material respects be as follows:

Report on Reserves Data

To the Board of Directors of Tethys Petroleum Limited:

1. We have evaluated the Company's reserves and resources data as at December 31, 2012. The Company has gas, condensate, and natural gas liquid reserves estimated as at December 31 2012. The related future net revenue has not been estimated.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes preparing estimates of reserves data in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated net present value of the reserves of the Company evaluated by us as at December 31 2012, using a forecast pricing scenario, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Report	Location of Reserves	Net Present Value of Future Net Revenue (thousands US$, before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
Letha C. Lencioni	Evaluation Report 27 March 2013	Kazakhstan and Tajikistan	0	Proved: $359,609 Probable: $290,920 Possible: $380,046	0	Proved: $359,609 Probable: $290,920 Possible: $380,046

5. In our opinion, the reserves evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on reserves data that we did not audit or evaluate; however, to our knowledge, all data were evaluated.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Letha C. Lencioni, Boulder, Colorado, USA, March 27, 2013

APPENDIX B-1

FORM 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

(attached)

FORM 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Tethys Petroleum Limited (the "**Company**") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2012, estimated using forecast prices and costs.

Independent qualified reserves evaluators have evaluated the Company's reserves data. The reports of these independent qualified reserves evaluators will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluators;

(b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Reserves Committee of the board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors, on the recommendation of the Reserves Committee, has approved:

(a) the content and filing with securities regulatory authorities of the Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of the Forms 51-102F2 which are the reports of the independent qualified reserves evaluators on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) "Piers Johnson"
Piers Johnson
Director and Chairman of the Reserves Committee

(signed) "Graham Wall"
Graham Wall
Chief Operating Officer

(signed) "James Rawls"
James Rawls
Director and Member of the Reserves Committee

(signed) "Julian Hammond"
Julian Hammond
Chief Executive Officer and Chief Commercial Officer

Dated March 28, 2013

APPENDIX C-1
AUDIT COMMITTEE CHARTER
(attached)

Adopted May 2007
Reviewed and updated March 2013

TETHYS PETROLEUM LIMITED

Audit Committee Charter

TETHYS PETROLEUM LIMITED

1 INTERPRETATION

In these terms of reference:-

"**Auditor**" means the external auditors of the Company;

"**Board**" means the board of directors of the Company;

"**Code of Conduct and Ethics Policy**" means the Company's Code of Conduct and Ethics Policy in force at the date of adoption of this Charter, as it may be amended of replaced from time to time;

"**Committee**" means the audit committee of the Board; and

"**Company**" means Tethys Petroleum Limited.

2 CONSTITUTION

By a resolution dated October 5, 2006, the Board resolved, pursuant to the authority and power conferred upon the Board by Article 101 of the Company's articles of association, to establish a committee of the Board to be known as the audit committee.

3 GENERAL AIMS

Without prejudice to the specific duties of the Committee detailed below, the general aims of the Committee shall be to assist the Board in meeting its financial reporting responsibilities and to oversee the Company's relationship with the Auditor.

4 SPECIFIC DUTIES

The Committee shall perform the following duties for the Company.

4.1 Financial Reporting

4.1.1 The Committee shall review the financial statements of the Company, including its:

(a) annual and interim reports and accounts;

(b) announcements of annual and interim results; and

(c) any other formal announcement relating to the Company's financial results.

4.1.2 The Committee shall review and discuss with management and the Auditor:

(a) the Company's annual audited financial statements and related documents prior to their filing or distribution, including;

(i) the annual financial statements, related footnotes and Management's Discussion and Analysis, including significant issues regarding accounting principles, practices and significant management estimates and judgements, including any significant changes in the Company's

selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies;

(ii) the use of off-balance sheet financing including management's risk assessment and adequacy of disclosure;

(iii) any significant changes to the Company's accounting policies;

(iv) the Auditor's audit report on the financial statements; and

(b) the Company's quarterly unaudited financial statements and related documents prior to their filing of distribution, including.

(i) quarterly unaudited financial statements and related documents, including Management's Discussion and Analysis including significant issues regarding accounting principles, practices and significant management estimates and judgements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies;

(ii) if applicable, the Auditor's report of its review of the financial statements;

(iii) the use of off-balance sheet financing including management's risk assessment and adequacy of disclosure;

(iv) any significant changes to the Company's accounting policies.

4.1.3 The Committee shall review:

(a) the Company's Annual Information Form, or other similar report filed with securities regulatory authorities, as to financial information;

(b) all prospectuses and information circulars of the Company as to financial information;

(c) any financial information contained in other documents, such as announcements of a price sensitive nature.

4.1.4 The Committee shall review:

(a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;

(b) the methods used to account for significant or unusual transactions where different approaches are possible;

(c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the Auditor;

(d) the Company's reporting practices; and

(e) all significant financial reporting issues and all judgements which they contain.

4.1.5 The Committee shall review and discuss with management financial information, including earnings press releases, the use of "pro forma" or non-IFRS financial information and earnings guidance, contained in any filings with the securities regulators or news releases related thereto (or provided to analysts or rating agencies) and consider whether the information is consistent with the information contained in the financial statements of the Company or any subsidiary with public securities. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).

4.1.6 The Committee shall review the annual financial statements of any pension funds where not reviewed by the Board as a whole.

4.1.7 The Committee shall recommend to the Board the approval of the annual financial statements and related documents and either approve the interim financial statements and related documents or recommend to the Board such financial statements and documents for approval.

4.2 **Internal Controls and risk management systems**

4.2.1 The Committee shall:

(a) keep under review the effectiveness of the Company's internal controls and risk management systems; and

(b) review and approve any statements to be included in the Company's annual report and accounts concerning internal controls and risk management.

4.3 **Ethics Reporting**

4.3.1 The Committee is responsible for the establishment of a policy and procedures for:

(a) the receipt, retention and treatment of any complaint received by the Company regarding financial reporting, accounting, internal accounting controls or auditing matters;

(b) the confidential, anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters.

4.3.2 The Committee will review, on a timely basis, serious violations of the Code of Conduct and Ethics Policy including all instances of fraud.

4.3.3 The Committee will review on a summary basis at least quarterly all reported violations of the Code of Conduct and Ethics Policy.

4.4 Internal Audit

The Committee shall consider annually whether these is a need for an internal audit function and make a recommendation to the Board accordingly. In the event that an internal audit function is introduced, the Board shall extend as appropriate the terms of reference to include, inter alia, monitoring and reviewing the effectiveness of the internal audit function, senior appointments and removals in respect of that function, resourcing of that function, meetings with the internal auditors and reviewing executive management's responsiveness to findings and recommendations of the internal audit function.

4.5 External Audit

4.5.1 The Committee shall:

(a) consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment or removal of the Auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

(b) oversee the Company's relationship with the Auditor including (but not limited to):

(i) approval of their remuneration, whether fees for audit or non-audit services and ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;

(ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

(iii) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the Auditor as a whole, including the provision of any non-audit services;

(iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the Auditor and the Company (other than in the ordinary course of business) or any other conflict of interest;

(v) agreeing with the Board a policy on the employment of former employees of the Auditor, then monitoring the implementation of this policy;

(vi) ensuring receipt, at least annually, from the external auditor of a formal written statement delineating all relationships between the Auditor and the Company, including non-audit services provided to the Company;

(vii) monitoring the Auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and

(viii) assessing annually the qualifications, expertise and resources of the Auditor and the effectiveness of the audit process, which shall include a report from the Auditor on their own internal quality procedures;

(c) overseeing the work of the Auditor, including the resolution of disagreements between management and the Auditor;

(d) meeting regularly with the Auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the Auditor at least once a year, without executive management being present, to discuss their remit and any issues arising from the audit;

(e) reviewing and approving the annual external audit plan and ensure that it is consistent with the scope of the audit engagement;

(f) reviewing the findings of the audit with the Auditor;

(g) reviewing any representation letter(s) requested by the Auditor before they are signed by the executive management;

(h) reviewing the executive management letter and executive management's response to the Auditor's findings and recommendations;

(i) giving consideration to the rotation of the audit partner on a periodic basis;

(j) reviewing any related findings and recommendations of the Auditor together with management’s responses including the status of previous recommendations;

(k) reviewing any serious difficulties or disputes with management encountered during the course of the audit, including any restrictions on the scope of the Auditor’s work or access to required information; and

(l) reviewing any other matters related to the conduct of the external audit, which are to be communicated to the Committee by the Auditor under generally accepted auditing standards.

4.5.2 The Committee shall develop and implement policies and procedures on the supply of non-audit services by the Auditor, taking into account any relevant statutory requirements on the matter. If such policies and procedures have not been adopted, the Committee shall pre-approve any non-audit services to be provided to the Company or its subsidiaries by the Auditor, except that the Committee has delegated a de minimis level of $20,000 per annum to the Committee Chair who will report to the Committee at their next meeting of any work approved with this limit.

4.6 **Other Matters**

The Committee shall:

(a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;

(b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members; and

(c) oversee any investigation of activities which are within its terms of reference.

5 REPORTING

5.1 The chairman of the Committee shall report to the Board generally on its proceedings after each meeting.

5.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any matter within its remit where action or improvement is needed.

5.3 The Committee's Charter shall be available on request and shall be available on the Company's website (if any).

6 REGULATORY DUTIES

In carrying out its duties the Committee shall:

(a) give due regard to:

(i) all relevant legal and regulatory requirements; and

(ii) the rules of any stock exchange on which the Company's securities may be listed;

(b) ensure that it has such information as it considers necessary or desirable to fulfil its duties as set out in these terms of reference.

7 MEMBERSHIP

7.1 Members of the Committee shall be appointed from time to time by the Board, in consultation with the chairman of the Committee.

7.2 The Committee shall be made up of at least three members each of whom shall be a member of the Board.

7.3 The chairman of the Board shall not be a member of the Committee.

7.4 All members of the Committee shall be "independent" as that term is defined under the requirements of applicable securities laws and the standards of any stock exchange on which the Company's securities are listed, taking into account any transitional provisions that are permitted.

7.5 Members shall serve one-year terms and may serve consecutive terms to ensure continuity of experience. Members shall be reappointed each year to the Committee by the Board at the Board meeting that coincides with the annual shareholder meeting. A member of the Committee shall automatically cease to be a member upon ceasing to be a director of the Company. Any member may resign or be removed by the Board from membership on the Committee or as Chair.

7.6 All members of the Committee must be "financially literate" as that qualification is interpreted by the Board and or acquire such literacy within a reasonable period of time after joining the Committee. At the present time, the Board interprets "financial literacy" to mean a basic understanding of finance and accounting and the ability to read and understand financial statements (including the related notes) of the sort released or prepared by the Company in the normal course of its business.

7.7 The Board shall appoint the chairman of the Committee who shall be a non-executive director of the Company. In the absence of the Chairman, the remaining members of the Committee present at a fully convened Committee meeting may elect one of their number to chair the meeting. The Board shall determine the period for which the chairman of the Committee holds office.

7.8 The Board may from time to time remove members from the Committee.

7.9 The membership of the Committee shall be set out in the annual report of the Company.

8 SECRETARY

The Board shall from time to time nominate an appropriate person to be the secretary of the Committee.

9 MEETINGS

9.1 The Committee shall meet at least two times in each year at appropriate times in the reporting and audit cycle and at such other times as the chairman of the Committee shall require.

9.2 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any member of the Committee or at the request of the Auditor or any internal auditor if they consider it necessary.

9.3 Unless otherwise agreed, at least three (3) working days notice shall be given of each meeting of the Committee.

9.4 Unless otherwise agreed, notice of each meeting of the Committee shall:

(a) confirm the venue, time and date of the meeting;

(b) include an agenda of items to be discussed at the meeting; and

(c) be sent to each member of the Committee, the secretary, any other person required, invited or entitled to attend the meeting and all other non-executive directors of the Company.

9.5 Supporting papers shall be sent to members of the Committee and to other attendees at the same time as the relevant notice.

9.6 The quorum necessary for the transaction of business by the Committee shall be two members of the Committee and a duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

9.7 Only members of the Committee shall have the right to attend meetings of the Committee. However, others (such as the other directors, representatives from the finance function of the Company and external advisers) may be invited to attend and speak at (but not vote at) a meeting of the Committee as and when appropriate.

9.8 The Auditor shall be invited to attend and speak at meetings of the Committee on a regular basis but shall not be entitled to vote at such meetings.

9.9 Meetings of the Committee may be held by conference telephone or similar communications equipment whereby all members participating in the meeting can hear each other; provided always however that at least once per annum a direct meeting shall be held between the Committee and the Auditor where a quorum of the members of the Committee and the Auditor are present in person at the same location.

9.10 Matters for decision by the Committee shall be decided by a majority decision of the members.

10 MINUTES

10.1 The secretary of the Committee shall minute the proceedings and resolutions of Committee meetings and record the names of those present and in attendance.

10.2 The secretary of the Committee shall ascertain, at the start of each Committee meeting, the existence of any conflicts of interest and minute them accordingly.

10.3 Following each meeting of the Committee, the secretary shall circulate, for comment, draft minutes to each member who was present at the meeting.

10.4 After approval and signing of the minutes by the chairman of the Committee meeting, the secretary shall circulate copies of the minutes to all members of the Board, (unless a conflict of interest exists).

11 AUTHORITY

11.1 The Committee is a committee of the Board and as such exercises such powers of the Board as have been delegated to it.

11.2 The Committee is authorised by the Board to investigate any activity within its terms of reference.

11.3 The Committee is authorised to:

(a) seek any information it requires (including from any employee of the Company) in order to perform its duties;

(b) obtain outside legal or other professional advice (including the advice of independent remuneration consultants) on any matters within its terms of reference including, without limitation, any legal matters which could have a significant effect on the Company's financial position;

(c) to commission any reports or surveys, which it deems necessary, to help it fulfil its obligations;

(d) to secure the attendance of external advisors at its meetings (if it considers it necessary); and

(e) to call any employee to be questioned at a meeting of the Committee as and when required,

all at the Company's expense.

12 OWN PERFORMANCE

At least once a year, the Committee shall review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.