



TETHYS
Petroleum

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2013

March 31, 2014

The Tethys Petroleum Limited Annual Report and Accounts for 2013 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".

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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 31, 2014;

“**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 Kyzylai 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 Contractor Parties**” (each a “**Bokhtar Contractor Party**”) means KPL, CNPC and Total;

“**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;

“**CNPC**” means China National Petroleum Corporation;

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

“**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;

“**GOG**” means Georgian Oil and Gas Limited, a privately owned oil company;

“**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 11, 2014 and effective December 31, 2013;

“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;

“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 Kyzylloi Field;

“Kazakhstan” means the Republic of Kazakhstan;

“Kazakhstan Farm-Out Agreement” means the farm-out agreement dated November 1, 2013 between the Company and SinoHan Oil and Gas Investment B.V.;

“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;

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

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

“Pound Sterling” or **“GBP”** means British pounds sterling;

“Project Iberia” means the acquisition by the Company, announced in January 2014, of a 56% interest in Blocks XI^A, XI^M and XI^N in eastern Georgia, close to the capital of Tbilisi;

“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 *“Tajikistan – Properties – Overview”*;

“Tajikistan 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;

“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;

“TOT” means Transcontinental Oil Transportation SPRL, a wholly owned subsidiary of the Company;

“Total” means Total S.A., the French supergiant oil and gas 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;

“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 Bukhara 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 Tajik part of 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;

“km²” means square kilometres;

“kW” means kilowatt;

“Kyzylai Sandstones” or **“Kyzylai 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;

“Mbbbl” means thousands of barrels;

“Mbbldpd” 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;

“**supergiant**” 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 Kyzylol 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.

“**Prospective Resources**” are the quantities of petroleum estimated, on a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

“**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.

BASIS OF PRESENTATION OF PROSPECTIVE RECOVERABLE RESOURCES

The references in this AIF to “Prospective Recoverable Resources” means those quantities of petroleum estimated, as of July 1, 2013 in respect of Project Iberia, January 15, 2014 in respect of the Klymene prospect, April 30, 2012 in respect of Akkulka and Kul-Bas, and June 30, 2012 in respect of Bokhtar, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. There is no certainty that any portion of these resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of these resources. The product types that may reasonably be expected from potential production consist of oil, condensate, natural gas and associated gas.

These are Unrisked Prospective Resources as of July 1, 2013 in respect of Project Iberia, January 15, 2014 in respect of the Klymene prospect, April 30, 2012 in respect of Akkulka and Kul-Bas, and June 30, 2012 in respect of Bokhtar, that have not been risked for chance of discovery or chance of development. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development.

The resources estimates contained or referred to are estimates only and are not meant to provide a determination as to the volume or value of hydrocarbons attributable to the Company's properties. There are numerous uncertainties inherent in estimating quantities of resources and cash flows that may be derived, including many factors that are beyond the control of the Company. The following is a non-exhaustive list of factors which may have a significant impact on the above estimates of prospective resources: despite the classification that they are as yet undiscovered but may be potentially recoverable the Company may be unable to carry out the development or their potential recovery; the activity may not be economically viable; the Company may not have sufficient capital or time to develop them; there may be no market or transportation routes for the production; legal, contractual, environmental and governmental concerns might not allow for the recovery being undertaken; reservoir characteristics might prevent recovery. The recovery of the resources is subject to the following risks and uncertainties: market fluctuations, the proximity and capacity of oil and gas pipelines and processing equipment, government regulation, political issues, export issues, competing suppliers, operational issues (exploration, production, pricing, marketing and transportation), extensive controls and regulations imposed by various levels of government, lack of capital or income, the ability to drill productive wells at acceptable costs, the uncertainty of drilling operations, factors such as delays, accidents, adverse weather conditions, and the availability of drilling rigs and the delivery of equipment.

A barrel of oil equivalent (“boe”) conversion ratio of 6,000 cubic feet (169.9 cubic metres) of natural gas = 1 barrel of oil has been used and is based on the standard energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. The use of the word “Gross” means 100% of the PSC.

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 an 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 2013 exchange rate data for certain currencies relevant to the Company, relative to the U.S. Dollar.

Canadian Dollar:

Highest rate in 2013: USD1 = CAD1.0643
 Lowest rate in 2013: USD1 = CAD0.9859
 Rate as of December 31, 2013: USD1 = CAD1.0694

Kazakhstan Tenge:

Highest rate in 2013: USD1 = KZT153.9
 Lowest rate in 2013: USD1 = KZT147.595
 Rate as of December 31, 2013: USD1 = KZT152.486

Uzbekistan Soum:

Highest rate in 2013: USD1 = UZS2,199.00
 Lowest rate in 2013: USD1 = UZS1,984.00
 Rate as of December 31, 2013: USD1 = UZS2,197.15

Pound Sterling:

Highest rate in 2013: USD1 = GBP0.6714
 Lowest rate in 2013: USD1 = GBP0.6063
 Rate as of December 31, 2013: USD1 = GBP0.6064

Tajikistan Somoni:

Highest rate in 2013: USD1 = TJS4.7742
 Lowest rate in 2013: USD1 = TJS4.7534
 Rate as of December 31, 2013: USD1 = TJS4.7726

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).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
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 political and economic conditions in Kazakhstan, Tajikistan, Georgia, 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.

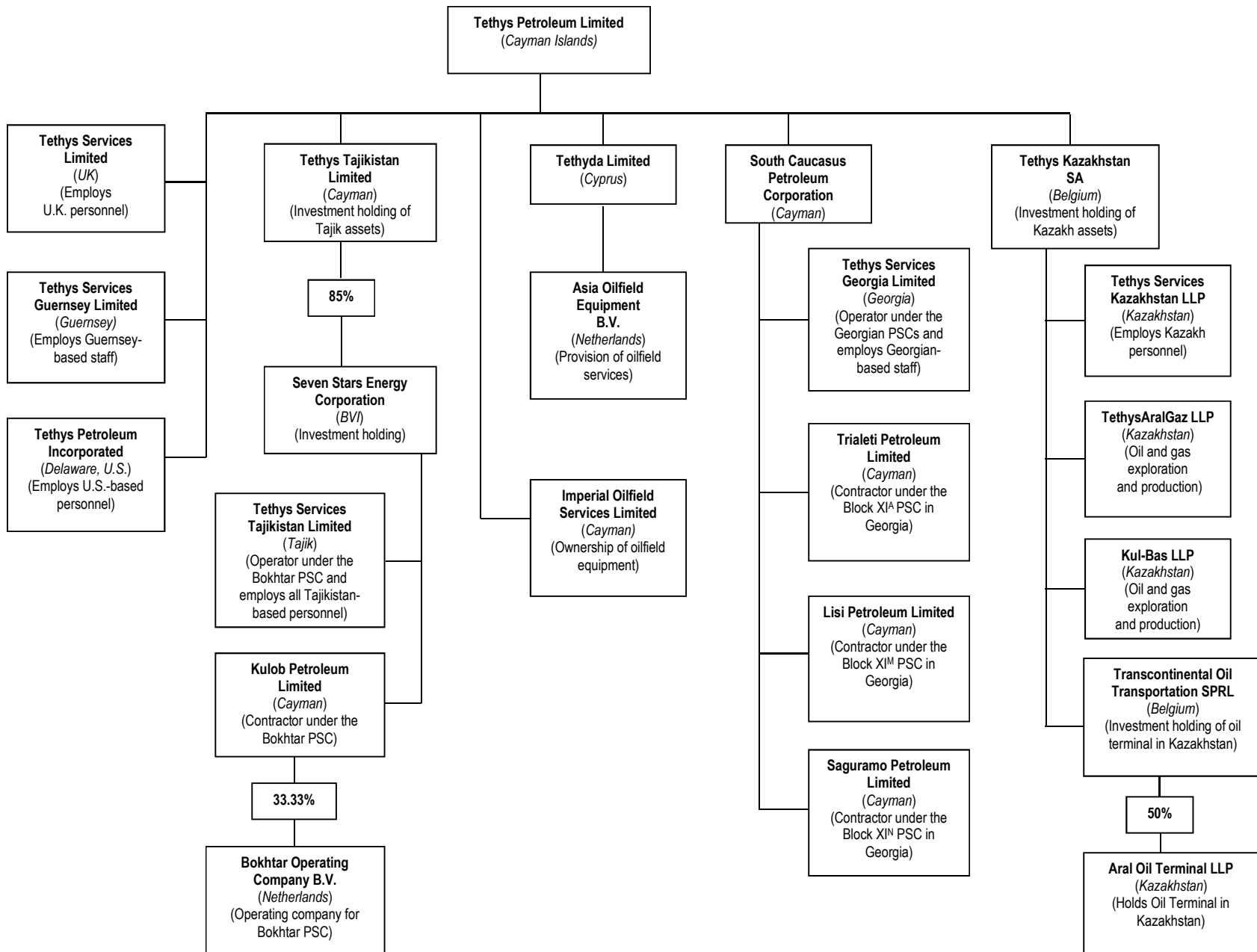
The Company's registered office is located at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9007, Cayman Islands. The Company's principal executive office is at P.O. Box 524, St. Peter Port, Guernsey, GY1 6EL, British Isles.

Intercorporate Relationships

The corporate ownership structure of the Company and its principal active subsidiaries and investee companies (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, 2013, unless otherwise noted.



GENERAL DEVELOPMENT OF THE BUSINESS

Company History

Tethys is an oil and gas exploration and production company currently focused on projects in Central Asia and the Caspian Region. At present, the Company has projects in the Republic of Kazakhstan, Republic of Uzbekistan, Republic of Tajikistan and Georgia. The Board formally decided in December 2013 to exit from Uzbekistan, due to changes in the business and political environment and announced on January 2, 2014, being the next working day, that it would do so effective immediately.

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 then 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 Kyzylai 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 and to-date in 2014 that have influenced the general development of the business.

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 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 (Kalypto) 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.

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. The release and discharge of Sangam from their share of a shareholder loan entered into on December 30, 2009 of USD49,920,000, and the payment of USD7 million was the consideration for the purchase from Sangam of a 34% interest in SSEC and the purchase was completed on December 13, 2011.

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

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 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 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 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 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 December 21, 2012, the Company announced that it signed the Tajikistan 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 China National Petroleum Company. The Tajikistan Farm-Out related 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. Completion of the transaction contemplated by the Tajikistan Farm-Out Agreement was 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 were signed by TAG with Intergas Central Asia JSC, a wholly owned subsidiary of the Kazakh State company KazTransGas JSC, for the Kyzylai 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 27, 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.

On April 16, 2013, the Company announced the appointment of Denise Lay as Deputy Chief Financial Officer (Deputy CFO).

On May 16, 2013, the Company announced it had signed a Protocol of Intent ("POI") with UNG for exploration work on the Bayterek block in the North Ustyurt Basin of Northern Uzbekistan.

On June 18, 2013, the Company announced the completion of the Tajik Farm-Out Agreement announced in December 2012 with subsidiaries of Total and CNPC. The three partners hold the Bokhtar PSC equally and a joint operating company, the Bokhtar Operating Company, was established. As part of the acquisition, the Tajik Government added a further 1,186.37 km² of highly prospective acreage which was not previously included in the Bokhtar PSC, and also extended the first relinquishment period under the PSC by five years until 2020.

On July 8, 2013, the Company announced that it had entered into an agreement to acquire a 56% interest in Production Sharing Contracts covering three blocks in eastern Georgia (the "Iberia" blocks). On January 2, 2014, the Company announced that it had received Georgian governmental consents for the acquisition. The Company also announced on January 2, 2014 that it would not pursue the acquisition of an interest in two additional blocks in eastern Georgia (the "Tamar" blocks).

On August 12, 2013, the Company announced the appointment of Clive Oliver as Vice President, Finance.

On September 10, 2013, the Company announced that it had received final presidential approvals for the Production Enhancement Contract ("PEC") for the Chegara Group of Oilfields in southern Uzbekistan.

On September 11, 2013, the Company announced the appointment of Stephen Elliott to the position of Vice President, Project Development and the appointment of Mark Sarssam to the new position of Senior Vice President.

On September 12 and October 31, 2013, the Company announced the commencement of drilling on the AKD08 (Doto) and AKD09 (Dexa) in Kazakhstan exploration wells, respectively.

On November 1, 2013, the Company announced that it had entered into a definitive agreement (the "**Kazakhstan Farm-Out Agreement**") for the sale of 50% of its Kazakh oil and gas assets to SinoHan Oil and Gas Investment B.V., part of HanHong, a Beijing PRC based private equity fund.

On November 14, 2013, the Company disclosed that recent problems relating to the Fergana refinery and crude allocation had caused issues with processing and delivery of the Company's subsidiary BHCL's oil product entitlement from the North Urtabulak field production and that the Company may choose to reduce or suspend production from the North Urtabulak field until these issues are resolved and may delay the commencement of activities on the Chegara field. The Board formally decided in December 2013 to exit from Uzbekistan, due to changes in the business and political environment and announced on January 2, 2014, being the next working day, that it would do so effective immediately.

On November 21, 2013, the Company won the prestigious World Finance Oil & Gas Award for the Best Exploration and Production Company, Asia 2013.

On December 4, 2013, the Company announced the commencement of a testing programme for exploration well KBD01 (Kalypso) in Kazakhstan. The first phase of the stimulation on the KBD01 has been successfully completed in March 2014 with the reservoir being successfully hydraulically fractured. From the analysis of the results, the Company believed that further work was required to complete the stimulation of the well, including acidisation, and the necessary equipment and chemicals were to be sourced.

On December 4, 2013, the Company also announced the preparation of exploration well AKD08 (Doto) for a testing programme, and plans for exploration well AKD09 (Dexa) to be used as a semi-horizontal Doris development well in the Jurassic Carbonate sequence close to the Doris field discovery AKD01 well.

On December 5, 2013, the Company announced that Bernard Murphy, its then Chief Financial Officer and Finance Director, would retire at the end of January 2014 and would be replaced by Denise Lay, currently Deputy Chief Financial Officer.

2014

On January 17, 2014, the Company announced receipt of an updated Oil Resource Report from an independent auditor for a new prospect in Kazakhstan. This prospect will be tested with a new exploration well to be spudded in the second half of 2014.

On March 7, 2014, the Company announced that AKK17, the first shallow gas exploration well of its 2014 programme, was successful. The current shallow gas programme includes the drilling of up to 10 new exploration wells.

On March 20, 2014, the Company announced that AKK18, the second shallow gas exploration well of its 2014 programme, was successful.

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 and the Caspian Region, currently in Kazakhstan, Tajikistan and Georgia. All of the Company's properties are onshore. The Board formally decided in December 2013 to exit from Uzbekistan, due to changes in the business and political environment and announced on January 2, 2014, being the next working day, that it would do so effective immediately.

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. On November 1, 2013, the Company entered into a definitive agreement for the sale of 50% of its Kazakhstan assets to SinoHan Oil & Gas Investment B.V.. The sale is pending Kazakh State approval. See "*Description of the Business - Kazakhstan*".

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 component of, the Amu Darya basin which is productive in Uzbekistan, Turkmenistan and Afghanistan and is one of the most prolific basins for natural gas globally. 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 and a Farm-Out Agreement with Total and CNODC was completed in June, 2013.

In Georgia, the Company announced in January 2014 that it had completed the acquisition of a 56% interest in Blocks XI^A, XI^M and XI^N (Project Iberia) in eastern Georgia, close to the capital of Tbilisi. These blocks are located within the Kura Basin, an onshore extension of the South Caspian basin, with significant potential for conventional and non-conventional oil and gas production. The Company operates with a local partner, Georgia Oil and Gas Limited ("**GOG**") and is engaged in intensive exploration with a view to discovering and commercialising both conventional and unconventional target hydrocarbons. The Company's seismic programme commenced in September 2013.

In Uzbekistan, the Company operated as the risk sharing service contractor for Uzbek State Partners under the North Urtaubulak PEC, which gave to the Company incremental production rights to increase production volume of oil from wells on the North

Urtaulak Field in the south-central part of the country. During the second half of 2013, the Company's operations in Uzbekistan were seriously impacted by the closure of the Fergana refinery and a deterioration in the business and political climate in the country. The Board met in November and discussions concluded that a full withdrawal from the country was required. Operations had been significantly interrupted by then to the extent that no revenue from operations has been earned since June 2013.

The Board formally decided in December 2013 to exit from the country and announced on January 2, 2014, being the next working day, that it would do so effective immediately as there is no contractual notice period but that it would take up to three months to complete the process of exiting from the Production Enhancement Contract ("PEC") for the North Urtaulak field. During Q1 2014 the Company's focus has been on preparing the wells for handover and dealing with the exit. The Company does not expect to benefit from any production or earn any revenues in 2014. In view of the circumstances described, the results of the Uzbekistan segment have been disclosed as a discontinued operation and shown separately from the results of the Company's continuing operations in Kazakhstan, Tajikistan and Georgia. In accordance with the disclosure requirements for discontinued operations the comparative figures in the Consolidated Statement of Comprehensive Income have been restated to be consistent with the current year presentation. A provision of \$0.5m has been made for the unavoidable costs of fulfilling the Company's contractual obligations in the country and closing the Company's entities there in an orderly manner.

The Company's objective is to build a diversified oil and gas exploration and production company focused on Central Asia, the Caspian region 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.

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 km² 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 2012 production being some 1,728 Mbbbl of oil and 19.7 Bcm of natural gas.¹ In Kazakhstan, the Company's producing gas fields (Kyzylai 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.

The Company has agreed to sell, and SinoHan Oil and Gas Investment B.V. has agreed to purchase, 50% of the Company's Kazakh oil and gas assets for a cash purchase price of USD75 million in accordance with the terms of the Kazakhstan Farm-Out Agreement announced on November 1, 2013. Through this transaction SinoHan will acquire a 50% interest (plus 1 share) in Tethys Kazakhstan SA, which is a wholly owned subsidiary of Tethys and which owns a 100% interest in TAG (which holds 100% of the Kyzylai Gas Production Contract, the Akkulka Gas Production Contract and the Akkulka Exploration Contract), Kul-Bas (which holds a 100% interest in the Kul-Bas Exploration and Production Contract), Tethys Services Kazakhstan LLP, a limited liability partnership registered in Kazakhstan in which the Company has a 100% interest through TKL (which employs Tethys' Kazakh staff) and Transcontinental Oil Transportation SPRL (which holds a 50% interest in Aral Oil Terminal LLP). The USD75 million initial cash payment to Tethys includes a base consideration of USD55 million and USD20 million towards the cost of an agreed work programme that commenced on July 1, 2013. This work programme includes the drilling of the AKD08 and AKD09 wells, and testing of the KBD01 well. Two further payments (the First and Second Bonus Payouts) of up to USD30 million will be made to Tethys for any increase in proven and probable oil and gas reserves in calendar years 2013 and 2014 (adjusted for any production in 2013 and 2014). In addition to the Base Consideration and the First and Second Bonus Payments, Tethys will be eligible to profit sharing of excess profit at any exit by SinoHan from the project.

Properties

Overview

The Company owns its current interests in its Kazakh projects through TAG and Kul-Bas. As a result of this ownership, the Company had, throughout 2013, a 100% interest in, and is operator of, two proven shallow gas fields (the Kyzylai and Akkulka Fields), producing under the Kyzylai Field Licence and Production Contract, and the Akkulka Production Contract. TAG also has a 100% interest in two proven oil fields (Doris and Dione Fields), held within the surrounding Akkulka Exploration Licence and

¹ Source: *BP Statistical Review of World Energy 2013*

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 Company's interest in its Kazakh oil and gas assets will be reduced to 50% upon completion of the Farm-Out Agreement, which is expected to occur in the second half of 2014.

The Kyzylloi 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 Kyzylloi Field (which includes reserves for eight producing gas wells in the main Kyzylloi Field and reserves in the adjacent fault block discovered by the AKK 05 well) and total oil reserves for the Akkulka Exploration Contract are described under "Statement of Reserves Data and Other Oil and Gas Information".

In 2007, Tethys constructed a 56 km, 325 mm diameter gas pipeline from the Kyzylloi Field gathering station to the main Bukhara-Urals gas trunkline, where a booster compressor station (the "BCS") was constructed at km910 on that trunkline 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 gas trunkline transports gas from Central Asia into Russia and on into Europe. The Kyzylloi and Akkulka Fields produce from Eocene age shallow marine sandstones at a depth of approximately 450 m. The Akkulka Field was subsequently 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.

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

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

PROPERTY & CONTRACT	EFFECTIVE PERCENTAGE INTEREST (at December 31, 2013)	BASIN	GROSS AREA (in km ²)	EXPIRY DATE (assuming no extensions)
Kyzylloi Field Licence and Production Contract ⁽¹⁾	100%*	North Ustyurt	287.2	June 2014
Akkulka Exploration Licence and Contract	100%*	North Ustyurt	1,380.5	March 2015
Akkulka Production Contract ⁽²⁾	100%*	North Ustyurt	109.5	December 2018
Kul-Bas Exploration and Production Contract ⁽³⁾	100%*	North Ustyurt	7,632.0	Exploration up to November 2015 Production up to November 2032

* Subject to a reduction to 50% upon completion of the Farm-Out Agreement.

Notes:

- (1) The Kyzylloi Field Licence and Production Contract is in the process of being extended at present.
- (2) The Akkulka Production Contract lies wholly within the Akkulka Exploration Licence and Contract area.
- (3) 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 km² effective November 2009 and was confirmed by the Kazakh authorities in December 2010.

[Production Contracts](#)

[Kyzylloi Field Licence and Production Contract](#)

The Kyzylloi Field was first discovered in 1967 with additional seismic being shot in the 1990s. The Kyzylloi Field Licence and Production Contract for production of gas on the Kyzylloi 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. There are no mandatory relinquishments, surrenders, back-ins or changes in ownership in respect of the Kyzylai production contract area.

The Kyzylai Field Licence and Production Contract grants TAG exploration and production rights over an area of approximately 287.2 km² 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 fulfilled this obligation.

Under the latest extension of the contract, TAG committed to spending approximately USD2.7 million for a work programme over the seven year period until 2014. With respect to 2013, a work programme amounting to USD2,519,000 was agreed, which has been fulfilled through payments amounting to USD5,848,222 during the year ended December 31, 2013.

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. Kyzylai sales are currently domestic and as such MET is at 0.5%. MET payments are payable quarterly.

According to the Kyzylai 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 Kyzylai 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 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 Kyzylai 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 pipeline capacity by Intergas Central Asia. Commercial production commenced on October 6, 2010. There are no mandatory relinquishments, surrenders, back-ins or changes in ownership in respect of the Akkulka production contract area.

Contingent upon commencement of commercial production on the Akkulka contractual territory, an 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 December 31, 2013, TAG had reimbursed the government USD552,000 in respect of the Akkulka Field.

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%.

According to the Akkulka 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 Kyzylai 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 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 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 for an initial five (5) year period and has since been the subject of six extensions, most recently from March 10, 2013 for a period of two years up to March 10, 2015. The Akkulka Exploration Licence grants TAG exploration rights over the area covered by the license. All the legal relationships in respect to subsurface use have been regulated only by the contracts and not licenses. See "Risk Factors".

Work programmes for 2013 to the end of March 2015 have been agreed totalling USD27,277,000 against which payments of USD23,194,110 have been made to date.

The original grant of the Akkulka Exploration Licence and Contract extended over an area of approximately 166.17 km² (41,000 acres), however, the contract was subsequently amended to cover an area of approximately 1,380.53 km² (341,000 acres) at Paleogene level (excluding the Kyzylloi Field Licence and Production Contract).

Akkulka Pilot Oil Production

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%. Work programmes for the period October 1, 2012 to October 1, 2015 have been agreed totalling USD4,421,300, against which payments of USD2,888,845 have been made to date.

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 km² (2,688,695 acres) surrounding the Akkulka Block. At the end of the second year of the contract, 20% of the contract area was to be relinquished, 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 km² (213,997 acres) in June 2010 (leaving an area of 7,632 km² (1,885,943 acres). In accordance with the terms of the contract, as amended, 30% of the original area has been relinquished as at December 31, 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 Kazakh Government is to be compensated for historical costs related to the contractual territory in the amount of USD3,275,780. To date, the Company has paid two amounts of USD49,137 in relation to this balance. If and when commercial production commences, USD88,666 is due in quarterly instalments until the remaining historical costs of USD3,177,506 have been paid in full.

A work programme for 2013 had previously been agreed at USD4,200,000 but was revised during the year to USD1,893,100, against which payments of USD2,068,363 have been made.

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.

Gas sales from the contract area are 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.

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.

Gas Production and Sales

The gas is sent by pipeline to the Booster Compressor Station (BCS), up to 5 compressor units then compresses the gas to a maximum of 54 atm (generally 25-35 atm), and the gas enters the Bukhara Urals pipeline at the “910 km” cut-in point.

The recently completed Bozoi-Shymkent-China gas pipeline should provide an alternative to Tethys for the sale of gas to the existing Bukhara Urals trunkline that transports gas from Central Asia into Russia and on to Europe. Currently the Chinese pipeline is only taking domestic gas within Kazakhstan to Shymkent, however, in 2015, gas sales to China are expected to commence.

On January 31, 2013, the Company signed two gas supply contracts for the Kyzylai 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**”) at a fixed Tenge net price of KZT9,652.50 per 1,000 cubic metres (approximately USD62.67 per 1,000 cubic metres or USD1.77 per 1,000 cubic feet) or fixed Tenge gross price including 12% VAT of KZT10,810.80 per 1,000 cubic metres (USD70.19 per 1,000 cubic metres or USD1.99 per 1,000 cubic feet) net of marketing and distribution costs. This new pricing effectively doubles previous prices. Both contracts run through to December 31, 2013 and have been renewed on similar terms, post year end.

During the financial year ended December 31, 2012, gas sales in Kazakhstan were made to one customer, namely Eurasia Gas Group. Sales to Eurasia Gas Group during 2012 were USD5,874,776, representing greater than 15% of total consolidated revenue.

During the financial year ended December 31, 2013, gas sales in Kazakhstan were made to one customer, namely, Intergas Central Asia JSC. Sales to this customer during 2013 were USD10,930,153, representing greater than 15% of total consolidated revenue.

Oil Production and Sales

Oil from the Doris field is initially processed and stored at the Company's Group Unit facility on the field. This facility consists of an Automated Gathering Unit (capable of connecting up to 8 producing wells), 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).

During the financial year ended December 31, 2012, oil sales in Kazakhstan were made to one customer, namely Asia Gas NG LLP. Sales to Asia Gas NG LLP during 2012 were USD25,631,680, representing greater than 15% of total consolidated revenue.

During the financial year ended December 31, 2013, oil sales in Kazakhstan were made to one customer, namely Eurasia Gas Group. Sales to this customer during 2013 were USD24,979,841, representing greater than 15% of total consolidated revenue.

In January 2012, the Company announced the official inauguration of its Aral Oil Terminal (“AOT”) – a new crude oil storage and rail loading facility for its oil shipments from the Doris oilfield. AOT is located at Shalkar, some 250 kms distant from the Doris oilfield. AOT is owned and operated via a 50:50 joint venture by Tethys and its Kazakh oil trading partner’s company, Olisol Investment Ltd. Phase one of the AOT facility was initially commissioned into operation in April 2012. Phase two (comprising an additional 2,000 cubic metres of crude oil storage) became operational in 2013, and Phase 3 (electrical dehydration/desalination equipment) is currently underway and is expected to be operational in Q2 2014.

From AOT, crude oil is transported by rail to a number of refineries within 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 AOT project.

In 2013, the construction of Phase 2 of the AOT facility was completed. The completion of Phase 2 provides for an increase in throughput capacity from 4,200 bopd up to 6,300 bopd with the installation of two 1,000 cubic metres crude oil storage tanks (approximately 12,500 bbls) and associated pumping equipment. Phase 3, which includes the incorporation of an electrical dehydrator for the commercial treatment of crude oil is currently under construction, and is pending final state approval, which is expected in Q2 2014.

The Company plans to expand the capacity of AOT further to accommodate future potential production growth which is dependent upon further drilling success. On completion of this expansion, the facility will have an estimated loading capacity of 12,000 bopd, a storage capacity of 125,800 bbls of crude oil, an additional 12,580 bbl storage for refined products, and the ability to simultaneously unload 10 road tankers and load 10 rail tankers.

Producing Wells

Gas

During 2013 and also currently, the Company produces dry gas from a total of 12 wells at a depth of approximately 500 m below surface. This comprises eight producers in the Kyzylol Field and four in the Central Akkulka Field. Current combined production is around 325M cubic metres per day. These fields have been on production since 2007 and 2010 respectively.

Oil

During 2013, 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. A summary of 2013 production from the wells is set out under “*Statement of Reserves Data and Other Oil and Gas Information*”.

Exploration and Further Development

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 Kyzylol 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 AKD06. The presence of hydrocarbons in the Middle Jurassic and Perm-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, 2013, total oil plus gas Reserves in the Akkulka Block (Proved plus Probable plus Possible) net to the Company’s interest are 36.697 MMboe with Proved plus Probable Reserves being 23.294 MMboe and Total Proved Reserves being 13.030 MMboe. See “*Statement of Reserves Data and Other Oil and Gas Information*”.

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, have potential targets in reservoirs ranging from the Cretaceous, through Jurassic, Triassic and Permo-Carboniferous.

[AKD01 \(“Doris”\)](#)

The AKD01 well 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 “Doris” prospect and is founded on structural high to the south-east of the proven shallow gas Kyzylai and Akkulka Fields. It is less faulted than the main high under these gas fields.

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.

Downhole samples were taken from this lower 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. A number of exploration and appraisal wells on or near the Doris oil discovery were drilled and tested, of which three have been placed on production (AKD01, AKD05 and AKD06). Exploration activities in 2013 focused on three deep wells (AKD08, AKD09 and KBD01).

[AKD08 \(“Doto”\)](#)

The AKD08 (“Doto”) exploration well was drilled to a total depth of 3,556 metres and electric logs have been run to TD in the 8 1/2" hole section. As has been previously announced, hydrocarbon indications have been observed in both the Cretaceous and Jurassic sections whilst drilling and from the wireline logs. Testing of the Jurassic interval took place in January 2014 following receipt of Kazakh governmental permissions. No commercial oil flow was obtained despite oil indications from logging and it is interpreted that the reservoir has low matrix permeability and that no fractures were encountered. Radial or horizontal drilling is now planned for this well in an attempt to intersect fractures which may allow commercial production to be established. Detailed seismic interpretation is underway to plan such drilling.

[AKD09 \(“Dexa”\)](#)

The AKD09 (“Dexa”) exploration well was drilled to a total depth of 2,452 metres. The primary exploration target of the well, the Cretaceous “Doris” channel sandstone, although present, does not appear to be hydrocarbon bearing at this location. The well was targeted at this level to evaluate the potential upside of the Doris field in the north-east aimed at testing a model of stratigraphic closure. The well-bore is now being considered for use as a possible semi-horizontal Doris development well in the Jurassic Limestone sequence close to the Doris field discovery AKD01 well which tested 1,373 barrels of 46° API oil per day from this sequence. The AKD01 well has not to date been commercially produced from the Jurassic as it is currently producing from the Cretaceous sand and therefore this area of the reservoir will be unswept.

In 2013, Tethys acquired and processed a new further 100 square kms of 3D seismic data over these further prospects in the Akkulka block. This work has now been completed and the data is being analysed with a view to generate more prospects and incorporate into existing database.

Kul-Bas – Exploration of Deeper Oil and Gas Condensate

[KBD01 \(“Kalyso”\)](#)

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 at deeper levels in the 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 KBD01 (“**Kalypso**”) exploration well is located approximately 50 km to the north-west of the Doris oil discovery. The Kalypso well reached total depth in September of 2011, with electric logs being run and indicating 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. This zone will 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 250 km to the north in the pre-Caspian Basin

A successful cementing procedure has been carried out on the KBD01 “Kalypso” well and a comprehensive stimulation and subsequent testing programme commenced mid-December 2013 initially on the Permo-Carboniferous interval, after delays primarily caused by the sourcing of equipment and weather. The testing programme involves hydraulic fracture stimulation of the carbonate interval, followed by possible acidisation. The hydraulic fracturing has now been carried out, with data indicating that this was successful. Acidisation and related equipment are currently being sourced and following this procedure flow testing will be attempted to ascertain whether or not this zone can achieve commercial flow of what is thought to be gas condensate. This interval is approximately 4,100 metres below the surface and electric logs run over this section and drilling data indicate more than 100 metres of gross potential hydrocarbon bearing zones.

In March 2014, the first phase of the stimulation on the KBD01 had been successfully completed with the reservoir being hydraulically fractured. Further work is now required to complete the stimulation of the well, which is targeting what is believed to be gas condensate in tight Carboniferous platform carbonates within a significant structure. Equipment for this final stage is currently being sought and will be mobilised as soon as the required tendering is completed.

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 some Permo Carboniferous potential. The 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 km 2D seismic survey to define these prospects in Kul-Bas block better before further exploration drilling. This work has now been completed and the Klymene prospect at two Cretaceous and one Jurassic level has been identified for drilling later in 2014. An exploration well is planned on the Klymene prospect identified on these data and estimated to hold a potential gross unrisked mean recoverable resource of 421.66 mmbbls oil at 3 exploration levels. See “*Prospective Recoverable Resources*”.

Shallow Gas Drilling Programme

Currently the tied in gas wells on Kyzyloi and Akkulka can produce approximately 360 thousand cubic metres per day (Mcm/d) (13 million cubic feet per day (MMcf/d)). At the current gas price of net USD62.97 per Mcm this production generates approximately USD8.3 million per annum in revenue.

The forward gas programme has two aspects: those wells that have been previously drilled and tested that will be tied in and new shallow gas wells with up to 10 new wells planned for 2014. The initial well locations have been chosen and two wells drilled with further targets to be identified close to the gas pipeline after the interpretation of 3D seismic data. These wells are targeting gas at 600-800 metres at the deeper, higher pressured Tasaran sand level that tested strongly on the AKK14 and AKK15 wells, as currently the production is exclusively from the shallower Kyzyloi stratigraphic level. On the previous drilling campaign, 11 out of 13 shallow gas wells were successful and the subsequent seismic acquired (including 3D) is of better quality.

This programme would be expected to significantly increase gas production, although it is dependent on financing being in place through receipt of sale proceeds upon Government approval of the Kazakh sale, or from the proceeds of any pre-emption by the Kazakh State or alternative financing.

Previously drilled and tested wells will be brought on stream over the next 12 months, at different stages dependent on their particular location and contract status.

The AKK14 well was drilled in 2008 and tested at 195 Mcm/d (6.9 MMcf/d) in the Tasaran horizon. This gas well has been approved and incorporated under the Akkulka Production Contract. It will be worked over and brought on production in Q2 2014 and is already tied into the pipeline system.

The AKK05 well was drilled in 2005 and tested at 223Mcm/d (7.9 MMcf/d). This will be worked over in Q3 2014 whereupon it can be produced for 90 days test production. It is expected that it will be approved and incorporated under the Kyzylai Production Contract by Q3 2014 whereupon it can be placed on permanent production, having already been tied into the infrastructure.

The AKK15 and AKK16 wells were drilled in 2008 and tested at 195 Mcm/d (6.9 MMcf/d) and 289 Mcm/d (10.2 MMcf/d) respectively. To date in 2014 two additional exploration wells have been drilled: AKK17 and AKK18, both of which have encountered gas-bearing sections similar to the AKK15 well. It is planned to tie-in these wells later in 2014.

The recently completed Bozoi-Shymkent-China gas pipeline means that for the first time Tethys has two gas pipelines into which it can sell its gas; the pipeline taking gas to China, and the existing Bukhara-Urals trunkline that transports gas from Central Asia into Russia and on to Europe. Currently the Chinese pipeline is only taking domestic gas within Kazakhstan to Shymkent, however, in 2015, gas sales to China will commence.

The Company's strategy is to carry out the comprehensive programme outlined in 2014, in order to complete all work and have all government permissions to commence selling into the Kazakhstan-China pipeline by year-end 2014 when it expects to achieve a significantly higher net price than the current net price of USD 65/Mcm. Tethys believes that Chinese buyers are currently buying gas from Central Asia at much higher prices than this and Tethys expects the price it receives to rise again at that time.

Prospective Recoverable Resources

An independent resource assessment (utilizing both seismic and well data) was carried out on Akkulka, Kul-Bas and Kyzylai by Gustavson Associates that resulted in total Unrisked Mean Recoverable Prospective Resources in excess of 1.3 billion barrels oil equivalent as of April 30, 2012. The key results (all figures Gross to the Licences) are as follows:

- Unrisked Mean Prospective Oil in Place – 3.7364 billion barrels
- Unrisked Mean Prospective Recoverable crude oil – 1.2304 billion barrels comprising:
 - all conventional resources and
 - no unconventional resources
- Unrisked Mean Prospective Associated Gas – 242.2 billion cubic feet; and 392.1 bcf non-associated gas, a total of 634.4 bcf gas
- Total Unrisked Mean Prospective Recoverable Resources – 1.3361 billion barrels oil equivalent.
- In addition, effective January 15, 2014, Gustavson Associates have also independently assessed a newly identified prospect, named “Klymene”, in the Kul-bas Block, with Unrisked Mean Recoverable Prospective Oil Resources of 422 million barrels. This was based on new seismic data acquired in 2013.

See “*Basis of Presentation of Prospective Recoverable Resources*”.

Socio-Economic Obligations

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 employment 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 a total of USD90,000 annually (Kyzylloi 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. 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 the recruitment of Kazakh personnel and, on an annual basis, must contribute to the professional education of Kazakh personnel. This amounts to 1% of operating costs in the case of the Akkulka and Kyzylloi production contracts; to 1% of exploration costs in the case of the Akkulka Exploration Contract; and to 1% of total investment costs in the case of the Kul-Bas Exploration and Production Contract.

Both subsurface use companies in Kazakhstan are also required to establish a fund for the reclamation (liquidation fund) of the contract area. Contributions to this fund are required annually. This amounts to 1% of operating costs in the case of the Akkulka and Kyzylloi production contracts; to 1% of exploration costs in the case of the Akkulka Exploration Contract; and to 1% of total investment costs in the case of the Kul-Bas Exploration and Production Contract. The Company is also encouraged to make further voluntary contributions towards the social development of the Aktobe region. In 2013, voluntary contributions amounting to USD321,065 were made.

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 (through its Joint Venture with Total and CNPC), and Gazprom are active in the oil and gas sector in southern Tajikistan.

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.

Until 2012, there was little foreign investment in the Tajik oil and gas sector. In early 2007, the Russian gas company, GazProm, was granted a licence to explore the Sarikamysh gas prospect.² According to GazProm, Tajikistan's total oil and gas deposits are 106 Tcf (3 Tcm) of natural gas.³ Gazprom have since concentrated on exploring the West Shaambary Licence. In 2012, Tethys farmed-out 66.67% of its interest in the Bokhtar PSC to Total and CNPC and it is expected that foreign investment in the hydrocarbon sector will grow substantially over the next few years.

The legislative framework for oil and gas exploration and development projects is maturing. Until 2007, oil and gas concessions were 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. The Production Sharing Law (as defined below), 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 Mineral Resources (2001)*. In addition, the *Law on Investments (2007)* permits foreign investors to have tax remissions as prescribed by Tax and Customs Codes. Further, 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. In connection with the Tajikistan Farm-Out Agreement, the Tajik government approval of certain amendments to the PSC was obtained.

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

¹ *World Energy Council Report (2005)*

² *Alexander's Oil and Gas Connections, January 1, 2007*

³ *RIA Novosti, June 10, 2008*

the Kulob area through both Dushanbe and Kurgan-Teppa into the Uzbek rail network and extend into the overall Central Asian rail complex. An active market does exist for crude oil in Tajikistan with current prices being in the range of USD60 – 80 per barrel, depending upon quality and proximity to refineries.

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).⁴ 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 Tojkcement cement production factory. Most natural gas is imported from Uzbekistan which is reported to currently charge a price of approximately USD380 per Mcm⁵ (USD10.80 per Mcf)⁶. In the event of a large gas discovery, possible export options would include export through the Tashkent-Bishkek-Almaty system, or the Petrochina pipeline system from Turkmenistan into Kazakhstan and 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.⁷ It was announced at the Shanghai Cooperation Organisation summit in September 2013 that a deal between China and Tajikistan had been agreed to construct a natural gas pipeline from Turkmenistan via Tajikistan for delivery of Turkmen gas to China. The project is estimated to cost \$3 billion and will be the fourth line of the Central Asia – China system (the first three lines originate in Turkmenistan and transit Uzbekistan and Kazakhstan)⁸. In March 2014, CNPC Trans-Asia Gas Pipeline Company Limited signed an agreement with Tajiktransgaz on jointly establishing a natural gas pipeline company to manage the construction of Line D of the Central Asia-China Gas Pipeline. This agreement aims to add 25 billion cubic meters in gas supply to China through this pipeline system annually and the construction of the Tajikistan section of Line D is expected to commence in 2014.⁹ This would potentially provide a further export route for natural gas should it be built and should large volumes of gas be discovered.

Properties

Overview

The Company holds an indirect 28.33% effective economic interest through Kulob Petroleum Limited (KPL) in the contractor share of the Bokhtar PSC which covers an area of approximately 36,000 km² in the south-west of the country (representing approximately 21.6% of the total land area of Tajikistan).

The following table summarizes the Company’s principal property in Tajikistan (and the percentage interest of the Company therein):

PROPERTY & CONTRACT	EFFECTIVE PERCENTAGE INTEREST (at December 31, 2013)	BASIN	GROSS AREA (in km ²)	EXPIRY DATE (assuming no extensions)
Bokhtar PSC	28.33%	Afghan-Tajik (Amu Darya)	36,186.37	June 2038

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. In the Bokhtar PSC area, 130 prospective structures/fields have been identified and numerous different prospective structures have already been identified in the area by Tethys specialists.

⁴ Ministry of Energy of the Republic of Tajikistan, 2013

⁵ Ministry of Energy of the Republic of Tajikistan, 2013

⁶ Per Com, March 2012

⁷ Heritage Foundation, 2006

⁸ Asia Plus, Tajikistan, October 2013

⁹ Xinhua. “CNPC to build pipeline with Tajiktransgaz”. Global Times. 10 March 2014

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 old fields although the PSC is now primarily involved in exploration for new targets.

The Company, through its 85% owned subsidiary KPL, controls a one-third interest (33.33%) in the Bokhtar PSC (representing an indirect 28.33% economic interest) as a result of the completion in June 2013 of the Tajikistan Farm-Out Agreement announced in December 2012 with subsidiaries of Total and CNPC whereby each acquired a one-third interest (each 33.335%) in the Bokhtar PSC in Tajikistan. Oil and gas exploration and production activities are conducted through a jointly-owned operating company, Bokhtar Operating Company B.V., incorporated in Holland ("**BOC**"). The activities of BOC, which is now the operator of the PSC, are governed by a Joint Operating Agreement (the "**Bokhtar Joint Operating Agreement**").

The Bokhtar PSC originally covered an area of some 35,000 km² and contains some 27.5 billion barrels oil equivalent of gross unrisks mean recoverable prospective resources, principally gas in deep exploration leads (according to independent figures, Gustavson 30 June 2012). See "*Prospective Recoverable Resources*".

As part of the Tajikistan Farm-Out Agreement, the Tajik Government added a further 1,186.37 km² of highly prospective acreage which was not previously included in the Bokhtar PSC. These areas include Sargazon in the Dangara District and Rengan in the Rudaki District. It also reconfirmed the terms, extended the term of the Bokhtar PSC until 2038 and also extended the first relinquishment period by five years until 2020.

Production Contracts

The Bokhtar PSC

The Bokhtar PSC in Tajikistan gives KPL, CNPC and Total (the "**Bokhtar Contractor Parties**"), working through BOC, the exclusive right, as contractors 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 contractors' 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 farm-out agreement between KPL, CNPC and Total, each company will recover 100% of their 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**") will then be split 70% by KPL, CNPC and Total and 30% by the Tajik State over each calendar year. Tethys' share of the cost pool will be 28.33% of the project and 28.33% of the 70% total profit production that is due to the contractors under the Bokhtar PSC. 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, CNPC or Total. Under the Bokhtar PSC, KPL, CNPC and Total have the right to sell their share of Profit Production to any third party, whether a resident of Tajikistan or not, at a price determined by KPL, CNPC and Total. Under the Bokhtar Joint Operating Agreement, KPL, CNPC and Total retain the right to market their share of production independently of each other, or jointly, as agreed. The Operator under the Bokhtar PSC is BOC, a joint-venture operating company owned by KPL, CNPC and Total. On completion of the Farm-Out Agreement in June 2013, KPL, which holds the Company's interest in the Bokhtar PSC, received some USD63 million relating to its past costs. It also has a part carry on a USD80 million initial work programme whereby KPL contributes only USD8.8 million towards this programme.

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**"), re-started in 2013 (i.e. through to 2038). 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, the Bokhtar Contractor Parties are 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). In June 2013, the State extended the first relinquishment period under the PSC by five years until 2020.

The Bokhtar Contractor Parties are 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.

In the formation of BOC, the Bokhtar Contractor Parties established a governing body for BOC, (the “**Operating Committee**”). The Operating Committee provides overall supervision and direction of the operations of BOC. This includes the final approval of BOC proposed work programmes and budgets. The Operating Committee consists of one (1) appointed representative and one (1) alternative representative, from each of the Bokhtar Contractor Parties. The representatives, on behalf of their respective Bokhtar Contractor Party, have the authority to cast votes with respect to the powers and duties of the Operating Committee. Votes are equal to the economic interest of the Bokhtar Contractor Party and votes cast by the alternative representative are only counted if the appointed representative is absent. The representatives will meet at least four times per year to discuss and make decisions on operational work direction and annual budgets as presented by BOC. BOC is to carry out the instructions and directions agreed upon by votes cast by the Operating Committee. The Bokhtar Contractor Parties shall procure their representatives at the Coordination Committee who shall only cast their vote in accordance with the decisions of the Operating Committee and, in the event of a modification to a proposal before the Coordination Committee, shall have no authority to vote without further Operating Committee approval.

A coordination committee established by the Bokhtar Contractor Parties 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 the Bokhtar Contractor Parties with the Bokhtar Contractor Parties providing the Chairman of the Committee. Decisions of the Coordination Committee are made by majority decision of the representatives present and entitled to vote. The Bokhtar Contractor Parties 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 the Bokhtar Contractor Parties’ 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 the Bokhtar Contractor Parties and MEI whose decision on accepted international petroleum industry practice shall be final and binding.

Pursuant to the Bokhtar PSC, KPL originally 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 involved the gathering and reprocessing of vintage datasets, acquisition of additional regional seismic data, exploration drilling, and 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, involved 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 million. All of these contractual commitments are unchanged as a result of the Tajikistan Farm-Out Agreement and have been met.

To the date of farm-out, KPL had spent more than USD82.8 million on activities under the Bokhtar PSC, significantly exceeding the financial commitments under the Bokhtar PSC while meeting specific work obligations.

[Exploration and Further Development](#)

The Company’s primary 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. Commencing in 2008, the Company developed a regional geological model based on geophysical information, acquired 2D seismic data and carried out an aeromagnetic gravimetry survey. Based on this information, the Company conducted well re-entries in the following old fields, Beshtentak, Komsomolsk and Khoja Sartez with new drilling in Komsomolsk, and also drilled two exploration wells on prospects East Olimtoi and Persea.

As part of the farm-out completion, the formerly producing Beshtentak 20 (BST20) well was relinquished to the State and all other wells and potential liabilities on the Beshtentak Field.

Since the completion of the farm-out, the new joint venture has been focused on the completion of a full regional 2D seismic acquisition programme across the PSC area particularly targeted at the deeper exploration potential. In the latter part of 2013, the joint venture BOC went to tender for the acquisition of an approximately 1800 kms programme. Phase I comprised of 826 kms of 2D seismic data and 588 kms of magneto telluric data will commence in 2014. In addition, the plugging and abandoning of the wells KPL had drilled, namely KOM200, KOM201, EOL09 and PRS01, was completed in Q3 2013 by TSTL at the request of the Bokhtar Contractor Parties.

[Oil and Gas Sales](#)

Under the Bokhtar PSC and the Bokhtar Joint Operating Agreement with CNPC and Total, the Company has the right to independently market and export any oil and gas production from the contract area. Currently, there are no oil and gas sales from the contract area. In the event of a discovery, the Company will evaluate the optimal solution for marketing hydrocarbon production. Depending upon market conditions, volume of production, hydrocarbon type and CNPC and Total's approach to marketing, the Company may elect to market production by itself, jointly with CNPC and Total, with one of CNPC or Total, sell domestically or export production. Under the Bokhtar PSC and the Bokhtar Joint Operating Agreement with CNPC and Total, the Company retains the right to market production to any party in any jurisdiction at the sole decision of the Company. There are no forward contracts currently in place.

Oil sales in Tajikistan were produced solely from the Beshtentak BST20 well, which produced from October 2011 until early June 2013 when the farm-out agreement completed.

[Prospective Recoverable Resources](#)

An independent resource assessment (utilizing both seismic and well data) was carried out on Bokhtar by Gustavson Associates that resulted in total Unrisked Mean Recoverable Prospective Resources in excess of 27 billion barrels oil equivalent as of June 30, 2012. The key results (all figures Gross to the PSC/Tethys net interest is 28.33%) are as follows:

- Unrisked Mean Prospective Recoverable Gas – 113.9228 trillion cubic feet (3.226 trillion cubic metres)
- Unrisked Mean Prospective Recoverable crude oil and condensate – 8.5102 billion barrels
- Total Unrisked Mean Prospective Recoverable Resources – 27.4974 billion barrels oil equivalent.

See "*Basis of Presentation of Prospective Recoverable Resources*".

[Socio-Economic Obligations](#)

In Tajikistan, according to the Bokhtar PSC, BOC has an obligation to invest in the socio-economic development of the Bokhtar area annually and a socio-economic budget for each year is proposed and approved at the Coordinating Committee of the Bokhtar PSC; however, no minimum amount is provided in the Bokhtar PSC. In addition, BOC 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. BOC has 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.

BOC is conducting an Environmental and Social Impact Assessment (ESIA) in the area of the seismic.

The Company, through its subsidiary KPL, has previously contributed to several social programmes in Tajikistan, including the construction of replacement housing in the town of Kulob, Khatlon Region, South Tajikistan, to benefit the population in an area suffering from catastrophic flooding, as well as generators to local maternity hospitals, together with funding and organization of a Novruz Holiday celebration and support for 42 disadvantaged children and their families of the Hamadoni District and provision of rehabilitation equipment, computers and canteen equipment for disabled children in a Dushanbe orphanage. Independently of BOC, KPL continues this voluntary support and assistance.

Georgia

Georgia is an independent state with a population of approximately 4.5 million in the Caucasus region of Eurasia. It is located at the strategically important crossroads of Western Asia and Eastern Europe, bounded to the west by the Black Sea, Russia to the north, Turkey and Armenia to the south and Azerbaijan to the south-east. The country is represented by a democratically elected government and is a member of the international community, including United Nations, Euro-Atlantic Partnership Council, Organisation for Security and Cooperation in Europe, International Monetary Fund, World Bank, and World Trade Organisation.

It supports a good business environment and is ranked 8th (out of 189 economies) on the ease of doing business by the World Bank's "Doing Business" Index¹⁰. With well developed infrastructure and major operational oil and gas pipelines – The South Caucasus Pipeline and the North-South Main Gas Pipeline transport natural gas from Azerbaijan through Georgia to Turkey and the Baku-Tbilisi-Ceyhan and the Western Route Export Pipeline transit crude oil from the Azerbaijan through Georgia to the Mediterranean and Black Sea markets – Georgia is becoming increasingly significant in linking Europe and Asia providing direct access to European, GCC and CIS markets.

Georgia is a historical oil and gas producing country with a world class source rock; this source rock for oil and gas is the Upper Eocene and Oligocene-Lower Miocene, Maikop Formation, partly organic rich black mudstones, which is up to 2.5 kms thick in total and overpressured. It overlies the main reservoirs, was likely mature during the Pliocene Pleistocene and then hydrocarbons migrated up complex structures and along faults. The most likely secondary source rock is Jurassic proven by seeps along the basin margin. Thin sandstone and siltstone intervals occur in the Maikop sequence providing some conventional plays and this horizon can also act as a tight rock / shale unconventional reservoir.

The main productive reservoir intervals of the basin are of Tertiary age especially the Middle Eocene clastics. Prospective reservoirs consist of Upper and Lower Pliocene, Upper Miocene turbidite sands, Lower Miocene, Oligocene sands and Middle Eocene fractured reservoirs in clastic or volcano-clastic turbidite and tsunami flow sediments. Perspective reservoirs also include Cretaceous clastics and carbonates. The main seal for the Middle Eocene is a series of thick Upper Eocene shales. The Upper Cretaceous which presents exploration upside is a proven reservoir with a shale seal both in the Manavi oil discovery in Georgia and north of the Caucasus where fractured chalks and limestones can flow up to 15,000 bopd and show a 50% recovery factor. The Chokrak fractured channel sands of Miocene Oligocene age provide stacked plays in the Norio oilfield and can have good porosity; the Maikop Upper Eocene/ Oligocene source itself can act as a reservoir as interbeds of sandstone and siltstone with reasonable porosity but low permeability are found in the shales.

The topography is varied, from mountainous to valleys and plains and Georgia is seismically active. The climate is sub-tropical to continental. Georgia is a transit route for Azerbaijani and other products with good roads and railways plus important pipelines. Georgia oil and gas economics are assisted by these nearby major export pipelines. The Baku-Tbilisi-Ceyhan (BTC) Oil Pipeline is 1,768 km long and can transport 1 MMbopd. It runs from the Caspian Sea to the Mediterranean Sea, it connects Baku, Tbilisi and Ceyhan. The pipeline is owned and operated by BTC Co (consortium of 11 energy companies managed by its largest shareholder BP) (note: there are also plans to extend this pipeline to Central Europe). The Baku-Supsa Oil Pipeline (known as the Western Route Export Pipeline and Western Early Oil Pipeline) is 833 km long, with capacity 145 Mbopd. It is operated by BP and runs from Sanagachal Terminal in Azerbaijan (Baku Port) to the Supsa terminal in Georgia. The South Caucasus Gas Pipeline is 692 km long, with capacity 8.8 Bcmpy (with plans to expand to 20 Bcmpy or even up to 60 Bcmpy by building a second line of the pipeline). It links gas production from Azeri offshore gas field 'Shah-Deniz' with the same route as the BTC pipeline, to Erzerum in Turkey.

In Georgia, PSC terms are stable and reasonable. Oil can be exported and the price currently is Brent minus approximately 10% at the field for oil being produced at present. Georgia also offers positive petroleum legislation and regulation combined with ease of doing business.

¹⁰ 2013 The World Bank, <http://www.doingbusiness.org/rankings>

PROPERTY & CONTRACT	EFFECTIVE PERCENTAGE INTEREST (at January 2, 2014)	BASIN	GROSS AREA (in km ²)	EXPIRY DATE (assuming no extensions)
Block XI ^A	56%	Kura	700	2037
Block XI ^M	56%	Kura	354.5	2038
Block XI ^N	56%	Kura	287.8	2038

Contracts

Three PSCs for each block XI^A, XI^M, XI^N, give 25-year exploration and production rights subject to an obligation work programme and exploration success to Tethys, the Company, through its subsidiaries Trialeti Petroleum Limited, Lisi Petroleum Limited and Saguramo Petroleum Limited, which holds 56% equity in each of the PSCs, and Georgia Oil and Gas Limited (“GOG”), a privately owned oil company, through its subsidiaries, which holds 44%. Tethys is the operator and farmed into the PSCs by way of a share based payment and a USD4.4 million carry to GOG of the initial minimum work programmes on the blocks. This consists of 2D seismic plus geochemical and geological studies.

Under the Joint Operating Agreement (the “**Iberia Joint Operating Agreement**”), the contractors, Trialeti Petroleum Limited, Lisi Petroleum Limited and Saguramo Petroleum Limited (each 100% owned by Tethys Petroleum Limited) and GOG, operate through the operating company, Tethys Services Georgia Limited (which is 100% owned by South Caucasus Petroleum Corporation, a 100% owned subsidiary of TPL). The contractors retain their right to market their share of production independently of each other, or jointly, as agreed. The operator (Tethys Services Georgia Limited) is to act on behalf of the contracting companies, following the direction and instruction of the Operating Committee for works conducted as part of the PSCs XI^A, XI^M and XI^N. The operator is to act on behalf of the contractors on a “not for profit” basis and the operator’s assets are owned by the contractor according to their economic interest.

The PSC terms give up to 50% of hydrocarbon production to recover 100% of costs, and then the 50% profit production is shared 50% to the contractor and 50% to the State until cumulative revenues exceed cumulative costs after which the State share increases to 60%. Each contract also has a fixed “regulatory fee” (royalty) of 24.19 Lari per ton (about \$1.8/bbl). The State has the right to back in to the PSC in the event of a commercial discovery.

There is a government option in the PSCs. In XI^A, there is a 25% option. In XI^M and XI^N there is a 20% option.

For XI^M and XI^N, when the first discovery is made within these PSC areas, the government has the right to exercise an option. The government has 12 months to exercise this option. The option expires 12 months after notice is given to the government that a discovery has been made. If the government does not exercise its option within 12 months of the first discovery being made, the option expires and does not apply to any future discoveries within the PSC area. In the event that the government does exercise its option, it shall nominate the percentage option it wishes to take (up to 20%) and it will become a contractor party to the PSC; assuming all of the rights, duties, obligations and liabilities of a contractor party under the PSC. The government will be required to fund its percentage of costs and it will receive its percentage of cost oil and profit oil.

If the option is exercised, and there is unrecovered cost recovery expenditure for the contractor, the government (acting as a contractor party) does not receive any cost recovery oil, it only receives its percentage of profit oil (as determined by the percentage stake that the government elected to take based upon its option, to a maximum of 20%). Once cost recovery expenditures that were incurred by the contractor prior to the government electing to exercise its option have been recovered, the government will receive cost recovery oil and profit oil as a normal contractor party would. On exercising its option, the government will join the Iberia Joint Operating Agreement that is in place currently. In the event that the government exercises its option, it guarantees that the contractor shall pay no taxes that may have been payable as a result of this assignment of interests. The government also ensures that “the Contractor incurs no economic damage, which may result from exercise [sic] of the Option by the State [...]”.

In the event that the government exercises its option, it is liable for ongoing funding and for operating as a contractor party to the PSC and Iberia Joint Operating Agreement. If the government fails to meet its obligations under these agreements, it shall be treated as if it was a contractor party and therefore be in default under the PSC and Iberia Joint Operating Agreement.

For XI^A, for each discovery made on the PSC area, the government has the right to exercise an option to take up to 25% of the PSC by becoming a contractor party. The government has 12 months from the date of notification of a discovery to exercise this option. In the event that a discovery is made and the government does not exercise its option, and a subsequent discovery is made at a later date, the government may exercise its option for the second (or any subsequent discovery) and take a 25% stake in the PSC as a contractor party. However, for any discovery that was made that the government did not exercise its option on, these areas will be excluded from the government's stake as a contractor party. In the event that the government does exercise its option, it shall nominate the percentage option it wishes to take (up to 25%) and it will become a contractor party to the PSC; assuming all of the rights, duties, obligations and liabilities of a contractor party under the PSC. The government will be required to fund its percentage of costs and it will receive its percentage of cost oil and profit oil; noting that the previous does not apply to any area that was previously discovered that the government did not elect to exercise its option on within 12 months.

If the option is exercised, and there is unrecovered cost recovery expenditure for the contractor, the government (acting as a contractor party) does not receive any cost recovery oil, it only receives its percentage of profit oil (as determined by the percentage stake that the government elected to take based upon its option, to a maximum of 25%). Once cost recovery expenditures that were incurred by the contractor prior to the government electing to exercise its option have been recovered, the government will receive cost recovery oil and profit oil as a normal contractor party would. On exercising its option, the government will join the Iberia Joint Operating Agreement that is in place currently. In the event that the government exercises its option, it guarantees that the contractor shall pay no taxes that may have been payable as a result of this assignment of interests. The government also ensures that "the Contractor incurs no economic damage, which may result from exercise [sic] of the Option by the State [...]".

In the event that the government exercises its option, it is liable for ongoing funding and for operating as a contractor party to the PSC and Iberia Joint Operating Agreement. If the government fails to meet its obligations under these agreements, it shall be treated as if it was a contractor party and therefore be in default under the PSC and Iberia Joint Operating Agreement.

Exploration

XI^A and XI^M license blocks are located in the eastern Achara-Trialet fold and thrust belt; XI^N license block is located in the Kura foreland. On either side of anticlines the blocks offer stacked thrust anticlines capable of acting as conventional traps.

Block XI^A is generally formed of Palaeogene Trialet thrust belt outcrop and has the greatest likelihood of conventional structural play. This block contains both source basin and good conventional thrust ramp anticline structures to explore. Block XI^M is low relief land north of Tbilisi where seismic acquisition is easiest. It is a syncline and thus has unconventional oil shale play potential but also sub thrust ramp anticline structural leads. Block XI^N has high relief wooded hills, contains a monocline and has Cretaceous and Miocene potential again in thrust ramp anticline structures as well as unconventional shale oil potential.

Resources can be identified based on existing seismic coverage, legacy wells and surface mapping in what have been classified as "conventional" and "unconventional" plays. The conventional plays are structural although the reservoirs are often quite tight and may rely on fracture permeability. The unconventional reservoirs are the Maikop and Upper Eocene source rocks which do contain thin sandstone and siltstone intervals and can also act as conventional reservoirs. However, they present the opportunity to be stratigraphically located in the synclines such as the Ormoiani syncline in Block XI^M. Mean gross unrisks recoverable resources of 2,913 MMbbls of oil and 1.815 Tcf of gas (3,216 MMboe) are seen in these blocks by independent assessors Gustavson as at July 1, 2013. See "*Prospective Recoverable Resources*".

The total 2D seismic survey obligation programme over the three part blocks is 350 kms, and of this, 250 kms has already been acquired and was funded as a result of the farm in agreement. The forward exploration programme thus contains the 100 kms of 2D seismic surveying which must be completed by mid-2015, processing and interpretation of these data along with geological and geochemical tests on samples especially aimed at the rich Maikop potential with a view to drilling a successful exploration well and establishing production.

Prospective Recoverable Resources

An independent resource assessment (utilizing both seismic and well data) was carried out on three Project Iberia blocks by Gustavson Associates that resulted in total Unrisked Mean Recoverable Prospective Resources in excess of 3.2 billion barrels oil equivalent as of July 1, 2013. The key results (all figures Gross to the PSCs/Tethys net entitlement interest (pre-tax) is 56%) are as follows:

- Unrisked Mean Prospective Oil in Place – 3.481 billion barrels
- Unrisked Mean Prospective Recoverable crude oil – 2.913 billion barrels comprising:
 - 380.4 million barrels of conventional resources and
 - 2,533 billion barrels of unconventional resources;
- Unrisked Mean Prospective Associated Gas – 1.815 trillion cubic feet (51.4 billion cubic metres)
- Total Unrisked Mean Prospective Recoverable Resources – 3.216 billion barrels oil equivalent.

See “Basis of Presentation of Prospective Recoverable Resources”.

Socio-Economic Obligations

In Georgia, there is no formal obligation to invest in socio-economic development under the PSCs.

Uzbekistan

The Company, through TPU and together with subsidiaries of UNG, owned a 100% contractor interest in the PEC for the North Urtabulak Field. The Company made a decision in December 2013 to terminate the PEC. The North Urtabulak field is located in southern Uzbekistan, in the northern portion of the Amu Darya basin. The North Urtabulak PEC did not confer ownership of the North Urtabulak Field to TPU and as such no reserves or resources have been attributed to TPU's interest under the North Urtabulak PEC. The North Urtabulak Field is located in the Northern portion of the Amu Darya basin and produces oil from a Jurassic age reef structure. As of December 31, 2013, the Company was producing approximately 92 bopd (net) under the North Urtabulak PEC.

The oil produced under the North Urtabulak PEC was refined at the Fergana refinery. The contractor's allocation of refined products was sold on the export market in USD using marketing agents appointed jointly with Uzneftegazdobycha and Uznefteproduct. The prices of refined products were negotiated between TPU and the designated marketing agents on a monthly basis based on current prices on the local export market. No sales have been made since Q2 2013 and no further sales are expected due to termination of the PEC.

Twenty per cent of the production (net of all costs) from the wells which were subject to the PEC were for the account of the Company in 2013.

In December 2013, announced on January 2, 2014, the Company made a corporate decision to exit Uzbekistan due to changes in the business climate and political environment. It is anticipated that the exit process will take approximately three months.

Socio-Economic Obligations

Whilst there are no formal or legislative regulations with regard to the socio-economic obligations of Tethys in Uzbekistan, the Company did 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 were made to local hospitals and community associations. Furthermore, English lessons were provided for all local employees, and several of the Company's more academically-able local employees were 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.

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 Kazakhstan.
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 Kyzylol/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.

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 Georgia and elsewhere in Central Asia and the surrounding area. The Company's Executive Chairman has over 24 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 Georgia, 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.

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 industry best 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 the 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 2010, the Kazakh State introduced enhanced environmental regulations which included relevant payments and costs for emissions, industrial waste, environmental monitoring and the implementation of nature conservation measures, together with an additional payment for each well drilled. These regulations take into consideration the well depth, the amount of waste produced during drilling, and the amount of gas that may be flared. The Company paid 13.1 million Tenge (USD86,178) in 2013 for emissions compared to 14.1 million Tenge (USD94,547) in 2012.

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. These well sites were remediated in Q3 2013, and BST20 was returned to the State along with any liabilities.

The Company's operations in Uzbekistan were required to be in compliance with both the terms of the North Urtabulak PEC and with the environmental legislation of the Republic of Uzbekistan. The North Urtabulak PEC provided that TPU would have no liability for any environmental claim arising from the transportation or refining of hydrocarbons produced from the North Urtabulak Field. Throughout the 15-year history of drilling and workover operations on the North Urtabulak Field, TPU (and its contractual predecessors) were in complete compliance with all relevant environmental legislation. TPU's drilling and workover operations were carried out in strict compliance with the Uzbek environmental protection legislation, and in line 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 were addressed through the existing environmental impact procedures of TPU, via environmental impact assessments and via pre-job safety meetings, at which potential environmental risks were discussed. In addition to the Company's own health, safety and environmental policies, the project was 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 Sanoattechnazorat (Industrial Technical Inspection). Representatives of Sanoattechnazorat performed 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, 2013, the Company had a total of 492 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 Georgia (and until end of December 2013, 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. The Company engaged Gustavson to evaluate the Company's oil and natural gas reserves in Kazakhstan, (note that there are no reserves associated with the Company's acreage in Tajikistan or Georgia). In connection therewith, Gustavson prepared an independent evaluation of the Company's oil and natural gas reserves in respect of Kazakhstan dated March 11, 2014 (the "**Statement**") with a joint effective date of the Statement of December 31, 2013. 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, 2013, and in connection therewith, Gustavson prepared the Gustavson Reserve Report evaluating the Company's crude oil and natural gas reserves as at December 31, 2013.

The reserves data set forth below is based upon evaluations by Gustavson with an effective date of December 31, 2013. 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, production data, 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.

On November 1, 2013, the Company announced that it had entered into a definitive agreement (the "**Kazakhstan Farm-Out Agreement**") for the sale of 50% of its Kazakh oil and gas assets to SinoHan Oil and Gas Investment B.V., part of HanHong, a Beijing PRC based private equity fund. The information below does not give effect to this proposed transaction.

Tajikistan

Due to the relinquishment of the BST20 well and the surrounding Beshtentak Field and the Komsomolsk Field as part of the farm-out process and further to the current plan not to pursue these prospects under the Bokhtar Joint Operating Agreement, there are no reserves attributed to Tajikistan as at December 31, 2013.

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

Summary of Oil and Natural Gas Reserves
As of December 31, 2013
Forecast Prices and Costs⁽¹⁾

Reserves Category	Light and Medium Crude Oil		Natural Gas		Total	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Bcf)	Net (Bcf)	Gross (MBoe)	Net (MBoe)
KAZAKHSTAN						
Proved						
Developed Producing	1,362	1,314	13,724	12,474	3,650	3,393
Developed Non-Producing	389	370	12,390	11,105	2,453	2,221
Undeveloped	4,149	3,956	23,323	20,758	8,036	7,416
Total Proved	5,900	5,640	49,436	44,338	14,139	13,030
Probable	6,542	6,086	28,115	25,071	11,228	10,265
Total Proved Plus Probable	12,442	11,726	77,551	69,409	25,367	23,294
Possible	9,145	8,606	35,060	28,782	14,988	13,403
Total Proved Plus Probable Plus Possible	21,587	20,331	112,611	98,191	40,355	36,697

Notes:

(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.

**Summary of
Net Present Values of Future Net Revenue
As of December 31, 2013
Forecast Prices and Costs⁽¹⁾⁽²⁾**

Reserves Category	Before Income Taxes Discounted at (%/year)					After Income Taxes Discounted at (%/year)					Unit Value Before Income Taxes Discounted at 10%/year
	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	(\$/boe)
KAZAKHSTAN											
Proved											
Developed Producing	\$71,788	\$62,884	\$55,586	\$49,532	\$44,454	\$49,086	\$43,281	\$38,499	\$34,511	\$31,149	\$16.38
Developed Non-Producing	\$69,106	\$57,106	\$47,782	\$40,410	\$34,495	\$36,358	\$29,287	\$23,897	\$19,710	\$16,404	\$21.51
Undeveloped	\$282,450	\$227,771	\$186,313	\$154,306	\$129,199	\$108,041	\$83,808	\$65,872	\$52,356	\$42,007	\$25.12
Total Proved	\$423,344	\$347,760	\$289,681	\$244,249	\$208,148	\$193,485	\$156,376	\$128,268	\$106,576	\$89,560	\$22.23
Probable	\$451,266	\$346,227	\$271,258	\$216,399	\$175,380	\$221,484	\$167,216	\$128,965	\$101,327	\$80,922	\$26.43
Total Proved Plus Probable	\$874,610	\$693,987	\$560,939	\$460,648	\$383,529	\$414,969	\$323,592	\$257,233	\$207,903	\$170,482	\$24.08
Possible	\$603,534	\$428,696	\$313,502	\$235,147	\$180,336	\$298,648	\$205,328	\$145,490	\$105,884	\$78,921	\$23.39
Total Proved Plus Probable Plus Possible	\$1,478,144	\$1,122,683	\$874,441	\$695,795	\$563,864	\$713,617	\$528,920	\$402,722	\$313,787	\$249,402	\$23.83

**Summary of
Net Present Values of Future Net Revenue
As of December 31, 2013
Forecast Prices and Costs⁽¹⁾⁽²⁾**

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)
TOTAL											
Proved											
Developed Producing	\$71,788	\$62,884	\$55,586	\$49,532	\$44,454	\$49,086	\$43,281	\$38,499	\$34,511	\$31,149	\$16.38
Developed Non-Producing	\$69,106	\$57,106	\$47,782	\$40,410	\$34,495	\$36,358	\$29,287	\$23,897	\$19,710	\$16,404	\$21.51
Undeveloped	\$282,450	\$227,771	\$186,313	\$154,306	\$129,199	\$108,041	\$83,808	\$65,872	\$52,356	\$42,007	\$25.12
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Total Proved Plus Probable Plus Possible	\$1,478,144	\$1,122,683	\$874,441	\$695,795	\$563,864	\$713,617	\$528,920	\$402,722	\$313,787	\$249,402	\$23.83

Notes:

(1) The unit value for Kazakhstan and Total is presented in USD/boe.

(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.

**Total Future Net Revenue
(Undiscounted)
As of December 31, 2013
Forecast Prices and Costs⁽¹⁾⁽²⁾⁽³⁾**

Reserves Category	Revenue	Royalties	Export Rent Tax	Operating Costs	Development Costs	Abandonment 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	746.45	54.65	69.23	94.75	111.32	1.17	1.36	413.98	222.49	191.49
Total Proved Plus Probable	1,374.71	106.32	156.20	150.28	139.77	1.44	1.36	819.34	423.11	396.23
Total Proved Plus Probable Plus Possible	2,232.48	167.88	279.42	220.16	181.55	1.75	1.36	1,380.36	703.69	676.67
TOTAL										
Total Proved	746.45	54.65	69.23	94.75	111.32	1.17	1.36	413.98	222.49	191.49
Total Proved Plus Probable	1,374.71	106.32	156.20	150.28	139.77	1.44	1.36	819.34	423.11	396.23
Total Proved Plus Probable Plus Possible	2,232.48	167.88	279.42	220.16	181.55	1.75	1.36	1,380.36	703.69	676.67

Notes:

- (1) "Other expenses" refers to the repayment of historical costs.
- (2) "Royalties" include the Mineral Extraction Tax.
- (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.

**Future Net Revenue
By Production Group
As of December 31, 2013
Forecast Prices and Costs⁽¹⁾⁽²⁾**

<u>Reserves Category</u>	<u>Production Group</u>	<u>Future Net Revenue Before Income Taxes (discounted at 10%/year)</u>	<u>Unit Value</u>
		(MM\$)	(\$/Mcf) (\$/bbl)
TOTAL PROVED	Light and Medium Crude Oil		
	Kazakhstan	\$137,096	\$23.53
	Associated Gas and Non-Associated Gas		
	Kazakhstan	\$152,585	\$3.53
TOTAL PROVED PLUS PROBABLE	Light and Medium Crude Oil		
	Kazakhstan	\$322,338	\$26.63
	Associated Gas and Non-Associated Gas		
	Kazakhstan	\$238,601	\$3.55
TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE	Light and Medium Crude Oil		
	Kazakhstan	\$546,035	\$25.98
	Associated Gas and Non-Associated Gas		
	Kazakhstan	\$328,406	\$3.49

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, 2013
Forecast Prices and Costs⁽¹⁾

KAZAKHSTAN

	Oil			Natural Gas			Inflation rate %/year
	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)	
Historical							
2013	\$108.56	N/A	\$30.00	\$1.84	\$1.84	N/A	N/A
Forecast							
2014	\$104.80	\$89.08	\$33.00	\$1.75	\$1.75	N/A	1.50%
2015	\$98.00	\$83.30	\$33.00	\$1.75	\$1.75	\$8.35	1.50%
2016	\$96.67	\$82.17	\$30.86	\$1.75	\$1.75	\$8.19	1.50%
2017	\$94.20	\$80.07	\$30.44	\$1.75	\$1.75	\$7.89	1.50%
2018	\$92.35	\$78.49	\$29.66	\$1.75	\$1.75	\$7.66	1.50%
2019	\$90.85	\$77.22	\$29.08	\$1.75	\$1.75	\$7.47	1.50%
2020	\$92.21	\$78.38	\$29.52	\$1.78	\$1.78	\$7.58	1.50%
2021	\$93.59	\$79.55	\$29.96	\$1.80	\$1.80	\$7.70	1.50%
2022	\$94.99	\$80.75	\$30.41	\$1.83	\$1.83	\$7.81	1.50%
2023	\$96.42	\$81.96	\$30.86	\$1.86	\$1.86	\$7.93	1.50%
2024	\$97.87	\$83.19	\$31.33	\$1.89	\$1.89	\$8.05	1.50%
2025	\$99.33	\$84.43	\$31.80	\$1.91	\$1.91	\$8.17	1.50%
2026	\$100.82	\$85.70	\$32.27	\$1.94	\$1.94	\$8.29	1.50%
2027	\$102.34	\$86.99	\$32.76	\$1.97	\$1.97	\$8.41	1.50%
2028	\$103.87	\$88.29	\$33.25	\$2.00	\$2.00	\$8.54	1.50%
2029	\$105.43	\$89.61	\$33.75	\$2.03	\$2.03	\$8.67	1.50%
2030	\$107.01	\$90.96	\$34.25	\$2.06	\$2.06	\$8.80	1.50%
2031	\$108.62	\$92.32	\$34.77	\$2.09	\$2.09	\$8.93	1.50%
2032	\$110.25	\$93.71	\$35.29	\$2.12	\$2.12	\$9.07	1.50%
2033	\$111.90	\$95.11	\$35.82	\$1.75	\$2.16	\$9.20	1.50%
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. The Gas Supply Contracts # 053-01-142 and # 054-01-14 were signed on 24 January 2014 (effective date 1st Jan 2014) between TethysAralGas LLP and InterGas Central Asia, a wholly owned subsidiary of the Kazakh State company KazTransGas JSC, for the Kyzyloi and Akkulka natural gas fields. The contracted net gas price in Kazakh Tenge was KZT 9,652.50 per 1,000 cubic metres (USD65 per 1,000 cubic metres or USD1.84 per 1,000 cubic feet) or KZT 10,810.80 per 1,000 cubic metres (USD72.8 per 1,000 cubic metres or USD2.06 per 1,000 cubic feet including VAT) net of marketing and distribution costs as of the effective date. The contracts are effective until December 31, 2014.

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, 2013, against such reserves as at December 31, 2012, based on forecast prices and cost assumptions.

Factors	Light and Medium Crude Oil			Associated and Non-Associated Natural Gas		
	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved Plus Probable (Mbbbl)	Gross Proved (Bcf)	Gross Probable (Bcf)	Gross Proved Plus Probable (Bcf)
December 31, 2012	6,392	6,682	13,074	50.7	26.8	77.4
Extensions and Improved Recovery	0	0	0	0.0	0.0	0.0
Technical Revisions	469	-140	329	3.3	1.4	4.7
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	961	0	961	4.6	0.0	4.6
December 31, 2013	5,900	6,542	12,442	49.4	28.1	77.6

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

Proved Undeveloped		Associated and Non-Associated Gas ⁽¹⁾		Light and Medium Crude Oil	
		First Attributed (Bcf)	Total at Year End (Bcf)	First Attributed (Mbbbl)	Total at Year End (Mbbbl)
	Prior	16.3	1.1	1,509	1,509
	2011	14.4	15.5	1,337	2,846
	2012	2.5	18.0	646	3,492
	2013	2.8	20.8	464	3,956
Probable Undeveloped		First Attributed (Bcf)	Total at Year End (Bcf)	First Attributed (Mbbbl)	Total at Year End (Mbbbl)
	Prior	14.6	7.0	4,975	4,975
	2011	17.2	24.2	1,782	6,757
	2012	-	11.0	-	5,593
	2013	3.8	14.8	-	5,579

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.

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 2014 from the Akkulka and Kyzylloi gas fields. See “Description of the Business — Marketing”.

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			
2014	\$22.9	\$22.9	\$22.9
2015	\$29.3	\$37.1	\$37.1
2016	\$47.5	\$51.1	\$51.1
2017	\$10.6	\$32.6	\$58.7
2018	\$1.1	\$1.1	\$16.1
Thereafter	\$1.8	\$4.6	\$8.3
Total for all years undiscounted ⁽¹⁾	\$113.2	\$149.4	\$194.2

Note:

(1) All figures show CAPEX (\$2014). 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

Kazakhstan

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”.

Oil and Gas Wells

The number of producing and non-producing wells in which the Company had an interest as of December 31, 2013 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⁾	
	Gross	Net	Gross	Net
<i>Kazakhstan</i>				
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, 2013 as some are out of the current Akkulka production contract area.

	Light and Medium Crude Oil			
	Producing		Non-Producing ⁽¹⁾	
	Gross	Net	Gross	Net
<i>Kazakhstan</i>				
Akkulka Block (Doris / Dione)	3	3	1	1
<i>Uzbekistan</i>				
North Urtabulak	14	14	0	0
Total	17	17	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, 2013.

Area	Gross Acres	Net Acres
Kazakhstan		
Kul-Bas Exploration and Production Contract	1,885,943	1,885,943
Tajikistan		
Bohktar PSC	8,891,882	8,891,882
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.

Forward Contracts

Kazakhstan

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 KZT9,652.50 (approximately USD62.67) plus VAT, valid until December 31, 2013. In January, the contract was renewed for a further year to December 31, 2014 on similar terms.

Tajikistan

Oil was sold to a number of buyers from the Company's production in Beshtentak. Prices for this oil ranged from USD60 to 68 per barrel. Payment for all oil was in USD. There is no oil and gas production and therefore are no forward contracts currently in place here.

Uzbekistan

The Company sold to independent marketing agents but had no obligation to sell them the products and therefore there were 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 these costs to be USD25,000 per well for both shallow gas and 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, discounted at 7.4%, is USD794,801 and undiscounted is USD1,334,057. 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 the second half of 2015.

Tajikistan

As of December 31, 2013, the Company had no wells for which abandonment and reclamation costs are expected to be incurred in respect of the Tajikistan Contract Area. Those wells the Company participated in prior to the June 2013 Farm-Out were either

returned to the Tajik State (with any liabilities) (i.e. Beshtentak) or plugged and abandoned in Q3 2013 with Tethys' costs being part of the part carry.

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 originally by KPL, and since the Farm Out by the Bokhtar Contractor Parties which now shall be held in the joint names of the State and the Bokhtar Contractor Parties or their respective nominees, or designee. The Bokhtar Contractor Parties' 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. Exit costs are expected to be approximately USD1,200,000, USD500,000 of which has been provided in the 2013 annual consolidated financial statements.

In the twelve 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 Uzbekneftgaz as per the terms of the PEC. As such, no abandonment costs have been incurred and none are expected to be incurred as a result of the Company's decision to relinquish its interest in the PEC.

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. Although the Company still has tax losses to be carried forward, corporate income tax may arise in 2014.

In 2013, 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 2013.

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 Kyzylai 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 operated in accordance with the Decree of the Cabinet of Ministers of Uzbekistan #322 of July 2, 1999 (the "Decree") and North Urtaulak PEC. The tax system which applied 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 Urtaulak PEC, TPU received 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 was 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, 2013:

	Year December 31, 2013 ⁽¹⁾			Total
	Kazakhstan	Tajikistan	Uzbekistan	
Property Acquisition Costs				
Proved Properties	-	68 ⁽²⁾	-	68
Unproved Properties	-	-	-	-
Exploration Costs	3,301	1,451	-	4,752
Development Costs	17,900	-	472 ⁽³⁾	18,372
Total⁽¹⁾	21,201	1,519	472	23,192

Note:

- (1) Does not include the costs incurred in respect of the acquisition of the drilling rigs and ancillary equipment.
(2) Handed back to the State in June 2013 as part of the Tajik Farm-Out agreement.
(3) Written off at year-end as part of discontinued operations.

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, 2013 in Kazakhstan, Tajikistan and Uzbekistan.

Year Ended December 31, 2013

	Kazakhstan		Tajikistan		Uzbekistan ⁽¹⁾	
	Gross	Net	Gross	Net	Gross	Net
Exploration Wells						
Natural Gas	0	0	0	0	0	0
Oil	2	2	0	0	0	0
Service	0	0	0	0	0	0
Dry Holes	0	0	4	4	0	0
Total Exploration Wells	2	2	4	4	0	0
Development Wells						
Natural Gas	1	1	0	0	0	0
Oil	2	2	1	0	0	0
Service	0	0	0	0	0	0
Dry Holes	0	0	0	0	0	0
Total Development Wells	3	3	1	1	0	0

Note:

(1) Written off at year-end as part of discontinued operations.

In Kazakhstan, exploration wells AKD08 and AKD09 were 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, 2013 only the BST20 well was produced.

In Uzbekistan, no new wells were drilled in the year up to December 31, 2013. 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 2014 by product type associated with the future net revenue estimates reported in the Gustavson Reserve Report.

	Natural Gas (Bcf)	Crude Oil (Mbbbl)
Kazakhstan		
Gross Proved	4.1	647
Gross Proved plus Probable	4.1	724

The following table sets forth the volume of production estimated in the Gustavson Reserve Report for the Kyzylloi, Akkulka Gas Fields and the Akkulka deep Oil fields in Kazakhstan being fields that account for 100% of the estimated production disclosed under the above table, for the year ending December 31, 2013:

Reserves Category	Natural Gas (Bcf)	Light and Medium Crude Oil (Mbbbl)
<i>Kyzylloi, Kazakhstan</i>		
Gross Proved	2.9	-
Gross Proved plus Probable	2.9	-
<i>Akkulka, Kazakhstan</i>		
Gross Proved	1.1	-
Gross Proved plus Probable	1.1	-
<i>Akkulka Deep Oil, Kazakhstan</i>		
Gross Proved	0.1	647
Gross Proved plus Probable	0.1	724

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, 2013.

2013 ⁽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, 2013	347	2,613
▪ Quarter ended March 31, 2013	296	3,200
▪ Quarter ended June 30, 2013	399	2,227
▪ Quarter ended September 30, 2013	381	2,435
▪ Quarter ended December 31, 2013	312	2,599
Prices Received ⁽³⁾	\$62.67 / Mcm	\$27.41 / bbl
Royalties Paid	-	-
Production Costs ⁽³⁾	\$38.55 / Mcm	\$8.81 / bbl
Resulting Netback ⁽³⁾	\$24.12 / Mcm	\$18.60 / bbl

Notes:

- (1) Kyzylai and Akkulka were the only producing gas fields in Kazakhstan in 2013.
(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

2013 ⁽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, 2013	-	65
▪ Quarter ended March 31, 2013	-	78
▪ Quarter ended June 30, 2013	-	47
▪ Quarter ended September 30, 2013	-	-
▪ Quarter ended December 31, 2013	-	-
Prices Received ⁽²⁾	-	\$53.21 / bbl
Royalties Paid	-	-
Production Costs ⁽²⁾	-	\$83.10 / bbl
Resulting Netback ⁽²⁾	-	\$(29.89) / bbl

Notes:

- (1) BST20 was the only Tethys well on production in Tajikistan in 2013 and it was returned to the Tajik State in June 2013.
(2) USD/bbl for oil.

Uzbekistan (TPU has no entitlement to gas)

2013 ⁽¹⁾	Light and Medium Crude (bopd)
Daily Production Volume (Gross bopd) – Pre State Take	
▪ Year Ended December 31, 2013	434
▪ Quarter ended March 31, 2013	517
▪ Quarter ended June 30, 2013	420
▪ Quarter ended September 30, 2013	397
▪ Quarter ended December 31, 2013	406
Prices Received ⁽²⁾	\$12.39 / bbl
Royalties Paid	-

Production Costs ⁽²⁾	\$9.11 / bbl
Resulting Netback ⁽²⁾	\$3.28 / bbl

Note:

- (1) North Urtabulak was the only field in production in Uzbekistan in 2013 and the Company made a decision in December 2013 to relinquish its interest. There is no contractual notice period but it is anticipated that it will take up to three months to complete the process of exiting from the North Urtabulak field. During Q1 2014, the Company's focus has been on preparing the wells for handover and dealing with the exit. The Company does not expect to benefit from any production or earn any revenues in 2014.
- (2) USD/bbl for oil.

Production Volume by Field

The following table indicates the Company's total production for the year ended December 31, 2013 from each important field (before taxes, royalties and State take unless otherwise noted):

2013	Natural Gas (Mcm)	Light and Medium Crude Oil (bbl)	Barrels of Oil Equivalent (boe)	Boepd
Kyzyloi Gas Field, Kazakhstan	93,139	-	548,262	1,502
Akkulka Gas Field, Kazakhstan	33,612	-	197,857	542
Doris Oil Field ⁽¹⁾ Kazakhstan North Urtabulak, ⁽³⁾	-	953,892	953,892	2,613
Uzbekistan	-	36,816	36,816	100
Beshtentak, Tajikistan ⁽²⁾	-	10,338	10,338	65
Total ⁽⁴⁾	126,751	1,001,046	1,747,165	4,822

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, based on H1 when production was discontinued in June 2013.
- (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 2013 was 4,437 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, 2013 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 and Tajikistan and, to end of December 2013, in Uzbekistan 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.

In Uzbekistan, the North Urtabulak PEC was terminated effective at the end of December 2013.

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.

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 March 2012, the Company, as well as many other subsoil users, were notified by MOG that they were in violation of certain provisions of the Local Content Rules. The Company worked closely with MOG and proved that such violations were minor and mainly caused by technical reasons. In April 2012, MOG confirmed that Tethys' Kazakh subsidiaries comply with 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 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 (Tenge) price gas contracts up to the end of 2013. Subsequent to the year end, these gas supply contracts were renewed at the same fixed (Tenge) price and run through to December 31, 2014.

The Company's oil contract in Kazakhstan is 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. 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 2013, 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 Kyzylai and Akkulka contracts in Kazakhstan is sold at fixed prices, at least until the end of 2014, 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 2014, however, it would be affected by exchange rate risk.

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 and the Caspian Region. 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 Kyzylai 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. The Bukhara-Urals trunkline was initially designed to carry gas from Central Asia through Kazakhstan and into the Russian export system. The Bukhara-Urals trunkline is a twin line system currently supplying gas to the Aktobe region of Kazakhstan by way of northward transport, and southwards to the Bozoi underground storage facility with no export into the Russian system. In October 2013, the Bozoi-Shymkent pipeline opened, and gas from the Bozoi underground storage system is being transported by this new line to Shymkent. The Bozoi/Shymkent pipeline is being linked to the Kazakhstan-China gas pipeline; this link is currently under construction and expected to be completed in July 2014, which will allow for an alternative route for the sale of the Company's gas. It is currently considered likely that the Company will be able to utilise this pipeline to transport its gas to China, however, there is no guarantee that this will occur.

Dependence on Refinery and Transportation Facilities

On January 30, 2012, the Company announced the official inauguration of AOT, a 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 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.

As at December 31, 2013, no hedging agreements or contracts were in place.

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 Notes 2 and 3 of the audited consolidated financial statements for the financial year ended December 31, 2013 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 to December 2013, 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, Georgia or other countries in which it operates in the future, the effect of which could have a negative impact on the Company.

In particular, Tajikistan borders 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 and the Caspian Region, 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 or Georgia.

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 are denominated in a currency other than the US dollar. In addition, a portion of expenditures in Kazakhstan, Tajikistan and Georgia are denominated in local currency, the Tenge, Somoni and Lari respectively. The Company also attempts to negotiate exchange rate stabilization conditions in new local Tenge denominated service and supply contracts in Kazakhstan. In the first quarter of 2014, Kazakhstan devalued its currency to approximately 185 Tenge to the U.S. Dollar compared with the rate at December 31, 2013 of 152.5.

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 Tenge, 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, 2013.

Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Kazakhstan or Tajikistan to foreign entities. 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 or Somoni will continue to be exchangeable into U.S. Dollars or that the Company will be able to exchange sufficient amounts of Tenge or Somoni 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 or Somoni and Pounds Sterling relative to the U.S. Dollar.

Political and Regulatory

The Company decided in December 2013 and announced on January 2, 2014 that it had made a decision to exit Uzbekistan and surrender its rights under the PEC due to changes in the business climate and political environment. The Company's decision was principally as a result of problems encountered by Tethys Production Uzbekistan (the trading name of the Company's subsidiary, Baker Hughes (Cyprus) Limited, ("BHCL") in receiving allocation and payment for the delivery of crude oil to the Fergana refinery. Uzbek authorities have requested access to certain records of BHCL. Although the Company does not expect that claims or charges against the Company or its subsidiaries will be initiated by the authorities, the Company will incur expenses, which may be significant, relating to its exit from Uzbekistan and possible assessments of costs as a result of inspections or reviews of its records by Uzbek authorities. Moreover, as a result of problems encountered by the Company with the Fergana refinery, the Company may be unable to recover payment for oil previously delivered to the Fergana refinery (estimated at USD1.6 million) which has been written down in the audited consolidated financial statements. Political, regulatory and similar risks are reviewed by Management and further reviewed by the Strategic Risk Committee of the Board at which mitigating strategies and policies are discussed and agreed. The members (and advisors) of the Strategic Risk Committee include experienced diplomats, politicians and personnel familiar with the Company's operating areas.

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 TK SA 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 and Tajikistan and to December 2013 was in Uzbekistan, and now in Georgia, 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 Georgia 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 or Tajikistan 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, Belgium, Cyprus, British Virgin Islands, Delaware, the Netherlands, Georgia and England. The Company through its subsidiaries carries on operations in Kazakhstan, Tajikistan, Georgia and, to date of its exit, in 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 Georgia 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, Uzbekistan and Georgia, 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 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, oil production, particularly in the first quarter of each year, may be affected by 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, 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 originally by KPL, and since the Farm Out by the Bokhtar Contractor Parties, which now shall be held in the joint names of the State and the Bokhtar Contractor Parties or their respective nominees, or designee. The Bokhtar Contractor Parties' 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. An independent environmental base line study was carried out on the Beshtentak Field.

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 USD182 million as at December 31, 2013. 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, 2013.

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, 2013 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.

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 obliged to relinquish certain exploration rights pursuant to 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 (with the exception of areas in which a discovery is made). As of December 31, 2013, 31% of the total contract area has been relinquished. The Kul-Bas Exploration Contract was amended firstly in December 2010, when the Company received approval for the extension of the exploration period to November 11, 2013, and it was further extended in 2013 until November 11, 2015.

In addition, there are also mandatory relinquishments under the Bokhtar PSC in Tajikistan after seven contract years.

In regards to the Georgian PSCs, 25% of the Contract Area will be relinquished after 5 years, 25% of the remainder of the Contract Area will be relinquished after 10 years, 50% of the remainder of the Contract Area will be relinquished after 15 years, and 100% of the remainder of the Contract Area will be relinquished after 20 years. Relinquishments do not apply to areas where a discovery has been made.

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", "Description of the Business – Tajikistan – Bokhtar PSC – Exploration and Appraisal Potential" and "Description of the Business – Georgia – Contracts".

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, Georgia and Uzbekistan

Political, Economic, Legal and Fiscal Instability

Kazakhstan, Tajikistan, Georgia 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, Georgia 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, Georgia or Uzbekistan could have a material adverse effect on the Company's business, financial condition and results of operations.

Further, Kazakhstan and Tajikistan also depend on neighbouring states to access world markets for a number of their exports, including oil and gas. Kazakhstan and Tajikistan 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 and Tajikistan. The development of export routes to China and potentially to the Indian sub-continent will dilute these problems to a degree 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.

Like other countries in Central Asia and the Caucasus, Kazakhstan, Georgia and Tajikistan 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 and Tajikistan, 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 Georgia. The Russo-Georgian war of 2008 resulted in a significant impact on Georgia as well as loss of territory. Although the relationship between Russia and Georgia is currently stable there is no guarantee that this stability will continue in the future.

The transition of Kazakhstan, Tajikistan and Georgia 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

Kazakh tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation and legislation on transfer pricing by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Company may be assessed for additional taxes, penalties and interest. Tax periods remain open to retroactive review by the tax authorities for five years. The Company's management believes that its interpretation of the relevant legislation is appropriate and that the Company's tax, currency legislation and customs positions will be sustained.

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 5% 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 was 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 the Bokhtar Contractor Parties' 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 Georgia

The Company has recently established operations in Georgia. Consequently, the Company is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Georgia.

Taxation Risks and Issues in Georgia

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying degrees of interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after six years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are more significant than in other countries.

Legal and Regulatory Environment in Uzbekistan

The Company no longer operates in Uzbekistan having terminated the North Urtabulak PEC at the end of December 2013, however legal risks may remain.

Taxation Risks and Issues in Uzbekistan

Uzbekh tax, currency and customs legislation allow for different interpretations and are subject to frequent changes. Management's interpretation of such legislation as applied to the Company's transactions and operations may be challenged by the relevant authorities. As a result, the authorities may dispute transactions and accounting methods which have never been challenged before. Significant additional taxes, penalties and interest may therefore be assessed. Fiscal periods remain open to review by the tax authorities for three calendar years prior to the year of review. Under specific conditions, even earlier periods may be re-examined.

Management undertakes regular checks in order to ensure that the Company's taxation complies with the applicable laws, norms, decrees and interpretations published by regulatory bodies of the jurisdiction where it operates. Although management believes that relevant provisions of the law have been interpreted correctly and provisions have been made for all relevant taxes, nevertheless the Company and tax authorities may have different interpretations of the tax law that may ultimately result in additional taxes and penalties being payable.

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.

One of the Company's subsidiaries, SSEC, paid a USD10 million dividend in 2013, 85% of which was paid to the Company and 15% of which was paid to the subsidiary's 15% shareholder.

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 299,557,744 Ordinary Shares were issued and outstanding as at December 31, 2013. This includes 12,000,000 shares issued on July 9, 2013 in connection with the proposed acquisition of certain Georgian assets (see note 24 of the 2013 audited consolidated financial statements). These shares were held in escrow pending Georgian governmental consent for the acquisition, which was received on January 2, 2014. Whilst the shares were issued as at December 31, 2013 they did not qualify for recognition as equity in the Company at that date under the Company's accounting policies. No Preference Shares were issued or outstanding as at December 31, 2013.

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, 2013 (in Canadian Dollars).

Period	Price Range		Trading Volume
	High	Low	
2013			
January	0.63	0.49	6,139,129
February	0.87	0.56	8,112,880
March	0.88	0.77	3,831,226

Period	Price Range		Trading Volume
	High	Low	
April	0.89	0.70	3,585,479
May	0.82	0.70	361,637
June	0.95	0.72	2,429,860
July	0.71	0.64	1,484,649
August	0.78	0.64	1,394,546
September	0.72	0.63	979,039
October	0.71	0.65	1,457,578
November	0.75	0.54	2,745,734
December	0.66	0.425	2,110,553

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, 2013 (in Pounds Sterling).

Period	Price Range		Trading Volume
	High	Low	
2013			
January	0.403	0.303	25,125,736
February	0.59	0.36	39,673,918
March	0.57	0.49	12,914,092
April	0.56	0.458	12,191,155
May	0.527	0.451	5,577,487
June	0.669	0.46	14,577,917
July	0.463	0.41	16,795,065
August	0.471	0.391	7,649,465
September	0.455	0.39	3,739,705
October	0.425	0.373	2,931,315
November	0.433	0.32	8,934,028
December	0.398	0.275	4,629,167

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, 2013.

Date	Securities	Price Per Security	Number of Securities
February 11, 2013 ⁽¹⁾	Ordinary Shares	C\$0.65	75,000
April 29, 2013 ⁽²⁾	Ordinary Shares	C\$0.65	75,000
May 9, 2013 ⁽³⁾	Ordinary Shares	C\$0.65	250,000
May 29, 2013 ⁽⁴⁾	Ordinary Shares	C\$0.61	200,000
May 30, 2013 ⁽⁵⁾	Ordinary Shares	C\$0.62	250,000
July 9, 2013 ⁽⁶⁾	Ordinary Shares	C\$0.84	12,000,000
July 15, 2013 ⁽⁷⁾⁽¹¹⁾	Ordinary Shares	C\$0.84	8,000,000
July 15, 2013 ⁽⁸⁾⁽¹²⁾	Ordinary Shares	C\$0.84	320,000
September 24, 2013 ⁽⁹⁾	Share Options	C\$0.74	330,000
December 1, 2013 ⁽¹⁰⁾	Share Options	C\$0.80	90,000

Notes:

- (1) On February 11, 2013, the Company issued 75,000 shares in connection with the exercise of warrants relating to the rig loan.
- (2) On April 29, 2013, the Company issued 75,000 shares in connection with the exercise of warrants relating to the rig loan.
- (3) On May 9, 2013, the Company issued 250,000 shares in connection with the exercise of warrants relating to the rig loan.

- (4) On May 29, 2013, the Company issued 200,000 shares in connection with the exercise of warrants relating to the rig loan.
- (5) On May 30, 2013, the Company issued 250,000 shares in connection with the exercise of warrants relating to the rig loan.
- (6) On July 9, 2013, the Company issued 12,000,000 shares for the acquisition of a 56% interest in Blocks XI^A, XI^M and XI^N in the Republic of Georgia.
- (7) On July 15, 2013, the Company issued 8,000,000 shares for the acquisition of Blocks VIII and XI^G in the Republic of Georgia.
- (8) On July 15, 2013, the Company issued 320,000 shares in relation to the commission payable on the deal for arranging the acquisition of Blocks VIII and XI^G in the Republic of Georgia.
- (9) On September 24, 2013, the Company granted 330,000 options with an exercise price of C\$0.74 to certain of its officers.
- (10) On December 1, 2013, the Company granted 90,000 options with an exercise price of C\$0.80 to one of its officers.
- (11) On December 31, 2013, the Company cancelled the 8,000,000 shares issued on July 15, 2013 as the deal relating to the acquisition of Blocks VIII and XI^G in the Republic of Georgia did not complete.
- (12) On December 31, 2013, the Company cancelled the 320,000 commission shares issued on July 15, 2013 as the deal relating to the acquisition of Blocks VIII and XI^G in the Republic of Georgia did not complete.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

To the Company's knowledge, as at December 31, 2013, 12,000,000 Ordinary Shares were subject to escrow arrangements. These shares were issued as consideration for the acquisition of a 56% interest in Block XI^A, XI^M and XI^N in the Republic of Georgia. These shares were subsequently released from escrow on February 4, 2014.

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Ordinary Shares	12,000,000 ⁽¹⁾	4%

Notes:

- (1) These shares were held in escrow by Quam Capital Limited.

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 was a non-executive Director of Questerre Energy Corporation from 2000 to 2013, and was Chairman of Terrenex Acquisition Corporation from 1995 to 2008 and a non-executive Director of CanArgo from July 1998 to December 2008.

Name and Municipality of Residence	Position with the Company	Director/Officer Since	Principal Occupation During the Past Five Years
Piers Johnson ⁽¹⁾⁽²⁾⁽⁴⁾ London, England	Director	April 2, 2008	Director of Tethys. Managing Director of Oilfield Production Consultants (OPC) Limited and Oilfield Production Consultants (OPC) USA LLC (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.
Denise Lay Guernsey, British Isles	Finance Director and Chief Financial Officer	Director and Chief Financial Officer since February 1, 2014	Finance Director and Chief Financial Officer of Tethys. Ms. Lay was Vice President, Finance of Tethys from November 2009 to April 2013 and Deputy Chief Financial Officer of Tethys from April 2013 to January 2014. Prior to November 2009, Ms. Lay worked as Finance Director for NRG International, a subsidiary of Ricoh, from October 2007 to October 2009. Between 2000 and 2006, Ms. Lay was Finance Director of certain subsidiaries within the Gallaher Group.
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.
James Rawls ⁽¹⁾⁽³⁾ Ridgeland, Mississippi, 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.
Steve Elliott Dubai, UAE	Vice President, Project Development	Currently Vice President, Project Development of Tethys. Mr. Elliott has overall responsibility for Tethys' activities at the project stage in all countries of operation. He joined in April 2009 and has lived and worked in all of the Company's principal areas of operations in key senior management positions. Recently he has also served as General Director in the Kazakh operating companies.
Rosemary Johnson Sabine OBE 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.
George Mirtskhulava Dubai, UAE	Vice President, Corporate Development & Asset Management	Currently Vice President, Corporate Development & Asset Management. Previously 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 Tajikistan and Uzbekistan	Currently Vice President of External Affairs and Asset Protection of Tethys, Regional Manager, South Central Asia, and CEO of Kulob Petroleum Limited. Prior to March 2005, Mr. Murjikneli was the Manager of External Affairs for CanArgo.
Clive Oliver Guernsey, British Isles	Vice President, Finance	Currently Vice President, Finance of Tethys since August 2013. Mr. Oliver was previously Director of Financial Operations at Essar and before that held Finance Director positions with Charles Taylor plc and senior manager positions with Deloitte & Touche in London and Australia.
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.

Name and Municipality of Residence	Position with the Company	Principal Occupation During the Past Five Years
Mark Sarssam Dubai, UAE	Senior Vice President	Currently Senior Vice President of Tethys. Mr. Sarssam was Vice President, Petroleum Development of Tethys from April 2011 until September 2013. 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.
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.
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.

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, 2013, the directors and officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly, 1,784,540 Ordinary Shares or approximately 0.6% 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 2014, 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 Conduct Authority (the “**FCA**”), 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, 2013 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, 2013 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

Independence Status of Directors				
Name	Management	Independent	Not Independent	Reason for Non-Independent Status
Piers Johnson		✓		N/A
Elizabeth Landles	✓		✓	Ms. Landles is Chief Administrative Officer and Corporate Secretary of Tethys
Denise Lay	✓		✓	Ms. Lay is the Chief Financial Officer and Finance Director of Tethys effective February 1, 2014
Peter Lilley		✓		N/A
Bernard Murphy	✓		✓	Mr. Murphy was the Chief Financial Officer and Finance Director of Tethys until his retirement on January 31, 2014
James Rawls		✓		N/A
Marcus Rhodes		✓		N/A
Dr. David Robson	✓		✓	Dr. Robson is the Executive Chairman & President of Tethys
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, 2013 and the attendance of the individual directors of the Company at such meetings:

	Meetings of the Board and Committees					
Director	Board	Executive Board	Audit Committee	Compensation and Nomination Committee	Reserves Committee	Strategic Risk Committee ⁽³⁾
Julian Hammond ⁽¹⁾	6/6	13/13	N/A	N/A	N/A	N/A
Russ Hammond	6/6	N/A	N/A	N/A	N/A	N/A
Piers Johnson	6/6	N/A	N/A	3/3	3/3	2/2
Zalmay Khalilzad	5/6	N/A	N/A	N/A	N/A	2/2
Elizabeth Landles	6/6	13/13	N/A	N/A	N/A	N/A
Peter Lilley	5/6	N/A	2/4	3/3	3/3	2/2
Bernard Murphy	6/6	13/13	N/A	N/A	N/A	N/A
James Rawls	6/6	N/A	4/4	N/A	2/3	N/A
Marcus Rhodes	4/6 ⁽¹⁾	N/A	4/4	N/A	N/A	N/A
Dr. David Robson	6/6	13/13	N/A	N/A	2/3	2/2

Notes:

- (1) Marcus Rhodes was unable to attend one board meeting due to a clash with a previously arranged meeting.

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
Peter Lilley	IDOX plc
Marcus Rhodes	OJSC Phosagro OJSC Cherkisovo Group OJSC Rosinter Restaurant Holding QIWI Plc

Board Mandate

The Board adopted a formal written charter (the “**Board Charter**”) in November 2010. This was reviewed and updated in September 2013. 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 Disclosure, Communications and Insider Trading 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 Executive Chairman, CEO, CFO and CAO and the other executive officers and that the Executive Chairman, CEO, CFO and CAO 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, 2013, the Board had five standing committees, the majority of which were composed of independent directors, with the exception of the Executive Board (Executive Committee). The Board has delegated certain responsibilities to each of its committees, and they report to and make recommendations to the Board on a regular basis. The Chair of each committee is expected to be responsible for ensuring that the written terms of reference of the committee for which he or she serves as Chair is adhered to and that the objectives of each committee are accomplished.

Board Committees

The Company's five standing committees are the Audit Committee, the Compensation and Nomination Committee, the Reserves Committee, the Strategic Risk 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

Committee	Members	Independent
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 ⁽¹⁾	No
	Elizabeth Landles	No
	Julian Hammond	No
	Denise Lay ⁽²⁾	No

(1) Bernard Murphy retired as a director of the Company and member of the Executive Board on January 31, 2014.

(2) Denise Lay was appointed a director of the Company and member of the Executive Board with effect from February 1, 2014.

The Board has established a position description for the Executive Chairman and President and for the Chief Executive Officer. The Executive Chairman and 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 and 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 and 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 programme 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.

Anti-Bribery Policy

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

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

Proportionate Procedures

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

Top-level commitment

Top management fosters a culture where bribery is never acceptable.

Risk assessment

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

Due Diligence

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

Communication

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

Monitoring and Review

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

The Company's Anti-Bribery Compliance Officer implemented extensive training on the Company's Anti-Bribery Policy in Kazakhstan, Tajikistan and Uzbekistan on its initial rollout in 2012 and further training was undertaken by key staff during 2013.

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 and Executive Chairman & President's compensation, evaluates the Chief Executive Officer's and Executive Chairman & President's performance in 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 and Executive Chairman & President's compensation level based on this evaluation. This committee also considers and, if deemed appropriate, approves the Chief Executive Officer's and Executive Chairman & President's recommendations for compensation for executive officers and executive directors 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 Limited 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, and manner of reporting to the Board of Directors.

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 was reviewed and updated in March 2013 and a copy of this updated charter is set forth as Appendix C-1 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:

- (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 27, 2013, KPMG Audit Plc ("**KPMG**") were re-appointed as auditors of the Company to hold office until the close of the 2014 Annual General Meeting of Shareholders.

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 years ended December 31, 2013 and December 31, 2012.

Type of Service Provided	Year-ended December 31, 2013	Year-ended December 31, 2012
Audit fees (including quarterly reviews)	\$542,000	\$492,748
Audit-related fees	\$94,160	\$123,320
Tax fees	--	--
All other fees	\$5,138	\$34,096
Total	\$641,298	\$650,164

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 have been implemented that 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 to enable them to apply appropriate accounting and reporting principles and practices. The main means of communicating 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 Committee 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 currently comprises Dr. David Robson (Chair), Mr. Julian Hammond, Ms. Elizabeth Landles and Ms. Denise Lay, 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 December 31, 2013, Tethys had 299,557,744 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	53,921,620 ⁽¹⁾ 18%

Note:

(1) As of December 31, 2013.

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, 2013.

Vazon Energy Limited

Vazon Energy Limited (“**Vazon**”) is a corporation organized under the laws of the Bailiwick of Guernsey, of which Dr. David Robson, Executive Chairman and President, 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, 2013 was USD1,341,648 (2012 – USD2,432,239) paid in Pounds Sterling as follows, GBP857,456 (2012 - GBP1,534,198). As at December 31, 2013, the services of Dr. Robson and two other Vazon employees are provided to the Company. The remainder of the employees previously employed by Vazon were transferred to Tethys Services Guernsey Limited during the last quarter of 2012.

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. This guarantee was discharged on June 17, 2013 and replaced with a GBP400,000 deposit made by Tethys Petroleum Limited. The deposit is non-current and is restricted.

Oilfield Production Consultants

Oilfield Production Consultants (OPC) Limited (“OPC”) and Oilfield Production Consultants (OPC) USA LLC, have one common director with the Company. Total fees for the year ended December 31, 2013 were USD111,284 (2012 – USD66,150; 2011 – USD11,422).

OPC participated in the 2011 loan financing described in note 21 of the 2013 audited consolidated financial statements, 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. As a result of agreeing to the rollover, discussed in note 21 of the 2013 audited consolidated financial statements, the term of the warrants was extended which did not result in any change in fair value.

Related party transactions with key management personnel

Two officers of the Company participated in the 2011 loan financing described in note 21 of the 2013 audited consolidated financial statements, 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 GBP300,000 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 USD96,440 for the year ended December 2013 (2012 – USD154,078).

Dr. David Robson has a close family member employed by the Company on standard terms and conditions.

During 2012, an interest bearing loan of GBP32,278 was advanced to a Board Director at an interest rate of 3%. The loan was settled in January 2013.

Three further non-interest bearing loans, provided for upfront annual accommodation costs, of USD50,382, USD76,257 and USD53,198 were advanced to three officers during the year (2012 – USD50,960, USD76,251 and USD nil). Balances outstanding at the year-end were USD16,794 and USD44,459 and USD26,960, respectively (2012 – USD21,368, USD50,681 and USD nil, respectively).

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 Kyzylai Field Licence and Production Contract;
5. the Akkulka Production Contract;
6. the North Urtabulak PEC, however, three months' notice of termination was given at the end of December 2013; 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, 2013, which would in the aggregate exceed the threshold set out in accordance with Canadian securities legislation applicable to this Annual Information Form, being 10% of the current assets of the Company, nor are there any such proceedings known to the Company to be contemplated.

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, 2013; (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, 2013. 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 (the "Company"):

1. We have evaluated the Company's reserves data as at 31st December 2013. The Company has oil, gas, and natural gas liquid reserves estimated as at 31st December 2013. 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 31st December 2013, 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 11 th March 2014	Kazakhstan	0	Proved: \$289,681 Probable: \$271,258 Possible: \$313,502	0	Proved: \$289,681 Probable: \$271,258 Possible: \$313,502

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, 11th March 2014



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, 2013, 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 51-101F2 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 31, 2014

APPENDIX C-1

AUDIT COMMITTEE CHARTER

(attached)

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 or 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 there 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.