



ANNUAL INFORMATION FORM

For the Year Ended December 31, 2017

August 30, 2018

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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 (“Tethys” or the “Company”). The Company was continued under the laws of the Cayman Islands on July 17, 2008.

The Company’s registered office is located at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9007, Cayman Islands.

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) as at December 31, 2017 may be found in *Note 23 of the December 31, 2017 Consolidated Financial Statements* filed with SEDAR and incorporated herein by reference.

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 Kazakhstan, Tajikistan and Georgia. On December 30, 2017 the Company announced that an arbitration tribunal has ordered that it should assign its interest in its Tajikistan project to its partners (see page 17).

Tethys was incorporated specifically to hold the Central Asian interests of its then parent company. In light of the significant capital required to develop Tethys and its Kazakhstan 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 Toronto Stock Exchange (“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 London Stock Exchange (“LSE”) and on May 2, 2017 the LSE listing was cancelled. On November 20, 2015, the Company was listed on the Kazakhstan Stock Exchange.

Set out below is a description of significant events that occurred in the past three years and to-date in 2018 that have influenced the general development of the business.

2015

Significant events and transactions for the year

On January 6, 2015, the Company announced that the Ministry of Energy of the Republic of Kazakhstan (“MOE”) had agreed to extend the Akkulka Exploration Contract from March 10, 2015 to March 10, 2019.

On January 13, 2015, the Company announced that, as a result of its 2014 shallow gas programme, gas production had doubled to 559 Mcm/d.

On January 16, 2015, the Company announced that it had entered into a USD6 million credit facility and had issued 35,600,000 two-year warrants exercisable at CAD0.19 each to a Cayman based private

entity. The principal was due at the end of two years with interest payments at the rate of 8% per annum being due every six months. On July 14, 2015, the Company announced that the lender exercised its option to surrender 35,600,000 warrants as outlined below. On March 12, 2016, certain terms of the loan were amended including a change in the interest rate to 10.5% p.a. payable quarterly.

On January 22, 2015, the Company announced that it had reached an agreement, subject to finalising documentation with its partner, Georgian Oil and Gas Limited ("GOG"), to remove its funding obligations under the farm out signed in July 2013, through reducing its interest in the production sharing contracts for Blocks XI^A, XI^M and XI^N (the "Georgian PSCs"). Under the terms of the new agreement, the Company reduced its interest in the Georgian PSCs from 56% to 49%, effective January 30, 2015 and GOG became Operator on February 1, 2015.

On January 23, 2015, the Company announced that the MOE had agreed to extend the Kyzylloi Gas Production Contract for another 15 years, from June 14, 2014 to December 31, 2029. The MOE granted this contract extension following the Kazakh State Reserves Committee's approval of the new State Reserves for Kyzylloi, previously announced in May 2014.

On March 2, 2015, the Company announced it had signed a Memorandum of Understanding with PetroChina International Kazakhstan Ltd to collaborate in selling gas and crude oil to the Peoples Republic of China.

On March 10, 2015, the Company announced that it had entered into a new USD3.5 million credit facility and had issued 23,333,333 two-year warrants exercisable at CAD0.19 each to Annuity and Life Reassurance Ltd ("ALR"), an insurance company, the assets of which are managed by PAM.

On April 2, 2015, the Company announced that David Botting did not plan to put himself up for re-election as Non-executive Director at the Annual General Meeting ("AGM").

On May 1, 2015, the Company provided further details of the previously announced strategic review, and a SinoHan transaction update, informing the market that the SinoHan transaction would not proceed as the main approval required from the MOE was not received by the longstop date of May 1, 2015. SinoHan confirmed that it did not wish to enter into a further extension on the transaction and discussions with SinoHan had commenced relating to the termination of the Sale and Purchase Agreement ("SPA").

On May 15, 2015, the Company announced that it had signed and closed a binding agreement for a USD7.5 million unsecured convertible loan facility with AGR Energy Limited No. 1 ("AGR Energy"), with a conversion price of USD0.10, maturity date of June 30, 2017 and interest at 9% p.a. payable semi-annually.

On May 22, 2015, the Company announced it had entered into an agreement in respect of the issue and sale of an additional unsecured convertible debenture to ALR in the principal amount of USD1.76 million with a conversion price of USD0.10 to ALR maturity date of June 30, 2017 and interest at 9% p.a. payable semi-annually.

On June 11, 2015, the Company provided a corporate update and announced that an amicable resolution on mutually acceptable terms had been reached with SinoHan regarding the termination of the SPA, pursuant to which the Company would repay the escrow loan and agreed costs.

On June 11, 2015, the Company announced the results of its AGM of Shareholders held on June 11, 2015, whereby Julian Hammond, Denise Lay and Marcus Rhodes withdrew their candidacy for

re-election to the Board. The Company announced the appointment of Adeola Ogunsemi as a new director of the Company.

On July 1, 2015, the Company signed an agreement for a USD47.7 million private placement of 318,003,951 new Ordinary Shares at a price of CAD0.192 per Ordinary Share ("AGR Placing") with AGR Energy Holdings, a subsidiary of AGR Energy.

On July 13, 2015, Nostrum Oil & Gas PLC ("Nostrum") approached the Board of Directors of Tethys regarding a possible offer for the entire issued share capital of Tethys, at a potential price of CAD0.2185 per Tethys share.

On July 14, 2015, the Company announced that the lender under the USD6 million loan financing announced by the Company on January 16, 2015 had exercised its option to surrender the 35,600,000 warrants that it held in Tethys for the USD2.1 million surrender value as a result of entry into the convertible loan agreements entered into with AGR Energy and ALR announced on May 15, May 22, 2015 respectively. USD2.1million was added to the outstanding principal amount of the loan and was repayable on the two year maturity date.

On July 23, 2015, the Company announced that it had agreed to appoint William Wells to the Board as a Non-Executive Director subject to and upon closing of the USD47.7million AGR Placing.

On August 10, 2015, the Company announced that the USD47.7 million AGR Placing and related placement of shares to PAM would not proceed.

On August 10, 2015, the Company announced that it had received a further non-binding indicative proposal from Nostrum regarding a possible offer for the entire issued and to be issued share capital of the Company (the "Possible Offer"). The Possible Offer provided for a price of CAD0.2185 per Tethys share. In connection with the Possible Offer, Tethys and Nostrum negotiated a USD5 million loan to support short-term liquidity of Tethys during the period in which any formal offer may have been implemented. The loan was available immediately to the Company and was drawn in full on August 10, 2015. The loan would be repayable on February 28, 2016 or, in the event that Nostrum did not announce an intention to make a formal offer within two business days of the conclusion of its confirmatory due diligence, on August 31, 2016. Interest was payable on the loan at a rate of 9% per annum on the maturity date of the loan.

On August 28, 2015, the Company received a non-binding and highly conditional proposal from Nostrum setting out the terms on which Nostrum was prepared to make an offer to acquire the entire issued and to be issued share capital of Tethys. The proposal provided for a price of CAD0.147 per Tethys share, which would have been satisfied in fully paid ordinary shares in Nostrum.

On September 23, 2015, Tethys and Nostrum entered into a non-binding and indicative letter of intent setting out proposed terms upon which Nostrum would acquire the entire issued and to be issued share capital of Tethys at CAD0.147 per share ("the Proposed Offer"). The Company agreed to grant Nostrum a limited period of exclusivity until October 6, 2015 in connection with the Proposed Offer and any potential resulting formal offer. In connection with the Proposed Offer, Nostrum also proposed the terms of a potential interim financing facility of up to USD20 million to fund the Company's cash requirements ("Interim Financing") from the date of the execution of key transaction documents through until the date of completion of any formal offer.

On September 30, 2015, the Company announced that Denise Lay's employment with Tethys in her position as Chief Financial Officer ("CFO") had been terminated and that Clive Oliver had been appointed as acting CFO.

On October 2, 2015, Olisol Investment Group (comprising Olisol Investments Limited and its wholly owned subsidiary Olisol Petroleum Limited, together “Olisol”) submitted a non-binding proposal to the Company.

On October 7, 2015, the Company announced that Nostrum had withdrawn its Proposed Offer that was previously announced on September 23, 2015 to acquire the entire issued share capital of Tethys together with the proposed USD20 million Interim Financing because Tethys’ largest shareholder, PAM, had informed Nostrum that it did not support the Proposed Offer or the Interim Financing.

On October 7, 2015, the Company announced that it had received a non-binding letter of intent from AGR Energy Holdings Limited (“AGR Energy Holdings”) in connection with a potential USD20 million equity fundraising at a price of CAD0.165 per share and potential USD5 million loan to support short-term liquidity. In addition to the equity fundraising AGR Energy Holdings would also be granted an option by the Company to subscribe for further newly issued shares for up to USD20 million of shares at the same subscription price.

On October 12, 2015, the Company announced that on October 11, 2015, it received a notice to withdraw from the joint operating agreement and Bokhtar Production Sharing Contract (“Bokhtar PSC”) in Tajikistan from CNPC and Total.

On October 12, 2015, the Company acknowledged the public announcement by Olisol on October 9, 2015 regarding a non-binding proposal submitted to the Company. The Tethys Board informed shareholders that the Company had been engaging extensively with all parties which have submitted proposals to Tethys, including Olisol, since the exclusivity period with Nostrum ended on October 6, 2015.

On October 14, 2015, the Company announced it had received a notice of events of default from Nostrum in connection with the USD5 million loan agreement between Tethys and Nostrum, dated August 10, 2015. Tethys did not agree with Nostrum’s interpretation of the Facility Agreement that an event of default had occurred and submitted a rebuttal of the notification received. Tethys also reserved all its rights.

On November 9, 2015, the Company entered into a non-binding and indicative letter of intent (the “LOI”) with Olisol setting out proposed terms upon which Olisol would provide Tethys with a USD15 million interim debt facility, subscribe to a CAD25.5 million private placement of 150 million new Ordinary Shares at a price of CAD0.17 per Ordinary Share and commit to backstop a further equity fundraising of 50 million shares at CAD0.17 per share.

On November 19, 2015, the Company entered into an interim convertible financing facility of up to USD15 million with Olisol (“Interim Facility”). The Interim Facility was convertible into Tethys Ordinary Shares at CAD0.17 per share. As a condition to the first draw down under the Interim Facility, Alexander Abramov, a designee of Olisol, and William Wells, of PAM, were appointed to the Board of Directors of Tethys. The Company initially received USD5.1 million of its draw down request under the Interim Facility in November 2015, followed by further receipt of USD1 million in January 2016 and USD1 million in February 2016.

On November 25, 2015, the Company announced that it had received an Accelerated Repayment Notice from AGR Energy in relation to the unsecured convertible debenture issued by Tethys on 15 May 2015, notifying the Company of events of default and demanding repayment of the principal amount of USD7.5 million and accrued interest.

On December 8, 2015, the Company announced that it had entered into a binding investment agreement with Olisol setting out the terms and conditions upon which Olisol had agreed to purchase 150 million new Ordinary Shares in Tethys at a price of CAD0.17 per share, for total proceeds of CAD25.5 million, by way of a private placement and to commit to backstop a further equity fundraising of 50 million shares at CAD0.17 per share (“Investment Agreement”). The effectiveness of the Investment Agreement was subject to Olisol providing additional documentation.

On December 29, 2015, the Company announced that it had been granted a two-year extension to the Kul-Bas Exploration and Production Contract in Kazakhstan (until November 11, 2017) subject to obtaining approvals for projects, work programmes and contract amendments and also provided an update on the previously announced USD15 million convertible facility and CAD25.5 million private placement with Olisol. The Company submitted draw down notices for the entire loan amount on November 21, 2015 but only received USD5.1 million, which was used to repay the USD5 million loan from Nostrum.

2016

Significant events and transactions for the year

- *Olisol transaction updates*

On February 8, 2016, the Company announced that Olisol had informed the Company that due to the difficult business and banking environment in Kazakhstan they would like to renegotiate some of the key terms of the transactions envisaged in the LOI which would include changes to the Interim Facility and the Investment Agreement which the Company announced entering into on December 8, 2015.

On February 22, 2016, the Company announced that it had entered into a non-binding and indicative term sheet (the “Term Sheet”) with Olisol, setting out amended terms to the LOI entered into on November 9, 2015 (“Amended LOI”) and consequently changes to the transaction documentation between the companies.

On March 2, 2016, the Company announced it had signed a legally binding amendment to the USD15 million Interim Facility entered into on November 19, 2015 with Olisol the key terms of which were as follows:

- Olisol to convert USD6.25 million of the interim facility into Ordinary Shares at a price of USD0.10 per share;
- Olisol would work with a bank in Kazakhstan to secure a loan for the Company’s subsidiary, TAG, in the amount of USD10 million within 60 days which, together with the conversion, would satisfy the outstanding obligations of Olisol under the Interim Facility;
- Olisol to provide additional working capital reasonably required by Tethys, until completion of a placement under an amended investment agreement;
- Olisol committed to purchasing 181.2 million new shares at a price to be agreed by Tethys and Olisol. This purchase, together with the conversion of the amounts outstanding under the Interim Facility would result in Olisol owning approximately 42% of the Company’s shares;
- Upon successful first draw down of the Kazakh loan and conversion of the USD6.25 million under the interim facility into equity, the Board would be reconstituted and comprise the following five directors:
 - Adeola Ogunsemi, non-executive director and Chairman of the Audit Committee;
 - William Paul Wells, non-executive director;
 - Alexander Abramov, non-executive director;

- One additional non-executive independent director designated by Olisol; and
- The one remaining Board seat to be filled by a candidate who satisfied the legal and regulatory requirements of the Company and whose appointment was agreed by Tethys and Olisol.

On March 21, 2016, Olisol converted USD3.7 million of the outstanding amount into 37.4 million shares. On April 15, 2016, Olisol converted a further USD2.6 million of the outstanding amount into 25.6 million shares.

On April 28, 2016, the Company entered into a binding investment agreement (the "Amended and Restated Investment Agreement") with Olisol setting out the terms and conditions upon which it agreed to purchase 181.2 million new Ordinary Shares in Tethys at a price of CAD0.054 per Share, for total proceeds of CAD9.8 million, by way of a private placement and to commit to backstop a further equity fundraising of 50 million Shares at CAD0.054 per share. The further equity fundraising would generate proceeds of CAD2.7 million for a total of CAD12.5 million. The Amended and Restated Investment Agreement amended and restated the Investment Agreement announced on December 8, 2015.

On September 2, 2016, the Company announced that the Amended and Restated Investment Agreement required a closing date two business days after all closing conditions had been satisfied or waived by the parties and the Company was therefore prepared to complete the private placement with Olisol on September 2, 2016 as originally scheduled or to agree a short extension with Olisol if Olisol met certain funding commitments. As Olisol did not do so the Company announced that it considered Olisol to be in breach of the Amended and Restated Investment Agreement, however, the Company would continue to work with Olisol to complete the private placement.

On October 20, 2016, the Company announced that it acknowledged Olisol's press release dated October 12, 2016 ("Release") whilst wishing to clarify certain matters pertaining to Olisol's Release.

Olisol stated in its Release that it intended to direct Tethys to apply all funds to be repaid to Olisol in connection with outstanding working capital advances, plus accrued interest thereon, to its obligation to subscribe for 181.2 million Ordinary Shares at CAD0.054 per share.

Tethys clarified that under the Amended and Restated Investment Agreement Olisol was required to transfer the full purchase price of CAD9.8 million for 181.2 million Ordinary Shares to Tethys prior to the closing date.

In addition to this, Tethys clarified that under the Amended and Restated Investment Agreement, Olisol had the right to convert any amounts outstanding under the Interim Facility and any amounts of working capital indebtedness, in each case with accrued but unpaid interest thereon, into Tethys Ordinary Shares at the placing price of CAD0.054 per share.

On October 27, 2016, the Company announced that the private placement with Olisol had not closed by the October 27, 2016 outside date under the Amended and Restated Investment Agreement. Tethys took all steps required to close the private placement and was ready, willing and able to do so, however, Olisol failed to provide Tethys with any of the CAD9.8 million purchase price required to purchase the subscription shares under the Amended and Restated Investment Agreement. Therefore, Tethys considered Olisol to be in breach of the Amended and Restated Investment Agreement and reserved all of its legal rights.

Olisol sent a letter to the Company claiming that it was entitled to terminate the Amended and Restated Investment Agreement as a result of a material adverse change (as defined in the Amended and Restated Investment Agreement) having occurred. In addition, Olisol also demanded immediate repayment, in full, of the outstanding USD5.7 million of working capital indebtedness under the terms of the Interim Facility as Olisol alleged an event of default had occurred. Tethys disagreed with Olisol that it had the right to terminate the Amended and Restated Investment Agreement and further disagreed that there had been an event of default under the Interim or that the amount is repayable.

- *Gas contract*

On March 24, 2016, the Company entered into a gas supply contract, effective from January 1, 2016 through to December 31, 2016 with Inter Gas Central Asia JSC ("ICA"), the Kazakh State-owned gas transport company, for the supply of 150 million cubic meters of gas, at a gross price of KZT28,000/Mcm (USD81.16/Mcm (USD2.30/Mcf) at the exchange rate of KZT345 = USD1), effective from January 1, 2016 through to December 31, 2016. The associated gas marketing contract was also renewed covering the same period with a fee of KZT7,000/Mcm (USD20.29/Mcm (USD0.58/Mcf) at the exchange rate of KZT345 = USD1). *Refer to GENERAL DESCRIPTION OF THE BUSINESS - Gas Production, Transportation and Sales* for further details.

- *USD10 million loan facility in Kazakhstan*

On June 20, 2016, the Company announced that on June 7, 2016, the Company received the first USD1 million drawdown of a proposed USD10 million loan facility from a Kazakhstan bank. The loan interest on the initial USD1 million is 11%, maturing in July 2017 and also included a six-month principal grace period.

Under the Amended and Restated Investment Agreement Olisol undertook to work with Tethys and a Kazakh bank to obtain a bank loan of not less than USD10 million for TAG ("TAG Loan") and to date Olisol has not been able to complete the TAG Loan and the Company has not received any further drawdowns.

- *Tajikistan update*

On June 20, 2016, the Company announced that its indirectly held subsidiary, Kulob Petroleum Limited, ("Kulob") the contracting partner in the Bokhtar PSC, had been informed by legal counsel representing Total and CNPC (the "Partners"), that on May 19, 2016, the Partners had filed for arbitration proceedings at the International Court of Arbitration. The filed arbitration request is in relation to the Notice of Dispute received by Kulob on January 8, 2016, which is in connection to the previously announced Notice to Withdraw issued by the Partners on October 11, 2015, following the Company's cash call default of September 2015. The Notice to Withdraw was rejected by Kulob, which lead to the Partners issuing a Notice of Dispute.

- *Director and management changes*

On March 14, 2016, the Company announced that in connection with the transactions with Olisol, John Bell had moved from Executive Chairman to co-Non-Executive Chairman along with Alexander Abramov, who also became co-Non-Executive Chairman. In addition, the Company announced that it had set the AGM date for May 31, 2016. John Bell, David Henderson, David Roberts and James Rawls all informed the Company that they would not stand for re-election at the AGM.

On July 13, 2016, the Company announced the appointment of Alexander Skripka as Chief Commercial Officer responsible for the commercial activities of the company including gas sales, existing and new contract or license negotiations, and negotiations on financing, divestments and acquisitions. On October 14, 2016, his position as Chief Commercial Officer was terminated.

On August 2, 2016, the Company announced the appointment of Kenneth May as interim Chief Executive Officer ("CEO") replacing Julian Hammond in the transitional period until the appointment of two new members to the existing three person Board of Directors when his position would be reviewed.

On November 3, 2016, The Company announced that Alexander Abramov had been removed from the Board of Directors of the Company by a majority vote of the Board and in accordance with the Company's Articles of Association. Alexander Abramov was replaced as Chairman of the Board by William Wells. In addition to the board changes, Kenneth May was confirmed as the Company's permanent CEO.

On November 16, 2016, the Company announced the appointment of Mattias Sjoborg to the Board of Directors of the Company.

- *Par value reduction of Ordinary Shares from USD0.10 to USD0.01 per share*

On August 23, 2016, the Grand Court in the Cayman Islands approved a motion by Tethys to reduce the par value of the Company's Ordinary Shares. Accordingly, on August 31, 2016, the Company reduced the par value of its Ordinary Shares from USD0.10 per share to USD0.01 per share. The par value reduction exercise was performed to facilitate the Amended and Restated Investment Agreement between Tethys and Olisol.

- *Cost optimisation*

Also on August 23, 2016, the Company announced a new cost optimisation programme that, once fully implemented, was expected would save the company an estimated USD2.5 million a year. The programme followed an extensive review into costs and operations that was started after the Company's May 31, 2016 AGM.

- *Kazakhstan legal proceedings*

Also on August 23, 2016, the Company provided an update to the Q2, 2016 Consolidated Financial Statements where it was reported that the assets of one of the Company's Kazakhstan subsidiaries remained frozen after the first court hearing of a claim brought against the Company by a private individual in relation to the USD7.5 million debenture due June 30, 2017 originally issued to AGR Energy. The Court was scheduled to hold further hearings on Tuesday, August 23 and Tethys expected a release of its assets and dismissal of all claims. Tethys reported it had been working tirelessly to resolve what it believed to be an unfounded claim.

On September 2, 2016, the Company provided an update that on August 24, 2016 the Court dismissed the claim and ordered the lifting of the seizure order over the Company's assets. The claimant lodged an appeal on August 29, 2016 and until the appeal was heard restrictions remained in place over the operation of the Company's bank accounts in Kazakhstan.

On September 30, 2016, the Company announced that the Almaty City Court's Board of Appeals found in favour of Tethys by dismissing the previously announced appeal of the claimant and upholding the earlier court decision on August 24, 2016 to lift the seizure order over the

Company's assets. The Court's decision was effective immediately, with no right of further appeal and restrictions over the operation of the Company's bank accounts in Kazakhstan were lifted.

- *Claim against the Company by EGG*

On October 27, 2016, the Company announced that on October 26, 2016 the Company was notified of a claim lodged by Eurasia Gas Group LLP ("EGG") in the Almaty City Court against the Company's subsidiary TAG. EGG was seeking an award equivalent to USD2.6 million at current exchange rates for the alleged failure by TAG to deliver certain minimum volumes of crude oil to EGG. EGG is a company whose principal is also a principal of Olisol. EGG's claim followed TAG's formal notification to EGG requiring it to settle long overdue unpaid oil sales debts of USD1.3 million within 10 days or TAG would take Court action against EGG to recover those debts.

The Company's view is that EGG's claim was without merit or substance as TAG has no contractual obligation to deliver minimum volumes of crude oil to EGG, nor is there any penalty clause in contracts entered into between TAG and EGG for failure to deliver minimum volumes of crude oil. The Company is also of the view that EGG did not follow correct legal process which required it to notify the Company at least 30 days prior to filing a claim with the Court. As a consequence of EGG's claim the bank accounts of TAG were blocked.

- *Tethys gas sales contract*

On November 1, 2016, the Company announced that it acknowledged the press release by Olisol on October 28, 2016 relating to TAG's gas sales contract with ICA ("Gas Contract"). Olisol's unauthorized release of confidential information contained factual inaccuracies and Tethys issued a clarification.

Prior to Olisol's press release, Tethys had filed a confidential material change report (the "Report") with the relevant Canadian securities regulator as it is permitted to do under applicable Canadian securities laws. Tethys filed the Report confidentially as the Company contested the grounds for the cancellation of the receipt of gas by ICA and its right to terminate the Gas Contract, was in discussions with ICA and Kazakh Government officials regarding such matters, and was hopeful that such matters would be resolved amicably and to the satisfaction of all parties in the near future.

As such, the Company believed that disclosure of the cancellation of receipt of gas and the termination of the Gas Contract would be unduly detrimental to the interests of Tethys, and potentially be misleading or confusing to investors, in the event that the Company was successful in having the Gas Contract reinstated.

Contrary to Olisol's assertion that the cancellation of the Gas Contract was irrevocable, the Company continued discussions with ICA and Governmental officials, believing that there remained a reasonable prospect that ICA would reinstate the Gas Contract. Further, the Company did not believe that the loss of the gas sales to date was material to the Company.

On December 12, 2016, the Company announced that ICA had notified TAG that it intended to continue accepting gas produced by TAG under the existing gas sales contract and gas supply by TAG to ICA recommenced on December 9, 2016.

- *Proposals to acquire shares in the Company*

On November 6, 2016, the Company announced that it had received non-binding proposals from two private investors which would result in each investor acquiring approximately 9.9% (when

measured individually against the current number of shares outstanding) of the enlarged share capital of the Company. The price for the Ordinary Shares would be USD0.01593 per share and the total proceeds would amount to approximately USD1.4m. The investors would also be granted warrants giving them the right to acquire additional Ordinary Shares of Tethys with an exercise price of USD0.031 per share. Each of the investors would be appointed to the Board of the Company on closing of the placings. If completed, the placements would bring much needed funding to the Company as well as provide it with strong in-country partners in Kazakhstan and internationally.

On November 29, 2016, the Company announced it had completed the placements on the terms set out above.

- *Allegations made against TAG employees. Searches and seizures at the office of TAG, Tethys Services Kazakhstan LLP and Kul-Bas LLP*

On November 6, 2016, the Company announced that on November 1, 2016 allegations of improper conduct were made against certain employees of TAG in an action initiated by the Company's former Chairman Alexander Abramov and searches and seizures at TAG's offices in Kazakhstan took place by law enforcement agencies.

On November 15, 2016, the Company announced that the claims had been dismissed and that Tethys wished to acknowledge the assistance of the Office of the Almaty City Prosecutor in quickly reviewing the claims and dismissing the case. Property taken during the investigation was returned to the Company and the Company was working to have the Court imposed freezing order over TAG's bank accounts lifted and normal business operations restored as soon as possible.

Alexander Abramov subsequently appealed the decision to dismiss the case and the case is ongoing at the date of this AIF. The Company has been working to have Alexander Abramov removed as a party to the case and for it to be concluded as soon as possible.

- *Prepayment of debt and amendment to debt agreements*

On December 20, 2016, the Company announced that it has prepaid approximately USD0.3 million of the USD3.5 million non-convertible loan received on March 20, 2015 and due on March 20, 2017 from ALR and had entered into amendment agreements with ALR to the loan as well as to the USD1.76 million convertible debenture issued to ALR on June 1, 2015 and due on June 30, 2017. The prepayment was satisfied by the issuance of 20.2 million Ordinary Shares at USD0.01593 per share. The amendments to both loans became effective on January 27, 2017 following receipt of shareholder approval and:

- (i) extended the maturity dates of the loan and debenture to January 27, 2020;
- (ii) provided that the loans are convertible in whole, or in part, at ALR's option at any time prior to the extended maturity date at a conversion price of USD0.031;
- (iii) added a covenant that, other than a loan with a bank, the Company may not enter into any new secured loan or amend an existing loan to provide security, unless ALR consents to such loan or is provided with equivalent security, and
- (iv) amended the interest rate payable to provide that if the loans are converted, semi-annual interest shall accrue at a rate of 4% per annum payable only at the time of conversion through the issuance of Ordinary Shares at the USD0.031 conversion price, however, if any part of the loans are not converted, but rather repaid at maturity, the interest rate shall be 9%.2017.

2017

Significant events and transactions for the year

- *Georgia work program commitments*

On January 16, 2017 the Company announced that its partner in Georgia, Georgia Oil and Gas Limited ("GOG"), had been notified by the State Agency of Oil and Gas in the Ministry of Energy of Georgia ("the Agency") that GOG and Tethys would not be required to complete the previously agreed work program commitment to conduct 50 km of 2D seismic acquisition in Block XI^N by June 30, 2017 which would have cost Tethys approximately USD0.7 million. Had the minimum commitments previously agreed to not been met then Tethys may have been subject to penalties of up to USD2.0 million. Instead of the previously agreed commitment the agency will evaluate whether the partners should instead conduct 50 km of 2D seismic acquisition over an alternative prospective area.

Tethys and its partner GOG proposed to the Agency to amend the existing minimum work program for License Blocks XI^M and XI^N to allow further time to evaluate, through additional geological studies, the possibility of running 2D seismic surveys on the license areas or, alternatively, to relinquish the licenses and terminate the PSCs without application of any sanctions or penalties. The Agency has responded positively to the proposals and confirmed in writing that it has commenced the legal process to review and amend the PSCs.

Tethys and GOG also notified the Agency of their decision to relinquish License Block XI^A and terminate the PSC as work performed to date indicates it has low prospectivity and Tethys and GOG do not wish to commit further investment to it.

- *Kazakhstan change of registered address and relocation of office to Aktobe City*

Also on January 16, 2017 the Company announced that in December 2016 Tethys completed the transfer of the registered legal addresses of its three Kazakhstan subsidiaries, Tethys Aral Gas LLP ("TAG"), Kul-bas LLP and Tethys Services Kazakhstan LLP from Almaty to Aktobe and that Tethys also planned to relocate its main administrative office from Almaty to Aktobe during the first half of 2017 where it also has an office.

These changes are part of an ongoing process of corporate reorganisation and cost optimisation. Tethys' field operations and exploration acreage are both in the Aktobe region which is in the west of Kazakhstan and Aktobe is the main regional centre.

On June 8, 2017 the Company announced that the relocation to Aktobe would be completed on schedule and the Company expects to achieve annualized cost savings of at least USD600,000 from amalgamating the two offices.

- *Appointment of director*

On January 20, 2017 Medgat Kumar was appointed to the Board of Directors of the Company following the equity placement announced in November 2016.

- *Results of Extraordinary General Meeting*

On January 27, 2017 the Company held an Extraordinary General Meeting ("EGM") and

announced that all resolutions put to shareholders at the meeting were passed on a poll at the meeting including the Warrant Exercise Resolution and the Debt Conversion Resolution.

- *Rig loan extension of maturity dates*

In Q1 2017, the Company agreed amendments to the loan agreement entered into on February 13, 2014 by a wholly owned subsidiary of the Company as borrower, the Company as guarantor and a group of lenders. Loan tranches had various maturity dates between February and June 2017, being three years after the receipt of each lender's tranche.

The loan, which bears interest at 12% per annum and had a principal amount then outstanding of approximately USD3.5 million, is secured by the shares of the borrower, which in turn owns two drilling rigs and related equipment.

The lenders agreed to an extension of the maturity dates by 18 months whereby they would continue to receive the same equal monthly payments as before, incorporating interest and capital, together with a single balloon repayment of the remaining amount due at the new maturity dates.

On November 14, 2017 the Company signed agreements to sell its two drilling rigs and related equipment. This transaction did not complete and the Company instead contracted with another buyer and at the date of this report had received the majority of proceeds allowing repayment in full of the related rig loans, ahead of the contractual maturity dates.

- *Court ruling in favour of Tethys and unblocking of bank accounts*

On February 1, 2017 the Company announced that the Almaty City Court found in favour of Tethys' wholly owned subsidiary, TAG, in rejecting the appeal of EGG against the previous court ruling of December 26, 2016, which also found in favour of TAG.

As a result of EGG's claim against TAG, restrictions were in place over TAG's bank accounts pending the hearing of EGG's appeal. Following the rejection of EGG's appeal, TAG applied to the court to have these restrictions removed which the court approved and were implemented allowing TAG to operate its bank accounts normally. Several days later EGG submitted an amended claim to the Court which resulted in new restrictions being imposed on most of TAG's bank accounts and these remain in place at the date of this AIF.

- *Announcement from Olisol*

On February 10, 2017 the Company acknowledged the public announcement by Olisol on February 9, 2017 regarding the validity of Tethys EGM held on January 27, 2017.

The Tethys Board informed shareholders and other interested parties that the Management Information Circular dated December 22, 2016 mailed to shareholders did contain all material information required for shareholders to make an informed decision at the EGM and the EGM was conducted in accordance with proper procedure under applicable laws as well as the Company's Articles of Association.

Prior to the EGM, Tethys and each of its Kazakhstan subsidiaries commenced legal action against Olisol, EGG and certain of their respective principals in the Court of Queen's Bench of Alberta, Canada. The legal action was to seek, among other things, damages arising from failure to meet contractual obligations under the Amended and Restated Investment Agreement on October 27,

2016 and damages arising from unlawful interference with Tethys' business activities, including issuing erroneous press release information about Tethys as alleged. Tethys intends to enforce its rights and legitimate interests to the fullest extent permitted by law, to protect its investors, assets, investments, management and employees.

- *Cancellation of listing in the United Kingdom*

On March 24, 2017 the Company announced that it had applied to the United Kingdom Listing Authority ("UKLA") to cancel the standard listing of the Company's ordinary shares (the "Shares") from the Official List of the UKLA and the cancellation of trading in the Shares on the Main Market of the London Stock Exchange (together, the "Cancellation"), following a determination by the Company that the costs of maintaining a dual listing on the London and Toronto stock exchanges was unnecessarily expensive for a company of Tethys' size. Following the Cancellation, the Shares have continued to trade on the Toronto Stock Exchange which should provide shareholders with liquidity and places sufficient corporate governance requirements upon the Company. Further, the Company's conclusion, that the London listing be cancelled, was supported by the limited trading and liquidity of the Shares on the London Stock Exchange (meaning that limited benefit was brought by that listing).

The Cancellation took effect at 8:00 am on Tuesday May 2, 2017.

The Company has previously maintained two share registers, a register maintained by Capita Asset Services in the UK and a register maintained by TSX Trust Company in Canada. The shareholdings on the Capita register were transferred to the TSX Trust register following the Company's Annual General Meeting ("AGM") on June 23, 2017 which will result in further cost savings for the Company.

- *Update on gas drilling program*

On March 29, 2017 the Company announced a new 10 well shallow gas well drilling program at a cost of approximately USD6 million and that it hoped to commence drilling in early May. In addition, the Company planned to work over three existing wells and tie in two wells drilled but not tied into production. The program was designed to add twelve or more new wells to existing production. Wells are typically 650m and take up to 14 days to drill with testing usually taking up to 10 days post completion.

The tender was awarded to drilling company Great Wall and contracts were signed on April 28, 2017. Drilling operations were delayed from the original planned date, however, whilst the Company renegotiated some of the contractual terms, including the price, with the outcome being a price reduction achieved of around 12 percent. Most of the payments are deferred until 2018 when the Company expects to be able to pay from increased production.

On July 28, 2017 the Company announced that because drilling had begun later than originally intended, discussions were underway to modify the program. This would involve reducing the number of wells drilled in 2017 from 10 to 8, obtaining and interpreting new seismic then drilling the 2 wells not drilled in 2017 in early 2018 based on the new data and adding 2-3 additional wells. This would result in a 4-5 well drilling program in 2018 with the intention of maintaining and improving shallow gas production on a continuing basis.

On January 11, 2018 the Company announced that it had completed drilling seven new shallow gas wells out of the previously announced eight well program. Due to weather conditions, the eighth well is expected to be drilled in the spring of 2018. All seven wells were tested successfully

for gas at a depth of between 470 and 550 meters. In addition to the new wells drilled, one existing well has been successfully worked over.

By January 1, 2018 five wells, comprising one existing well and four new wells, had been tied in to the Company's existing pipelines and added to production. The other new wells, which are further from the Company's existing pipelines, are expected to be tied in during the spring of 2018.

Three of the new wells will be on production for three months after which production is required to cease whilst the mandatory reserves evaluation and reporting process is carried out.

There is also a need for repairs and parts replacement at the compressor station to increase capacity which the Company plans to do during 2018. Until these works are carried out the overall production increase from the new wells will be limited by existing compression capacity.

Given the need to cease production from certain wells whilst reserves evaluation and reporting takes place and the need for compressor repair and replacement works, it is anticipated that optimum production levels from all the new wells will be achieved towards the end of 2018.

- *Requisition of Extraordinary General Meeting*

On May 25, 2017 the Company announced that a member's requisition had been served on the Company by Olisol requiring the convening of an EGM pursuant to paragraph 35(B) of the Company's Articles of Association (the "Requisition"). The Requisition proposed changes to the composition of the Board of Directors of the Company and certain other matters.

On June 26, 2017 the Company announced that the EGM had been postponed until further notice as a result of Olisol's failure to provide certain information regarding its proposed directors that the Company had requested and which the Company is required to include in a management information circular to be sent to shareholders (the "Required Information"). The Board believed that the Required Information could be material to shareholders in deciding whether to vote for a proposed director and therefore decided to postpone the Meeting under Regulation 38 of the Articles to give Olisol the opportunity to provide it which Olisol failed to do.

- *Successful Installation of ESP*

On June 2, 2017 the Company announced that it had successfully completed the installation of an Electrical Submersible Pump ("ESP") in its main oil producing well, AKD-01.

AKD-01 had been producing under natural pressure since first oil in September 2010 and to date has produced approximately three million barrels of oil. Production from AKD-01 has experienced a natural decline and was producing an average of approximately 700 bopd until the well was shut-in for the ESP to be installed. The ESP is intended to significantly increase oil production for the remaining life of the well.

The ESP has been operating as expected although some periods of downtime were experienced at the outset due to issues with generators and the availability of trucking, in part due to extreme weather conditions. AKD-01 was therefore not on production throughout the whole of June and July although these issues were overcome and thereafter production has continued uninterrupted.

- *Results of Annual General Meeting*

On June 23, 2017 the Company held its AGM and announced that all resolutions put to shareholders at the meeting were passed on a poll at the meeting, including over 99% of all votes cast in favour of the re-election of the current board members.

- *Ruling Against Alexander Skripka in Civil Case*

On July 26, 2017, the Aktobe City Court (the "City Court") found in favour of Tethys Services Kazakhstan LLP ("TSK"), a wholly owned subsidiary of Tethys, in a proceeding brought by Alexander Skripka ("Skripka"). Skripka alleged that his employment agreement with TSK had been improperly terminated and that, among other things, he was entitled to reinstatement of his position with TSK and recovery of certain wages. The City Court found that the employment agreement had been properly terminated and that Skripka has no entitlement to further employment with TSK or to any recovery of wages.

- *RBK Lawsuit*

On August 8, 2017, Tethys commenced an action against RBK Bank seeking an order that it provide Tethys with access to records regarding the loan that it provided to EGG, and which is integral to the action EGG brought against TAG. Tethys is seeking access to such records as it believes such records will support it in its appeal in the proceeding involving EGG.

- *TAG Rehabilitation Application*

On August 10, 2017, TAG, a wholly owned subsidiary of Tethys, filed an application for rehabilitation with the Special Economic Court of Aktobe Region (the "Rehabilitation Court"). This followed a decision by the Court of Appeal in Almaty on August 2, 2017 which found in favour of EGG in its appeal of the decision of the lower court made in Tethys' favour in February 2017. The dispute relates to a lawsuit in connection with a contract for oil sales between EGG and TAG dated 2012. The Rehabilitation Court denied the application for rehabilitation. A new application was submitted to the Rehabilitation Court on November 1, 2017, however, this application was also denied.

See also update below regarding Republic of Kazakhstan Supreme Court ruling on February 14, 2018 reversing the decisions of the lower courts and dismissing EGG's claims.

- *Review of the Eligibility for Continued Listing on TSX*

On August 25, 2017 the Company announced that following the abovementioned announcement in relation to TAG's rehabilitation filing, Tethys was notified by the TSX that it was performing an expedited review of the eligibility criteria for the continued listing of the Company's ordinary shares pursuant to Part VII of the TSX Company Manual.

On September 1, 2017 the Company announced that following a detailed written submission by the Company and a meeting of the Continued Listing Committee of TSX (the "Committee") held on August 31, 2017, which was attended by the Company's management and legal counsel, the TSX had notified the Company that it had decided to allow the Company to retain its listing on the

TSX subject to its Remedial Review Process. The Company was granted up to 120 days to comply with all requirements for continued listing, beginning August 24, 2017.

On October 25, 2017 the Company announced that the Committee had encouraged the Company to consider its qualifications for a listing on the TSX Venture Exchange ("TSXV") or NEX, a subsidiary of TSXV, in order to ensure, to the extent possible, uninterrupted trading for the Company's ordinary shares. The Company has evaluated the costs and benefits of its listing on the TSX versus a possible listing on the TSXV and concluded that it would be prudent to pursue a listing on the TSXV given the Company's current stage of development. The Company therefore submitted an application to move its listing from the TSX to the TSXV under the TSXV's streamlined application process. In the event that the Company does not meet the TSXV's continued listing requirements for any reason in the future it remains open to the Company to step down to NEX, which would continue to provide a marketplace for trading in the Company's ordinary shares.

On January 24, 2018 the Company announced that the Continued Listings Committee of the Toronto Stock Exchange ("TSX") had determined that the Company no longer meets the continued listing requirements of the TSX and will not be able to continue with its listing on the TSX after February 23, 2018 and subsequently extended this to March 23, 2018 whilst the TSX Venture Exchange ("TSXV") considered the Company's application to move its listing to that exchange. On February 26, 2018 the TSXV informed the Company that it would not meet the TSXV listing requirements and would instead need to transfer its listing to NEX, a subsidiary exchange of the TSXV. The Company was delisted from the TSX on March 23, 2018 and listed on NEX on March 26, 2018.

- *Appointment of new General Director in Kazakhstan*

Also on August 25, 2017, the Company announced the appointment of George Pool as its new General Director in Kazakhstan. George is a US national and a resident of Kazakhstan. Fluent in Russian, he has over 20 years' wide-ranging experience of the culture and business practices of the Former Soviet Union and Latin America having worked on projects in Kazakhstan, Russia, Uzbekistan, China, Panama, Ecuador, Europe and the USA.

- *Approval Received for Continuation of Oil Production*

On September 28, 2017, the Company announced that its subsidiary TAG had been notified by the competent authority in Kazakhstan of its approval of the continuation of the Company's Akkulka Oil Field Pilot Production Project (the "Project") from January 1, 2018 to March 10, 2019. This period coincides with the related Akkulka Exploration Licence and Contract under which the Project is carried out. The approval of the Project allows TAG to continue to produce oil and sell it on the Kazakhstan internal market which it has done since January 2011. Oil is currently being produced from the AKD-01 well in the Akkulka area. The Company is evaluating investing in a gas utilization facility for flared gas which is a prerequisite to apply for a full production licence. This in turn would allow a proportion of oil production to be sold for export at a higher price than can be achieved on the internal market. Future investment in oil development is dependent on securing funding.

- *Olisol Petroleum Press Release*

On September 28, 2017 the Company announced that it acknowledged the Olisol Petroleum press release dated September 26, 2017 but did not intend to issue a response to each of the points raised since a number of them are incorrect or unclear and appear confused.

- *Ongoing Illegal Actions of Olisol*

On October 25, 2017 the Company announced that the actions being taken against the Company by Olisol, its affiliate EGG and EGG's private bailiff which the Company had previously announced on September 28, 2017 were unfortunately continuing and having an adverse financial impact on the Company and its business which could potentially put its operations in jeopardy. Despite the Ministry of Justice of the Republic of Kazakhstan notifying the Company that the actions of the bailiff were illegal and it had suspended the bailiff's licence to operate, EGG has continued to attempt to disrupt the Company's oil deliveries by sending bailiffs and security personnel to the field.

In addition, payments to the Company for its gas sales were delayed whilst the Company worked to reverse the actions of the bailiff which included writing to the Company's oil and gas buyers and local refineries seeking to divert payments for the benefit of EGG. As a consequence of delayed gas payments, the Company was not been able to make certain scheduled payments on time, including its monthly payments to the rig loan lenders.

See also update below regarding Republic of Kazakhstan Supreme Court ruling on February 14, 2018 reversing the decisions of the lower courts and dismissing EGG's claims .

- *Extension of Kul- bas Exploration & Production Contract*

On November 6, 2017, Addition #9 to the Company's Kul- bas Exploration & Production Contract was signed which is the final stage in the extension of the contract until November 2019. This contract area contains the KBD02 ("Klymene") prospect which has the potential to be an order of magnitude bigger than the Company's Doris oil discovery and surrounding prospects (the geographical area of the prospect is up to ten times the areal extent of the Doris oil field).

- *Tajikistan Arbitration*

On December 30, 2017 the Company announced that its subsidiary, Kulob Petroleum Limited ("Kulob"), had been notified of the final arbitration award in respect of Kulob's interest in the Bokhtar Production Sharing Contract ("Participating Interest") and Joint Operating Agreement and Shareholders' Agreement ("JOA") with Total E&P Tajikistan B.V. ("Total") and CNPC Central Asia B.V. ("CNPC") pertaining to oil and gas exploration and production rights in Tajikistan.

The Arbitral Tribunal of the International Court of Arbitration of the International Chamber of Commerce (the "ICC") has declared and/or ordered that:

- Kulob breached its obligations under the JOA by not paying its share of cash calls since August 2015;
- Total and CNPC are entitled under the JOA to require Kulob to withdraw from the JOA and assign its Participating Interest to them at no cost and Kulob should do so; and

- Kulob should pay Total and CNPC an amount of damages equivalent to the unpaid cash calls plus costs and interest which in the aggregate amounts to approximately USD13.7 million.

The Company does not expect the decisions of the ICC to have a significant effect on the results, cash flows or financial position of the Company since Tethys Petroleum Limited was not a party to the arbitration, does not believe it is responsible for the obligations of Kulob and has not provided any guarantees on behalf of Kulob.

The value of Kulob's Participating Interest was fully written down in the Company's Consolidated Financial Statements for the 2016 financial year and the cash calls made by Bokhtar Operating Company B.V. ("BOC") have been fully provided for in the Company's Consolidated Financial Statements for 2016 and subsequent periods. Since Kulob is unable to pay the damages claim awarded by the ICC and, in the event that the Company elects not to do so, the Company expects to deconsolidate Kulob and/or recognise an accounting gain for the amount of accrued cash calls no longer payable by the Tethys group.

Significant events and transactions subsequent to the year end not already discussed above

- *TSX Listing Review*

On January 24, 2018 the Company announced that the Continued Listings Committee of the Toronto Stock Exchange ("TSX") had determined that the Company no longer meets the continued listing requirements of the TSX and will not be able to continue with its listing on the TSX after February 23, 2018 and subsequently extended this to March 23, 2018 whilst the TSX Venture Exchange ("TSXV") considered the Company's application to move its listing to that exchange. On February 26, 2018 the TSXV informed the Company that it would not meet the TSXV listing requirements and would instead need to transfer its listing to NEX, a subsidiary exchange of the TSXV.

- *Republic of Kazakhstan Supreme Court Dismisses EGG Claims*

On February 14, 2018 the Republic of Kazakhstan Supreme Court found in favour of TAG by reversing the earlier court rulings and dismissing EGG's claims.

- *Changes of Management*

On March 9, 2018 Mr. Clive Oliver, Chief Financial Officer and Corporate Secretary of the Company tendered his resignation but agreed to continue to work with the Company on an advisory basis to help ensure an orderly transition. In August 2018, Mr. Oliver agreed to continue in those roles at the Company.

On March 12, 2018 the Board of Directors of the Company announced that Mr. Kenneth May, Chief Executive Officer ("CEO"), was stepping down with immediate effect.

On April 3, 2018 the Company announced that it had appointed Samuel Barrows as Interim CEO based in Aktobe, Kazakhstan.

On July 9, 2018 the Company announced that Samuel Barrows had decided to step down with immediate effect and was being replaced by current Board member Mattias Sjoborg as its new Interim CEO.

- *Update on Kazakhstan Loan*

On April 20, 2018 the Company announced that TAG had received notification from Special Financial Company DSFK LLP ("DSFK") relating to a loan originally provided to EGG by Bank RBK JSC ("RBK") in 2012. Also in 2012, TAG pledged certain of its oil and gas assets as collateral for the RBK loan to EGG including gas pipelines, booster compressor stations and oil gathering facility. EGG was TAG's former oil customer and advanced certain funds to TAG. In December 2017, RBK's loan to EGG was assigned to DSFK. DSFK has written to EGG to demand repayment of the loan because of EGG's failure to make certain scheduled repayments. DSFK has written separately to TAG regarding EGG's default and subsequent failure to repay the loan and informed TAG that it will take all measures to collect the debt, including but not limited to court collateral collection on the pledged assets. TAG has yet to receive full information regarding the EGG debt and is evaluating the legal position in order to protect its pledged assets from possible court collateral collection actions by DSFK and ultimately to have the pledges released.

- *Georgia - restructuring of interests*

Tethys was unable to fund its share of cash calls from the Operator since July 2017. In June 2018 Tethys and GOG agreed to a restructuring of their respective interests in the Georgian project whereby Tethys' indebtedness of approximately USD1.6 million and its funding obligations for the 2018 operating budget were satisfied by reducing its economic interest in the remaining blocks to 19%.

- *Cease Trade Order*

On July 2, 2018 the Company announced that the Alberta Securities Commission ("ASC") had issued a Cease Trade Order against the Company and revoked the previously issued Management Cease Trade Order ("MCTO"). Accordingly, Tethys securities have been halted from trading.

The Cease Trade Order was issued because the Company had not timely filed its audited financial statements, CEO and CFO certifications, and management discussion & analysis (the "Annual Filings") for the year ended December 31, 2017 and its interim financial statements, CEO and CFO certifications, and management discussion and analysis (the "Interim Filings") for the three month period ended March 31, 2018. Once the filings have been made the Company intends to apply to the ASC to have the Cease Trade Order revoked.

- *Agreements to Acquire Shares in the Company*

On July 18, 2018 the Company announced that it had signed binding agreements for new investors to purchase 63,517,017 ordinary shares in the Company for total proceeds of USD1.2 million and warrants to acquire up to a further 63,517,017 ordinary shares for total proceeds of up to USD1.4 million. The transactions are subject to receipt of approval from the NEX Board of the TSX Venture Exchange and other regulatory approvals which may be required.

The Company also reported that the proposals to acquire shares in the Company announced on January 23, 2018 would no longer be proceeding.

- *Oil & Gas License Extensions*

Also on July 18, 2018 the Company announced extensions of two of its Oil & Gas licenses in Kazakhstan.

Contract No. 3496 for gas production in the Akkulka Field has been extended for a further eight years until December 23, 2026 and the related work program for the period 2019-2026 has been approved.

In addition, Contract No. 265 for appraisal of the Akkulka Oil & Gas Area has received Ministry of Energy approval for a three year extension of the exploration period until March 10, 2022, provided the Company meets certain conditions. The Company currently produces oil in this contract area under a pilot production license.

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. All of the Company's properties are onshore.

The Company's objective is to become a leading oil and gas exploration and production Company in Central Asia, by exercising capital discipline, by generating cash flow from existing discoveries and by maturing large exploration prospects within our highly-attractive frontier acreage. The Company produces both oil and natural gas in order to balance its product portfolio and currently has oil and gas interests in the Republic of Kazakhstan, Republic of Tajikistan and Georgia. On December 30, 2017 the Company announced that an arbitration tribunal has ordered that it should assign its interest in its Tajikistan project to its partners (see page 17).

The Company's long-term ambition is to achieve a significant role in the production and delivery of hydrocarbons from the Central Asian region to local and global markets, especially to the Chinese market. In common with many oil and gas companies, in implementing its strategies, the Company regularly considers farm-out/farm-in and joint venture opportunities and new projects which provide synergy with the Company's activities. Meanwhile, the specific focus of management in the short term is to:

- Resolve the Company's legal disputes with Eurasia Gas Group LLP ("EGG"), Olisol Petroleum Limited and Olisol Investments Limited (together "Olisol");
- Work with the Company's other major shareholders in Kazakhstan to market the Company's oil and gas for better pricing, including potential export pricing for gas;
- Complete the process of restructuring the Company's loans;
- Increase gas production by drilling new shallow gas wells, well work-overs and tie-in of already drilled wells;
- Seek drilling company partners, or other investors, to fund drilling activities in the Company's Kazakhstan licence areas, for example on a deferred payment or contingent production sharing basis. This would include oil wells on the Akkulka licence and the Klymene exploration well on the Kul-bas licence;

- Continue to evaluate farm-out or other value realisation opportunities with respect to the Georgian assets; and
- Implement further cost optimisation across the business.

Segmental Information

The Company's operations are carried out in four reportable segments: Kazakhstan, Tajikistan, Georgia and Corporate.

The Company's revenues by operating segment and principal product is shown below:

	2017 \$000s	2016 \$000s
Kazakhstan		
Gas sales	4,762	9,772
Oil sales	3,170	1,977
Other	66	(17)
Corporate	109	769
Eliminations	(109)	(767)
Total	7,998	11,734

Kazakhstan

Properties

In Kazakhstan, the Company's producing gas fields and exploration blocks (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. 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 Company sees growth in this production, subject to funding, especially in gas production which it plans to sell into China through the Kazakh-China pipeline once it can obtain the necessary consents and agree an export sales contract.

The Company's current interests in its Kazakh projects are owned through two companies, TAG and Kul-Bas. As a result of this ownership, the Company had, throughout 2017, a 100% interest in, and is operator of:

- two proven shallow gas fields (the Kyzylloi and Akkulka Fields), producing under the Kyzylloi Field Licence and Production Contract, and the Akkulka Production Contract; and
- Two proven oil fields (Doris and Dione Fields), held within the surrounding Akkulka Exploration Licence and Contract area.

Kul-Bas has a 100% interest in the Kul-Bas Exploration and Production Contract.

Total oil and gas reserves in the Kyzylloi and Akkulka fields are described under "*Statement of Reserves Data and Other Oil and Gas Information*".

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

Property & contract	Effective percentage interest	Basin	Gross area (in km ²)	Expiry date (assuming no extensions)
Kyzyloi Field Licence and Production Contract	100%	North Ustyurt	449.6	Dec 2029
Akkulka Exploration Licence and Contract	100%	North Ustyurt	826.8	Mar 2019
Akkulka Production Contract	100%	North Ustyurt	396.2	Dec 2018
Kul-Bas Exploration and Production Contract	100%	North Ustyurt	7,632.0	November 2019

Kyzyloi Field Licence and Production Contract (Gas production)

- The Kyzyloi Field was first discovered in 1967 with additional seismic being shot in the 1990s.
- The Kyzyloi Field Licence and Production Contract was entered into between Ministry of Energy and Mineral Resources of the Republic of Kazakhstan ("MEMR") and TAG on May 5, 2005. In June 2014, the Company received approval from MOG for an extension to its Kyzyloi Production Contract for a further 15 years to December 2029.
- 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 Kyzyloi production contract area.
- The Kyzyloi Field Licence and Production Contract grants TAG exploration and production rights over an area of approximately 449.6 km² and was expanded laterally in December 2014 from the surface to the base of the tertiary interval.

Akkulka Exploration Licence and Contract (Exploration and pilot oil production)

- 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 year period. Subsequent extensions were granted, with the most recent in 2015, providing a period of four years up to March 10, 2019.
- The Akkulka Exploration Licence and Contract grants TAG exploration and production rights over a gross area of approximately 1,672.7 km² (413,321 acres) at sub-Paleogene level and 826.8km² (204,317 acres) at post-Paleogene level. The acreage specified is from surface to base tertiary.
- The Doris oil field (in the Akkulka Exploration Licence and Contract area) commenced pilot production in January 2011.

Akkulka Production Contract (Gas production)

- 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 Akkulka Production Contract lies wholly within the Akkulka Exploration Licence and Contract Area.
- The initial seven wells assigned to the Akkulka Production Contract are tied into the Company's existing Kyzyloi pipeline infrastructure and additional compression has been installed at the booster compressor station on the Bukhara-Urals gas trunkline. 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.
- The Akkulka Production Contract grants TAG exploration and production rights over an area of approximately 396.2km² and was expanded laterally to the base tertiary level in 2015.

Kul-Bas Exploration and Production Contract (Exploration)

- 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.

- In accordance with the terms of the contract with MEMR, 30% of the original area has been relinquished to date.
- Subsequent extensions were granted, with the most recent granting a two-year extension to the Kul-Bas Exploration and Production Contract to November 11, 2019. The Company is to relinquish all of the remaining contract area by the end of the approved period with the exception of areas where a commercial discovery has been made.

Risks associated with non-fulfilment of the above contracts are outlined in the section “*Risk Factors*” of the AIF. A general description of the taxes applicable to subsurface users in Kazakhstan is given in the section “*STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION – Tax Horizon – Kazakhstan*”. Details of financial commitments applicable to the contracts are given in *Note 25 of the 2017 Consolidated Financial Statements* filed with SEDAR and incorporated herein by reference.

Gas Production, Transportation and Sales

During the financial year ended December 31, 2017, gas sales in Kazakhstan were made to PGS Region LLP. Gas is delivered into pipelines owned by Intergas Central Asia JSC (“ICA”), a wholly owned subsidiary of KazTransGas JSC (“KTG”), the Kazakh State gas company and which is also the ultimate buyer of gas produced in Kazakhstan. Gas sales in 2017 amounted to USD4.8 million (2016: USD9.8 million), representing 60% of total consolidated revenue.

Gas is supplied to ICA via the main Bukhara-Urals pipeline. In 2007, Tethys constructed a 56km gas pipeline from the Kyzylloi Field gathering station to the Bukhara-Urals gas pipeline, where a booster compressor station was constructed.

The recently completed Bozoi-Shymkent-China gas pipeline provides two transit routes for Tethys’ gas production; the pipeline taking gas to China, and the existing Bukhara-Urals pipeline that transports gas from Central Asia into Russia and feasibly, on to Europe. Currently the Chinese pipeline is only taking domestic gas to Shymkent. Subject to obtaining the necessary consents and agreeing an export sales contract the Company will seek to begin gas sales to China.

Oil Production, Transportation and Sales

During the financial year ended December 31, 2017, oil sales in Kazakhstan were predominantly made to made to Petroleum Trade LLP, and amounted to a total of USD3.2 million (2016: USD2.0 million) representing 40% of total consolidated revenue. Sales price is determined at the wellhead where the oil is sold and therefore the Company incurs no direct transportation or marketing costs as these are borne by the customer.

Producing Wells

Gas

During 2017, the Company produced dry gas from a total of 14 wells at a depth of approximately 480-600m below surface, comprising 10 producing wells in the Kyzylloi field and 4 in the Akkulka field; these fields have been in production since 2007 and 2010 respectively. Total production for the year to December 31, 2017 was 2.43 BCF (2016: 4.23 BCF).

Oil

During 2017, the Company produced oil (plus a small amount of associated gas, currently flared) from the AKD01 well in the Doris Oil Field, under a Pilot Production Licence. AKD01 has been performing to

expectation. The AKD06 well has been shut in since late Q4 2014 due to the low oil price received and the increased operating costs of a high water-cut well. The AKD05 well has been off production since November 2015. A large volume Electrical Submersible Pump (“ESP”) was installed in AKD01 in May 2017 to increase production over the well’s remaining life. Production for the year to December 31, 2017 was 422,000 barrels (2016: 288,000 barrels).

Oil production is currently at approximately 400 barrels per day from the AKD01 well only with an approximate 87% water-cut.

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 Kyzylai 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 Permo-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 Reserves Report, effective December 31, 2017, total oil plus gas reserves in the Akkulka Block (in respect of the Exploration and Production Contract) are: Proved plus Probable plus Possible net to the Company’s interest of 19.8 MMboe with Proved plus Probable Reserves being 10.3 MMboe and Total Proved Reserves being 5.0 MMboe. See “*Statement of Reserves Data and Other Oil and Gas Information*”.

The Company believes that with further appraisal and exploration in the Akkulka and Kul-Bas contract areas significant additional potential may be realized.

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. Of these prospects, the AKD01 well described below has potential targets in reservoirs ranging from the Cretaceous, through Jurassic 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, and these produce mainly gas condensate. The nearest significant oilfield is over 300 km distant. The AKD01 well was drilled on the “Doris” prospect and is founded on a 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.

A downhole pressure survey, which was conducted in December 2016, indicated that the reservoir pressure in the Cretaceous sandstone horizon was 2,917 psi or relatively close to initial pressure. The survey also confirmed that there is no crossflow of oil and water in between the casing and open hole, hence good zonal isolation is still present.

Shallow gas drilling programme

On January 11, 2018 the Company announced that it had completed drilling seven new shallow gas wells out of the previously announced eight well program. Due to weather conditions, the eighth well is expected to be drilled in the spring of 2018. All seven wells were tested successfully for gas at a depth of between 470 and 550 meters. In addition to the new wells drilled, one existing well has been successfully worked over.

By January 1, 2018 five wells, comprising one existing well and four new wells, had been tied in to the Company's existing pipelines and added to production. The other new wells, which are further from the Company's existing pipelines, are expected to be tied in during the spring of 2018.

Three of the new wells will be on production for three months after which production is required to cease whilst the mandatory reserves evaluation and reporting process is carried out.

There is also a need for repairs and parts replacement at the compressor station to increase capacity which the Company plans to do during 2018. Until these works are carried out the overall production increase from the new wells will be limited by existing compression capacity.

Given the need to cease production from certain wells whilst reserves evaluation and reporting takes place and the need for compressor repair and replacement works, it is anticipated that optimum production levels from all the new wells will be achieved towards the end of 2018.

It is currently planned to conduct 3D seismic acquisition in 2018. The goal of the survey is to identify shallow gas targets for drilling in 2018 in an area of prospective interest in the south-eastern part of the Akkulka Exploration Contract, previously only covered by exploration 2D seismic. The survey covers an area that includes the AKK16 well which has been one of the best producing wells in the combined Kyzylai and Akkulka Fields.

Kul-Bas – Exploration of Deeper Oil and Gas Condensate

In May 2017 the Company received a positive decision from the Ministry of Energy to extend the license (appraisal period) for the next two years up to November 11, 2019. This extension of appraisal period for two years includes an obligation to drill and test KBD-02 (Klymene) and test KBD-01 (Kalypso). On November 6, 2017 Addition #9 to the contract was signed which includes the work program for 2018 and 2019 and is the final stage in the extension of the contract.

KBD01 ("Kalypso")

The 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 zones of interest, the Triassic and Permo-Carboniferous limestones. This lower zone will most likely require acid and fracture stimulation, a common completion process implemented in similar fields in the region. The nearest large field, which produces from similar Permo-Carboniferous shelf limestones is the Alibekmola field, some 250 km to the north in the pre-Caspian Basin.

In March 2014, the first phase of the stimulation on the KBD01 had been successfully completed with the reservoir being hydraulically fractured. The Company is currently evaluating future work for this well, however this is all dependent on funding.

The Kul-Bas block presents possible prospects at Cretaceous and Jurassic level and also some Permo-Carboniferous potential although has limited remaining potential for shallow gas.

KBD02 ("Klymene")

In late 2012, Tethys tendered for the acquisition of a further 200 km 2D seismic survey to define prospects in the Kul-Bas block prior to further exploration drilling. This work was completed and the Klymene prospect has been mapped with 3D seismic, identifying two Cretaceous and one Jurassic level for drilling. The prospect is a direct analogue to the producing AKD01/Doris field and shares the same modelled source basin, principal migration pathways and reservoir characteristics. Oil, as on-stream at AKD01/Doris, is expected to be sweet and at normal pressure. A vertical +/-2,750m exploration well is planned on the Klymene prospect and a location for KBD02 has been identified to be undertaken in 2019, subject to funding. The Klymene prospect has the potential to be an order of magnitude bigger than the Doris oil discovery and surrounding prospects (the geographical area of the prospect is up to ten times the areal extent of the Doris oil field). It appears to have good four-way structural closure and positive amplitude effects which may be indicative of enhanced porosity on the recently acquired and interpreted seismic.

Tajikistan

The Company, through its 85% owned subsidiary Kulob, has 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. The Bokhtar PSC covers an area located in the southwest of the country, in a geological basin known as the Afghan-Tajik basin. The Bokhtar Contractor Parties established a jointly-owned operating company, Bokhtar Operating Company B.V., incorporated in the Netherlands ("BOC"). The activities of BOC, which is now the operator of the PSC, are governed by a Joint Operating Agreement ("BOC JOA").

Principal Products and Operations

Tajikistan Default

After completing contracts for 2D seismic in 2014 and acquiring data during 2014-2015, Kulob defaulted on cash calls and has yet to resolve this. The partners, TOTAL and CNPC, issued Kulob with a Default Notice, requesting a remedy to the current default and subsequently, on October 11, 2015, issued Kulob with a "Notice to Withdraw," from the BOC JOA relating to the Bokhtar PSC. The Notice to Withdraw was served on the basis that Tethys had not made the payment on October 9, 2015 for the September Cash Call issued by BOC. Pursuant to the Notice to Withdraw, Total and CNPC stated that they jointly required Kulob to completely withdraw from the BOC JOA and assign all of its participating interests derived from the Bokhtar PSC and the BOC JOA to Total and CNPC in proportion to their respective participating interests.

On October 30, 2015, Kulob responded to the Notice to Withdraw, refusing to assign its participating interest and requested that discussions take place to reach an amicable resolution to remedy the defaults.

On May 19, 2016, Total and CNPC filed for arbitration proceedings and on December 30, 2017 the Company announced that the arbitration tribunal has ordered that it should assign its interest in its Tajikistan project to its partners (see page 17). This had not happened at the date of this AIF.

The following description of the Company's properties in Tajikistan has been provided notwithstanding the ruling of the ICC. Should the Company not succeed in retaining an interest in the BOC JOA and Bokhtar PSC, as now seems likely, it will no longer have any interest in properties in Tajikistan or any interest in the BOC JOA and Bokhtar PSC.

Properties

The Company holds an indirect 28.33% effective economic interest through Kulob in the Bokhtar PSC which covers an area of 35,984 km².

As part of the Tajikistan Farm-Out Agreement, the Tajik Government added a further 1,199 km² of prospective acreage which was not previously included in the Bokhtar PSC. 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.

The following table summarises the Company's principal property in Tajikistan (and the percentage interest of the Company therein).

Property & contract	Effective percentage interest ⁶	Basin	Gross area (in km ²)	Expiry date (assuming no extensions)
Bokhtar PSC	28.33%	Afghan-Tajik (Amu Darya)	35,984.17	June 2038

Production Contracts

The Bokhtar PSC

- The Bokhtar PSC in Tajikistan gives 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 Bokhtar Contract Area during the term of the Bokhtar PSC and to receive the contractors' share of production from the Bokhtar Contract Area.
- 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 Bokhtar Contract Area with the first relinquishment being after seven contract years in respect of 25% of the Bokhtar Contract Area (less any development areas) and at five year intervals thereafter in respect of 50% of the then remaining Bokhtar 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 Bokhtar 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.

Oil and Gas Production, Transportation and Sales

Under the Bokhtar PSC and the BOC JOA the Bokhtar Contractor Parties have 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 Bokhtar Contract Area.

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 possibly 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. 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 shallow to mid-depth exploration wells on prospects East Olimtoi and Persea.

Since the completion of the farm-out, the new joint venture's new exploration strategy was to focus on potential hydrocarbons in the deep Jurassic geological horizon of between 5,000 to 7,000 metres. BOC was established and in 2014/15 carried out a wide-line 2D seismic acquisition programme, large scale passive seismic acquisition, a magnetotellurics campaign and some further geological studies and reprocessing of old seismic.

Total and CNPC took the decision to demobilise BOC in 2016 since analysis of the data acquired had not identified any structures that supported the geologists' initial concept. The data showed that the structural model they had developed was not proven and that the Jurassic horizon is much deeper, more poorly defined and less structured than they had thought. As a result, further exploration would be necessary to see if the structures at this depth exist. The risk and the additional cost of this work would be considerable and it was therefore decided not to proceed with it at that time.

Georgia

In January 2014, the Company completed the acquisition of a 56% interest in Blocks XI^A, XI^M and XI^N in eastern Georgia, located within the Kura Basin. The Company, with a local partner GOG ("Georgia Oil and Gas Limited"), is engaged in exploration with a view to discovering and commercialising target hydrocarbons. The Company's interest has since reduced from 56% to 49%, and on February 1, 2015 GOG assigned operatorship to its designated subsidiary, Norio Operating Company ("NOC"), on all three licence blocks. During 2017 the Company and GOG relinquished Block XI^A.

The Company, alongside GOG, is considering a range of options to realise value from its remaining interests in Georgia which could include farming down or selling its interests in order to focus on its interests in Kazakhstan.

Property & contract	Effective percentage interest (at December 31, 2017)	Basin	Gross area (in km ²)	Expiry date (assuming no extensions)
Block XI ^M	49%	Kura	354.5	2038
Block XI ^N	49%	Kura	287.8	2038

Principal Products and Operations

Production Sharing Contracts

- There is a production sharing contract for each of the blocks XI^M and XI^N which give 25-year exploration and production rights subject to an obligation work programme and exploration success to the Company, through its subsidiaries Lisi Petroleum Limited and Saguramo Petroleum Limited, which hold 49% equity in each of the Georgian PSCs, and GOG, through its subsidiaries, which holds 51%. GOG is the operator.
- Under a Joint Operating Agreement ("JOA"), the contractors, Lisi Petroleum Limited and Saguramo Petroleum Limited and GOG, operate through an operating company nominated by GOG called NOC.

Exploration and Further Development

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

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.

Plays 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. Currently the Joint Venture is exploring for conventional leads only.

2D seismic had been acquired in 2013 prior to the Company acquiring its interest and activities since then focused on the collation, preparation, processing and interpretation of seismic and well data with some geochemical and structural geology work having been completed and with ground gravity data acquisition in 2015.

Ground gravity acquisition was completed in late July 2015 with a total of 187.4 sq.km of XI^A phase III obligation gravity, 197.5 sq.km of XI^M phase II obligation and 721.1 sq.km of XI^N phase II obligation gravity completed.

Tethys and GOG wrote to the Agency in June 2017 seeking to retain Block XI^N subject to the Agency agreeing to a new minimum work program and confirming it would not levy any penalties for any past non-compliances (for which Tethys would be liable) and to retain Block XI^M subject to the Agency agreeing amendments to the production sharing contract. In respect of Block XI^M Tethys has agreed to fund the cost of 30 km of seismic which is expected to be in the range of USD650,000-700,000. Tethys and GOG also wrote to the Agency to relinquish Block XI^A as work performed on the block indicates it has low prospectivity and Tethys and GOG do not wish to commit to further investment.

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 former Soviet Union, geological expertise and understanding of the commercial and regulatory environments in Kazakhstan, Tajikistan and Georgia. 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 and assets are subject to environmental regulations in the jurisdictions in which it operates, and the Company, along with its partners, strives to carry 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.

Kazakhstan

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. 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.

Tajikistan

Kulob implemented international Health, Safety and Environment ("HSE") standards in their operations and upgraded facilities from 2011 onwards before BOC took over the responsibility and oversight for HSE standards from mid-2013.

Georgia

In 2014 Tethys implemented its international standard HSE policies into the PSC's with inductions of relevant stakeholders, it also instructed the current operator NOC in these standards. In 2016, NOC, as the operator, continued to implement the international standard HSE policies for the PSC's.

Employees

As of December 31, 2017, the Company had a total of 251 full-time employees worldwide (2016: 280).

Specialised Skill and Knowledge

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

Socio-Economic Obligations

Kazakhstan

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 set amount annually for each of its subsurface use contracts 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 Kyzylai 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 TAG and Kul-Bas 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 Kyzylai 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 2017 the Company sponsored the Bozoi horse racing competition - Alaman Baiga.

Tajikistan

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 had an annual budget provision for staff training which was effectively used for both in-house and international training. Training opportunities were also offered to partner government agencies such as MEI and TajikGeology.

The Company's partners in Tajikistan, Total and CNPC, took the decision to demobilise BOC in 2016.

Georgia

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

Corporate

The Company has a non-operating corporate segment supporting the other segments.

Corporate Transactions

See section "*GENERAL DEVELOPMENT OF THE BUSINESS - Significant events and transactions for the year - 2017*" for further discussion on corporate transactions that took place in the course of the financial year.

Rigs and Equipment

The Company owns two onshore drilling rigs purchased primarily for its own projects, that are held as fixed assets by a subsidiary within the Corporate segment. Currently, the main pieces of equipment which are owned by the Company are as follows:

Rig	Description
"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.
"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.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

This Statement of reserves data and other oil and gas information has been prepared in accordance with the requirements of NI 51-101.

The Company engaged Gustavson Associates ("Gustavson") to independently evaluate the Company's oil and natural gas reserves in Kazakhstan. There are no reserves associated with the Company's acreage in Tajikistan or Georgia.

Gustavson prepared an independent evaluation report ("Gustavson Reserves Report") of the Company's oil and natural gas reserves in respect of Kazakhstan. Relevant dates of the Gustavson Reserves Report are as follows:

Date of statement	July 9, 2018
Effective date of the information	December 31, 2017
Preparation date of the information	July 9, 2018

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 reserves data summarise 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. The Company has included additional information not required by NI 51-101 which the Company believes to be pertinent to investors and to provide continuity with earlier disclosure. Gustavson was engaged by the Company to provide evaluations of proved, probable and possible crude oil and natural gas reserves.

In preparing the Gustavson Reserves 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 Reserves 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 Reserves Report is presented in USD (note: oil and gas sales and qualifying expenditure are subject to VAT at 12% in Kazakhstan; however, these are outside the scope of the NI 51-101 evaluation). 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.

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

Summary of Oil and Natural Gas Reserves⁽¹⁾
As of December 31, 2017
Forecast Prices and Costs

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	218	212	14,649	13,234	2,659	2,418
Developed Non-Producing	656	635	4,286	3,779	1,371	1,265
Undeveloped	4,156	3,996	6,194	5,451	5,189	4,905
Total Proved	5,031	4,843	25,130	22,465	9,219	8,587
Probable	5,335	5,075	20,355	18,070	8,728	8,087
Total Proved Plus Probable	10,366	9,918	45,484	40,535	17,946	16,674
Possible	9,601	9,063	24,808	22,062	13,736	12,740
Total Proved Plus Probable Plus Possible	19,967	18,981	70,292	62,597	31,682	29,414

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, 2017
Forecast Prices and Costs**

Reserves Category	Before Income Taxes Discounted at (%/year)					After Income Taxes Discounted at (%/year)					Unit Value Before Income Taxes Discounted at 10%/year (\$/boe)
	0	5	10	15	20	0	5	10	15	20	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
KAZAKHSTAN											
Proved											
Developed Producing	16,593	13,934	11,927	10,376	9,152	12,250	10,363	8,944	7,850	6,986	4.93
Developed Non-Producing	10,978	8,809	7,215	6,007	5,070	7,043	5,571	4,498	3,692	3,070	5.70
Undeveloped	90,308	73,829	61,037	50,968	42,943	55,166	44,958	37,062	30,865	25,937	12.44
Total Proved	117,879	96,572	80,180	67,352	57,164	74,459	60,892	50,505	42,407	35,994	9.34
Probable	177,442	142,904	117,277	97,741	82,522	79,508	63,427	51,790	43,079	36,382	14.50
Total Proved Plus Probable	295,321	239,476	197,456	165,093	139,686	153,967	124,318	102,295	85,486	72,376	11.84
Possible	313,068	241,939	191,466	154,415	126,639	141,461	107,467	83,862	66,889	54,346	15.03
Total Proved Plus Probable Plus Possible	608,389	481,416	388,923	319,507	266,325	295,427	231,786	186,157	152,375	126,721	13.22

**Total Future Net Revenue
(Undiscounted)
As of December 31, 2017
Forecast Prices and Costs⁽¹⁾⁽²⁾**

Reserves Category	Revenue \$'000	Royalties \$'000	Export Rent Tax \$'000	Operating Costs \$'000	Development Costs \$'000	Abandonment and Reclamation Costs \$'000	Other Expenses \$'000	Future Net Revenue Before Income Taxes \$'000	Income Taxes \$'000	Future Net Revenue after Income Taxes \$'000
KAZAKHSTAN										
Total Proved	269,961	(15,448)	(21,425)	(51,014)	(34,756)	(397)	(29,084)	117,837	(43,421)	74,416
Total Proved Plus Probable	566,572	(33,574)	(49,031)	(72,938)	(49,851)	(544)	(65,356)	295,278	(141,354)	153,924
Total Proved Plus Probable Plus Possible	1,090,386	(66,548)	(104,231)	(107,246)	(68,477)	(706)	(134,831)	608,347	(312,962)	295,385
TOTAL										
Total Proved	269,961	(15,448)	(21,425)	(51,014)	(34,756)	(397)	(29,084)	117,837	(43,421)	74,416
Total Proved Plus Probable	566,572	(33,574)	(49,031)	(72,938)	(49,851)	(544)	(65,356)	295,278	(141,354)	153,924
Total Proved Plus Probable Plus Possible	1,090,386	(66,548)	(104,231)	(107,246)	(68,477)	(706)	(134,831)	608,347	(312,962)	295,385

Notes:

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

**Future Net Revenue
By Production Group
As of December 31, 2017
Forecast Prices and Costs ⁽¹⁾**

Reserves Category	Future Net Revenue Before Income Taxes (discounted at 10%/year) \$'000	Unit Value \$/boe
KAZAKHSTAN		
Light and Medium Crude Oil:		
Total Proved	61,367	12.25
Total Proved + Probable	159,294	15.50
Total Proved + Probable + Possible	332,820	16.88
Associated Gas and Non-Associated Gas:		
Total Proved	18,812	5.26
Total Proved + Probable	38,162	5.96
Total Proved + Probable + Possible	56,103	5.78

Notes:

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

Summary of Pricing and Inflation Rate Assumptions
As of December 31, 2017
Forecast Prices and Costs⁽¹⁾⁽²⁾

	Oil			Natural Gas			
	Brent Crude Oil Price (\$/bbl)	Akkulka Export Crude Oil Price (\$/bbl)	Akkulka Domestic Crude Oil Price (\$/bbl)	Kyzyloi Domestic Gas Price (\$/Mcf)	Akkulka Domestic Gas Price (\$/Mcf)	Gas Export Price (\$/Mcf)	Inflation rate %/year
KAZAKHSTAN							
Historical							
2017	54.15	N/A	8.64	1.25	1.25	N/A	N/A
Forecast							
2018	60.56	46.36	15.80	1.37	1.37	2.69	2.00%
2019	62.81	48.61	24.16	1.42	1.42	2.79	2.00%
2020	65.80	51.60	25.32	1.49	1.49	2.92	2.00%
2021	70.70	56.50	27.20	1.60	1.60	3.14	2.00%
2022	74.23	60.03	28.56	1.68	1.68	3.30	2.00%
2023	75.21	61.01	28.94	1.71	1.71	3.34	2.00%
2024	76.23	62.03	29.33	1.73	1.73	3.39	2.00%
2025	77.26	63.06	29.73	1.75	1.75	3.43	2.00%
2026	78.37	64.17	30.15	1.78	1.78	3.48	2.00%
2027	79.45	65.25	30.57	1.80	1.80	3.53	2.00%
2028	80.55	66.35	30.99	1.83	1.83	3.58	2.00%
2029	81.66	67.46	31.42	1.85	1.85	3.63	2.00%
2030	82.84	68.64	31.87	1.88	1.88	3.68	2.00%
2031	84.01	69.81	32.32	1.90	1.90	3.73	2.00%
2032	85.22	71.02	32.79	1.93	1.93	3.79	2.00%
2033	85.22	71.02	32.79	1.93	1.93	3.79	2.00%
2034	85.22	71.02	32.79	1.93	1.93	3.79	2.00%
2035	85.22	71.02	32.79	1.93	1.93	3.79	2.00%
2036	85.22	71.02	32.79	1.93	1.93	3.79	2.00%
Thereafter	85.22	71.02	32.79	-	-	-	2.00%

Notes:

- (1) The un-contracted gas price was calculated by Gustavson for the Gustavson Reserves Report based on gas sales in the Central Asia and European markets.
- (2) 2018 expected net domestic gas sales price for Kyzyloi and Akkulka non-associated gas as communicated by Tethys, not finalised as at the date of the report.

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, 2017, against such reserves as at December 31, 2016, 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)
KAZAKHSTAN						
January 1, 2017	5,457	5,466	10,922	40.3	31.4	71.7
Extensions and Improved Recovery	-	-	-	-	-	-
Technical Revisions	288	(0)	288	(0.4)	0.1	(0.3)
Discoveries	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors	(426)	(130)	(557)	(14.7)	(11.1)	(25.9)
Production	(288)	-	(288)	(0.0)	-	(0.0)
December 31, 2017	5,031	5,335	10,366	25.1	20.4	45.5

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
2013	2.8	20.8	464	3,956
2014	-	19.4	119	4,075
2015	-	18.5	115	4,190
2016	0.2	18.7	-	4,155
2017	-	6.2	-	4,156
Probable Undeveloped	First Attributed (Bcf)		First Attributed (Mbbbl)	
	First Attributed (Bcf)	Total at Year End (Bcf)	First Attributed (Mbbbl)	Total at Year End (Mbbbl)
Prior	14.6	7	4,975	4,975
2013	3.8	14.8	-	5,579
2014	4.3	19.1	-	4,710
2015	2.7	21.8	-	4,643
2016	-	19.7	-	4,456
2017	-	12.8	419	5,062

Note:

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

With respect to the Company's Undeveloped Reserves in Kazakhstan, the Company is currently developing its plans with regard to developing its Proved Undeveloped and Probable Undeveloped

Reserves. For the shallow gas, the Company plans further development from 2018 onwards. For the oil reserves, a full field development programme will be finalised over the next twelve months based on the performance of existing wells together with funding and pricing conditions.

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 represent 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 previously sold gas domestically from the Akkulka and Kyzylai gas fields but is seeking to export too. See “Description of the Business - Kazakhstan — Gas Production, Transportation and Sales”.

Future Development Costs

The following table sets forth the estimated future development capital expenditure costs based upon the Gustavson Reserves 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 Reserves Report and do not necessarily represent the Company’s full exploration and development budget.

Year	Total Proved Estimated Using Forecast Prices and Costs \$'000	Total Proved Plus Probable Estimated Using Forecast Prices and Costs \$'000	Total Proved Plus Probable Plus Possible Estimated Using Forecast Prices and Costs \$'000
KAZAKHSTAN			
2018	9,363	9,373	9,373
2019	7,325	10,008	9,998
2020	11,540	18,027	18,954
2021	3,833	7,754	14,231
2022	866	1,424	9,130
Thereafter	1,829	3,265	6,792
Total for all years undiscounted⁽¹⁾	34,756	49,851	68,477

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, 2017 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.

		Producing		Non-Producing ⁽¹⁾	
		Gross	Net	Gross	Net
KAZAKHSTAN					
Natural Gas	Kyzyloi Gas Field	10	10	3	3
Natural Gas	Akkulka Gas Field	4	4	8	8
Light and Medium Crude Oil	Akkulka Block (Doris / Dione)	1	1	3	3
Total		15	15	14	14

Notes:

(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 Bokhtar PSC in Tajikistan, as well as the PSCs in Georgia. The following table sets forth the Company’s undeveloped land position in Kazakhstan, Tajikistan and Georgia as at December 31, 2017 on a gross and net basis, after giving effect to third parties’ ownership interests. For all three countries the main technical risk factors at present are associated with discovering commercially viable quantities of hydrocarbons and require significant exploration investment, primarily in seismic and/or drilling. There are gas pipelines either built or planned to be built regionally in all three countries as well as oil delivery points. The size of what is deemed commercially viable is dependent on a number of variables between countries including government/investor split, proximity to infrastructure, depth and nature of the horizon and flow rates.

Area	Gross Acres	Net Acres
Kazakhstan - Kul-Bas Exploration and Production Contract	1,885,867	1,885,867
Tajikistan - Bokhtar PSC	8,891,688	2,519,015
Georgia - Blocks XI ^M , XI ^N	156,492	76,681

Forward Contracts

Kazakhstan

As of 31 December, 2017, the Company had contracted to pre-sell certain quantities of oil through to the end of July 2018 at a fixed price, albeit with a 15 day cancellation period.

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 is responsible at the present time 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, recognised 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 an average of 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 has recorded a provision for abandonment and reclamation costs, net of estimated salvage value, for surface leases, wells, facilities and pipelines, discounted at 7.4%, of USD1.0 million which undiscounted is USD1.6 million. It is anticipated that two Kul-Bas wells and one Akkulka well will be remediated at the end of the current contract periods, with all remaining wells remediated by end of 2029.

Tajikistan

As of December 31, 2017, the Company had no wells for which abandonment and reclamation costs are expected to be incurred in respect of the Bokhtar 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.

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 Kulob, and since the farm out by the Bokhtar Contractor Parties, shall now be held in the joint names of the Tajik 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 relinquished areas must be brought into the same condition as they were prior to their transfer to Kulob and the other contractor parties (specifically, soil fertility condition, quality of the ground and environment). All expenditures incurred in abandonment and site restoration are cost recoverable. (See “*Description of the Business – Tajikistan*”).

Georgia

The Georgian PSCs require an abandonment reserve fund to be set up to cover the cost of future abandonment and site restoration. The value of this fund shall be based upon the contractor's estimated abandonment and site restoration costs, determined in accordance with international oilfield practice, and is subject to approval by the Iberia Coordination Committee. As of December 31, 2017, no wells have been drilled and no facilities constructed therefore there has been no requirement for a fund to be set up to date.

Tax Horizon

Kazakhstan

The tax system applied to the Company's operations in subsoil activity in Kazakhstan is mainly based on a combination of corporate income tax, excess profit tax, Mineral Extraction Tax ("MET") and property 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. The Company still has tax losses to be carried forward and does not expect to make corporate income tax payments until 2019 at the earliest.

Excess profit tax is 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 has been incurred to date.

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 whether sales are on the domestic or export markets. For domestic sales MET is calculated on operating costs, including depreciation, plus 20% at rates ranging from 2.5% for annual volumes of less than 250,000 tons up to 9% for annual volumes above 10,000 tone. For export sales MET is calculated on sales at double the rates for domestic sales.

Property tax is levied on certain immovable assets at a rate of 1.5%.

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.

Georgia

The Company is liable for the payment of profit tax (as stipulated under Section XIII of Chapter 5 of the Georgia Tax Code) at rates applicable on the effective date of the Georgian PSCs i.e. 15%. There is an exemption from the payment of VAT. As there is currently no production under the Georgian PSCs, there is currently no tax obligation.

Costs Incurred

The following table summarises capital expenditures related to the Company's activities for the year ended December 31, 2017:

Property Acquisition Costs	Year ended December 31, 2017			Total \$'000
	Kazakhstan \$'000	Tajikistan \$'000	Georgia \$'000	
Proved Properties	3,631	-	-	3,631
Unproved Properties	-	-	-	-
Exploration Costs	15	537	182	734
Development Costs	-	-	-	-
Total	3,646	537	182	4,365

Exploration and Development Activities

During the year ended December 31, 2017 the Company completed drilling seven new shallow gas in Kazakhstan out of the previously announced eight well program. Due to weather conditions, the eighth well is expected to be drilled in the spring of 2018. All seven wells were tested successfully for gas at a depth of between 470 and 550 meters. In addition to the new wells drilled, one existing well was successfully worked over.

By January 1, 2018 five wells, comprising one existing well and four new wells, had been tied in to the Company's existing pipelines and added to production. The other new wells, which are further from the Company's existing pipelines, are expected to be tied in during the spring of 2018.

See "Description of the Business" for a discussion of the Company's development and exploration plans.

Production Estimates

The following discloses the estimated production of Tethys in 2018 by product type associated with the future net revenue estimates reported in the Gustavson Reserves Report.

	Natural Gas (Bcf)	Crude Oil (Mbbl)
KAZAKHSTAN	3.74	521.73
Gross Proved	4.33	675.24
Gross Proved plus Probable	3.74	521.73

The following table sets forth the volume of production estimated in the Gustavson Reserves Report for the Kyzylai, 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, 2018:

Reserves Category	Natural Gas (Bcf)	Light and Medium Crude Oil (Mbbl)
KAZAKHSTAN		
Kyzylai		
- Gross Proved	2.10	-
- Gross Proved plus Probable	2.50	-
Akkulka		
- Gross Proved	1.50	-
- Gross Proved plus Probable	1.80	-
Akkulka Deep Oil		
- Gross Proved	0.14	521.73
- Gross Proved plus Probable	0.03	675.24

Production History

The following tables show the Company's average daily production volume (based on 365 day year), before deduction of royalties, by major producing region for each of the last four fiscal quarters and the year ended December 31, 2017.

	Natural Gas (Mcmpd)	Light and Medium Crude Oil (bopd)
KAZAKHSTAN		
Daily Production Volume (Gross Mcmpd for natural gas and gross bopd for oil)		
Year Ended December 31, 2017	328	1,156
Quarter ended March 31, 2017	356	682
Quarter ended June 30, 2017	357	795
Quarter ended September 30, 2017	300	1,848
Quarter ended December 31, 2017	301	1,284

	Natural Gas \$/Mcm	Light and Medium \$/bbl
KAZAKHSTAN		
Prices Received ⁽¹⁾	44.18	8.64
Royalties Paid	-	-
Production Costs ⁽¹⁾	16.11	5.98
Resulting Netback ⁽¹⁾	28.07	2.66

Notes:

(1) With respect to gas, net of VAT and marketing commission.

Kyzyloi and Akkulka were the only producing gas fields in Kazakhstan in 2017 although a small amount of gas was flared from the Doris oil field under the Pilot Production Scheme.

Production Volume by Field

The following table indicates the Company's total sales production for the year ended December 31, 2017 from each important field (before taxes, royalties and State take unless otherwise noted):

2017	Natural Gas (Mcm)	Light and Medium Crude Oil (bbl)	Barrels of Oil Equivalent (boe)	Boepd
KAZAKHSTAN				
Kyzyloi Gas Field	68,834	-	405,112	1,110
Akkulka Gas Field	51,004	-	300,178	822
Doris Oil Field ⁽¹⁾	-	421,983	421,983	1,156
Total	119,838	421,983	1,127,273	3,088

Notes:

(1) Boepd is calculated on total days in year including non-production days, and also discounts the smaller volumes of gas used for power generation and a small volume of flared gas from the Doris oil field

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 AIF 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 AIF. 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 and Consolidated Financial Statements for the year ended December 31, 2017* filed on SEDAR and incorporated herein by reference for a discussion of risks relevant to the Company's financial performance. The risks disclosed in those documents are specifically incorporated by reference herein.

Risk Related to the Company and its Business

Financial Resources and Going Concern

Since inception, the Company has incurred significant losses from operations and negative cash flow from operating activities. The Company's cash flow from operations has not been and may not be in future 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 available cash flow and net income.

Alternatively, the Company may seek further funding through issue of equity but 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, prospects and ability to continue as a going concern.

Refer to *Note 1 of the Company's 2017 Consolidated Financial Statements* filed with SEDAR and incorporated herein by reference for further details of the risks relating to going concern as at the date of this AIF.

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 and development plan. 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, non-compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment.

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 pipeline system which ultimately supplies gas to Russia and Europe and, the Company expects, eventually to China. 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.

The Company's oil and gas sales contracts in Kazakhstan are subject to commodity price fluctuation and it may become uneconomic to produce from some wells as a result of lower prices, which could result in a reduction in the volumes and value of the Company's reserves. The Company might also elect not to produce from certain wells because of lower prices. 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 2017, fluctuations in oil and gas prices could materially and adversely affect the Company's business, financial condition, results of operation and prospects and ability to continue as a going concern. In particular, the decrease in prices realised for oil produced from Kazakhstan in late 2014 and through to date in 2017 has negatively impacted the Company's results of operation. 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.

Dependence on Gas Pipeline

The Company is partly economically dependent on the pipeline from the Kyzylai and Akkulka Fields to a booster compression station constructed at "910 km" on the Bukhara-Urals gas pipeline and onwards, should anything adverse happen to these pipelines then the gas sales revenue (which is the majority of the Company's revenue at present) would cease. The Bukhara-Urals pipeline was initially designed to carry gas from Central Asia through Kazakhstan and into the Russian export system. The Bukhara-Urals pipeline is a twin line system currently supplying gas to the Aktobe region of Kazakhstan by way of northward transport with export into the Russian system, and southwards to the Bozoi underground storage facility. In October 2013, the Bozoi-Shymkent pipeline opened, and gas from the Western Kazakhstan area is being transported by this new line to Shymkent. The Bozoi/Shymkent pipeline is being linked to the Kazakhstan-China gas pipeline; this link has been completed and gas is being pumped through it from Bozoi towards Shymkent; this 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 utilize this pipeline to transport its gas to China, however, there is no guarantee that this will occur.

Dependence on Refinery and Transportation Facilities

Any loss of capacity or delay in truck or rail shipments may negatively affect the Company's oil sales revenue from the Pilot Production Project.

Oversupply into the local market may cause refineries to run at capacity, which may in turn impact the volumes of oil sold as refineries no longer accept new oil. This in turn could potentially impact the pricing of oil as oversupply is created on the domestic market.

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 Georgia, 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 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. 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 Other Financial Risks

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk, commodity price risk, interest rate risk and foreign exchange risk. Further details are provided in *Note 3 to the 2017 Consolidated Financial Statements* filed with SEDAR and incorporated herein by reference.

The Ordinary Shares trade in CAD on the TSX and, accordingly, the variation in exchange rates between the USD and CAD may also affect the market price of the Company's shares on the TSX.

Refer to the section "*Currency and Exchange Rates*" for 2017 exchange rate data for certain currencies relevant to the Company, relative to the U.S. Dollar.

Hedging Activities

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, 2017, no hedging agreements or contracts were in place.

Political and Regulatory

The oil and gas industry in general is subject to extensive government policies and regulations, which result in additional cost and risk for industry participants. Environmental concerns relating to the oil and gas industry's operating practices are expected to increasingly influence government regulation and consumption patterns which favour cleaner burning fuels such as natural gas. The Company is uncertain as to the amount of operating and capital expenses that will be required to comply with enhanced environmental regulation in the future. The Company is also subject to changing and extensive tax laws, the effects of which cannot be predicted. 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 conducts exploration and development activities in Kazakhstan, Tajikistan and 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 and Georgia 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 the Cayman Islands, Kazakhstan, Belgium, Cyprus, British Virgin Islands, the Netherlands, and England and Wales. The Company, through its subsidiaries, carries on operations directly in Kazakhstan and indirectly in Tajikistan and Georgia. 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 in Central Asia and the Caspian 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 English, Cayman or Canadian law.

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 AIF represent estimates only. The reserves from the Company's properties have been independently evaluated by Gustavson in the Gustavson Reserves Report. The Gustavson Reserves 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.

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. 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. 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 and specifically trucking of the oil is particularly affected in the first quarter of each year, due to extreme winter weather conditions in Kazakhstan.

Environmental

The Company's operations are subject to environmental regulations in the jurisdictions in which it operates. The Company strives to meet all environmental standards in all areas in which it operates, and includes appropriate amounts in its budgets to meet its environmental obligations. However, the ability to meet deadlines imposed by legislation for the implementation of projects to enhance and comply with environmental legislation is subject to the availability of funding under the planned budgets in order to comply in a timely manner. 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.

In Kazakhstan, where the Company produces oil and natural gas, quarterly reports are required to be submitted by the Company to the Shalkar (Bozoi) Tax Committee. The Company is also required to

prepare periodic reports on any pollution of air, toxic waste and current expenses on environmental protection which have been incurred by the Company and submit these to the appropriate Kazakh authorities. As of the date of this AIF, no claim has been made by the Kazakh state regarding non-compliance with environmental laws.

In Tajikistan and Georgia there has been no development or production activities by the Company which would give rise to similar environmental obligations as the Company is still in the exploration phase.

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 have limited control over the activities of such operators.

In addition, the Company's success depends, to a significant extent, upon management and key employees. The departure of any one key executive officer or other key employee may negatively impact on certain of the Company's operations until a suitable replacement candidate is appointed. The Company's inability to retain and recruit sufficient skilled personnel may cause delays in completing certain exploration and production projects on time or on budget. There can be no assurance that the Company will successfully attract and retain the personnel required to successfully execute its business strategy. In the event that the Company is unable to attract, retain and train key personnel, the Company's business, operations and prospects could be materially and adversely affected.

The Company did not carry key man insurance on any of its employees as at the date of this AIF.

Arbitration Ruling on Tajikistan Assets

On December 30, 2017 the Company announced that its subsidiary, Kulob, had been notified of the final arbitration award in respect of Kulob's interest in the Bokhtar Production Sharing Contract ("Participating Interest") and Joint Operating Agreement and Shareholders' Agreement ("JOA") with Total E&P Tajikistan B.V. ("Total") and CNPC Central Asia B.V. ("CNPC") pertaining to oil and gas exploration and production rights in Tajikistan.

The Arbitral Tribunal of the International Court of Arbitration of the International Chamber of Commerce (the "ICC") has declared and/or ordered that:

- Kulob breached its obligations under the JOA by not paying its share of cash calls since August 2015;
- Total and CNPC are entitled under the JOA to require Kulob to withdraw from the JOA and assign its Participating Interest to them at no cost and Kulob should do so; and
- Kulob should pay Total and CNPC an amount of damages equivalent to the unpaid cash calls plus costs and interest which in the aggregate amounts to approximately USD13.7 million.

The Company does not expect the decisions of the ICC to have a significant effect on the results, cash flows or financial position of the Company since it was not a party to the arbitration, does not believe it is responsible for the obligations of Kulob and has not provided any guarantees on behalf of Kulob. Nevertheless, there is a risk that Total and CNPC could seek to enforce the decision of the ICC leading to the loss of Kulob's Participating Interest and/or take action against the Company in respect of amounts owing by Kulob.

Cost of New Technologies

The oil and gas industry is characterised 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 utilised by the Company or implemented in the future may become obsolete. In such case, or if the Company is unable to utilise 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, 2017 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 or disclosure deficiencies will not occur.

Conflicts of Interest

Certain of the directors of the Company beneficially own or control Ordinary Shares in the Company or are affiliated with entities which are lenders to the Company or they may have associations with other oil and gas companies or with other industry participants with whom the Company does business or competes with for capital. 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.

Details of related party transactions, including those with directors of the Company, are disclosed in *Note 23 of the December 31, 2017 Consolidated Financial Statements* filed with SEDAR and incorporated herein by reference.

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.

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

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 Ordinary 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.

Risks Related to the Republics of Kazakhstan, Tajikistan, and Georgia

Political, Economic, Legal and Fiscal Instability

Kazakhstan, Tajikistan and Georgia are former constituent republics of the Soviet Union. At the time of their respective independence in 1991, each became a member of the Commonwealth of Independent States of the former Soviet Union ("CIS"). Because Kazakhstan, Tajikistan and Georgia 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;
- interruption or blockage of oil or natural gas exports;
- non-fulfilment of work programmes or financial commitments.

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 and Georgia 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 stabilised 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 Caspian, 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 contracts (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.

Property Interests and Governmental Approvals

The Company's subsidiaries obtain their exploration and/or production rights in Kazakhstan, Tajikistan and Georgia 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 authorizations may be held by third party service providers such as drilling companies. There is no assurance that all licences, permits or authorizations have been or

will be granted to the Company and there is no assurance that the Company has all the requisite licences, permits or authorization 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 authorizations necessary to conduct operations.

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 organised 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 organised 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 recognised 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.

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.

The Company works to fulfil its minimum work programme commitments under each of its sub-soil user contracts, however if it fails to meet the annual work programme value for a particular contract and cannot provide sufficient justification to the relevant state authorities for non-fulfilment and/or a plan to rectify the deficit then the Company is potentially liable for sanctions on top of the non-fulfilled amount for that year and ultimately the potential cancellation of the contract. Based on the under-fulfilment of commitments outlined in "*Description of the Business – Overview of Properties – Kazakhstan*", the Kazakh State could potentially seek to impose penalties, however, the Company would seek to argue mitigating circumstances to have any such penalties which may be levied, waived or reduced.

The Company has received several extensions to its Kazakh Contracts, including extensions effective since the adoption of the Subsurface Law, as described 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 and subsequent to that in 2014 to the MOE.

The Subsurface Law establishes the general and specific powers for MOE 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. MOE 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, Kazakhstan is an emerging market and as witnessed in the past, the structure of the Kazakh Regulatory Authorities is subject to change, hence there is no assurance with respect to which role each ministry, agency and committee will play in the future.

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 50% 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 50% 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 a Kazakh court.

Generally, no consent of the Antimonopoly Agency will be required if no person (or group of persons) acquires more than 50% 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 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. MOE, formerly 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.

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 MOE to support its intent to be in compliance with the New Local Content Rules.

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 uncertainty of application and the evolution of tax laws create 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.

A general description of the taxes applicable to subsurface users in Kazakhstan is given in the section *“STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION – Tax Horizon – Kazakhstan”*.

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 a 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, which 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.

Total, one of the Company's partners in Tajikistan, informed the Company in May 2016 that it has been required to pay the equivalent of USD5.0 million to the tax authorities in Tajikistan in relation to the farm-out of the Company's interest to Total in 2013. Total is seeking to have the Company indemnify it for these taxes under the terms of the farm-out agreement. The Company does not agree with Total's interpretation of the farm-out agreement or that it is liable to indemnify Total for these taxes. No similar claim has been received from the Company's other partner, CNPC, although the terms of the farm-out with CNPC were the same for Total and CNPC.

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 is active 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. As the Company attempts to sell or farm-out its Georgian assets, these factors may impede its ability to complete a transaction or otherwise to achieve its objectives.

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 and may create difficulties for the Company as it attempts to farm-out or sell its Georgian assets.

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

Uzbek 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.

Following the Company's withdrawal from Uzbekistan in December 2013 the tax authorities claimed additional taxes payable from the Company amounting to USD2.1 million. The Company, after taking professional advice, believes the claim is without foundation or merit and have disputed it. Also following withdrawal from the country, the Company was unable to recover payment for oil previously delivered to the Fergana refinery with an estimated value of USD1.6 million and this could potentially be used to settle any claim which is finally determined.

DIVIDENDS OR DISTRIBUTIONS

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

DESCRIPTION OF SHARE CAPITAL

The authorised capital of the Company consists of 1,450,000,000 Ordinary Shares of USD0.01 par value and 50,000,000 preference shares of USD0.01 par value (the "Preference Shares"). At December 31, 2017, 508,136,098 Ordinary Shares were issued and outstanding. No Preference Shares were issued or outstanding as at December 31, 2017.

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 authorised 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 and 2011. The Rights Plan was terminated in 2014 as the Company did not seek its reconfirmation on the third anniversary of its last shareholder approval.

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, 2017 (in Canadian Dollars).

Period	Price Range (CAD)		Trading Volume
	High	Low	
2017			
January	2.5	2.0	1,754,800
February	4.0	2.0	10,822,770
March	3.5	2.0	16,679,215
April	3.0	2.0	11,793,219
May	2.5	2.0	5,476,314
June	3.0	2.0	8,919,560
July	3.0	2.0	2,452,368
August	2.5	1.0	6,456,345
September	2.0	1.5	5,215,636
October	2.0	1.0	18,391,695
November	2.0	1.0	14,976,899
December	2.0	1.0	7,342,230

Prior Sales

There were no issuances by the Company of Ordinary Shares or securities convertible into Ordinary Shares during the year ended December 31, 2017.

DIRECTORS AND EXECUTIVE OFFICERS

The following tables sets forth, for each director and executive officer of Tethys: his name; municipality, province or state and country of residence; all positions and offices held by him; the month and year in which he was first elected a director and his principal occupation during the preceding five years, as at December 31, 2017.

Directors

Name and Municipality of Residence	Office Held and Time as Director or Officer	Principal Occupation during the past five years
Adeola Ogunsemi Texas, USA	Non-Executive Director since June 11, 2015	Chief Financial Officer of Oando Energy Resources and formerly other senior roles at Oando
William Paul Wells Tennessee, USA	Non-Executive Director since November 20, 2015	Primary portfolio manager for Pope Asset Management, LLC Director of Annuity and Life Re Holdings, a company listed on the Bermuda stock exchange
Mattias Sjoborg England, United Kingdom	Non-Executive Director since November 16, 2016	Owner and investment manager of Plena Group
Kenneth J May Arkansas, USA	Chief Executive Officer since August 2, 2016	Chief Executive Officer of Tethys and prior to Tethys consultancy work
Clive Oliver England, United Kingdom	Chief Financial Officer, Corporate Secretary, Officer since August 12, 2013	Chief Financial Officer, Corporate Secretary of Tethys, and formerly Vice President, Finance of Tethys. Prior to Tethys Director of Financial Operations at Essar
Medgat Kumar Astana, Kazakhstan	Non-Executive Director since January 20, 2017	Owner and Director of Petro Impex Trade LLP

Luka Chachibaia and Almas Kulumbetov left the Company during 2017.

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, 2017, the directors and officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly 137,531,074 Ordinary Shares or approximately 27.1% 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

Except as described on page 19, none of the Company's directors or executive officers has, within 10 years prior to the date of this AIF, been a director, chief executive officer or chief financial officer of any company that:

- 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
- 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

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:

- is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, 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
- has, within the 10 years before the date of this AIF, 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.

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:

- any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- any other 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 a 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.

See “*Risk Factors – Conflicts of Interest*” for a description of conflicts which may arise from the relationship between the Company and certain of its directors.

AUDIT COMMITTEE

Audit Committee Charter

The 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 AIF.

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

Adeola Ogunsemi (Chairman)

Adeola Ogunsemi is an experienced oil and gas professional. He is currently the Chief Financial Officer of Oando Energy Resources, a leading African exploration and production company, previously listed on the TSX in Canada. He was with BP America, rising to become Assistant Controller.

Before joining BP America, he worked for Northern Illinois Gas in Chicago, USA, the Chicagoland Chamber of Commerce and Midas International in Chicago, USA.

Adeola obtained a Master of Business Administration (MBA) in Finance and Strategic Management from the University of Chicago Booth School of Business in 2003 and a Bachelor of Science in Accounting and Finance from DePaul University in Chicago in 2000. He is also a Chartered Global Management Accountant (CGMA) in the USA and an Associate Chartered Accountant in Nigeria.

Mattias Sjoborg

Mattias Sjoborg joined Plena Group in 2001 and has led teams through origination, due diligence, negotiation and the restructuring of medium to large emerging market enterprises. In 2011, Mattias bought out Plena Group in a management buy-out and has led its growth by continuing to assemble cross border transactions as well as government privatisations in predominantly emerging markets. Mattias has a BA in Corporate Finance and an MBA degree from IMD Lausanne, Switzerland.

Medgat Kumar (from January 20, 2017)

Medgat Kumar is the owner and Director of Petro Impex Trade LLP. Petro Impex Trade LLP is a Kazakhstan-based company whose primary activities are trading of crude oil and petroleum products, oil refining and terminals businesses. He is a qualified oil and gas exploration engineer receiving a Master Degree in Engineering from the Kazakh National Technical University in 2002. He worked for Haliburton in Kazakhstan between 2002 and 2007.

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.

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*).

External Auditor Service Fees

At the Annual General Meeting held on June 23, 2017, PricewaterhouseCoopers LLP Canada, Chartered Professional Accountants ("PwC") were re-appointed as auditors of the Company.

The following table provides information about fees billed to the Company and its affiliates for professional services rendered by Tethys' external auditors.

Type of Service Provided	Year-ended December 31, 2017	Year-ended December 31, 2016
Audit fees (including quarterly reviews)	309,000	337,600
Audit-related fees	-	7,125
Tax fees	-	15,360
Other fees	-	-
Total	309,000	360,085

Other Corporate Governance Statements

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.

The 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.

Director Term Limits and Other Mechanisms of Board Renewal

Tethys does not impose director term limits or other mechanisms of Board renewal. The Company has not adopted term limits because it is committed to developing and retaining the expertise on its Board required to provide effective oversight. Moreover, the Board has experienced recent changes to its composition without the need for term limits or other mechanisms of board renewal.

Policies Regarding the Representation of Women on the Board

Tethys has not adopted written policies relating to the identification and nomination of women to the Board. While committed to diversity, the Company is of the view that the identification and nomination of individuals to the Board should be made on the basis of the knowledge and experience of candidates and that the imposition of other requirements would complicate this objective.

Consideration of the Representation of Women in the Director Identification and Selection Process

Tethys does not consider the level of representation of women on the Board in identifying and nominating candidates for election or re-election. The Company remains committed to diversity but is of the view that director identification and selection should focus on the knowledge and experience of candidates.

Consideration Given to the Representation of Women in Executive Office Appointments

Tethys does not consider the level of representation of women in executive officer positions when making executive officer appointments. The Company is of the view that executive officer appointments should be made on the basis of the knowledge and experience of candidates.

Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

Tethys has not adopted targets regarding the representation of women on the Board or in executive officer positions. The Company believes that targets are unnecessary and would detract from a focus on the knowledge and experience of candidates.

Number of Women on the Board and in Executive Officer Positions

As at December 31, 2017, the Company does not have any women on its Board or in executive officer positions.

Voting Securities and Principal Holders of Voting Securities

As at December 31, 2017, Tethys had 508,136,098 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	Ordinary Shares as of December 31, 2017	
	Number as	Percentage
Pope Asset Management LLC, Memphis, Tennessee	87,903,396	17.2%
Olisol Petroleum Limited, Hong Kong	63,044,461	12.3%

There are no holders of shares with special voting rights.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in the Consolidated Financial Statements for the years 2015, 2016 and 2017, filed with SEDAR and incorporated herein by reference or elsewhere in this AIF, 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.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Ordinary Shares in Canada is TSX Trust Company at its principal offices in Toronto, Ontario and Calgary, Alberta, Canada.

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 Georgian PSCs;
3. the Kyzylol Field Licence and Production Contract;
4. the Akkulka Production Contract;
5. the Akkulka Exploration Contract;
6. the Kul-Bas Exploration and Production Contract;
7. the loan agreement between the Company and a lender (January 16, 2015, as amended March 12, 2016);
8. the Subscription Agreement between the Company and AGR Energy Limited No.1 (May 15, 2015);
9. the Subscription Agreement between the Company and AGR Energy Holdings Limited (June 30, 2015);
10. the Facility Agreement between the Company and Olisol (November 19, 2015);
11. the Amendment Agreement between the Company and Olisol (March 2, 2016); and
12. the Amended and Restated Investment Agreement between the Company and Olisol (April 28, 2016).

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 PwC and Gustavson. None of the designated professionals of Gustavson has 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.

PwC has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Company, apart from the matters referred to below, there are no other 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, 2017, which would in the aggregate exceed the threshold set out in accordance with Canadian securities legislation applicable to this AIF, being 10% of the current assets of the Company, nor are there any such proceedings known to the Company to be contemplated.

Tajikistan Arbitration

Refer to *"RISK FACTORS – Possible Loss of Key Assets Following Tajikistan Defaults"* for details.

AGR Energy and AGR Energy Holdings Arbitration

On October 5, 2016 the Company commenced arbitration at the London Court of International Arbitration against AGR Energy and AGR Energy Holdings in connection with the USD7.5 million debenture issued by the Company to AGR Energy on May 15, 2016 and AGR Energy Holdings' failure to fulfil its obligations under the equity subscription agreement entered into with the Company on June 30, 2016. The Company was claiming a damage award of USD47.7 million plus interest and cancellation of the USD7.5 million debenture. This arbitration has now been settled.

Claim against the Company by EGG

Refer to *"GENERAL DEVELOPMENT OF THE BUSINESS – 2017 - Significant events and transactions for the year"* for details.

Also, refer to *"GENERAL DEVELOPMENT OF THE BUSINESS – Significant events and transactions subsequent to the year-end - Republic of Kazakhstan Supreme Court Dismisses EGG Claims"* for further details.

Claim against Olisol, EGG and Certain of their Principals

Refer to *"GENERAL DEVELOPMENT OF THE BUSINESS – 2017 - Significant events and transactions for the year"* for details.

TAG and Asia Oil Invest LLP Arbitration

On February 16, 2017 the Company's subsidiary TAG commenced arbitration proceedings at the London Court of International Arbitration against Asia Oil Invest LLP, TAG's former gas marketing agent, in connection with Asia Oil Invest LLP's failure to fulfil its obligations under the general marketing agreement signed on or around April 19, 2016. TAG is claiming damages in the amount of USD0.7 million and cancellation of all invoices and amounts claimed by Asia Oil Invest LLP as commission under the agreement for the period May 1, 2016 to December 31, 2017. This arbitration has now concluded.

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, 2017;
- (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.

FORWARD LOOKING STATEMENTS

Certain statements contained in this AIF 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 AIF 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 AIF. In particular, this AIF contains forward looking statements pertaining to, but not limited to, the following:

- the quantity of reserves
- the performance and characteristics of the Company's oil and natural gas properties;
- drilling plans and timing of drilling;
- 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, including work programmes related to licences;
- 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 realise 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 licences and approvals to operate its business as planned;
- the Company's intention to farm out or sell its Georgian assets;
- the Company's objective to supply gas to China; and
- the realization of the anticipated benefits of acquisitions and dispositions.

With respect to forward looking statements contained in this AIF, 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 Company's ability to retain the Kazakh licences and meet minimum work commitments;
- 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;
- the Company will be able to supply gas to China on prices and terms favourable to the Company;
- the Company's ability to farm out or sell its Georgian assets; 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 AIF include, but are not limited to:

- failure to realise 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 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;
- that the Company will not be able to supply gas to China on prices and terms favourable to the Company;
- that the Company will not be successful in farming out or selling its Georgian assets;
- changes in government regulations; and
- other factors discussed under “Risk Factors”.

Statements relating to “reserves” 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 AIF 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.

ADDITIONAL INFORMATION

Additional information concerning Tethys is available through the internet on SEDAR which may be accessed at www.sedar.com and on the Company’s website at www.tethys-group.com. Copies of such information may also be obtained without charge by request to the corporate secretary of Tethys by mail at 190 Elgin Avenue, George Town, Grand Cayman KY1-9007, Cayman Islands, telephone: +44 207 821 6128 or email at info@tethys-group.com.

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, 2017 filed with SEDAR and incorporated herein by reference. Copies of such documents may be obtained in the manner set forth above.

DEFINITIONS, APPREVIATIONS & CONVERSIONS

Glossary of Terms

In this AIF, the terms and abbreviations have the meaning set forth below:

Terms/abbreviations	Meaning
2D	Seismic data recorded along discrete tracks
3D	A set of numerous closely-spaced seismic data acquired in a grid and which are processed in three dimensions
AGR No.1	AGR Energy Limited No. 1, the counterparty to the USD7.5 million convertible loan facility entered into with the Company on May 15, 2015
AGR Holdings	AGR Energy Holdings Limited, the counterparty to the "AGR Placing" described below
Akkulka Exploration Licence and Contract	Exploration licence and contract of TAG in respect of the Akkulka Block
Akkulka Production Contract	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 down to the Base Tertiary level
Akkulka, Akkulka Block or Akkulka Field	Area that is subject to the Akkulka Exploration Licence and Contract in Kazakhstan
Annual Information Form or AIF	Annual information form of the Company dated August 27, 2018
Antimonopoly Agency	Agency of the Republic of Kazakhstan for Competition Protection
Aptian	A geological stage of the Cretaceous period from 125.0 to 112.0 million years
atm	Atmospheres, a measurement of pressure equivalent to 102.667 kilopascals
Audit Committee	Audit committee of the Board
bbl	Barrel (one barrel is 34.972 Imperial gallons or 42 U.S. gallons)
Bcf	Billion cubic feet
Bcm	Billion cubic metres
Board of Directors or Board	Board of directors of the Company, as constituted from time to time
boe	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	Barrels of oil equivalent per day
Bokhtar Contract Area	Total net area covered by the Bokhtar PSC, as further described under "Tajikistan - Properties - Overview"
Bokhtar Contractor Parties (each a Bokhtar Contractor Party)	Kulob, CNPC and Total
Bokhtar PSC	Production sharing contract entered into between Kulob and the Government of Tajikistan, represented by MEI, on June 13, 2008 covering the Bokhtar area of south west Tajikistan and now with CNPC & Total as co-contractors
bopd	Barrels of oil per day
bpd	Barrels of fluid per day
Bukhara	A geological horizon of the Middle and Upper Palaeocene epoch from ~61.1 to ~55.8 million years. It comprises mainly of carbonates and is the proven historic main oil reservoir in the Tajik part of the Afghan-Tajik Basin
°C	Degrees Celsius
CAD or Canadian Dollar	Canadian dollars, the lawful currency of Canada
Carboniferous	The geological period from 359.2 to 299 million years
Cenozoic	The geological era from 65.5 million years to the present time which includes the Paleogene and the Neogene periods
CIS	Commonwealth of Independent States which is a regional organization made up of certain countries of the former Soviet Union
cm	Cubic metres

Terms/abbreviations	Meaning
CNPC	In relation to the Bokhtar JOA; CNPC Central Asia B.V. and in relation to the Tajikistan Farm Out; China National Oil and Gas Exploration and Development Corporation Agreement; both of which are subsidiaries of China National Petroleum Corporation,
COGE Handbook	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
Company or Tethys	Tethys Petroleum Limited and includes, except where the context otherwise requires, the Company's direct and indirect wholly owned subsidiaries
Compensation and Nomination Committee	Compensation and Nomination committee of the Board
Cretaceous	The geological period from 145.5 to 65.5 million years
Devonian	The geological period from 416 to 359.2 million years
Eocene	The geological epoch from 55.8 to 33.9 million years within the Paleogene system of the Cenozoic era immediately after the Paleocene
°F	Degrees Fahrenheit
ft	Feet
Gas Supply Contract	Contract under which Tethys Aral Gas supplies produced gas to the buyer.
Georgian PSCs	Collective PSCs for Block XI ^M and XI ^N , entered into between the Company, GOG, and the Georgian State
Georgian State	Government of Georgia
GOG	Georgian Oil and Gas Limited, Tethys partner in Georgia
Gross	<ol style="list-style-type: none"> 1. 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 2. 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 3. 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
Group	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	Gustavson Associates, independent oil and gas reservoir engineers of Boulder, Colorado
Gustavson Reserves Report	Independent engineering evaluation of the Company's crude oil and natural gas reserves prepared by Gustavson Associates
hp	Horsepower
ICA	Intergas Central Asia JSC, a wholly owned subsidiary of KTG
IFRS	International Financial Reporting Standards
IPO	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
Jurassic	The geological period from 199.6 to 145.5 million years
km	Kilometre
km ²	Square kilometres
Komsomolsk Field	Area that forms part of the Bokhtar Contract Area
Kulob	Kulob Petroleum Limited, a company incorporated in the Cayman Islands and a 100% subsidiary of Seven Stars Energy Corporation, an 85% owned subsidiary of Tethys Tajikistan Limited, and 15% owned subsidiary of a Tajik local partner, Sangam Limited
KTG	KazTransGas JSC, the Kazakh State gas company
Kul-Bas	Kul-Bas LLP, a limited liability partnership registered in Kazakhstan in which the Company has a 100% interest through TK SA
Kul-Bas Block	Area that is subject to the Kul-Bas Exploration and Production Contract in Kazakhstan, being the Company's exploration licence and production contract in respect of the Kul Bas Block
kW	Kilowatt
Kyzyloi Field Licence and Production Contract	Company's field licence and production contract in respect of the Kyzyloi Field
Kyzyloi or Kyzyloi Field	Area that is subject to the Kyzyloi Field Licence and Production Contract in Kazakhstan
Kyzyloi Sandstones or Kyzyloi Sand	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

Terms/abbreviations	Meaning
	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
Lari or GEL	Georgian Lari, the lawful currency of Georgia
m	Metres
\$'000	Thousands of U.S. dollars
Mbbl	Thousands of barrels
Mbblpd	Thousands of barrels per day
Mboe	Thousand barrels of oil equivalent
Mcf	Thousand cubic feet
Mcfpd	Thousand cubic feet per day
Mcm	Thousand cubic metres
Mcmcpd	Thousand cubic metres per day
MEI	Ministry of Energy and Industry of the Republic of Tajikistan
MEMR	Ministry of Energy and Mineral Resources of the Republic of Kazakhstan
Mesozoic	The geological era from 248 to 65 million years which lies between the Paleozoic and Cenozoic eras
MET or Mineral Extraction Tax	Mineral extraction tax payable to the Kazakh State in respect of oil and gas production in Kazakhstan
Miocene	The geological epoch in the Neogene Period dating from 23.03 to 5.332 million years
Mm	Millimetre
\$'mil	Millions of U.S. dollars
MMbbl	Million barrels
MMboe	Million barrels of oil equivalent
MMcf	Million cubic feet
MMcfpd	Million cubic feet per day
MMcm	Million cubic metres
MMcmcpd	Million cubic metres per day
MOE	Ministry of Energy of the Republic of Kazakhstan
MOG	Ministry of Oil and Gas of the Republic of Kazakhstan now Ministry of Energy ("MOE")
Neogene	A geological period of the Cenozoic era, from 23.03 to 5.33 million years, which followed the Paleogene period
Net	<ol style="list-style-type: none"> 1. 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 2. in relation to wells, the number of wells obtained by aggregating the Company's current working interest in each of its gross wells and 3. 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	Natural gas liquids including condensate, propane, butane and ethane
NI 51 101	National Instrument 51 101 - Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators
NI 51 102	National Instrument 51 102 - Continuous Disclosure Obligations of the Canadian Securities Administrators
NI 52 110	National Instrument 52 110 - Audit Committees of the Canadian Securities Administrators
NOC	Norio Operating Company, a subsidiary of GOG and the nominated Operator of the two Georgia PSCs since February 1st, 2015
North Urtabulak PEC	Production enhancement contract dated August 19, 1999 entered into by the Company, Uzneftegazdobycha and Uznefteproduct in respect of the North Urtabulak Field in Uzbekistan
Nostrum	Nostrum Oil & Gas PLC
Olisol	Olisol Investments Limited, incorporated in Cyprus, and its wholly owned subsidiary Olisol Petroleum Limited, incorporated in Hong Kong, both headquartered in Almaty, Kazakhstan
Ordinary Shares	Ordinary shares of USD0.01 par value in the share capital of the Company
Paleocene	The lower most epoch within the Paleogene period, from 65.5 to 61.7 million years, immediately after the Cretaceous period
Paleogene	The geological period from 65.5 to 23 million years
Paleozoic	The geological era from 542 to 251 million years, which includes the Devonian, Carboniferous and Permian periods

Terms/abbreviations	Meaning
Permian	The geological period from 299 to 251 million years and it is the last period of the Paleozoic era
Pound Sterling or GBP	UK pounds sterling
psi	Pounds per square inch, a measure of pressure and equivalent to 0.068 atm
Reserves Committee	Committee of the Board responsible for the oversight of reserves auditing and evaluation
SinoHan	SinoHan Oil and Gas Investment Number 6 B.V., part of HanHong, a Beijing based private equity fund.
TAG	TethysAralGas LLP (formerly known as BN Munai LLP), a limited liability partnership registered in Kazakhstan in which the Company has a 100% interest through TK SA
Tajik State	Government of Tajikistan
Tajikistan Farm Out Agreement	Farm out agreement relating to the Bokhtar PSC signed on December 21, 2012 by the Company with Total and China National Oil and Gas Exploration and Development Corporation, a 100% owned subsidiary of Chinese National Petroleum Company
Tenge or KZT	Kazakh Tenge, the lawful currency of Kazakhstan
Tertiary	The geological period from 65 to 1.8 million years
TK SA	Tethys Kazakhstan SA, a wholly owned subsidiary of the Company
Total	Total E&P Tajikistan B.V., subsidiary of Total S.A. (the French supermajor oil and gas company), and a party to the BOC JOA and BOC PSC
Triassic	The geological period from 251 to 199.6 million years
TSX	Toronto Stock Exchange
USD or \$	U.S. dollars, the lawful currency of the United States of America
Uzbek State	Government of Uzbekistan
VAT	Value added tax

Presentation of Oil and Gas Information

In this AIF, unless the context otherwise requires, the following terms have the meanings set forth below, aligned with the expectations of the COGE Handbook in accordance with the requirements of NI 51-101, Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators.

Term	Definition
Reserves	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	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	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
Developed Reserves	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 Non Producing Reserves	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

Certain other technical terms used in this AIF 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 AIF, where amounts are expressed on a boe basis, natural gas volumes have been converted to oil equivalence at 6 Mcf:1 boe (170 cm: 1boe). The term boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 boe 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, condensate and NGLs.

Currency and Exchange Rates

All references in this AIF 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. Set out below is 2017 exchange rate data for certain currencies relevant to the Company, relative to the U.S. Dollar.

USD1	Canadian Dollar	Pound Sterling	Kazakhstan Tenge
Highest in 2017	1.3743	0.8288	343.66
Lowest in 2017	1.2128	0.7355	310.4
As at Dec 31, 2017	1.2545	0.7402	332.33

The source of these rates was Bank of Canada, Bank of England and National Bank of Kazakhstan respectively.

Conversions

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

To Convert From	To	Multiply By
Inches	m	0.0394
Ft	m	0.305
m	ft.	3.281
Miles	km	1.610
Km	miles	0.621
Acres	km2	0.004
km2	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
Atm	psi	14.697
Mcf (gas)	boe	0.1667
Mcm (gas)	boe	5.885

APPENDIX A-1

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 2016. The Company has oil and gas and natural gas liquid reserves estimated as at 31st December 2017. The related future net revenue has 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 2017, 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 Effective 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 31 December 2017	Kazakhstan	0	Proved: \$80,180 Probable: \$117,277 Possible: \$191,466	0	Proved: \$80,180 Probable: \$117,277 Possible: \$191,466

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, 9 July 2018

APPENDIX B-1

FORM 51 101F3 REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Tethys Petroleum Limited (the “**Company**”) is 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, 2017, 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) discussed with the independent qualified reserves evaluators, via conference call, 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) “William P. Wells”
William P. Wells
Director and Member of the Reserves Committee

(signed) “Mattias Sjoborg”
Mattias Sjoborg
Director and Member of the Reserves Committee

(signed) “Adeola Ogunsemi”
Adeola Ogunsemi
Director and Member of the Reserves Committee

(signed) “Medgat Kumar”
Medgat Kumar
Director and Chairman of the Reserves Committee

Dated August 30, 2018

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 or 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 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.