

**TETHYS**  
Petroleum

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON APRIL 24, 2008**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**DATED MARCH 20, 2008**

**TETHYS PETROLEUM LIMITED**  
**Suite 3, Borough House**  
**Rue du Pre, St. Peter Port, Guernsey, Channel Islands GY1 6EL**  
**Registration No. 41075**

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN THAT** an annual general meeting (the “**Meeting**”) of the holders of ordinary shares (“**Ordinary Shares**”) of Tethys Petroleum Limited (the “**Company**”) will be held at the offices of Borden Ladner Gervais LLP, 1100, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, on Thursday, April 24, 2008 at 10:30 a.m. (Mountain Daylight Time) for the following purposes:

**Ordinary Business**

1. To receive and consider the financial statements of the Company for the year ended December 31, 2007 and the report of the auditors thereon.
2. To propose each of the following resolutions as ordinary resolutions of the Company:
  - 2.1 to re-elect Dr. David Robson as a director of the Company;
  - 2.2 to re-elect Bernard Murphy as a director of the Company;
  - 2.3 to re-elect the Rt. Hon. Peter Lilley M.P. as a director of the Company;
  - 2.4 to re-elect Liz Landles as a director of the Company;
  - 2.5 to re-elect Russ Hammond as a director of the Company;
  - 2.6 to re-elect Paul Murphy as a director of the Company;
  - 2.7 to re-elect Colin Smith as a director of the Company; and
  - 2.8 to elect Piers Johnson as a director of the Company.
3. To propose the following as an ordinary resolution of the Company:

That PricewaterhouseCoopers LLP, Chartered Accountants, be appointed as auditors of the Company for the next ensuing year, to hold office until the close of the next annual general meeting of shareholders, and authorizing the board of directors of the Company to fix their compensation.

**Special Business**

To consider and, if thought fit, pass resolutions 4 to 6 (inclusive) as ordinary resolutions of the Company and the remainder as special resolutions of the Company:

4. That:
  - (a) the Company is hereby authorized to amend section 4.1 of the stock incentive plan of the Company (the “**Plan**”) to increase the number of Ordinary Shares which are reserved for issuance under the Plan by 3,000,000 Ordinary Shares, by deleting the number “4,511,670” in section 4.1 and replacing it with the number “7,511,670”; and

- (b) any one (or more) director or officer of the Company is authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.

5. That:

- (a) the grant of options to purchase an aggregate of 129,000 Ordinary Shares, as more particularly described in the management information circular of the Company dated March 20, 2008, is hereby ratified and approved;
- (b) the shareholders of the Company hereby expressly authorize the board of directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and
- (c) any one (or more) director or officer of the Company is authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.

6. That:

- (a) the adoption of the shareholder rights plan of the Company is hereby approved and the Company is authorized to issue rights pursuant thereto;
- (b) the shareholders of the Company hereby expressly authorize the board of directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and
- (c) any one (or more) director or officer of the Company is authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.

7. That:

- (a) the existing articles of association of the Company be amended (the “**Continuance Amendment**”) by inserting the following as a new article immediately after article 146:

## **MIGRATION**

### **147. Migration**

The Company may by special resolution resolve to be registered by way of continuation in a jurisdiction outside Guernsey or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to remove the Company from the Register of Companies in Guernsey or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company; and

- (b) any one (or more) director or officer of the Company is hereby authorized to execute and deliver any documents, instruments or other writings and to do all other acts as may be necessary or desirable to give effect to the Continuance Amendment and the foregoing resolution.
8. Conditional upon the special resolution approving the Continuance Amendment being approved, that:
- (a) as provided for by Article 147, the Company be removed from the Register of Companies in Guernsey for the purpose of becoming registered as a body corporate under the laws of the Cayman Islands pursuant to Part II of the Migration of Companies Ordinance 1997 and the Companies Law (2007 Revision) of the Cayman Islands and the Company make application to the Registrar of Companies of the Cayman Islands and such other authority as may be appropriate to transfer by way of continuation into the Cayman Islands pursuant to the Companies Law (2007 Revision) of the Cayman Islands (the “**Continuance**”) and that any one director of the Company be authorized to perform such further acts and execute such further documents as may be required to give effect to the foregoing; and
  - (b) effective on the date of Continuance, the registered office of the Company shall be at such address in the Cayman Islands as the board of directors shall approve.
9. Conditional upon the special resolution approving the Continuance being approved and with effect from the date that the Company is registered as a body corporate under the laws of the Cayman Islands, that:
- (a) the authorized share capital of the Company be increased from US\$50,000,000 to US\$75,000,000 by the creation of 200,000,000 Ordinary Shares of US\$0.10 each, each ranking *pari passu* in all respects with the existing Ordinary Shares of US\$0.10 each in the capital of the Company and 50,000,000 preference shares of US\$0.10 each having the rights more particularly set out in the draft Memorandum and Articles of Association (the “**New Memorandum and Articles**”) attached as Appendix “B” to the management information circular of the Company dated March 20, 2008;
  - (b) the New Memorandum and Articles be adopted as the Memorandum and Articles of Association of the Company in substitution for, and to the exclusion of, the existing Memorandum and Articles of Association; and
  - (c) any affect on, modification of, variation of or abrogation of the rights and privileges attaching to the Ordinary Shares of the Company which will or may result from the passing and carrying into effect of (a) and (b) above is hereby sanctioned and consented to.

The details of all matters proposed to be put before shareholders at the Meeting are set forth in the information circular accompanying this Notice of Meeting. At the Meeting, shareholders will be asked to approve each of the foregoing items.

Only shareholders of record as of March 20, 2008, the record date, are entitled to receive notice of the Meeting; provided that, in accordance with the provisions of the Company’s articles of association, shareholders of record (and entered on the register) on March 13, 2008 (being the fifth business day before notice of the Meeting is sent to shareholders of record) will also be entitled to receive notice of the Meeting.

**DATED** at St. Peter Port, Guernsey, Channel Islands, this 20<sup>th</sup> day of March, 2008.

**BY ORDER OF THE BOARD OF DIRECTORS**

“Liz Landles”

Executive Vice President and Corporate Secretary

**IMPORTANT**

It is desirable that as many Ordinary Shares as possible be represented at the Meeting. If you do not expect to attend and would like your Ordinary Shares represented, please complete the enclosed form of proxy and return it as soon as possible in the envelope provided for that purpose. In accordance with the articles of association of the Company, all proxies, to be valid, must be deposited at the office of the Registrar and Transfer Agent of the Company, Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1, not later than 12:30 p.m. (Eastern Daylight Time) (10:30 a.m. Mountain Daylight Time) on April 22, 2008, or at least forty-eight (48) hours preceding any adjournment of the Meeting.

The Company gives notice that only those shareholders entered on the register of shareholders (or their duly appointed proxies) at 12:30 p.m. (Eastern Daylight Time) (10:30 a.m. Mountain Daylight Time) on April 22, 2008, will be entitled to attend and vote at the Meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend and vote at the Meeting.

A shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote in his place. A proxy need not be a shareholder of the Company. Completion of a form of proxy does not preclude a shareholder from subsequently attending and voting at the Meeting in person if he so wishes.

Any transferee or person acquiring Ordinary Shares after the Record Date may, on proof of ownership of Ordinary Shares, demand of the Registrar and Transfer Agent of the Company, Equity Transfer & Trust Company, not later than 12:30 p.m. (Eastern Daylight Time) (10:30 a.m. Mountain Daylight Time) on April 22, 2008, that his or her name be included in the list of persons entitled to attend and vote at the Meeting.

# TETHYS PETROLEUM LIMITED

## ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 24, 2008

### MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by the management of Tethys Petroleum Limited (“**Tethys**” or the “**Company**”) for use at the annual general meeting of the holders of ordinary shares of the Company (“**Ordinary Shares**”) to be held on April 24, 2008 at the offices of Borden Ladner Gervais LLP, 1100, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta at 10:30 a.m. (Mountain Daylight Time), or at any adjournment thereof (the “**Meeting**”), for the purposes set forth in the notice of meeting (the “**Notice of Meeting**”). The information contained herein is given as of March 20, 2008, except where otherwise indicated.

The costs incurred in the preparation and mailing of both the instrument of proxy and this Information Circular will be borne by the Company. In addition to the use of mail, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication or by directors, officers and employees of the Company who will not be directly compensated therefor.

**In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Ordinary Shares held of record by such persons and the Company may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Company. The record date to determine the registered shareholders entitled to receive the Notice of Meeting is March 20, 2008 (the “Record Date”).**

**All information provided herein is as at the Record Date unless otherwise indicated.**

### APPOINTMENT AND REVOCATION OF PROXIES

**The persons named (the “Management Designees”) in the enclosed instrument of proxy (the “Instrument of Proxy”) have been selected by the directors of the Company and have indicated their willingness to represent as proxy the shareholder who appoints them. A shareholder has the right to designate a person (whom need not be a shareholder) other than the Management Designees to represent him or her at the Meeting. Such right may be exercised by inserting in the space provided for that purpose on the Instrument of Proxy the name of the person to be designated and by deleting therefrom the names of the Management Designees, or by completing another proper form of proxy and delivering the same to the transfer agent of the Company. Such shareholder should notify the nominee of the appointment, obtain the nominee’s consent to act as proxy and should provide instructions on how the shareholder’s shares are to be voted. The nominee should bring personal identification with him or her to the Meeting. In any case, the form of proxy should be dated and executed by the shareholder or an attorney authorized in writing, with proof of such authorization attached, where an attorney executed the proxy form or, if the appointor is a company, under its seal or under the hand of its duly authorized officer or attorney or other person authorized to sign. In addition, a proxy may be revoked by a shareholder personally attending at the Meeting and voting his or her shares.**

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and delivered to the Company’s transfer agent, Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1, at least forty-eight (48) hours prior to the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. In addition to revocation in any other manner permitted by law, a

proxy may be revoked by depositing an instrument in writing executed by the shareholder or by his or her authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, either at the registered office of the Company or with Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1, at any time up to forty-eight (48) hours preceding the date of the Meeting, or any adjournment thereof, at which the proxy is to be used. In addition, a proxy may be revoked by the shareholder personally attending the Meeting and voting his or her shares.

### VOTING OF PROXIES

Each shareholder may instruct his or her proxy how to vote his or her Ordinary Shares by completing the blanks on the Instrument of Proxy. All Ordinary Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting (including the voting on any ballot), and where a choice with respect to any matter to be acted upon has been specified in the Instrument of Proxy, the Ordinary Shares represented by the proxy will be voted in accordance with such specification. **In the absence of any such specification as to voting on the Instrument of Proxy, the Management Designees, if named as proxy, will vote in favour of the matters set out therein. In the absence of any specification as to voting on any other form of proxy, the Ordinary Shares represented by such form of proxy will be voted in favour of the matters set out therein.**

**The enclosed Instrument of Proxy confers discretionary authority upon the Management Designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. As of the date hereof, the Company is not aware of any amendments to, variations of or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the Management Designees intend to vote in accordance with the judgment of management of the Company.**

### ADVICE TO BENEFICIAL SHAREHOLDERS

**The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Ordinary Shares in their own name.** Shareholders who hold their Ordinary Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Ordinary Shares in their own name (referred to in this Information Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by shareholders who appear on the records maintained by the Company’s registrar and transfer agent as registered holders of Ordinary Shares will be recognized and acted upon at the Meeting. If Ordinary Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Ordinary Shares will, in all likelihood, not be registered in the shareholder’s name. Such Ordinary Shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Ordinary Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Ordinary Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered shareholders by the Company. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A Beneficial Shareholder who receives

a Broadridge voting instruction form cannot use that form to vote Ordinary Shares directly at the Meeting. **The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Ordinary Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Ordinary Shares voted. If you have any questions respecting the voting of Ordinary Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Ordinary Shares registered in the name of his or her broker, a Beneficial Shareholder may attend the Meeting as proxy holder for the registered shareholder and vote the Ordinary Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Ordinary Shares as proxy holder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Information Circular and the accompanying Instrument of Proxy and the Notice of Meeting are to registered shareholders unless specifically stated otherwise.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

As at March 20, 2008, Tethys had 45,116,696 Ordinary Shares issued and outstanding. Every shareholder present has on a show of hands one vote and on a poll every shareholder present in person or by proxy has one vote for every Ordinary Share of which he is the holder. Only those shareholders of record on the Record Date are entitled to receive notice of and vote at the Meeting; provided that, in accordance with the provisions of the Company's articles of association, shareholders of record (and entered on the register) on March 13, 2008 (being the fifth business day before Notice of Meeting was sent to shareholders of record) will also be entitled to receive notice of the Meeting. Any transferee or person acquiring Ordinary Shares after the Record Date may, on proof of ownership of Ordinary Shares, demand of Equity Transfer & Trust Company not later than 2 days before the Meeting that his or her name be included in the list of persons entitled to attend and vote at the Meeting.

Two or more holders present in person or represented by proxy constitutes a quorum for the Meeting, irrespective of the number of persons actually present at the Meeting.

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.

### **PARTICULARS OF MATTERS TO BE ACTED UPON**

#### **1. Receipt of the Financial Statements and Auditors' Report**

At the Meeting, shareholders will receive and consider the financial statements of the Company for the year ended December 31, 2007 and the auditors' report thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken.

#### **2. Election of Directors**

The Company currently has seven (7) directors, all of whom are being nominated for re-election. A new nominee director is also being proposed for election, namely Mr. Piers Johnson. It is currently anticipated that subsequent to the date of this Information Circular and prior to the Meeting, the Board will appoint Mr. Johnson to the Board of Directors. The following table sets forth the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Company presently held by such nominee, the nominee's municipality of residence, principal occupation at the present and during the preceding five years, the period during which the nominee has served as a director, and the number and percentage of Ordinary Shares that the nominee has advised are beneficially owned or over which control or direction is exercised by the nominee, directly or indirectly, as of the Record Date.

Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote for the election of the persons named in the following table to the board of directors (the “Board” or the “Board of Directors”). Each director elected will hold office until the next annual general meeting of shareholders or until his or her successor is duly elected, unless his or her office is earlier vacated.

<b>Name, Municipality of Residence and Position</b>	<b>Director Since</b>	<b>Principal Occupation for Past Five Years</b>	<b>Number of Ordinary Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly</b>
<b>Russ Hammond</b> <sup>(1)</sup> London, United Kingdom Director	July 26, 2006	Corporate Director.	Nil
<b>Piers Johnson</b> <sup>(3)</sup> London, United Kingdom Nominee Director	Nominated	Chartered Engineer. Founder and Managing Director of Oilfield Production Consultants.	Nil
<b>Liz Landles</b> St. Peter Port, Guernsey, Channel Islands Executive Vice President, Corporate Secretary and Director	August 12, 2003	Currently the Executive Vice President and Corporate Secretary of the Company. Prior thereto, Ms. Landles was Executive Vice President and Corporate Secretary of CanArgo Energy Corporation.	20,000
<b>Rt. Hon. Peter Lilley M.P.</b> <sup>(1)(2)</sup> London, United Kingdom Vice Chairman	July 26, 2006	Member of the United Kingdom Parliament, House of Commons.	Nil
<b>Bernard Murphy</b> Hertfordshire, United Kingdom Chief Financial Officer, Finance Director and Director	August 16, 2006	Currently the Chief Financial Officer and Finance Director of the Company. Prior thereto, Mr. Murphy was a company director within the Abacus Accountancy Network since 2004 and held a number of senior financial positions for several organizations.	30,000
<b>Paul Murphy</b> <sup>(2)</sup> Jumeirah Islands, Dubai Director	July 26, 2006	Managing Director of Kraken Financial Group Limited; prior thereto, Mr. Murphy was director/manager of MeesPierson Reads.	44,127
<b>Dr. David Robson</b> St. Peter Port, Guernsey, Channel Islands President, Chief Executive Officer and Chairman	August 12, 2003	Currently the President, Chief Executive Officer and Chairman of the Company. Prior thereto, Dr. Robson was the Chairman and Chief Executive Officer of CanArgo Energy Corporation.	150,000

Name, Municipality of Residence and Position	Director Since	Principal Occupation for Past Five Years	Number of Ordinary Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly
<b>Colin Smith<sup>(2)</sup></b> St. Peter Port, Guernsey, Channel Islands Director	August 16, 2006	Mr. Smith is currently a consultant to financial service organizations in Guernsey, including the Kraken Group, which is a multi-disciplinary financial services organization, and Raven Russia Limited, an investment company that invests in commercial property. Prior thereto, Mr. Smith was a director in the audit and assurance division of the chartered accountancy practice of BDO Novus Limited in Guernsey.	Nil

**Notes:**

- (1) Member of the Compensation and Nomination Committee.
- (2) Member of the Audit Committee.
- (3) It is anticipated Mr. Johnson will, if elected, become a member of the Audit Committee following the Meeting.

***Corporate Cease Trade Orders***

No proposed director is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company that:

- (i) subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (ii) subject to an order that was issued after the proposed director 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.

***Corporate Bankruptcies***

Other than as disclosed below, no proposed director is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, 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.

Mr. Peter Lilley was a director of E-Loft UK Ltd. (“**E-Loft**”), a private company engaged in the business of providing information and portal management services for universities, from September 11, 1999 to March 7, 2001. On July 10, 2001, E-Loft entered into a voluntary liquidation agreement with its creditors.

***Personal Bankruptcies***

No proposed director has, within the 10 years before the date of this Information Circular, 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 proposed director.

### 3. Appointment of Auditors

Shareholders will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution appointing PricewaterhouseCoopers LLP, Chartered Accountants (“**PWC**”), as auditors for the Company for the next ensuing year, to hold office until the close of the next annual general meeting of shareholders, and authorizing the Board to fix the compensation of the auditors. PWC was first appointed as auditor of the Company on May 9, 2007.

In order to be effective, this resolution requires the affirmative vote of a majority of the votes recorded (including, where there is a poll, any votes cast by proxy). **In the absence of contrary directions, the Management Designees intend to vote proxies in favour of the ordinary resolution approving the appointment of PWC as auditors for the Company for the ensuing year and authorizing the Board to fix the compensation of the auditors.**

### 4. Approval of Amendment to the Stock Option Plan

The Company has instituted an incentive stock option plan (the “**Plan**”) pursuant to which options to purchase Ordinary Shares may be granted to eligible employees, officers, directors and other service providers of the Company. For a description of the Plan, see “*Executive Compensation - Incentive Stock Option Plan*” contained herein.

The Board of Directors have approved an amendment to the Plan to increase the number of Ordinary Shares reserved for issuance upon the exercise of options granted under the Plan to 7,511,670 Ordinary Shares (which is equal to 16.6% of the currently issued and outstanding Ordinary Shares) (the “**Amendment**”). The Plan currently provides that no more than 4,511,670 Ordinary Shares (which is equal to 10% of the currently issued and outstanding Ordinary Shares) are reserved for issuance upon the exercise of options granted under the Plan. Of the 4,511,670 Ordinary Shares which are reserved for issuance upon the exercise of options granted under the Plan, 4,497,000 (which is equal to 9.9% of the issued and outstanding Ordinary Shares) are subject to currently issued and outstanding options and 14,670 (which is equal to less than 1% of the issued and outstanding Ordinary Shares) are currently available for future grants of options. As the number of Ordinary Shares available for issuance under the Plan has been effectively exhausted, the Board of Directors has approved the Amendment to increase the number of Ordinary Shares available for issuance under the Plan as an inducement to attract and retain top quality personnel.

The 7,511,670 Ordinary Shares reserved and available for issuance under the Plan will consist of: (i) the 4,497,000 Ordinary Shares which are reserved for issuance upon the exercise of options that, as of March 20, 2008, have already been granted and are still outstanding; (ii) 14,670 Ordinary Shares that, as of March 20, 2008, are still available for issuance under options to be granted in the future; and (iii) the 3,000,000 Ordinary Shares which are the additional Ordinary Shares being reserved for issuance upon the exercise of future grants of options. The effect of this Amendment is that 3,014,670 Ordinary Shares, equal to 6.7% of the issued and outstanding Ordinary Shares, will be available for future grants of options under the Plan and an aggregate of 7,511,670 Ordinary Shares, equal to 16.6% of the issued and outstanding Ordinary Shares, will be reserved and available for future issuance upon the exercise of options currently issued and outstanding or to be issued by the Company.

The Amendment has been submitted to the Toronto Stock Exchange (the “**TSX**”) for approval subject to the condition that shareholders approve the Amendment at the Meeting. Accordingly, pursuant to the policies of the TSX, the disinterested shareholders (excluding directors, officers and any other insiders of the Company entitled to participate under the Plan) of the Company will be asked to consider and if thought fit, approve an ordinary resolution of disinterested shareholders, approving the Amendment. **In the absence of contrary directions, the Management Designees intend to vote proxies in favour of the ordinary resolution approving the Amendment.**

The text of the ordinary resolution which management intends to place before the Meeting for approval is set forth below:

“**BE IT RESOLVED** as an ordinary resolution of the Company that:

- (a) the Company is hereby authorized to amend section 4.1 of the stock incentive plan of the Company (the “**Plan**”) to increase the number of Ordinary Shares which are reserved for issuance under the Plan by 3,000,000 Ordinary Shares, by deleting the number “4,511,670” in section 4.1 and replacing it with the number “7,511,670”; and
- (b) any one (or more) director or officer of the Company is authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

In order to be approved, the foregoing resolution must be passed by a simple majority of the votes recorded by disinterested shareholders of the Company (including, where there is a poll, any votes cast by proxy).

## 5. Ratification of Grant of Stock Options

As disclosed above, the maximum number of Ordinary Shares reserved for issuance under the Plan is currently equal to 4,511,670 Ordinary Shares. It is currently anticipated that subsequent to the date of this Information Circular and prior to the Meeting, the Board will appoint Mr. Piers Johnson to the Board of Directors. See “*Election of Directors*”. In connection with the appointment of Mr. Johnson to the Board of Directors, the Board intends to grant to Mr. Johnson options to purchase an aggregate of 129,000 Ordinary Shares (the “**Option Grant**”), representing approximately 0.3% of the issued and outstanding Ordinary Shares as at the date hereof. In compliance with the policies of the TSX and the requirements of the Plan, the exercise price of the options granted to Mr. Johnson will be based on prevailing market conditions and will not be lower than the market price of the Ordinary Shares at the time of the Option Grant.

The Option Grant will be approved by the Board of Directors. The Option Grant will be subject to: (i) the acceptance of the TSX; (ii) approval of the amendment to the Plan referred to in this Information Circular under the heading “*Approval of Amendment to the Stock Option Plan*”; and (iii) ratification by the disinterested shareholders of the Company due to the fact that as a consequence of the Option Grant, the total number of Ordinary Shares reserved for issuance under the Plan will exceed 4,511,670 Ordinary Shares at the time of the Option Grant, being the maximum number of Ordinary Shares reserved for issuance under the Plan. Accordingly, pursuant to the policies of the TSX, the disinterested shareholders of the Company will be asked to consider and if thought fit, approve an ordinary resolution of disinterested shareholders, approving the Option Grant. **In the absence of contrary directions, the Management Designees intend to vote proxies in favour of the ordinary resolution approving the Option Grant.**

The text of the ordinary resolution which management intends to place before the Meeting for approval is set forth below:

“**BE IT RESOLVED** as an ordinary resolution of the Company that:

- (a) the grant of options to purchase an aggregate of 129,000 Ordinary Shares, as more particularly described in the management information circular of the Company dated March 20, 2008, is hereby ratified and approved;
- (b) the shareholders of the Company hereby expressly authorize the board of directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and
- (c) any one (or more) director or officer of the Company is authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things

(whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

In order to be approved, the foregoing resolution must be passed by a simple majority of the votes recorded by disinterested shareholders of the Company (including, where there is a poll, any votes cast by proxy).

## 6. Approval of Shareholder Rights Plan

### Background

On February 26, 2008, the Board of Directors approved in principle the adoption of a shareholder rights plan (the “**Shareholder Rights Plan**”). The Shareholder Rights Plan addresses the Company’s concerns that existing Canadian securities legislation does not allow sufficient time, if an unsolicited take-over bid is made, for either the Board or the shareholders to properly consider the bid, or for the Board to seek alternatives to such a bid.

In considering whether to adopt the Shareholder Rights Plan, the Board considered the current legislative framework in Canada governing take-over bids. Under Canadian securities legislation, a take-over bid generally means an offer to acquire voting or equity shares of a corporation that, together with shares already owned by the bidder and certain parties related thereto, amount to 20% or more of the outstanding shares. The existing legislative framework for take-over bids in Canada presents the following concerns for shareholders in respect of unsolicited offers:

- *Time.* Current legislation permits a take-over bid to expire 35 days after it is initiated. This time period is generally not sufficient time to allow alternatives to be developed.
- *Unequal Treatment.* Current securities legislation allows the sale of a controlling interest of a public issuer to be made without an offer being made to all shareholders, subject to certain limitations on the number of vendors and the premium over market price paid.

Shareholders will be asked at the Meeting to consider and, if deemed advisable, to approve the Shareholder Rights Plan. The Board of Directors has determined that the Shareholder Rights Plan is in the best interests of the Company and the shareholders. Approval of the Shareholder Rights Plan is required by the TSX. If the Shareholder Rights Plan is not approved by the shareholders, the Shareholder Rights Plan will not be adopted.

In connection with submitting the Shareholder Rights Plan to shareholders for approval, the Company considered the terms and conditions of current right plans adopted by the other Canadian public companies. The principal terms of the Shareholder Rights Plan are summarized below.

### Summary of the Shareholder Rights Plan

This summary is qualified in its entirety by reference to the full text of the rights agreement pursuant to which the Shareholder Rights Plan was adopted (which is referred to herein as the “**rights agreement**”), including the definitions therein. A copy of the form of rights agreement is attached hereto as Appendix “A”.

### *Objectives*

The primary objective of the Shareholder Rights Plan is to provide the Board of Directors with sufficient time to explore and develop alternatives for maximizing shareholder value if a take-over bid is made for the Company and to provide every shareholder with an equal opportunity to participate in such a bid. The Shareholder Rights Plan encourages a potential acquiror to proceed either by way of a Permitted Bid (as defined in the rights agreement), which requires the take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board.

***Effective Date***

The Shareholder Rights Plan will be effective upon the continuance of the Company under the laws of the Cayman Islands (the “**Effective Date**”), provided that if the continuance of the Company is not approved or is otherwise not implemented, the Board of Directors may nonetheless approve the adoption of the Shareholder Rights Plan.

***Term***

Unless renewed with the concurrence of the shareholders of the Company, the Shareholder Rights Plan will terminate on the close of business on the date of the 2011 annual meeting of shareholders of the Company.

***Issue of Rights***

On the Effective Date, one right (a “**TPL Right**”) will be issued and attached to each Ordinary Share issued and outstanding as at the Effective Date.

***TPL Rights Exercise Privilege***

The TPL Rights will separate from the Ordinary Shares and will be exercisable ten trading days (the “**Separation Time**”) after a person has acquired, or commences a take-over bid to acquire, 20% or more of the shares, other than by an acquisition pursuant to a take-over bid permitted by the Shareholder Rights Plan (a “**Permitted Bid**”). Prior to a flip-in event (as described below), each TPL Right entitles the registered holder thereof to purchase from the Company one Ordinary Share at the exercise price equal to three times the market price of an Ordinary Share, subject to adjustments and anti-dilution provisions. The beneficial acquisition by any person (an “**Acquiring Person**”) of 20% or more of the Ordinary Shares, other than by way of a Permitted Bid, is referred to as a “**Flip-in Event**”. Any TPL Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Flip-in Event, each TPL Right (other than those held by the Acquiring Person), will permit registered holders to purchase, upon payment of the Exercise Price, a number of Ordinary Shares having an aggregate market price equal to twice the Exercise Price.

The issue of the TPL Rights is not initially dilutive. Upon a Flip-in Event occurring and the TPL Rights separating from the Ordinary Shares, reported earnings per share on a fully diluted or non-diluted basis may be affected. Holders of TPL Rights not exercising their TPL Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

***Lock-up Agreement***

A bidder may enter into Lock-up Agreements with the Company’s shareholders (“**Locked-up Persons**”) whereby such shareholders agree to tender their Ordinary Shares to the take-over bid (the “**Subject Bid**”) without a Flip-in Event (as referred to above) occurring. Any such agreement must include a provision that permits the Locked-up Person to withdraw the Ordinary Shares to tender to another take-over bid or to support another transaction that will either provide greater consideration to the shareholder than the Subject Bid or provide for a right to sell a greater number of shares than the Subject Bid contemplate (provided that the Lock-up Agreement may require that such greater number exceed the number of shares under the Subject Bid by specified a percentage not to exceed 7%). The Lock-up Agreement may require that the consideration under the other transaction exceed the consideration under the Subject Bid by a specified amount. The specified amount may not be greater than 7%. For greater certainty, a Lock-up Agreement may contain a right of first refusal or require a period of delay (or other similar limitation) to give a bidder an opportunity to match a higher price (or the number of securities under the amended agreement) in another transaction as long as the shareholder can accept another bid or tender to another transaction.

The Shareholder Rights Plan requires that any Lock-up Agreement be made available to the Company and the public. The definition of Lock-up Agreement also provides that under a Lock-up Agreement no “break up” fees, “top up” fees, penalties, expenses reimbursement or other amounts that exceed in aggregate the greater of (i) 2 ½ % of the value payable under the Subject Bid, and (ii) 50% of the amount by which the value received by a Locked-up Person under another take-over bid or transaction exceeds what such Locked-up Person would have received under

the Subject Bid, can be payable by such Locked-up Person if the Locked-up Person fails to deposit or tender Ordinary Shares to the Subject Bid or withdraws Ordinary Shares previously tendered thereto in order to deposit such Ordinary Shares to another take-over bid or support another transaction.

### ***Certificates and Transferability***

Prior to the Separation Time, the TPL Rights are evidenced by a legend imprinted on certificates for the Ordinary Shares issued from and after the Effective Date and are not to be transferable separately from the Ordinary Shares. From and after the Separation Time, the TPL Rights will be evidenced by TPL Rights certificates which will be transferable and traded separately from the Ordinary Shares.

### ***Permitted Bid Requirements***

The requirements for a Permitted Bid include the following:

- the take-over bid must be made by way of a take-over bid circular;
- the take-over bid must be made to all shareholders;
- the take-over bid must be outstanding for a minimum period of 60 days, and Ordinary Shares tendered pursuant to the take-over bid may not be taken up prior to the expiry of the 60 day period, and only if at such time more than 50% of the Ordinary Shares held by shareholders, other than the bidder, its affiliates and persons acting jointly or in concert and certain other persons (collectively, the “**Independent Shareholders**”), have been tendered to the take-over bid and not withdrawn; and
- if more than 50% of the Ordinary Shares held by Independent Shareholders are tendered to the take-over bid within the 60 day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Ordinary Shares for an additional 10 business days from the date of such public announcement.
- The Shareholder Rights Plan allows for a competing Permitted Bid (a “**Competing Permitted Bid**”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 35 days.

### ***Waiver***

The Board of Directors, acting in good faith, may, prior to the occurrence of a Flip-in Event, waive the application of the Shareholder Rights Plan to a particular Flip-in Event (an “**Exempt Acquisition**”) where the take-over bid is made by a take-over bid circular to all holders of Ordinary Shares. Where the Board exercises the waiver power for one take-over bid, the waiver will also apply to any other take-over bid for the Company made by a take-over bid circular to all holders of Ordinary Shares prior to the expiry of any other bid for which the Shareholder Rights Plan has been waived.

Pursuant to the rights agreement, the Board of Directors may also waive the applications of the Shareholder Rights Plan if the Acquiring Person reduces their Beneficial Ownership to less than 20% of all outstanding Ordinary Shares.

### ***Redemption***

The Board of Directors, with the approval of a majority of the votes of the shareholders (or the holders of TPL Rights if the Separation Time has occurred) recorded (including, where there is a poll, any votes cast by proxy) at a meeting duly called for that purpose, may redeem the TPL Rights at \$0.001 per TPL Right. TPL Rights shall also be redeemed by the Board without such approval following completion of a Permitted Bid, Competing Permitted Bid or Exempt Acquisition.

### ***Amendment***

The Board of Directors may amend the Shareholder Rights Plan with the approval of a majority vote of the votes cast by shareholders (or the holders of TPL Rights if the Separation Time has occurred) voting in person and by proxy at a meeting duly called for that purpose. The directors without such approval may correct clerical or typographical errors and, subject to approval as noted above at the next meeting of the shareholders (or holders of TPL Rights, as the case may be), may make amendments to the Shareholder Rights Plan to maintain its validity due to changes in applicable legislation.

### ***Exemptions for Institutional Investors***

Generally, investment managers (for client accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds and administrators or trustees of registered pension plans or funds (as well as the pension plans or funds) acquiring greater than 20% of the Ordinary Shares are exempted from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid. The Shareholder Rights Plan also includes in this exemption the managers or trustees of certain mutual funds as well as the mutual fund itself.

### **Voting Requirements**

Shareholders will be asked at the Meeting to consider and, if deemed advisable, to approve an ordinary resolution, the text of which is set forth below to confirm the adoption of the Shareholder Rights Plan. For the Shareholder Rights Plan to be adopted, the Shareholder Rights Plan Resolution must be passed by a majority of votes recorded (including, where there is a poll, any votes cast by proxy). If the ordinary resolution approving the Shareholder Rights Plan is not passed, the Shareholder Rights Plan will not be adopted.

The Board of Directors unanimously recommends that shareholders **vote in favour** of the ordinary resolution to approve the Shareholder Rights Plan. **In the absence of contrary directions, the Management Designees intend to vote proxies in favour of the ordinary resolution approving the Shareholder Rights Plan.**

The text of the ordinary resolution which management intends to place before the Meeting for approval is set forth below:

**“BE IT RESOLVED** as an ordinary resolution of the Company that:

- (a) the adoption of the shareholder rights plan of the Company is hereby approved and the Company is authorized to issue rights pursuant thereto;
- (b) the shareholders of the Company hereby expressly authorize the board of directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and
- (c) any one (or more) director or officer of the Company is authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

### **7. Amendment to the Articles of Association to Permit Continuance**

In connection with the proposed continuance of the Company from the laws of Guernsey into the laws of the Cayman Islands, shareholders of the Company will be asked to consider, and if thought fit, approve and adopt a special resolution to amend the Articles of Association of the Company (the “**Articles of Association**”), to permit the Company to continue into another jurisdiction (the “**Continuance Amendment**”). The Articles of Association currently do not specifically provide for the continuance of the Company into another jurisdiction, which is a

requirement under the laws of the Cayman Islands in order to effect the Continuance (as defined below). Accordingly, the Articles of Association will need to be amended to effect the Continuance.

The Continuance Amendment must be approved by special resolution in order to become effective. To pass, a special resolution requires the affirmative vote of not less than three-quarters of the votes recorded (including, where there is a poll, any votes cast by proxy).

Shareholders will be asked at the Meeting to consider, and if thought fit, approve a special resolution approving the amendment to the Company's Articles of Association to permit the continuance of the Company. The Board of Directors unanimously recommends that shareholders **vote in favour** of the special resolution to approve the Continuance Amendment. **In the absence of contrary directions, the Management Designees intend to vote proxies in favour of the special resolution approving the Continuance Amendment.**

The text of the special resolution which management intends to place before the Meeting for approval is set forth below:

**"BE IT RESOLVED** as a special resolution of the Company that:

- (a) the existing articles of association of the Company be amended (the **"Continuance Amendment"**) by inserting the following as a new article immediately after article 146:

#### **MIGRATION**

##### **147. Migration**

The Company may by special resolution resolve to be registered by way of continuation in a jurisdiction outside Guernsey or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to remove the Company from the Register of Companies in Guernsey or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company; and

- (b) any one (or more) director or officer of the Company is hereby authorized to execute and deliver any documents, instruments or other writings and to do all other acts as may be necessary or desirable to give effect to the Continuance Amendment and the foregoing resolution."

#### **8. Continuance of the Company into the Cayman Islands**

Conditional upon the Continuance Amendment being approved by the shareholders at the Meeting, shareholders of the Company will be asked to consider and, if thought fit, approve and adopt a special resolution to apply for the continuance of the Company from the laws of Guernsey into the laws of the Cayman Islands (the **"Continuance"**). A special resolution requires the approval of holders of three-quarters of the votes recorded (including, where there is a poll, any votes cast by proxy).

The Continuance will affect certain of the rights of shareholders as they currently exist under the *Companies (Guernsey) Law, 1994*, as amended, (the **"Guernsey Law"**). **Shareholders should consult their legal advisors regarding implications of the Continuance which may be of particular importance to them.**

### **Procedure for the Continuance**

In order for the Continuance to become effective, the following procedural steps, among other matters, must be completed:

1. the Articles must be amended to include provisions specifically permitting the Company to continue to another jurisdiction;
2. the shareholders of the Company must authorize by special resolution that the Company be removed from the Register of Companies in Guernsey for the purpose of continuing as a body corporate under the laws of the Cayman Islands;
3. notice must be published in La Gazette Officielle in Guernsey and given to each creditor of the Company;
4. the Company must receive approval of the Continuance from the Guernsey Financial Services Commission;
5. the Company must receive approval of the Continuance from the Registrar of Companies of the Cayman Islands; and
6. the Company must notify HM Greffier in Guernsey to remove the Company from the Register of Companies in Guernsey.

The Company must also receive the approval of the TSX in respect of the Continuance.

The Companies Law (2007 Revision) of the Cayman Islands (the “**Cayman Law**”) permits companies incorporated outside the Cayman Islands to be continued into the Cayman Islands. On continuance, the Company will be subject to the Cayman Law and all other laws of the Cayman Islands which govern “exempted companies” and will cease to be governed by the Guernsey Law. The registration of the Continuance does not create a new legal entity, nor does it prejudice or affect the continuity of the Company.

### **Effect of Continuance**

Assuming that the special resolution with respect to the Continuance is approved by the shareholders at the Meeting, it is expected that following receipt of approval from the TSX, the procedures outlined above will begin as soon as practicable thereafter in order to give effect to the Continuance.

On the effective date of the Continuance, holders of Ordinary Shares of the Company will continue to hold one (1) Ordinary Share of the Company domiciled in the new jurisdiction for each Ordinary Share held. The existing share certificates representing Ordinary Shares of the Company’s share capital will not be cancelled. In addition, on the Effective Date (or shortly thereafter) if the shareholders of the Company have approved the adoption of the Shareholder Rights Plan, one TPL Right will be issued and attached to each Ordinary Share issued and outstanding as at the Effective Date.

The principal attributes of the Ordinary Shares of the Company under the Cayman Law will be similar to those of the Ordinary Shares of the Company under Guernsey Law, other than differences in shareholders’ rights under the Guernsey Law and the Cayman Law and certain differences in the constating documents outlined below. In addition, subject to the approval of the special resolution adopting the New Memorandum and Articles of Association (discussed below), the capital of the Company will include a class of Preference Shares, issuable in series at the discretion of the board of directors of the Company. If approved, and when and if issued, shares of any series of Preference Shares may rank in priority to the Ordinary Shares in respect of the payment of dividends and distributions on dissolution.

The Continuance, if approved, will effect a change in the legal domicile of the Company on the effective date of the Continuance but the Company will not change its business or operations after the effective date by reason of the Continuance.

The directors and officers of the Company immediately following the Continuance will be identical to the current directors and officers of the Company. As of the effective date of the Continuance, the election, duties, resignations and removal of the Company's directors and officers will be governed by the Cayman Law.

By operation of law applicable under the laws of the Cayman Islands, as of the effective date of the Continuance, all of the assets, property, rights, liabilities and obligations of the Company immediately prior to the Continuance will continue to be the assets, property, rights, liabilities and obligations of the Company continued under the Cayman Law.

The continuance of the Company in the Cayman Islands will affect certain rights of shareholders as they currently exist under the Guernsey Law. Following is a summary of some of the aspects of the Cayman Law relevant to the Continuance.

**This summary is not intended to be exhaustive and members should consult their legal and tax advisers regarding implications of the Continuance which may be of particular importance to them.**

### **Basic Principles**

In general terms, the Cayman Law provides greater flexibility to management with fewer corporate actions requiring approval from government authorities than under the Guernsey Law. Under the Guernsey Law, the constituent documents of the Company are its Memorandum and Articles of Association (the "**Memorandum and Articles**"). Under the Cayman Law, the constituent documents of the Company will be newly adopted Memorandum and Articles of Association (the "**New Memorandum and Articles**"), assuming the special resolution approving them is passed (as discussed below). Upon the Continuance, the Memorandum and Articles will be deleted in their entirety and replaced with the New Memorandum and Articles.

### **Authorized Capital**

Under the New Memorandum and Articles, the authorized share capital of the Company will be 750,000,000 comprised of 700,000,000 Ordinary Shares and 50,000,000 preference shares. Under the Memorandum and Articles, the authorized capital of the Company is comprised of 500,000,000 Ordinary Shares.

### **Par Value Shares**

Under the Cayman Law companies must have shares with a par value. Accordingly, each of the issued and unissued Ordinary Shares U.S. \$0.10 par value in the capital of the Company will, upon the Continuance, continue to have a par value of U.S. \$0.10 each.

### **Registered Office**

Each company subject to the Cayman Law must have its registered office in the Cayman Islands. Accordingly, the Company proposes to change its registered office from its current registered office in Guernsey to the Ogier Fiduciary Services (Cayman) Limited office located in the Cayman Islands effective immediately upon the Continuance.

### **Supermajority and Required Fundamental Changes**

Under the Guernsey Law, a special resolution representing a three-quarters majority is required in connection with: (i) any change to the objects of the Company in the Memorandum or to the Articles; (ii) changing the name of the Company; (iii) a reduction of capital; (iv) a share buy-back; (v) a migration; (vi) changing the rights of issued shares; (vii) entering into an amalgamation with another company; or (viii) entering into a liquidation or dissolution

of the Company. In addition, under the Memorandum and Articles, an extraordinary resolution representing a two-thirds majority is required to make certain changes in the Company's share capital.

Under the Cayman Law (and the New Memorandum and Articles), a special resolution representing a two-thirds majority is required in connection with: (i) alteration of the memorandum of association; (ii) a reduction of capital; (iii) alteration of the articles of association; (iv) a change of name; (v) appointment of an inspector for examining into the affairs of the company; (vi) resolution requiring company to be wound up by the court; (vii) voluntary winding up; (viii) a company delegating power to appoint liquidators to creditors in voluntary winding up; (ix) to make arrangement with creditors binding on a company; (x) general meeting summoned by liquidator to obtain sanction of company for its proposals; (xi) sanctioning an arrangement with creditors of a company being wound up voluntarily; (xii) sanctioning the compromising of debts and calls of the company being wound-up voluntarily; or (xiii) sanctioning the transfer of the business or property of a company being wound-up to another company whether established in the Cayman Islands or in any other jurisdiction.

### **Plans of Arrangement and Amalgamations**

Guernsey Law provides a statutory merger procedure under the Amalgamation of Companies Ordinance, 1997, as amended (the "**Ordinance**"). Under the Ordinance, an amalgamation proposal must be sent to shareholders of each amalgamating company, written notice must be given to the creditors of each amalgamating company and the proposed amalgamation must be approved by a special resolution of each amalgamating company, among other matters. It is expected that a revised Guernsey companies law will be introduced later this year, which will introduce additional statutory merger provisions.

The Cayman Law does not provide a statutory merger procedure. However, there are statutory provisions that facilitate the reconstruction and amalgamation of companies. A proposed arrangement must be approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings convened for that purpose. The convening of the meetings and subsequently the proposed arrangement must be sanctioned by the Grand Court of the Cayman Islands.

### **Voting Rights**

Under the Cayman Law (as is the case under Guernsey Law) each shareholder is entitled to one vote for each Ordinary Share held.

### **Right of Dissent and Appraisal**

Under the Guernsey Law, dissenting shareholders do not have an automatic appraisal right, but do have rights to seek judicial redress where shareholders can demonstrate they have been unfairly prejudiced (the "**Unfairly Prejudicial Action**"). In that case, shareholders of the Company are entitled under the Companies Laws to apply to a court for an order that the affairs of the Company are being or have been conducted in an unfairly prejudicial manner to the shareholder or other shareholders (including the applicant) or that an actual or proposed act or omission by the Company is or would be unfairly prejudicial. The court is empowered to make any order it sees fit to provide relief in the matter. This may include, among other things, an order for the Company to alter its memorandum and articles, to do or refrain from doing such things which are the subject of the complaint, or to require the Company to purchase the shares of the aggrieved shareholder.

Neither the Guernsey Law nor Cayman Law allow shareholders who have voted against specified corporate acts involving certain amendments to the articles, altering the restrictions, if any, on the business carried on by the Company, the continuance of the Company out of the jurisdiction, statutory amalgamations or a sale by a company of all or substantially all of its property, to exercise a statutory appraisal rights after such dissent, and demand the repurchase of their shares for a cash payment. However, the New Memorandum and Articles which the Company proposes to adopt, will provide for rights of dissent and appraisal applicable in the event of an amalgamation or arrangement.

### **Special Meeting of Shareholders**

Under the New Memorandum and Articles, shareholders holding in aggregate 10% of the share capital of the Company may requisition a general meeting of shareholders and, if the directors of the Company fail to convene the general meeting within 21 days, the requisitioning shareholders may convene the general meeting. These provisions are similar to the provisions of the Memorandum and Articles relating to the requisition of meetings.

### **Shareholder Quorum**

Under the New Memorandum and Articles (as is the case under the Memorandum and Articles), the quorum for general meetings of shareholders of the Company is at least two persons present in person or by proxy.

### **Place of Meetings**

Under the Cayman Law, meetings of shareholders will be held at the time and place directed by the board of directors.

The Memorandum and Articles generally permit meetings of members to be held at any location other than in the United Kingdom.

### **Advance Notice Requirements**

Under the New Memorandum and Articles, the Company will be required to give not less than 21 days and not more than 60 days notice of a meeting of shareholders of record. Under the Memorandum and Articles, the Company must give not less than 30 days and not more than 60 days notice of a meeting of shareholders to shareholders or record.

The Company will continue to be subject to Canadian securities legislation which provides for various minimum notice requirements for meetings of security holders, including provisions which ensure that proxy-related materials for meetings of security holders are mailed not less than 25 days prior to meetings of the shareholders to registered and non-registered shareholders who have indicated that they wish to receive such materials.

### **Election and Removal of Directors**

Under the New Memorandum and Articles, the number of directors to be elected at an annual general meeting may be set by ordinary resolution and any vacancy on the board of directors of the Company may be filled by a person appointed by the board of directors or by an ordinary resolution of the shareholders. The shareholders may remove a director from office by ordinary resolution. An ordinary resolution requires a simple majority of the votes of the shareholders of the company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives.

These provisions are similar to the provisions of the Memorandum and Articles relating to the election and removal of directors.

### **Standing to Bring Derivative Actions or Oppression Actions**

In principle, a Cayman Islands company will normally be the proper plaintiff in an action to enforce the rights of the company, and a derivative action may not be brought by a minority shareholder. However, based on common law case authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, exceptions to the foregoing principle permit a minority shareholder in a Cayman Islands company to commence a class action against, or a derivative action in the name of, the company to challenge:

- an act which is beyond the corporate power of the company or illegal;
- an act which constitutes a fraud against the company or the minority shareholders; or

- an act that requires approval by a greater percentage of the company's shareholders than actually approved it.

The Grand Court of the Cayman Islands may, on the application of shareholders of a Cayman Islands company holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court directs.

Any shareholder of a Cayman Islands company may petition the Grand Court of the Cayman Islands which may make a winding-up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a Cayman Islands company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

### **Differences in Share Rights**

Under the Cayman Law and Guernsey Law, a company may issue shares and not require that the full price of the shares be paid upon issuance. However, the New Memorandum and Articles will provide (as the Memorandum and Articles currently provide) that the Company may not issue shares until such shares are fully paid in money, property or past services.

### **Compulsory Transfer of Shares**

Under both the Memorandum and Articles and the New Memorandum and Articles, the Board of Directors has the discretion to compel a shareholder to divest itself of its Ordinary Shares if such Ordinary Shares are or may be owned or held directly or beneficially by any person in breach of any law or requirement of any country or by virtue of which such person is not qualified to own those Ordinary Shares and, in the sole and conclusive determination of the Board of Directors, such ownership or holding or continued ownership or holding of those Ordinary Shares (whether on its own or in conjunction with any other circumstance appearing to the Board of Directors to be relevant) would in the reasonable opinion of the Board of Directors, cause a pecuniary or tax disadvantage to the Company or any other holder of shares or other securities of the Company which it or they might not otherwise have suffered or incurred.

### **Minority Shareholder Buy-Out**

Both the Memorandum and Articles and the New Memorandum and Articles provide that, if, in relation to an offer to acquire all the shares or all the shares of any class or classes in the Company (other than shares which at the date of the offer are already held by the offeror), being an offer on terms which are the same in relation to all the shares to which the offer relates or, where those shares include shares of different classes, in relation to all the shares of each class (a "**Takeover Offer**"), the offeror has acquired or contracted to acquire not less than nine-tenths in value of the shares of any class to which the Takeover Offer relates he may give notice to the holder of any shares that class which the offeror has not acquired or contracted to acquire that he desires to acquire those shares and shall thereafter be entitled and bound to acquire these shares on the terms of the Takeover Offer.

### **Tax Considerations of the Continuance**

#### ***Certain Cayman Islands Tax Considerations***

The laws of the Cayman Islands do not impose taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty.

### ***Stamp Duty***

Stamp duty is not chargeable in respect of the incorporation, registration or licensing of an exempted company, nor subject to certain minor exceptions, on their transactions if the documents are not executed in, brought to or produced before a court in the Cayman Islands. Accordingly, generally no stamp duty will be payable on the issue or transfer of the share capital of the Company.

### ***Certain Canadian Federal Income Tax Considerations***

For the purposes of the *Income Tax Act* (Canada) and the regulations thereunder, a shareholder who remains a shareholder of the Company on the Continuance will not be considered to have disposed of that holder's Ordinary Shares. Such a holder will be required to take the cost amount of such holder's Ordinary Shares into account for purposes of reporting requirements in respect of specified foreign property.

**This summary is of a general nature only and is not intended to be nor should it be construed to be legal or tax advice to any particular shareholder and no representations with respect to the income tax consequences to any particular shareholder are made. Consequently, shareholders should consult their own tax advisors with respect to their particular circumstances**

### **Reason for Continuance**

As an international company with oil and gas interests in Kazakhstan and Tajikistan the Company has, with its advisors, reviewed a number of possible jurisdictions of residence and determined that Cayman Islands is the most appropriate jurisdiction for the Company at this time. The Cayman Law provides greater flexibility to management with fewer corporate actions requiring approval from government authorities than under the Guernsey Law.

### **Proposed Continuance Resolution**

The Continuance must be approved by special resolution in order to become effective. To pass, a special resolution requires the affirmative vote of not less than three-quarters of the votes recorded (including, where there is a poll, any votes cast by proxy).

The Continuance is conditional upon shareholders approving the Continuance Amendment. Conditional upon the shareholders of the Company approving the Continuance Amendment, shareholders will be asked at the Meeting to consider and, if thought fit, approve a special resolution (the "**Continuance Resolution**") transferring the Company's jurisdiction of incorporation from Guernsey to the Cayman Islands. The Board of Directors unanimously recommends that shareholders **vote in favour** of the Continuance Resolution. **In the absence of contrary directions, the Management Designees intend to vote proxies in favour of the Continuance Resolution.**

The text of the Continuance Resolution which management intends to place before the Meeting for approval is set forth below:

**"BE IT RESOLVED** as a special resolution of the Company, conditional upon the special resolution approving the Continuance Amendment being approved, that:

- (a) as provided for by Article 147, the Company be removed from the Register of Companies in Guernsey for the purpose of becoming registered as a body corporate under the laws of the Cayman Islands pursuant to Part II of the Migration of Companies Ordinance 1997 and the Companies Law (2007 Revision) of the Cayman Islands and the Company make application to the Registrar of Companies of the Cayman Islands and such other authority as may be appropriate to transfer by way of continuation into the Cayman Islands pursuant to the Companies Law (2007 Revision) of the Cayman Islands (the "**Continuance**") and that any one director of the Company be authorized to perform such further acts and execute such further documents as may be required to give effect to the foregoing; and

- (b) effective on the date of Continuance, the registered office of the Company shall be at such address in the Cayman Islands as the board of directors shall approve.”

## 9. Approval of New Memorandum and Articles of Association

Conditional upon the shareholders of the Company approving the Continuance at the Meeting, shareholders will be asked to consider and, if thought fit, approve a special resolution adopting the New Memorandum and Articles. The New Memorandum and Articles will replace the Memorandum and Articles currently in effect and will become effective on the date that the Company is registered as a body corporate under the Cayman Law. A copy of the draft New Memorandum and Articles are attached hereto as Appendix “B”. See “*Continuance of the Company into the Cayman Islands - Basic Principles*”.

The adoption of the New Memorandum and Articles must be approved by special resolution in order to become effective. To pass, a special resolution requires the affirmative vote of not less than three-quarters of the votes recorded (including, where there is a poll, any votes cast by proxy). The Board of Directors unanimously recommends that shareholders **vote in favour** of the special resolution approving the adoption of the New Memorandum and Articles. **In the absence of contrary directions, the Management Designees intend to vote proxies in favour of the special resolution approving the adoption of the New Memorandum and Articles.**

The text of the special resolution which management intends to place before the Meeting for approval is set forth below:

“**BE IT RESOLVED** as a special resolution of the Company, conditional upon the special resolution approving the Continuance being approved and with effect from the date that the Company is registered as a body corporate under the laws of the Cayman Islands, that:

- (a) the authorized share capital of the Company be increased from US\$50,000,000 to US\$75,000,000 by the creation of 200,000,000 Ordinary Shares of US\$0.10 each, each ranking *pari passu* in all respects with the existing Ordinary Shares of US\$0.10 each in the capital of the Company and 50,000,000 preference shares of US\$0.10 each having the rights more particularly set out in the draft Memorandum and Articles of Association (the “**New Memorandum and Articles**”) attached as Appendix “B” to the management information circular of the Company dated March 20, 2008;
- (b) the New Memorandum and Articles be adopted as the Memorandum and Articles of Association of the Company in substitution for, and to the exclusion of, the existing Memorandum and Articles of Association; and
- (c) any affect on, modification of, variation of or abrogation of the rights and privileges attaching to the Ordinary Shares of the Company which will or may result from the passing and carrying into effect of (a) and (b) above is hereby sanctioned and consented to.”

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table sets forth all annual and long-term compensation paid in respect of Dr. David Robson, President, Chief Executive Officer and Chairman, Bernard Murphy, Chief Financial Officer and Finance Director, Julian Hammond, Executive Vice President, Corporate Development and Chief Commercial Officer, Liz Landles, Executive Vice President and Corporate Secretary and George Mirtskhulava, Vice President, Commercial and Head of Kazakhstan Business Unit (collectively, the “**Named Executive Officers**”), each of whom for the year ended December 31, 2007, met the requirements to be classified as “Named Executive Officers” of the Company, as such term is defined in Form 51-102F6 - *Statement of Executive Compensation* to National Instrument 51-102 - *Continuous Disclosure Obligations*.

Name and Principal Position	Annual Compensation				Long-Term Compensation			All Other Compensation (US\$)
	Year <sup>(1)</sup>	Salary (US\$)	Bonus (US\$)	Other Annual Compensation (US\$) <sup>(2)</sup>	Awards		Payouts	
					Securities Under Options Granted (#)	Shares or Units Subject to Resale Restrictions (US\$)	LTIP Payouts (US\$)	
Dr. David Robson <sup>(3)</sup> President, Chief Executive Officer and Chairman	2007	220,296 <sup>(6)</sup>	143,250	31,109	2,794,904 <sup>(7)</sup>	-	-	-
Bernard Murphy Chief Financial Officer and Finance Director	2007	229,090	86,975	49,436	1,858,150 <sup>(8)</sup>	-	-	-
Julian Hammond Executive Vice President, Corporate Development and Chief Commercial Officer	2007	210,525	112,610	48,000	1,668,150 <sup>(9)</sup>	-	-	-
Liz Landles <sup>(4)</sup> Executive Vice President and Corporate Secretary	2007	90,000 <sup>(6)</sup>	86,975	8,100	1,668,150 <sup>(9)</sup>	-	-	-
George Mirtskhulava <sup>(5)</sup> Vice President, Commercial and Head of Kazakhstan Business Unit	2007	141,332	45,000	-	986,075 <sup>(10)</sup>	-	-	-

**Notes:**

- (1) Information is only presented for 2007 as the Company was not a reporting issuer under applicable Canadian securities legislation for any prior period.
- (2) The amounts shown in this column reflect for each Named Executive Officer:
  - (i) The Company's contribution equal to 9% of their annual personal pension requirements;
  - (ii) permanent health insurance (including family healthcare premiums);
  - (iii) life assurance premiums;
  - (iv) critical illness premiums; and/or
  - (v) income protection premiums.
- (3) Represents amounts paid to Vazon Energy Limited ("**Vazon**") under the terms of the CEO Services Agreement in respect of services of the President and Chief Executive Officer. See "**Management Agreements**".
- (4) Represents amounts paid to Vazon under the terms of the Umbrella Services Agreement in respect of the services of Ms. Landles. See "**Management Agreements**".
- (5) Includes amounts paid to Vazon under the terms of the Umbrella Services Agreement in respect of the services of Mr. Mirtskhulava. See "**Management Agreements**".
- (6) Prior to the Company's June 27, 2007 initial public offering, the Company was a subsidiary of CanArgo Energy Corporation ("**CanArgo**") and Dr. Robson and Ms. Landles served as officers of CanArgo. The Company paid to CanArgo US\$600,000 in 2007 in respect of management services provided by CanArgo to the Company, including the services of Dr. Robson, Ms. Landles and other employees. Of such amount paid to CanArgo, US\$126,876 and US\$58,464 may be considered to be allocated to the services of Dr. Robson and Ms. Landles.
- (7) Consisting of 900,000 options granted under the Plan and 1,894,904 Performance Warrants.
- (8) Consisting of 450,000 options granted under the Plan, 1,218,150 Performance Warrants and 190,000 2017 Warrants.
- (9) Consisting of 450,000 options granted under the Plan and 1,218,150 Performance Warrants.
- (10) Consisting of 237,000 options granted under the Plan, 609,075 Performance Warrants and 140,000 2017 Warrants.

## **Incentive Stock Option Plan**

The Company has adopted a stock incentive plan referred to as the “2007 Long Term Stock Incentive Plan” (previously defined as the “**Plan**”) pursuant to which the Company may grant stock options to any director, employee or consultant of the Company, or any subsidiary or Vazon Energy Limited (“**Vazon**”) (collectively, “**Service Providers**”). The purpose of the Plan is to secure for the Company and its shareholders the benefits of incentives inherent in share ownership by Service Providers who, in the judgment of the Board of Directors, will be largely responsible for its future growth and success.

The maximum number of Ordinary Shares reserved for issuance under the Plan currently equals 4,511,670 Ordinary Shares. The Plan is administered by the Compensation and Nomination Committee of the Board of Directors. Options may be granted pursuant to recommendations of the Compensation and Nomination Committee. The Compensation and Nomination Committee may determine the vesting schedule and term, provided that options may not have a term exceeding ten years. Subject to any resolution passed by the Compensation and Nomination Committee, options will terminate three months after an optionee ceases to be a Service Provider.

The exercise price of options granted under the Plan may not be less than the closing price of the Ordinary Shares on the TSX as at the date of the option grant. Subject to any resolution of the Compensation and Nomination Committee, the options will cease to be exercisable three months after an optionee ceases to be a director, officer, employee or consultant of the Company or Vazon, subject to earlier termination in the event of termination for cause. The Plan contains amendment provisions which allow amendments to the Plan by the Board of Directors, without shareholder approval, for amendments of a “housekeeping” nature, changes to vesting or termination provisions, and discontinuance of the Plan. The Plan also provides that outstanding options will vest immediately on the occurrence of a “change in control” (as defined in the Plan). Options granted under the Plan are only assignable to certain related entities of an optionee or otherwise with the consent of the Company.

Through the Company’s option assistance program (the “**Option Program**”), financial assistance may be provided by the Company to facilitate the purchase of Ordinary Shares by Service Providers under the Plan. If a Service Provider elects to exercise their options through the Option Program, the Service Provider nominates the Company to exercise the options held by the Service Provider on their behalf. The Company then instructs its transfer agent to issue a certificate representing the number of Ordinary Shares to be issued pursuant to the exercise of the Service Provider’s options and arranges for the Ordinary Shares to be sold through a broker. Once the Ordinary Shares have been sold, the net proceeds from the sale, after the deduction of any commissions, are returned to the Company. The Company then deducts from the net proceeds the aggregate exercise price of the options and the balance remaining is provided to the Service Provider.

The Plan contains provisions for adjustment in the number of Ordinary Shares issuable thereunder in the event of a subdivision, consolidation or reclassification of the Ordinary Shares, the payment of stock dividends by the Company (other than dividends in the ordinary course) or other relevant changes in the capital stock of the Company.

The Plan does not contain any restriction on the number of Ordinary Shares which may be reserved for issuance in respect of options granted to insiders under the Plan or pursuant to any other share compensation arrangement. Accordingly, amendments to the Plan and other compensation arrangements of the Company which require approval of shareholders will require approval of disinterested shareholders for as long as the number of Ordinary Shares reserved for issuance under options or other share compensation arrangements exceeds 10% of the outstanding Ordinary Shares and the Plan or share compensation arrangements do not limit the participation of insiders to 10% of outstanding Ordinary Shares.

At the Meeting, shareholders will be asked to approve the Amendment to the Plan to increase the number of Ordinary Shares reserved for issuance under the Plan. See “*Particulars of Matters to be Acted Upon*”.

## Performance Warrants

In connection with the closing of the Company's initial public offering which was completed on June 27, 2007, the Company granted to its executive officers warrants (the "**Performance Warrants**" or "**PW**") to acquire an aggregate of 6,767,504 Ordinary Shares. Performance Warrants to acquire an aggregate of 1,353,501 Ordinary Shares are exercisable at US\$4.125 until December 27, 2009, Performance Warrants to acquire an aggregate of 2,255,835 Ordinary Shares are exercisable at US\$5.50 until June 27, 2011 and Performance Warrants to acquire an aggregate of 3,158,168 Ordinary Shares are exercisable at US\$6.875 until December 27, 2012.

## 2017 Warrants

On February 14, 2007 the Company agreed to issue and on June 8, 2007 the Company issued certain warrants (the "**2017 Warrants**") to purchase an aggregate of 2,090,000 Ordinary Shares. The 2017 Warrants are exercisable at a price of US\$2.50 per share and expire ten years from the date of issuance. 2017 Warrants to acquire an aggregate of 330,000 Ordinary Shares were granted to certain of the Named Executive Officers. The 2017 Warrants were granted in connection with a private placement completed in January 2007.

## Option Grants During the Most Recently Completed Financial Year

The following table sets forth the options to acquire Ordinary Shares ("**Options**"), Performance Warrants and 2017 Warrants granted to the Named Executive Officers of the Company during the financial year ended December 31, 2007. No stock appreciation rights ("**SARs**") or other share compensation awards were granted in 2007.

Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price (US\$/Security)	Market Value of Securities Underlying Options on the Date of Grant <sup>(1)</sup> (US\$/Security)	Expiration Date
Dr. David Robson President, Chief Executive Officer and Chairman	Options: 900,000 PWs: 1,894,904	Options: 20% PWs: 28%	Options: 2.75 PWs: 4.125 - 6.875	Options: 2.75 PWs: 2.75	Options: June 26, 2017 PWs: December 27, 2009 - December 27, 2012
Bernard Murphy Chief Financial Officer and Finance Director	Options: 450,000 PWs: 1,218,150 2017 Warrants: 190,000	Options: 10% PWs: 18% 2017 Warrants: 9%	Options: 2.75 PWs: 4.125 - 6.875 2017 Warrants: 2.50	Options: 2.75 PWs: 2.75 2017 Warrants: 2.75	Options: June 26, 2017 PWs: December 27, 2009 - December 27, 2012 2017 Warrants: June 8, 2017

Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price (US\$/Security)	Market Value of Securities Underlying Options on the Date of Grant <sup>(1)</sup> (US\$/Security)	Expiration Date
Julian Hammond Executive Vice President, Corporate Development and Chief Commercial Officer	Options: 450,000 PWs: 1,218,150	Options: 10% PWs: 18%	Options: 2.75 PWs: 4.125 - 6.875	Options: 2.75 PWs: 2.75	Options: June 26, 2017 PWs: December 27, 2009 - December 27, 2012
Liz Landles Executive Vice President and Corporate Secretary	Options: 450,000 PWs: 1,218,150	Options: 10% PWs: 18%	Options: 2.75 PWs: 4.125 - 6.875	Options: 2.75 PWs: 2.75	Options: June 26, 2017 PWs: December 27, 2009 - December 27, 2012
George Mirtskhulava Vice President, Commercial and Head of Kazakhstan Business Unit	Options: 237,000 PWs: 609,075 2017 Warrants: 140,000	Options: 5% PWs: 9% 2017 Warrants: 6.7%	Options: 2.75 PWs: 4.125 - 6.875 2017 Warrants: 2.50	Options: 2.75 PWs: 2.75 2017 Warrants: 2.75	Options: June 26, 2017 PWs: December 27, 2009 - December 27, 2012 2017 Warrants: June 8, 2007

**Notes:**

(1) Based on the initial public offering price of US\$2.75 of the Ordinary Shares.

### Aggregated Option Exercises During the Financial Year Ended December 31, 2007 and Option Values at December 31, 2007

The following table provides details of Options, Performance Warrants and 2017 Warrants exercised during the financial year ended December 31, 2007 by the Named Executive Officers and the December 31, 2007 value of unexercised in-the-money Options, Performance Warrants and 2017 Warrants. The actual value of the unexercised in-the-money Options, Performance Warrants and 2017 Warrants will be determined by the market price of the Ordinary Shares on the date such Options, Performance Warrants or 2017 Warrants may be exercised. There is no assurance that the value of such in-the-money Options, Performance Warrants or 2017 Warrants shown in this table will be realized.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 31, 2007 (# Exercisable/Unexercisable)	Value of Unexercised in-the-Money Options at December 31, 2007 (US\$ Exercisable/Unexercisable) <sup>(1)</sup>
Dr. David Robson President, Chief Executive Officer and Chairman	-	-	Options: 300,000/600,000 PWs: 1,894,904/-	Options: 72,000/144,000 PWs: 0/-
Bernard Murphy Chief Financial Officer and Finance Director	-	-	Options: 150,000/300,000 PWs: 1,218,150/- 2017 Warrants: 190,000/-	Options: 36,000/72,000 PWs: 0/- 2017 Warrants: 93,100/-
Julian Hammond Executive Vice President, Corporate Development and Chief Commercial Officer	-	-	Options: 150,000/300,000 PWs: 1,218,150/-	Options: 36,000/72,000 PWs: 0/-
Liz Landles Executive Vice President and Corporate Secretary	-	-	Options: 150,000/300,000 PWs: 1,218,150/-	Options: 36,000/72,000 PWs: 0/-
George Mirtskhulava Vice President, Commercial and Head of Kazakhstan Business Unit	-	-	Options: 79,000/158,000 PWs: 609,075/- 2017 Warrants: 140,000/-	Options: 18,960/37,920 PWs: 0/- 2017 Warrants: 68,600/-

**Note:**

(1) Value is calculated based on the difference between the exercise price of the Options, Performance Warrants or 2017 Warrants, as applicable, and the closing price of the Company's Ordinary Shares on the TSX on December 31, 2007 of CDN\$2.95 (US\$2.99).

**Long-Term Incentive Plans**

The Company has not had and does not currently have any long-term incentive plans other than Options granted from time to time under the Plan. See *"Incentive Stock Option Plan"*.

**Stock Option and SAR Re-pricing**

The Company did not make any downward re-pricing of Options or SARs during the financial year ended December 31, 2007.

**Defined Benefit or Actuarial Plans**

The Company did not have any defined benefit or actuarial plans during the financial year ended December 31, 2007.

**Termination of Employment, Change in Responsibilities and Employment Contracts**

Bernard Murphy and the Company's wholly-owned subsidiary, Tethys Services Limited ("TSL"), are parties to an employment agreement dated May 2, 2007, pursuant to which Mr. Murphy is employed as Chief Financial Officer and Finance Director of the Company (the **"CFO Agreement"**). The CFO Agreement does not have an express term and may be terminated by the Company as well as by Mr. Murphy with six months' notice. Effective October 1, 2007, the annual compensation payable to Mr. Murphy is £125,000, plus £11,250 annually in respect of personal

pension requirements. The Company has also agreed to pay for certain premiums for health and life insurance. Mr. Murphy is eligible to participate in the Plan and any bonus plan the Company may adopt.

Julian Hammond and the Company's wholly-owned subsidiary, TSL, are parties to an employment agreement dated May 2, 2007, pursuant to which Mr. Hammond is employed as Executive Vice President, Corporate Development and Chief Commercial Officer of the Company (the "**CCO Agreement**"). The CCO Agreement does not have an express term and may be terminated by the Company as well as by Mr. Hammond with six months' notice. The annual compensation payable to Mr. Hammond is £110,000, plus £9,900 annually in respect of personal pension requirements. The Company has also agreed to pay for certain premiums for health and life insurance. Mr. Hammond is eligible to participate in the Plan and any bonus plan the Company may adopt.

### **Management Agreements**

In connection with the initial public offering of the Company in June 2007, the Company and Vazon Energy Limited ("**Vazon**") entered into a management services agreement dated May 10, 2007 (the "**CEO Services Agreement**") providing for, among other services, the services of Dr. David Robson as Chairman of the Board of Directors and as President and Chief Executive Officer of the Company. Dr. Robson is the owner and Managing Director of Vazon. The CEO Services Agreement requires that the Company pay Vazon a monthly fee of £16,250 for these services, plus a further 9% of this sum as a contribution to Dr. Robson's personal pension requirements. Effective October 1, 2007, the monthly fee was increased to £18,750 plus 9% pension contribution to reflect the increased proportion of time that Dr. Robson was spending on Tethys matters. The agreement also provides for the possibility of a bonus payable to Vazon, at the discretion of the Compensation and Nomination Committee (as defined herein), if the work carried out by Vazon and Dr. Robson contributes significantly to the business progress of the Company. No further cash compensation is provided to Dr. Robson by the Company. The agreement further provides that the Company will maintain insurance for Dr. Robson and provide for other customary non-cash benefits. The Company will also be required to reimburse Vazon for expenses incurred by Vazon's employees in connection with the services provided to the Company. The CEO Services Agreement may be terminated on six months' notice from either party and the Company is not required to make any payment upon termination, other than the payment of amounts due to the effective date of termination.

The Company and Vazon entered into a management services agreement dated June 8, 2007 (the "**Umbrella Management Services Agreement**") providing for, among other services, the services of Vazon and the services of Ms. Liz Landles as Executive Vice President and Corporate Secretary, Graham Wall as Vice President, Technical and George Mirtskhulava as Vice President, Commercial and Head of Kazakhstan Business Unit. The Umbrella Management Services Agreement requires that the Company pay Vazon a monthly fee of £19,296 (including contributions towards personal pension requirements), plus any required local or similar taxes, for their services. Effective October 1, 2007, the monthly fee was increased to £20,204 plus 9% pension contribution to reflect the increased proportion of time that Ms. Landles was spending on Tethys matters. In addition, the Umbrella Management Services Agreement provides for the provision of other services including office accommodation, corporate, administrative, financial, treasury, accounting, information technology and human resources. The Company will also be required to reimburse Vazon for expenses incurred by Vazon's employees in connection with the services provided to the Company. The Umbrella Management Services Agreement may be terminated on six months' notice from either party. The Company is not required to make any payment upon termination, other than the payment of amounts due to the effective date of termination.

### **Compensation of Directors**

The Company's directors who are not also executive officers are entitled to receive an annual retainer of £35,000 and receive additional annual fees ranging from £1,000 to £2,000 for serving as a member of, and holding the position of chairman of, a committee of the Board of Directors. Mr. Lilley receives an extra £5,000 a year as a result of being the Vice Chairman of the Company.

In addition, in 2007 each director who was not a member of management was awarded options to acquire 129,000 Ordinary Shares (150,000 in the case of Mr. Lilley) in accordance with the terms of the Plan. These options are exercisable at a price of US\$2.75 and have a term of 7 years from the date of grant. Mr. Paul Murphy and Mr. Colin Smith were also granted 100,000 2017 Warrants in 2007.

The appointment of each director who is not also an executive officer (a “**non-executive director**”) will be confirmed under the terms of an appointment letter. Such appointment letter will provide that non-executive directors will be indemnified by the Company from and against all actions, expenses and liabilities incurred in the execution of his or her functions, subject to such limitations which may apply at law.

### **Composition of the Compensation and Nomination Committee**

The members of the Compensation and Nomination Committee during the financial year ended December 31, 2007 were the Rt. Hon Peter Lilley (Chairman) and Russ Hammond. For a description of the function of the Compensation and Nomination Committee, please see “*Disclosure of Corporate Governance Practices - Nomination of Directors and Compensation*”.

### **Report on Executive Compensation**

#### ***Policies of the Compensation and Nomination Committee***

Without prejudice to the specific duties of the Committee detailed below, the general aims of the Committee are to assist the Board in: (i) setting the compensation of Executives and directors; and (ii) nominating members for election or appointment to the Board, in each case pursuant to a process whereby those responsible for recommendations to the Board have no personal interest in the outcome of the decisions.

The Committee:

- (a) reviews and approves corporate goals and objectives relevant to the CEO’s compensation, evaluating the CEO’s performance in the light of those corporate goals and objectives and determines (or make recommendations to the Board with respect to) the CEO’s compensation level based on this evaluation;
- (b) considers and, if deemed appropriate, approves the CEO’s recommendations for compensation for the Directors and Executive Officers, and Company incentive-compensation plans;
- (c) reviews executive compensation disclosure before the Company publicly discloses this information;
- (d) is responsible for appointing and determining the terms of appointment of any consultants in respect of the Executives’ compensation.

In fulfilling its role, the following general policies apply:

- (i) the Committee determines and agrees with the Board the framework or broad policy for the compensation of the Executives;
- (ii) in determining such policy, the Committee takes into account all factors which it deems necessary;
- (iii) the remuneration of non-executive directors is a matter for the Board; and
- (iv) no director or Executive is involved in any decisions as to his or her own compensation.

Under the direction of the Compensation and Nomination Committee, the Company is committed to the fundamental principles of pay for performance, improved shareholder returns and external competitiveness in the design, development and administration of its compensation programs. The Compensation and Nomination Committee recognizes the need to attract and retain a stable and focused leadership with the capability to manage the operations, finances and assets of the Company. As appropriate, the Compensation and Nomination Committee recognizes and rewards exceptional individual contributions with competitive compensation. The major elements of the Company’s executive compensation program are salary, short-term incentives and long-term incentives, through the granting of stock options, and with a generally balanced approach but with a focus on long-term incentives.

Based on the above philosophy the Compensation and Nomination Committee has structured the Company's annual and long-term incentive based executive compensation to motivate executives to achieve business goals set by the Company. In furtherance of this, the Compensation and Nomination Committee reviews publically available information from competitors to assess the Company's competitive position with respect to the components of executive compensation. The Compensation and Nomination Committee is focused on achieving the following objectives for executive officers:

- motivate executives to achieve strong financial, technical and operational performance;
- emphasize performance-based compensation, which balances rewards for short-term and long-term results;
- reward individual performance;
- reward executives for any exceptional success for the Company and for providing for corporate growth;
- link the interests of executives with shareholders by providing a significant portion of total pay in the form of stock incentives; and
- encourage long-term commitment to the Company.

The Compensation and Nomination Committee met face-to-face two times during fiscal year 2007. The Chairman of the Board and Chief Executive Officer attended both meetings to provide his recommendations in respect of various elements of compensation to named officers reporting to him. During 2007, the Compensation and Nomination Committee reviewed and recommended the level of compensation for each executive compensation component.

#### ***Base Salaries and Bonuses***

In connection with determining base salaries, the Company maintains an administrative framework of job levels into which positions are assigned based on internal comparability and external market data. The Compensation and Nomination Committee's goal is to provide base salaries for its top performing employees that are in line with industry averages, with a focus on providing bonuses for valued added efforts, transactions and exceptional performance. The base salary paid to each executive officer is determined based upon the executive officer's role, responsibilities and performance, the importance of such executive officer to the Company and its overall business goals, the overall financial position of the Company and the level of compensation paid by the industry. Bonuses are tied to the increase in potential and in ultimate shareholder return.

#### ***Long-Term Incentives***

The Board of the Directors believes that key employees should have a stake in the future of the Company and that their interest should be aligned with the interest of the Company's shareholders. To this end, the Compensation and Nomination Committee selects those executives and key employees whose decisions and actions can most directly impact on business results to participate in the Plan. Under the Plan, officers and key employees who are selected to participate are eligible to receive stock options that are granted which may be subject to a vesting period determined by the Compensation and Nomination Committee to create a long-term incentive to increase shareholder value.

Stock options are intended to be the main incentive of the executive officers in encouraging growth of the Company and its share value. As the Company matures, it is expected that considerable emphasis will be placed on actual performance achievements as measured against pre-established corporate and business unit goals, as well as individual Executive Officer performance of management objectives.

#### ***Chief Executive Officer Compensation***

The compensation of the Chief Executive Officer was determined by considering a number of factors including the start-up nature of the Company, its size and financial position and a comparison to similar sized companies at similar stages of development. The Chief Executive Officer received a base salary and benefits pursuant to the

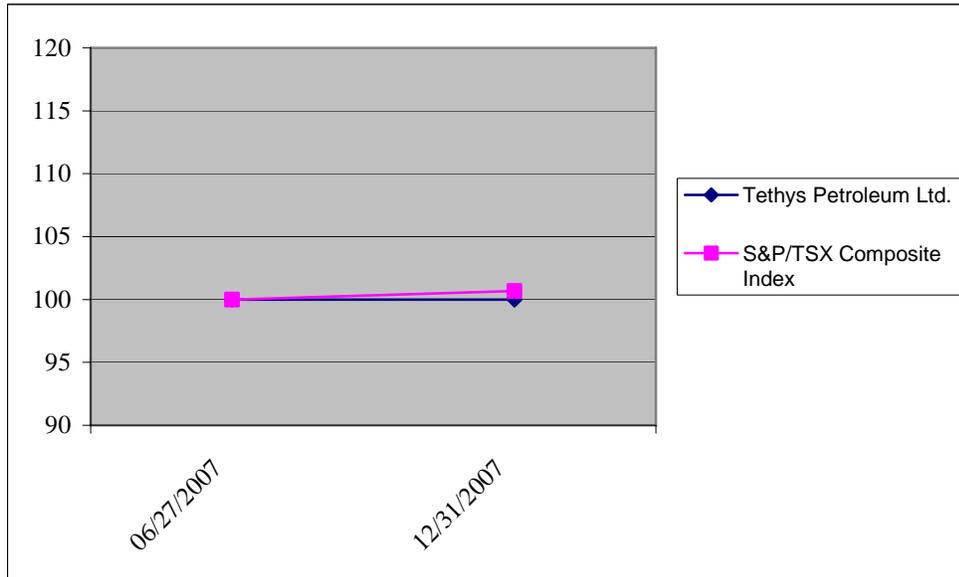
provisions of the CEO Services Agreement. In addition, the Chief Executive Officer received a bonus during the financial year ended December 31, 2007, which was tied to the Company’s listing on the TSX. In addition, long-term incentives in the form of stock options and Performance Warrants have been granted to the Chief Executive Officer to better align his interests with those of the Company’s shareholders.

The foregoing report is respectfully submitted to the shareholders of the Company by the Compensation and Nomination Committee.

*Rt. Hon. Peter Lilley  
Russ Hammond*

**Performance Graph**

Tethys completed its initial public offering on June 27, 2007 whereunder it issued an aggregate of 18,181,818 Ordinary Shares at a price of US\$2.75 per share. The Ordinary Shares commenced trading on the TSX on June 27, 2007. The following graph illustrates cumulative shareholder return, as measured by the closing price of the Ordinary Shares at the end of the financial year ended December 31, 2007, assuming an initial investment of \$100 on June 27, 2007, compared to the S&P/TSX Composite Index.



The following table shows the value of \$100 invested in Ordinary Shares on June 27, 2007 compared to \$100 invested in the S&P/TSX Composite Index\*:

	<u>June 27, 2007</u>	<u>December 31, 2007</u>
Tethys Petroleum Limited.....	\$100.00	\$100.67
S&P/TSX Composite Index .....	\$100.00	\$100.00

\*Assuming reinvestment of dividends/distributions

**Equity Compensation Plan Information**

The following table provides details as at December 31, 2007 with respect to all compensation plans of the Company under which equity securities of the Company are authorized for issuance.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected herein)</b>
Equity compensation plans approved by securityholders	Options: 4,497,000	Options: US\$2.75	Options: 14,670
Equity compensation plans not approved by securityholders	PWs: 6,767,504 2017 Warrants: 2,090,000	PWs: US\$5.87 2017 Warrants: US\$2.50	PWs: Nil 2017 Warrants: Nil
<b>Total</b>	Options: 4,497,000 PWs: 6,767,504 2017 Warrants: 2,090,000	Options: US\$2.75 PWs: US\$5.87 2017 Warrants: US\$2.50	Options: 14,670 PWs: Nil 2017 Warrants: Nil

**Note:**

- (1) The Performance Warrants and 2017 Warrants were granted to 2007 prior to the Company's initial public offering. See "Executive Compensation - Performance Warrants" and "Executive Compensation - 2017 Warrants" for a description.

## DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Under National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, the Company is required to include in this Information Circular the disclosure required under Form 58-101F1 with respect to the matters set out under National Policy 58-201 - *Corporate Governance Guidelines* ("**NP 58-201**").

### Introduction

The Board of Directors is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interests of shareholders but that it also promotes effective decision making at the Board level. The Board is of the view that its approach to corporate governance is appropriate and continues to work to align with the recommendations currently in effect and contained in NP 58-201. In addition, the Board monitors and considers for implementation the corporate governance standards which are proposed by various Canadian regulatory authorities.

### Board of Directors

The Board of Directors is responsible for overseeing the conduct of the business of the Company and supervising management, who are responsible for the daily conduct of the business of the Company. The Board of Directors is currently comprised of seven directors. A director is "independent" within the meaning of Multilateral Instrument 52-110 - *Audit Committees* ("**MI 52-110**") if he or she does not have any direct or indirect material relationship with the Company which, in the view of the Board of Directors, could reasonably interfere with the exercise of the member's independent judgement. In addition, under MI 52-110, certain individuals are deemed to have a "material relationship" with the Company, including any individual whose immediate family member is, or has recently been, an executive officer of the Company. Based on the foregoing definition, the Board currently has 2 independent directors and 5 directors who are not independent, and Piers Johnson, the proposed nominee, is independent, as set out in the table below:

Independence Status of Current Directors and Proposed Director				
Name	Management	Independent	Not Independent	Reason for Non-Independent Status
Russ Hammond			✓	Mr. Hammond is the father of Julian Hammond, the Executive Vice President, Corporate Development and Chief Commercial Officer of Tethys
Piers Johnson		✓		N/A
Liz Landles	✓		✓	Ms. Landles is Executive Vice President and Corporate Secretary of Tethys
Peter Lilley		✓		N/A
Bernard Murphy	✓		✓	Mr. Murphy is the Chief Financial Officer and Finance Director of Tethys
Paul Murphy			✓	Mr. Murphy is the brother of Bernard Murphy, the Chief Financial Officer and Finance Director of Tethys
Dr. David Robson	✓		✓	Dr. Robson is the President and Chief Executive Officer of Tethys
Colin Smith		✓		N/A

Although the Board of Directors is not comprised of a majority of independent directors, the Board has concluded that the Board of Directors has functioned and can continue to function independently as required. The independent members of the Board of Directors do not hold regularly scheduled meetings at which the non-independent directors and members of management are not in attendance, however, the Board provides an opportunity to hold such meetings at the request of an independent director in order to facilitate the exercise of the directors' independent judgement. In addition, the Board holds "in-camera" sessions for independent members during each Board meeting to facilitate open and candid discussion amongst the independent directors.

The Chairman of the Board of Directors, Dr. Robson, is not an independent director as he is the President and Chief Executive Officer of the Company. In order to provide leadership for the independent directors, the Board encourages communication among the independent directors with the Vice Chairman, Peter Lilley, being the leading independent director providing guidance to the other non-independent directors. In addition, the independence of the Board of Directors will be strengthened with the addition of Piers Johnson, who is considered to be "independent" within the meaning of MI 52-110.

The table below summarizes the meetings of the Board and its committees held during 2007 and the attendance of the individual directors of the Company at such meetings:

	Meetings of the Board and Committees		
Director	Board	Audit	Compensation and Nomination Committee
Russ Hammond	4/4	N/A	2/2
Liz Landles	4/4	N/A	N/A
Peter Lilley	4/4	4/4	2/2
Bernard Murphy	4/4	N/A	N/A
Paul Murphy	3/4	4/4	N/A
Dr. David Robson	4/4	N/A	N/A
Colin Smith	4/4	4/4	N/A

Certain of the directors are also directors of other reporting issuers (or the equivalent) in a Canadian or foreign jurisdiction as indicated in the table below:

Name	Reporting Issuer
Russ Hammond	Questerre Energy Corporation Terrenex Ltd. CanArgo Energy Corporation
Peter Lilley	Melchior Japan Investment Trust plc IDOX plc

### Board Mandate

The Board has not adopted a formal written mandate. The Board approves all significant decisions of the Company before they are implemented and supervises their implementation and reviews the results. In addition, the Board is actively involved in the Company's strategic planning process. The Board discusses and reviews all materials relating to strategic and operating plans with management. Management must seek Board approval for any transaction that would have a significant impact on the strategic plan.

The Board is responsible for selecting the President and Chief Executive Officer and the appointment senior management and for monitoring their performance. The Board delegates to management responsibility for, among other things, meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business, evaluating new business opportunities and complying with applicable regulatory requirements.

The Board periodically reviews the Company's business and implementation of appropriate systems to manage any associated risks, communications with investors and the financial community and the integrity of the Company's internal control and management information systems. The Board also monitors the Company's compliance with timely disclosure obligations and reviews material disclosure documents prior to distribution. The Board has

adopted a disclosure policy to ensure the accurate and timely communications of all important information to the investing public.

### Position Descriptions

The Board has not developed written position descriptions for the Chairman of the Board or the Chairman of the respective Board committees. The Board believes management is responsible for the effective, efficient and prudent management of the Company's day-to-day operation subject to the Board's stewardship.

The role of the Chairman is to provide leadership to the directors, manage the affairs of the Board and ensure that the Board is organized properly, functions effectively and meets its obligations and responsibilities. The Chairman presides at each meeting of the Board and is responsible for coordinating with management and the Corporate Secretary to ensure that documents are delivered to directors in sufficient time in advance of Board meetings for a thorough review, that matters are properly presented for the Board's consideration at meetings, and that the Board has an appropriate opportunity to discuss issues at each meeting. The Chairman is responsible for communicating with each Board member, ensuring that each director has the opportunity to be heard, that each director is accountable to the Board, and that the Board and each Committee is discharging its duties. The Chairman is also responsible for organizing the Board to function independently of management. Additionally, the Chairman is the Board's role model for responsible, ethical and effective decision-making.

During the fiscal year ended December 31, 2007, the Board had two standing committees, namely the Audit Committee and the Compensation and Nomination Committee. The Board has delegated certain responsibilities to each of its committees, and they report to and make recommendations to the Board on a regular basis. The Chair of each committee is expected to be responsible for ensuring that the written terms of reference of the committee for which he or she serves as Chair is adhered to and that the objectives of each committee are accomplished.

The Board has established the following committees comprised of the members and chaired by the individuals set out in the following table.

Committee	Members	Independent
Audit Committee <sup>(1)</sup>	Colin Smith, Chair	Yes
	Peter Lilley	Yes
	Paul Murphy	No
Compensation and Nomination Committee	Peter Lilley, Chair	Yes
	Russ Hammond	No

**Note:**

- (1) It is anticipated Piers Johnson will, if appointed, become a member of the Audit Committee following the Meeting. Mr. Johnson is considered by the Board to be "independent" within the meaning of MI 52-110.

The Board and the President and Chief Executive Officer have established a written position description for the Company's President and Chief Executive Officer pursuant to the Company's Delegation of Authority Guideline. The President and Chief Executive Officer has the overall responsibility for the successful management of the business and affairs of the Company.

### Orientation and Continuing Education

The Board currently provides a limited orientation and education program for new directors. This process includes discussions with the Chairman and senior management with respect to the business and operations of the Company. In addition, each member of the Board and any new member of the Board is provided with the constating documents of the Company and the Company's policy with respect to public disclosure, communication and insider trading and

reporting. Each new Board member is also entitled to review all previous minutes of the Board and the shareholders. In addition, directors are encouraged to visit the Company's facilities, to interact with management and employees and to stay abreast of industry developments and the evolving business of the Company.

As the Company has only been a reporting issuer since June, 2007, the Board is still in the process of implementing certain policies and procedures relating to corporate governance. The Board is currently considering implementing a formal orientation and continuing education program whereby all directors will receive a Board manual containing any terms of reference of the Board and its committees, the constating documents of the Company, corporate fact sheets, and scheduling information sessions for directors on topics relating to significant aspects of the Company's business and operations, including the legal, regulatory and industry requirements affecting the Company.

### **Ethical Business Conduct**

The Company has adopted a written Code of Business Conduct and Ethics (the "**Code**") which applies to the Company's directors, officers and employees, a copy of which can be obtained under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Board of Directors takes reasonable steps to monitor compliance with the Code by requiring employees, on the commencement of employment and as otherwise directed by management, to sign a copy of the Code acknowledging that the employee has read, understood and will comply with the Code. The Code encourages that an employee report to their supervisor or the Board possible unethical conduct and breaches of the Code.

In addition to the Code, the Company has adopted an Audit Committee Charter and a Whistleblower Policy with respect to accounting and auditing irregularities. The Company has also adopted a disclosure and insider trading policy to ensure the communications to the investing public about the Company are timely, factual and accurate in accordance with applicable legal and regulatory requirements and to help ensure that the directors, officers and other insiders of the Company understand and comply with the insider trading restrictions under applicable securities legislation.

Since the beginning of the Company's most recently completed financial year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code.

The Board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs. Directors are required to abide by the Code and are expected to make responsible and ethical decisions in discharging their duties, thereby setting an example of the standard to which management and employees should adhere.

The Board requires that the Chief Executive Officer and other executive officers are acting with integrity and fostering a culture of integrity throughout the Company. The Board is responsible for reviewing departures from the Code, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. In addition, the Board is responsible for responding to potential conflict of interest situations, particularly with respect to considering existing or proposed transactions and agreements in respect of which directors or executive officers advise they have a material interest. Directors and executive officers are required to disclose any interest and the extent, no matter how small, of their interest in any transaction or agreement with the Company, and that directors excuse themselves from both Board deliberations and voting in respect of transactions in which they have an interest. By taking these steps the Board strives to ensure that directors exercise independent judgement, unclouded by the relationships of the directors and executive officers to each other and the Company, in considering transactions and agreements in respect of which directors and executive officers have an interest.

### **Nomination of Directors and Compensation**

The Compensation and Nomination Committee is responsible for identifying new candidates to join the Board of Directors. The Committee is responsible for identifying qualified candidates, recommending nominees for election as directors and appointing directors to committees. The Committee is requested to objectively consider the

independence of candidates, financial and technical acumen, skills and available time to devote to the duties of the Board of Directors in making their recommendations for nomination to the Board of Directors. The Committee reviews the composition and size of the Board of Directors and tenure of directors in advance of annual general meetings when directors are most ordinarily elected by the Company's shareholders, as well as when individual directors indicate that their terms may end or that their status may change. The Compensation and Nomination Committee encourages all directors to participate in considering the need for and in identifying and recruiting new nominees for the Board of Directors. In doing so, the directors are requested by the Compensation and Nomination Committee to have regard to the skill sets which are deemed, from time to time, to be most desired in proposed nominees for the Board of Directors.

With respect to compensation, the Compensation and Nomination Committee reviews and approves corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluates the Chief Executive Officer's performance in the light of those corporate goals and objectives and determines or makes recommendations to the Board of Directors with respect to the Chief Executive Officer's compensation level based on this evaluation. This committee also considers and, if deemed appropriate, approves the Chief Executive Officer's recommendations for compensation for executive officers of the Company and incentive compensation plans of the Company. This includes the review of the Company's executive compensation and other human resource philosophies and policies, the review and administration of the Company's bonuses, stock options and share purchase plan and the preparation and submission of a report for inclusion in annual continuous disclosure documents, as required.

The Compensation and Nomination Committee is comprised of non-management members of the Board of Directors and is required to convene at least two times each year. Russ Hammond is not considered independent within the meaning of MI 52-110 as he is the father of the Company's Executive Vice President, Corporate Development and Chief Commercial Officer. The Board of Directors has determined that Mr. Lilley's position as Vice Chairman and Mr. Hammond's relationship with the Company's Executive Vice President, Corporate Development and Chief Commercial Officer are not reasonably expected to interfere with the exercise of their independent judgement.

#### **Other Board Committees**

The Company does not have any other committees other than the Audit Committee and the Compensation and Nomination Committee.

The Board approved in February 2008, the formation of an "Executive Board" (which will function as an executive committee). The Executive Board will be comprised of Dr. David Robson, Mr. Bernard Murphy and Ms. Liz Landles, each of whom is an executive officer of the Company. The mandate of the Executive Board has not yet been approved by the Board of Directors. The purpose of the Executive Board will be to allow the Board of Directors to delegate to the Executive Board the authority to respond to time sensitive matters where it is impractical to call a meeting of the Board of Directors.

#### **Assessments**

The Board will periodically review the effectiveness of the Board, its committees and the contributions of individual Board members. It is anticipated that this assessment will be conducted through an informal discussion and evaluation of members' contributions.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director or executive officer of the Company, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of any of them is or was indebted to the Company at any time since the beginning of the last completed financial year of the Company.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No director or executive officer of the Company, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of any one of them, has or has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting except as described in this Information Circular under the heading "*Election of Directors*" and "*Ratification of Stock Option Grants*".

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than set forth in this Information Circular, the management of the Company is not aware of any material interest, direct or indirect, of any informed person of the Company, any proposed director of the Company, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Company's most recently completed financial year, or in any proposed transaction which has materially affected or would materially affect the Company.

### **MANAGEMENT CONTRACTS**

During the financial year ended December 31, 2007, management functions of the Company were performed by Vazon. See "*Management Agreements*". Dr. David Robson is the only "informed person" of Vazon (as such term is defined under applicable Canadian securities legislation".

### **AUDIT COMMITTEE**

Under MI 52-110, the Company is required to include in its annual information form for the year ended December 31, 2007 (the "**AIF**"), the disclosure required under Form 52-110F1 with respect to its audit committee, including the text of its audit committee charter, the composition of the audit committee and the fees paid to the external auditor and to include in its management information circular a cross-reference to the sections in the AIF that contain the required information. The Company's disclosure with respect to the foregoing is contained in the AIF under the heading "*Audit Committee*", a copy of which will be filed on SEDAR.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). Financial information relating to Tethys is provided in the Company's financial statements and management's discussion and analysis ("**MD&A**") for the financial year ended December 31, 2007. Shareholders may contact the Company to request copies of the financial statements and MD&A by: (i) mail to Suite 3, Borough House, Rue du Pre, St. Peter Port, Guernsey, Channel Islands, GY1 6EL; or (ii) fax to 44 1481725922.

## APPENDIX "A"

**SHAREHOLDER RIGHTS PLAN AGREEMENT**

**DATED AS OF •, 2008**

**BETWEEN**

**TETHYS PETROLEUM LIMITED**

**AND**

**EQUITY TRANSFER & TRUST COMPANY**

**AS RIGHTS AGENT**

## SHAREHOLDER RIGHTS PLAN AGREEMENT

### TABLE OF CONTENTS

ARTICLE 1 - INTERPRETATION .....	1
1.1    Certain Definitions.....	1
1.2    Currency.....	15
1.3    Headings .....	15
1.4    Calculation of Number and Percentage of Beneficial Ownership of Outstanding Voting Shares.....	16
1.5    Acting Jointly or in Concert.....	16
1.6    Generally Accepted Accounting Principles .....	16
ARTICLE 2 - THE RIGHTS .....	17
2.1    Issue of Rights: Legend on Ordinary Share Certificates .....	17
2.2    Initial Exercise Price; Exercise of Rights; Detachment of Rights .....	17
2.3    Adjustments to Exercise Price; Number of Rights .....	20
2.4    Date on Which Exercise Is Effective .....	25
2.5    Execution, Authentication, Delivery and Dating of Rights Certificates.....	26
2.6    Registration, Transfer and Exchange.....	26
2.7    Mutilated, Destroyed, Lost and Stolen Rights Certificates.....	27
2.8    Persons Deemed Owners of Rights.....	28
2.9    Delivery and Cancellation of Certificates.....	28
2.10   Agreement of Rights Holders .....	28
2.11   Rights Certificate Holder Not Deemed a Shareholder.....	29
ARTICLE 3 - ADJUSTMENTS TO THE RIGHTS .....	30
3.1    Flip-in Event .....	30
ARTICLE 4 - THE RIGHTS AGENT.....	32
4.1    General.....	32
4.2    Merger, Amalgamation or Consolidation or Change of Name of Rights Agent .....	32
4.3    Duties of Rights Agent.....	33
4.4    Change of Rights Agent.....	35
ARTICLE 5 - MISCELLANEOUS .....	36
5.1    Redemption and Waiver .....	36
5.2    Expiration.....	38
5.3    Issuance of New Rights Certificates.....	38
5.4    Supplements and Amendments.....	38
5.5    Fractional Rights and Fractional Shares .....	40
5.6    Rights of Action.....	40
5.7    Regulatory Approvals .....	40
5.8    Declaration as to Non-Canadian or Non-U.S. Holders.....	41
5.9    Notices .....	41
5.10   Costs of Enforcement.....	42
5.11   Successors .....	42
5.12   Benefits of this Agreement .....	42
5.13   Governing Law .....	42
5.14   Severability .....	42

5.15	Effective Date .....	43
5.16	Reconfirmation and Approval.....	43
5.17	Determinations and Actions by the Board of Directors.....	43
5.18	Time of the Essence .....	43
5.19	Execution in Counterparts.....	44

## SHAREHOLDER RIGHTS PLAN AGREEMENT

MEMORANDUM OF AGREEMENT dated as of and •, 2008 between Tethys Petroleum Limited, an exempted company continued under the *Companies Law (2007 Revision) of the Cayman Islands* (the “Company”), and Equity Transfer & Trust Company, a trust company incorporated under the laws of Canada (the “Rights Agent”);

WHEREAS the board of directors of the Company has determined that it is in the best interests of the Company to adopt a shareholder rights plan to insure, to the extent possible, that all shareholders of the Company are treated fairly in connection with any take-over bid for the Company;

AND WHEREAS in order to implement the adoption of a shareholder rights plan as established by this Agreement, the Board of Directors of the Company has:

- (a) authorized the issuance, effective at 12:01 a.m. (GMT) on the Effective Date (as hereinafter defined), of one Right (as hereinafter defined) in respect of each Ordinary Share (as hereinafter defined) outstanding at 12:01 a.m. (GMT) on the Effective Date (the “**Record Time**”); and
- (b) authorized the issuance of one Right in respect of each Ordinary Share of the Company issued after the Record Time and prior to the earlier of the Separation Time (as hereinafter defined) and the Expiration Time (as hereinafter defined);

AND WHEREAS each Right entitles the holder thereof, after the Separation Time, to purchase securities of the Company pursuant to the terms and subject to the conditions set forth herein;

AND WHEREAS the Company desires to appoint the Rights Agent to act on behalf of the Company and the holders of Rights, and the Rights Agent is willing to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates (as hereinafter defined), the exercise of Rights and other matters referred to herein;

NOW THEREFORE, in consideration of the premises and the respective covenants and agreements set forth herein, and subject to such covenants and agreements, the parties hereby agree as follows:

### ARTICLE 1 - INTERPRETATION

#### 1.1 Certain Definitions

For purposes of this Agreement, the following terms have the meanings indicated:

- (a) “**Acquiring Person**” shall mean any Person who is the Beneficial Owner of twenty per cent (20%) or more of the outstanding Voting Shares; provided, however, that the term “Acquiring Person” shall not include:
  - (i) the Company or any Subsidiary of the Company;

- (ii) any Person who becomes the Beneficial Owner of twenty per cent (20%) or more of the outstanding Voting Shares as a result of one or any combination of (A) a Voting Share Reduction, (B) Permitted Bid Acquisitions, (C) an Exempt Acquisition or (D) Pro Rata Acquisitions; provided, however, that if a Person becomes the Beneficial Owner of twenty per cent (20%) or more of the outstanding Voting Shares by reason of one or any combination of the operation of Paragraphs (A), (B), (C) or (D) above and such Person's Beneficial Ownership of Voting Shares thereafter increases by more than one per cent (1.0%) of the number of Voting Shares outstanding (other than pursuant to one or any combination of a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition or a Pro Rata Acquisition), then as of the date such Person becomes the Beneficial Owner of such additional Voting Shares, such Person shall become an "Acquiring Person";
  - (iii) for a period of ten days after the Disqualification Date (as defined below), any Person who becomes the Beneficial Owner of twenty per cent (20%) or more of the outstanding Voting Shares as a result of such Person becoming disqualified from relying on Clause 1.1(g)(v) solely because such Person or the Beneficial Owner of such Voting Shares is making or has announced an intention to make a Take-over Bid, either alone or by acting jointly or in concert with any other Person. For the purposes of this definition, "Disqualification Date" means the first date of public announcement that any Person is making or has announced an intention to make a Take-over Bid, either alone or by acting jointly or in concert with another Person;
  - (iv) an underwriter or member of a banking or selling group that becomes the Beneficial Owner of twenty per cent (20%) or more of the Voting Shares in connection with a distribution of securities of the Company; or
  - (v) a Person (a "Grandfathered Person") who is the Beneficial Owner of twenty per cent (20%) or more of the outstanding Voting Shares of the Company determined as at the Record Time, provided, however, that this exception shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the Record Time, become the Beneficial Owner of additional Voting Shares of the Company that increases its Beneficial Ownership of Voting Shares by more than one per cent (1%) of the number of Voting Shares outstanding as at the Record Time (other than pursuant to one or any combination of a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition or a Pro Rata Acquisition);
- (b) "**Adjusted Exercise Price**" means the price at which a holder may purchase the securities issuable upon exercise of Rights pursuant to the terms of Clause 3.1(a)(ii) which, until adjustment thereof in accordance with the terms hereof, shall be equal to the Exercise Price multiplied by a fraction in which:

- (i) the numerator is the number of Ordinary Shares per Right that may be purchased pursuant to Clause 3.1(a)(ii); and
  - (ii) the denominator is the number of Ordinary Shares per Right that could have been purchased pursuant to Clause 3.1(a)(i) in the event that there had been sufficient authorized but unissued Ordinary Shares to permit each holder of a Right (other than an Acquiring Person or a transferee of the kind described in Clause 3.1(b)(ii)) to purchase the number of Ordinary Shares to which they would have been entitled under Clause 3.1(a)(i);
- (c) “**Adjustment Factor**” shall mean a fraction in which:
- (i) the numerator is equal to the Company’s authorized but unissued Voting Shares; and
  - (ii) the denominator is equal to the Company’s issued and outstanding Voting Shares minus those Voting Shares that the Acquiring Person Beneficially Owns;
- (d) “**Affiliate**” when used to indicate a relationship with a specific Person means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified Person;
- (e) “**Agreement**” shall mean this shareholder rights plan agreement dated as of ●, 2008 between the Company and the Rights Agent, as the same may be further amended or supplemented from time to time; “hereof”, “herein”, “hereto” and similar expressions mean and refer to this Agreement as a whole and not to any particular part of this Agreement;
- (f) “**annual cash dividend**” shall mean cash dividends paid in any fiscal year of the Company to the extent that such cash dividends do not exceed, in the aggregate, the greatest of:
- (i) two hundred per cent (200%) of the aggregate amount of cash dividends declared payable by the Company on its Ordinary Shares in its immediately preceding fiscal year;
  - (ii) three hundred per cent (300%) of the arithmetic mean of the aggregate amounts of the annual cash dividends declared payable by the Company on its Ordinary Shares in its three immediately preceding fiscal years; and
  - (iii) one hundred per cent (100%) of the aggregate consolidated net income of the Company, before extraordinary items, for its immediately preceding fiscal year;
- (g) “**Associate**” means, when used to indicate a relationship with a specified Person, a spouse of that Person, any Person of the same or opposite sex with whom that

Person is living in a conjugal relationship outside marriage, a child of that Person or a relative of that Person if that relative has the same residence as that Person;

- (h) A Person shall be deemed the “**Beneficial Owner**” of, and to have “**Beneficial Ownership**” of, and to “**Beneficially Own**”:
- (i) any securities as to which such Person or any of such Person’s Affiliates or Associates is the owner at law or in equity;
  - (ii) any securities as to which such Person or any of such Person’s Affiliates or Associates has the right to become the owner at law or in equity (where such right is exercisable within a period of sixty (60) days and whether or not on condition or the happening of any contingency or the making of any payment) pursuant to any agreement, arrangement, pledge or understanding, whether or not in writing (other than (x) customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a public offering or private placement of securities and (y) pledges of securities in the ordinary course of business), or upon the exercise of any conversion right, exchange right, share purchase right (other than the Rights), warrant or option; or
  - (iii) any securities which are Beneficially Owned within the meaning of Clauses 1.1(f)(i) and (ii) by any other Person with whom such Person is acting jointly or in concert;

provided, however, that a Person shall not be deemed the “**Beneficial Owner**” of, or to have “**Beneficial Ownership**” of, or to “**Beneficially Own**”, any security:

- (iv) where such security has been or has been agreed to be deposited or tendered pursuant to a Lock-up Agreement, or is otherwise deposited or tendered, to any Take-over Bid made by such Person, made by any of such Person’s Affiliates or Associates or made by any other Person acting jointly or in concert with such Person until such deposited or tendered security has been taken up or paid for, whichever shall first occur;
- (v) where such Person, any of such Person’s Affiliates or Associates or any other Person acting jointly or in concert with such Person holds such security provided that:

the ordinary business of any such Person (the “Investment Manager”) includes the management of investment funds for others (which others, for greater certainty, may include or be limited to one or more employee benefit plans or pension plans) and such security is held by the Investment Manager in the ordinary course of such business in the performance of such Investment Manager’s duties for the account of any other Person (a “Client”) including non-discretionary accounts held on behalf of a Client by a broker or dealer appropriately registered under applicable law;

such Person is the manager or trustee (the “Manager”) of a mutual fund (a “Mutual Fund”) that is registered or qualified to issue its securities to investors under the securities laws of any Province of Canada or the laws of the United States of America or any State thereof, and such security is held in the ordinary course of business in the performance of the Manager’s duties with respect to the Mutual Fund;

such Person is a Mutual Fund and holds such security in the ordinary course of business of the Mutual Fund;

such Person (the “Trust Company”) is licensed to carry on the business of a trust company under applicable laws and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons (each an “Estate Account”) or in relation to other accounts (each an “Other Account”) and holds such security in the ordinary course of such duties for the estate of any such deceased or incompetent Person or for such Other Accounts;

such Person is established by statute for purposes that include, and the ordinary business or activity of such Person (the “Statutory Body”) includes, the management of investment funds for employee benefit plans, pension plans, insurance plans or various public bodies;

such Person (the “Administrator”) is the administrator or trustee of one or more pension funds or plans (a “Plan”), or is a Plan, registered under the laws of Canada or any Province thereof or the laws of the United States of America or any State thereof and holds such security for the purposes of its activity as an Administrator or Plan;  
or

such Person (the “Crown Agent”) is a Crown agent or agency;

provided, in any of the above cases, that the Investment Manager, the Manager, the Mutual Fund, the Trust Company, the Statutory Body, the Administrator, the Plan or the Crown Agent, as the case may be, is not then making a Take-over Bid or has not then announced an intention to make a Take-over Bid alone or acting jointly or in concert with any other Person, other than an Offer to Acquire Voting Shares or other securities (x) pursuant to a distribution by the Company (y) by means of a Permitted Bid or (z) by means of ordinary market transactions (including prearranged trades entered into in the ordinary course of business of such Person) executed through the facilities of a stock exchange or organized over the counter market;

- (vi) where such Person is (A) a Client of the same Investment Manager as another Person on whose account the Investment Manager holds such security, (B) an Estate Account or an Other Account of the same Trust Company as another Person on whose account the Trust Company holds such security or (C) a Plan with the same Administrator as another Plan on whose account the Administrator holds such security;
- (vii) where such Person is (A) a Client of an Investment Manager and such security is owned at law or in equity by the Investment Manager, (B) an Estate Account or an Other Account of a Trust Company and such security is owned at law or in equity by the Trust Company or (C) a Plan and such security is owned at law or in equity by the Administrator of the Plan; or
- (viii) where such Person is a registered holder of such security as a result of carrying on the business of, or acting as a nominee of, a securities depository,

and for the purposes of this Agreement, in determining the percentage of the outstanding Voting Shares with respect to which a Person is deemed to be the Beneficial Owner, any unused Voting Shares to which such Person is deemed the Beneficial Owner pursuant to this Clause 1.1(h) shall be deemed outstanding;

- (i) “**Board of Directors**” shall mean the board of directors of the Company or any duly constituted and empowered committee thereof;
- (j) “**Business Day**” shall mean any day other than a Saturday, Sunday or a day on which banking institutions in Guernsey or Toronto are authorized or obligated by law to close;
- (k) “**Canadian Dollar Equivalent**” of any amount which is expressed in United States Dollars means, on any date, the Canadian dollar equivalent of such amount determined by multiplying such amount by the U.S. Canadian Exchange Rate in effect on such date;
- (l) “**close of business**” on any given date shall mean the time on such date (or, if such date is not a Business Day, the time on the next succeeding Business Day) at which the principal transfer office in Toronto of the transfer agent for the Ordinary Shares of the Company (or, after the Separation Time, the principal transfer office in Toronto of the Rights Agent) is closed to the public;
- (m) “**Companies Law**” means *The Companies Law (2007 Revision)* of the Cayman Islands and any comparable or successor laws or regulations thereto or, if applicable, the comparable legislation of any other jurisdiction pursuant to which the Company may be continued;
- (n) “**Competing Permitted Bid**” means a Take-over Bid that:

- (i) is made after a Permitted Bid has been made and prior to the expiry of the Permitted Bid;
  - (ii) satisfies all components of the definition of a Permitted Bid other than the requirements set out in Clause 1.1(jj)(ii)(A) of the definition of a Permitted Bid; and
  - (iii) contains, and the take up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified condition that no Voting Shares will be taken up or paid for pursuant to the Take-over Bid prior to the close of business on a date that is no earlier than the later of: (A) the 60<sup>th</sup> day after the date on which the earliest Permitted Bid which preceded the Competing Permitted Bid was made; and (B) thirty-five (35) days after the date of the Take-over Bid constituting the Competing Permitted Bid;
- (o) “**controlled**” a Person is controlled” by another Person or two (2) or more other Persons acting jointly or in concert if:
- (i) in the case of a body corporate, securities entitled to vote in the election of directors of such body corporate carrying more than fifty per cent (50%) of the votes for the election of directors are held, directly or indirectly, by or for the benefit of the other Person or Persons and the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such body corporate; or
  - (ii) in the case of a Person which is not a body corporate, more than fifty per cent (50%) of the voting or equity interests of such entity are held, directly or indirectly, by or for the benefit of the other Person or Persons;
- and “controls”, “controlling” and “under Ordinary control with” shall be interpreted accordingly;
- (p) “**Co-Rights Agents**” shall have the meaning ascribed thereto in Subsection 4.1(a);
- (q) “**Disposition Date**” shall have the meaning ascribed thereto in Subsection 5.1(i);
- (r) “**Dividend Reinvestment Acquisition**” shall mean an acquisition of Voting Shares pursuant to a Dividend Reinvestment Plan;
- (s) “**Dividend Reinvestment Plan**” means a regular dividend reinvestment or other plan of the Company made available by the Company to holders of its securities where such plan permits the holder to direct that some or all of:
- (i) dividends paid in respect of shares of any class of the Company;
  - (ii) proceeds of redemption of shares of the Company;

- (iii) interest paid on evidences of indebtedness of the Company; or
- (iv) optional cash payments;

be applied to the purchase from the Company of Voting Shares;

- (t) **“Election to Exercise”** shall have the meaning ascribed thereto in Clause 2.2(d)(ii);
- (u) **“Effective Date”** means •, 2008, being the date designated for adoption by the Board of Directors;
- (v) **“Exempt Acquisition”** means a share acquisition in respect of which the Board of Directors has waived the application of Section 3.1 pursuant to the provisions of Subsection 5.1(a), (d) or (i);
- (w) **“Exercise Price”** shall mean, as of any date, the price at which a holder may purchase the securities issuable upon exercise of one (1) whole Right which, until adjustment thereof in accordance with the terms hereof, shall be equal to three (3) times the Market Price per Ordinary Share;
- (x) **“Expansion Factor”** shall have the meaning ascribed thereto in Clause 2.3(a)(x);
- (y) **“Expiration Time”** shall mean the date of termination of this Agreement pursuant to Section 5.16;
- (z) **“Flip-in Event”** shall mean a transaction in or pursuant to which any Person becomes an Acquiring Person;
- (aa) **“holder”** shall have the meaning ascribed thereto in Section 2.8;
- (bb) **“Independent Shareholders”** shall mean holders of Voting Shares, other than:
  - (i) any Acquiring Person;
  - (ii) any Offeror (other than any Person who by virtue of Clause 1.1(h)(v) is not deemed to Beneficially Own the Voting Shares held by such Person);
  - (iii) any Affiliate or Associate of any Acquiring Person or Offeror;
  - (iv) any Person acting jointly or in concert with any Acquiring Person or Offeror; and
  - (v) any employee benefit plan, deferred profit sharing plan, stock participation plan and any other similar plan or trust for the benefit of employees of the Company, or any Subsidiary of the Company, unless the beneficiaries of the plan or trust direct the manner in which the Voting Shares are to be

voted or withheld from voting or direct whether the Voting Shares are to be tendered to a Take-over Bid;

(cc) **“Lock-Up Agreement”** means an agreement the terms of which are publicly disclosed and a copy of which is made available to the public (including the Company):

- (i) not later than the date on which the Lock-up Bid (as defined below) is publicly announced; or
- (ii) if the Lock-up Bid has been made prior to the date on which such agreement has been entered into, forthwith and in any event not later than the Business Day following the date of such agreement;

between an Offeror, any of its Affiliates or Associates or any other Person acting jointly or in concert with the Offeror and a Person (the “Locked-up Person”) who is not an Affiliate or Associate of the Offeror or a Person acting jointly or in concert with the Offeror whereby the Locked-up Person agrees to deposit or tender the Voting Shares held by the Locked-up Person to the Offeror’s Take-over Bid or to any Take-over Bid made by any of the Offeror’s Affiliates or Associates or made by any other Person acting jointly or in concert with the Offeror (the “Lock-up Bid”), where the agreement permits the Locked-up Person to withdraw the Voting Shares from the agreement in order to tender or deposit the Voting Shares to another Take-over Bid, or to support another transaction that:

(iii) (A) provides for a consideration for each Voting Share that is higher than the consideration contained in or proposed to be contained in the Lock-up Bid; or

(a) provides for a consideration for each Voting Share that exceeds by as much as or more than a specified amount (“Specified Amount”) the consideration for each Voting Share contained in or proposed to be contained in the Lock-up Bid; and (b) does not by its terms provide for a Specified Amount that is greater than seven per cent (7%) over the consideration for each Voting Share contained in or proposed to be contained in the Lock-up Bid; or

is for a number of Voting Shares that exceeds by as much as or more than a number (the “Specified Number”) specified in the Lock-up Agreement, the number of Voting Shares that the Offeror has offered or proposes to offer to purchase under the Lock-up Bid at a price or value per Voting Share that is not less than the price or value per Voting Share offered or proposed to be offered under the Lock-up Bid, provided that the Specified Number is not greater than seven per cent (7%) of the number of Voting Shares offered to be purchased or proposed to be purchased under the Lock-up Bid;

and, for greater certainty, the Lock-up Agreement may contain a right of first refusal or require a period of delay to give the Offeror an opportunity to at least match a higher consideration in another Take-over Bid or transaction or other similar limitation on a Locked-up Person's rights to withdraw Voting Shares from the Lock-up Agreement and not to tender such Voting Shares to the Take-over Bid to which the Locked-up Person has agreed to deposit or tender so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Voting Shares in sufficient time to tender to the other Take-over Bid or participate in the other transaction; and

- (iv) the agreement does not provide for any "break-up fees", "top-up fees", penalties, expenses reimbursement or other amounts that exceed in the aggregate the greater of:

- the cash equivalent of two and one-half per cent (2.5%) of the consideration payable under the Lock-up Bid to the Locked-up Person; and

- fifty per cent (50%) of the amount by which the consideration payable under another Take-over Bid or transaction to a Locked-up Person exceeds the consideration that such Locked-up Person would have received under the Lock-up Bid;

- to be paid by a Locked-up Person pursuant to the Lock-up Agreement in the event that the Locked-up Person fails to deposit or tender Voting Shares to the Lock-up Bid or withdraws Voting Shares in order to tender to another Take-over Bid or participate in another transaction;

- (dd) "**Market Price**" per security of any securities on any date of determination shall mean the average of the daily closing prices per security of such securities (determined as described below) on each of the twenty (20) consecutive Trading Days through and including the Trading Day immediately preceding such date; provided, however, that if an event of a type analogous to any of the events described in Section 2.3 hereof shall have caused the closing prices used to determine the Market Price on any Trading Days not to be fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day, each such closing price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in order to make it fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day. The closing price per share of any securities on any date shall be:

- (i) the closing board lot sale price or, in case no such sale takes place on such date, the average of the closing bid and asked prices for each of such securities as reported by the principal Canadian stock exchange (as

determined by volume of trading) on which such securities are listed or admitted to trading;

- (ii) if for any reason none of such prices is available on such day or the securities are not listed or posted for trading on a Canadian stock exchange, the last sale price or, in case no such sale takes place on such date, the average of the closing bid and asked prices for each of such securities as reported by the principal national United States securities exchange (as determined by volume of trading) on which such securities are listed or admitted to trading;
- (iii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a Canadian stock exchange or a national United States securities exchange, the last sale price or, in case no sale takes place on such date, the average of the high bid and low asked prices for each of such securities in the over the counter market, as quoted by any recognized reporting system then in use; or
- (iv) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a Canadian stock exchange or a national United States securities exchange or quoted by any such reporting system, the average of the closing bid and asked prices as furnished by a recognized professional market maker making a market in the securities;

provided, however, that if for any reason none of such prices is available on such day, the closing price per share of such securities on such date means the fair value per share of such securities on such date as determined by a nationally recognized investment dealer or investment banker; and provided further that if an event of a type analogous to any of the events described in Section 2.3 hereof shall have caused any price used to determine the Market Price on any Trading Day not to be fully comparable with the price as so determined on the Trading Day immediately preceding such date of determination, each such price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in order to make it fully comparable with the price on the Trading Day immediately preceding such date of determination. The Market Price shall be expressed in Canadian dollars and, if initially determined in respect of any day forming part of the 20 consecutive Trading Day period in question in United States dollars, such amount shall be translated into Canadian dollars on such date at the Canadian Dollar Equivalent thereof;

- (ee) “**Nominee**” shall have the meaning ascribed thereto in Subsection 2.2(c);
- (ff) “**Offer to Acquire**” shall include:

- (i) an offer to purchase or a solicitation of an offer to sell Voting Shares or a public announcement of an intention to make such an offer or solicitation; and
- (ii) an acceptance of an offer to sell Voting Shares, whether or not such offer to sell has been solicited;

or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell;

- (gg) “**Offeror**” shall mean a Person who has announced, and has not withdrawn, an intention to make or who has made, and has not withdrawn, a Take-over Bid, other than a Person who has completed a Permitted Bid, a Competing Permitted Bid or an Exempt Acquisition;
- (hh) “**Offeror’s Securities**” means Voting Shares Beneficially Owned by an Offeror on the date of the Offer to Acquire;
- (ii) “**Ordinary Shares**” shall mean the ordinary shares, par value US\$0.10 in the capital of the Company;
- (jj) “**Permitted Bid**” means a Take-over Bid made by an Offeror by way of a take-over bid circular which also complies with the following additional provisions:
  - (i) the Take-over Bid is made to all holders of Voting Shares as registered on the books of the Company, other than the Offeror;
  - (ii) the Take-over Bid contains, and the take up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no Voting Shares will be taken up or paid for pursuant to the Take-over Bid (A) prior to the close of business on the date which is not less than sixty (60) days following the date of the Take-over Bid and (B) only if at such date more than fifty per cent (50%) of the Voting Shares held by Independent Shareholders shall have been deposited or tendered pursuant to the Take-over Bid and not withdrawn;
  - (iii) unless the Take-over Bid is withdrawn, the Take-over Bid contains an irrevocable and unqualified provision that Voting Shares may be deposited pursuant to such Take-over Bid at any time during the period of time described in Clause 1.1(jj)(ii) and that any Voting Shares deposited pursuant to the Take-over Bid may be withdrawn until taken up and paid for; and
  - (iv) the Take-over Bid contains an irrevocable and unqualified provision that in the event that the deposit condition set forth in Clause 1.1(jj)(ii) is satisfied the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Voting Shares

for not less than ten (10) Business Days from the date of such public announcement;

- (kk) **“Permitted Bid Acquisition”** shall mean an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid;
- (ll) **“Person”** shall include any individual, firm, partnership, association, trust, trustee, executor, administrator, legal personal representative, body corporate, corporation, unincorporated organization, syndicate, governmental entity or other entity;
- (mm) **“Pro Rata Acquisition”** means an acquisition by a Person of Voting Shares pursuant to:
  - (i) a Dividend Reinvestment Acquisition;
  - (ii) a stock dividend, stock split or other event in respect of securities of the Company of one or more particular classes or series pursuant to which such Person becomes the Beneficial Owner of Voting Shares on the same pro rata basis as all other holders of securities of the particular class, classes or series;
  - (iii) the acquisition or the exercise by the Person of only those rights to purchase Voting Shares distributed to that Person in the course of a distribution to all holders of securities of the Company of one or more particular classes or series pursuant to a rights offering or pursuant to a prospectus, provided that the Person does not thereby acquire a greater percentage of Voting Shares than the Person’s percentage of Voting Shares Beneficially Owned immediately prior to such acquisition or exercise; or
  - (iv) a distribution of Voting Shares, or securities convertible into or exchangeable for Voting Shares (and the conversion or exchange of such convertible or exchangeable securities), made pursuant to a prospectus or by way of a private placement or securities exchange take-over bid, provided that the Person does not thereby acquire a greater percentage of such Voting Shares, or securities convertible into or exchangeable for Voting Shares, so offered than the Person’s percentage of Voting Shares Beneficially Owned immediately prior to such acquisition;
- (nn) **“Record Time”** has the meaning set forth in the second recital of the Agreement;
- (oo) **“Right”** means a right to purchase one Ordinary Share of the Company upon the terms and subject to the conditions set forth in this Agreement;
- (pp) **“Rights Certificate”** means the certificates representing the Rights after the Separation Time, which shall be substantially in the form attached hereto as Attachment 1;

- (qq) “**Rights Register**” shall have the meaning ascribed thereto in Subsection 2.6(a);
- (rr) “**Securities Act (Ontario)**” shall mean the *Securities Act*, R.S.O. 1999, c.S-5, as amended, and the regulations thereunder, and any comparable or successor laws or regulations thereto;
- (ss) “**Separation Time**” shall mean the close of business on the tenth (10<sup>th</sup>) Trading Day after the earlier of:
  - (i) the Stock Acquisition Date;
  - (ii) the date of the commencement of or first public announcement or disclosure of the intent of any Person (other than the Company or any Subsidiary of the Company) to commence a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid), or such later time as may be determined by the Board of Directors, provided that, if any Take-over Bid referred to in this Clause (ii) expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such Take-over Bid shall be deemed, for the purposes of this definition, never to have been made and, provided further, that if the Board of Directors determines, pursuant to Section 5.1, to waive the application of Section 3.1 to a Flip-in Event, then the Separation Time in respect of such Flip-in Event shall be deemed never to have occurred; and
  - (iii) the date on which a Permitted Bid or Competing Permitted Bid ceases to be such;
- (tt) “**Stock Acquisition Date**” shall mean the first date of public announcement or disclosure (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to section 101 of the *Securities Act* (Ontario) by the Company or an Acquiring Person that an Acquiring Person has become such;
- (uu) “**Subsidiary**”: a corporation is a Subsidiary of another corporation if:
  - (i) it is controlled by:
    - that other; or
    - that other and one or more corporations each of which is controlled by that other; or
    - two or more corporations each of which is controlled by that other; or
  - (ii) it is a Subsidiary of a corporation that is that other’s Subsidiary;
- (vv) “**Take-over Bid**” shall mean an Offer to Acquire Voting Shares, or securities convertible into Voting Shares if, assuming that the Voting Shares or convertible securities subject to the Offer to Acquire are acquired and are Beneficially Owned

at the date of such Offer to Acquire by the Person making such Offer to Acquire, such Voting Shares (including Voting Shares that may be acquired upon conversion of securities convertible into Voting Shares) together with the Offeror's Securities, constitute in the aggregate twenty per cent (20%) or more of the outstanding Voting Shares at the date of the Offer to Acquire;

- (ww) **“Trading Day”**, when used with respect to any securities, shall mean a day on which the principal Canadian stock exchange on which such securities are listed or admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any Canadian stock exchange, a Business Day;
- (xx) **“U.S. Canadian Exchange Rate”** means, on any date:
  - (i) if on such date the Bank of Canada sets an average noon spot rate of exchange for the conversion of one United States dollar into Canadian dollars, such rate; and
  - (ii) in any other case, the rate for such date for the conversion of one United States dollar into Canadian dollars calculated in such manner as may be determined by the Board of Directors from time to time acting in good faith;
- (yy) **“Voting Share Reduction”** means an acquisition or redemption by the Company of Voting Shares which, by reducing the number of Voting Shares outstanding, increases the proportionate number of Voting Shares Beneficially Owned by any Person to twenty (20%) or more of the Voting Shares then outstanding; and
- (zz) **“Voting Shares”** shall mean the Ordinary Shares and any other shares in the capital of the Company entitled to vote generally in the election of all directors.

## 1.2 **Currency**

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

## 1.3 **Headings**

The division of this Agreement into Articles, Sections, Subsections, Clauses, Paragraphs, Subparagraphs or other portions hereof and the insertion of headings, subheadings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

#### **1.4 Calculation of Number and Percentage of Beneficial Ownership of Outstanding Voting Shares**

For purposes of this Agreement, the percentage of Voting Shares Beneficially Owned by any Person, shall be and be deemed to be the product (expressed as a percentage) determined by the formula:

$$100 \times A/B$$

where:

- A = the number of votes for the election of all directors generally attaching to the Voting Shares Beneficially Owned by such Person; and
- B = the number of votes for the election of all directors generally attaching to all outstanding Voting Shares.

Where any Person is deemed to Beneficially Own unissued Voting Shares, such Voting Shares shall be deemed to be outstanding for the purpose of calculating the percentage of Voting Shares Beneficially Owned by such Person.

#### **1.5 Acting Jointly or in Concert**

For the purposes hereof, a Person is acting jointly or in concert with every Person who, as a result of any agreement, commitment or understanding, whether formal or informal, with the first (1<sup>st</sup>) Person or any Affiliate thereof, acquires or offers to acquire Voting Shares or securities convertible into Voting Shares (other than customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a public offering or private placement of securities or pledges of securities in the ordinary course of business).

#### **1.6 Generally Accepted Accounting Principles**

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be the recommendations at the relevant time of the Canadian Institute of Chartered Accountants, or any successor institute, applicable on a consolidated basis (unless otherwise specifically provided herein to be applicable on an unconsolidated basis) as at the date on which a calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.

## ARTICLE 2 - THE RIGHTS

### 2.1 **Issue of Rights: Legend on Ordinary Share Certificates**

- (a) One Right shall be issued on the Effective Date in respect of each Ordinary Share of the Company outstanding at the Record Time on the date hereof and one Right shall be issued in respect of each Ordinary Share of the Company issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time.
- (b) Certificates representing Ordinary Shares which are issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time, shall also evidence one Right for each Ordinary Share represented thereby and shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

Until the Separation Time (defined in the Agreement below), this certificate also evidences the holder's rights described in a Shareholder Rights Plan Agreement dated as of •, 2008 (the 'Agreement') between Tethys Petroleum Limited and Equity Transfer & Trust Company, as amended from time to time, the terms of which are incorporated herein and a copy of which is available on demand without charge. Under certain circumstances set out in the Agreement, the rights may expire, may become null and void or may be evidenced by separate certificates and no longer evidenced by this certificate.

- (c) Certificates for Ordinary Shares at the Record Time that are issued and outstanding shall also evidence one Right for each Ordinary Share represented thereby, notwithstanding the absence of the foregoing legend, until the close of business on the earlier of the Separation Time and the Expiration Time.

### 2.2 **Initial Exercise Price; Exercise of Rights; Detachment of Rights**

- (a) Subject to adjustment as herein set forth, each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase one Ordinary Share for the Exercise Price as at the Business Day immediately preceding the Separation Time (and the Exercise Price and number of Ordinary Shares are subject to adjustment as set forth below). Notwithstanding any other provision of this Agreement, any Rights held by the Company or any of its Subsidiaries shall be void.
- (b) Until the Separation Time,
  - (i) the Rights shall not be exercisable and no Right may be exercised; and
  - (ii) each Right will be evidenced by the certificate for the associated Ordinary Share registered in the name of the holder thereof (which certificate shall also be deemed to represent a Rights Certificate) and will be transferable

only together with, and will be transferred by a transfer of, such associated Ordinary Share.

- (c) From and after the Separation Time and prior to the Expiration Time:
  - (i) the Rights shall be exercisable; and
  - (ii) the registration and transfer of Rights shall be separate from and independent of Ordinary Shares.

Promptly following the Separation Time, the Company will prepare and the Rights Agent will mail to each holder of record of Ordinary Shares as of the Separation Time and, in respect of such convertible security converted into Ordinary Shares after the Separation Time and prior to the Expiration Time, promptly after such conversion, the Company will prepare or cause to be prepared and the Rights Agent will mail to the holder so converting (other than an Acquiring Person and, in respect of any Rights Beneficially Owned by such Acquiring Person which are not held of record by such Acquiring Person, the holder of record of such Rights (a "Nominee")), at such holder's address as shown by the records of the Company (the Company hereby agreeing to furnish copies of such records to the Rights Agent for this purpose):

- (x) a Rights Certificate appropriately completed, representing the number of Rights held by such holder at the Separation Time and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule or regulation or with any rule or regulation of any self regulatory organization, stock exchange or quotation system on which the Rights may from time to time be listed or traded, or to conform to usage; and
- (y) a disclosure statement prepared by the Company describing the Rights,

provided that a Nominee shall be sent the materials provided for in (x) and (y) in respect of all Ordinary Shares held of record by it which are not Beneficially Owned by an Acquiring Person.

- (d) Rights may be exercised, in whole or in part, on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent:
  - (i) the Rights Certificate evidencing such Rights;
  - (ii) an election to exercise such Rights (an "Election to Exercise") substantially in the form attached to the Rights Certificate appropriately completed and executed by the holder or his executors or administrators or other personal representatives or his or their legal attorney duly appointed

by an instrument in writing in form and executed in a manner satisfactory to the Rights Agent; and

- (iii) payment by certified cheque, banker's draft or money order payable to the order of the Company, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Ordinary Shares in a name other than that of the holder of the Rights being exercised.
- (e) Upon receipt of a Rights Certificate, together with a completed Election to Exercise executed in accordance with Clause 2.2(d)(ii), which does not indicate that such Right is null and void as provided by Subsection 3.1(b), and payment as set forth in Clause 2.2(d)(iii), the Rights Agent (unless otherwise instructed by the Company in the event that the Company is of the opinion that the Rights cannot be exercised in accordance with this Agreement) will thereupon promptly:
- (i) requisition from the transfer agent certificates representing the number of such Ordinary Shares to be purchased (the Company hereby irrevocably authorizing its transfer agent to comply with all such requisitions);
  - (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuing fractional Ordinary Shares;
  - (iii) after receipt of the certificates referred to in Clause 2.2(e)(i), deliver the same to or upon the order of the registered holder of such Rights Certificates, registered in such name or names as may be designated by such holder;
  - (iv) when appropriate, after receipt, deliver the cash referred to in Clause 2.2(e)(ii) to or to the order of the registered holder of such Rights Certificate; and
  - (v) remit to the Company all payments received on exercise of the Rights.
- (f) In case the holder of any Rights shall exercise less than all the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised (subject to the provisions of Subsection 5.5(a)) will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.
- (g) The Company covenants and agrees that it will:
- (i) take all such action as may be necessary and within its power to ensure that all Ordinary Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Ordinary Shares (subject to

payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered as fully paid and non-assessable;

- (ii) take all such action as may be necessary and within its power to comply with the requirements of the *Companies Law*, the *Securities Act* (Ontario) and the securities laws or comparable legislation of each of the provinces of Canada and any other applicable law, rule or regulation, in connection with the issuance and delivery of the Rights, Rights Certificates and the issuance of any Ordinary Shares upon exercise of Rights;
- (iii) use reasonable efforts to cause all Ordinary Shares issued upon exercise of Rights to be listed on the stock exchanges on which such Ordinary Shares were traded immediately prior to the Stock Acquisition Date;
- (iv) cause to be reserved and kept available out of the authorized and unissued Ordinary Shares, the number of Ordinary Shares that, as provided in this Agreement, will from time to time be sufficient to permit the exercise in full of all outstanding Rights;
- (v) pay when due and payable, if applicable, any and all federal, provincial and municipal transfer taxes and charges (not including any income or capital taxes of the holder or exercising holder or any liability of the Company to withhold tax) which may be payable in respect of the original issuance or delivery of the Rights Certificates, or certificates for Ordinary Shares to be issued upon exercise of any Rights, provided that the Company shall not be required to pay any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Ordinary Shares in a name other than that of the holder of the Rights being transferred or exercised; and
- (vi) after the Separation Time, except as permitted by Section 5.1, not take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

### **2.3 Adjustments to Exercise Price; Number of Rights**

The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3.

- (a) In the event the Company shall at any time after the date of this Agreement:
  - (i) declare or pay a dividend on Ordinary Shares payable in Ordinary Shares (or other securities exchangeable for or convertible into or giving a right to acquire Ordinary Shares or other securities of the Company) other than pursuant to any optional stock dividend program;

- (ii) subdivide or change the then outstanding Ordinary Shares into a greater number of Ordinary Shares;
- (iii) consolidate or change the then outstanding Ordinary Shares into a smaller number of Ordinary Shares; or
- (iv) issue any Ordinary Shares (or other securities exchangeable for or convertible into or giving a right to acquire Ordinary Shares or other securities of the Company) in respect of, in lieu of or in exchange for existing Ordinary Shares except as otherwise provided in this Section 2.3,

the Exercise Price and the number of Rights outstanding, or, if the payment or effective date therefor shall occur after the Separation Time, the securities purchasable upon exercise of Rights shall be adjusted as of the payment or effective date in the manner set forth below.

If the Exercise Price and number of Rights outstanding are to be adjusted:

- (x) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of Ordinary Shares (or other capital stock) (the “Expansion Factor”) that a holder of one Ordinary Share immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result thereof; and
- (y) each Right held prior to such adjustment will become that number of Rights equal to the Expansion Factor,

and the adjusted number of Rights will be deemed to be distributed among the Ordinary Shares with respect to which the original Rights were associated (if they remain outstanding) and the shares issued in respect of such dividend, subdivision, change, consolidation or issuance, so that each such Ordinary Share (or other capital stock) will have exactly one Right associated with it following the payment or effective date of the event referred to in Clause 2.3(a)(i), (ii), (iii) or (iv), as the case may be.

For greater certainty, if the securities purchasable upon exercise of Rights are to be adjusted, the securities purchasable upon exercise of each Right after such adjustment will be the securities that a holder of the securities purchasable upon exercise of one Right immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result of such dividend, subdivision, change, consolidation or issuance.

If, after the Record Time and prior to the Expiration Time, the Company shall issue any shares of capital stock other than Ordinary Shares in a transaction of a type described in Clause 2.3(a)(i) or (iv), shares of such capital stock shall be treated herein as nearly equivalent to Ordinary Shares as may be practicable and

appropriate under the circumstances and the Company and the Rights Agent agree to amend this Agreement in order to effect such treatment.

In the event the Company shall at any time after the Record Time and prior to the Separation Time issue any Ordinary Shares otherwise than in a transaction referred to in this Subsection 2.3(a), each such Ordinary Share so issued shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such associated Ordinary Share.

- (b) In the event the Company shall at any time after the Record Time and prior to the Separation Time fix a record date for the issuance of rights, options or warrants to all holders of Ordinary Shares entitling them (for a period expiring within forty-five (45) calendar days after such record date) to subscribe for or purchase Ordinary Shares (or securities convertible into or exchangeable for or carrying a right to purchase Ordinary Shares) at a price per Ordinary Share (or, if a security convertible into or exchangeable for or carrying a right to purchase or subscribe for Ordinary Shares, having a conversion, exchange or exercise price, including the price required to be paid to purchase such convertible or exchangeable security or right per share) less than the Market Price per Ordinary Share on such record date, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:
- (i) the numerator of which shall be the number of Ordinary Shares outstanding on such record date, plus the number of Ordinary Shares that the aggregate offering price of the total number of Ordinary Shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the convertible or exchangeable securities or rights so to be offered, including the price required to be paid to purchase such convertible or exchangeable securities or rights) would purchase at such Market Price per Ordinary Share; and
  - (ii) the denominator of which shall be the number of Ordinary Shares outstanding on such record date, plus the number of additional Ordinary Shares to be offered for subscription or purchase (or into which the convertible or exchangeable securities or rights so to be offered are initially convertible, exchangeable or exercisable).

In case such subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights, options or warrants are not so issued, or if issued, are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been

fixed, or to the Exercise Price which would be in effect based upon the number of Ordinary Shares (or securities convertible into, or exchangeable or exercisable for Ordinary Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

For purposes of this Agreement, the granting of the right to purchase Ordinary Shares (whether from treasury or otherwise) pursuant to the Dividend Reinvestment Plan or any employee benefit, stock option or similar plans shall be deemed not to constitute an issue of rights, options or warrants by the Company; provided, however, that, in all such cases, the right to purchase Ordinary Shares is at a price per share of not less than ninety per cent (90%) of the current market price per share (determined as provided in such plans) of the Ordinary Shares.

- (c) In the event the Company shall at any time after the Record Time and prior to the Separation Time fix a record date for the making of a distribution to all holders of Ordinary Shares (including any such distribution made in connection with a merger or amalgamation) of evidences of indebtedness, cash (other than an annual cash dividend or a dividend paid in Ordinary Shares, but including any dividend payable in securities other than Ordinary Shares), assets or rights, options or warrants (excluding those referred to in Subsection 2.3(b)), the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:
- (i) the numerator of which shall be the Market Price per Ordinary Share on such record date, less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights), on a per share basis, of the portion of the cash, assets, evidences of indebtedness, rights, options or warrants so to be distributed; and
  - (ii) the denominator of which shall be such Market Price per Ordinary Share.

Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such a distribution is not so made, the Exercise Price shall be adjusted to be the Exercise Price which would have been in effect if such record date had not been fixed.

- (d) Notwithstanding anything herein to the contrary, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one per cent in the Exercise Price; provided, however, that any adjustments which by reason of this Subsection 2.3(d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under Section 2.3 shall be made to the nearest cent or to the nearest ten-thousandth ( $\frac{1}{10000}$ ) of a share. Notwithstanding the first sentence of this Subsection 2.3(d), any adjustment required by Section 2.3 shall be made no later than the earlier of:

- (i) three (3) years from the date of the transaction which gives rise to such adjustment; or
  - (ii) the Expiration Time.
- (e) In the event the Company shall at any time after the Record Time and prior to the Separation Time issue any shares of capital stock (other than Ordinary Shares), or rights, options or warrants to subscribe for or purchase any such capital stock, or securities convertible into or exchangeable for any such capital stock, in a transaction referred to in Clause 2.3(a)(i) or (iv), if the Board of Directors acting in good faith determines that the adjustments contemplated by Subsections 2.3(a), (b) and (c) in connection with such transaction will not appropriately protect the interests of the holders of Rights, the Board of Directors may determine what other adjustments to the Exercise Price, number of Rights and/or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Subsections 2.3(a), (b) and (c), such adjustments, rather than the adjustments contemplated by Subsections 2.3(a), (b) and (c), shall be made. Subject to the prior consent of the holders of the Voting Shares or the Rights obtained as set forth in Subsection 5.4(b) or (c), the Company and the Rights Agent shall have authority to amend this Agreement as appropriate to provide for such adjustments.
- (f) Notwithstanding anything herein to the contrary, no adjustment of the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one per cent (1%) in such Exercise Price, provided, however, that any adjustments which by reason of this Section 2.3(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All adjustments to the Exercise Price made pursuant to this Section 2.3 shall be calculated to the nearest cent.
- (g) Each Right originally issued by the Company subsequent to any adjustment made to the Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of Ordinary Shares purchasable from time to time hereunder upon exercise of a Right immediately prior to such issue, all subject to further adjustment as provided herein.
- (h) Irrespective of any adjustment or change in the Exercise Price or the number of Ordinary Shares issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Exercise Price per Ordinary Share and the number of Ordinary Shares which were expressed in the initial Rights Certificates issued hereunder.
- (i) In any case in which this Section 2.3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Ordinary Shares and other securities of the Company, if any, issuable upon such exercise over and above the number of Ordinary Shares and other securities of the

Company, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or other securities upon the occurrence of the event requiring such adjustment.

- (j) Notwithstanding anything contained in this Section 2.3 to the contrary, the Company shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in their good faith judgment the Board of Directors shall determine to be advisable, in order that any:
  - (i) consolidation or subdivision of Ordinary Shares;
  - (ii) issuance (wholly or in part for cash) of Ordinary Shares or securities that by their terms are convertible into or exchangeable for Ordinary Shares;
  - (iii) stock dividends; or
  - (iv) issuance of rights, options or warrants referred to in this Section 2.3,hereafter made by the Company to holders of its Ordinary Shares, shall not be taxable to such shareholders.
- (k) Whenever an adjustment to the Exercise Price or a change in the securities purchasable upon the exercise of Rights is made pursuant to this Section 2.3, the Company shall promptly:
  - (i) prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment;
  - (ii) file with the Rights Agent and with each transfer agent for the Shares, a copy of such certificate; and
  - (iii) cause notice of the particulars of such adjustment or change to be given to the holders of the Rights.

Failure to file such certificate or to cause such notice to be given as aforesaid, or any defect therein, shall not affect the validity of any such adjustment or change.

## **2.4 Date on Which Exercise Is Effective**

Each Person in whose name any certificate for Ordinary Shares or other securities, if applicable, is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Ordinary Shares or other securities, if applicable, represented thereon, and such certificate shall be dated the date upon which the Rights Certificate evidencing such

Rights was duly surrendered in accordance with Subsection 2.2(d) (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the Ordinary Share transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Ordinary Share transfer books of the Company are open.

## **2.5 Execution, Authentication, Delivery and Dating of Rights Certificates**

- (a) The Rights Certificates shall be executed on behalf of the Company by its Chairman of the Board, President or any Vice President and by its Corporate Secretary or any Assistant Secretary under the corporate seal of the Company reproduced thereon. The signature of any of these officers on the Rights Certificates may be manual or facsimile. Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices either before or after the countersignature and delivery of such Rights Certificates.
- (b) Promptly after the Company learns of the Separation Time, the Company will notify the Rights Agent of such Separation Time and will deliver Rights Certificates executed by the Company to the Rights Agent for countersignature, and the Rights Agent shall manually countersign (in a manner satisfactory to the Company) and send such Rights Certificates to the holders of the Rights pursuant to Subsection 2.2(c) hereof. No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent as aforesaid.
- (c) Each Rights Certificate shall be dated the date of countersignature thereof.

## **2.6 Registration, Transfer and Exchange**

- (a) The Company will cause to be kept a register (the "Rights Register") in which, subject to such reasonable regulations as it may prescribe, the Company will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed registrar for the Rights (the "Rights Registrar") for the purpose of maintaining the Rights Register for the Company and registering Rights and transfers of Rights as herein provided and the Rights Agent hereby accepts such appointment. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times.

After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Subsection 2.6(c), the Company will execute, and the Rights Agent will manually countersign and deliver, in the name of the holder or the designated

transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.

- (b) All Rights issued upon any registration of transfer or exchange of Rights Certificates shall be the valid obligations of the Company, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.
- (c) Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company or the Rights Agent, as the case may be, duly executed by the holder thereof or such holder's attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this Section 2.6, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected therewith.

## **2.7 Mutilated, Destroyed, Lost and Stolen Rights Certificates**

- (a) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, the Company shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so surrendered.
- (b) If there shall be delivered to the Company and the Rights Agent prior to the Expiration Time:
  - (i) evidence to their reasonable satisfaction of the destruction, loss or theft of any Rights Certificate; and
  - (ii) such security or indemnity as may be reasonably required by them to save each of them and any of their agents harmless;

then, in the absence of notice to the Company or the Rights Agent that such Rights Certificate has been acquired by a bona fide purchaser, the Company shall execute and upon the Company's request the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.

- (c) As a condition to the issuance of any new Rights Certificate under this Section 2.7, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected therewith.

- (d) Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence the contractual obligation of the Company, whether or not the destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights duly issued hereunder.

## **2.8 Persons Deemed Owners of Rights**

The Company, the Rights Agent and any agent of the Company or the Rights Agent may deem and treat the Person in whose name a Rights Certificate (or, prior to the Separation Time, the associated Ordinary Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever. As used in this Agreement, unless the context otherwise requires, the term “holder” of any Right shall mean the registered holder of such Right (or, prior to the Separation Time, of the associated Ordinary Share).

## **2.9 Delivery and Cancellation of Certificates**

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Company may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificate shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.9, except as expressly permitted by this Agreement. The Rights Agent shall, subject to applicable laws, destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Company.

## **2.10 Agreement of Rights Holders**

Every holder of Rights, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of Rights:

- (a) to be bound by and subject to the provisions of this Agreement, as amended from time to time in accordance with the terms hereof, in respect of all Rights held;
- (b) that prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated Ordinary Share certificate representing such Right;
- (c) that after the Separation Time, the Rights Certificates will be transferable only on the Rights Register as provided herein;
- (d) that prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Ordinary Share certificate) for registration of transfer, the Company, the Rights Agent and any agent of the Company or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to

the Separation Time, the associated Ordinary Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the associated Ordinary Share certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary;

- (e) that such holder of Rights has waived his right to receive any fractional Rights or any fractional shares or other securities upon exercise of a Right (except as provided herein);
- (f) that notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or any other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; and
- (g) that, subject to the provisions of Section 5.4, without the approval of any holder of Rights or Voting Shares and upon the sole authority of the Board of Directors, acting in good faith, this Agreement may be supplemented or amended from time to time to cure any ambiguity or to correct or supplement any provision contained herein which may be inconsistent with the intent of this Agreement or is otherwise defective, as provided herein.

## **2.11 Rights Certificate Holder Not Deemed a Shareholder**

No holder, as such, of any Rights or Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose whatsoever the holder of any Ordinary Share or any other share or security of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed or deemed or confer upon the holder of any Right or Rights Certificate, as such, any right, title, benefit or privilege of a holder of Ordinary Shares or any other shares or securities of the Company or any right to vote at any meeting of shareholders of the Company whether for the election of directors or otherwise or upon any matter submitted to holders of Ordinary Shares or any other shares of the Company at any meeting thereof, or to give or withhold consent to any action of the Company, or to receive notice of any meeting or other action affecting any holder of Ordinary Shares or any other shares of the Company except as expressly provided herein, or to receive dividends, distributions or subscription rights, or otherwise, until the Right or Rights evidenced by Rights Certificates shall have been duly exercised in accordance with the terms and provisions hereof.

### ARTICLE 3 - ADJUSTMENTS TO THE RIGHTS

#### 3.1 Flip-in Event

- (a)
  - (i) Subject to Subsection 3.1(b) and Section 5.1, in the event that prior to the Expiration Time a Flip-in Event shall occur, each Right shall constitute, effective at the close of business on the tenth Trading Day after the Stock Acquisition Date, the right to purchase from the Company, upon exercise thereof in accordance with the terms hereof, that number of Ordinary Shares having an aggregate Market Price on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 in the event that after such consummation or occurrence, an event of a type analogous to any of the events described in Section 2.3 shall have occurred).
  - (ii) In the event that there are insufficient authorized but unissued Ordinary Shares to permit each holder of a Right (other than an Acquiring Person or a transferee of the kind described in Clause 3.1(b)(ii)) to purchase from the Company that number of Ordinary Shares per Right provided for in Clause 3.1(a)(i), then until such time as holders of Ordinary Shares approve an increase in the Company's authorized capital such that there are sufficient authorized but unissued Ordinary Shares to permit each holder of a Right (other than an Acquiring Person or a transferee of the kind described in Clause 3.1(b)(ii)) to purchase from the Company that number of Shares per Right provided for in Clause 3.1(a)(i), each whole Right shall constitute, effective at the close of business on the eighth Trading Day after the Stock Acquisition Date, the right to purchase from the Company, upon exercise thereof in accordance with the terms hereof, that number of Ordinary Shares that is equal to one Ordinary Share multiplied by the Adjustment Factor for an amount in cash equal to the Adjusted Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 in the event that after the consummation or occurrence or event, an event of a type analogous to any of the events described in Section 2.3 shall have occurred).
- (b) Notwithstanding anything in this Agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are or were Beneficially Owned on or after the earlier of the Separation Time or the Stock Acquisition Date by:
  - (i) an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person); or
  - (ii) a transferee of Rights, directly or indirectly, from an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person), where such transferee becomes a

transferee concurrently with or subsequent to the Acquiring Person becoming such in a transfer that the Board of Directors has determined is part of a plan, arrangement or scheme of an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person), that has the purpose or effect of avoiding Clause 3.1(b)(i),

shall become null and void without any further action, and any holder of such Rights (including transferees) shall thereafter have no right to exercise such Rights under any provision of this Agreement and further shall thereafter not have any other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise.

- (c) From and after the Separation Time, the Company shall do all such acts and things as shall be necessary and within its power to ensure compliance with the provisions of this Section 3.1, including without limitation, all such acts and things as may be required to satisfy the requirements of the *Companies Law*, the *Securities Act* (Ontario) and the securities laws or comparable legislation of each of the provinces of Canada and of the United States and each of the states thereof in respect of the issue of Ordinary Shares upon the exercise of Rights in accordance with this Agreement.
- (d) Any Rights Certificate that represents Rights Beneficially Owned by a Person described in either Clause 3.1 (b)(i) or (ii) or transferred to any nominee of any such Person, and any Rights Certificate issued upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain the following legend:

The Rights represented by this Rights Certificate were issued to a Person who was an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Plan Agreement) or a Person who was acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person. This Rights Certificate and the Rights represented hereby are void or shall become void in the circumstances specified in Subsection 3.1(b) of the Shareholder Rights Plan Agreement.

provided, however, that the Rights Agent shall not be under any responsibility to ascertain the existence of facts that would require the imposition of such legend but shall impose such legend only if instructed to do so by the Company in writing or if a holder fails to certify upon transfer or exchange in the space provided on the Rights Certificate that such holder is not a Person described in such legend.

## ARTICLE 4 - THE RIGHTS AGENT

### 4.1 **General**

- (a) The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co Rights Agents (“Co-Rights Agents”) as it may deem necessary or desirable. In the event the Company appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and Co-Rights Agents shall be as the Company may determine. The Company agrees to pay all reasonable fees and expenses of the Rights Agent in respect of the performance of its duties under this Agreement, including the reasonable fees and disbursements of counsel and other experts consulted by the Rights Agent pursuant to section 4.3(a). The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without gross negligence, bad faith or wilful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability, which right to indemnification will survive the termination of this Agreement or the resignation or removal of the Rights Agent.
- (b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any certificate for Ordinary Shares, Rights Certificate, certificate for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.
- (c) The Company shall inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and, at any time upon request, shall provide to the Rights Agent an incumbency certificate certifying the then current officers of the Company.

### 4.2 **Merger, Amalgamation or Consolidation or Change of Name of Rights Agent**

- (a) Any corporation into which the Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation, statutory arrangement or consolidation to which the Rights Agent is a party, or any corporation succeeding to the shareholder or stockholder services business of the Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4 hereof. In case at the time such successor Rights Agent succeeds to

the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights have not been countersigned, any successor Rights Agent may countersign such Rights Certificates in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.

- (b) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

#### **4.3 Duties of Rights Agent**

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, all of which the Company and the holders of certificates for Ordinary Shares and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

- (a) the Rights Agent may consult with legal counsel (who may be legal counsel for the Company) and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion; the Rights Agent may also, with the approval of the Company (such approval not to be unreasonably withheld), consult with such other experts as the Rights Agent shall consider necessary or appropriate to properly carry out the duties and obligations imposed under this Agreement (at the expense of the Company) and the Rights Agent shall be entitled to rely in good faith on the advice of any such expert;
- (b) whenever in the performance of its duties under this Agreement, the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a Person believed by the Rights Agent to be the Chairman of the Board, President, any Vice President, Treasurer, Corporate Secretary, or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate;

- (c) the Rights Agent will be liable hereunder for its own gross negligence, bad faith or wilful misconduct;
- (d) the Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement, or in the certificates for Ordinary Shares or in the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Company only;
- (e) the Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any certificate for a Ordinary Share or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Subsection 3.1(b) hereof) or any adjustment required under the provisions of Section 2.3 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 describing any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Ordinary Shares to be issued pursuant to this Agreement or any Rights or as to whether any Ordinary Shares will, when issued, be duly and validly authorized, executed, issued and delivered and fully paid and non-assessable;
- (f) the Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement;
- (g) the Rights Agent is hereby authorized and directed to accept instructions in writing with respect to the performance of its duties hereunder from any individual believed by the Rights Agent to be the Chairman of the Board, President, any Vice President, Treasurer, Corporate Secretary or any Assistant Secretary of the Company, and to apply to such individuals for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such individual. It is understood that instructions to the Rights Agent shall, except where circumstances make it impractical or the Rights Agent otherwise agrees, be given in writing and, where not in writing, such instructions shall be confirmed in writing as soon as reasonably practicable after the giving of such instructions.

- (h) the Rights Agent and any shareholder or stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in Ordinary Shares, Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity; and
- (i) the Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

#### **4.4 Change of Rights Agent**

The Rights Agent may resign and be discharged from its duties under this Agreement upon sixty (60) days' notice (or such lesser notice as is acceptable to the Company) in writing mailed to the Company and to each transfer agent of Ordinary Shares by registered or certified mail. The Company may remove the Rights Agent upon sixty (60) days' notice in writing, mailed to the Rights Agent and to each transfer agent of the Ordinary Shares by registered or certified mail. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Company will appoint a successor to the Rights Agent. If the Company fails to make such appointment within a period of sixty (60) days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent, then by prior written notice to the Company the resigning Rights Agent or the holder of any Rights (which holder shall, with such notice, submit such holder's Rights Certificate, if any, for inspection by the Company), may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation incorporated under the laws of Canada or a province thereof authorized to carry on the business of a trust company in the Province of Ontario. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent, upon payment of its fees and expenses, any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Ordinary Shares and mail a notice thereof in writing to the holders of the Rights in accordance with Section 5.9. Failure to give any notice provided for in this Section 4.4, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of any successor Rights Agent, as the case may be.

## ARTICLE 5 - MISCELLANEOUS

### 5.1 Redemption and Waiver

- (a) The Board of Directors acting in good faith may, until the occurrence of a Flip-in Event, upon prior written notice delivered to the Rights Agent, determine to waive the application of Section 3.1 to a particular Flip-in Event that would result from a Take-over Bid made by way of take-over bid circular to all holders of Voting Shares (which for greater certainty shall not include the circumstances described in Subsection 5.1(i)); provided that if the Board of Directors waives the application of Section 3.1 to a particular Flip-in Event pursuant to this Subsection 5.1(a), the Board of Directors shall be deemed to have waived the application of Section 3.1 to any other Flip-in Event occurring by reason of any Take-over Bid which is made by means of a take-over bid circular to all holders of Voting Shares prior to the expiry of any Take-over Bid in respect of which a waiver is, or is deemed to have been, granted under this Subsection 5.1(a).
- (b) Subject to the prior consent of the holders of the Voting Shares or the Rights obtained as set forth in Subsection 5.4(b) or (c), the Board of Directors acting in good faith may, at its option, at any time prior to the provisions of Section 3.1 becoming applicable as a result of the occurrence of a Flip-in Event, elect to redeem all but not less than all of the outstanding Rights at a redemption price of \$0.001 per Right appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 if an event of the type analogous to any of the events described in Section 2.3 shall have occurred (such redemption price being herein referred to as the "Redemption Price").
- (c) Where a Person acquires pursuant to a Permitted Bid, a Competing Permitted Bid or an Exempt Acquisition under Subsection 5.1(a) outstanding Voting Shares, other than Voting Shares Beneficially Owned at the date of the Permitted Bid, the Competing Permitted Bid or the Exempt Acquisition under Subsection 5.1(a) by such Person, then the Board of Directors shall immediately upon the consummation of such acquisition without further formality and without any approval under Subsection 5.4(b) or (c) be deemed to have elected to redeem the Rights at the Redemption Price.
- (d) The Board of Directors may, prior to the close of business on the tenth Business Day following a Stock Acquisition Date or such later Business Day as it may from time to time determine, upon prior written notice delivered to the Rights Agent, waive the application of Section 3.1 to the related Flip-in Event; provided that the Acquiring Person has reduced its Beneficial Ownership of Voting Shares (or has entered in to a contractual arrangement with the Company, acceptable to the Board of Directors, to do so within ten days of the date on which such contractual arrangement is entered into such later date as the Board of Directors may determine) such that, at the time the waiver becomes effective pursuant to this Subsection 5.1(d), such Person is no longer an Acquiring Person. In the event of such a waiver becoming effective prior to the Separation Time, for the

purposes of this Agreement, such Flip-in Event shall be deemed not to have occurred.

- (e) Where a Take-over Bid that is not a Permitted Bid Acquisition is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, or if the Board of Directors grants a waiver under Subsection 5.1(d) after the Separation Time, then the Board of Directors may elect to redeem all the outstanding Rights at the Redemption Price. Upon the Rights being redeemed pursuant to this Subsection 5.1(e), all of the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Ordinary Shares at the Separation Time had not been mailed to each such holder and for all purposes of the Agreement the Separation Time shall be deemed not have occurred and the Company shall be deemed to have issued replacement Rights to the holders of its then outstanding Ordinary Shares.
- (f) If the Board of Directors is deemed under Subsection 5.1(c) to have elected, or elects under either of Subsection 5.1(b) or (e), to redeem the Rights, the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.
- (g) Within ten (10) days after the Board of Directors is deemed under Subsection 5.1(c) to have elected, or elects under Subsection 5.1(b) or (e), to redeem the Rights, the Company shall give notice of redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at his last address as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the transfer agent for the Voting Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.
- (h) Upon the Rights being redeemed pursuant to Subsection 5.1(e), all the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Ordinary Shares as of the Separation Time had not been mailed to each such holder and for all purposes of this Agreement the Separation Time shall be deemed not to have occurred.
- (i) The Board of Directors may waive the application of Section 3.1 in respect of the occurrence of any Flip-in Event if the Board of Directors has determined within ten Trading Days following a Stock Acquisition Date that a Person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person under this Agreement and, in the event that such a waiver is granted by the Board of Directors, such Stock Acquisition Date shall be deemed not to have occurred. Any such waiver pursuant to this Subsection 5.1(i) must be on the condition that such Person, within

fourteen (14) days after the foregoing determination by the Board of Directors or such earlier or later date as the Board of Directors may determine (the “Disposition Date”), has reduced its Beneficial Ownership of Voting Shares such that the Person is no longer an Acquiring Person. If the Person remains an Acquiring Person at the close of business on the Disposition Date, the Disposition Date shall be deemed to be the date of occurrence of a further Stock Acquisition Date and Section 3.1 shall apply thereto.

## **5.2 Expiration**

No Person shall have any rights whatsoever pursuant to this Agreement or in respect of any Right after the Expiration Time, except the Rights Agent as specified in Subsection 4.1(a) of this Agreement.

## **5.3 Issuance of New Rights Certificates**

Notwithstanding any of the provisions of this Agreement or the Rights to the contrary, the Company may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by the Board of Directors to reflect any adjustment or change in the number or kind or class of securities purchasable upon exercise of Rights made in accordance with the provisions of this Agreement.

## **5.4 Supplements and Amendments**

- (a) The Company may make amendments to this Agreement to correct any clerical or typographical error or, subject to Subsection 5.4(e), which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation, rules or regulations thereunder. Notwithstanding anything in this Section 5.4 to the contrary, no such supplement or amendment shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent to such supplement or amendment.
- (b) Subject to Section 5.4(a), the Company may, with the prior consent of the holders of Voting Shares obtained as set forth below, at any time prior to the Separation Time, amend, vary or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent shall be deemed to have been given if the action requiring such approval is authorized by the affirmative vote of a majority of the votes cast by Independent Shareholders present or represented at and entitled to be voted at a meeting of the holders of Voting Shares duly called and held in compliance with applicable laws and the articles and by laws of the Company.
- (c) The Company may, with the prior consent of the holders of Rights, at any time on or after the Stock Acquisition Date, amend, vary or delete any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally), provided that no such amendment, variation or deletion shall be made to the provisions of Article 4

except with the written concurrence of the Rights Agent thereto. Such consent shall be deemed to have been given if such amendment, variation or deletion is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders (such meeting to be called and held in compliance with applicable laws and regulatory requirements and, to the extent possible, with the requirements in the articles and by-laws of the Company applicable to meetings of holders of Voting Shares, applied *mutatis mutandis*) and representing fifty per cent (50%) plus one of the votes cast in respect thereof (other than holders of Rights whose Rights have become null and void pursuant to Subsection 3.1(b)).

- (d) Any approval of the holders of Rights shall be deemed to have been given if the action requiring such approval is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting shall be those, as nearly as may be, which are provided in the Company's by laws and the *Companies Law* with respect to meetings of shareholders of the Company.
- (e) Any amendments made by the Company to this Agreement pursuant to Subsection 5.4(a) which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation, rule or regulation thereunder shall:
  - (i) if made before the Separation Time, be submitted to the shareholders of the Company at the next meeting of shareholders and the shareholders may, by the majority referred to in Subsection 5.4(b), confirm or reject such amendment;
  - (ii) if made after the Separation Time, be submitted to the holders of Rights at a meeting to be called for on a date not later than immediately following the next meeting of shareholders of the Company and the holders of Rights may, by resolution passed by the majority referred to in Subsection 5.4(d), confirm or reject such amendment.

Any such amendment shall be effective from the date of the resolution of the Board of Directors adopting such amendment, until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such amendment is confirmed, it continues in effect in the form so confirmed. If such amendment is rejected by the shareholders or the holders of Rights or is not submitted to the shareholders or holders of Rights as required, then such amendment shall cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders of Rights that should have been but was not held, and no subsequent resolution of the Board of

Directors to amend this Agreement to substantially the same effect shall be effective until confirmed by the shareholders or holders of Rights as the case may be.

## **5.5 Fractional Rights and Fractional Shares**

- (a) The Company shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. After the Separation Time, in lieu of issuing fractional Rights, the Company shall pay to the holders of record of the Rights Certificates (provided the Rights represented by such Rights Certificates are not void pursuant to the provisions of Subsection 3.1(b), at the time such fractional Rights would otherwise be issuable), an amount in cash equal to the fraction of the Market Price of one whole Right that the fraction of a Right that would otherwise be issuable is of one whole Right.
- (b) The Company shall not be required to issue fractions of Ordinary Shares upon exercise of Rights or to distribute certificates which evidence fractional Ordinary Shares. In lieu of issuing fractional Ordinary Shares, the Company shall pay to the registered holders of Rights Certificates, at the time such Rights are exercised as herein provided, an amount in cash equal to the fraction of the Market Price of one Ordinary Share that the fraction of a Ordinary Share that would otherwise be issuable upon the exercise of such Right is of one whole Ordinary Share at the date of such exercise.

## **5.6 Rights of Action**

Subject to the terms of this Agreement, all rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights. Any holder of Rights, without the consent of the Rights Agent or of the holder of any other Rights, may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce such holder's right to exercise such holder's Rights, or Rights to which such holder is entitled, in the manner provided in such holder's Rights and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

## **5.7 Regulatory Approvals**

Any obligation of the Company or action or event contemplated by this Agreement shall be subject to the receipt of any requisite approval or consent from any governmental or regulatory authority, and without limiting the generality of the foregoing, necessary approvals of The Toronto Stock Exchange and other exchanges shall be obtained, such as to the issuance of Ordinary Shares upon the exercise of Rights under Subsection 2.2(d).

## **5.8 Declaration as to Non-Canadian or Non-U.S. Holders**

If in the opinion of the Board of Directors (who may rely upon the advice of counsel) any action or event contemplated by this Agreement would require compliance by the Company with the securities laws or comparable legislation of a jurisdiction outside Canada, the Board of Directors acting in good faith shall take such actions as it may deem appropriate to ensure such compliance. In no event shall the Company or the Rights Agent be required to issue or deliver Rights or securities issuable on exercise of Rights to persons who are citizens, residents or nationals of any jurisdiction other than Canada or the United States, in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes.

## **5.9 Notices**

- (a) Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Company shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Rights Agent), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

Tethys Petroleum Limited  
P.O Box 524  
St. Peter Port  
Guernsey, GY1 6EL British Isles

Attention: Corporate Secretary  
Telecopy No.: +44 (0) 1481729982

- (b) Notices or demands authorized or required by this Agreement to be given or made by the Company or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Company), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

Equity Transfer & Trust Company  
200 University Avenue, Suite 400  
Toronto, ON M5H 4H1

Attention: Corporate Trust Department  
Telecopy No.: (416) 361-0470

- (c) Notices or demands authorized or required by this Agreement to be given or made by the Company or the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by first class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the register of the Rights Agent or, prior to the Separation Time, on the register of the

Company for its Ordinary Shares. Any notice which is mailed or sent in the manner herein provided shall be deemed given, whether or not the holder receives the notice.

- (d) Any notice given or made in accordance with this Section 5.9 shall be deemed to have been given and to have been received on the day of delivery, if so delivered, on the third (3<sup>rd</sup>) Business Day (excluding each day during which there exists any general interruption of postal service due to strike, lockout or other cause) following the mailing thereof, if so mailed, and on the day of telegraphing, telecopying or sending of the same by other means of recorded electronic communication (provided such sending is during the normal business hours of the addressee on a Business Day and if not, on the first Business Day thereafter). Each of the Company and the Rights Agent may from time to time change its address for notice by notice to the other given in the manner aforesaid.

#### **5.10 Costs of Enforcement**

The Company agrees that if the Company fails to fulfil any of its obligations pursuant to this Agreement, then the Company will reimburse the holder of any Rights for the costs and expenses (including legal fees) incurred by such holder to enforce his rights pursuant to any Rights or this Agreement.

#### **5.11 Successors**

All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and enure to the benefit of their respective successors and assigns hereunder.

#### **5.12 Benefits of this Agreement**

Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement; further, this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the holders of the Rights.

#### **5.13 Governing Law**

This Agreement and each Right issued hereunder shall be deemed to be a contract made under the laws of the Province of Ontario and for all purposes shall be governed by and construed in accordance with the laws of such Province applicable to contracts to be made and performed entirely within such Province.

#### **5.14 Severability**

If any term or provision hereof or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective only as to such jurisdiction and to the extent of such invalidity or unenforceability in such jurisdiction without invalidating or rendering unenforceable or ineffective the remaining

terms and provisions hereof in such jurisdiction or the application of such term or provision in any other jurisdiction or to circumstances other than those as to which it is specifically held invalid or unenforceable.

### **5.15 Effective Date**

Provided this agreement has been confirmed and approved by the holders of Voting Shares of the Company at the 2008 annual meeting of shareholders, this Agreement shall be effective and in full force and effect in accordance with its terms from and after the Effective Date.

### **5.16 Reconfirmation and Approval**

- (a) This Agreement must be reconfirmed and approved by a resolution passed by a majority of greater than fifty per cent (50%) of the votes cast by all holders of Voting Shares who vote in respect of such reconfirmation and approval at a meeting of holders of Voting Shares to be held not earlier than February 1, 2011 and not later than the date on which the 2011 annual meeting of holders of Voting Shares terminates and thereafter at such a meeting to be held, *mutatis mutandis*, every three years thereafter. If this Agreement is not so reconfirmed and approved or is not presented for reconfirmation at any such meeting, this Agreement and all outstanding Rights shall terminate and be void and of no further force and effect on and from the close of business on that date which is the earlier of the date of termination of the meeting called to consider the reconfirmation and approval of this Agreement and the date of termination of the annual meeting of holders of Voting Shares in the applicable year provided, that termination shall not occur if a Flip-in Event has occurred (other than a Flip-in Event which has been waived pursuant to Subsection 5.1(a) hereof), prior to the date upon which this Agreement would otherwise terminate pursuant to this Section 5.16.
- (b) This Agreement shall be reviewed by an independent committee of the Board of Directors at least once every three (3) years.

### **5.17 Determinations and Actions by the Board of Directors**

All actions, calculations and determinations (including all omissions with respect to the foregoing) which are done or made by the Board of Directors in good faith for the purposes hereof may be relied upon by the Rights Agent and shall not subject the Board of Directors or any director of the Company to any liability to the holders of the Rights.

### **5.18 Time of the Essence**

Time shall be of the essence in this Agreement.

**5.19 Execution in Counterparts**

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**TETHYS PETROLEUM LIMITED**

By: ● \_\_\_\_\_  
[Name]  
[Title]

By: ● \_\_\_\_\_  
[Name]  
[Title]

**EQUITY TRANSFER & TRUST COMPANY**

By: ● \_\_\_\_\_  
[Name]  
Authorized Signatory

By: ● \_\_\_\_\_  
[Name]  
Authorized Signatory

**ATTACHMENT 1**

**TETHYS PETROLEUM LIMITED**

**SHAREHOLDER RIGHTS PLAN AGREEMENT**

[Form of Rights Certificate]

Certificate No. \_\_\_\_\_

Rights \_\_\_\_\_

**THE RIGHTS ARE SUBJECT TO TERMINATION ON THE TERMS SET FORTH IN THE SHAREHOLDER RIGHTS PLAN AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SUBSECTION 3.1(b) OF THE SHAREHOLDER RIGHTS PLAN AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES, OR TRANSFEREES OF AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES, MAY BECOME VOID.**

**Rights Certificate**

This certifies that \_\_\_\_\_, or registered assigns, is the registered holder of the number of Rights set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Shareholder Rights Plan Agreement, dated as of •, 2008, as the same may be amended or supplemented from time to time (the “Shareholder Rights Agreement”), between Tethys Petroleum Limited, a company duly incorporated under the *Companies Law, 1981 (Bermuda)* (the “Company”) and Equity Transfer & Trust Company, a trust company incorporated under the laws of Canada (the “Rights Agent”) (which term shall include any successor Rights Agent under the Shareholder Rights Agreement), to purchase from the Company at any time after the Separation Time (as such term is defined in the Shareholder Rights Agreement) and prior to the Expiration Time (as such term is defined in the Shareholder Rights Agreement), one fully paid ordinary share, par value US\$0.10 of the Company (a “Ordinary Share”) at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate with the Form of Election to Exercise (in the form provided hereinafter) duly executed and submitted to the Rights Agent at its principal office in the city of Toronto. The Exercise Price shall initially be equal to three times the Market Price (as such term is defined in the Shareholder Rights Agreement) per Ordinary Share and shall be subject to adjustment in certain events as provided in the Shareholder Rights Agreement.

This Rights Certificate is subject to all of the terms and provisions of the Shareholder Rights Agreement, which terms and provisions are incorporated herein by reference and made a part hereof and to which Shareholder Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Company and the holders of the Rights Certificates. Copies of the Shareholder Rights Agreement are on file at the registered office of the Company.

This Rights Certificate, with or without other Rights Certificates, upon surrender at any of the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing an aggregate number of

Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Ordinary Shares or of any other securities which may at any time be issuable upon the exercise hereof, nor shall anything contained in the Shareholder Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the Rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Shareholder Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Shareholder Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Date: \_\_\_\_\_

**TETHYS PETROLEUM LIMITED**

By: \_\_\_\_\_  
[President]

By: \_\_\_\_\_  
[Corporate Secretary]

countersigned

**EQUITY TRANSFER & TRUST  
COMPANY**

By: \_\_\_\_\_  
Authorized Signature

Date:

**FORM OF ASSIGNMENT**

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate.)

FOR VALUE RECEIVED \_\_\_\_\_ hereby sells, assigns and transfers unto

\_\_\_\_\_

(Please print name and address of transferee.)

the Rights represented by this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_, as attorney, to transfer the within Rights on the books of the Company, with full power of substitution.

Dated: \_\_\_\_\_

Signature Guaranteed:

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a member firm of a recognized stock exchange in Canada, or a commercial bank having an office or correspondent in Canada.

\_\_\_\_\_

**CERTIFICATE**

(To be completed if true.)

The undersigned party transferring Rights hereunder, hereby represents, for the benefit of all holders of Rights and Ordinary Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or a Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof Capitalized terms shall have the meaning ascribed thereto in the Shareholder Rights Agreement.

\_\_\_\_\_  
Signature

\_\_\_\_\_

(To be attached to each Rights Certificate.)

**FORM OF ELECTION TO EXERCISE**

(To be exercised by the registered holder if such holder desires to exercise the Rights Certificate.)

TO: \_\_\_\_\_

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_ whole Rights represented by the attached Rights Certificate to purchase the Ordinary Shares or other securities, if applicable, issuable upon the exercise of such Rights and requests that certificates for such securities be issued in the name of:

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City and Province)

\_\_\_\_\_  
Social Insurance Number or other taxpayer identification number.

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City and Province)

\_\_\_\_\_  
Social Insurance Number or other taxpayer identification number.

Dated: \_\_\_\_\_

Signature Guaranteed:

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a member firm of a recognized stock exchange in Canada, or a commercial bank having an office or correspondent in Canada.

\_\_\_\_\_

**CERTIFICATE**

(To be completed if true.)

The undersigned party exercising Rights hereunder, hereby represents, for the benefit of all holders of Rights and Ordinary Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or a Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof Capitalized terms shall have the meaning ascribed thereto in the Shareholder Rights Agreement.

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Signature

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(To be attached to each Rights Certificate.)

## **NOTICE**

In the event the certification set forth above in the Forms of Assignment and Election to Exercise is not completed, the Company will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof. No Rights Certificates shall be issued in exchange for a Rights Certificate owned or deemed to have been owned by an Acquiring Person or an Affiliate or Associate thereof, or by a Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof.

## **APPENDIX “B”**

**THE COMPANIES LAW (REVISED)**

**COMPANY LIMITED BY SHARES**

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**MEMORANDUM OF ASSOCIATION**

**of**

**TETHYS PETROLEUM LIMITED**

Adopted by special resolution on the [ ] day of [ ] 2008

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**Ref: 3507-0001/CBB/kl**

**COMPANIES LAW (REVISED)**  
**COMPANY LIMITED BY SHARES**

**MEMORANDUM OF ASSOCIATION**

**OF**

**TETHYS PETROLEUM LIMITED**

Adopted by special resolution on the [ ] day of [ ] 2008

- 1 The name of the Company is Tethys Petroleum Limited.
- 2 The Company's registered office will be situated at the office of Ogier Fiduciary Services (Cayman) Limited at P.O. Box 1234, Queensgate House, South Church Street, Grand Cayman, KY1-1108, Cayman Islands or at such other place in the Cayman Islands as the Directors may from time to time decide.
- 3 The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (Revised).
- 4 The Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by Section 27 (2) of the Companies Law (Revised).
- 5 Nothing in the preceding paragraphs shall permit the Company to carry on the business of a bank or trust company without being licensed in that behalf under the Banks and Trust Companies Law (Revised) or to carry on insurance business from within the Cayman Islands or the business of an insurance manager, agent, sub-agent or broker without being licensed in that behalf under the Insurance Law (Revised) or to carry on the business of company management without being licensed in that behalf under the Companies Management Law (Revised).
- 6 The Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands, but nothing in this paragraph shall be so construed as to prevent the Company effecting and concluding contracts in the Cayman Islands and exercising in the Cayman Islands any of its powers necessary for the carrying on of its business outside the Cayman Islands.
- 7 The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.

- 8 The capital of the Company is seventy-five million United States dollars (US\$75,000,000) divided into seven hundred million of ordinary shares (700,000,000) of ten United States cents (US\$0.10) par value each and fifty million of preference shares (50,000,000) of ten United States cents (US\$0.10) par value each with power for the Company, subject to the provisions of the Companies Law (Revised) and the Articles of Association, to redeem any of its shares and to increase or reduce the said capital and to issue any part of its capital, original, redeemed, increased or reduced, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether declared to be ordinary, preference or otherwise, shall be subject to the power hereinbefore contained.
- 9 The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.
- 10 Capitalised terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company and the interpretations section of the Articles of Association of the Company shall apply to this Memorandum of Association.

**THE COMPANIES LAW (REVISED)**

**COMPANY LIMITED BY SHARES**

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**ARTICLES OF ASSOCIATION**

**of**

**TETHYS PETROLEUM LIMITED**

Adopted by special resolution on the [ ] day of [ ] 2008

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**Ref: 3507-0001/CBB/kl**

**COMPANIES LAW (REVISED)**  
**COMPANY LIMITED BY SHARES**

**ARTICLES OF ASSOCIATION**  
**OF**  
**TETHYS PETROLEUM LIMITED**

Adopted by special resolution on the [ ] day of [ ] 2008

**Preliminary**

**1 Table A inapplicable**

The regulations contained in Table A in the First Schedule of the Law shall not apply to the Company and the following regulations shall be the Articles of Association of the Company.

**2 Interpretation**

(A) In the Articles the following words shall bear the following meanings if not inconsistent with the subject or context:

"**Articles**" means these Articles of Association of the Company as from time to time amended by Special Resolution;

"**Associate**" means in relation to an Offeror:-

- (i) a nominee of the Offeror;
- (ii) a holding company, subsidiary or fellow subsidiary of the Offeror or a nominee of such a holding company, subsidiary or fellow subsidiary; or
- (iii) a body corporate in which the Offeror is substantially interested either because:
  - (a) that body or its directors are accustomed to act in accordance with the direction or instructions of the Offeror; or
  - (b) the Offeror is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of that body; or
- (iv) where the Offeror is an individual, his spouse or civil partner and any minor child or step-child of his;

"**at any time**" means at any time or times and includes for the time being and from time to time;

"**Auditor**" means the person at any time appointed as the auditor of the Company;

"**Board**" means the board of directors at any time of the Company or the Directors present at a duly convened meeting of the Directors at which a quorum is present;

"**business day**" means a day which is not a Saturday or a Sunday, and on which the banks are open for ordinary business in George Town, Cayman Islands and Toronto, Canada;

"**certificated**" means, in relation to a share, a share which is not in uncertificated form;

"**clear days**" means, in relation to a period of notice, that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

"**company**" includes any body corporate or association of persons, whether or not a company within the meaning of the Law other than the Company;

"**Company**" means **Tethys Petroleum Limited**;

"**Director**" means a director of the Company for the time being;

"**Dividend**" includes bonus or any other distribution whether in cash or in specie;

"**Dollars**", **US\$** or "**\$**" means the lawful currency of the United States of America;

"**entitled by transmission**" means, in relation to a share, entitled as a consequence of the death or bankruptcy of a Member, or as a result of another event giving rise to a transmission of entitlement by operation of law;

"**executed**" means any mode of execution;

"**Executors**" includes administrators;

"**Islands**" the British Overseas Territory of the Cayman Islands;

"**Law**" means the Companies Law (Revised) of the Cayman Islands;

"**Liquidator**" includes joint Liquidators;

"**Listing**" means the admission to, or permission to deal on, any Recognised Investment Exchange, including without limitation, the Toronto Stock Exchange, Toronto Canadian Venture Exchange, the Oslo Stock Exchange (including the Junior Over the Counter Market on the Oslo Stock Exchange), the Hong Kong Stock Exchange and the Official List or AIM Market of the London Stock Exchange plc, becoming unconditionally effective in relation to all or any of the issued equity share capital of the Company;

"**Member**" has the same meaning as in the Law;

"**Memorandum**" means the Memorandum of Association of the Company;

"**Month**" means calendar month;

"**Offeror**" means the person or persons making a Takeover Offer;

"**Office**" means the registered office at any time of the Company;

"**Ordinary Resolution**" a resolution of a duly constituted general meeting of the Company passed by a simple majority of votes cast by, or on behalf of, the Members entitled to vote present in person or by proxy and voting at the meeting;

"**Ordinary Share**" means an ordinary share of US\$0.10 par value;

"**paid**", "**paid up**" and "**paid-up**" means paid up as to the par value and any premium payable in respect of the issue of any shares and includes credited as paid up;

"**percentage level**" means the percentage figure found by expressing the aggregate nominal value of all of the ordinary share capital of the Company immediately before or (as the case may be) immediately after the relevant time as a percentage of the nominal value of that share capital and rounding that figure down, if it is not a whole number, to the next whole number;

"**Preference Share**" means a preference share of US\$0.10 par value;

"**Probate**" includes letters of administration;

"**Proxy**" includes attorney;

"**Recognised Investment Exchange**" has the meaning ascribed thereto in Section 285(1) of the Financial Services and Markets Act 2000 of the United Kingdom including without limitation, the Toronto Stock Exchange, Toronto Canadian Venture Exchange, the Oslo Stock Exchange (including the Junior Over the Counter Market on the Oslo Stock Exchange), the Hong Kong Stock Exchange and the Official List or AIM Market of the London Stock Exchange plc;

"**Register**" means the register of Members kept pursuant to the Law;

"**relevant change**" means a change to a Member's interest in ordinary shares which increases or decreases such interest through any single percentage level;

"**Seal**" means the common seal of the Company including every duplicate seal;

"**Secretary**" any person appointed by the Board to perform any of the duties of the secretary of the Company, including joint, assistant or deputy secretary;

"**shares**" a share in the share capital of the Company being either Ordinary Shares or Preference Shares;

"**Special Resolution**" has the same meaning as in the Law;

"**Member**" or "**holder**" means the registered holder of a share of the Company and includes two or more joint holders of a share;

"**Takeover Offer**" means an offer to acquire all the shares, or all the shares of any class or classes in the Company (other than shares which at the date of the offer are already held by the Offeror), being an offer on terms which are the same in relation to all the shares to which the offer relates or, where those shares include shares of different classes, in relation to all the shares of each class;

"**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland.

- (B) Where an Ordinary Resolution of the Company is expressed to be required for any purpose, a Special Resolution is also effective for that purpose.
- (C) References to a "**meeting**" shall not be taken as requiring more than one person to be present if any quorum requirement can be satisfied by one person.
- (D) Unless the context otherwise requires, words or expressions defined in the Law shall have the same meanings herein but excluding any statutory modification thereof not in force when these Articles become binding on the Company.

- (E) The headings in the Articles are for convenience only and do not affect the interpretation of the Articles.
- (F) In the Articles the singular includes the plural and vice versa, the masculine includes the feminine, words importing persons include corporations and expressions referring to writing include any mode of representing or reproducing words.
- (G) The word “may” shall be construed as permissive and the word “shall” shall be construed as imperative.
- (H) Any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words proceeding those terms.
- (I) References to statutes are, unless otherwise specified, references to statutes of the Islands (and such reference shall be taken to be to the short title applicable to such statute) and, subject to paragraph (D) above, include any statutory modification or re-enactment thereof for the time being in force.

### **Commencement of Business**

- 3 The business of the Company may be commenced as soon after incorporation as the Board think fit, notwithstanding that only some of the shares may have been allotted.
- 4 The Board may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company including the expenses of registration.

### **Situation of offices of the Company**

- 5 The registered office of the Company shall be at such address in the Islands as the Board shall from time to time determine.

### **SHARES**

#### **6 Authorised shares**

- (A) The authorised share capital of the Company at the date of adoption of these Articles is US\$75,000,000 divided into:
  - (i) 700,000,000 ordinary shares of US\$0.10 each; and
  - (ii) 50,000,000 preference shares of US\$0.10 par valueeach having the rights hereinafter described.
- (B) A share shall not be issued until the consideration for such share is fully paid in money or in property or past services that are not less in value than the fair equivalent of the money that the Company would have received if such shares had been issued for money.
- (C) For the purpose of Article 6(B), the term “property” does not include a promissory note or a promise to pay.

- (D) Shares, once fully paid, shall be non-assessable and Members holding fully paid shares shall not be liable to the Company or its creditors with respect thereto.

## **7 Preference Shares**

- (A) Preference shares:
  - (i) may be issued in one or more series;
  - (ii) are entitled to any dividends in priority to the Ordinary Shares;
  - (iii) confer upon the holders thereof rights in a winding-up in priority to the Ordinary Shares; and
  - (iv) may have such other rights, privileges and conditions (including voting rights) as the Board may determine prior to the first allotment of any series of Preference Shares, provided that if a series of Preference Shares has no or limited voting rights it shall be designated as such by the Board.

## **8 Ordinary Shares**

- (A) the holder of an Ordinary Share shall (in respect of such share) have the right to receive notice of, attend at and vote as a Member of any general meeting of the Company.
- (B) Ordinary Shares shall be:
  - (i) subject to the prior rights of the Preference Shares, entitled to any dividends declared by the Board; and
  - (ii) subject to the prior rights of the Preference Shares, confer upon the holders thereof rights in a winding-up,

all in accordance with the terms of the Articles.

## **9 Allotment**

- (A) Subject to the provisions of the Memorandum and these Articles (and to any direction that may be given to the Company in a General Meeting) the Board has general and unconditional authorities to allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of any unissued shares of the Company (whether forming part of the original or any increased share capital) either at a premium or at par or rights to subscribe for or convert any security into shares and on such terms as the Board may decide except that no share shall be issued at a discount.
- (B) The Company shall not issue shares or warrants to bearer.
- (C) The Board may at any time after the allotment of a share but before a person has been entered in the Register as the holder of the share recognise a renunciation of the share by the allottee in favour of another person and may grant to an allottee a right to effect a renunciation on the terms and conditions the Board thinks fit.

## **10 Power to redeem and purchase shares**

Subject to the provisions of the Law and the requirements of any Recognised Investment Exchange on which shares are listed:

- (i) any Preference Shares may be issued on terms that they are to be redeemed or, at the option of either the Company or the holder, are liable to be redeemed in each case on such terms and in such manner as the Board before the issue may decide; and
- (ii) the Company may from time to time purchase, or agree to purchase in the future, all or any of its own shares of any class (including any redeemable shares) in any manner authorised by the Law and may make payments in respect of any such purchase otherwise than out of its distributable profits or the proceeds of a fresh issue of shares,

provided that, in all cases, all offers to purchase redeemable shares shall, if made by tender, be made equally to all holders of such shares and, if not made by tender, shall be subject to a maximum price in compliance with the rules of any Recognized Investment Exchange on which the shares of the Company are listed.

## **11 Approval of transactions**

The Company may from time to time by Special Resolution enter into a sale, lease or exchange of all or substantially all of the assets of the Company other than in the ordinary course of business.

## **12 Dissent Rights**

Without prejudice to the other provisions in these Articles, where the Company proposes a plan of amalgamation, reconstruction or arrangement of the Company which will result in shares of any Member being compulsorily acquired or cancelled (the “**Plan**”) and which does not under applicable law require the approval of the Cayman court, a general meeting of the Company must be held to seek the approval of the Members and the notice of the said general meeting must include or be accompanied by a copy or summary of the Plan and state (i) the fair value of the shares in cash as determined by the Company and (ii) that a dissenting Member is entitled to be paid the fair value of his shares. Any Member whose shares will be subject to repurchase or cancelled under the Plan and who did not vote in favour of the Plan which has subsequently been approved in accordance with these Articles and applicable laws and is not satisfied that he has been offered fair value for his shares pursuant to the Plan (the “**Dissenting Member**”) may within one month of the holding of the said general meeting apply to the Company to have the fair value of his shares appraised by an independent qualified appraiser appointed by the Company. The Company shall then pay to the Dissenting Member an amount equal to the value of his shares as appraised by the independent qualified appraiser within one month upon completion of the appraisal. In the case where the Plan by law requires the approval of the Cayman court, the Company shall ensure that the Plan includes appraisal rights to Dissenting Members on the terms substantially similar to the provisions set out in this Article. For the avoidance of doubt, a Dissenting Member shall only be entitled to receive the amount appraised by the independent qualified appraiser and shall not be entitled to receive, in addition, the consideration such Dissenting Member would otherwise be entitled under the Plan. The effectiveness or completion of the Plan shall not be affected by the appraisal right of a Dissenting Member under this Article.

### **13 Alteration of capital**

The Company may from time to time by Special Resolution:

- (i) increase its authorised share capital by creating new shares of such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- (ii) reduce its authorised share capital as set out in these Articles; and
- (iii) create new classes of shares.

### **14 Variation of rights**

- (A) If at any time the share capital is divided into different classes of shares the rights attached to any class may whether or not the Company is being wound up be varied or abrogated in such manner (if any) as may be provided by such rights, or in the absence of any such provision, either with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a Special Resolution of the holders of the shares of that class validly held in accordance with the Articles, but not otherwise. To any separate general meeting of a class the provisions of the Articles relating to general meetings shall apply mutatis mutandis but so that the necessary quorum (other than at an adjourned meeting) shall be at least two persons present in person or by proxy holding at least one-third in nominal amount of the issued shares of that class or, at any adjourned meeting of such holders, one person holding shares of the class who are present in person or by proxy, whatever his or their holding. Any holder of shares of that class present in person or by proxy and entitled to vote at any meeting may demand a poll and the holders of the class shall, on a poll, have one vote in respect of every share of the class held by them respectively.
- (B) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not (unless otherwise expressly provided by the terms of issue of the shares of that class) be deemed to be varied or abrogated by the creation, allotment or issue of further shares ranking *pari passu* therewith or by the purchase or redemption by the Company of its own shares in accordance with the Law and Article 10.

### **15 Commission**

The Company may exercise all the powers conferred or permitted by the Law of paying commission or brokerage in money or shares to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares in the Company or procuring or agreeing to procure subscriptions whether absolute or conditional for any shares in the Company. The Company may also on any issue of shares pay such brokerage as may be lawful.

### **16 Trusts not recognised**

- (A) Except as ordered by a court of competent jurisdiction or as required by law, the Company shall not recognise a person as holding a share on trust and shall not be affected or bound by or otherwise compelled to recognise (even if it has notice of it and whether or not the share is entered in the Register as held in trust) any equitable, contingent, future or partial interest in any share or fraction or (except only as by the Articles or by law otherwise provided) any other rights in respect of any share other than an absolute right in the holder to the whole of the share.

- (B) Notwithstanding the preceding paragraph (A) of this Article, the Company may (but shall not be obliged to) recognise a security interest of which it has actual notice over shares. The company shall not be treated as having recognised any such security interest unless it has so agreed in writing with the secured party.

## **SHARE CERTIFICATES**

### **17 Right to certificate**

- (A) The Company shall, upon request, issue:
- (i) without payment one certificate to each person for all his shares of each class and when part only of the shares comprised in a certificate is sold or transferred a balance certificate; or
  - (ii) upon payment of such sum as the Board may determine several certificates each for one or more shares of any class.
- (B) The Company shall not be bound to issue more than one certificate for certificated shares held jointly by two or more persons and delivery of a certificate to one joint holder is sufficient delivery to all joint holders.
- (C) Any certificate issued shall specify the number and class and the distinguishing numbers (if any) of the shares in respect of which it is issued and the amount paid up on the shares.
- (D) All forms of certificate for shares or debentures or representing any other form of security (other than letters of allotment, scrip certificates and other like documents) shall be issued under the Seal of the Company, which may be affixed to or printed on it, or in such other manner as the Board may approve, having regard to the terms of allotment or issue of the shares, and shall be signed autographically unless there shall be in force a resolution of the Board adopting some method of mechanical signature in which event the signatures (if authorised by such resolution) may be effected by the method so adopted.

### **18 Replacement certificates**

- (A) Where a Member holds two or more certificates for shares of one class, the Board may at his request, on surrender of the original certificates and without charge, cancel the certificates and issue a single replacement certificate for certificated shares of that class.
- (B) At the request of a Member, the Board may cancel a certificate and issue two or more in its place (representing certificated shares in such proportions as the Member may specify), on surrender of the original certificate and on payment of such reasonable sum as the Board may decide.
- (C) If a share certificate is issued and is worn out or defaced the Board may require the certificate to be delivered to it before issuing a replacement and cancelling the original. If a certificate is lost or destroyed, the Board may cancel it and issue a replacement certificate on such terms as to provision of evidence and indemnity and to payment of any exceptional out-of-pocket expenses incurred by the Company in the investigation of that evidence and the preparation of that indemnity as the Board may decide.

## LIEN

### **19 Company's lien on shares not fully paid**

- (A) The Company has a first and paramount lien on all partly paid shares for an amount payable in respect of the share, whether the due date for payment has arrived or not. The lien applies to all dividends from time to time declared or other amounts payable in respect of the share.
- (B) The Board may either generally or in a particular case declare a share to be wholly or partly exempt from the provisions of this Article. Unless otherwise agreed with the transferee, the registration of a transfer of a share operates as a waiver of the Company's lien (if any) on that share.

### **20 Enforcement of lien by sale**

- (A) For the purpose of enforcing the lien referred to in Article 19, the Board may sell any shares subject to the lien in such manner as it may decide provided that:
  - (i) the due date for payment of the relevant amounts has arrived; and
  - (ii) the Board has served a written notice on the Member concerned (or on any person who is entitled to the shares by transmission or by operation of law) stating the amounts due, demanding payment thereof and giving notice that if payment has not been made within 14 clear days after the service of the notice that the Company intends to sell the shares.
- (B) To give effect to a sale, the Board may authorise a person to transfer the shares in the name and on behalf of the holder (or any person who is automatically entitled to the shares by transmission or by law), or to cause the transfer of such shares, to the purchaser or his nominee. The purchaser is not bound to see to the application of the purchase money and the title of the transferee is not affected by an irregularity in or invalidity of the proceedings connected with the sale. After the name of the purchaser or his nominee has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any persons and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

### **21 Application of proceeds of sale**

The net proceeds of a sale effected under Article 20, after payment of the Company's costs of the sale, shall be applied in or towards satisfaction of the amount in respect of which the lien exists. Any residue shall (on surrender to the Company for cancellation of any certificate for the shares sold, or the provision of an indemnity as to any lost or destroyed certificate required by the Board and subject to a like lien for amounts not presently payable as existed on the shares before the sale) be paid to the Member (or person entitled to the shares) immediately before the sale. The purchaser shall be registered as the holder of the shares so transferred and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in relation to the sale.

## **TRANSFER OF SHARES**

### **22 Method of transfer**

- (A) A Member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any other form approved by the Board, and the instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee.
- (B) Every instrument of transfer in respect of a share shall be left at the Office or such other place as the Board may prescribe with the certificate of every share to be transferred and such other evidence as the Board may reasonably require to prove the title of the transferor or his right to transfer the shares; and the transfer and certificate (if any) shall remain in the custody of the Board but shall be at all reasonable times produced at the request and expense of the transferor or transferee or their respective representatives. A new certificate shall be delivered free of charge to the transferee after the transfer is completed and registered on his application and when necessary a balance certificate shall be delivered if required by him in writing.

### **23 Right to refuse registration**

- (A) Subject to this Article, shares of the Company are free from any restriction on transfer. In exceptional circumstances approved by each Recognised Investment Exchange on which the Company's shares are listed from time to time, the Board may refuse to register a transfer of shares provided that such refusal would not disturb the market in those shares. Subject to the requirements of any such Recognised Investment Exchange, the Board may, in its absolute discretion and without giving a reason, refuse to register the transfer of a share which is not fully paid or the transfer of a share on which the Company has a lien.
- (B) In addition, the Board may refuse to register a transfer of a share or a renunciation of a renounceable letter of allotment unless:
  - (i) it is in respect of only one class of shares;
  - (ii) it is in favour of (as the case may be) a single transferee or renounee or not more than four joint transferees or renounees or a child, bankrupt or person of unsound mind; and
  - (iii) it is delivered for registration to the Office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates (except in the case of a transfer where a certificate has not been issued, or in the case of a renunciation) and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.
- (C) If the Board refuses to register any allotment or the transfer of a share it shall, within two months after the date on which the letter of allotment or share transfer form was lodged with the Company, send notice of the refusal to the allottee or transferee. An instrument of transfer which the Board refuses to register shall (except in the case of suspected fraud) be returned to the person depositing it. The Company may retain all instruments of transfer which are registered.

## 24 Compulsory transfer of shares

- (A) If it shall come to the notice of the Board that any shares are or may be owned or held directly or beneficially by any person in breach of any law or requirement of any country or by virtue of which such person is not qualified to own those shares and, in the sole and conclusive determination of the Board, such ownership or holding or continued ownership or holding of those shares (whether on its own or in conjunction with any other circumstance appearing to the Board to be relevant) would, in the reasonable opinion of the Board, cause a pecuniary or tax disadvantage to the Company or any other holder of shares or other securities of the Company which it or they might not otherwise have suffered or incurred the Board may serve written notice (hereinafter called a "**Transfer Notice**") upon the person (or any one of such persons where shares are registered in joint names) appearing in the register as the holder (the "**Vendor**") of any of the shares concerned (the "**Relevant Shares**") requiring the Vendor within 21 days (or such extended time as in all the circumstances the Board shall consider reasonable) to transfer (and/or procure the disposal of interests in) the Relevant Shares to another person who, in the sole and conclusive determination of the Board, would not fall within this paragraph above (an "**Eligible Transferee**"). On and after the date of such Transfer Notice, and until registration of a transfer of the Relevant Share to which it relates pursuant to the provisions of this paragraph (A) of this Article, the rights and privileges attaching to the Relevant Shares shall be suspended and not capable of exercise.
- (B) If within 21 days after the giving of a Transfer Notice (or such extended time as in all the circumstances the Board shall consider reasonable) the Transfer Notice has not been complied with to the satisfaction of the Board, the Company may sell the Relevant Shares on behalf of the holder thereof by instructing a member firm of any Recognised Investment Exchange on which the Company's shares are listed to sell them at the best price reasonably obtainable at the time of sale to any one or more Eligible Transferees. To give effect to a sale, the Board may authorise in writing any officer or employee of the Company, or any officer or employee of the secretary, to transfer the Relevant Shares on behalf of the holder thereof (or any person who is automatically entitled to the shares by transmission or by law), or to cause the transfer of the Relevant Shares, to the purchaser. The purchaser is not bound to see to the application of the purchase money and the title of the transferee is not affected by any irregularity in or invalidity of the proceedings connected to the sale. The net proceeds of the sale of the Relevant Shares, after payment of the Company's costs of the sale, shall be received by the Company, whose receipt shall be a good discharge for the purchase moneys, and shall belong to the Company and, upon their receipt, the Company shall become indebted to the former holder of the Relevant Shares, or the person who is automatically entitled to the Relevant Shares by transmission or by law, for an amount equal to the net proceeds of transfer, in the case of certificated shares, upon surrender by him or them of the certificate for the Relevant Shares which the Vendor shall forthwith be obliged to deliver to the Company. The Company is deemed to be a debtor and not a trustee in respect of that amount for the member or other person. No interest is payable on that amount and the Company is not required to account for money earned on it. The amount may be employed in the business of the Company or as it thinks fit. The Company may register or cause the registration of the transferee as holder of the Relevant Shares and thereupon the transferee shall become absolutely entitled thereto.
- (C) A person who becomes aware that his holding, directly or beneficially, of shares will, or is likely to, fall within paragraph (A) of this Article shall forthwith, unless he has already received a Transfer Notice pursuant to paragraph (A) above, either transfer the shares to one or more Eligible Transferees or give a request in writing to the Board for

the issue of a Transfer Notice in accordance with paragraph (A) above. Every such request in relation to certificated shares shall be accompanied by the certificate(s) for the shares to which it relates.

- (D) Subject to the provisions of this Article, the Board shall, unless any Director has reason to believe otherwise, be entitled to assume without enquiry that none of the shares are held in such a way as to entitle the Board to serve a Transfer Notice in respect thereof. The Board may, however, at any time and from time to time call upon any holder (or any one of joint holders or a person who is automatically entitled to the shares by transmission or by law) of shares by notice in writing to provide such information and evidence as it shall require upon any matter connected with or in relation to such holder of shares. In the event of such information and evidence not being so provided within such reasonable period (not being less than 21 clear days after service of the notice requiring the same) as may be specified by the Board in the said notice, the Board may, in its absolute discretion, treat any share held by such holder or joint holder or person who is automatically entitled to the shares by transmission or by law as being held in such a way as to entitle it to serve a Transfer Notice in respect thereof.
- (E) The Board shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with this Article. The exercise of the powers conferred by paragraph (A) and/or (B) and/or (D) above shall not be questioned or invalidated in any case on the ground that there was insufficient evidence of direct or beneficial ownership or holding of shares by any person or that the true direct or beneficial owner or holder of any shares was otherwise than as appeared to the Board at the relevant date PROVIDED THAT the said powers shall have been exercised in good faith.

## **25 Fees on registration**

The Company (at its option) may or may not charge a fee for registering the transfer of a share or the renunciation of a renounceable letter of allotment or other document or instructions relating to or affecting the title to a share or the right to transfer it or for making any other entry in the Register. Such fee shall not exceed the maximum amount permitted by any Recognised Investment Exchange on which the shares are listed.

## **TRANSMISSION OF SHARES**

### **26 On death**

- (A) The Company shall recognise only the personal representative or representatives of a deceased Member as having title to a share held by that member alone or to which he alone was entitled. In the case of a share held jointly by more than one person, the Company may recognise only the survivor or survivors as being entitled to it.
- (B) Nothing in the Articles releases the estate of a deceased Member from liability in respect of a share which has been solely or jointly held by him.

### **27 Election of person entitled by transmission**

- (A) A person becoming entitled by transmission to a share may, on production of such evidence as the Board may require as to his entitlement, elect either to be registered as a Member or to have a person nominated by him registered as a Member.
- (B) If he elects to be registered himself, he shall give notice to the Company to that effect. If he elects to have another person registered, he shall:

- (i) if it is a certificated share, execute an instrument of transfer of the share to that person; or
- (ii) if it is an uncertificated share:
  - (a) procure that instructions are given by means of a relevant system to effect transfer of the share to that person; or
  - (b) change the share to a certificated share and execute an instrument of transfer of the share to that person.
- (C) All the provisions of the Articles relating to the transfer of certificated shares apply to the notice or instrument of transfer (as the case may be) as if it were an instrument of transfer executed by the Member and his death, bankruptcy or other event giving rise to a transmission of entitlement had not occurred.
- (D) The Board may give notice requiring a person to make the election referred to in paragraph (A). If that notice is not complied with within 60 days, the Board may withhold payment of all dividends and other amounts payable in respect of the share until notice of election has been made.

## **28 Rights on transmission**

Where a person becomes entitled by transmission to a share, the rights of the holder in relation to that share cease. The person entitled by transmission may, however, give a good discharge for dividends and other amounts payable in respect of the share and, subject to Articles 26 and 105, has the rights to which he would be entitled if he were the holder of the share. The person entitled by transmission is not, however, before he is registered as the holder of the share entitled in respect of it to receive notice of or exercise rights conferred by membership in relation to meetings of the Company or a separate meeting of the holders of a class of shares.

## **29 Minority Member Buy-out**

- (A) If, in relation to a Takeover Offer, the Offeror has by virtue of acceptances of the Takeover Offer acquired or contracted to acquire not less than nine-tenths in value of the shares of any class to which the Takeover Offer relates he may give notice to the holder of any shares of that class which the Offeror has not acquired or contracted to acquire that he desires to acquire those shares and shall thereafter be entitled and bound to acquire those shares on the terms of the Takeover Offer.
- (B) No notice shall be given under Article 29(A) unless the Offeror has acquired or contracted to acquire the shares necessary to satisfy the minimum required under Article 29(A) before the end of the period of four months beginning with the date of the Takeover Offer and no such notice shall be given after the end of the period of two months beginning with the date on which he had acquired or contracted to acquire shares which satisfy that minimum.
- (C) When the Offeror gives such notice he shall send a copy of it to the Company together with a declaration by him stating that the conditions for the giving of the notice are satisfied.
- (D) Where during the period within which the Takeover Offer can be accepted the Offeror acquires or contracts to acquire any of the shares to which the Takeover Offer relates but otherwise than by virtue of acceptances of the Takeover Offer, then, if-

- (i) the value of the consideration for which they are acquired or contracted to be acquired (“**the acquisition consideration**”) does not at that time exceed the value of the consideration specified in the terms of the Takeover Offer; and
- (ii) those terms are subsequently revised so that when the revision is announced the value of the acquisition consideration, at the time mentioned in paragraph (i) above, no longer exceeds the value of the consideration specified in those terms,

the Offeror shall be treated for the purposes of this Article as having acquired or contracted to acquire those shares by virtue of acceptances of the Takeover Offer but in any other case those shares shall be treated as excluded from those to which the Takeover Offer relates.

(E) Where the terms of the Takeover Offer are such as to give the holder of any shares a choice of consideration the notice under Article 29(A) shall give particulars of the choice and state:-

- (i) that the holder of the shares may within six weeks from the date of the notice indicate his choice by a written communication sent to the Offeror at an address specified in the notice;
- (ii) which consideration specified in the Takeover Offer is to be taken as applying in default of his indicating a choice as aforesaid;
- (iii) and the terms of the Takeover Offer shall be determined accordingly, provided that if the consideration chosen by the holder of the shares:-
- (iv) is not cash and the Offeror is no longer able to provide it; or
- (v) was to have been provided by a third party who is no longer bound or able to provide it,

the consideration shall be taken to consist of an amount of cash payable by the Offeror which at the date of the notice is equivalent to the chosen consideration.

(F) At the end of six weeks from the date of the notice the Offeror shall forthwith pay or transfer to the Company the consideration for the shares to which the notice relates and shall provide to the Company an instrument of transfer executed on behalf of the Member by a person appointed by the Offeror and on receipt of that instrument the Company shall register the Offeror as the holder of those shares. Where the consideration for the shares consists of shares or securities to be allotted by the Offeror the transfer of the consideration shall be by way of allotment of the shares or securities to the Company.

(G) The consideration received by the Company shall be held together with any dividend or other sum accruing thereon by the Company on trust for the person entitled in respect of which the sum or other consideration was received provided that where after reasonable enquiry made at such intervals as are reasonable the person entitled to any consideration held on trust cannot be found and twelve years have elapsed since the consideration was received or the Company is wound up, the consideration (together with any interest, dividend or other benefit that has accrued from it) shall be forfeited and cease to remain owing by the Company and shall revert to the Company. The expenses of any such enquiry may be defrayed out of the money or other property held on trust for the person or persons to whom the enquiry relates.

## **ALTERATION OF SHARE CAPITAL**

### **30 Consolidation, sub-division and cancellation**

The Company may by Ordinary Resolution:

- (i) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- (ii) subdivide all or any of its shares into shares of a smaller amount than is fixed by the Memorandum so however that in subdivision the proportion between the amount paid up and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that the resolution whereby any share is subdivided may also determine that as between the holders of the shares resulting from such subdivision one or more of the shares may have such preferred deferred or other rights over the others as the Company has power to attach to unissued or new shares;
- (iii) convert all or any of its fully paid shares the nominal amount of which is expressed in a particular currency into fully paid shares of a nominal amount of a different currency, the conversion being effected at the rate of exchange (calculated to not less than three significant figures) current on the date of the resolution or on such other date as may be specified therein; and
- (iv) where its share capital is expressed in a particular currency, denominate or redenominate it, whether by expressing its amount in units or subdivisions of that currency, or otherwise.

### **31 Fractions**

(A) If, as the result of consolidation and division or sub-division of shares or by reason of any scrip dividend, Members would become entitled to fractions of a share, the Board may issue fractions of a share or otherwise on behalf of the Members deal with the fractions as it thinks fit. Subject to the Law and the requirements of any applicable relevant system, the Board may in effecting divisions and/or consolidations, treat a Member's shares held in certificated form and uncertificated form as separate holdings. In particular the Board may:

- (i) sell any shares representing fractions to a person (including, subject to the Law, to the Company) and distribute the net proceeds of sale in due proportion amongst the persons entitled or if the Board decides, some or all of the sum raised on a sale may be retained for the benefit of the Company; or
- (ii) subject to the Law, allot or issue to a Member credited as fully paid by way of capitalisation the minimum number of shares required to round up his holding of shares to a number which, following consolidation and division or sub-division, leaves a whole number of shares (such allotment or issue being deemed to have been effected immediately before consolidation or sub-division, as the case may be).

(B) To give effect to a sale pursuant to sub-paragraph 31(A)(i) the Board may arrange for the shares representing the fractions to be entered in the Register as certificated shares. The Board may also authorise a person to transfer the shares to, or to the direction of, the purchaser. The purchaser is not bound to see to the application of the purchase

money and the title of the transferee to the shares is not affected by an irregularity or invalidity in the proceedings connected with the sale.

- (C) If shares are allotted or issued pursuant to sub-paragraph 31(A)(ii), the amount required to pay up those shares may be capitalised as the Board thinks fit.

### **32 Reduction of capital**

The Company may by Special Resolution reduce its share capital or any share premium account in any manner and with and subject to any incident authorised and consent required by the Law.

## **GENERAL MEETINGS**

### **33 Annual general meetings**

The first annual general meeting of the Company shall be held within such time (if any) as may be required by the Law and thereafter annual general meetings shall be held once at least in each subsequent calendar year provided that not more than 15 months shall elapse between one annual general meeting and the next. Annual general meetings shall be held in such place as determined by the Board, but not in the United Kingdom. Subject to the requirements of this Article, annual general meetings shall be convened by the Board at such time and place as it thinks fit.

### **34 Extraordinary general meetings**

All general meetings of the Company other than annual general meetings are called extraordinary general meetings. Extraordinary general meetings shall be held in such place as determined by the Board, but not in the United Kingdom.

### **35 Convening of extraordinary general meetings**

- (A) The Board may convene an extraordinary general meeting whenever it thinks fit.
- (B) One or more members holding at least one tenth of the issued share capital of the Company may, by serving a Member's requisition on the Company require the convening of an extraordinary general meeting. The requisition shall be dated and shall state the object of the meeting and shall be signed by the requisitionists and deposited at the Office and may consist of several documents in like form each signed by one or more of the requisitionists.
- (C) If the Board does not proceed to convene a meeting within twenty-one days from the date of the requisition being so deposited the requisitionists or a majority of them in value may within a period of three months beginning on that date themselves convene the meeting.
- (D) Any meeting convened by requisitionists shall be convened in the same manner (as nearly as possible) as that in which meetings are convened by the Board.
- (E) At a meeting convened on a requisition or by requisitionists no business may be transacted except that stated by the requisition or proposed by the Board.
- (F) An extraordinary general meeting may also be convened in accordance with Article 83.

### **36 Length and form of notice**

- (A) A general meeting shall be called by not less than 21 and not more than 60 days' notice.
- (B) Although called by shorter notice than that specified in paragraph (A) or at no notice, a general meeting is deemed to have been duly called if it is so agreed in writing by all the Members entitled to attend and vote at the meeting.
- (C) The notice of meeting shall specify:
  - (i) whether the meeting is an annual general meeting or an extraordinary general meeting;
  - (ii) the place, the date and the time of the meeting;
  - (iii) the particulars with respect to the nature of the business to be conducted and the resolutions to be considered at the meeting;
  - (iv) if the meeting is convened to consider a Special Resolution, the intention to propose the resolution as such; and
  - (v) with reasonable prominence, that a Member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a Member.
- (D) The notice of meeting shall be given to all the Members entered on the Register as of such date prior to the date that the notice of meeting is to be sent to Members as determined by the Board. Notice of the meeting shall also be sent to the Auditor and each Director.
- (E) The notice of meeting may also specify a time (which shall not be more than 48 hours before the time fixed for the meeting) by which a person must be entered on the Register in order to have the right to attend or vote at the meeting. Changes to entries on the Register after the time so specified in the notice shall be disregarded in determining the rights of any person to so attend or vote.

### **37 Omission to send notice**

The accidental omission to send a notice of meeting or any document relating to the meeting or the non-receipt of any such notice or document by a person entitled to receive any such notice or document shall not invalidate the proceedings at that meeting.

### **38 Postponement of general meetings**

If the Board, in its absolute discretion, considers that it is impractical or unreasonable for any reason to hold a general meeting at the time or place specified in the notice calling the general meeting, it may move and/or postpone the general meeting to another time and/or place. When a meeting is so moved and/or postponed, notice of the time and place of the moved and/or postponed meeting shall (if practical) be placed in at least one Canadian national newspaper and in such other newspapers as required by any Recognised Investment Exchange on which shares are listed. Notice of the business to be transacted at such moved and/or postponed meeting is not required. The Board must take reasonable steps to ensure that Members trying to attend the general meeting at the original time and/or place are informed of the new arrangements for the

general meeting. Proxy forms can be delivered as specified in Article 56, until 48 hours before the rearranged meeting. Any postponed and/or moved meeting may also be postponed and/or moved under this Article.

### **39 Business of a meeting**

All business transacted at a general meeting is deemed special except the following business transacted at an annual general meeting:

- (i) the receipt and consideration of the annual accounts, the Directors' report and the auditors' report on those accounts;
- (ii) the appointment or re-appointment of Directors and Auditors in place of those retiring by rotation or otherwise ceasing to hold office; and
- (iii) the appointment of the Auditors and fixing or determining the manner of fixing of the remuneration of the Auditors.

## **PROCEEDINGS AT GENERAL MEETINGS**

### **40 Quorum**

- (A) No business may be transacted at a general meeting unless a quorum is present. The absence of a quorum does not prevent the appointment of a Chairman in accordance with the Articles, which shall not be treated as part of the business of the meeting.
- (B) The quorum for a general meeting for all purposes is two Members present in person or by proxy and entitled to vote.

### **41 Procedure if quorum not present**

- (A) If a quorum is not present within twenty minutes (or such longer time as the Chairman decides to wait) after the time fixed for the start of the meeting or if there is no longer a quorum present at any time during the meeting, the meeting, if convened by or on the requisition of Members, is dissolved. In any other case it stands adjourned to such other day (being not less than three nor more than 28 days later) and at such other time and/or place as may have been specified for the purpose in the notice convening the meeting. Where no such arrangements have been specified, the meeting stands adjourned for seven days at the same time and place or to such other day (being not less than 14 nor more than 28 days later) and at such other time and/or place as the Chairman (or, in default, the Board) decides.
- (B) At an adjourned meeting the quorum is one Member present in person or by proxy and entitled to vote. If a quorum is not present within five minutes (or such longer time as the Chairman decides) from the time fixed for the start of the meeting, the adjourned meeting shall be dissolved.
- (C) Save where the time and place for the adjourned meeting has been specified for the purpose in the notice convening the meeting as referred to in paragraph (A) (in which case notice of the adjourned meeting need not be given), the Company shall give not less than seven clear days' notice of any meeting adjourned for the lack of a quorum and the notice shall state the quorum requirement.

**42 Chairman**

- (A) Chairman of the Board shall act as Chairman of any meeting. If the Chairman of the Board is not available to act as Chairman of the meeting for any reason the Members present in person and entitled to vote shall choose one of their number to be Chairman.
- (B) Without prejudice to any other power which he may have under the provisions of the Articles or at common law, the Chairman may take such action as he thinks fit to promote the orderly conduct of the business of the meeting as specified in the notice of meeting and the Chairman's decision on matters of procedure or arising incidentally from the business of the meeting shall be final, as shall his determination as to whether any matter is of such a nature.

**43 Director's right to attend and speak**

Each Director shall be entitled to attend and speak at a general meeting and at a separate meeting of the holders of a class of shares or debentures whether or not he is a Member.

**44 Chairman's power to invite others to attend and speak**

The Chairman may invite any person to attend and speak at any general meeting of the Company where he considers that this will assist in the deliberations of the meeting.

**45 Power to adjourn**

- (A) The Chairman may, with the consent of a meeting at which a quorum is present (and shall, if so directed by the meeting) interrupt or adjourn a meeting from time to time and from place to place or for an indefinite period.
- (B) Without prejudice to any other power which he may have under the provisions of the Articles or at common law, the Chairman may, without the consent of the meeting, interrupt or adjourn a meeting from time to time and from place to place or for an indefinite period if he decides that it has become necessary to do so in order to:
  - (i) secure the proper and orderly conduct of the meeting;
  - (ii) give all persons entitled to do so a reasonable opportunity of speaking and voting at the meeting; or
  - (iii) ensure that the business of the meeting is properly considered and disposed of.

**46 Notice of adjourned meeting**

- (A) Whenever a meeting is adjourned for 28 days or more or for an indefinite period pursuant to Article 45, at least seven clear days' notice specifying the place, date and time of the adjourned meeting and the general nature of the business to be transacted shall be given to the Members (other than any who, under the provisions of the Articles or the terms of allotment or issue of the shares, are not entitled to receive notice). Except in these circumstances it is not necessary to give notice of a meeting adjourned pursuant to Article 45 or of the business to be transacted at the adjourned meeting.
- (B) The Board may determine that persons entitled to receive notice of an adjourned meeting in accordance with this Article are those persons entered on the Register at the close of business on a day determined by the Board, PROVIDED THAT the day

determined by the Board may not be more than 21 days before the day that the relevant notice of meeting is being sent.

- (C) The notice of an adjourned meeting given in accordance with this Article may also specify a time (which shall not be more than 48 hours before the time fixed for the meeting) by which a person must be entered on the Register in order to have the right to attend or vote at the meeting. Changes to entries on the Register after the time so specified in the notice shall be disregarded in determining the rights of any person to so attend or vote.

**47 Business at adjourned meeting**

No business may be transacted at an adjourned meeting other than the business which might properly have been transacted at the meeting from which the adjournment took place.

**48 Accommodation of Members at meeting**

If it appears to the Chairman that the meeting place specified in the notice convening the meeting is inadequate to accommodate all Members entitled and wishing to attend, the meeting shall be duly constituted and its proceedings valid if the Chairman is satisfied that adequate facilities are available to ensure that a Member who is unable to be accommodated is able to:

- (i) participate in the business for which the meeting has been convened;
- (ii) hear and see all persons present who speak (whether by the use of microphones, loud-speakers, audio-visual communications equipment or otherwise), whether in the meeting place or elsewhere; and
- (iii) be heard and seen by all other persons present in the same way,

in which event the meeting shall be deemed to take place where the Chairman is present unless the Members resolve otherwise.

**49 Security**

The Board may make any arrangement and impose any restriction it considers appropriate to ensure the security of a meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of a person attending the meeting and the restriction of the items of personal property that may be taken into the meeting place. The Board may authorise one or more persons, who shall include a Director or the Secretary or the Chairman of the meeting to:

- (i) refuse entry to a meeting to a person who refuses to comply with these arrangements or restrictions or who is, in the opinion of the Board, potentially disorderly; and
- (ii) eject from a meeting any person who causes the proceedings to become disorderly.

## VOTING

### 50 Method of voting

- (A) At a general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands (or by a poll at the option of the Chairman of the meeting) unless (before or on the declaration of the result of the show of hands) a poll is properly demanded by:
- (i) the Chairman of the meeting; or
  - (ii) a Member or Members present in person or by proxy representing in aggregate not less than one-tenth of the total voting rights of all the Members having the right to vote at the meeting; or
  - (iii) a Member or Members present in person or by proxy holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
  - (iv) by not less than five Members present in person or by proxy and entitled to vote.

A demand by a proxy is deemed to be a demand by the Member appointing the proxy.

- (B) Unless a poll is demanded (and the demand is not duly withdrawn), a declaration by the Chairman of the meeting that the resolution has been carried, or carried by a particular majority, or lost or not carried by a particular majority, is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

### 51 Procedure on a poll

- (A) If a poll is properly demanded, it shall be taken at the meeting at which the same is demanded or at such other time and place as the Chairman shall direct.
- (B) If a poll is properly demanded, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman shall direct. He may appoint scrutineers, who need not be Members, and may fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
- (C) A poll demanded on the election of a Chairman or on any question of adjournment shall be taken at the meeting and without adjournment. A poll demanded on another question shall be taken at such time and place as the Chairman decides, either at once or after an interval or adjournment (but not more than 30 clear days after the date of the demand).
- (D) No notice need be given of a poll not taken immediately if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.
- (E) The demand for a poll may be withdrawn but only with the consent of the Chairman of the meeting. A demand withdrawn in this way validates the result of a show of hands declared before the demand was made. If a poll is demanded before the declaration of

the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand has not been made.

- (F) The demand for a poll (other than on the election of the Chairman or on a question of adjournment) does not prevent the meeting continuing for the transaction of business other than the question on which a poll has been demanded.
- (G) On a poll, votes may be given in person or by proxy and a Member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way, whether present in person or by proxy.

## **52 Votes of Members**

- (A) Subject to any special rights or restrictions as to voting attached to any class of shares by or in accordance with the Articles, at a general meeting:
  - (i) every Member (being an individual) present in person or (being a corporation) present by a duly authorised representative has on a show of hands one vote; and
  - (ii) every Member (being an individual) present in person or by proxy or (being a corporation) present by a duly authorised representative has on a poll one vote for every share of which he is the holder.
- (B) In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders, and seniority is determined by the order in which the names of the holders stand in the Register.
- (C) A Member in respect of whom an order has been made by a court or official having jurisdiction (whether in the Cayman Islands or elsewhere) that he is or may be incapable, is or may be of unsound mind, is or may be suffering from mental disorder or is otherwise incapable of running his affairs may vote, whether on a show of hands or on a poll, by his guardian, receiver, curator bonis or other person authorised for that purpose and appointed by the court or such official. A guardian, receiver, curator bonis or other authorised and appointed person may, on a poll, vote by proxy if evidence (to the satisfaction of the Board) of the authority of the person claiming to exercise the right to vote is received at the office (or at another place specified in accordance with the Articles for the delivery or receipt of forms of appointment of a proxy) or in any other manner specified in the Articles for the appointment of a proxy within the time limits prescribed by the Articles for the appointment of a proxy for use at the meeting, adjourned meeting or poll at which the right to vote is to be exercised.
- (D) Where the Company has knowledge that any Member is, under the rules of a Recognised Investment Exchange on which shares are listed, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

## **53 Casting vote**

In the case of an equality of votes whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to any vote to which he is entitled as a Member.

**54 Restriction on voting rights for unpaid calls etc.**

- (A) A Member who has not paid any call for capital on any of his shares may not vote in right of those shares.
- (B) Subject to the provisions of paragraph (A), unless the Board otherwise decides, no Member is entitled in respect of a share held by him to be present or to vote, either in person or by proxy, at a general meeting or at a separate meeting of the holders of a class of shares or on a poll, or to exercise other rights conferred by membership in relation to the meeting or poll, if a call or other amount due and payable in respect of the share is unpaid. This restriction ceases on payment of the amount outstanding and all costs, charges and expenses incurred by the Company by reason of the non-payment.

**55 Voting by proxy**

- (A) An instrument appointing a proxy shall be in writing in any usual form (or in another form approved by the Board) executed under the hand of the appointor or his duly constituted attorney or, if the appointor is a company, under its seal or under the hand of its duly authorised officer or attorney or other person authorised to sign.
- (B) Unless the contrary is stated in it, the appointment of a proxy shall be deemed to confer authority to demand or join in demanding a poll (but shall not confer any further right to speak at the meeting except with the permission of the Chairman) and to vote on a resolution or amendment of a resolution put to, or other business which may properly come before, the meeting or meetings for which it is given, as the proxy thinks fit.
- (C) A proxy need not be a Member.
- (D) A Member may appoint more than one proxy to attend on the same occasion. When two or more valid but differing appointments of proxy are delivered or received for the same share for use at the same meeting, the one which is last validly delivered or received (regardless of its date or the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which appointment was last validly delivered or received, none of them shall be treated as valid in respect of that share.
- (E) Delivery or receipt of an appointment of proxy does not prevent a member attending and voting in person at the meeting or an adjournment of the meeting or on a poll.
- (F) The appointment of a proxy shall (unless the contrary is stated in it) be valid for an adjournment of the meeting as well as for the meeting or meetings to which it relates. The appointment of a proxy shall be valid for 12 months from the date of execution.
- (G) Subject to any applicable rules of a Recognised Investment Exchange on which the Company's shares are listed, the Company may send a form of appointment of proxy to all or none of the persons entitled to receive notice of and to vote at a meeting. If sent, the form shall provide for two-way voting on all resolutions set out in the notice of meeting.

**56 Delivery of instrument of proxy**

- (A) The instrument appointing a proxy, and (if required by the Board) the power of attorney or other authority (if any) under which it is executed or a copy of it notarially certified or certified in some other way approved by the Board, shall be:

- (i) delivered to the Office or elsewhere as specified in the notice convening the meeting or in an instrument of proxy or other accompanying document sent by the Company in relation to the meeting not less than 48 hours before the time for holding the meeting or adjourned meeting or the taking of a poll at which the person named in the instrument proposes to vote;
- (ii) in the case of a meeting adjourned for less than 28 days but more than 48 hours or in the case of a poll taken more than 48 hours after it is demanded, delivered as required by sub-paragraph (i) not less than 24 hours before the time appointed for the holding of the adjourned meeting or the taking of the poll; or
- (iii) in the case of a meeting adjourned for not more than 48 hours or in the case of a poll not taken immediately but taken not more than 48 hours after it was demanded, delivered at the adjourned meeting or at the meeting at which the poll was demanded to the Chairman of the meeting or to the Secretary or to a Director.

An instrument of proxy not delivered in accordance with this Article is unless the Board directs otherwise invalid.

- (B) Without limiting the foregoing, in relation to any shares which are held in uncertificated form, the Board may from time to time permit appointments of a proxy to be made by means of an uncertificated proxy instruction and may in a similar manner permit supplements to, or amendments or revocations of, any such uncertificated proxy instruction to be made by like means. The Board may in addition prescribe the method of determining the time at which any such uncertificated proxy instruction (and/or other instruction or notification) is to be treated as received by the Company or a participant acting on its behalf. The Board may treat any such uncertificated proxy instruction which purports to be or is expressed to be sent on behalf of a holder of a share as sufficient evidence of the authority of the person sending that instruction to send it on behalf of that holder.

#### **57 When votes by proxy valid although authority revoked**

A vote cast or poll demanded by a proxy or authorised representative of a company is valid despite the previous death or insanity or revocation of the appointment of the proxy or of the authority under which the appointment was made unless notice of such prior death, insanity or revocation shall have been received by the Company at the Office or, in the case of a proxy, any other place specified for delivery or receipt of the form of appointment of proxy, not later than the last time at which an appointment of proxy should have been delivered in order to be valid for use at the meeting or adjourned meeting at which the vote is cast or the poll demanded or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for use on the holding of the poll at which the vote is cast.

#### **58 Corporate representative**

- (A) Any body corporate which is a Member may by resolution of its own directors or other governing body authorise such one or more persons as it thinks fit to act as its representatives at any meeting of the Company or of any class of Members or to approve any resolution submitted in writing.
- (B) Each representative so appointed shall be entitled to exercise on behalf of the body corporate which he represents (in respect of that part of the body corporate's holding of shares to which the authorisation relates) those powers that the body corporate could

exercise if it were an individual Member, including (without limitation) power to vote on a show of hands or on a poll and to demand or concur in demanding a poll. The body corporate shall for the purposes of the Articles be deemed to be present in person at a meeting if a representative is present. All references to attendance and voting in person shall be construed accordingly.

- (C) A director, secretary or some other person authorised for the purpose by the secretary may require any representative of any such body corporate to produce a certified copy of the resolution of authorisation before permitting him to exercise his powers.
- (D) If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

#### **59 Objections to and error in voting**

No objection may be made to the qualification of a voter or to the counting of, or failure to count, a vote, except at the meeting or adjourned meeting at which the vote objected to is given or tendered or at which the error occurs and every vote not disallowed shall be valid for all purposes. An objection properly made shall be referred to the Chairman of the meeting and only invalidates the decision of the meeting on any resolution if, in the opinion of the Chairman, it is of sufficient magnitude to affect the decision of the meeting. The decision of the Chairman on such matters is conclusive and binding on all concerned.

#### **60 Amendments to resolutions**

- (A) No amendment to a resolution duly proposed as a Special Resolution (other than an amendment to correct a patent error) may be considered or voted on. No amendment to a resolution duly proposed as an Ordinary Resolution (other than an amendment to correct a patent error) may be considered or voted on unless either:
  - (i) at least 48 hours before the time appointed for holding the meeting or adjourned meeting at which the Ordinary Resolution is to be considered, notice of the terms of the amendment and intention to move it has been lodged at the Office; or
  - (ii) the Chairman in his absolute discretion decides that the amendment may be considered or voted on.
- (B) If an amendment proposed to a resolution under consideration is ruled out of order by the Chairman the proceedings on the substantive resolution are not invalidated by an error in his ruling.

#### **61 Members' written resolutions**

- (A) A resolution in writing executed by or on behalf of each Member who would have been entitled to vote upon it if it had been proposed at a general meeting (or a class meeting)

at which he was present shall be as effective as if it had been passed at a general meeting (or a class meeting) duly convened and held. The resolution in writing may consist of several instruments in the same form each duly executed by or on behalf of one or more Members. If the resolution in writing is described as a Special Resolution, it shall have effect accordingly.

- (B) Notice specifying the proposed resolution in writing shall be given by the Company to each Member not less than one hour (or such shorter period as all the Members may in any particular case agree) before the time at which the Members are required to give their vote.

## **62 Class meetings**

A separate meeting for the holders of a class of shares shall be convened and conducted as nearly as possible in the same way as an extraordinary general meeting, except that:

- (i) no Member, other than a Director, is entitled to notice of it or to attend unless he is a holder of shares of that class;
- (ii) no vote may be cast except in respect of a share of that class;
- (iii) the quorum at the meeting is at least two persons present in person holding or representing by proxy at least one-third in nominal value of the issued shares of that class;
- (iv) the quorum at an adjourned meeting is one person holding shares of that class present in person or by proxy; and
- (v) a poll may be demanded in writing by a Member present in person or by proxy and entitled to vote at the meeting and on a poll each Member has one vote for every share of that class of which he is the holder.

## **APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS**

### **63 Number of Directors**

The first Directors of the Company shall be appointed by the subscribers to the Memorandum. Unless such subscribers appoint a sole Director and until otherwise determined by the Board the number of Directors shall be not less than two and shall not be subject to any maximum. At no time shall a majority of Directors be resident in the United Kingdom.

### **64 Power of the Company to appoint Directors**

Subject to the Articles, the Company may by Ordinary Resolution appoint any person to be a Director either to fill a vacancy or as an addition to the Board.

### **65 Power of the Board to appoint Directors**

Without prejudice to the power of the Company to appoint a person to be a Director pursuant to the Articles, the Board shall have power at any time to appoint any person to be a Director either to fill a vacancy or as an addition to the Board. Any Director appointed in this way may hold office only until the dissolution of the next annual general meeting after his appointment unless he is reappointed during that meeting.

## **66 Appointment of executive directors and agreements for services**

- (A) The Board may appoint one or more of its body to hold employment or executive office with the Company for such term and on such other terms and conditions as the Board thinks fit. The Board may revoke or terminate an appointment, without prejudice to a claim for damages for breach of the contract of service (or other contract) between the Director and the Company or otherwise.
- (B) The Board may enter into an agreement or arrangement with any Director for the provision of any services outside the scope of the ordinary duties of a Director. Any such agreement or arrangement may be made on such terms and conditions as the Board thinks fit and (without prejudice to any other provision of the Articles) it may remunerate any such Director for his services as it thinks fit (whether by way of salary, percentage of profits or otherwise and either in addition to or in substitution for any other remuneration which he may be entitled to receive).

## **67 Eligibility of new Directors**

- (A) No person other than a Director retiring (by rotation or otherwise) may be appointed or reappointed a Director at a general meeting unless:
  - (i) he is recommended by the Board; or
  - (ii) no earlier than one day after the notice of the meeting is sent to Members and no later than 7 days before the date fixed for the meeting, there shall have been left at the Office notice in writing signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting of his intention to propose that person for appointment or reappointment together with notice in writing signed by that person of his willingness to be appointed or reappointed.
- (B) A Director need not be a Member.

## **68 Voting on resolution for appointment**

A resolution for the appointment of two or more persons as Directors by a single resolution is void unless an Ordinary Resolution that the resolution for appointment is proposed in this way has first been agreed to by the meeting without a vote being given against it.

## **69 Retirement of Directors**

At each annual general meeting all the Directors then in office shall retire but, if qualified, shall be eligible for re-election. The election shall be by Ordinary Resolution. If an election of Directors is not held at the proper time, the incumbent Directors shall continue in office until such election takes place.

## **70 Removal by Ordinary Resolution**

The Company may by Ordinary Resolution remove a Director before the expiry of his period of office (without prejudice to a claim for damages for breach of contract or otherwise) and may (subject to the Articles) by Ordinary Resolution appoint another person who is willing to act to be a Director in his place. A person appointed in this way is treated, for the purposes of determining the time at which he or another Director is to retire, as if he had become a Director on the date on which the person in whose place he is appointed was last appointed or reappointed a Director.

## **71 Vacation of office by Director**

- (A) Without prejudice to the provisions for retirement (by rotation or otherwise) contained in the Articles, the office of a Director is vacated if:
- (i) he resigns by notice sent to or deposited at the Office or tendered at a Board meeting; or
  - (ii) where he has been appointed for a fixed term, the term expires; or
  - (iii) he ceases to be a Director by virtue of a provision of the Law, is removed from office pursuant to the Articles or becomes prohibited by law from being a Director; or
  - (iv) he becomes bankrupt, insolvent, or makes any arrangement or composition with his creditors generally; or
  - (v) he is or has been suffering from mental ill health or becomes a patient for the purpose of any statute relating to mental health or any court claiming jurisdiction on the ground of mental disorder (however stated) makes an order for his detention or for the appointment of a guardian, receiver or other person (howsoever designated) to exercise powers with respect to his property or affairs, and in any such case the Board resolves that his office be vacated; or
  - (vi) both he and his alternate director appointed pursuant to the provisions of the Articles (if any) are absent, without the permission of the Board, from Board meetings for six consecutive months and the Board resolves that his office be vacated; or
  - (vii) he is removed from office by notice addressed to him at his last-known address and signed by all his co-Directors (without prejudice to a claim for damages for breach of contract or otherwise); or
  - (viii) if he becomes resident in the United Kingdom and, as a result thereof, a majority of the Directors are resident in the United Kingdom.
- (B) A resolution of the Board declaring a Director to have vacated office under the terms of this Article is conclusive as to the fact and grounds of vacation stated in the resolution.
- (C) If the office of a Director is vacated for any reason, he shall cease to be a member of any committee of the Board.

## **72 Approval of certain payments**

The Board shall obtain the approval of the Company by Ordinary Resolution in a meeting before making any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

## **ALTERNATE DIRECTORS**

### **73 Appointment**

- (A) Any Director (other than an alternate director) may by notice sent to or deposited at the Office or tendered at a Board meeting, or in any other manner approved by the Board, appoint as his alternate director to attend and vote in his place at any meeting of the Directors at which he is not personally present or to undertake and perform such duties and functions and to exercise such rights as he could personally:
  - (i) another Director, or
  - (ii) another person approved by the Board and willing to act.
- (B) Any such appointment may be made generally or specifically or for any period or for any particular meeting and with and subject to any particular restrictions.
- (C) An alternate director need not be a Member and is not counted in reckoning the number of Directors for the purpose of Article 63.

### **74 Revocation of appointment**

A Director may by notice delivered to the Secretary at the Office or tabled at a meeting of the Board revoke the appointment of his alternate director and, subject to the provisions of Article 73, appoint another person in his place. If a Director ceases to hold the office of Director or if he dies, the appointment of his alternate director automatically ceases. If a Director retires but is reappointed or deemed reappointed at the meeting at which his retirement takes effect, a valid appointment of an alternate director which was in force immediately before his retirement continues to operate after his reappointment as if he has not retired. The appointment of an alternate director ceases on the happening of an event which, if he were a Director otherwise appointed, would cause him to vacate office.

### **75 Participation in Board meetings**

- (A) Every alternate director while he holds office as such shall be entitled:
  - (i) if his appointor so directs the Secretary to notice of meetings of the Directors and all committees of the Board of which his appointor is a member; and
  - (ii) to attend and to exercise (subject to any restrictions) all the rights and privileges of his appointor at all such meetings at which his appointor is not personally present.
- (B) A Director acting as alternate director has a separate vote at meetings of the Board and committees of the Board for each Director for whom he acts as alternate director but he counts as only one for the purpose of determining whether a quorum is present.
- (C) Without prejudice to Article 74, every alternate director shall ipso facto vacate office if and when his appointment expires by effluxion of time.

**76 Responsibility**

A person acting as an alternate director is an officer of the Company, is alone responsible to the Company for his acts and defaults, and is not deemed to be the agent of his appointor.

**REMUNERATION, EXPENSES AND PENSIONS**

**77 Directors' fees**

The Company shall pay to the Directors (but not alternate directors) for their services as Directors out of the funds of the Company by way of fees such sums as the Board decides. The aggregate fees shall be divided among the Directors in such proportions as the Board decides or, if no decision is made, equally. A fee payable to a Director pursuant to this Article is distinct from any salary, remuneration or other amount payable to him pursuant to other provisions of the Articles or otherwise and accrues from day to day.

**78 Additional remuneration**

A Director who, at the request of the Board, goes or resides in any country not his usual place of residence, makes a special journey or performs a special service on behalf of the Company may receive such sum as the Board may think fit for expenses and be paid such reasonable additional remuneration (whether by way of salary, percentage of profits or otherwise) as the Board may decide either in addition to or in substitution for any other remuneration which he may be entitled to receive.

**79 Expenses**

A Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as Director commensurate with his status within the Company including, without limitation, expenses incurred in attending meetings of the Board or of committees of the Board or general meetings or separate meetings of the holders of a class of shares or debentures.

**80 Remuneration and expenses of alternate directors**

An alternate director is not entitled to a fee from the Company for his services as an alternate director. The fee payable to an alternate director is payable out of the fee payable to his appointor and consists of such portion (if any) of the fee as he agrees with his appointor. The Company shall, however, repay to an alternate director expenses incurred by him in the performance of his duties if the Company would have been required to repay the expenses to him under Article 79 had he been a Director.

**81 Remuneration of executive director**

The salary or fees or other remuneration of a Director appointed to hold employment or executive office in accordance with the Articles may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the Board, and may be in addition to or instead of a fee payable to him for his services as Director pursuant to the Articles.

## **POWERS AND DUTIES OF THE BOARD**

### **82 Powers of the Board**

Subject to the Law, the Memorandum and the Articles and to directions given by Special Resolution of the Company, the business of the Company shall be managed by the Board which may exercise all the powers of the Company as are not required to be exercised by the Company in general meeting and whether relating to the management of the business or not. No alteration of the Memorandum or of the Articles and no direction given by the Company shall invalidate a prior act of the Board which would have been valid if the alteration had not been made or the direction had not been given. The provisions of the Articles giving specific powers to the Board do not limit the general powers given by this Article.

### **83 Powers of Directors being less than minimum required number**

If the number of Directors is less than the minimum prescribed by the Articles or decided by the Company by Ordinary Resolution or if a majority of the Directors is, notwithstanding the Articles, resident in the United Kingdom, the remaining Director or Directors may act only for the purposes of (a) appointing an additional Director or Directors to make up that minimum or ensure that a majority of the Directors is not resident in the United Kingdom or (b) convening a general meeting of the Company for the purpose of making such appointment. If no Director or Directors is or are able or willing to act, two Members may convene a general meeting for the purpose of appointing Directors. An additional Director appointed in this way holds office (subject to the Articles) only until the dissolution of the next annual general meeting after his appointment unless he is reappointed during the meeting.

### **84 Delegation to individual Directors**

The Board may delegate to any Director any of its powers, authorities and discretions for such time and on such terms and conditions as it thinks fit provided that such Director is not resident in the United Kingdom. In particular, without limitation, the Board may grant the power to sub-delegate, and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the Director. The Board may at any time revoke the delegation or alter its terms and conditions.

### **85 Delegation to committees**

The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to a committee consisting of one or more Directors and (if thought fit) one or more other persons provided that a majority of the members of any committee (other than the remuneration committee, the audit committee and any reserves committee) shall not consist of persons who are resident in the United Kingdom. A committee may exercise its power to sub-delegate by sub-delegating to any person or persons (whether or not a member or members of the Board or of the committee). The Board may retain or exclude its right to exercise the delegated powers, authorities or discretions collaterally with the committee. The Board may at any time revoke the delegation or alter any terms and conditions or discharge the committee in whole or in part. Where a provision of the Articles refers to the exercise of a power, authority or discretion by the Board (including, without limitation, the power to pay fees, remuneration, additional remuneration, expenses and pensions and other benefits pursuant to Articles 66 and 77 to 81) and that power, authority or discretion has been delegated by the Board to a

committee, the provision shall be construed as permitting the exercise of the power, authority or discretion by the committee.

## **86 Agents**

The Board may by power of attorney (signed in such manner as the directors may determine) or otherwise appoint a person to be the agent of the Company and may delegate to that person any of its powers, authorities and discretions for such purposes, for such time and on such terms and conditions (including as to remuneration) as it thinks fit. In particular, without limitation, the Board may grant the power to sub-delegate and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the agent. The Board may at any time revoke or alter the terms and conditions of the appointment or delegation.

## **87 Exercise of voting powers**

Subject to Article 88, the Board may exercise or cause to be exercised the voting powers conferred by shares in the capital of another company held or owned by the Company, or a power of appointment to be exercised by the Company, in any manner it thinks fit (including the exercise of the voting power or power of appointment in favour of the appointment of a Director as an officer or employee of that company or in favour of the payment of remuneration to the officers or employees of that company).

## **88 Borrowing powers**

- (A) The Board may exercise all the powers of the Company to borrow or raise money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking property or assets (present or future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or of a third party.
- (B) If prohibited by the rules in effect from time to time of a Recognised Stock Exchange on which shares are listed, the Company shall not directly or indirectly:
  - (i) make a loan to a Director or a director of any holding company of the Company or to any of their respective associates (as defined by the rules where applicable, of such Recognised Investment Exchange);
  - (ii) enter into any guarantee or provide any security in connection with a loan made by any person to a Director or such a director; or
  - (iii) if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

## **89 Directors' interests**

- (A) If he has disclosed to the Directors the nature and extent of any material interest of his, a Director notwithstanding his office:
  - (i) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;

- (ii) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and
  - (iii) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.
- (B) For the purposes of (A) above:
- (i) a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified; and
  - (ii) an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

## **90 Participation of interested Director**

- (A) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters:
- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
  - (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under the guarantee or indemnity or by the giving of security;
  - (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
  - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of

his associates are not in aggregate beneficially interest in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associate is derived); or

(vi) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(B) A company shall be deemed to be a company in which a Director and/or his associate(s) is materially interested in if such Director and/or his associates (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested on as a unit holders.

(C) Where a company in which a Director and/or his associate(s) is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transactions.

(D) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.

#### **91 Execution of cheques promissory notes etc.**

All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed in such manner as the Board shall at any time determine.

## PROCEEDINGS OF DIRECTORS AND COMMITTEES

### 92 Board meetings

Subject to the Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit. All meetings of Directors shall take place outside the United Kingdom and any decision reached or resolution passed by the Directors at any meeting held within the United Kingdom or at which a majority of the Directors present are resident in the United Kingdom shall be invalid and of no effect.

### 93 Notice of Board meetings

A Director may, and the Secretary at the request of a Director shall, summon a Board meeting at any time. The Board may determine the notice necessary for its meetings and the persons to whom such notice shall be given. Unless otherwise determined by the Board, notice of a Board meeting is deemed to be duly given to a Director if it is given to him personally or by word of mouth or sent in writing to him at his last-known address or another address given by him to the Company for that purpose. A Director may waive any requirement that notice be given to him of a Board meeting, either prospectively or retrospectively.

### 94 Quorum

The quorum necessary for the transaction of business may be decided by the Board and until otherwise decided is two Directors present in person or by alternate director. A duly convened meeting of the Board at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Board.

### 95 Chairman of Board

The Chairman of any meeting of the Board shall be the first mentioned of such of the following officers as have been appointed and who is a Director and is present at the meeting: chairman of the Board, vice chairman of the Board, chief executive officer, president, or a vice-president. If no such officer is present, the directors present shall choose one of their number to be chairman.

### 96 Voting

At all meetings of the Board every question shall be decided by a majority of the votes cast on the question of those Directors entitled to vote and each such Director shall be entitled to one vote. In case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote and the relevant question shall be considered again at the next meeting of the Board.

### 97 Participation by telephone

A Director or his alternate director (in each case PROVIDED THAT a majority of the Directors participating are not physically present in the United Kingdom at the time of such meeting) may participate in a meeting of the Board or a committee of the Board through the medium of conference telephone, video teleconference or similar form of communication equipment if all persons participating in the meeting are able to hear and speak to each other throughout the meeting. A person participating in this way is deemed to be present in person at the meeting and is counted in a quorum and entitled to vote. All business transacted in this way by the Board or a committee of the Board is for the purposes of the Articles deemed to be validly and effectively transacted at a

meeting of the Board or a committee of the Board although fewer than two Directors or alternate directors are physically present at the same place. The meeting is deemed to take place where the Chairman of the meeting then is.

**98 Resolution in writing**

A resolution in writing executed by all Directors for the time being entitled to receive notice of a Board meeting and not being less than a quorum or by all members of a committee of the Board for the time being entitled to receive notice of a committee meeting and not being less than a quorum is as valid and effective for all purposes as a resolution passed at a meeting of the Board (or committee, as the case may be). The resolution in writing may consist of several documents in the same form each executed by one or more of the Directors or members of the relevant committee and may be transmitted to the Company by facsimile transmission. The resolution in writing need not be executed by an alternate director if it is executed by his appointor and a resolution executed by an alternate director need not be executed by his appointor. No such resolution shall be valid if a majority of the Directors sign the resolution in the United Kingdom.

**99 Proceedings of committees**

- (A) Proceedings of any committee of the Board consisting of two or more members shall be conducted in accordance with terms prescribed by the Board (if any). Subject to those terms and paragraph (B) of this Article, such committees (other than the remuneration committee, audit committee and any reserves committee) shall meet only outside the United Kingdom and proceedings shall be conducted in accordance with applicable provisions of the Articles regulating the proceedings of the Board.
- (B) Where the Board resolves to delegate any of its powers, authorities and discretions to a committee and that resolution states that the committee shall consist of any one or more unnamed Directors, it is not necessary to give notice of a meeting of that committee to Directors other than the Director or Directors who form the committee.

**100 Minutes of proceedings**

- (A) The Board shall cause minutes to be made in books kept for the purpose of:
  - (i) all appointments of officers and committees made by the Board and of any remuneration fixed by the Board; and
  - (ii) the names of Directors present at every meeting of the Board, committees of the Board, the Company or the holders of a class of shares or debentures, and all orders, resolutions and proceedings of such meetings.
- (B) If purporting to be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting, minutes are receivable as prima facie evidence of the matters stated in them.

**101 Validity of proceedings of Board or committee**

All acts done by a meeting of the Board, or of a committee of the Board, or by a person acting as a Director, alternate director or member of a committee are, notwithstanding that it is afterwards discovered that there was a defect in the appointment of a person or persons acting, or that they or any of them were or was disqualified from holding office or not entitled to vote, or had in any way vacated their or his office, as valid as if every

such person had been duly appointed, and was duly qualified and had continued to be a Director, alternate director or member of a committee and entitled to vote.

### **SECRETARY, SEALS AND AUTHENTICATION OF DOCUMENTS**

#### **102 Secretary**

- (A) The Secretary shall be appointed by the Board. Anything required or authorised to be done by or to the Secretary, may, if the office is vacant or there is for any other reason no Secretary capable of acting be done by or to any Assistant or Deputy Secretary or if there is no Assistant or Deputy Secretary capable of acting, by or to any officer of the Company authorised generally or specially in that behalf by the Directors PROVIDED THAT any provisions of the Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in the place of, the Secretary.
- (B) No person shall be appointed or hold office as Secretary who is:
  - (i) the sole Director of the Company, or
  - (ii) a corporation the sole Director of which is the sole Director of the Company, or
  - (iii) the sole Director of a corporation which is the sole Director of the Company.

#### **103 Authentication of documents**

A Director or the Secretary or another person appointed by the Board for the purpose may authenticate documents affecting the constitution of the Company (including, without limitation, the Memorandum and the Articles) and resolutions passed by the Company or holders of a class of shares or the Board or a committee of the Board and books, records, documents and accounts relating to the business of the Company, and to certify copies or extracts as true copies or extracts; and where any books, records, documents or accounts are elsewhere than at the Office the local manager or other officer of the Company having their custody shall be deemed to be a person appointed by the Board as aforesaid.

#### **104 Seals**

- (A) The Company may, if the Board so determine, have a Seal. The Seal shall only be used by the authority of the Board or of a committee of Directors authorised by the Board. The Board may determine who shall sign any instrument to which the seal is affixed, and unless otherwise so determined every such instrument shall be signed by a Director and by the Secretary or by a second Director.
- (B) The Company may have for use in any place or places outside the Islands a duplicate Seal or Seals, each of which shall be a facsimile of the Seal of the Company and, if the Board so determine, shall have added on its face the name of every place where it is to be used.
- (C) The Board may by resolution determine (i) that any signature required by this Article need not be manual, but may be affixed by some other method or system of reproduction or mechanical or electronic signature and/or (ii) that any document may bear a printed facsimile of the Seal in lieu of affixing the Seal thereto.

- (D) No document or deed otherwise duly executed and delivered by or on behalf of the Company shall be regarded as invalid merely because at the date of the delivery of the deed or document, the Director, Secretary or other officer or person who shall have executed the same or affixed the Seal thereto, as the case may be, for and on behalf of the Company shall have ceased to hold such office and authority on behalf of the Company.

## **DIVIDENDS AND OTHER PAYMENTS**

### **105 Declaration of dividends**

- (A) Subject to the Law, the Board may declare dividends in accordance with the respective rights of the Members and authorize the payment of the same out of the funds of the Company lawfully available therefor.
- (B) Subject to the provisions of the Law, the Company may by Ordinary Resolution declare dividends in accordance with the respective rights of the Members, but no dividend shall exceed the amount recommended by the Board.
- (C) No dividend shall be payable except in accordance with the provisions of the Law.
- (D) Subject to the provisions of the Law, the determination of the Board as to the amount at any time available for distribution by way of dividend shall be conclusive.

### **106 Interim dividends**

Subject to the Law, the Board may declare and pay such interim dividends (including, without limitation, a dividend payable at a fixed rate) as appear to it to be justified by the profits of the Company available for distribution. No interim dividend shall be declared or paid on shares which do not confer preferred rights with regard to dividend if, at the time of declaration, any dividend on shares which do confer a right to a preferred dividend is in arrears. If the Board acts in good faith, it does not incur any liability to the holders of shares conferring preferred rights for a loss they may suffer by the lawful payment of an interim dividend on shares ranking after those with preferred rights.

### **107 Entitlement to dividends**

- (A) Except as otherwise provided by the rights attached to, or the terms of issue of, shares:
  - (i) a dividend shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid, but no amount paid up on a share in advance of a call may be treated for the purpose of this Article as paid up on the share; and
  - (ii) dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (B) Except as otherwise provided by the rights attached to shares, dividends may be declared or paid in any currency. The Board may agree with any Member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency

shall be calculated and paid and for the Company or any other person to bear any costs involved.

**108 Retention of dividends etc.**

- (A) The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the liabilities or obligations in respect of which the lien exists.
- (B) The Board may retain dividends payable upon shares in respect of which any person is entitled to become a Member until such person has become a Member.

**109 Method of payment**

- (A) The Company may pay any dividend, interest or other amount payable in respect of a share:
  - (i) in cash;
  - (ii) by cheque, warrant or money order made payable to or to the order of the person entitled to the payment (and may, at the Company's option, be crossed "account payee" where appropriate);
  - (iii) by a bank or other funds transfer system to an account designated in writing by the person entitled to the payment;
  - (iv) if the Board so decides, by means of a relevant system in respect of an uncertificated share, subject to any procedures established by the Board to enable a holder of uncertificated shares to elect not to receive dividends by means of a relevant system and to vary or revoke any such election; or
  - (v) by such other method as the person entitled to the payment may in writing direct and the Board may agree.
- (B) The Company may send a cheque, warrant or money order by post:
  - (i) in the case of a sole holder, to his registered address;
  - (ii) in the case of joint holders, to the registered address of the person whose name stands first in the Register;
  - (iii) in the case of a person or persons entitled by transmission to a share, as if it were a notice given in accordance with Article 128; or
  - (iv) in any case, to a person and address that the person or persons entitled to the payment may in writing direct.
- (C) Where a share is held jointly or two or more persons are jointly entitled by transmission to a share:
  - (i) the Company may pay any dividend, interest or other amount payable in respect of that share to any one joint holder, or any one person entitled by transmission to the share, and in either case that holder or person may give an effective receipt for the payment; and

- (ii) for any of the purposes of this Article 109, the Company may rely in relation to a share on the written direction or designation of any one joint holder of the share, or any one person entitled by transmission to the share.
- (D) Every cheque, warrant or money order sent by post is sent at the risk of the person entitled to the payment. If payment is made by bank or other funds transfer, by means of a relevant system or by another method at the direction of the person entitled to payment, the Company is not responsible for amounts lost or delayed in the course of making that payment.
- (E) The Board may withhold payment of a dividend (or part of a dividend) payable to a person entitled by transmission to a share until he has provided any evidence of his right that the Board may reasonably require.

**110 Dividends not to bear interest**

No dividend or other amount payable by the Company on or in respect of a share bears interest as against the Company unless otherwise provided by the rights attached to the share.

**111 Calls or debts may be deducted from dividends etc.**

The Board may deduct from any dividend or other amounts payable to a person in respect of a share all sums of money (if any) due from him to the Company on account of a call or otherwise in relation to a share.

**112 Unclaimed dividends etc.**

Any unclaimed dividend, interest or other amount payable by the Company in respect of a share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. A dividend unclaimed for a period of 12 years from the date it was declared or became due for payment is forfeited and ceases to remain owing by the Company. The payment of an unclaimed dividend, interest or other amount payable by the Company in respect of a share into a separate account does not constitute the Company a trustee in respect of it.

**113 Uncashed dividends**

If, in respect of a dividend or other amount payable in respect of a share, on any two consecutive occasions:

- (i) a cheque, warrant or money order is returned undelivered or left uncashed; or
- (ii) a transfer made by a bank or other funds transfer system is not accepted,

and reasonable enquiries have failed to establish another address or account of the person entitled to the payment, the Company is not obliged to send or transfer a dividend or other amount payable in respect of that share to that person until he notifies the Company of an address or account to be used for that purpose. If the cheque, warrant or money order is returned undelivered or left uncashed or transfer not accepted on two consecutive occasions, the Company may exercise this power without making any such enquiries.

#### 114 Payment of dividends in specie

Without prejudice to Article 115, the Board may, direct that payment of a dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid-up shares or debentures of another company. Where a difficulty arises in connection with the distribution, the Board may settle it as it thinks fit and in particular, without limitation, may:

- (i) issue fractional certificates (or ignore fractions);
- (ii) fix the value for distribution of the specific assets (or any part of them);
- (iii) decide that a cash payment be made to a Member on the basis of the value so fixed, in order to secure equality of distribution; and
- (iv) vest assets in trustees on trust for the persons entitled to the dividend as seems expedient to the Board.

#### 115 Payment of scrip dividends

- (A) Subject to the Law, the Board may, with the prior authority of an Ordinary Resolution of the Company, allot to those holders of a particular class of shares who have elected to receive them further shares of that class or ordinary shares in either case credited as fully paid ("**new shares**") instead of cash in respect of all or part of a dividend or dividends specified by the resolution, subject to any exclusions, restrictions or other arrangements the Board may in its absolute discretion deem necessary or expedient to deal with legal or practical problems under the laws of, or the requirements of a recognised regulatory body or a stock exchange in, any territory.
- (B) The Board shall determine the basis of allotment of new shares so that, as nearly as may be considered convenient without involving rounding up of fractions, the value of the new shares (including a fractional entitlement) to be allotted (calculated by reference to the average quotation, or the nominal value of the new shares, if greater) equals (disregarding any associated tax credit) the amount of the dividend which would otherwise have been received by the holder (the "**relevant dividend**"). For this purpose the "**average quotation**" of each of the new shares is the volume weighted average trading price for a fully-paid share of the Company of that class derived from any Recognised Investment Exchange on which the shares of the Company are listed (or such other average value derived from such other source as the Board may deem appropriate) for the business day on which the relevant class of shares is first quoted "ex" the relevant dividend (or such other date as the Board may deem appropriate) and the four subsequent business days or shall be as determined by or in accordance with the resolution under paragraph (A). A certificate or report by the Auditors as to the value of the new shares to be allotted in respect of any dividend shall be conclusive evidence of that amount.
- (C) The Board may make any provision it considers appropriate in relation to an allotment made or to be made pursuant to this Article (whether before or after the passing of the resolution under paragraph (A) of this Article), including, without limitation:
  - (i) the giving of notice to holders of the right of election offered to them;
  - (ii) the provision of forms of election (whether in respect of a particular dividend or dividends generally);

- (iii) determination of the procedure for making and revoking elections;
  - (iv) the place at which, and the latest time by which, forms of election and other relevant documents must be lodged in order to be effective; and
  - (v) the disregarding or rounding up or down or carrying forward of fractional entitlements, in whole or in part, or the accrual of the benefit of fractional entitlements to the Company (rather than to the holders concerned).
- (D) The dividend (or that part of the dividend in respect of which a right of election has been offered) is not declared or payable on shares in respect of which an election has been duly made (the "**elected shares**"); instead new shares are allotted to the holders of the elected shares on the basis of allotment calculated as in paragraph (B) of this Article.
- (E) The new shares rank *pari passu* in all respects with each other and with the fully-paid shares of the same class in issue on the record date for the dividend in respect of which the right of election has been offered, but they will not rank for a dividend or other distribution or entitlement which has been declared or paid by reference to that record date.
- (F) In relation to any particular proposed dividend, the Board may in its absolute discretion decide:
- (i) that Members shall not be entitled to make any election in respect thereof and that any election previously made shall not extend to such dividend; or
  - (ii) at any time prior to the allotment of the new shares which would otherwise be allotted in lieu thereof that all elections to take ordinary shares in lieu of such dividend shall be treated as not applying to that dividend,

and if so the dividend shall be paid in cash as if no elections had been made in respect of it.

### **Capitalisation of Profits**

#### **116 Capitalisation of profits**

The Board may:

- (A) subject as provided in this Article, resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of the Company's share premium account or capital redemption reserve;
- (B) appropriate the sum resolved to be capitalised to the Members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to such sum, and allot the shares or debentures credited as fully paid to those Members, or as they may direct, in those proportions, or partly in one way and partly in the other;

- (C) resolve that any shares so allotted to any Member in respect of a holding by him of any partly-paid shares rank for dividend, so long as such shares remain partly paid, only to the extent that such partly-paid shares rank for dividend;
- (D) make such provision by the issue of fractional certificates or by payment in cash or otherwise as they determine in the case of shares or debentures becoming distributable under this Article in fractions; and
- (E) authorise any person to enter on behalf of all the Members concerned into an agreement with the Company providing for the allotment to them respectively, credited as fully paid, of any shares or debentures to which they may be entitled upon such capitalisation, any agreement made under such authority being binding on all such Members.

### **Share Premium Account**

#### **117 Share premium account**

- (A) The Board shall in accordance with section 34 of the Law establish a share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share or capital contributed.
- (B) There shall be debited to any share premium account:
  - (i) on the redemption or purchase of a share the difference between the nominal value of such share and the redemption or purchase price provided always that at the discretion of the Board such sum may be paid out of the profits of the Company or, if permitted by section 37 of the Law, out of capital; and
  - (ii) any other amounts paid out of any share premium account as permitted by section 34 of the Law.

### **RECORD DATES**

#### **118 Power to choose any record date**

Notwithstanding any other provision of the Articles, but subject to the rights attached to shares, the Company or the Board may fix any date as the record date for a dividend, distribution, allotment or issue. The record date may be on or at any time before or after a date on which the dividend, distribution, allotment or issue is declared, made or paid.

### **ACCOUNTS**

#### **119 Keeping and inspection of accounts and other documents**

- (A) The Board shall cause proper books of account to be kept with respect to all the transactions, assets and liabilities of the Company in accordance with the Law.
- (B) The books of account shall be kept at the Office or at such other place as the Board shall think fit and shall at all times be open to the inspection of the Board.
- (C) The Board shall determine whether and to what extent and at what times and places and under what conditions the accounts books and documents of the Company shall be open

to inspection and no person other than a Director or Auditor or other person whose duty requires and entitles him to do so shall have any right of inspecting any account or book or document except as provided by the Law or authorised by the Board or by the Company in general meeting.

**120 Balance sheet etc to be laid before the Company at annual general meeting**

A balance sheet shall be laid before the Company at its annual general meeting in each year and such balance sheet shall contain a general summary of the assets and liabilities of the Company. The balance sheet shall be accompanied by a report of the Directors as to the state of the Company as to the amount (if any) which they recommend to be paid by way of dividend and the amount (if any) which they have carried or propose to carry to reserve. The Auditors' report shall be attached to the balance sheet or there shall be inserted at the foot of the balance sheet a reference to the report.

**121 Accounts to be sent to Members etc.**

A copy of every profit and loss account and balance sheet and of all documents annexed thereto including the reports of the Directors and the Auditors shall, at the time the notice of meeting for the annual meeting is delivered to Members, be delivered or sent by post to each Member and to the Auditors. Any holder may by written notice served on the Company waive this requirement.

**AUDITORS**

**122 Appointment of Auditors**

- (A) A Director shall not be capable of being appointed as an Auditor.
- (B) A person other than a retiring Auditor shall not be capable of being appointed Auditor at an ordinary general meeting unless notice of intention to nominate that person as Auditor has been given by a Member to the Company not less than thirty days before the meeting and the Board shall send a copy of any such notice to the retiring Auditor and shall give notice to the Members not less than seven days before the meeting PROVIDED THAT if after notice of the intention to nominate an Auditor has been so given a meeting is called for a date fourteen days or less after such notice has been given the requirements of this provision as to time in respect of such notice shall be deemed to have been satisfied and the notice to be sent or given by the Company may instead of being sent or given within the time required by this Article be sent or given at the same time as the notice of the meeting.
- (C) The first Auditors shall be appointed by the Board before the first general meeting and they shall hold office until the first ordinary general meeting unless previously removed in which case the Members at such meeting may appoint the Auditors.
- (D) The Board may fill any casual vacancy in the office of Auditor but while any such vacancy continues the surviving or continuing Auditors (if any) may act.
- (E) Any Auditor shall be eligible for re-election.

**123 Auditor's remuneration**

The remuneration of the Auditors shall be fixed by the Company in general meeting or in such manner as the Company may determine except that the remuneration of any Auditors appointed by the Board shall be fixed by the Directors.

#### **124 Rights of the Auditor**

Every Auditor shall have a right of access at all times to the books accounts and documents of the Company and as regards books accounts and documents of which the originals are not readily available shall be entitled to rely upon copies or extracts certified by an officer of the Company and shall be entitled to require from the Board such information and explanations as may be necessary for the performance of their duties and the Auditors shall make a report to the Members on the accounts examined by them and the report shall state whether in their opinion the accounts give a true and fair view of the state of the Company's affairs and whether they have been prepared in accordance with the Law.

### **NOTICES**

#### **125 Notices to be in writing**

- (A) A notice to be given to or by a person pursuant to the Articles shall be in writing except that a notice convening a meeting of the Board or of a committee of the Board need not be in writing. Service of notices and other documents on Members
- (B) A notice may be given by the Company to any Member either personally or by sending it by prepaid post addressed to such Member at his registered address or if he desires that notices shall be sent to some other address or person to the address or person nominated for such purpose.
- (C) In the case of joint holders of a share, a notice or other document shall be given to whichever of them is named first in the Register in respect of the joint holding and notice given in this way is sufficient notice to all joint holders.
- (D) The Company shall, where no other period is specified in the Articles, give all Members sufficient notice to enable them to exercise their rights or comply with the terms of the notice.

#### **126 Notice by advertisement**

If by reason of the suspension or curtailment of postal services where the Company is unable effectively to convene a general meeting by notices sent by post, the Board may, in its absolute discretion and as an alternative to any other method of service permitted by the Articles, but subject to any applicable legal requirements, resolve to convene a general meeting by a notice advertised in at least one Canadian national newspaper and such other newspapers as may be required by any Recognised Investment Exchange on which shares are listed. In this case the Company shall send confirmatory copies of the notice to those Members by post if at least seven clear days before the meeting the posting of notices again becomes practicable.

#### **127 Evidence of service**

- (A) A notice or other document addressed to a Member at his registered address or at his address for service is, if sent by post, deemed to be given within 48 hours after it has been posted, and in proving service it is sufficient to prove that the envelope containing the notice or document was properly addressed and duly posted.
- (B) A notice or document not sent by post but left at a registered address or at an address for service is deemed to be given on the day it is left.

- (C) Where notice is given by newspaper advertisement, the notice is deemed to be given to all Members and other persons entitled to receive it at noon on the day when the advertisement appears or, where notice is given by more than one advertisement and the advertisements appear on different days, at noon on the last of the days when the advertisements appear.
- (D) A notice or other document served or delivered by the Company by any other means authorised in writing by the Member concerned is deemed to be served when the Company has taken the action it has been authorised to take for that purpose.
- (E) A Member present in person or by proxy at a meeting of Members or of the holders of a class of shares is deemed to have received due notice of the meeting and, where required, of the purposes for which it was called.

**128 Notice valid notwithstanding death, disability, insolvency etc and binding on transferees**

- (A) Any notice or document delivered or sent by post to or left at the registered address of any Member shall notwithstanding the death disability or insolvency of such Member and whether the Company has notice thereof be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in any such share.
- (B) A person who becomes entitled to a share by transmission, transfer or otherwise is bound by a notice in respect of that share which, before his name is entered in the Register, has been properly served on a person from whom he derives his title.

**129 Notice in case of entitlement by transmission**

Where a person is entitled by transmission to a share, the Company may give a notice or other document to that person as if he were the holder of a share by addressing it to him by name or by the title of representative of the deceased or trustee of the bankrupt Member (or by similar designation) at an address supplied for that purpose by the person claiming to be entitled by transmission. Until an address has been supplied, a notice or other document may be given in any manner in which it might have been given if the death or bankruptcy or other event had not occurred. The giving of notice in accordance with this Article is sufficient notice to any other person interested in the share.

**WINDING UP**

**130 Distribution of assets**

If the Company is wound up, the liquidator may, with the sanction of a Special Resolution and any other sanction required by the Law, divide among the Members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Members as he with the like sanction determines, but no Member shall be compelled to accept any assets upon which there is a liability.

**131 Insufficient assets**

If the Company shall be wound up and the assets available for distribution amongst the Members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. This Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

**INDEMNITY AND INSURANCE**

**132 Indemnity of officers and power to purchase insurance**

- (A) Without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was a Director, alternate director or Secretary of the Company and their respective heirs and executors shall be entitled to be indemnified (to the extent permitted by applicable law) out of the assets and profits of the Company from and against all actions, expenses and liabilities which they or their respective heirs or executors may incur by reason of any contract entered into or any act in or about the execution of their respective offices or trusts except such (if any) as they may incur by or through their own wilful act, neglect or default respectively and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipt for the sake of conformity or for any bankers or other person with whom any moneys or assets of the Company may be lodged or deposited for safe custody or for any bankers or other persons into whose hands any money or assets of the Company may come or for any defects of title of the Company to any property purchased or for insufficiency or deficiency of or defect in title of the Company to any security upon which any moneys of the Company shall be placed out or invested or for any loss, misfortune or damage resulting from any such cause as aforesaid or which may happen in or about the execution of their respective offices or trusts except should the same happen by or through their own wilful act, neglect or default.
- (B) Without prejudice to any other provisions of the Articles, the Board may exercise all the powers of the Company to purchase and maintain insurance for the benefit of a person who is or was a Director, alternate director, Secretary or auditor of the Company or of a company which is or was a subsidiary undertaking of the Company or in which the Company has or had an interest (whether direct or indirect), indemnifying him against liability for negligence, default, breach of duty or breach of trust or other liability which may lawfully be insured against by the Company, (including, without prejudice to the generality of the foregoing, insurance against any costs, charges, expenses, losses or liabilities suffered or incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or the exercise or purported exercise of their powers and discretions and/or otherwise in relation to or in connection with their duties, powers or offices in relation to the Company or any such other body).

## **REGISTER OF MEMBERS**

### **133 Register and local register**

The company shall maintain its Register in accordance with the Law and shall, if required by the rules of any Recognized Investment Exchange on which the shares are listed, keep an overseas or local or other branch register of Members in such place or places as determined by the Board.

### **134 Right to inspect register**

If required by the rules of a Recognised Investment Exchange on which shares are listed the Register and/or branch register of Members shall be open to inspection upon the terms required by any such Recognised Investment Exchange.

## **Transfer by way of Continuation**

### **135 Transfer by way of Continuation**

The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

## CONTENTS

Preliminary .....	1
1    Table A inapplicable.....	1
2    Interpretation .....	1
Commencement of Business .....	4
Situation of offices of the Company.....	4
SHARES.....	4
6    Authorised shares .....	4
7    Preference Shares .....	5
8    Ordinary Shares .....	5
9    Allotment.....	5
10   Power to redeem and purchase shares .....	6
11   Approval of transactions.....	6
12   Dissent Rights.....	6
13   Alteration of capital.....	7
14   Variation of rights.....	7
15   Commission.....	7
16   Trusts not recognised.....	7
SHARE CERTIFICATES .....	8
17   Right to certificate .....	8
18   Replacement certificates.....	8
LIEN.....	9
19   Company's lien on shares not fully paid.....	9
20   Enforcement of lien by sale .....	9
21   Application of proceeds of sale .....	9
TRANSFER OF SHARES .....	10
22   Method of transfer .....	10
23   Right to refuse registration .....	10
24   Compulsory transfer of shares.....	11
25   Fees on registration.....	12
TRANSMISSION OF SHARES .....	12
26   On death .....	12
27   Election of person entitled by transmission.....	12
28   Rights on transmission .....	13
29   Minority Member Buy-out .....	13
ALTERATION OF SHARE CAPITAL.....	15
30   Consolidation, sub-division and cancellation.....	15
31   Fractions .....	15
32   Reduction of capital.....	16
GENERAL MEETINGS .....	16
33   Annual general meetings .....	16
34   Extraordinary general meetings.....	16

35	Convening of extraordinary general meetings.....	16
36	Length and form of notice .....	17
37	Omission to send notice.....	17
38	Postponement of general meetings .....	17
39	Business of a meeting.....	18
PROCEEDINGS AT GENERAL MEETINGS .....		18
40	Quorum.....	18
41	Procedure if quorum not present .....	18
42	Chairman .....	19
43	Director's right to attend and speak .....	19
44	Chairman's power to invite others to attend and speak.....	19
45	Power to adjourn.....	19
46	Notice of adjourned meeting .....	19
47	Business at adjourned meeting .....	20
48	Accommodation of Members at meeting .....	20
49	Security.....	20
VOTING.....		21
50	Method of voting .....	21
51	Procedure on a poll.....	21
52	Votes of Members .....	22
53	Casting vote .....	22
54	Restriction on voting rights for unpaid calls etc. ....	23
55	Voting by proxy.....	23
56	Delivery of instrument of proxy .....	23
57	When votes by proxy valid although authority revoked.....	24
58	Corporate representative.....	24
59	Objections to and error in voting.....	25
60	Amendments to resolutions .....	25
61	Members' written resolutions .....	25
62	Class meetings.....	26
APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS .....		26
63	Number of Directors.....	26
64	Power of the Company to appoint Directors .....	26
65	Power of the Board to appoint Directors .....	26
66	Appointment of executive directors and agreements for services .....	27
67	Eligibility of new Directors .....	27
68	Voting on resolution for appointment .....	27
69	Retirement of Directors .....	27
70	Removal by Ordinary Resolution .....	27
71	Vacation of office by Director.....	28
72	Approval of certain payments.....	28
ALTERNATE DIRECTORS .....		29
73	Appointment .....	29
74	Revocation of appointment.....	29
75	Participation in Board meetings .....	29

76	Responsibility .....	30
REMUNERATION, EXPENSES AND PENSIONS .....		30
77	Directors' fees .....	30
78	Additional remuneration.....	30
79	Expenses.....	30
80	Remuneration and expenses of alternate directors .....	30
81	Remuneration of executive director.....	30
POWERS AND DUTIES OF THE BOARD .....		31
82	Powers of the Board .....	31
83	Powers of Directors being less than minimum required number.....	31
84	Delegation to individual Directors .....	31
85	Delegation to committees .....	31
86	Agents.....	32
87	Exercise of voting powers .....	32
88	Borrowing powers .....	32
89	Directors' interests .....	32
90	Participation of interested Director.....	33
91	Execution of cheques promissory notes etc.....	34
PROCEEDINGS OF DIRECTORS AND COMMITTEES.....		35
92	Board meetings.....	35
93	Notice of Board meetings.....	35
94	Quorum.....	35
95	Chairman of Board .....	35
96	Voting.....	35
97	Participation by telephone .....	35
98	Resolution in writing .....	36
99	Proceedings of committees.....	36
100	Minutes of proceedings .....	36
101	Validity of proceedings of Board or committee .....	36
SECRETARY, SEALS AND AUTHENTICATION OF DOCUMENTS.....		37
102	Secretary.....	37
103	Authentication of documents.....	37
104	Seals.....	37
DIVIDENDS AND OTHER PAYMENTS .....		38
105	Declaration of dividends.....	38
106	Interim dividends.....	38
107	Entitlement to dividends.....	38
108	Retention of dividends etc. ....	39
109	Method of payment.....	39
110	Dividends not to bear interest.....	40
111	Calls or debts may be deducted from dividends etc. ....	40
112	Unclaimed dividends etc. ....	40
113	Uncashed dividends.....	40
114	Payment of dividends in specie .....	41

115	Payment of scrip dividends.....	41
	Capitalisation of Profits.....	42
116	Capitalisation of profits .....	42
	Share Premium Account.....	43
117	Share premium account .....	43
	RECORD DATES .....	43
118	Power to choose any record date .....	43
	ACCOUNTS .....	43
119	Keeping and inspection of accounts and other documents .....	43
120	Balance sheet etc to be laid before the Company at annual general meeting .....	44
121	Accounts to be sent to Members etc .....	44
	AUDITORS.....	44
122	Appointment of Auditors.....	44
123	Auditor's remuneration .....	44
124	Rights of the Auditor.....	45
	NOTICES .....	45
125	Notices to be in writing .....	45
126	Notice by advertisement .....	45
127	Evidence of service.....	45
128	Notice valid notwithstanding death, disability, insolvency etc and binding on transferees .....	46
129	Notice in case of entitlement by transmission .....	46
	WINDING UP.....	46
130	Distribution of assets .....	46
131	Insufficient assets .....	47
	INDEMNITY AND INSURANCE.....	47
132	Indemnity of officers and power to purchase insurance .....	47
	REGISTER OF MEMBERS .....	48
133	Register and local register .....	48
134	Right to inspect register.....	48
	Transfer by way of Continuation.....	48
135	Transfer by way of Continuation.....	48