

**TETHYS**  
Petroleum

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON JUNE 13, 2012**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**DATED MAY 14, 2012**

**TETHYS PETROLEUM LIMITED**  
**89 Nexus Way, Camana Bay,**  
**Grand Cayman, KY1-9007, Cayman Islands**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN THAT** an annual general and special meeting (the “**Meeting**”) of the holders of ordinary shares (“**Ordinary Shares**”) of Tethys Petroleum Limited (the “**Company**”) will be held at the registered office of the Company, 89 Nexus Way, Camana Bay, Grand Cayman, Cayman Islands on June 13, 2012 at 10:30 a.m. (Eastern Standard Time – local time in the Cayman Islands) for the following purposes:

**Ordinary Business**

1. Resolution 1 – Receipt of Financial Statement and Auditors Report

To receive and consider the financial statements of the Company for the year ended December 31, 2011 and the report of the auditors thereon.

2. Resolution 2.1 to 2.9 – Election of Directors

To propose each of the following resolutions as ordinary resolutions of the Company:

2.1 to re-elect Russ Hammond as a director of the Company;

2.2 to re-elect Piers Johnson as a director of the Company.

2.3 to re-elect Elizabeth Landles as a director of the Company;

2.4 to re-elect the Rt. Hon. Peter Lilley M.P. as a director of the Company;

2.5 to re-elect Bernard Murphy as a director of the Company;

2.6 to re-elect James Rawls as a director of the Company;

2.7 to re-elect Marcus Rhodes as a director of the Company; and

2.8 to re-elect Dr. David Robson as a director of the Company.

2.9 to elect Julian Hammond as a director of the Company.

3. Resolution 3 – Appointment of Auditors

To propose the following resolution as an ordinary resolution of the Company:

“That KPMG Audit Plc, Chartered Accountants, be appointed as auditors of the Company, to hold office until the close of the next annual general meeting of shareholders and that their compensation be fixed by the board of directors.”

**Special Business**

4. Approval of Unallocated Options under the Company’s Stock Incentive Plan

To propose the following resolution as an ordinary resolution of the Company:

“That:

- (i) the number of Ordinary Shares of the Company reserved for issuance under the 2007 Long Term Incentive Plan, as amended (the “Stock Incentive Plan”) shall be equal to twelve per cent (12%) of the Outstanding Issue (as defined under the Stock Incentive Plan) at the time of grant of Options (as defined under the Stock Incentive Plan);
- (ii) the aggregate of (a) 519,929 Ordinary Shares reserved for issuance in respect of unallocated Options as at May 7, 2012 (calculated as 12% of the Outstanding Issue, less Ordinary Shares reserved for issuance in respect of Options outstanding as at May 7, 2012), and (b) such number of additional Ordinary Shares as shall be reserved for issuance in respect of Options to be granted under Plan as a result of any increase in the Outstanding Issue from time to time after May 7, 2012, be and they are hereby approved for issuance in accordance with the terms of the Stock Incentive Plan;
- (iii) the approval of the shareholders in respect of unallocated options under the Stock Incentive Plan as at the third anniversary of this ordinary resolutions (the “Termination Date”) shall terminate on the Termination Date, unless the shareholders of the Company confirm by ordinary resolution their approval of such unallocated Options prior to the Termination Date;
- (iv) 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. Resolution 5 – Amendment to the Company’s Articles of Association**

To propose the following resolution as a special resolution of the Company:

That the Articles of Association of the Company adopted on the 17th day of July, 2008 as amended by Special Resolution passed on 10th February 2011 (the "Articles") be amended by deleting the existing Article 23(A) of the Articles in its entirety and replacing it with the following:

- (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 and, if applicable, the securities regulatory authority having jurisdiction over any such Recognised Investment Exchange (which, for as long as the Ordinary Shares of the Company are admitted to the Official List (the "Official List") of the UK Financial Services Authority (the "FSA"), shall include the FSA), the Board may refuse to register a transfer of shares provided that such refusal would not disturb the market in those shares (and, for as long as the Ordinary Shares of the Company are admitted to the Official List, the FSA is satisfied that such refusal would not disturb the market in those shares). Subject to the requirements of any such Recognised Investment Exchange and, if applicable, the securities regulatory authority having jurisdiction over 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.

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 May 11, 2012, the record date (the "Record Date"), are entitled to receive notice of the Meeting.

**DATED** this 14<sup>th</sup> day of May, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS**

*"Elizabeth Landles"*

Chief Administrative Officer 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 Financial Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1, not later than 11:30 a.m. (Eastern Daylight Time) on June 11, 2012, or twenty-four 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 close of business on May 11, 2012, 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.

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 not later than 11:30 a.m. (Eastern Daylight Time) on June 11, 2012 request that the Registrar and Transfer Agent of the Company, Equity Financial Trust Company add his or her name on the register of members and include him or her in the list of persons entitled to attend and vote at the Meeting.

**TETHYS PETROLEUM LIMITED**

**ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON JUNE 13, 2012**

**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**", the "**Company**" or "**we**") for use at the annual general and special meeting of the holders of ordinary shares of the Company ("**Ordinary Shares**") to be held on June 13, 2012 at the registered office of the Company, being 89 Nexus Way, Camana Bay, Grand Cayman, Cayman Islands at 10:30 a.m. (Eastern Standard Time), or at any adjournment thereof (the "**Meeting**"), for the purposes set forth in the notice of meeting (the "**Notice of Meeting**").

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 May 11, 2012 (the "Record Date").**

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

**VOTING BY PROXY - APPOINTMENT AND REVOCATION OF PROXIES**

**The persons named (the "Management Designees") in the enclosed instrument of proxy (the "Instrument of Proxy") are directors or officers of the Company and have been selected by the directors of the Company and have indicated their willingness to represent as proxy the shareholder who appoints them. A registered shareholder or non-objecting beneficial owner ("NOBO") has the right to designate a person (whom needs 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, Equity Financial Trust 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 proxy nominee need not be a shareholder of the Company.

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 Financial Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1, Canada, at least forty-eight (48) hours prior to the Meeting or twenty-four (24) hours prior to 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 Financial Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1, Canada, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, at which the proxy is to be used, or by depositing the instrument in writing with the Chairman of such Meeting on the day of the Meeting, or any adjournment thereof. In addition, a proxy may be revoked by the shareholder personally attending the Meeting and voting his or her shares.

A shareholder giving a proxy has the right to attend the Meeting, or appoint someone else to attend as his or her proxy at the Meeting and the proxy submitted earlier can be revoked in the manner described above.

### VOTING IN PERSON AT THE MEETING

A registered shareholder, or a NOBO whose name has been provided to the Company's registrar and transfer agent, Equity Financial Trust Company, will appear on a list of shareholders prepared by the registrar and transfer agent for purposes of the Meeting. To vote in person at the Meeting each registered shareholder or NOBO will be required to register for the Meeting by identifying themselves at the registration desk. Non-registered beneficial shareholders (other than NOBOs) must appoint themselves as a proxyholder to vote in person at the Meeting. Also see "Advice to Beneficial Shareholders" below.

### 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 (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 Resolutions 1, 2.1 to 2.9, 3, 4 and 5 as set out in the Notice of Meeting. 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 AND TO HOLDERS OF DEPOSITORY INTERESTS

**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 (a "**Beneficial Shareholder**") in the following manner:

- (a) registered in the name of an intermediary that the Beneficial Shareholder deals with in respect of the Ordinary Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or certain administrators;
- (b) registered in the name of a depository (such as The Canadian Depository for Securities Limited or "**CDS**"); or

- (c) represented by depository interests (“**Depository Interests**”) in respect of which Capita IRG Trustees Limited acts as depository.

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 or by a NOBO 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. Ordinary Shares represented by Depository Interests are not registered in the Beneficial Shareholder’s name.

In accordance with Canadian securities law, the Company has distributed copies of the Notice of Meeting, this Management Information Circular and the form of proxy (collectively, the “**meeting materials**”) to CDS and intermediaries for onward distribution to Beneficial Shareholders.

Intermediaries are required to forward meeting materials to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Typically, intermediaries will use a service company to forward the meeting materials to Beneficial Shareholders. Beneficial Shareholders, other than NOBOs, will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit Beneficial Shareholders to direct the voting of the Common Shares they beneficially own. Beneficial Shareholders should follow the procedures set out below, depending on which type of form they receive.

*A. Voting Instruction Form.* In most cases, a Beneficial Shareholders will receive, as part of the meeting materials, a voting instruction form. If the Beneficial Shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder’s behalf), the voting instruction form must be completed, signed and returned in accordance with the directions on the form. If a Beneficial Shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Beneficial Shareholder’s behalf), the Beneficial Shareholder must complete, sign and return the voting instruction form in accordance with the directions provided and a form of proxy giving the right to attend and vote will be forwarded to the Beneficial Shareholder.

or,

*B. Form of Proxy.* Less frequently, a Beneficial Shareholder will receive, as part of the meeting materials, a form of proxy that has already been signed by the intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Beneficial Shareholder but which is otherwise uncompleted. If the Beneficial Shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder’s behalf), the Beneficial Shareholder must complete the form of proxy and deposit it with the Company’s registrar and transfer agent, Equity Financial Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1, as described above. If a Beneficial Shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the holder’s behalf), the Beneficial Shareholder must strike out the names of the Management Designees named in the proxy and insert the Beneficial Shareholder’s (or such other person’s) name in the blank space provided.

or,

*C. Form of Direction.* A Beneficial Shareholder who holds Depository Interests will receive, as part of the meeting materials, a Form of Direction. If the Beneficial Shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder’s behalf), the Form of Direction must be completed, signed and returned in accordance with the directions on the form. To be effective, this Form of Direction and the power of attorney or other authority (if any) under which it is signed, or a notarially or otherwise certified copy of such power or authority, must be deposited at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than close of business UK time on Thursday June 7, 2012. Depository Interest holders wishing to attend the Meeting should contact the Depository at Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU in accordance with the instructions set out in the Form of Direction.



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 May 11, 2012, Tethys had 286,707,744 Ordinary Shares issued and outstanding. There are no preference shares issued and outstanding as at May 11, 2012. 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, she or it is the holder. Only those shareholders of record on the Record Date are entitled to receive notice of and vote at the Meeting. Any transferee or person acquiring Ordinary Shares after the Record Date may, on proof of ownership of Ordinary Shares, demand of Equity Financial Trust Company not later than 48 hours before the Meeting (or any adjournment thereof) 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 constitute 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 other than as indicated in the table below.

<b>Name and Municipality of Residence of Shareholder</b>	<b>Number and Percentage of Ordinary Shares</b>
Pope Asset Management LLC Memphis, Tennessee	55,931,787 (19.51%)

#### **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, 2011 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 nine (9) directors, eight of whom are being nominated for re-election and one of whom is being nominated for election. 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 present and during the preceding five years, the period during which the nominee has served as a director, and the number 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.

**In the absence of contrary directions, the Management Designees, if named as proxy, intend 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>Julian Hammond</b> <sup>(4)</sup> London, United Kingdom Executive Director, Deputy Chief Executive Officer and Chief Commercial Officer	January 17, 2012	Executive Director, Deputy Chief Executive Officer and Chief Commercial Officer of Tethys. Prior to May 2007, Mr. Hammond was Vice President, Investor Relations and Business Development Manager of CanArgo Energy Corporation (oil and gas exploration and production).	25,000
<b>Russ Hammond</b> Savoie, France Director	July 26, 2006	Director of Tethys. Mr. Hammond has been a Non Executive Director of Questerre Energy Corporation since 2000. Mr. Hammond was Chairman of Terrenex Acquisition Corporation from 1995 to 2008 (oil and gas exploration and development) and Non-executive Director of CanArgo Energy Corporation (oil and gas exploration and production) from July 1998 to December 2008.	Nil
<b>Piers Johnson</b> <sup>(2)(3)</sup> London, United Kingdom Director	April 2, 2008	Director of Tethys. Managing Director of Oilfield Production Consultants (OPC) Limited. (Consulting firm to the Oil and Gas Industry.)	81,500
<b>Elizabeth Landles</b> <sup>(4)</sup> St. Peter Port, Guernsey, British Isles Executive Director, Chief Administrative Officer and Corporate Secretary	August 12, 2003	Executive Director, Chief Administrative Officer and Corporate Secretary of Tethys. Ms. Landles was Executive Vice President (until September 2007) and Corporate Secretary (until February 2008) of CanArgo Energy Corporation (oil and gas exploration and production).	42,000
<b>Rt. Hon. Peter Lilley</b> <b>M.P.</b> <sup>(1)(2)(3)</sup> London, United Kingdom Vice Chairman	July 26, 2006	Vice Chairman and Director of Tethys. Member of the United Kingdom Parliament, House of Commons. Mr. Lilley has been a Non-executive Director of IDOX plc (developer and supplier of software solutions and information services) since 2002 and non-executive director of Melchior Japan Investment Trust PLC from March 2006 to November 2010.	15,000

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>Bernard Murphy</b> <sup>(4)</sup> St Martins, Guernsey, British Isles Executive Director, Finance Director and Chief Financial Officer	August 16, 2006	Executive Director, Finance Director and Chief Financial Officer of Tethys. Prior thereto, Mr. Murphy was a company director within the Abacus Accountancy Network (Accounting Services) since 2005 and prior to 2005, Mr. Murphy held a number of senior financial positions for several organizations.	30,000
<b>James Rawls</b> <sup>(1)(3)</sup> Germantown, Tennessee, USA Director	September 1, 2009	Director of Tethys. Since 2000, Mr. Rawls has been the president and owner of Rawls Resources Inc. (oil and gas exploration and development).	118,000
<b>Marcus Rhodes</b> <sup>(1)</sup> Sotogrande, Cadiz, Spain Director	September 1, 2009	Director of Tethys. Mr. Rhodes has been an independent Director of OJSC Cherkisovo Group (food production) since February 2009 and a Director and Chairman of the Audit Committee of OJSC Phosagro since April 2011. Mr. Rhodes was a Director and member of the Audit Committee of Wimm-Bill-Dann Foods OJSC (food and beverage) from June 2008 to September 2011. Prior to May 2008, Mr. Rhodes was Audit Partner, Ernst & Young LLC (audit and accounting services).	Nil
<b>Dr. David Robson</b> <sup>(3)(4)</sup> St. Peter Port, Guernsey, British Isles Chairman, President and Chief Executive Officer	August 12, 2003	Chairman, President and Chief Executive Officer of Tethys. Prior thereto, Dr. Robson was the Chief Executive Officer of CanArgo Energy Corporation (oil and gas exploration and production) until June 2007 and Chairman until February 2008.	870,747

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Compensation and Nomination Committee.
- (3) Member of the Reserves Committee.
- (4) Member of the Executive Board.

***Corporate Cease Trade Orders and Penalties or Sanctions***

No proposed director nor the Chief Executive Officer or Chief Financial Officer 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 was:

- (i) subject to an order (within the meaning of Canadian securities legislation) 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.

No proposed director has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalty or sanction imposed by a court or regulatory body.

### ***Corporate Bankruptcies***

Other than as disclosed below, no proposed director nor the Chief Executive Officer or Chief Financial Officer 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. Russ Hammond was a non executive director of CanArgo Energy Corporation (“**CanArgo**”). Mr. Hammond resigned his directorship of CanArgo on December 8, 2008. On October 28, 2009, CanArgo filed a voluntary petition for reorganisation under Chapter 11 in the US Bankruptcy Court for the Southern District of New York.

### ***Personal Bankruptcies***

No proposed director nor the Chief Executive Officer or Chief Financial Officer 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 and Remuneration of the Auditor**

Shareholders will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution appointing KPMG Audit Plc, Chartered Accountants (“**KPMG**”), 15 Canada Square, Canary Wharf, London E14 5GL, United Kingdom, 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. KPMG were first appointed as auditors of the Company on May 13, 2011 to replace PricewaterhouseCoopers LLP, Chartered Accountants (“**PWC**”), who had been auditors of the Company since May 9, 2007.

**In the absence of contrary directions, the Management Designees, if named as proxy, intend to vote proxies in favour of the ordinary resolution approving the appointment of KPMG as auditors for the Company for the ensuing year and authorizing the Board to fix the compensation of the auditors.**

## **4. Approval of Unallocated Options Under the Stock Incentive Plan**

The Company seeks shareholders approval of the unallocated Options under the stock incentive plan (the “**Stock Incentive Plan**”). The Company’s Stock Incentive Plan is described below under the heading “Executive Compensation”. The Stock Incentive Plan provides that the maximum number of Ordinary Shares issuable under the Stock Incentive Plan is equal to a fixed maximum percentage of 12% of the number of the Company’s issued and outstanding Ordinary Shares calculated on a non-diluted basis from time to time (defined as “**Outstanding Issue**”). The rules of the Toronto Stock Exchange provide that all unallocated options, rights or other entitlements under a security-based compensation arrangement which does not have a fixed number of securities issuable must be approved by shareholders every three (3) years. Accordingly, at the Meeting, shareholders will be asked to consider, and if deemed appropriate, to approve, with or without

amendment, the resolution described below, including approval of a possible grant of the unallocated options under the Stock Incentive Plan.

On May 7, 2012 the Company had 286,707,744 Ordinary Shares outstanding, therefore providing for a current maximum of 34,404,929 (12%) Ordinary Shares to be reserved for issuance under the Stock Incentive Plan. As at May 7, 2012, the Company had 33,885,000 options outstanding (or approximately 11.8% of the outstanding Ordinary Shares), leaving unallocated options to purchase an aggregate of 519,929 Ordinary Shares (or approximately 0.2% of the outstanding Ordinary Shares) available for future option grants as at that date.

Previously allocated options (representing 33,885,000 Ordinary Shares) will continue, unaffected, whether or not this resolution is approved by shareholders. Unallocated options and previously granted options that are cancelled, terminated or exercised subsequent to the Meeting will not, however, be available for grants if this resolution is not approved by shareholders.

Approval of the resolution set out below requires confirmation by a majority of the votes cast by disinterested shareholders at the Meeting. Under the rules of the Toronto Stock Exchange, adoption of this resolution requires the favourable vote of a majority of the votes cast thereon at the Meeting other than votes attaching to Ordinary Shares beneficially owned by those insiders of the Company and their associates to whom options may be issued pursuant to the Stock Incentive Plan. As such, all directors and officers of the Company will be excluded from voting in respect of this resolution.

### ***Recommendation of the Board of Directors***

The board of directors of the Company has reviewed the terms of the Plan and has determined that the Plan as amended best serves the interest of the Company and its shareholders. **The board of directors unanimously recommends that the shareholders vote in favour of the resolution approving the unallocated options under the Stock Incentive Plan.**

**Unless such authority is withheld, the persons named in the enclosed instrument of proxy intend to vote FOR the resolution approving the unallocated options under the Stock Incentive 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 shareholders of the Company, that:

- (i) the number of Ordinary Shares of the Company reserved for issuance under the 2007 Long Term Incentive Plan, as amended (the "Stock Incentive Plan") shall be equal to twelve per cent (12%) of the Outstanding Issue (as defined under the Stock Incentive Plan) at the time of grant of Options (as defined under the Stock Incentive Plan);
- (ii) the aggregate of (a) 519,929 Ordinary Shares reserved for issuance in respect of unallocated Options as at May 7, 2012 (calculated as 12% of the Outstanding Issue, less Ordinary Shares reserved for issuance in respect of Options outstanding as at May 7, 2012), and (b) such number of additional Ordinary Shares as shall be reserved for issuance in respect of Options to be granted under Plan as a result of any increase in the Outstanding Issue from time to time after May 7, 2012, be and they are hereby approved for issuance in accordance with the terms of the Stock Incentive Plan;
- (iii) the approval of the shareholders in respect of unallocated options under the Stock Incentive Plan as at the third anniversary of this ordinary resolutions (the "Termination Date") shall terminate on the Termination Date, unless the shareholders of the Company confirm by ordinary resolution their approval of such unallocated Options prior to the Termination Date;

- (iv) 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. Amendment to the Company's Articles of Association

Article 23(A) of the Articles of Association of the Company adopted on the 17th day of July, 2008 as amended by Special Resolution passed on 10th February 2011 (the "Articles") currently permits the directors, in certain limited circumstances approved by each stock exchange on which the Ordinary Shares are listed, to refuse to register a transfer of shares provided that such refusal would not disturb the market for Ordinary Shares.

In connection with the listing of the Ordinary Shares on the London Stock Exchange, the Financial Services Authority of the United Kingdom (the "FSA") required that the Company undertake to have Shareholders consider an amendment to the Articles which would require the consent of the FSA prior to the directors refusing to register a transfer of Ordinary Shares in such circumstances.

The Company proposes to amend Article 23(A) as requested by the FSA as it believes that it is in the best interests of the Company for the Ordinary Shares to continue to be listed on the London Stock Exchange and does not wish to jeopardise this listing.

At the Meeting, the holders of the Ordinary Shares of the Company will be asked to consider, and if thought appropriate, pass with or without amendment a special resolution to amend the Company's Articles as described in this Information Circular. In order to be adopted, the special resolution must be approved with or without amendment by at least 66<sup>2</sup>/<sub>3</sub>% of the votes cast in person or represented by proxy at the Meeting. 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:

the Articles of Association of the Company adopted on the 17th day of July, 2008 as amended by Special Resolution passed on 10th February 2011 (The "Articles") be amended by deleting the existing Article 23(A) of the Articles in its entirety and replacing it with the following (additions noted by underline):

- (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 and, if applicable, the securities regulatory authority having jurisdiction over any such Recognised Investment Exchange (which, for as long as the Ordinary Shares of the Company are admitted to the Official List (the "Official List") of the UK Financial Services Authority (the "FSA"), shall include the FSA), the Board may refuse to register a transfer of shares provided that such refusal would not disturb the market in those shares (and, for as long as the Ordinary Shares of the Company are admitted to the Official List, the FSA is satisfied that such refusal would not disturb the market in those shares). Subject to the requirements of any such Recognised Investment Exchange and, if applicable, the securities regulatory authority having jurisdiction over 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.

The Board of Directors unanimously recommends that shareholders vote in favour of the special resolution to amend the Company's Articles as set out above. **In the absence of contrary directions, the Management Designees intend to vote proxies in favour of the special resolution approving the amendments to the Company's Articles as set out above.**

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Introduction*

We depend on the performance of experienced and committed executive officers with the skills, education, experience and personal qualities necessary to manage our business. Our executive compensation program is designed and administered to attract and retain such individuals in a competitive market, particularly with the skills to work successfully in our specific areas of operation.

Dr. David Robson, Chairman, President and Chief Executive Officer, Bernard Murphy, Finance Director and Chief Financial Officer, Elizabeth Landles, Director, Chief Administrative Officer and Corporate Secretary, Julian Hammond, Director, Deputy Chief Executive Officer and Chief Commercial Officer and Ian Philliskirk, Vice President and General Counsel (collectively, the “**Named Executive Officers**”) 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* (“**NI 51-102**”) for the year ended December 31, 2011.

Set out below is our discussion and analysis in respect of the compensation of our Named Executive Officers for the year ended December 31, 2011.

#### *Objectives of our Compensation Program*

The objectives of the compensation program for our Named Executive Officers are to:

- motivate executives to achieve strong financial, technical and operational performance;
- retain management talents to support our corporate goals;
- effectively compete against other oil and gas companies for executive talents;
- source and retain high quality staff with specific skills to operate in our areas of interest;
- provide a balance between the achievement of near-term and long-term objectives;
- link the interests of executives with shareholders by providing a portion of total pay in the form of stock incentives; and
- encourage long-term commitment to the Company.

Our compensation program is designed to reward the individual performance of our Named Executive Officers in meeting their individual and corporate objectives. In addition, our compensation program seeks to reward exceptional performance and contribution to the growth of our Company.

#### *Elements of Compensation*

We use several different compensation elements in our executive compensation program for the purpose of addressing both near-term and longer-term value creation for the Company. The primary components of our executive compensation program are:

- base compensation;
- long-term incentives (stock options); and
- other benefits.

The following table gives an overview of the elements of the compensation of our Named Executive Officers, including the description and purpose of each element.

COMPENSATION ELEMENTS	DESCRIPTION AND PURPOSE
Base Compensation <sup>(1)</sup>	Provides fixed compensation to pay for experience, expertise and

	knowledge.
Long-Term Incentives (stock options)	Aligns executives' long-term interests with those of our shareholders. Promotes retention of executives through time-based vesting of awards. Provides for meaningful share ownership opportunities. Emphasizes long-term performance results.
Other Benefits	Other benefits include health, life, critical illness, income protection (disability) and hardship allowance.

**Note:**

- (1) Base compensation includes, depending on the Named Executive Officer, salaries and base management fees payable under the terms of the Management and Employment Agreements referred to under "*Management and Employment Agreements*".

We have not set the compensation of our Named Executive Officers to discrete benchmarks. We instead consider the terms of each Named Executive Officer's employment contract or management contract and compare his or her performance with prior years' performance, his or her contribution to the development of our business in general and that of other Named Executive Officers. The role of the Chief Executive Officer in recommending to the Compensation and Nomination Committee (the "**Compensation Committee**") the compensation for Named Executive Officers is described under "*Role of the Compensation Committee*".

To reinforce the goals of delivering both near-term results and long-term shareholder value, the Company provides executives with long-term stock incentive awards (stock options).

### ***Determination of Amount of Compensation***

The design of each compensation element and 2011 pay decisions are described further below.

#### ***Base Compensation***

The base compensation of our Named Executive Officers was previously established at the time we entered into the employment or management contracts described elsewhere in this Information Circular (See "*Executive Compensation – Management and Employment Agreements*"). The Compensation Committee reviews on a regular basis the base compensation of our Named Executive Officers. We consider competitive base compensation vital to ensuring the continuity of our management. The following factors are considered when establishing base compensation for the Named Executive Officers:

- the importance of each Named Executive Officer to the development of our business;
- external market forces and data;
- the scope of responsibility, experience and tenure of each Named Executive Officer;
- the extensive travel required and long periods spent in often remote and difficult working environments in our areas of operation;
- the experience of each Named Executive Officer in our area of operations and related areas;
- the development plans for the Named Executive Officer and his or her potential to take on greater or different responsibilities; and
- internal equity considerations.

#### ***Cash Bonuses***

The Company does not currently have an annual cash incentive bonus program or plan. However, the Company accepts that work carried out by the Chief Executive Officer may contribute to significant business progress for the Company, including for example without limitation, the acquisition of new projects, increase of revenue from existing projects, rationalisation of costs, increase in positive cash flow for the Company, successful corporate restructuring, merger, takeover or similar, or some such other event which is positive for the Company (the "**Event**"), and in these circumstances the Compensation Committee of the Company shall cause the Company to pay a discretionary cash bonus to the Chief Executive Officer in an amount (if any)



to be determined by the Compensation Committee which will take into account, inter alia, the value to the Company of the Event.

In addition, discretionary cash bonuses may be paid to the Named Executive Officers in recognition of Events at the discretion of the Chief Executive Officer in consultation, if necessary, with the Compensation Committee.

No cash bonuses were awarded to Named Executive Officers during 2011.

### ***Long-Term Incentives (Stock Options)***

A key component of our compensation program is to reward executives for long-term strategic accomplishments and enhancement of long-term shareholder value through equity-based long-term incentives. We believe that long-term incentive compensation plays an essential role in attracting and retaining executive officers and aligns their interests with the goal of maximizing shareholder value.

We have established long-term incentive target values for each level of responsibility within the Company, including the Named Executive Officers.

In awarding incentives to our executives, the Compensation Committee takes into account the following factors:

- recent Company performance;
- each executive officer's individual performance during the year;
- competitive market conditions;
- historical practices;
- incentive awards for others in the organization;
- the Company's desire for its long-term incentive plans to accommodate an awards program lasting up to seven years; and
- our compensation philosophy.

The Company's long-term incentive awards are currently limited to option-based awards ("**Stock Options**"). In addition, prior to its initial public offering in June 2007, the Company issued the 2017 Warrants and Performance Warrants (as defined and described below) as one time incentives to certain officers of the Company. See "*Executive Compensation – 2017 Warrants*" and "*Executive Compensation - Performance Warrants.*"

Stock Options are intended to align executives' interests with those of shareholders, by providing an incentive for executives to enhance shareholder value. Due to the significance of the risk/reward profile of Stock Options, executives stand to gain from their receipt of Stock Options only to the extent our common stock appreciates in value. The vesting schedule provides incentive to continue service with the Company for an extended period. For awards made in 2011, 33.33% of the Stock Options immediately vested and became exercisable on the grant date. An additional 33.33% of each grant vests and becomes exercisable on each of the first two anniversaries of the original grant.

Stock Options to acquire 2,565,000 Ordinary Shares were granted to Named Executive Officers in 2011 in accordance with the approval of the Compensation Committee. The number of Stock Options granted to the Named Executive Officers (other than to the President and Chief Executive Officer) was determined by the Compensation Committee after review of a recommendation of the President and Chief Executive Officer based on his assessment of the optionee's contributions to the development of the Company's operations and importance to the success of the Company, and after considering prior grants of option-based awards. The number of Stock Options granted to the President and Chief Executive Officer was determined by the Compensation Committee based on similar criteria. Pursuant to the Stock Incentive Plan (as defined below), the number of Ordinary Shares reserved for issuance in respect of Stock Options may not exceed 12% of outstanding Ordinary Shares from time to time.

### ***Other Benefits***

Our Named Executive Officers and their immediate families are eligible for medical insurance, and the Named Executive Officers themselves to accidental death insurance, life insurance, disability insurance, hardship allowance, vacation and other similar benefits. The cost of these benefits for each Named Executive Officer is set out in the Summary Compensation Table.

We provide Named Executive Officers with the following perquisites (or their equivalent) on a limited basis:

- (i) life insurance;
- (ii) health insurance;
- (iii) income protection (disability insurance);
- (iv) critical illness insurance;
- (vi) cash contribution (equal to 9% of basic salary or base management fee) toward each Named Executive Officer's personal pension requirements; and
- (vii) hardship allowance.

### ***Hedging of Economic Risks in the Company's Securities***

While the Company has not adopted a formal policy prohibiting Directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of the Company's securities granted as compensation or held, directly or indirectly, by Directors or officers, the Company is not aware of any Directors or officers having entered into this type of transaction.

### ***Post-Termination or Change in Control Benefits***

We currently have employment or management agreements with each of our Named Executive Officers. These agreements may be terminated on six months' notice. Accordingly, these agreements give the Named Executive Officers six months' compensation if their employment is terminated without notice. See "Management and Employment Agreements". In the event of a "Change of Control" (as defined in the Stock Incentive Plan), the unvested Stock Options held by each of the Named Executive Officers become fully vested.

### ***Role of the Compensation Committee***

Without prejudice to the specific duties of the Compensation Committee detailed below, the general aims of the Compensation Committee are to assist the Board in: (i) setting the compensation of senior management 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 Compensation Committee:

- (a) 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 with respect to) the Chief Executive Officer's compensation level based on this evaluation;
- (b) considers and, if deemed appropriate, approves the Chief Executive Officer'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; and
- (d) is responsible for appointing and determining the terms of appointment of any consultants in respect of the executive officers' compensation.

In fulfilling its role, the following general policies apply:

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

Under the direction of the Compensation 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 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.

The Compensation Committee considers the implications of the risks associated with the Company's compensation policies and practices when determining rewards for its officers. Commencing in 2012, the Compensation Committee intends to review at least once annually the risks, if any, associated with the Company's compensation policies and practices at such time.

Given the current stage of the Company's development, the Compensation Committee is able to closely monitor and consider any risks, which may be associated with the Company's compensation policies and practices. Risks, if any, may be identified and mitigated through regular meetings during which financial and other information of the Company are reviewed. No risks have been identified arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

The current members of the Compensation Committee are Mr. Piers Johnson and the Rt. Hon. Peter Lilley M.P., both of whom are independent directors. The Board of Directors is of view that the Compensation Committee collectively has the knowledge, experience and background to fulfill its mandate, and that each of the members of the Compensation Committee has direct experience relevant to his responsibilities regarding executive compensation.

Mr. Lilley is a former Cabinet Minister in the British Government. He was involved in selecting suitable employees for Government and associated bodies and assessing their performance and impact in their roles within the British economy and its social security system. Prior to this, Mr. Lilley was a Partner then Director of Greenwell Montagu Securities (a leading UK stockbroking company) where he was also involved in selecting, appraising, remunerating and retaining senior professional staff within a highly active financial institution. He has also chaired the Remuneration and Nomination Committees of IDOX plc, an AIM quoted UK company.

Mr. Johnson is the Managing Director of Oilfield Production Consultants Limited, Oilfield Production Consultants (OPC) Asia LLC and Oilfield Production Consultants USA LLC (collectively "OPC"), all of which companies employ staff engaged in oil and gas development, production and related activities. At OPC, Mr. Johnson is involved in setting Directors' and Managers' remuneration and commissions based on financial and non-financial targets and he is also involved in the recruitment process of Directors. Mr. Johnson previously worked for Schlumberger where he was involved in recruiting and retaining senior engineering staff. In addition, OPC provides staff to oil and gas companies worldwide. Mr. Johnson has considerable experience in appraising, assessing and

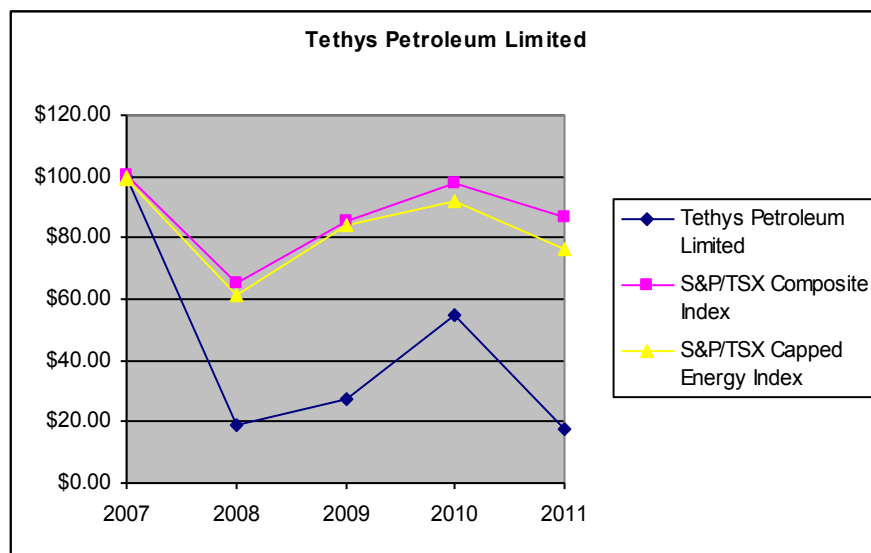
evaluating staff and other contractors to the business. Mr. Johnson is also involved in the training and education of technical personnel both through OPC and personally in his position as Visiting Lecturer to the Petroleum Institute in Paris, France.

### ***Compensation Consultants and Advisors***

During 2011, no compensation consultant or advisor was retained by the Company.

### **Performance Graph**

The Ordinary Shares commenced trading on the Toronto Stock Exchange ("TSX") on June 27, 2007 concurrently with the completion of the Company's initial public offering. The following graph illustrates cumulative shareholder return, as measured by the initial public offering price of the Ordinary Shares as at June 27, 2007 and the closing price of the Ordinary Shares at the end of the financial years ended December 31, 2007, 2008, 2009, 2010 and 2011, assuming an initial investment of CDN\$100 on June 27, 2007, compared to the closing prices of the S&P/TSX Composite Index and the S&P/TSX Capped Energy Index.



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

	June 27, 2007	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011
Tethys Petroleum Limited.....	\$100.00	\$100.00	\$18.98	\$27.12	\$54.58	\$17.63
S&P/TSX Composite Index .....	\$100.00	\$100.66	\$65.40	\$85.48	\$97.83	\$87.00
S&P/TSX Capped Energy Index.....	\$100.00	\$99.41	\$61.46	\$84.41	\$91.73	\$76.29

\*Assuming reinvestment of dividends/distributions. All amounts in Canadian \$.

The compensation paid by the Company to its Named Executive Officers in 2011 was not based in whole or in part on the trading price of the Ordinary Shares in 2011 and does not compare to the trends in such trading price or the above market indices.

### Option-based Awards

The process the Company follows in respect of the grant of option-based awards is set out under “*Compensation Discussion and Analysis – Long-Term Incentives (Stock Options)*”.

### Summary Compensation Table

The following table sets forth all annual and long-term compensation paid in respect of each Named Executive Officer.

Name and Principal Position	Year	Salary paid in UK£ conv to (US\$)	Share-based awards (US\$)	Option-based awards (US\$) <sup>(2)</sup>	Non-equity incentive plan compensation (US\$)		Pension value (US\$)	All other compensation (US\$) <sup>(2)</sup>	Total compensation (US\$) <sup>(6)</sup> <sup>(1)</sup>
					Annual Incentive plans	Long-term Incentive plans			
Dr. David Robson <sup>(3)</sup> <sup>(4)</sup> Chairman, President and Chief Executive Officer	2011	618,709	N/A	474,467	N/A	N/A	N/A	90,821	1,183,997
	2010	542,643	N/A	841,549	454,464	N/A	N/A	101,652	1,940,308
	2009	478,624	N/A	369,771	N/A	N/A	N/A	77,637	926,033
Bernard Murphy <sup>(4)</sup> <sup>(5)</sup> Finance Director and Chief Financial Officer	2011	338,292	N/A	293,833	N/A	N/A	N/A	59,987	692,112
	2010	301,976	N/A	445,519	65,255	N/A	N/A	69,096	881,846
	2009	241,400	N/A	201,488	N/A	N/A	N/A	47,625	490,513
Elizabeth Landles <sup>(4)</sup> <sup>(5)</sup> Chief Administrative Officer and Corporate Secretary	2011	338,292	N/A	296,706	N/A	N/A	N/A	56,885	691,883
	2010	302,030	N/A	445,519	173,392	N/A	N/A	49,036	969,977
	2009	241,864	N/A	201,488	N/A	N/A	N/A	37,737	481,089
Julian Hammond <sup>(4)</sup> Director, Deputy Chief Executive Officer and Chief Commercial Officer	2011	283,111	N/A	272,435	N/A	N/A	N/A	40,301	595,847
	2010	290,413	N/A	383,185	120,000	N/A	N/A	42,721	836,319
	2009	210,560	N/A	201,488	N/A	N/A	N/A	33,830	412,048
Ian Philliskirk Vice President and General Counsel	2011	320,216	N/A	180,189	N/A	N/A	N/A	50,990	551,385
	2010	303,969	N/A	335,897	115,255	N/A	N/A	27,961	783,082
	2009	272,035	N/A	97,288	N/A	N/A	N/A	18,309	378,305

#### Notes:

(1) **NOTE:** Total compensation for the year represents the sum of all cash compensation paid and the value of option-based awards granted in the year. Total cash compensation, excluding the grant date fair value of option-based awards (which value is not a cash amount), was as follows in 2011:

- (i) Dr. David Robson: US\$709,530  
(ii) Bernard Murphy: US\$398,279

- |  |       |                   |             |
|--|-------|-------------------|-------------|
|  | (iii) | Elizabeth Landles | US\$395,177 |
|  | (iv)  | Julian Hammond:   | US\$323,412 |
|  | (v)   | Ian Philliskirk:  | US\$371,196 |
- (2) Represents the grant date fair value of Stock Options granted to 2011 based on a weighted average fair value on the date of grant, estimated using the Black-Scholes option pricing model of US\$1.58 per option, using the following weighted average assumptions: dividend yield of 0%; expected term of 2.0 years; a risk free interest rate of 1.6%; and an expected volatility of 71.6%. The Company used the Black-Scholes valuation methodology for calculating the value of the options reflected in the above table because Black-Scholes is a recognized tool for valuation methodology and is appropriate for the Company.
- (3) 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 insurance premiums;
  - (iv) critical illness premiums;
  - (v) income protection premiums; and/or
  - (vi) hardship allowance.
- (4) Represents amounts paid to Vazon Energy Limited under the terms of the CEO Services Agreement (as defined below) in respect of services of the President and Chief Executive Officer. See "*Management and Employment Agreements*".
- (5) Dr. Robson, Mr. Murphy, Ms. Landles and Mr. Hammond are also members of the Board of Directors. However, no additional compensation is paid to them in respect of their duties as directors.
- (6) Represents amounts paid to Vazon Energy Limited under the terms of the Umbrella Services Agreement (as defined below) in respect of the services of Mr. Murphy and Ms. Landles. See "*Management and Employment Agreements*".
- (7) Amounts paid in respect of the services of the Named Executive Officers were paid in pounds sterling (£). These amounts were converted into US\$ for the purposes of the above table at an average rate of UK£1.00 = US\$1.605, based on the exchange rate quoted by oanda.com on the applicable payment date through the course of the year.

## Management and Employment Agreements

The compensation paid in respect of the services of Dr. Robson, Mr. Murphy, Ms. Landles, Mr. Hammond and Mr. Philliskirk was paid in accordance with the management and employment agreements described below.

The Company and Vazon Energy Limited ("**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 Bernard Murphy as Chief Financial Officer, Elizabeth Landles as Chief Administrative Officer and Corporate Secretary, George Mirtskhulava as Vice President Commercial and Head of Kazakhstan Business Unit and Denise Lay as Vice President Finance (the "**Vazon Employees**"). The Umbrella Management Services Agreement is a "flow through" agreement and requires that the Company pays Vazon a monthly fee which was £110,337 as at December 31, 2011 (including contributions towards personal pension requirements), plus any required local or similar taxes (payable by the Company), for the services of the Vazon Employees. In addition, the Umbrella Management Services Agreement provides for the provision of other services including office accommodation, corporate, administrative, financial, treasury, accounting, technical, information technology and human resources. The Company will also be required to reimburse Vazon for expenses incurred by the Vazon 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. The Umbrella Management Services Agreement was extended by a Deed of Guarantee and Indemnity on December 10, 2009. Vazon makes no profit out of this arrangement which is necessary to address practical and potentially regulatory issues.

Vazon's registered office address is P.O. Box 144, St Peter Port, Guernsey GY1 3HX, British Isles.

### **Dr. David Robson**

The Company and 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 £30,833, for these services, plus a further 9% of this sum as a contribution to Dr. Robson's

personal pension requirements. The agreement also provides for the possibility of a bonus payable to Vazon, at the discretion of the Compensation Committee, 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 specified insurance policies (life, health, disability and travel) for Dr. Robson and provide for other customary non-cash benefits. 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.

### ***Bernard Murphy***

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 Finance Director and Chief Financial Officer of the Company (the "**CFO Agreement**"). The CFO Agreement was novated to Vazon on August 28, 2009. 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 April 1, 2010, the annual compensation payable to Mr. Murphy is £214,500, plus £19,305 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 Stock Incentive Plan and any bonus plan the Company may adopt.

### ***Elizabeth Landles***

Elizabeth Landles and Vazon are parties to an employment agreement dated July 26, 2006 pursuant to which Ms. Landles is employed as Chief Administrative Officer and Corporate Secretary of the Company (the "**CAO and Corporate Secretary Agreement**"). The CAO and Corporate Secretary Agreement does not have an express term and may be terminated by the Company as well as by Ms. Landles with six months' notice. Effective April 1, 2010, the annual compensation payable to Ms. Landles is £214,500, plus £19,305 annually in respect of personal pension requirements. The Company has also agreed to pay for certain premiums for health and life insurance. Ms. Landles is eligible to participate in the Stock Incentive Plan and any bonus plan the Company may adopt.

### ***Julian Hammond***

Julian Hammond and TSL are parties to an employment agreement dated May 2, 2007, pursuant to which Mr. Hammond is employed as Deputy Chief Executive Officer and Chief Commercial Officer of the Company (the "**Deputy CEO and CCO Agreement**"). The Deputy CEO and 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. Effective April 1, 2010, the annual compensation payable to Mr. Hammond is £178,000, plus £16,020 annually in respect of personal pension requirements. The Company has also agreed to pay certain premiums for health and life insurance. Mr. Hammond is eligible to participate in the Stock Incentive Plan and any bonus plan the Company may adopt.

### ***Ian Philliskirk***

Ian Philliskirk and TSL are parties to an employment agreement effective February 1, 2009, pursuant to which Mr. Philliskirk is employed as Vice President and General Counsel of the Company (the "**VP and General Counsel Agreement**"). The VP and General Counsel Agreement was novated to the Company on August 28, 2009. The VP and General Counsel Agreement does not have an express term and may be terminated by the Company as well as by Mr. Philliskirk with six months' notice. Effective April 1, 2010, the annual compensation payable to Mr. Philliskirk is £199,500, plus £17,955 annually in respect of personal pension requirements. The Company has also agreed to pay for certain premiums for health and life insurance. Mr. Philliskirk is eligible to participate in the Stock Incentive Plan and any bonus plan the Company may adopt.

## Incentive Plan Awards

### *Outstanding Option-based Awards*

The following table sets forth all option-based awards held by Named Executive Officers as at December 31, 2011, consisting of Stock Options granted under the Stock Incentive Plan, Performance Warrants and 2017 Warrants (as described below under the corresponding headings). The Company has not granted any share-based awards (which term does not include option-based awards) since inception.

<b>OPTION-BASED AWARDS</b>				
<b>Name</b>	<b>Number of securities underlying unexercised options (#)</b>	<b>Option exercise price per share (\$US)</b>	<b>Option expiration date</b>	<b>Value of unexercised in-the-money-options (US\$)<sup>(6)</sup></b>
Dr. David Robson <sup>(1)</sup>	900,000	\$2.75	June 25, 2014	Nil
	300,000	\$2.50	June 26, 2015	
	810,000	\$0.60	August 4, 2014	
	420,000	\$0.80	December 31, 2014	
	420,000	\$2.10	April 8, 2015	
	477,000	C\$1.60	October 19, 2015	
	810,000	C\$0.66	August 18, 2014	
	884,288	\$6.88	December 27, 2012	
Bernard Murphy <sup>(2)</sup>	450,000	\$2.75	June 25, 2014	Nil
	180,000	\$2.50	June 26, 2015	
	420,000	\$0.60	August 4, 2014	
	210,000	\$0.80	December 31, 2014	
	210,000	\$2.10	April 8, 2015	
	285,000	C\$1.60	October 19, 2015	
	60,000	C\$1.72	April 10, 2016	
	450,000	C\$0.66	August 18, 2014	
	568,470	\$6.88	December 27, 2012	
190,000	\$2.50	June 2, 2017		
Elizabeth Landles <sup>(3)</sup>	450,000	\$2.75	June 25, 2014	Nil
	180,000	\$2.50	June 26, 2015	
	420,000	\$0.60	August 4, 2014	
	210,000	\$0.80	December 31, 2014	
	210,000	\$2.10	April 8, 2015	
	285,000	C\$1.60	October 19, 2015	
	60,000	C\$1.72	April 10, 2016	
	480,000	C\$0.66	August 18, 2014	
	568,470	\$6.88	December 27, 2012	



OPTION-BASED AWARDS				
Name	Number of securities underlying unexercised options (#)	Option exercise price per share (\$US)	Option expiration date	Value of unexercised in-the-money-options (US\$) <sup>(6)</sup>
Julian Hammond <sup>(4)</sup>	450,000	\$2.75	June 25, 2014	Nil
	180,000	\$2.50	June 26, 2015	
	140,000	\$0.60	August 4, 2014	
	180,000	\$0.80	December 31, 2014	
	195,000	\$2.10	April 8, 2015	
	195,000	C\$1.60	October 19, 2015	
	90,000	C\$1.72	February 13, 2016	
	480,000	C\$0.66	August 18, 2014	
	568,470	\$6.88	December 27, 2012	
Ian Philliskirk <sup>(5)</sup>	300,000	\$2.50	January 31, 2016	Nil
	270,000	\$0.60	August 4, 2014	
	180,000	\$0.80	December 31, 2014	
	180,000	\$2.10	April 8, 2015	
	180,000	C\$1.60	October 19, 2015	
	225,000	C\$0.66	August 18, 2014	

**Notes:**

- (1) The unexercised options consist of 4,137,000 Stock Options, 884,288 Performance Warrants and 0 2017 Warrants.
- (2) The unexercised options consist of 2,265,000 Stock Options, 568,470 Performance Warrants and 190,000 2017 Warrants.
- (3) The unexercised options consist of 2,295,000 Stock Options, 568,470 Performance Warrants and 0 2017 Warrants.
- (4) The unexercised options consist of 1,190,000 Stock Options, 568,470 Performance Warrants and 0 2017 Warrants.
- (5) The unexercised options consist of 1,335,000 Stock Options, 0 Performance Warrants and 0 2017 Warrants.
- (6) Based on the difference between the closing price of the Ordinary Shares on the TSX on December 31, 2011 and the relevant exercise price. The closing price of the Ordinary Shares on the TSX on December 31, 2011 was the Canadian dollar equivalent of US\$0.51. The value in the column represents the aggregate value for all unexercised options set out next to the name of the relevant Named Executive Officer.

***Option-based Awards – value vested during the year ended December 31, 2011.***

The following table provides details of the aggregate value of option-based awards (consisting of Stock Options, Performance Warrants and 2017 Warrants) held by the Named Executive Officers which vested during the financial year ended December 31, 2011 and Non-Equity Incentive Plan awards during financial year ended December 31, 2011. There were no share-based awards that vested during 2011.

Name	Option-based awards – Value vested during the year (US\$) <sup>(1)</sup> <sup>(2)</sup>	Non-equity incentive plan – Value earned during the year (US\$)
Dr. David Robson	\$137,700	Nil
Bernard Murphy	\$61,400	Nil
Elizabeth Landles	\$61,400	Nil
Julian Hammond	\$46,534	Nil
Ian Philliskirk	\$48,607	Nil

**Notes:**

- (1) The value in the above table reflects the difference between the market value Ordinary Shares on the TSX on the date of vesting and the exercise price of the Stock Options.
- (2) The following numbers of Stock Options granted under the Stock Incentive Plan vested in 2011:
- |       |                    |                 |
|-------|--------------------|-----------------|
| (i)   | Dr. David Robson:  | 979,999 options |
| (ii)  | Bernard Murphy:    | 545,000 options |
| (iii) | Elizabeth Landles: | 555,000 options |
| (iv)  | Julian Hammond:    | 426,667 options |
| (v)   | Ian Philliskirk:   | 445,000 options |

The Stock Options granted or which vested in 2011 were granted under our Stock Incentive Plan which is described below. In addition, certain Named Executive Officers were granted Performance Warrants and 2017 Warrants in 2007, all of which vested at the time of grant. The Performance Warrants and 2017 Warrants are described below.

The process followed by the Company for the grant of Stock Options referred to above is described under "*Compensation Discussion Analysis - Long-Term Incentives (Stock Options)*".

***Stock Incentive Plan***

The Company has adopted the Stock Incentive Plan referred to as the "*2007 Long Term Stock Incentive Plan (as amended effective April 24, 2008 and May 7, 2009)*" pursuant to which the Company may grant Stock Options to any director, officer, employee or consultant of the Company, subsidiary of the Company, or Vazon (collectively, "**Service Providers**"). The purpose of the Stock Incentive 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 Stock Incentive Plan was adopted prior to the Company's initial public offering and amendments thereto were approved by shareholders of the Company at the 2008 and 2009 annual shareholders' meetings. The amendment to the Stock Incentive Plan approved by shareholders of the Company on May 7, 2009 provides that the aggregate number of Ordinary Shares reserved for issuance under the Stock Incentive Plan is equal to 12% of the number of Ordinary Shares outstanding at the time of the grant of Stock Options.

The maximum number of Ordinary Shares reserved for issuance under the Stock Incentive Plan currently is equal to 12% of the number of outstanding issued Ordinary Shares. As at the date hereof, Stock Options in respect of 33,885,000 Ordinary Shares are outstanding, representing 11.8% of the issued and outstanding Ordinary Shares. Stock Options in respect of 519,929 Ordinary Shares, representing 0.2% of the issued and outstanding Ordinary Shares, are unallocated at the date hereof. In accordance with the requirements of the TSX, the shareholders are being asked at the Meeting to approve the number of unallocated Stock Options under Stock Incentive Plan. See "Particulars of Matters to be Acted Upon - Approval of Unallocated Options under the Stock Incentive Plan".

The Stock Incentive Plan is administered by the Compensation Committee of the Board of Directors. Stock Options may be granted pursuant to recommendations of the Compensation Committee. The Compensation 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 Committee, options will terminate three months after an optionee ceases to be a Service Provider.

The exercise price of Stock Options granted under the Stock Incentive Plan is determined by the Compensation Committee at the time of each grant based on the market price of the Ordinary Shares on the TSX, provided that it 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 Committee, the Stock Options will cease to be exercisable three months after an optionee ceases to be a director, officer, employee or consultant of the Company, subsidiary of the Company, or Vazon, subject to earlier termination in the event of termination for cause. The Stock Incentive Plan contains amendment provisions which allow amendments to the Stock Incentive Plan by the Board of Directors, without shareholder approval, for: (i) amendments of a "housekeeping" nature; (ii) changes to vesting or termination provisions; (iii) discontinuance of the Stock

Incentive Plan; (iv) the addition of provisions relating to phantom share units; and (v) the addition of a cashless exercise feature. The Stock Incentive Plan also provides that outstanding Stock Options will vest immediately on the occurrence of a “change in control” (as defined in the Stock Incentive Plan). Stock Options granted under the Plan are only assignable to certain related entities of an optionee or otherwise with the consent of the Company.

The Stock Incentive 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 Stock Incentive Plan does not contain any restriction on the number of Ordinary Shares which may be reserved for issuance in respect of Stock Options granted to insiders under the Stock Incentive Plan or pursuant to any other share compensation arrangement. Accordingly, amendments to the Stock Incentive 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 Stock Incentive Plan or share compensation arrangements do not limit the participation of insiders to 10% of outstanding Ordinary Shares.

Stock Options may also be exercised from time to time in accordance with the Company’s option assistance program (the “Option Assistance Plan”). Under the Option Assistance Plan, the employee executes a Stock Option exercise form and Stock Option award agreement and executes a nomination agreement with the Company. Pursuant to the Option Assistance Plan, the Corporate Secretary instructs the Company’s transfer agent to issue Ordinary Shares in the name of the Company and instructs its broker to sell such Ordinary Shares once they have been advised that the Ordinary Shares have been issued. In the event that Company or the Company’s broker determines that market conditions are not suitable, then, at the Company’s discretion, the sale may be withdrawn, and either the employee pays the Company for the option exercise price plus any costs and retains the Ordinary Shares, or else the Ordinary Shares are cancelled. Proceeds from the sale are returned to the Company minus any commissions. The amount required to exercise the Stock Options from the net proceeds received is deducted and a cheque or bank transfer is sent to the Employee for the balance. The Company does not experience any loss under the Option Assistance Plan.

### ***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 were exercisable at US\$4.125 until December 27, 2009 but have now expired, Performance Warrants to acquire an aggregate of 2,255,835 Ordinary Shares were exercisable at US\$5.50 until June 27, 2011 but have now expired and Performance Warrants to acquire an aggregate of 3,158,168 Ordinary Shares are exercisable at US\$6.875 until December 27, 2012. These 3,158,168 Performance Warrants are the only remaining Performance Warrants at this time.

### ***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 190,000 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.

### **Defined Benefit or Actuarial Plans**

The Company did not have any defined benefit (or actuarial plans) or defined contribution plan during the financial year ended December 31, 2011.

Although the Company does not provide any of its Named Executive Officers with a pension plan, the Company pays a monthly contribution of 9% of the Named Executive Officer's basic salary or base management fee as a contribution towards the Named Executive Officer's pension requirements. Payments made to the Named Executive Officer with relation to pension provisions are made on the basis that the Named Executive Officer decides how to direct these payments in accordance with their own pension requirements and objectives.

### Termination and Change of Control Benefits

The Umbrella Management Services Agreement, the CEO Services Agreement, the CFO Agreement, the CAO and Corporate Secretary Agreement, the Deputy CEO and COO Agreement, and the VP and General Counsel Agreement (collectively the “**Management Agreements**”) may be terminated by either the Company or the relevant Named Executive Officer on six months' notice. None of the Management Agreements provides for payment upon a change of control of the Company.

The Stock Incentive Plan provides that, in the event of a “Change of Control” (as defined therein), all outstanding Stock Options will immediately vest and become exercisable. Had such “Change of Control” occurred as at December 31, 2011, the value of Stock Options vested upon such occurrence (calculated as the difference between the market price of the Ordinary Shares on the TSX on December 31, 2011 and the exercise price of the Stock Options) would have been nil.

### Compensation of Directors

The following table sets forth all amounts of compensation provided to the directors of the Company (other than those directors who are also Named Executive Officers) during the year ended December 31, 2011.

Name <sup>(1)</sup>	Fee earned (US\$) <sup>(2)</sup>	Share-based awards (US\$)	Option-based awards (US\$) <sup>(3)</sup>	Non-equity incentive plan compensation (US\$)	Pension value	All other compensation (US\$)	Total (US\$) <sup>(4)</sup>
Russ Hammond	55,561	N/A	106,966	N/A	N/A	Nil	162,527
Piers Johnson	63,499	N/A	106,966	N/A	N/A	Nil	170,465
Peter Lilley	74,611	N/A	107,290	N/A	N/A	Nil	181,901
James Rawls	61,825	N/A	104,050	N/A	N/A	Nil	165,875
Marcus Rhodes	60,324	N/A	104,050	N/A	N/A	Nil	164,374

**Note:**

- (1) The compensation information of those directors who are also executive officers is set out under “*Compensation Discussion and Analysis – Summary Compensation Table*”. No additional compensation is paid to them in respect of their duties as directors.
- (2) Cash amounts paid in respect of the services of the non executive directors were paid in pounds sterling (£). These amounts were converted into US\$ for the purposes of the above table at an average rate of UK£1.00 = US\$1.605, based on the exchange rate quoted by oanda.com on the applicable payment date through the course of the year.
- (3) Represents the grant date fair value of Stock Options granted to 2011 based on a weighted average fair value on the date of grant, estimated using the Black-Scholes option pricing model of US\$1.58 per option, using the following weighted average assumptions: dividend yield of 0%; expected term of 2.0 years; a risk free interest rate of 1.6%; and an expected volatility of 71.6%. The Company used the Black-Scholes valuation methodology for calculating the value of the options reflected in the above table because Black-Scholes is a recognized tool for valuation methodology and is appropriate for the Company.
- (4) Total compensation includes the grant date fair value of option-based awards during the year (which value is not a cash amount).

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/or 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 2011 each director who was not a member of management was awarded Stock Options to acquire certain Ordinary Shares in accordance with the terms of the Stock Incentive Plan as set out in the table below. These Stock Options have a term of 3 years from the date of grant. The Stock Options vested one third immediately, one third after one year and one third after two years.

Name	Number of securities underlying unexercised options	Option price	Option expiration date	Value of unexercised in-the-money options
Russ Hammond	108,000	C\$0.66	August 18, 2014	Nil
Piers Johnson	108,000	C\$0.66	August 18, 2014	Nil
Peter Lilley	108,000	C\$0.66	August 18, 2014	Nil
James Rawls	108,000	C\$0.66	August 18, 2014	Nil
Marcus Rhodes	108,000	C\$0.66	August 18, 2014	Nil

The following table provides details of the aggregate value of option based awards held by directors (who are not also Named Executive Officers) which vested during the financial year ended December 31, 2011. There were no share-based awards that vested, nor any non-equity incentive awards earned, during 2011.

Name	Option-based awards – Value vested during the year (US\$) <sup>(1)(2)</sup>
Russ Hammond	24,649
Piers Johnson	24,649
Peter Lilley	27,900
James Rawls	23,873
Marcus Rhodes	23,873

**Note:**

- (1) The value in the above table reflects the difference between the market value Ordinary Shares on the TSX on the date of vesting and the exercise price of the Stock Options.
- (2) The following number of Stock Options granted to directors vested in 2011:
- (i) Russ Hammond: 178,000 options;
  - (ii) Piers Johnson: 178,000 options;
  - (iii) Peter Lilley: 182,000 options;
  - (iv) James Rawls: 178,000 options;
  - (v) Marcus Rhodes: 178,000 options.

The appointment of each director who is not also an executive officer (a “**non-executive director**”) is confirmed under the terms of an appointment letter. Such appointment letter provides 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.

## Equity Compensation Plan Information

The following table provides details as at December 31, 2011 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: 28,923,000	Options: US\$1.45	Options: 2,192,572
Equity compensation plans not approved by securityholders <sup>(1)</sup>	PWs: 3,158,168 2017 Warrants: 2,090,000	PWs: US\$5.14 2017 Warrants: US\$2.50	PWs: Nil 2017 Warrants: Nil
<b>Total</b>	Options: 28,923,000  PWs: 3,158,168  2017 Warrants: 2,090,000	Options: US\$1.45  PWs: US\$5.14  2017 Warrants: US\$2.50	Options: 2,192,572  PWs: Nil  2017 Warrants: Nil

**Note:**

- (1) The Performance Warrants (PWs) and 2017 Warrants were granted in 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**

Pursuant to 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. In addition, the Company has included in its Annual Information Form a corporate Governance Statement prepared in accordance with point 7.2 of the Disclosure and Transparency Rules of the UK Financial Services Authority (FSA) which Corporate Governance Statement includes disclosure relating 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 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 nine directors. A director is "independent" within the meaning of Section 1.4 of National Instrument 52-110 - *Audit Committees* ("**NI 52-110**") if he or she does not have any direct or indirect material relationship with the Company which, in the view of the Board of Directors, could reasonably interfere with the exercise of the member's independent judgement. In addition, under NI 52-110, certain individuals are deemed to have a "material relationship" with the Company, including any individual whose immediate family member is, or has recently been, an executive officer of the Company.

Based on the foregoing definition, the Board had 4 independent directors and 4 directors who are not independent at December 31, 2011 and had 4 independent directors and 5 directors who are not independent at May 11, 2012:

Independent Status of Directors				
Name	Management	Independent	Not Independent	Reason for Non-Independent Status
Julian Hammond <sup>(1)</sup>	✓		✓	Mr. Hammond is the Deputy Chief Executive Officer, Chief Commercial Officer and an Executive Director of Tethys
Russ Hammond			✓	Mr. Hammond is the father of Julian Hammond, the Deputy Chief Executive Officer, Chief Commercial Officer and Executive Director of Tethys
Piers Johnson		✓		N/A
Elizabeth Landles	✓		✓	Ms. Landles is Chief Administrative Officer, Corporate Secretary and Executive Director of Tethys
Peter Lilley		✓		N/A
Bernard Murphy	✓		✓	Mr. Murphy is the Chief Financial Officer and Finance Director of Tethys
James Rawls		✓		N/A
Marcus Rhodes		✓		N/A
Dr. David Robson	✓		✓	Dr. Robson is the President, Chief Executive Officer and Executive Director of Tethys

**Notes:** <sup>(1)</sup> On January 17, 2012, Mr. Julian Hammond was appointed to the Board of Directors of the Company. Mr. Hammond has also been appointed as a member of the Executive Board of the Company but, as of the date of this report, not to any of the Board Committees detailed below.

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 is encouraged to hold such meetings in order to facilitate the exercise of the directors' independent judgement. In addition, the Board holds "*in-camera*" sessions for independent members during each 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 independent directors. Although the independent directors do not hold regularly scheduled meetings, the independent directors do hold meetings

from time to time as requested by any independent director. In 2011, Peter Lilley chaired one meeting of the independent directors.

The table below summarizes the meetings of the Board and its committees held during 2011 and the attendance of the individual directors of the Company at such meetings:

Director	Meetings of the Board and Committees			
	Board	Audit Committee	Compensation and Nomination Committee	Reserves Committee
Russ Hammond	8/8	N/A	N/A	N/A
Piers Johnson	8/8	N/A	2/2	4/4
Elizabeth Landles	8/8	N/A	N/A	N/A
Peter Lilley	8/8	4/4	2/2	4/4
Bernard Murphy	8/8	N/A	N/A	N/A
James Rawls	8/8	4/4	N/A	4/4
Marcus Rhodes	6/8	4/4	N/A	N/A
Dr. David Robson	8/8	N/A	N/A	4/4

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

Name	Reporting Issuer
Russ Hammond	Questerre Energy Corporation
Peter Lilley	IDOX Plc
Marcus Rhodes	OJSC Cherkisovo Group OJSC Rosinter Restaurant Holding OJSC Phosagro

### Board Mandate

The Board adopted a formal written charter (the “**Board Charter**”) in November of 2010. The mandate of the Board is to supervise the management of the Company and to be the steward of the Company with a view to the best interests of the Company.

Under the Board Charter, the Board’s terms of reference include the following:

- Review and approve strategic, business and capital plans for the Company.



- Review the principal risks of the Company's business and monitor the implementation by management of appropriate systems to manage such risks.
- Review recent developments that may impact the Company's growth strategy.
- Develop and implement programs for management and Board succession planning including development within the organization.
- Review, approve and amend as required, the Corporate Disclosure Policy and monitor the practices of management to ensure appropriate, fair and timely communication of information concerning the Company.
- Ensure specific and relevant corporate measurement systems are developed and adequate internal controls and management information systems are in place with regard to business performance and the integrity thereof.
- Review and approve corporate governance guidelines applicable to the Company and in accordance with statutory and regulatory requirements.
- Review compliance by the Company and its subsidiaries with their constituent documents and with the laws and regulations of their incorporating jurisdictions and other applicable laws and regulations including those of any stock exchanges on which the Company's securities may be listed.
- Approve the interim and annual financial statements.
- Responsible for, to the extent feasible, satisfying itself as to the integrity of the CEO and the other executive officers and that the CEO and the other executive officers create a culture of integrity throughout the organisation.

The Board believes management is responsible for the effective, efficient and prudent management of the Company's day-to-day operation subject to the Board's stewardship.

### Position Descriptions

The Board Charter provides a written position description for the Chairman of the Board. The Chairman is responsible for leadership of the Board, for the efficient organization and conduct of the Board's function and for the briefing of all Directors in relation to issues arising at Board meetings. The Chairman is also responsible for shareholder communication and arranging Board performance evaluation.

The Board has not developed written position descriptions for the Chairman of the respective Board committees. During the fiscal year ended December 31, 2011, the Board had four standing committees, the majority of which were composed of independent directors, with the exception of the Executive Board (Executive Committee). The Board has delegated certain responsibilities to each of its committees, and they report to and make recommendations to the Board on a regular basis. The Chair of each committee is expected to be responsible for ensuring that the written terms of reference of the committee for which he or she serves as Chair is adhered to and that the objectives of each committee are accomplished.

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

Committee	Members	Independent
Audit Committee	Marcus Rhodes, Chair	Yes
	Peter Lilley	Yes

Committee	Members	Independent
	James Rawls	Yes
Compensation and Nomination Committee	Peter Lilley, Chair	Yes
	Piers Johnson	Yes
Reserves Committee	Piers Johnson, Chair	Yes
	Peter Lilley	Yes
	James Rawls	Yes
	Dr. David Robson	No
Executive Board (Executive Committee)	Dr. David Robson	No
	Bernard Murphy	No
	Elizabeth Landles	No
	Julian Hammond <sup>(1)</sup>	No

**Notes:** <sup>(1)</sup> On January 17, 2012, Mr. Julian Hammond was appointed to the Board of Directors of the Company. Mr. Hammond has also been appointed as a member of the Executive Board of the Company but, as of the date of this report, not to any of the Board Committees detailed below.

The Board and the President and Chief Executive Officer have established a written position description for the Company's President and Chief Executive Officer. The CEO's prime responsibility is to lead the Company. The CEO formulates company policies and proposed action plans in conjunction with the officers of the Company and presents the same to the Board for approval. The Board approves the goals, the objectives and policies within which the Company is managed and then reviews and evaluates performance against these objectives. Reciprocally, the CEO keeps the Board fully informed of the progress of the Company towards achievement of its established goals and of all material deviations.

## Orientation and Continuing Education

### *Director Orientation*

Under the Board Charter, the Chairman and Corporate Secretary are responsible for providing an induction program for new Directors and for periodically providing materials for all Directors on subjects that would assist them in discharging their duties. When a new Director is elected to the Board, he or she will be given a letter of appointment outlining his or her duties, responsibilities, remuneration and an induction package including material that will assist with the familiarization of the Director with the Company. Within three months of appointment to the Board, each new Director shall spend time visiting the Company's operations for a personal briefing by the executive on the Company's values, operations, corporate interests, strategic plans, financial statements and key policies.

### *Continuing Education of Directors*

Under the Board Charter, the Corporate Secretary shall alert Directors to opportunities to better understand their corporate governance responsibilities through continuing education programs. In addition, directors are encouraged to visit the Company's facilities, to interact with management and employees and to stay abreast of industry developments and the evolving business of the Company.

## **Ethical Business Conduct**

The Company has adopted a written Code of Business Conduct and Ethics (the “**Code**”) which applies to the Company’s directors, officers and employees, a copy of which can be obtained under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Company expects all Directors, officers and employees to act ethically at all times in accordance with the Code.

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

In addition to the Code, the Company has adopted an Audit Committee Charter and a Whistleblower Policy (the “**Policy**”) with respect to accounting and auditing irregularities. The Policy gives Directors, officers and employees a confidential independent “hot line” to report any concerns with respect to the Company’s financial matters. Details of the Policy have been distributed to employees and the “hot line” operates in both English and Russian languages. In the event that an individual does not wish to use this system they may and should forward any accounting and auditing concerns to the Chairman of the Audit Committee on an anonymous basis. The Company has also adopted a disclosure and insider trading policy to ensure the communications to the investing public about the Company are timely, factual and accurate in accordance with applicable legal and regulatory requirements and to help ensure that the directors, officers and other insiders of the Company understand and comply with the insider trading restrictions under applicable securities legislation.

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

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

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

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

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

***Proportionate Procedures***

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

***Top-level commitment***

Top management fosters a culture where bribery is never acceptable.

***Risk assessment***

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

***Due Diligence***

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

***Communication***

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

***Monitoring and Review***

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

**Nomination of Directors and Compensation**

The Compensation Committee is composed entirely of independent directors and is responsible for identifying new candidates to join the Board of Directors. The Committee is responsible for identifying qualified candidates, recommending nominees for election as directors and appointing directors to committees. The Compensation Committee is requested to objectively consider, among other things, a candidate's independence, financial and technical acumen, skills, ethical standards, career experience, financial responsibilities and risk profile, understanding of fiduciary duty and available time to devote to the duties of the Board of Directors in making their recommendations for nomination to the Board of Directors. The Committee reviews the composition and size of the Board of Directors and tenure of directors in advance of annual general meetings, as well as when individual directors indicate that their terms may end or that their status may change. The Compensation 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 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 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 Committee is comprised of non-management members of the Board of Directors and is required to convene at least two times each year. The Board of Directors has determined that Mr. Lilley's position as Vice Chairman and the fact that Mr. Johnson is Managing Director of Oilfield Production Consultants Ltd., Oilfield Production Consultants (OPC) Asia LLC and Oilfield Production Consultants USA LLC, who provide the Company with technical services, are not reasonably expected to interfere with the exercise of their independent judgement as members of the Compensation Committee.

### **Other Board Committees**

The Company's four standing committees are the Audit Committee, the Compensation Committee, the Reserves Committee and the Executive Board (Executive Committee). The function of the Compensation Committee is set out above under "*Nomination of Directors and Compensation*" and "*Compensation Discussion and Analysis*" on page 9 and the function of the Audit Committee is set out in detail in the Company's annual information form (available at [www.sedar.com](http://www.sedar.com)). The functions of the Reserves Committee and Executive Board are set out or referred to below.

### **Reserves Committee**

The function of the Reserves Committee is to recommend the engagement of a reserves evaluator, ensure the reserves evaluator's independence, review the procedures for disclosure of reserves evaluation, meet independently with the reserves evaluator to review the scope of the annual review of reserves, discuss findings and disagreements with management, annually assess the work of the reserves evaluator and approve the Corporation's annual reserve report and consent forms of management and the reserves evaluator thereto.

### **Executive Board (Executive Committee)**

In February 2008, the Board approved the formation of an "Executive Board" (which functions as an executive committee). The Executive Board comprises of Dr. David Robson, Mr. Bernard Murphy, Ms. Elizabeth Landles and Mr. Julian Hammond (who was appointed on January 17, 2012), each of whom is an executive officer of the Company. The purpose of the Executive Board is to allow the Board of Directors to delegate to the Executive Board the authority to respond to day-to-day or time sensitive matters where it is impractical to call a full meeting of the Board of Directors. The Executive Board makes a report to the Board of Directors of its meetings and actions at subsequent meetings of the Board of Directors.

### **Assessments**

Currently the Board, its Committees and individual directors are not regularly assessed with respect to their effectiveness and contribution as the Board believes that such assessments are generally more appropriate for corporations of significantly larger size and complexity than the Company and which may have significantly larger Boards of Directors. However, the Chairman of the Board meets at least annually with the individual Directors to discuss any concerns they may have on the operation of the Board and its Committees as well as individual Board members. These are informal discussions and, if any points are highlighted, they are brought to the attention of the appropriate Committee Chairman or Director. To date there have been no such issues raised.

The Vice Chairman (Leading Non Executive Director) meets with the Chairman at least annually to discuss his performance and any improvement which might be appropriate and the Executive Board (Executive Committee), which meets regularly, brings to the Chairman any issues which might require attention with respect to individual Directors, the Compensation Committee, the Audit Committee and the Reserves Committee. To date no issues have been raised but if such were to arise, the Chairman would discuss these in the first instance with the Vice Chairman (Leading Non Executive Director).

The Executive Board regularly reviews the performance of the Officers of the Company and, should any issues arise, the Chairman would then discuss any issues with the Compensation Committee. A formal appraisal system is now in place for the Officers of the Company.

The Board believes that these procedures are adequate for the Company in its current stage of development and effectively addresses issues related to Board assessment and evaluation. A more formal assessment process will be instituted as, if, and when the Board considers it to be necessary.

The Board is in the process of undertaking an assessment of its effectiveness by undertaking a Board Governance Analysis through the Institute of Directors of the United Kingdom. This assessment will review the Board's effectiveness in key areas including strategy, business principles, internal controls, risk management, performance management, boardroom activity and the Company's four standing committees and the role of the board members, including the Chairman. The results of the assessment will allow the Board to improve its effectiveness by identifying areas of strength as well as focusing on areas for development.

### **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 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.

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

Other than set forth in this Information Circular and set out below, the Company is not aware of any material interest, direct or indirect, of any "informed person" of the Company (as defined under Canadian securities legislation), 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.

Oilfield Production Consultants (OPC) Limited, Oilfield Production Consultants (OPC) Asia LLC and Oilfield Production Consultants (OPC) USA LLC, all of which have one common director (Piers Johnson, 72 Twyford Avenue, London N2 9NL, United Kingdom) with the Company, has provided services relating to the optimization of the existing compressors and those to be installed as part of Phase 2 gas production from Akkulka in Kazakhstan, and has consulted on well test analysis and on certain reservoir modeling work on projects in Kazakhstan, Tajikistan and Uzbekistan. Total fees for the year ended December 31, 2011 were USD11,422.

### **MANAGEMENT CONTRACTS**

During the financial year ended December 31, 2011, management functions of the Company were performed by Vazon. See "*Management and Employment Agreements*". Dr. David Robson of Guernsey is the only "informed person" of Vazon (as such term is defined under applicable Canadian securities legislation).

### **AUDIT COMMITTEE**

Under Canadian securities laws, the Company is required to include in its annual information form for the year ended December 31, 2011 (the "AIF") prescribed disclosure 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. The Company's disclosure with respect to the foregoing is contained in the AIF under the heading "*Audit Committee*", a copy of which is available 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, 2011. Shareholders may contact the Company to request copies of the financial statements and MD&A by: (i) mail to P.O. Box 524, Suite 3, Borough House, Rue du Pre, St. Peter Port, Guernsey, British Isles, GY1 6EL; (ii) fax to +44 1481 725922; or (iii) email to [info@tethyspetroleum.com](mailto:info@tethyspetroleum.com).