Form 51-102F3
Material Change Report

Item 1 Name and Address of Company

Tethys Petroleum Limited ("**Tethys**" or the "**Company**")
P.O. Box 524
St. Peter Port
Guernsey, GY1 6EL

Item 2 Date of Material Change

July 1, 2015

Item 3 News Release

The press release attached as Schedule "A" was disseminated through Marketwire on July 1, 2015 with respect to the material change.

Item 4 Summary of Material Change

On July 1, 2015, the Company announced that it signed an agreement for a US$47.7 million private placement of up to 318,003,951 new ordinary shares at a price of US$0.15 (C$0.19) per ordinary share (the "**Placing**") with AGR Energy Holdings Limited ("**AGR Energy Holdings**"). In connection with the Placing, the Company also announced that it had entered into a convertible loan for up to US$5 million (the "**Convertible Loan**") with AGR Energy Holding's parent company, AGR Energy Limited No. 1 ("**AGR Energy No. 1**", and together with AGR Energy Holdings, "**AGR Energy**"), where Tethys can draw down an advance on the Placing proceeds before closing to support short-term liquidity, subject to certain conditions.

Tethys has the ability to invite certain of its substantial shareholders to subscribe for new ordinary shares on similar terms to AGR Energy, with any subscription by such existing substantial shareholders reducing by a corresponding number the ordinary shares for which AGR Energy will subscribe under the Placing.

Following the Placing, it is anticipated that the Board of Directors of Tethys (the "**Board**") will consist of nine individuals, three of whom will be nominated by AGR Energy, including two executive roles.

AGR Energy and the Company have also agreed to a form of relationship agreement, to be entered into by them on closing of the Placing, with the intention of allowing Tethys to continue to operate as an independent company in the interests of all its shareholders.

The Placing is subject *inter alia* to TSX approval, approval from shareholders of Tethys and receipt of certain Kazakh regulatory approvals and consents.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

See attached press release.

The following supplementary information is provided in accordance with Section 5.2 of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”).

(a) *a description of the transaction and its material terms*

See above and attached press release.

(b) *the purpose and business reasons for the transaction*

See description of use of proceeds in the attached press release.

(c) *the anticipated effect of the transaction on the issuer’s business and affairs*

The Placing will result in an increase of approximately 95% in the number of ordinary shares of the Company outstanding.

See description set out in the attached press release regarding the strategic collaboration with AGR Energy on completion of the Placing.

(d) *a description of*

(i) *the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties*

AGR Energy Holdings has subscribed for the full amount of the Placing, subject to reduction if certain substantial shareholders subscribe for certain of such shares. In addition, as noted above, AGR Energy No. 1 has subscribed for the Convertible Loan.

AGR Energy is considered a related party of the Company as it exercises control or direction over 75,000,000 ordinary shares of the Company issuable upon conversion of an earlier convertible loan (the “**Existing Convertible Loan**”) issued to it on May 15, 2015, representing approximately 18.2% of the outstanding ordinary shares post conversion of the Existing Convertible Loan, but excluding any shares issuable in connection with the Placing or the Convertible Loan.

(ii) *the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person referred to in subparagraph (i) for which there would be a material change in that percentage*

As set out in detail in the attached press release, if AGR Energy subscribes for the full amount of the Placing, and if it were to convert the Existing Convertible Loan in full, it would own approximately 51% of the then outstanding ordinary shares of the Company.

(e) *Unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee.*

The agreement relating to the Placing was approved unanimously by the Board with no materially contrary view expressed by any directors. As AGR Energy does not have any nominees currently on the Board, and none of the directors of the Company have an interest in the Placing, no directors were required to abstain in respect of the approval.

The Company will file and mail a management information circular (the "**Circular**") to its shareholders in connection with the approval of the Placing that will include a description of the review and approval process adopted by the Board.

(f) *a summary, in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction*

Not applicable

(g) *disclosure, in accordance with section 6.8 of MI 61-101 of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction*

(i) *that has been made in the 24 months before the date of the material change report; and*

(ii) *the existence of which is known, after reasonable inquiry, to the issuer or to any director or senior officer of the issuer*

Not applicable

(h) *the general nature and material terms of any agreement entered into by the issuer, or related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction*

Not applicable.

(i) *the disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101, respectively, and the facts supporting reliance on the exemptions*

The Placing and the issuance of the Convertible Loan are both exempt from the formal valuation requirements of MI 61-101 pursuant to paragraph 5.5(c) thereof, as, at the time the Placing was agreed to, neither the Company, nor, to the knowledge of the Company after reasonable inquiry, AGR Energy, had knowledge of any material information concerning the Company or its securities that had not been generally disclosed, and the Circular will contain a statement to such effect as well as the effect that the Placing will have on AGR Energy's voting interest in the Company.

Neither the Placing nor the Convertible Loan are exempt from the minority approval requirements of MI 61-101, however, as AGR Energy does not own any ordinary shares of the Company and no other person is an interested party or a joint actor of AGR Energy in connection with the Placing or the Convertible Loan, there are no shares that the Company must exclude from voting in relation to the Placing or the Convertible Loan.

The Convertible Loan may be issued prior to the receipt of shareholder approval. However, AGR Energy will be precluded from converting any portion of the Convertible Loan until such time as shareholder approval is obtained and the Company will rely on the exemption contained in Section 5.7(f) from the minority approval requirements of MI 61-101, as, at the time of issuing the Convertible Loan (if issued prior to the receipt of shareholder approval), the loan will (i) be on reasonable commercial terms that are not less advantageous to the Company than if issued to a person with whom the Company was dealing at arm's length and (ii) not be convertible into, or repayable in, equity or voting securities of the Company.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable

Item 8 Executive Officer

The following executive officer is knowledgeable about the material change and may be contacted about this report.

Julian Hammond
Chief Executive Officer

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Item 9 Date of Report

July 10, 2015

Schedule "A"

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July 1st, 2015

TETHYS PETROLEUM LIMITED PRESS RELEASE

Strategic collaboration with AGR Energy and US$47.7 million financing

GRAND CAYMAN, CAYMAN ISLANDS - Tethys Petroleum Limited ("Tethys" or the "Company" (TSX:TPL, LSE: TPL)) is pleased to announce that it has signed an agreement for a US$47.7 million[1] private placement of 318,003,951 new ordinary shares at a price of C$0.19[2] per ordinary share (the "Placing") with AGR Energy Holdings Limited ("AGR Energy Holdings"). In connection with the Placing, the Company has also entered into a convertible loan for up to US$5 million (the "Convertible Loan") with AGR Energy Holding's parent company, AGR Energy Limited No. 1 ("AGR Energy No. 1"), where Tethys can draw down an advance on the Placing proceeds before closing to support short-term liquidity, subject to certain conditions. In this press release, AGR Energy No. 1 and AGR Energy Holdings are referred to together as "AGR Energy".

Summary

- US$47.7 million[1] private placement with AGR Energy at a price of C$0.19[2] per ordinary share representing a premium of 23% to the 30 trading day volume weighted average price on the TSX[3] and 108% to the closing middle market price of an ordinary share on the TSX of C$0.09 on May 14th, 2015, the day prior to the announcement of the recent convertible loan financing with AGR Energy No. 1.
- AGR Energy Holdings to subscribe for up to 318,003,951 new ordinary shares in Tethys.
- Tethys has the ability to invite certain of its substantial shareholders to subscribe for new ordinary shares on similar terms to AGR Energy, with any

[1] Before costs, rounded to three significant figures
[2] Based on a price of US$0.15 per ordinary share using a CAD to USD exchange rate of 0.80, rounded to the nearest cent
[3] As at, and including 30 June 2015

subscription by such existing substantial shareholders reducing by a corresponding number the ordinary shares for which AGR Energy will subscribe for under the Placing.

- The Placing is subject to TSX approval, approval from shareholders of Tethys and receipt of Kazakh regulatory approvals and consents; AGR Energy will work closely with Tethys with a view to obtaining such approvals and consents as soon as practicable.
- If the Placing is completed:
    - Tethys and AGR Energy will establish a strategic collaboration within Tethys; and
    - the Placing will recapitalise Tethys, which will provide greater stability and certainty for the Company going forward.
- Convertible Loan of up to US$5 million to be provided by AGR Energy No. 1 as an advance on Placing proceeds to support short-term liquidity during the period before closing, to be made available in two tranches of US$2.5 million, with drawdown of each tranche being subject to the satisfaction or waiver of certain conditions.
- Our alliance with AGR Energy has the potential to add significant value to Tethys given AGR Energy's local knowledge and in-country support in key areas of operation.
- Funds to be used to help unlock the potential of Tethys' significant undeveloped reserve base in Kazakhstan and the Company's portfolio exploration, and in particular the Klymene prospect in Kazakhstan and Tajikistan, as well as to reduce Tethys' debt.
- Following the Placing, the Board of Directors of Tethys (the "Board") will consist of nine individuals, three of whom will be nominated by AGR Energy, including two executive roles.
- AGR Energy and the Company have agreed the form of a relationship agreement that will be entered into by them on closing of the Placing (the "Relationship Agreement") with the intention of allowing Tethys to continue to operate as an independent company in the interests of all its shareholders.
- Agreement has been reached on the proposed strategic collaboration with AGR Energy, the Placing and the Convertible Loan after an extensive and wide ranging strategic review of many different funding options and strategic alternatives, and has the unanimous support of the Board.
- If this financing does not proceed, there can be no assurance that management will be successful in securing alternative funding or have sufficient time to implement any alternative transaction to the proposed Placing and Convertible Loan, which would be required for the Company to continue as a going concern.

Strategic Collaboration

The Placing will result in a strategic collaboration between Tethys and AGR Energy. AGR Energy is a group owned by the Assaubayev family, a long-term investor in the resources sector with a track record of effective investment and support of enterprises, particularly in Central Asia.

AGR Energy's intention is to utilise its local knowledge and expertise in the resources sector to support the Company's growth, both operationally and financially. In particular, AGR Energy's experience and on the ground presence in Kazakhstan is anticipated to add significant value to the Company.

The Board believes that this strategic collaboration as a result of the Placing represents a transformational transaction for Tethys. It provides business stability and necessary foundations from which to pursue a potential acceleration of operations, production and cash flow and to enable all shareholders to potentially benefit from new gas marketing opportunities (including the potential "gas to China" opportunity that will arise once current infrastructure developments are complete) in late 2016 onwards and expected oil export opportunities from 2017.

Upon closing of the Placing, AGR Energy Holdings and the Company will enter into an agreed form of Relationship Agreement with the intention of allowing Tethys to continue to operate as an independent company in the interests of all of its shareholders. AGR Energy is committed to supporting Tethys in its growth plans such that all shareholders can participate in the future success of the Company.

John Bell, Executive Chairman said:
"We are delighted to have secured this strategic collaboration with AGR Energy. Completion of the Placing will address the funding issues that Tethys has faced since before I became Chairman in November of last year. It allows management to focus on maximising growth and value creation for all shareholders, working with its new partner AGR Energy. It also provides us with a platform to exploit the potential significant growth and earnings opportunities as we can invest to seek to accelerate production and potentially benefit from future higher gas prices achieved in China. We believe this represents a truly transformational deal for Tethys and we look forward to the future collaboration with AGR Energy."

Alastair Murray, Managing Director of AGR Energy said:
"We are very pleased to participate in this transformational deal with Tethys which we believe can unlock significant value for all shareholders over the medium and longer term. We believe that there is great synergy between Tethys' asset base and existing operational expertise combined with AGR Energy's substantive track record of value creation in emerging markets (both within Central Asia and elsewhere). We see great opportunity in the evolving Central Asian Gas market (including exploring potential gas to China) where Tethys can participate through increased gas production (via targeted placement funded drilling activity). AGR Energy, like Tethys, believes that investment in technology can reduce exploration risks and help create shareholder value through both reserves and production growth and price realisation. We very much look forward to

working within the Tethys team to develop a strong and commercially focussed business."

Placing and Convertible Loan Key Terms

Placing:
A US$ 47.7[4] million private placement with AGR Energy at a price of C$0.19[5] per ordinary share, a premium of 23% to the 30 trading day volume weighted average price on the TSX[6], and a premium of 108% to the closing middle market price of an ordinary share on the TSX of C$0.09 on 14 May 2015, the day prior to the announcement of the recent convertible loan financing with AGR Energy No. 1.

Under the terms of the subscription agreement relating to the Placing (the "Subscription Agreement"), the Company has the ability to invite certain of its existing substantial shareholders to subscribe for ordinary shares on similar terms to AGR Energy. Any subscription by such substantial shareholders will reduce, by a corresponding number, the ordinary shares for which AGR Energy will subscribe under the Subscription Agreement. If existing substantial shareholders of the Company do not subscribe for any ordinary shares, AGR Energy will subscribe to the full amount of the Placing and, as a result, may hold up to 51%[7] of the enlarged issued share capital of the Company immediately following closing of the Placing. This calculation assumes conversion of the pre-existing convertible loans held by AGR Energy and Annuity and Life Reassurance Ltd ("ALR", an investor controlled by Pope Asset Management, LLC) and the exercise of 23,333,333 warrants held by ALR, but disregarding all other outstanding options and warrants. If certain existing substantial shareholders subscribe for the full portion of the Placing, AGR Energy would hold 32%[7] of the enlarged issued shares capital under the same assumptions.

Under the Subscription Agreement, the Company has also agreed to extend the period of exclusivity previously granted to AGR Energy on terms similar to those announced on May 14th 2015. This period of exclusivity will not prevent the Company from offering certain existing shareholders the opportunity to participate in the Placing, and will expire on closing of the Placing or, if earlier, termination of the Subscription Agreement (including as a result of the failure of Tethys shareholders to approve the Placing).

Convertible Loan:
In addition to the Placing, AGR Energy No. 1 has extended a convertible loan of up to US$5 million to provide short-term working capital funding during the period leading to closing the Placing. The conversion price of the Convertible Loan is the lower of the subscription price for the Placing and a price which is 115% of the volume weighted

[4] Before costs, rounded to 3 significant figures
[5] Based on a price of US$0.15 per ordinary share using a CAD to USD exchange rate of 0.80, rounded to the nearest cent
[6] As at, and including 30 June 2015
[7] Based on Tethys current issued capital of 336,712,385 ordinary shares, plus the conversion of the convertible loans issued in May 2015 to AGR Energy and ALR, and the exercise of 23,333,333 warrants held by ALR

average price of the ordinary shares on the TSX and the LSE (or the LSE only in the event that the Company's ordinary shares are no longer traded on the TSX) calculated for the 30 trading day period ending on the trading day immediately preceding the date of the conversion notice, subject to an overall minimum conversion price of US$0.10 and subject to any adjustments pursuant to the terms of the debenture. The interest rate on outstanding principal under the first US$2.5 million tranche of the Convertible Loan is 9% per annum; the interest for the second tranche is 12% per annum. The exercise of any right of conversion by AGR Energy No. 1 under the Convertible Loan is subject to TSX approval and the approval of Tethys' shareholders at an extraordinary general meeting to be convened for the purpose (the "EGM").

Under the terms of the Convertible Loan, AGR Energy No. 1 has agreed to make available:

- US$2.5million to the Company on or after August 1st, 2015, subject to a circular and notice of extraordinary general meeting (the "Shareholder Circular") including details of shareholder resolutions required to implement the Placing and permit AGR Energy No. 1 to exercise its right to convert the Convertible Loan and its pre-existing convertible loan to the Company into ordinary shares (the "Shareholder Resolutions") having being sent to shareholders of the Company; and
- a further US$2.5 million on or after September 1st, 2015, conditional upon the Shareholder Resolutions having been approved by Tethys' shareholders at the EGM.

Drawdown of each tranche of the Convertible Loan is also subject to the Placing not having closed and to the satisfaction of certain other conditions. The Convertible Loan is subject to customary terms and conditions for an instrument of this type.

Conditions to Closing of the Placing:
Completion of the Placing and receipt of funds is conditional, inter alia, upon each of the following conditions being satisfied on or before November 1st, 2015 (the "Long Stop Date"), or such later date as may be agreed:

- The passing of the Shareholder Resolutions at the EGM;
- The Placing shares being approved for issue and admitted to trading by the TSX;
- Receipt of certain Kazakh regulatory approvals and consents;
- The Relationship Agreement having been entered into by the Company and AGR Energy, the key terms of which are summarised below;
- The appointment to the Board of three Directors nominated by AGR Energy (or, in the event of any delay in such appointment, the implementation of interim arrangements to allow such individuals to act as observers); and
- Certain other customary conditions precedent for a private placement of this type, including there having been no prior termination as a consequence of a

material breach of warranty or event or circumstance constituting a material adverse change, as defined in the Subscription Agreement.

A change of control event affecting the Company before closing would also entitle AGR Energy to withdraw from the Subscription Agreement.

Given AGR Energy's existing in-country presence and track record in Kazakhstan, AGR Energy has agreed to use all reasonable efforts to support Tethys with obtaining any required Kazakh regulatory approval and consents as soon as practicable. However, Tethys notes that there can be no assurance that such third party regulatory approvals and consents for the transaction will be received prior to the Long Stop Date. In the event that such regulatory consents and approvals are not received or any of those other conditions to the Placing are not satisfied or waived prior to the Long Stop Date, then the transaction may not proceed, in which case the additional funding will not be received by the Company. Due to Tethys' current financial situation, the Company does not believe that it would have sufficient time to execute an alternative transaction to the proposed Placing and Convertible Loan without experiencing serious funding and liquidity issues, the implications of which are described further below.

Further details of the Subscription Agreement, the Convertible Loan and the Relationship Agreement will be set out in the circular to be issued in connection with the EGM to consider the Shareholder Resolutions. A copy of the Subscription Agreement, Relationship Agreement and Convertible Loan instrument will be filed on SEDAR in a timely manner.

Background to and reasons for the Placing and Convertible Loan

As announced on April 10th, 2015, Tethys had actively developed contingency plans in the event that the SinoHan transaction did not proceed. In the months preceding May 1st, 2015, the Company had adopted a twin strategy of seeking the timely completion of the potential sale of 50% of Tethys' Kazakhstan assets to SinoHan while simultaneously initiating a strategic review process to explore alternative paths to value realization should the SinoHan transaction not complete. Macquarie Capital was appointed to work with the Company to assist on the strategic review process. The Company announced on May 1st, 2015 that the sale to SinoHan would not proceed and the Company would therefore retain its 100% interest in its Kazakh assets.

During the strategic review process, the Company conducted an extensive and wide ranging review of many different funding options and strategic alternatives. These include a further scale down of the business, equity financing, debt refinancing, sale or farm down of certain assets, possible business combinations and a sale of the Company.

Although the Company has continued to reduce its cost base significantly and has secured additional loan financing, the Company has needed to seek additional funding in order to meet its full contractual obligations and maintain a positive cash position going forward.

Following this extensive review, with the assistance of Macquarie Capital, the Board and management of Tethys believe that this proposed strategic collaboration with AGR Energy, the Placing and the Convertible Loan to be in the best interests of all shareholders. The strategic collaboration with AGR Energy has the potential to add significant value to Tethys and the completion of the Placing will recapitalise the Company. In addition the Convertible Loan will provide additional short-term funding to mitigate liquidity risk during the period before closing of the Placing and the receipt of additional funds.

The Board considers it important to explain to shareholders the consequences for the Company should this financing not proceed. The Company currently does not have sufficient funding to meet its funding obligations in the next twelve months and therefore, without this additional funding, there is significant doubt about the Company's ability to continue as a going concern. If this transaction does not proceed, there can be no assurance that management will be successful in securing alternative funding or that management would have sufficient time to implement any alternative transaction to the proposed Placing and Convertible Loan, which would be required to enable the Company to continue as a going concern.

Use of Funds

If the Placing is completed, receipt of the proceeds should provide a solid foundation from which to pursue the Company's growth objectives and shareholder value creation. The Board believes that Tethys' assets and operational expertise, coupled with AGR Energy's expertise in the Kazakh natural resources industry will enable the group to seek to exploit its undeveloped gas reserves in Kazakhstan and the potential "Gas to China" opportunity through:

- A forecasted increase in gas production from a programme of shallow gas wells; and
- Positive gas pricing differentials between local prices, currently $75/Mcm net, and gas prices at the border to China, reportedly significantly higher than current domestic; Tethys currently understands that gas is planned to be exported from Kazakhstan via the newly built pipeline to China as early as H2 2016.

Consequently, part of the proceeds of the Placing are also expected to undertake activities to support gas growth and international export when feasible, namely by:

- Drilling 4 gas development/appraisal wells and gas well tie-ins/workovers at Kyzyloi and Akkulka which have potential to increase short to medium term cash flow generation;

- Investing in infrastructure to reduce operating costs and/or improve operational efficiency; including water injection, gas utilisation and compression upgrades;
- Drilling six planned relatively low-risk and low cost gas exploration wells in Kazakhstan to support and increase medium term gas production into the future when export to China may be realised;
- Providing substantial potential new revenue opportunities; and
- Reducing the risk of exploration prospects through a planned 3D seismic programme.

The proceeds of the Placing are also expected to provide the necessary funds to allow Tethys to target unlocking the potential of its significant oil reserve base in Kazakhstan and exploration potential in Kazakhstan and Tajikistan. Activities that funds will be used for are anticipated to include:

- Drilling Klymene, an oil prospect with up to 422 mmbbl un-risked (106mmbbl risked) mean prospective resources after additional investment to reduce drilling risks (assuming contract extension for Kul-Bas Exploration and Production Contract which currently expires in November 2015);
- Potential further oil production development through high graded projects, pending oil price improvement and/or Production Contract procurement enabling oil export;
- Implementing necessary infrastructure requirements (such as the requirement for a gas utilisation facility) to obtain a Production Contract, thus realising an export price premium to domestic oil prices (expected from 2017); and
- Providing near term funding for the Bokhtar PSC in Tajikistan to run a timely farm-out process, while also seeking to maintain a material interest post farm out.

Part of the proceeds of the Placing will also be used to reduce existing debt and provide a more consistent and sustainable level of working capital. In addition, and as noted above, any part of the US$5 million Convertible Loan drawn down by the Company before closing of the Placing will be repaid from the proceeds of the Placing (if it is approved and consummated).

Board Changes and Relationship Agreement

Following the Placing, the Board will consist of nine individuals, three of whom will be nominated by AGR Energy. Two of those nominees will assume executive roles as Executive Co-Chairman and Chief Executive, and the remaining nominee will be appointed as a non-executive director.

In addition, the Company and AGR Energy have agreed the form of a Relationship Agreement that will be entered into by them on closing of the Placing. The Relationship Agreement will provide *inter alia* that, for so long as AGR Energy and its group companies together hold more than 30% (in certain cases 15%) or more of the issued ordinary shares in the Company:

- The Board shall be governed as follows:
    - All Board committees will comprise a majority of non-AGR Energy directors, with AGR Energy nominees only entitled to sit on such committees if permitted to do so by applicable securities laws and regulations; and
    - Potential conflicts of interest of AGR Energy directors disqualify them from voting on relevant board resolution(s).

- Transactions will have the following specific controls:
    - All transactions between Tethys and AGR Energy will be at arm's length and on normal commercial terms; and
    - AGR Energy and their director nominees to abstain from voting on related party transactions involving AGR Energy's affiliates.

- Further controls to be adopted including that:
    - AGR Energy will undertake to vote in favour of an amendment to Tethys' Articles of Association to incorporate pre-emption rights for shareholders comparable to those applicable to UK public companies under the Companies Act 2006, to the extent that such amendment is not approved by the Company at the EGM;
    - AGR Energy will not be permitted to use voting control to circumvent requirements of, or prevent Tethys complying with, applicable securities laws, regulations, or stock exchange rules;
    - AGR Energy will not be permitted to use voting control to pass or force through a resolution that would result in Tethys ceasing to be listed or traded on at least one of the Toronto Stock Exchange and the London Stock Exchange; and
    - In the initial six month period after closing of the Placing, AGR Energy shall not be entitled to sell or dispose any ordinary shares in the Company without the Company's consent, other than pursuant to certain permitted exceptions (such as pursuant to a general offer made to all shareholders of the Company).

Under the Relationship Agreement AGR Energy will acquire:

- The right to appoint at least one director to the Board and committees of the Board for so long as AGR Energy and its group companies together hold 15% or more of the issued ordinary shares in the Company; and
- The right to participate pro rata in any future equity issue to be made or proposed to be made by the Company (subject to certain exceptions) even in cases where general pre-emption rights do not apply, for so long as

AGR Energy and its group companies together hold 20% or more of the issue ordinary shares in the Company.

AGR Energy has emphasised that it is committed to Tethys remaining an independent company. The Relationship Agreement is designed to ensure that Tethys continues to operate autonomously and in the interests of all shareholders.

Recommendation

The Board considers the proposed strategic collaboration with AGR Energy and the associated Placing and Convertible Loan to be in the best interests of the Company and its shareholders as a whole. Accordingly, the proposed transaction has the unanimous support of the Board and each Tethys Director intends to vote in favour of all those resolutions required to implement the transaction in relation to shares held or controlled by them.

Extraordinary General Meeting

The Company will prepare a circular that will be sent to all shareholders in due course, including details of those resolutions relating to the Placing and Convertible Loan to be voted on at the EGM. It is currently anticipated that the EGM will be held at The Old Government House Hotel, St. Peter Port, Guernsey, on or around August 31st, 2015.

Note to Editors

The references in this press release to resources are to "Prospective Recoverable Resources" which means those quantities of petroleum estimated as of January 15th, 2014, to be potentially recoverable from undiscovered accumulations by application of future exploration and development projects. Prospective resources have both an associated chance of discovery and a chance of development. There is no certainty that any portion of these resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of these resources. The product types that may reasonably be expected from potential production consist of oil, condensate, natural gas and associated gas.

The resource estimates contained or referred to are estimates only and are not meant to provide a determination as to the volume or value of hydrocarbons attributable to Klymene Prospect.

There are numerous uncertainties inherent in estimating quantities of resources and cash flows that may be derived, including many factors that are beyond the control of the Company. The following is a non-exhaustive list of factors which may have a significant impact on the above estimates of prospective resources: despite the classification that they are as yet undiscovered but may be potentially recoverable the Company may be unable to carry out the development or their potential recovery; the activity may not be economically viable; the Company may not have sufficient capital or time to develop them; there may be no market or transportation routes for the potential production; legal, contractual, environmental and governmental concerns might not allow for the recovery being undertaken; reservoir characteristics might prevent recovery. The recovery of the resources is subject to the following risks and uncertainties: market fluctuations, the proximity and capacity of oil and gas pipelines and processing equipment, government regulation, political issues, export issues, competing suppliers, operational issues (exploration, production, pricing, marketing and transportation), extensive controls and regulations imposed by various levels of government, lack of capital or income, the ability to drill productive wells at acceptable costs, the uncertainty of drilling operations, factors such as delays, accidents, adverse weather conditions, and the availability of drilling rigs and the delivery of equipment. The Klymene exploration well is within the Kul-Bas Exploration and Production Contract which expires in November 2015. The Company believes that it can extend this Contract term but this is by no means guaranteed and should the Contract not be granted an extension then the Contract area, including the Klymene well, will be forfeited.

About Tethys

Tethys is focused on oil and gas exploration and production activities in Central Asia and the Caspian Region. This highly prolific oil and gas area is rapidly developing and Tethys believes that significant potential exists in both exploration and in discovered deposits.

About AGR Energy

AGR Energy is a company owned by the Assaubayev family, who are long-term investors in natural resources and metals and mining, and have a track record of effective investment and support of enterprises, particularly in Central Asia and other emerging markets.

Disclaimer

This press release contains "forward-looking information". Such forward-looking statements, inter alia, reflect our current views with respect to future events and the transactions referred to in this press release, including with respect to completion of the Placing and receipt of proceeds, shareholder approval and regulatory approvals, use of proceeds, successful collaboration with AGR Energy, fulfilment of conditions and receipt of funds pursuant to the Convertible Loan within anticipated timeframes, effective implementation of the agreed form Relationship Agreement, drilling program, reduction of operating costs, running a farm out process for the Bokhtar PSC, an increase in short-medium term cash flow and gas and/or production, the export of gas to China at higher prices from the second half of 2016, and future oil export opportunities from 2017. The forward looking statements are based on the following assumptions: that the Placing will be completed and all shareholder approvals will be obtained by the Long Stop Date and proceeds received, that the proceeds will be applied for the uses noted in this release, that the collaboration with AGR Energy will be successful, that conditions will be fulfilled and funds received under the Convertible Loan within anticipated timeframes, that the agreed form Relationship Agreement will be effectively implemented, that the drilling program will result in a material increase in short-medium term cash flow and gas and/or oil production, that gas produced by Tethys will be exported to China in the future from the second half of 2016 and at higher prices to current domestic prices, that oil produced by Tethys will be exported from 2017, that capital projects undertaken will reduce operating costs, and that the Company will be successful in running a farm out process for the Bokhtar PSC. These forward looking statements are subject to a number of risks and uncertainties, including the risk that the Placing and/or shareholder and regulatory approvals will not be completed or obtained by the Long Stop Date and proceeds are not received, the risk that the collaboration with AGR Energy will be unsuccessful, the risk that conditions to the Convertible Loan will not be fulfilled and funds not received within anticipated timeframes or at all, the risk that the agreed form Relationship Agreement will not be effectively implemented, the risk that the Company will not be able to apply the proceeds as described in this press release, the risk that the drilling program will not result in an increase in gas and/or oil production or cash flow, the risk that gas produced by Tethys will not be exported to China in the future or that any gas exported will realise a higher price than current domestic prices, the risk that oil produced by Tethys will not be exported from 2017, the risk that the Company will not successfully reduce operating costs and the risk that the Company will not be successful in running a farm out for the Bokhtar PSC.

See also our Annual Information Form for the year ended December 31, 2014 for a description of risks and uncertainties relevant to our business, including our exploration activities. The "forward looking statements" contained herein speak only as of the date of this press release and, unless required by applicable law, the Company undertakes no obligation to publicly update or revise such information, whether as a result of new information, future events or otherwise.

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