

**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

February 22, 2016

Item 3 News Release

The press release attached as Schedule “A” was disseminated through Marketwired on February 22, 2016 with respect to the material change.

Item 4 Summary of Material Change

Tethys announced that it has entered into a non-binding and indicative term sheet (the “Term Sheet”) with Olisol Investments Limited and its wholly owned subsidiary, Olisol Petroleum Limited (“OPL”, together “Olisol”), setting out amended terms to the Letter of Intent entered into on November 9, 2015 (“Original LOI”) and consequent changes to the transaction documentation between the companies which will be legally binding. Completion of the transactions envisaged by the Original LOI, as supplemented by the Term Sheet, will provide Tethys with much needed funding from a strong in-country partner that has committed to supporting the Company and intends to become a strategic minority shareholder. Olisol has already succeeded in assisting the Company to collect overdue debts, to arrange for restructuring of one of the debts of TethysAralGas LLP (“TAG”, one of Tethys’ wholly owned Kazakh subsidiaries), and to extend the Appraisal Period for the Kul-Bas Exploration and Production Contract by a further two years until November 11, 2017.

The first condition of the Term Sheet was for Olisol to transfer US\$1 million under the existing convertible debt facility between the companies and this condition has already been satisfied, the funds having been received by Tethys last week.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

See the attached press release and the summary above.

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
+ 44 203 358 9000

Item 9 Date of Report

February 25, 2016

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SCHEDULE “A”



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February 22, 2016

TETHYS PETROLEUM LIMITED PRESS RELEASE
(TSX:TPL, LSE:TPL)

Olisol Transaction Update

GRAND CAYMAN, CAYMAN ISLANDS – Tethys Petroleum Limited (“Tethys” or the “Company”) today announces that it has entered into a non-binding and indicative term sheet (the “Term Sheet”) with Olisol Investments Limited and its wholly owned subsidiary, Olisol Petroleum Limited (“OPL”, together “Olisol”), setting out amended terms to the Letter of Intent entered into on November 9, 2015 (“Original LOI”) and consequent changes to the transaction documentation between the companies which will be legally binding.

Completion of the transactions envisaged by the Original LOI, as supplemented by the Term Sheet, will provide Tethys with much needed funding from a strong in-country partner that has committed to supporting the Company and intends to become a strategic minority shareholder. Olisol has already succeeded in assisting the Company to collect overdue debts, to arrange for restructuring of one of the debts of TethysAralGas LLP (“TAG”, one of Tethys’ wholly owned Kazakh subsidiaries), and to extend the Appraisal Period for the Kul-Bas Exploration and Production Contract by a further two years until November 11, 2017. The first condition of the Term Sheet was for Olisol to transfer US\$1 million under the existing convertible debt facility between the companies and this condition has already been satisfied, the funds having been received by Tethys last week.

Key Terms of the Term Sheet

- Olisol to transfer an additional US\$1,000,000 under the Company’s existing US\$15 million convertible debt facility with OPL (“Interim Facility”) (received).
- Olisol to convert all but US\$1,000,000 of the then outstanding amount of principal and accrued interest under the Interim Facility (approximately US\$6.25 million) into ordinary shares (“Interim Facility Conversion”).

- The conversion will take place at a price of USD\$0.10 per share and the shares will represent approximately 15.6% of the enlarged undiluted share capital of the Company.
 - This conversion will take place as soon as all approvals are obtained from the Toronto Stock Exchange (“TSX”), which will likely include the approval by the TSX of a Personal Information Form (“PIF”) to be submitted by Olisol.
 - The Term Sheet provides that Olisol is to provide evidence of the submission of the PIF prior to the parties entering into the binding amendment to the Interim Facility (the "Facility Agreement Amendment") which will provide, among other things, that Olisol will irrevocably commit to the conversion described above.
- Olisol will work with a bank in Kazakhstan acceptable to Tethys (“Kazakh Bank”) to secure a loan for TAG, in the amount of US\$10,000,000 (the “Kazakh Loan”), within 45 days of TAG providing all required documentation which is expected to be by the end of this week.
 - Principals at one potential Kazakh Bank have already agreed to the loan, subject to satisfactory due diligence refreshment.
 - The Kazakh Loan, together with the Interim Facility Conversion, would satisfy the remaining obligations of Olisol under the Interim Facility.
- Olisol to provide additional working capital reasonably required by Tethys, if necessary, to ensure the Company is able to continue to operate until completion of a placement under an amended Investment Agreement. Olisol will be informed about proposed payments above US\$50,000 and have the opportunity to raise them for discussion at Board meetings.
- Olisol has committed to purchasing 181,240,793 new shares at a price to be negotiated.
 - This purchase will be subject to TSX approval, and would replace the previously announced placing of 150,000,000 shares and the backstopped further offering of 50,000,000 shares under the Investment Agreement announced by the Company on December 8, 2015.
 - This purchase, together with the Interim Facility Conversion of the amounts outstanding under the Interim Facility would result in Olisol owning approximately 42% of the enlarged undiluted share capital of the Company.
 - The shareholder approval for this placing will include an approval to reduce the par value of the shares of Tethys.
 - Major shareholders will be offered a right to acquire additional shares to maintain their pro-rata stake following this placing.
- Upon signing of the Facility Agreement Amendment and satisfaction of conditions precedent, there will be certain changes to the board and management of Tethys:
 - John Bell will assume the role of non-executive co-Chairman.
 - Mr Alexander Abramov will be appointed co-Chairman. As well as being appointed to a senior board position, this will give Olisol the authority to officially represent Tethys. Mr Alexander Abramov will cover in-country political and governmental issues, amongst the broader responsibilities of the role. He will be recused from any business where he is deemed to be in conflict regarding the Olisol transaction.

- Julian Hammond will continue as Chief Executive Officer, in charge of the day-to-day operational management of the Company.
- Upon successful first draw down of the Kazakh Loan and conversion of the circa US\$6.25 million under the Interim Facility into equity, the board of directors of Tethys (“Board”) will be comprised of the following five directors.
 - Adeola Ogunsemi, non-executive director and Chairman of the Audit Committee;
 - Williams Paul Wells, non-executive director;
 - Alexander Abramov, non-executive director;
 - One additional non-executive director designated by Olisol;
 - The one remaining Board seat to be filled by a candidate who satisfies the legal and regulatory requirements of the Company and whose appointment is agreed by Tethys and Olisol;

At that time as required under the agreement, John Bell, David Henderson, David Roberts and Jim Rawls will step down from the Board;

- Olisol and Tethys are committing to using their best effort to put these terms into the Facility Agreement Amendment as soon as practicable.

Background to the Term Sheet

On November 19, 2015, the Company entered into Interim Facility with OPL. Under this facility, Tethys has to date received US\$7.1 million of the US\$15 million for which valid drawdown notices have been delivered. As announced on February 8, 2016, the Company considers that Olisol is in breach of the facility agreement in relation to the Interim Facility and some other commitments made to Tethys. Olisol has advised the Company that these breaches were in part due to difficult market conditions in the oil industry and the business and banking environment in Kazakhstan which have, according to Olisol, resulted in USD transfer restrictions being imposed by the bank authorities of Kazakhstan. Olisol has also informed the Company that it remains committed to providing funding to Tethys and has sought to demonstrate this by transferring US\$1 million on Wednesday February 17, 2016. In order to resolve the current situation between the companies, and move towards executing the larger transaction envisaged by the Original LOI within the timeframes determined by the Company’s current liquidity, the Term Sheet has been agreed. The Term Sheet was signed February 10, 2016 but some of the specifics of implementation of certain of the terms have required a period of further discussions to establish, detail and finalise related terms and the practicalities of how the principles agreed in the term sheet are to be achieved.

In approving the Term Sheet, the Board considered alternative courses of action. In light of the Company’s current financial position, the Board concluded that entering into the Term Sheet and, once finalized, the Facility Agreement Amendment, is the only course of action available to the Company to be able to continue to fund the Company’s operations and is therefore in the interests of all stakeholders of Tethys. Olisol have already demonstrated their value as a partner by assisting the Company to collect overdue debts, to arrange for

restructuring of one of the debts of TAG, and to extend the Appraisal Period for the Kul-Bas Exploration and Production Contract by a further two years. As Olisol required that the reconstitution of the Board be effected earlier than previously agreed, as a condition to draw down under the Kazakh Loan and conversion of the circa US\$6.25 million under the Interim Facility into equity, the Board will accept the resignations noted above upon a successful drawdown of at least US\$1,000,000 under the Kazakh Loan and completion of the Interim Facility Conversion.

John Bell, Executive Chairman commented

“We are hopeful that the Term Sheet provides a framework for the completion of the funding under the Interim Facility and negotiation of satisfactory terms for revisions to the placement under the previously announced Investment Agreement which will provide Tethys with much needed funding. In entering into this agreement, Tethys has gained a strong in-country strategic partner which has committed to remaining a minority shareholder, and significant funding to ensure the Company’s continued operations. We look forward to closing this transaction in the near future, at which point I will step down from the Board having overseen a more than halving of costs, closing of seven offices, an increase in production and a re-capitalisation of the Company.”

Current Financial Position and Audit Committee Deadlines

The Company currently does not have sufficient funding to meet its requirements over the next few months and therefore, if the transactions with Olisol do not proceed for any reason, the Company's ability to continue as a going concern will be dependent on the Company being successful in securing alternative funding. There is no guarantee that the Olisol transactions can be completed and there are no formal alternative financing proposals currently being discussed. These circumstances indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern. Accordingly, the Audit Committee of the Board has recommended setting certain deadlines for Olisol, which the Board has agreed. Should the milestones not be met by these deadlines, the Company will consider undertaking alternative courses of action to protect stakeholder interests. The deadlines being set include:

- The additional US\$1,000,000 under the Interim Facility referred to above having been received by February 19, 2016 (deadline already met);
- The Kazakh Loan having been entered into within the stated timeline; and
- The Facility Agreement Amendment having been entered into by February 29, 2016.

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 Olisol

Olisol and its subsidiaries and affiliates have investments in energy and oil and gas operations in the Russian Federation and Kazakhstan. The company has more than seven years of experience with the Tethys in Kazakhstan and owns the Aral Oil Terminal in partnership with Tethys. Olisol has its own fleet of specialized oil tankers engaged in automobile transportation of oil from the Tethys fields and through its subsidiaries, is engaged in rail transportation, oil refining, storage and sale of petroleum products. Olisol is incorporated under the laws of Cyprus and is headquartered in Almaty, Kazakhstan.

Disclaimer

Some of the statements in this document are forward-looking. Forward-looking statements include statements regarding the intent, belief and current expectations of the Company or its officers with respect to Olisol's access to funds, the Interim Facility, the placing to Olisol, potential alternatives to the transactions with Olisol and related transactions. When used in this document, the words "expects," "believes," "anticipates," "plans," "may," "will," "should" and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to risks and uncertainties that could cause actual outcomes to differ materially from those suggested by any such statements including risks and uncertainties with respect to completion of the placing and related transactions and receipt of proceeds, required shareholder approval and required regulatory approvals, use of proceeds, waiver of currency controls and receipt of funds pursuant to the Interim Facility.

No part of this announcement constitutes, or shall be taken to constitute, an invitation or inducement to invest in the Company or any other entity, and shareholders of the Company are cautioned not to place undue reliance on the forward-looking statements. Save as required by the Listing Rules and applicable law, the Company does not undertake to update or change any forward-looking statements to reflect events occurring after the date of this announcement.

Ends

For more information please contact:

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OR

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