

**Form 51-102F3**  
**Material Change Report**

**Item 1            Name and Address of Company**

Tethys Petroleum Limited (“**Tethys**” or the “**Company**”)  
190 Elgin Avenue, George Town,  
Grand Cayman KY1 9007  
Cayman Islands

**Item 2            Date of Material Change**

March 19, 2019.

**Item 3            News Release**

A press release, attached hereto as Schedule “A”, was disseminated through Newsfile Corp. on March 19, 2019 with respect to the material change.

**Item 4            Summary of Material Change**

On March 19, 2019, the Company announced that it had signed a binding arrangement agreement (the “**Definitive Agreement**”) with Jaka Partners FZC (the “**Acquiror**”) with respect to a potential acquisition by the Acquiror of Tethys’ outstanding ordinary shares (“**Ordinary Shares**”) that it does not already own pursuant to a scheme of arrangement under the Companies Law (2018 Revision) of the Cayman Islands and applicable Canadian securities laws (the “**Proposed Transaction**”).

**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 – *Take-Over Bids and Special Transactions* (“**MI 61-101**”):

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

See above and the press release attached hereto as Schedule “A”.

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

The principal purpose for the Proposed Transaction is to provide Tethys’ shareholders with potential liquidity at a significant premium to the unaffected share price of the Ordinary Shares.

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

As part of the Proposed Transaction, Tethys will issue a new class of Preferred Shares (as defined in Schedule "A"). The Preferred Shares would be automatically redeemable for cash consideration of US\$1.80 per share (the "**Redemption Payment**") three years from the effective date of the Proposed Transaction. Under the Proposed Transaction, to the extent that Tethys is unable to fund the Redemption Payment, the Acquiror, by way of an affiliate, will guarantee such payment.

Additionally, the Definitive Agreement contains a proposed settlement agreement that the Company will seek to enter into with Olisol Petroleum Ltd, Olisol Investments Ltd, Eurasia Gas Group LLP, DSFK Special Finance Company LLP and certain of their principals in respect of certain outstanding liabilities and related litigation.

Following the Proposed Transaction, the Acquiror will propose new directors as replacements for Mr. Mattias Sjoborg and Mr. William P. Wells. Upon completion of the Proposed Transaction, Mr. Sjoborg will resign from his position as Chief Executive Officer of the Company.

The Proposed Transaction will also have the other effects set out in the press release attached at Schedule "A".

(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*

The Acquiror owns in excess of 10% of the Ordinary Shares and is a related party of the Company under MI 61-101.

(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*

If the Proposed Transaction is approved by the holders of the Ordinary Shares, the Acquiror may own up to a 100% of the 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.*

This will be included in the management information circular to be sent to shareholders to consider the Proposed Transaction.

- (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*

Other than the Definitive Agreement described above, there is no such agreement.

- (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 Proposed Transaction is exempt from the valuation requirements of MI 61-101 pursuant to paragraph 5.5(b) because the Ordinary Shares are not listed on certain recognized exchanges. The Proposed Transaction is subject to the minority approval requirements under Section 5.6 of MI 61-101. Accordingly, any votes attaching to Ordinary Shares held by the Acquiror, will not count towards the shareholder approval required under MI 61-101.

## **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.

Clive Oliver  
Chief Financial Officer

+44 7470 165 698

**Item 9            Date of Report**

March 29, 2019.

**Schedule “A”**

*(see attached)*

# Tethys Petroleum: Definitive Agreement for Acquisition of Control

## Proposed Transaction

Grand Cayman, Cayman Islands--(Newsfile Corp. - March 19, 2019) - Tethys Petroleum Limited (TSXV: TPL.H) ("**Tethys**" or the "**Company**") today announces that further to the Company's press release on December 20, 2018, Jaka Partners FZC ("**Acquiror**") and Tethys have today signed a binding arrangement agreement (the "**Definitive Agreement**") with respect to a potential acquisition by Acquiror of Tethys' outstanding ordinary shares ("**Ordinary Shares**") it does not already own pursuant to a scheme of arrangement under the Companies Law (2018 Revision) of the Cayman Islands (the "**Companies Law**"), and applicable Canadian securities laws. Such proposed acquisition is referred to hereafter as the "**Proposed Transaction**".

### 1. Proposed Transaction Structure

The Proposed Transaction will be carried out by way of a scheme of arrangement under the Companies Law, and effected pursuant to the Definitive Agreement, the terms and conditions of which are summarized below. The Proposed Transaction shall also be subject to the approval of the holders of the Ordinary Shares, including both approval by such shareholders representing more than 75% of the Ordinary Shares voting in person or by proxy at a special meeting as well as by a majority of those shareholders, excluding shares held by Acquiror or any of its affiliates or joint actors in accordance with Multilateral Instrument 61-101 ("**MI 61-101**"). Approvals from the Grand Court of the Cayman Islands and the NEX board of the TSX Venture Exchange (the "**NEX**") will also be required.

### 2. Consideration

Acquiror proposes to acquire up to 70% of the Ordinary Shares that it does not already own and to offer shareholders the opportunity to exchange up to 30% of the Ordinary Shares that the Acquiror does not already own for preferred shares ("**Preferred Shares**") on a one-for-one basis. Each shareholder who approves the Proposed Transaction could elect to:

- a. receive cash consideration of US\$0.60 per ordinary share in exchange for up to 70% of its Ordinary Shares and to also receive Preferred Shares in exchange for up to 30% of its Ordinary Shares;
- b. receive cash consideration of US\$0.60 per ordinary share exchange for up to 70% of its Ordinary Shares and retain the remaining Ordinary Shares;
- c. receive Preferred Shares in exchange for up to 30% of its Ordinary Shares and retain the remaining Ordinary Shares; or
- d. retain all of its Ordinary Shares.

To the extent that the scheme of arrangement is approved and a shareholder does not make any election as to its preferred form of consideration, it shall be deemed to have elected to retain all of its Ordinary Shares.

The Preferred Shares shall be non-voting and non-convertible, and shall be automatically redeemed by Tethys on the date that is three (3) years from the closing of the Proposed Transaction at a redemption price of US\$1.80 per Preferred Share (the "**Redemption Amount**"). To the extent that Tethys is unable to fund all or part of the payment of the Redemption Amount, Tethys will have an option to require Acquiror to provide funding for such payment by purchasing new ordinary shares in Tethys under a share purchase warrant or similar security (the "**Warrant**"). Pursuant to the Definitive Agreement, Acquiror's obligations under the Warrant will be guaranteed by an affiliated company of Jaka, Inform Systems LLP.

Convertible securities (including options, warrants and convertible debt) shall remain outstanding post-closing and any such securities that are exercised or converted into Ordinary Shares prior to the record date of the special meeting shall entitle the holder to vote at such meeting.

The consideration offered per Ordinary Share of US\$0.60 per share and US\$1.80 per Preferred Shares represents premiums of approximately 320% and 960%, respectively to the Cdn\$0.25 price of the Ordinary Shares on the NEX on December 19, 2018, the date before the Proposed Transaction was first announced.

### 3. Stock Market Listing

Upon completion of the Proposed Transaction, Tethys would seek to maintain a listing of its Ordinary Shares on the NEX, or other recognized securities exchange, and apply for a listing of the Preferred Shares. Listing will be subject to satisfaction of the rules of the NEX or other applicable exchange.

### 4. Management and the Board

As part of the Proposed Transaction, Acquiror will propose new directors as replacements for Mr. Mattias Sjoborg and Mr. William P. Wells. Acquiror shall ensure that following the completion of the Proposed Transaction, Tethys' board of directors, which would consist of at least three (3) members and will comply with all Canadian securities laws, including the rules of the NEX, applicable to public companies. In addition, upon completion of the Proposed Transaction, Mr. Sjoborg will resign from his

position as Chief Executive Officer of Tethys. Annuity and Life Reassurance Ltd ("**Annuity**"), a company controlled by Mr. Wells, shall have a right to appoint a board observer and the right to inspect Tethys' corporate books, records and premises, for a period of three (3) years following the closing of the Proposed Transaction.

#### *5. Definitive Agreement*

The Definitive Agreement includes conditions precedent, representations and warranties, "fiduciary outs", covenants and provisions dealing with the mechanics of completing the Proposed Transaction.

The Definitive Agreement also contains certain minority protections such as restricting Tethys from issuing shares in excess of 18,000,000 shares and not pledging, selling, encumbering or disposing any of Tethys' for an agreed period of time.

The Definitive Agreement also contains a proposed settlement agreement which, subject to shareholder approval, Tethys will seek to enter into with Olisol Petroleum Ltd, Olisol Investments Ltd, Eurasia Gas Group LLP, DSFK Special Finance Company LLP and certain of their principals.

#### *6. Approval of the Proposed Transaction*

As noted above, the Proposed Transaction will require the approval of the Grand Court of the Cayman Islands, NEX and shareholders at a special meeting which will be convened for this purpose. It is anticipated that it will take at least two months to complete the Proposed Transaction.

As Acquiror owns in excess of 10% of the Ordinary Shares, it is a related party and the Proposed Transaction would be a related party transaction under MI 61-101. The Proposed Transaction is exempt from the valuation requirements of MI 61-101 as the Ordinary Shares are not listed on certain recognized exchanges though is subject to the requirement to obtain majority of the minority shareholder approval as described above.

#### **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.

#### **Disclaimer**

Some of the statements in this document are forward-looking. 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. Such statements include statements regarding the closing of Proposed Transaction, continued listing of the Ordinary Shares on the NEX or listing of the Preferred Shares on the NEX and approval of the Proposed Transaction. No assurance can be made that the Proposed Transaction will be approved, or if approved that the Ordinary Shares will continue to be listed on, or that the Preferred will be listed on, the NEX. 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 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.

#### **Contact Information:**

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