

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

**Item 1            Name and Address of Company**

Tethys Petroleum Limited (“Tethys” or the “Company”)  
P.O. Box 524, Suite 3, Borough House  
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GY1 6EL

**Item 2            Date of Material Change**

July 19, 2012

**Item 3            News Release**

The press release the "Press Release" attached as Schedule “A” was disseminated through Marketwire on July 19, 2012 with respect to the material change.

**Item 4            Summary of Material Change**

The Company announced on July 19, 2012 it has received an updated oil resource report for its Tajikistan assets that estimates gross unrisks recoverable mean prospective oil resources of 27.5 billion barrels of oil equivalent (BOE), consisting of (i) gross unrisks mean recoverable prospective resources of 114 trillion cubic feet (TCF) of gas; and (ii) gross unrisks mean recoverable prospective resources of 8.5 billion barrels (Bbbls) of oil and condensate

**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.

*5.3    Additional Information required Pursuant to subsection 5.9(1) of National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities - Disclosure of Resources Other than Reserves*

*(a)    the reporting issuer’s interest in the resources*

The Company owns 85% of the equity of its subsidiary Kulob Petroleum Limited (“KPL”). KPL’s interest in the prospective oil resources described in the Press Release are set out in the Production Sharing Contract entered into between KPL and the Government of Tajikistan covering the Bokhtar area of Southwest Tajikistan described at pages 23, 24, and 36 of the Company's Annual Information Form (the "AIF") dated

March 30, 2012 and available at [sedar.com](http://sedar.com). The information set out on pages 23, 24, and 36 of the AIF under the headings “Overview of Properties – Tajikistan” and “Tajikistan – the Bokhtar PSC” is expressly incorporated by reference in this Material Change Report.

(b) *the location of the resources*

Afghan-Tajik basin in Tajikistan

(c) *the product types reasonably expected*

Oil, natural gas and non-associated gas.

(d) *the risks and the level of uncertainty associated with recovery of the resources*

These are unrisks prospective resources as of June 30, 2012 that have not been risked for chance of discovery or chance of development. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development.

The resources estimates contained or referred to in this Material Change Report are estimates only and are not meant to provide a determination as to the volume or value of hydrocarbons attributable to the Company’s properties. 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 maybe 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 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.

**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.

Sabin Rossi  
Vice President, Investor Relations  
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**Item 9            Date of Report**

July 27, 2012

TOR01: 4969375: v4

## Schedule "A"

Thursday, July 19, 2012

## **TETHYS PETROLEUM LIMITED PRESS RELEASE**

("Tethys" or "the Company" (TSX:TPL, LSE:TPL))

### **Tajikistan Resource Upgrade 27.5 Billion BOE**

DUSHANBE, TAJIKISTAN - Tethys Petroleum Limited is pleased to announce that it has received an updated independent Resource Report for its Tajikistan assets. These cover an area of approximately 35,000 sq. km and the estimated gross unrisks mean recoverable resources are 27.5 billion barrels of oil equivalent (BOE).

#### **Key Points:**

- Gross unrisks mean recoverable prospective resources of 27.5 billion barrels of oil equivalent (BOE), consisting of:
- Gross unrisks mean recoverable prospective resources of 114 trillion cubic feet (TCF) of gas
- Gross unrisks mean recoverable prospective resources of 8.5 billion barrels (Bbbls) of oil and condensate
- Upgrade due to seismic data, gravity data acquisition and interpretation and well data

The resource report was prepared by Gustavson Associates of the United States and has been prepared in accordance with the reporting requirements of NI 51-101 adopted by Canadian securities regulatory authorities.

#### **Continued drilling and seismic campaign**

The final stage of the seismic programme in Tajikistan will commence this summer with equipment having been mobilized and initial interpreted results expected in Q4 2012. Once complete, this interpreted seismic will help identify the location of the first deep well to be drilled by Tethys.

The initial analysis of the data from the aerial gravimetry survey completed at the end of 2011 revealed several attractive prospective areas with the potential presence of very large deep sub-salt and sub-thrust prospects within the Bokhtar Production Sharing Contract ("PSC") Area. The additional seismic about to be acquired will target these areas and provide the final data in a comprehensive programme to optimally locate a deep well.

This final stage of the seismic programme will involve the acquisition of new seismic in two areas; the Vaksh valley and the Dushanbe Step. The programme has been designed to target these areas as the gravimetry survey and other data have identified them to be the most likely to contain large deep prospects including

potential Jurassic reefs located on the edge of likely Permian basement high features. Jurassic reefs form some of the most prolific fields in the Amu Darya basin (of which the Bokhtar PSC area forms part) and no wells have ever been drilled through the overlying salt layer in Tajikistan to date. This basin is extremely prolific containing oil, gas and condensate fields and indeed some of the world's largest gas fields are located in this basin. These data also reveal significant potential in other parts of the PSC Area, including the Kulob area, however it has been decided to focus on the Vaksh valley and the Dushanbe Step initially.

It is expected that this new seismic programme will further confirm the high potential in the Tethys PSC acreage. Tethys now owns an 85% interest in the Bokhtar PSC following the recent acquisition of an additional 34% interest from its partner in the project.

### **Background: Strategy in Tajikistan**

The primary strategy in Tajikistan is to complete a comprehensive geological and geophysical data gathering exercise with the intention of locating and drilling the first deep exploration well below the regional salt layer. This deep well will target very large prospective resources, as set out in the independent resource report. These prospects have never been drilled before in Tajikistan but are prolific producers from similar reservoirs in the adjacent countries including Turkmenistan.

This programme is firmly on track and consists of the following:

- In 2008, Tethys obtained and analysed the State geophysical information and well data of the shallower drilling that had been undertaken in the Soviet period and compiled an extensive database, which was combined with a regional geological model built in-house.
- In 2009-10, Tethys designed and acquired a regional seismic programme whereby approximately 700km of good quality seismic was obtained and interpreted.
- In 2011, Tethys carried out an aeromagnetic gravimetry survey over more than half of the PSC Area. These data complement the acquired seismic data, State geophysical information and well data.
- In 2012, following on from the results of the aeromagnetic gravimetry survey, a seismic contractor has been appointed and equipment mobilized to commence acquisition of focused seismic data over key prospective areas with the intention of identifying the location for the first deep well. It is planned that Tethys' large ZJ70 drilling rig "Telesto" will be mobilized to Tajikistan by year's end with the intention of drilling the deep well in 2013.

Tethys also continues to exploit the shallow potential in Tajikistan with oil production from Beshtentak, deepening of the Persea exploration well and plans for further evaluation of the East Olimtoi oil discovery.

**Dr David Robson, Chairman, President and Chief Executive Officer of Tethys, added:**

*"This hugely significant increase in our estimated resources in Tajikistan transforms our prospective resource base. I believe that these unrisks mean prospective resources are significantly greater than the estimated remaining reserves and unrisks resources in the UK North Sea<sup>1</sup>. Geological and geophysical work undertaken has shown that Tethys is operating in a world class basin with enormous and untapped potential."*

*"The deep prospects being pursued in Tajikistan have 'super-giant' potential and any exploration success will be transformational for the Company. These additional seismic data will help to identify the location of the first deep, sub-salt well drilled in Tajikistan targeting extremely large prospective resources."*

The references in this press release to "prospective resources" means those quantities of petroleum estimated, as of June 30<sup>th</sup> 2012, to be potentially recoverable from undiscovered accumulations by application of future 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 resources 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 the Company's properties. 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 maybe 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 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

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<sup>1</sup> Economic Report 2012, the United Kingdom Offshore Oil and Gas Industry Association available online at [www.oilandgasuk.co.uk](http://www.oilandgasuk.co.uk)

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.

Additional information prescribed by NI 51-101 appears in a material change report to be filed, and which will be available, on [www.sedar.com](http://www.sedar.com).

Tethys is focused on oil and gas exploration and production activities in Central Asia with activities currently in the Republics of Kazakhstan, Tajikistan and Uzbekistan. This highly prolific oil and gas area is rapidly developing and Tethys believes that significant potential exists in both exploration and in discovered deposits.

*This press release contains "forward-looking information" which may include, but is not limited to, statements with respect to our operations, prospective resources and exploration targets. Such forward-looking statements reflect our current views with respect to future events and are subject to certain assumptions, including the fact that Tethys Petroleum will be successful in confirming the existence of the accumulations of petroleum in respect of its exploration targets, and subject to certain risks and uncertainties, including the risk that limited discoveries will result from exploration wells and as a result the risk that any or all of the prospective resources will not become recoverable, as further explained above in this press release. See our Annual Information Form for the year ended December 31, 2011 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. A barrel of oil equivalent ("boe") conversion ratio of 6,000 cubic feet (169.9 cubic metres) of natural gas = 1 barrel of oil has been used and is based on the standard energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. The use of the word "Gross" means 100% of the PSC.*

**For more information please contact:**

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