

**TETHYS PETROLEUM LIMITED**

**MATERIAL CHANGE REPORT  
Form 51-102F3**

**Item 1 Name and Address of Company**

Tethys Petroleum Limited (the “Corporation”)  
P.O. Box 524, Suite 3, Borough House,  
Rue du Pre, St. Peter Port,  
Guernsey, GY1 6EL, Channel Islands

**Item 2 Date of Material Change**

The material change occurred on September 7, 2007.

**Item 3 News Release**

The Corporation issued a press release on September 7, 2007, through Marketwire.

**Item 4 Summary of Material Change**

Tethys Tajikistan Limited, a wholly owned subsidiary of the Corporation, has signed an Investment and Operating Agreement with Southern Oil and Gas Exploration State Unitary Enterprise relating to oil and gas fields in Southern Tajikistan.

The Corporation has also determined that it will not be moving forward with the agreement entered into on May 10, 2007, in respect of the acquisition of the Aral Vostochniy exploration area in Kazakhstan.

**Item 5 Full Description of Material Change**

**5.1 Full Description of Material Change**

For a full description of the material change, please refer to the press release of the Corporation dated September 7, 2007, a copy of which is attached hereto as Schedule “A”.

**5.2 Disclosure for Restructuring Transactions**

Not applicable.

**Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

The name and business number of an executive officer of the Corporation who is knowledgeable about the material change and this report is:

Liz Landles - Corporate Secretary

Telephone: +44 1481 725911

**Item 9**    **Date of Report**

This report is dated the 13<sup>th</sup> day of September, 2007.

SCHEDULE "A"



FOR IMMEDIATE RELEASE

**TAJIKISTAN AND KAZAKHSTAN CONTRACT UPDATE**

Friday, September 07, 2007 – Dushanbe, Tajikistan – Tethys Petroleum Limited ("Tethys") (TSX:TPL) today announced that its wholly owned subsidiary, Tethys Tajikistan Limited ("TTL"), has signed an Investment and Operating Agreement (the "IOA") with Southern Oil and Gas Exploration State Unitary Enterprise ("SOG") relating to oil and gas fields in Southern Tajikistan. The IOA has been agreed to and supported by the Ministry of Energy and Industry of the Republic of Tajikistan (the "Ministry"). Tethys also announced that it will not be moving forward with plans to acquire the Aral Vostochniy exploration area in Kazakhstan.

SOG is a wholly state-owned oil and gas company reporting to the Ministry which holds the production licenses to a number of fields in the Kulob Area in southern Tajikistan over which Tethys is currently negotiating a Production Sharing Agreement ("PSA"). The IOA allows Tethys to commence initial production operations in the Kulob Area whilst the Tajikistan government finalises certain necessary legislative changes to enable the recently adopted Production Sharing Legislation to become effective. Once this is completed Tethys intends to progress and finalise negotiations on the PSA, and the Ministry recommended that the IOA be entered into as a precursor to the execution of the PSA and to provide assistance to Tethys in obtaining a PSA for the Kulob Area.

Under the IOA TTL will invest funds for specific oil and gas rehabilitation operations, which will commence with a relatively small investment. This work may involve perforating and re-perforating wells, sidetracking and working over of some wells, upgrading facilities and well-bore treatment as well as other techniques to improve production. The IOA covers fields in Southern Tajikistan specifically including the Beshtentyak, Uznohor, and South Pushion oilfields and the Khoja Sartez gas condensate deposit (the "Fields"). Further fields and areas may be added to the IOA by mutual consent and TTL has the exclusive right to carry out such activities on the Fields. Existing field production will go to SOG, but any incremental additional production generated by work under the IOA will be split between TTL and SOG. TTL will receive 75% of all additional production of oil and gas until it has recovered all of its costs. SOG will receive the remaining 25% of oil and gas produced during this cost recovery period. After TTL has recovered its costs it will receive 70% of the additional production and SOG will receive 30%. TTL will have the right to sell its production to whomsoever it wishes and there are no price restrictions on these sales by the State.

The Beshtentyak field is located 28 miles (45 km) north of Kulob and is currently producing approximately 75 barrels of oil and limited gas production. The field was discovered in 1970 and there are currently 24 operational wells, 6 of which are currently producing at limited potential due to lack of investment and technology. The reservoirs are Paleocene limestone and dolomites in a narrow anticlinal structure at a depth of up to 6,500 feet (~2,000 metres), the oil is 33 - 35° API

low sulphur crude, and flow rates of up to 800 bopd and up to 7 million cubic feet per day (MMscf/d) of gas (200 thousand cubic metres per day (MCM/d)) have been achieved from wells in the past. No deep drilling has been carried out on the field to date.

Also included in the IOA is Khoja Sartez, a gas condensate accumulation located some 8 miles (13 km) to the west of Kulob. This deposit is developed on the flank of a clearly visible large salt dome and is at a much earlier stage of development than is Beshtentyak. Drilling has only been carried out in the surface layers to a depth of some 5,580 feet (1,700 metres). Tethys believes that the deeper layers and other flanks of the dome have the potential to contain substantial volumes of gas condensate. Four wells have been drilled on the structure and a modern gas processing facility was installed but all the wells are currently shut-in due to lack of investment and adequate technology. The Khoja Sartez deposit seems similar to some of the large salt dome related prospects in the southern part of the Kulob Area. Additional information in respect of the Fields included in the IOA will appear on our website.

As well as these opportunities for early oil and gas production and cash flow through rehabilitation of existing fields covered by the IOA, experience on these fields will give Tethys valuable additional data on the characteristics and potential of such deposits, as well as establishing an operating organization in the area. The initial work program will be finalized within the next month with operations commencing as soon as possible thereafter. At least 10 well workovers will be in the initial work program.

Tethys believes that there is an opportunity for large discoveries of both oil and gas exploration in the “virgin” territory of the Afghan–Tajik basin, a continuation of the prolific Amu Darya basin, in Tajikistan. Tethys believes that the Kulob Area of Southern Tajikistan offers very significant potential with existing discoveries in a proven hydrocarbon system with several different source rocks, reservoir rocks and large structures created both by tectonic activity and active salt movement. In January 2007, Tethys signed a Protocol of Intent with the Tajikistan government to negotiate a PSA for the large Kulibsky (Kulob) area of south-west Tajikistan and in early March 2007, the Tajikistan government introduced production–sharing legislation for the first time which lays the fiscal and commercial framework for such a PSC. In June 2007 Tethys extended the term and scope of its Protocol and the IOA also re-enforces the Ministry’s support for the planned PSA.

Tethys also announced that it will not be moving forward with plans to acquire the Aral Vostochniy exploration area in Kazakhstan. On May 10<sup>th</sup> 2007, Tethys entered into agreement to acquire the Kazakh limited liability partnership which had been awarded the exploration contract for the Aral Vostochniy area for an initial payment of US\$2.5 million plus 1.5 million ordinary shares in Tethys and with certain future bonuses based on commercial discoveries. Work program commitments over the next six months were estimated at US\$2.5 million. This agreement was conditional upon Tethys raising at least US\$25 million in its recent IPO (which was achieved), and upon certain extensions and changes acceptable to Tethys being made to the obligation work program on the area being agreed by the seller with the appropriate Kazakh authorities. These extensions and changes to the work program were necessary in order for to carry out the obligation work program in a realistic time-frame and to make this program cost effective. Tethys has now been informed by the seller that it is unlikely that such changes will be agreed with the appropriate Kazakh authorities in the foreseeable future and this together with other issues means that it is not in a



position to meet its obligations under the conditional agreement. As such it has been agreed to terminate the agreement by mutual consent. None of the purchase price has yet been paid, and the ordinary shares issued into escrow with respect to this transaction will now be forfeit.

Dr David Robson, Chairman, President and Chief Executive Officer of Tethys, commented, "This Investment and Operating Agreement further strengthens our relationship with the Tajikistan government and allows us to commence work on production enhancement on existing fields whilst we continue our discussions on the PSA. This IOA should allow early cash flow from our projects in Tajikistan whilst we work towards realising upside through exploration activities under the planned PSA. We believe that Tajikistan offers huge potential upside in exploration for large oil and gas prospects and we are excited to be commencing operations there with the view to shooting seismic early in 2008 and to drill a well the same year following execution of the planned PSA. In Kazakhstan we are terminating the agreement we had in place to acquire the rights to the Aral Vostochniy exploration area. Whilst we are disappointed that the sellers could not fulfil their obligations we are currently evaluating several other projects in Kazakhstan which could significantly enhance the value of the company with respect to near-term development, as opposed to longer term exploration projects of which we already have several exciting projects both in Kazakhstan and in Tajikistan ongoing at present. In addition this will free up capital to allow us to potentially extend our short-term cash flow projects both in Kazakhstan and now in Tajikistan"

Tethys is focused on oil and gas exploration and production activities in Central Asia with activities currently in the Republic of Kazakhstan and more recently the Republic of Tajikistan. 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. Such forward looking statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including, the risks and uncertainties outlined under the section titles "Risk Factors and Uncertainties" in our prospectus (available at [www.sedar.com](http://www.sedar.com)). Should one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. Additional information in respect of the Kyzylai shallow gas field and Akkulka area (also referred to as the Akkulka Block), including location, area, geologic age and lithology, depth, estimated costs and gas marketing information, appears in TPL's prospectus dated June 18, 2007.

For more information please contact:

Sabin Rossi  
Investor Relations Manager  
Tethys Petroleum Limited  
TD Canada Trust Tower  
161 Bay Street, 27<sup>th</sup> Floor  
Toronto N5J 2S1  
Canada



Office: 1-416-572-2065

Fax: 1-416-572-2201

Cell: 1-617-669-1841

e-mail: [info@tethys.gg](mailto:info@tethys.gg)

website: [www.tethyspetroleum.com](http://www.tethyspetroleum.com)