

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

Item 1 Name and Address of Company

Tethys Petroleum Limited (“Tethys”)
P.O. Box 524
St. Peter Port
Guernsey, GY1 6EL

Item 2 Date of Material Change

May 14, 2014

Item 3 News Release

The press release attached as Schedule “A” was disseminated through Marketwire on May 14, 2014 with respect to the material change.

Item 4 Summary of Material Change

Tethys announced that it has conditionally raised USD 15 million through the issue of 36,894,923 new ordinary shares to new and existing investors at GBP 0.24 per share.

Tethys has entered into a placing agreement with FirstEnergy Capital LLP and Cantor Fitzgerald Europe as placing agents to raise USD 13,000,000 with new and existing investors and has agreed to raise USD 2,000,000 with new and existing investors by way of direct subscription. When completed, the Offering will raise gross proceeds of USD 15 million.

The Offering will be completed in two tranches. 17,105,764 ordinary shares will be issued in the "First Tranche", raising gross proceeds of USD 6.95 million. 19,789,159 ordinary shares will be issued in the "Second Tranche", raising gross proceeds of USD 8.05 million.

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.

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

May 23, 2014

Schedule "A"

May 14, 2014

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TETHYS PETROLEUM LIMITED PRESS RELEASE
("Tethys" or "the Company" (TSX:TPL, LSE:TPL))

Tethys Announces USD 15 Million Equity Financing

GRAND CAYMAN, CAYMAN ISLANDS, May 14, 2014 - Tethys Petroleum Limited announces today that it has conditionally raised USD 15 million through the issue of 36,894,923 new ordinary shares to new and existing investors at GBP 0.24 per share (the "Placing Price"). Several of the Company's large existing shareholders have participated in the financing.

The Company has entered into a placing agreement with FirstEnergy Capital LLP and Cantor Fitzgerald Europe as placing agents ("Placing Agents") to raise USD 13,000,000 with new and existing investors (the "Placing") and agreed to raise USD 2,000,000 with new and existing investors by way of direct subscription (the "Direct Subscription"). The Direct Subscription and the Placing are together referred to as the "Offering". When completed, the Offering will raise gross proceeds of USD 15 million.

The Offering will be completed in two tranches. 17,105,764 ordinary shares will be issued in the "First Tranche" (the "First Tranche Shares"), raising gross proceeds of USD 6.95 million. 19,789,159 ordinary shares will be issued in the "Second Tranche" (the "Second Tranche Shares"), raising gross proceeds of USD 8.05 million.

Application has been made to the Financial Conduct Authority ("FCA") for the First Tranche Shares to be admitted to listing on the Official List and to the London Stock Exchange for such First Tranche Shares to be admitted to trading on the London Stock Exchange's main market for listed securities ("First Tranche Admission"). It is expected that First Tranche Admission will become effective on or around 19 May 2014.

Subject to the approval of a prospectus by the FCA, application will be made to the FCA for all the Second Tranche Shares to be admitted to listing on the Official List and to the London Stock Exchange for such Second Tranche Shares to be admitted to trading on the London Stock Exchange's main market for listed securities ("Second Tranche Admission"). It is expected that Second Tranche Admission will become effective on or before end June 2014.

The net proceeds of the Offering will be used by Tethys for continued development of its Kazakh shallow gas programme including installation of a gas dehydrator, drilling of new shallow gas wells, and the purchase and installation of tie-in pipelines and



associated infrastructure (seven previously drilled successful gas wells are ready to be tied in now). Completion of this work should result in an increase in current gas production by the beginning of 2015 at which time Tethys plans to begin sales into the Chinese market and potentially realise higher prices than current levels. This programme must be implemented now in order to meet the target of producing the additional gas by year-end.

As further background in November 2013, Tethys announced that it has entered into a definitive agreement for the sale of 50% (plus one share) of its Kazakh oil & gas assets to SinoHan Oil and Gas Investment B.V. ("SinoHan"), part of HanHong, a Beijing, PRC based private equity fund for an initial payment of USD 75 million plus potential bonuses. The sale is subject to Kazakh State approvals, including the waiver on pre-emption (Article 36). The Company is confident that these approvals will be given at some point this year, but does not know the precise date. As such it was necessary to carry out this equity placing to provide the funds to ensure that the increased gas production rates can be achieved as planned. It should be noted that if the Kazakh State elects to pre-empt, an event that the Company considers extremely unlikely, then the State should fulfill the terms of the definitive agreement with SinoHan including paying the initial USD 75 million to Tethys to become a 50% shareholder in the project.

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.

Further details of the Offering

The Placing Agents have entered into a placing agreement (the "Placing Agreement") with the Company under which, subject to the conditions set out in that agreement, the Placing Agents have agreed as agents on behalf of the Company to use reasonable endeavours to procure subscribers for ordinary shares at the Placing Price.

The obligations of the Placing Agents in respect of the placing of the First Tranche Shares under the Placing are conditional on certain customary conditions, including, amongst other things, (a) the Company having complied with all its obligations which fall to be performed by it prior to First Admission which the Placing Agents consider in good faith to be material in the context of the Placing; (b) no material adverse change having occurred before First Admission; and (c) First Admission occurring before 21 May 2014.

The obligations of the Placing Agents in respect of the placing of the Second Tranche Shares under the Placing are conditional on, amongst other things, (a) the Company having complied with all its obligations which fall to be performed by it prior to Second Admission which the Placing Agents consider in good faith to be material in the context of the Placing; and (b) the FCA approving a prospectus in relation to the issue of the Second Tranche Shares.



The Placing Agents are each acting for the Company and for no-one else in connection with the Placing, and will not be responsible to anyone other than the Company for providing the protections afforded to customers of the respective Placing Agent nor for providing advice in connection with the Placing or any other matters referred to herein.

No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by either of the Placing Agents or by any of its affiliates or agents or brokers as to or in relation to, the accuracy or completeness of this announcement or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefore is expressly disclaimed.

As with the Placing, the Direct Subscription is being done in two tranches with similar conditions.

This press release does not constitute an offer or a solicitation of an offer to buy, securities of Tethys Petroleum in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. There will be no public offer of the securities described herein in the United States.

The Ordinary Shares were offered and sold in certain jurisdictions outside of Canada and may not be traded through the facilities of the Toronto Stock Exchange for a period of four months. The Offering is subject to approval by the Toronto Stock Exchange.

This press release contains "forward-looking statements" which may include, but is not limited to, statements with respect to the placement, use of proceeds, increase in gas production, gas sales into the Chinese market and Kazakh State approvals for the sale of a 50% interest (plus one share) of the Company's Kazakh oil and gas assets (the "Sale"). Such forward-looking statements reflect our current views with respect to future events and are subject to certain risks and uncertainties, including the risk that the Offering will not be completed, the risk that regulatory approval for the Offering will not be obtained, the risk that even if the first tranche is completed, the second tranche may not be completed, the risk that the purchase and installation of additional equipment will be delayed or will not proceed if the placement is not completed, the risk that current gas production will not be increased as anticipated, the risk that Kazakh State approval for the Sale will be delayed or will not be obtained, and the risk that the Company will be unable to sell gas into the Chinese market or at higher prices as contemplated. See our Annual Information Form for the year ended December 31, 2013 available on sedar.com for a description of risks and uncertainties relevant to our business, including our exploration activities. The assumptions underlying the "forward-looking statements" include the assumption

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that the first and second tranches of the placement will be completed, that the installation of equipment noted in this press release will result in an increase in gas production, that Kazakh State approval for the sale will be obtained and that sales of gas into the Chinese market will proceed by the beginning of 2015 and that such sales will be at prices greater than current prices. 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.

This announcement is for information purposes only and shall not constitute an offer to buy, sell, issue or subscribe for, or the solicitation of an offer to buy, sell, issue or subscribe for any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

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