



November 14, 2017

Tethys Petroleum Press Release (TSX: TPL)

2017 Q3 Results

GRAND CAYMAN, CAYMAN ISLANDS - Tethys Petroleum Limited (“Tethys” or “the Company”) today announced its results for the quarter ended September 30, 2017.

Q3 Financial Highlights

(all figures reported in USD unless stated otherwise. 2016 amounts are for the quarter ended September 30, 2016)

- Oil and gas sales and other revenues decreased by 17% to USD2.6 million from USD3.1 million, however, net revenues increased by 43% to USD3.5 million from USD2.5 million because there were no sales expenses in the current quarter and sales expenses which had been accrued for the period May to December 2016 were released during the current quarter. The previous gas marketing agreement was terminated in November 2016;
- Oil revenues increased by 221% due to higher production, which was up by 149% to 170,024 bbls or 1,828 bopd following the installation of an Electrical Submersible Pump (“ESP”) in early June 2017 and a higher oil price, up 12%;
- Gas revenues were 59% lower due to the combination of the natural decline in production of 16% and the reduced price, which was 30% lower;
- The loss of USD2.9 million was lower than the Q3 2016 loss of USD4.0 million due mainly to the lower sales expenses referred to above and lower production expenses, partly offset by a higher depreciation, depletion and amortisation charge;
- Adjusted EBITDA improved to USD1.7 million from negative USD0.8 million, mainly due to the lower sales expenses and production expenses, which more than offset the reduction in revenue. Administrative expenses were also significantly lower despite high legal costs;
- Total assets reduced by 20% to USD149.1 million as a result of the loss for the period and a full impairment of the Tajikistan asset taken in December 2016;
- Net debt remained unchanged between September 30, 2017 and September 30, 2016 at USD32.3 million.

Operational Highlights

Oil

- Oil production in Q3 2017 averaged 1,848 bopd compared with 742 bopd in Q3 2016 reflecting enhanced production as a result of the installation of the ESP in early June 2017;
- Oil production cost per barrel in Q3 2017 reduced to USD4.16 compared with USD8.84 in Q3 2016 as a result of ongoing cost optimisation and deferral of some costs;

- Oil prices averaged USD7.66 per barrel in the quarter compared with USD6.84 in Q3 2016, an increase of 12%, reflecting better contract terms from the customer and a stronger Kazakhstan Tenge.

Gas

- Current quarter gross gas production averaged 1,767 boe/d (300 Mcm/d) compared with 2,106 boe/d (358 Mcm/d) in Q3 2016, reflecting a natural decline in overall production;
- Gas production cost per Mcm in the current quarter decreased to USD10.57 compared with USD14.76 in Q3 2016 due to the timing of recognition of some costs and the decrease in gas production and would have been lower still but for some non-variable costs of production. Costs were also impacted when shown in USD due to the strengthening of the Kazakhstan Tenge;
- Gas was sold at a net price equivalent to USD42.95 per Mcm for the quarter compared with USD61.53 in Q3 2016 reflecting a decrease in the Tenge gas price received and the strengthening of the Tenge.

Q3 Significant Events and Transactions

- On July 28, 2017, the Company announced that because its shallow gas well drilling program had begun later than originally intended, discussions were underway to modify the programme. This would involve reducing the number of wells drilled in 2017 from 10 to 8, obtaining and interpreting new seismic then drilling the 2 wells not drilled in 2017 in early 2018 based on the new data and adding 2-3 additional wells. This would result in a 4-5 well drilling program in 2018 with the intention of maintaining and improving shallow gas production on a continuing basis.

On September 28, 2017, the Company announced that it had signed contracts to build the pipeline to connect the new wells. The total contract value is approximately USD5 million and, like the drilling contract with Great Wall, the majority of payments are not due until 2018 when the Company expects to be able to pay from increased production revenues.

On October 25, 2017, the Company announced that Great Wall had completed drilling the fourth gas well and was preparing to commence drilling the fifth well.

Testing of the first two wells drilled, KYZ-111 and KYZ-110, has been completed and shows potential production rates of between 53 and 60 Mcm/day on a 12mm choke indicating these should be successful commercial wells. Testing of the third well, AKK-23, is ongoing with preliminary results showing a potential production rate of approximately 60 Mcm/day on a 20mm choke.

Whilst the program is ongoing, the Company is continually reviewing its plans and making revisions to them to achieve the optimal outcome and to reflect changes in circumstances.

- On July 26, 2017, the Aktobe City Court (the "City Court") found in favour of Tethys Services Kazakhstan LLP ("TSK"), a wholly owned subsidiary of Tethys, in a proceeding brought by Alexander Skripka ("Skripka"). Skripka alleged that his employment agreement with TSK had been improperly terminated and that, among other things, he was entitled to reinstatement of his position with TSK and recovery of certain wages. The City Court found that the employment agreement had been properly terminated and that Skripka has no entitlement to further employment with TSK or to any recovery of wages;

- On August 8, 2017, Tethys commenced an action against RBK Bank seeking an order that it provide Tethys with access to records regarding the loan (the "RBK Loan") that it provided to EGG, and which is integral to the action Eurasia Gas Group LLP ("EGG") brought against the Company's wholly owned subsidiary Tethys Aral Gas LLP ("TAG"). TAG is seeking access to such records as it believes such records will support it in its appeal in the proceedings involving EGG and is awaiting the results of its action;
- On August 10, 2017, TAG filed an application for rehabilitation with the Special Economic Court of Aktobe Region (the "Rehabilitation Court"). This followed a decision by the Court of Appeal in Almaty on August 2, 2017 which found in favour of EGG in its appeal of the decision of the lower court made in Tethys' favour in February 2017 in relation to a lawsuit that arose in connection with a contract for oil sales between EGG and TAG dated 2012. The Rehabilitation Court denied the application for rehabilitation, however a new application was submitted and accepted for consideration by the Rehabilitation Court on November 1, 2017.

As was the case with the first application, the new application is subject to review and approval by the Rehabilitation Court. Pending such review and approval, TAG will continue business as usual, provided that no creditor can take any adverse action against TAG in such review period, including EGG attempting to enforce the decision of the Court of Appeal in Almaty. In addition, TAG can, if circumstances change, withdraw its application for rehabilitation at any time;

- On August 25, 2017, the Company announced that following the abovementioned announcement in relation to TAG's rehabilitation filing, Tethys was notified by the TSX that it was performing an expedited review of the eligibility criteria for the continued listing of the Company's ordinary shares on the TSX.

On September 1, 2017, the Company announced that following a detailed written submission by the Company and a meeting of the Continued Listing Committee of the TSX (the "Committee") held on August 31, 2017, which was attended by the Company's management and legal counsel, the TSX decided to allow the Company to retain its listing on the TSX subject to its Remedial Review Process. The Company was granted up to 120 days to comply with all requirements for continued listing, beginning August 24, 2017. A further meeting of the Committee is scheduled to be held on Thursday, December 14, 2017 to review the position at that time. As suggested by the TSX, and as discussed below, subsequent to quarter end, the Company has commenced the process for applying to transfer the listing of its ordinary shares from the TSX to the TSX Venture Exchange;

- Also on August 25, 2017, the Company announced the appointment of George Pool as its new General Director in Kazakhstan. George is a US national and a resident of Kazakhstan. Fluent in Russian, he has over 20 years' wide-ranging experience of the culture and business practices of the Former Soviet Union and Latin America having worked on projects in Kazakhstan, Russia, Uzbekistan, China, Panama, Ecuador, Europe and the USA;
- On September 28, 2017, the Company announced that TAG had been notified by the competent authority in Kazakhstan of its approval of the continuation of the Company's Akkulka Oil Field Pilot Production Project (the "Project") from January 1, 2018 to March 10, 2019. This period coincides with the related Akkulka Exploration Licence and Contract under which the Project is carried out. The approval of the Project allows TAG to continue to produce oil and sell it on the Kazakhstan internal market which it has done since January 2011. Oil is currently being produced from the AKD-01 well in the Akkulka area. The Company is evaluating investing in a gas utilization facility for flared gas which is a prerequisite to apply for a full production licence. This in turn

would allow a proportion of oil production to be sold for export at a higher price than can be achieved on the internal market;

- Also on September 28, 2017, the Company announced that it acknowledged the Olisol Petroleum press release dated September 26, 2017 but did not intend to issue a response to each of the points raised since a number of them were incorrect or unclear.

Significant events and transactions subsequent to the period end

- On October 25, 2017, the Company announced that, as referred to above, the TSX initiated a review of the eligibility criteria for the continued listing of the Company's ordinary shares on the TSX. At the same time the TSX encouraged the Company to consider its qualifications for a listing on the TSX Venture Exchange ("TSXV") or NEX, a subsidiary of TSXV, in order to ensure, to the extent possible, uninterrupted trading for the Company's ordinary shares. The Company has evaluated the costs and benefits of its listing on the TSX versus a possible listing on the TSXV and concluded that it would be prudent to pursue a listing on the TSXV given the Company's current stage of development. The Company has therefore submitted an application to move its listing from the TSX to the TSXV under the TSXV's streamlined application process and is hoping to complete the process before the end of the year. In the event that the Company does not meet the TSXV's continued listing requirements for any reason in the future it remains open to the Company to step down to NEX, which would continue to provide a marketplace for trading in the Company's ordinary shares;
- Also on October 25, 2017, the Company announced that the illegal actions being taken against the Company by Olisol Petroleum Limited, its affiliate EGG and EGG's private bailiff (together "Olisol") which the Company had previously announced on September 28, 2017 were unfortunately continuing and having an adverse financial impact on the Company and its business which could potentially put its operations in jeopardy. Despite the Ministry of Justice of the Republic of Kazakhstan ("RoK") notifying the Company that the actions of the bailiff were illegal under RoK law and it had suspended the bailiff's licence to operate, Olisol has continued to attempt to disrupt the Company's oil deliveries by sending bailiffs and security personnel to the field.

In addition, payments to the Company for its gas sales have been delayed whilst the Company works to reverse the actions of the bailiff which included writing to the Company's oil and gas buyers and local refineries seeking to divert payments for the benefit of EGG. As a consequence of delayed gas payments, the Company has not been able to make certain scheduled payments on time, including its monthly payments to the secured rig loan lenders which were due on September 30 and October 31.

The Company and its legal advisers are also in active discussions with its customers to provide them with the legal assurances they require in order to release payments to the Company given the correspondence from the bailiff. In the meantime, the Company is continuing to produce and deliver oil and gas and these operations have continued uninterrupted, despite the difficulties referred to above

- On November 6, 2017, Addition #9 to the Company's Kul- bas Exploration & Production Contract was signed which is the final stage in the extension of the contract until November 2019. This contract area contains the KBD02 ("Klymene") prospect which has the potential to be an order of magnitude bigger than the Company's Doris oil discovery and surrounding prospects (the geographical area of the prospect is up to ten times the areal extent of the Doris oil field).



- On November 14, 2017, the Company signed agreements to sell its two drilling rigs and related equipment. The sale proceeds are due to be paid prior to delivery of the rigs to the buyer and will be applied in first priority to immediately repay the related rig loans in full, ahead of the contractual loan maturity dates. Completion of the sale is anticipated to take place in December.

The full Q3 results, together with Management's Discussion and Analysis, have been filed with the Canadian securities regulatory authorities. Copies of the filed documents may be obtained via SEDAR at www.sedar.com or on the Tethys website at www.tethyspetroleum.com. The summary financial statements are attached to this press release.

The Company's Q3 2017 financial statements are prepared under International Financial Reporting Standards (IFRS).

Adjusted EBITDA and Net debt shown in this press release do not have any standardised meaning as prescribed under IFRS and, therefore, are considered non-GAAP measures. Further details on these items is provided in Management's Discussion and Analysis.

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.

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 the potential that exists in both exploration and in discovered deposits in Central Asia and the Caspian Region, the cost, timing, payment for and outcome of the shallow gas well drilling program and the possibility of further changes to the program from unforeseen circumstances, the outcome of legal proceedings with EGG, Olisol and RBK Bank, whether the Rehabilitation Court will accept TAG's application for rehabilitation and whether TAG will withdraw its application for rehabilitation at some future time, the outcome of the TSX's Remedial Review Process and whether uninterrupted trading in the Company's shares will be possible, whether the Company's application to move its listing to the TSXV will be approved, whether the Company will be able to secure payment for its overdue gas sales receivables and whether the illegal actions of Olisol and its bailiff will continue and potentially put the Company's operations in jeopardy, the potential of the Klymene prospect and whether the rig sales will complete in December as anticipated. 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 the potential that exists in both exploration and in discovered deposits in Central Asia and the Caspian Region, the cost, timing, payment for and outcome of the shallow gas well drilling program and the possibility of further changes to the program from unforeseen circumstances, the outcome of legal proceedings with EGG, Olisol and RBK Bank, whether the Rehabilitation Court will accept TAG's application for rehabilitation and whether TAG will withdraw its application for rehabilitation at some future time, the outcome of the TSX's Remedial Review Process and whether uninterrupted trading in the Company's shares will be possible, whether the Company's application to move its listing to the TSXV will be approved, whether the Company will be able to secure payment for its overdue gas sales receivables and whether the illegal actions of Olisol and its bailiff will continue and potentially put the Company's



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operations in jeopardy, the potential of the Klymene prospect and whether the rig sales will complete in December as anticipated.

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.

See our Annual Information Form for the year ended December 31, 2016 for a description of risks and uncertainties relevant to our business, including our exploration activities.

See also notes 10 and 14 of our September 30, 2017 Condensed Consolidated Interim Financial Statements for the status of loan restructuring and an update on litigations, claims and assessments involving the Company and its subsidiaries.

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.

FOR FURTHER INFORMATION PLEASE CONTACT:

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Tethys Petroleum Limited
Consolidated Statement of Financial Position (unaudited)
(in thousands of US dollars)

	As at	
	September 30, 2017	December 31, 2016
Non-current assets		
Intangible assets	42,893	42,732
Property, plant and equipment	97,079	103,115
Restricted cash	166	2,238
Investment in joint arrangements	4	4
Trade and other receivables	1,568	1,237
Deferred tax	95	208
	141,805	149,534
Current assets		
Cash and cash equivalents	186	449
Trade and other receivables	6,517	6,532
Inventories	562	676
Restricted cash	6	2,713
	7,271	10,370
Total assets	149,076	159,904
Non-current liabilities		
Trade and other payables	-	44
Financial liabilities - borrowings	5,808	-
Deferred tax	11,246	11,913
Provisions	997	910
	18,051	12,867
Current liabilities		
Financial liabilities - borrowings	26,712	33,249
Current taxation	560	522
Trade and other payables	21,515	19,838
Provisions	26	200
	48,813	53,809
Total liabilities	66,864	66,676
Equity		
Share capital	5,081	5,081
Share premium	358,444	358,444
Other reserves	43,806	43,648
Accumulated deficit	(331,215)	(320,041)
Non-controlling interest	6,096	6,096
Total equity	82,212	93,228
Total equity and liabilities	149,076	159,904



Tethys Petroleum Limited
Consolidated Statements of Comprehensive Income (Loss) (unaudited)
 (in thousands of US dollars except per share information)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Sales and other revenues	2,593	3,119	5,928	10,103
Sales expenses	919	(665)	919	(2,132)
Production expenses	(1,004)	(1,979)	(3,112)	(4,503)
Depreciation, depletion and amortisation	(3,155)	(2,473)	(8,225)	(8,256)
Administrative expenses	(1,043)	(1,354)	(3,606)	(4,379)
Restructuring costs	-	23	(104)	(1,400)
Share based payments	(51)	(20)	(158)	(183)
Profit on sale of fixed assets	-	-	-	10
Foreign exchange (loss)/gain	262	20	91	141
Fair value gain on derivative financial instrument	-	4	-	275
Finance costs	(1,322)	(893)	(3,402)	(4,835)
	(5,394)	(7,337)	(17,597)	(25,262)
Loss before tax from continuing operations	(2,801)	(4,218)	(11,669)	(15,159)
Taxation	(78)	182	495	512
Loss from continuing operations and total comprehensive income	(2,879)	(4,036)	(11,174)	(14,647)
Loss and total comprehensive income attributable to:				
Shareholders	(2,879)	(4,196)	(11,174)	(14,649)
Non-controlling interest	-	160	-	2
Loss and total comprehensive income for the year	(2,879)	(4,036)	(11,174)	(14,647)
Loss per share attributable to shareholders:				
Basic and diluted - from continuing operations (USD)	(0.01)	(0.01)	(0.02)	(0.04)



Tethys Petroleum Limited
Consolidated Statements of Cash Flows (unaudited)
(in thousands of US dollars)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Cash flow from operating activities				
Loss before tax from continuing operations	(2,801)	(4,218)	(11,669)	(15,159)
Adjustments for:				
Share based payments	51	20	158	183
Net finance cost	1,322	893	3,402	4,835
Depreciation, depletion and amortisation	3,155	2,473	8,225	8,256
Profit on sale of fixed assets	-	-	-	(10)
Fair value gain on derivative financial instruments	-	(4)	-	(274)
Net unrealised foreign exchange gain	32	109	99	(246)
Movement in provisions	(3)	(100)	(278)	(1,736)
Net change in working capital	(2,115)	(883)	416	(1,099)
Cash (used in)/generated from operating activities	(359)	(1,710)	353	(5,250)
Corporation tax paid	(4)	(7)	(22)	(28)
Net cash (used in)/generated from operating activities	(363)	(1,717)	331	(5,278)
Cash flow from investing activities				
Expenditure on exploration and evaluation assets	(57)	(90)	(161)	(545)
Expenditure on property, plant and equipment	(408)	(228)	(1,412)	(509)
Proceeds from sale of fixed assets	-	-	-	33
Movement in restricted cash	1,991	(2)	4,779	146
Movement in advances to construction contractors	96	193	96	(6)
Movement in value added tax receivable	433	131	391	559
Net change in working capital	161	200	(67)	239
Net cash generated from/(used in) investing activities	2,216	204	3,626	(83)
Cash flow from financing activities				
Proceeds from issuance of borrowings, net of issue costs	-	4,430	-	7,930
Repayment of borrowings	(2,079)	(715)	(2,823)	(1,289)
Interest paid on borrowings	(61)	(903)	(815)	(2,616)
Movement in other non-current liabilities	(22)	(22)	(43)	(90)
Net cash (used in)/generated from financing activities	(2,162)	2,790	(3,681)	3,935
Effects of exchange rate changes on cash and cash equivalents	(322)	(177)	(539)	(46)
Net decrease in cash and cash equivalents	(631)	1,100	(263)	(1,472)
Cash and cash equivalents at beginning of the year	817	700	449	3,272
Cash and cash equivalents at end of the year	186	1,800	186	1,800