



December 30, 2017

**Tethys Petroleum Press Release  
(TSX: TPL)**

**Tajikistan Arbitration**

Grand Cayman, Cayman Islands- Tethys Petroleum Limited ("Tethys" or the "Company") today announces that its subsidiary, Kulob Petroleum Limited ("Kulob"), has been notified of the final arbitration award in respect of Kulob's interest in the Bokhtar Production Sharing Contract ("Participating Interest") and Joint Operating Agreement and Shareholders' Agreement ("JOA") with Total E&P Tajikistan B.V. and CNPC Central Asia B.V. (together the "Claimants") pertaining to oil and gas exploration and production rights in Tajikistan.

**Background**

Kulob entered into the Bokhtar Production Sharing Contract with the Government of Tajikistan in June 2008 and in December 2012 farmed out 66.67% to the Claimants for a payment of USD63 million towards past costs and an undertaking to pay around USD18 million of Kulob's share of future costs. The joint venture's new exploration strategy was to focus on potential hydrocarbons in the deep Jurassic geological horizon of between 5,000 to 7,000 metres. A new joint operating company Bokhtar Operating Company B.V. ("BOC") was established which in 2014/15 carried out a wide-line 2D seismic acquisition programme, large scale passive seismic acquisition, a magnetotellurics campaign and some further geological studies and reprocessing of old seismic.

Due to the high costs involved, Tethys employed Macquarie Capital to conduct an extensive farm-out exercise in the first half of 2015 with a view to farming down Kulob's remaining Participating Interest but these efforts were ultimately unsuccessful. As a consequence, Tethys decided not to commit any further capital to the project after August 2015 and to attempt to reach a mutually acceptable solution with the Claimants. Instead, the Claimants sought to have Kulob withdraw from the project and assign its Participating Interest to the Claimants and, in May 2016, commenced arbitration proceedings against Kulob at the International Court of Arbitration of the International Chamber of Commerce (the "ICC").

The Claimants took the decision to demobilise BOC in 2016 since analysis of the data acquired had not identified any structures that supported the geologists' initial concept. The data showed that the structural model they had developed was not proven and that the Jurassic horizon is much deeper, more poorly defined and less structured than they had thought. As a result, further exploration would be necessary to see if the structures at this depth exist. The risk and the additional cost of this work would be considerable and it was therefore decided not to proceed with it at that time.

Tethys recently went back to interested parties from the 2015 farm-out exercise but was unable to complete a transaction prior to the conclusion of the arbitration proceedings.



## **Decision of the Tribunal**

The Arbitral Tribunal of the ICC (the "Tribunal") has declared and/or ordered that:

- Kulob breached its obligations under the JOA by not paying its share of cash calls made by BOC since August 2015;
- The Claimants are entitled under the JOA to require Kulob to withdraw from the JOA and assign its Participating Interest to the Claimants at no cost and Kulob should do so; and
- Kulob should pay the Claimants an amount of damages equivalent to the unpaid cash calls plus costs and interest which in the aggregate amounts to approximately USD13.7 million.

The Company will be considering the implications of the Tribunal's decision and options for Kulob with the assistance of its legal advisers.

## **Consequences for the Company**

The Company does not expect the decisions of the Tribunal to have a significant effect on the results, cash flows or financial position of the Company since it was not a party to the arbitration, does not believe it is responsible for the obligations of Kulob and has not provided any guarantees on behalf of Kulob.

The value of Kulob's Participating Interest was fully written down in the Company's Consolidated Financial Statements for the 2016 financial year and the cash calls made by BOC have been fully provided for in the Company's Consolidated Financial Statements for 2016 and subsequent periods. Since Kulob is unable to pay the damages claim awarded by the Tribunal and, in the event that the Company elects not to do so, the Company expects to deconsolidate Kulob and/or recognise an accounting gain for the amount of accrued cash calls no longer payable by the Tethys group.

## **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. 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, Kulob's options in respect of the Tribunal's decisions and whether the decisions of the Tribunal will have a significant effect on the results, cash flows or financial position of the Company. When used in this document, the words "expects," "believes," "anticipates," "plans," "may," "will," "should" and similar expressions, and the



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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, Kulob's options in respect of the Tribunal's decisions and whether the decisions of the Tribunal will have a significant effect on the results, cash flows or financial position of the Company.

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.

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