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**Tethys Petroleum Press Release
(TSXV: TPL.H)**

Update on Kazakhstan Loan and Scheme of Arrangement

Grand Cayman, Cayman Islands - Tethys Petroleum Limited ("**Tethys**" or the "**Company**") today provides an update to its announcement of April 20, 2018 regarding its Kazakhstan subsidiary, Tethys Aral Gas LLP ("**TAG**"), Special Financial Company DSFK LLP ("**DSFK**") and a loan originally provided to Eurasia Gas Group LLP ("**EGG**") by Bank RBK JSC ("**RBK**") in 2012. Tethys also provides an update to its announcement of July 23, 2019 regarding closing of the Scheme of Arrangement.

Update on Kazakhstan Loan

In 2012, TAG pledged certain of its oil and gas assets as collateral for RBK loans to EGG including gas pipelines, gas compressors and operating facility. The assets of the Aral Oil Terminal LLP ("**AOT**") in which the Company has a 50% interest were also pledged. TAG's exploration and production contracts under which it is entitled to produce oil and gas were not pledged. EGG was TAG's former oil customer and acted as a conduit, advancing certain of the funds received from RBK to TAG and AOT as loans, which were used by TAG to fund its oil & gas operations, including the drilling of wells and by AOT in the construction of an oil terminal. Tethys management believes EGG's loan to TAG has been fully repaid by TAG (although the AOT loan remains outstanding) but understands that EGG has not fully repaid its loans to RBK.

Tethys understands that the ordinary shares in the Company which Olisol Petroleum Limited ("**Olisol**" an affiliate of EGG) owns have been pledged as security for further loans made by RBK Bank to EGG in 2016 of USD11 million and that the owners of EGG and Olisol gave personal guarantees to RBK for these further loans. Tethys does not believe DSFK has any rightful claim against TAG's assets in respect of these further loans by DSFK to EGG. The Company understands that part of this loan was used by Olisol to provide a working capital loan to Tethys. This loan was expected to be converted into Tethys ordinary shares pursuant to an investment agreement ("**Investment Agreement**") in 2016, however, Olisol failed to fulfil its obligations under the Investment Agreement by the longstop date in October 2016 and the working capital loan which has a current balance of approximately USD7 million remains outstanding.

In December 2017, RBK's loans to EGG were assigned to DSFK (an affiliated company of RBK) following a restructuring of RBK. DSFK wrote to EGG on April 5, 2018 to demand repayment of the loans because of EGG's failure to make certain scheduled repayments. On the same date, DSFK wrote to TAG regarding EGG's default and subsequent failure to repay the loans and informed TAG that it would take all measures to collect the debts, including but not limited to court collateral collection on the pledged assets.

Following a ruling by the Supreme Court of the Republic of Kazakhstan on December 29, 2017 in favor of TAG which established that TAG had paid back the monies it had received from EGG, TAG sought to have its asset pledges cancelled but was unsuccessful, in part, due to EGG not having repaid its loans to RBK.

Tethys has not had transparency into what payments or loan drawdowns were being made by EGG to RBK and whether payments made by TAG to EGG went to make loan payments to RBK.

Tethys received further information in connection with a court hearing on January 4, 2019 where DSFK applied for and received court approval to take enforcement action against EGG, its principals Alexander Skripka, Fedor Ossinin and Alexander Abramov as well as TAG and AOT (the “**Defendants**”). The Defendants appealed against the court decision however the appeal court upheld the earlier decision.

Tethys had understood that EGG and DSFK would be prepared to enter into a settlement agreement as proposed and set out in draft form as Schedule H to the Arrangement Agreement dated March 19, 2019 between the Company and Jaka Partners FZC (“**Jaka**”), which provided for Tethys issuing 18 million ordinary shares to Olisol in exchange for settlement of the USD7 million working capital loan and a release of TAG’s asset pledges, however, this now appears not to be the case.

EGG and DSFK have recently proposed a different workout solution whereby TAG would agree to provide oil production to EGG in sufficient volumes and at prices that would allow EGG to repay the full amounts still owing to DSFK and would involve TAG implicitly guaranteeing the majority of EGG’s repayment obligations to DSFK. This would also require Tethys to issue 18 million ordinary shares to Olisol to repay the USD7 million working capital loan. While the Tethys board and shareholders have approved the issuance of 18 million shares to Olisol to settle the working capital loan and for a full release of TAG’s asset pledges, it did not agree in its proposed settlement agreement to provide oil in volumes and at prices that would allow EGG to repay the full amount of its approximately USD18 million loan owing to DSFK. The board has refused this additional obligation and Tethys has made alternative proposals to have TAG’s asset pledges released including a buy-out of the pledge agreements or a purchase of the EGG loan from DSFK but so far Tethys proposals have been rejected by DSFK

Tethys is currently generating free cash and building its cash holdings and accounts receivable balances which at the end of July 2019 amounted to approximately USD5 million. Whilst it has overdue loans under which it has not been making repayments, it hopes to agree to restructuring terms with lenders who have continued to be supportive whilst Tethys completes the Scheme of Arrangement and change of control transaction with Jaka. The Company is also moving forward with drilling the Klymene prospect as announced on June 25, 2019.

The board hopes that reasonable terms can be worked out with DSFK for the release of TAG’s asset pledges and that the situation with DSFK can be resolved and Tethys can move forward with its development plans, however, at present there can be no assurance that Tethys gas production will continue without interference. Shareholders and those trading in Tethys shares should be aware of the recent unfavorable court ruling and current developments when trading Tethys shares.

Update on Scheme of Arrangement

The Company has been awaiting approval from the Ministry of Energy of the Republic of Kazakhstan (“MoE”) for the transfer and issuance of shares before it can implement the Scheme of Arrangement with Jaka which was approved by shareholders on June 28, 2019 and the Grand Court of the Cayman Islands on July 16, 2019. The Company is aware that its application is



being reviewed by the MoE although does not know how long the MoE will take to complete its review and make its decision. The Company does not expect that Jaka will provide the required funding amounting to approximately USD3.5 million until the MoE approval has been received. On receipt of MoE approval and the required funds from Jaka, the Company will file the Cayman Islands Court's Final Order and the effective date for the Scheme of Arrangement when shareholders would receive consideration for their shares will occur seven days' later. At present there can be no assurance that MoE will grant approval for the issuance of shares, that Jaka will provide the required funding and that the Scheme of Arrangement will be implemented as planned.

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, including statements relating to the proposed settlement with EGG, Olisol and DSFK, the release of TAG's asset pledges, possible enforcement action by DSFK, completion of the Scheme of Arrangement with Jaka, Tethys development plans and future gas production. 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 the risk that the Company will not be able to reach a settlement with EGG, Olisol and DSFK including the release of TAG's asset pledges and/or that DSFK will take enforcement action against TAG's assets, that the Scheme of Arrangement with Jaka may not be completed, that Tethys will not be able to continue with its development plans and that gas production may be interrupted. 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, or a suggestion as to how shareholders should elect to participate in the Scheme, 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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