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July 28, 2017

Tethys Petroleum Press Release
(TSX: TPL)

2017 Q2 Results

GRAND CAYMAN, CAYMAN ISLANDS - Tethys Petroleum Limited ("Tethys" or "the Company") today announced its unaudited results for the quarter ended June 30, 2017.

Q2 Financial Highlights

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

- Oil and gas sales and other revenues decreased by 19% to USD2.9 million from USD3.5 million, however, net revenues increased by 2% to USD2.9 million from USD2.8 million because there were no sales expenses in the current quarter following termination of the previous marketing agreement in late 2016;
- Revenues in the current period were impacted by lower production volumes as a result of the natural decline from existing wells and a lower gas sales price. This was partly offset by a slightly higher oil price;
- Gas produced from January to the end of May 2017 was sold in the quarter i.e. representing five months' worth of production. The comparable period in 2016 includes sales of three months' gas produced in Q2 2016 when revenue was recognised evenly under an annual sales contract;
- The loss of USD3.9 million was lower than the Q2 2016 loss of USD4.9 million due mainly to the absence of restructuring costs and lower finance costs, partly offset by a higher non-cash tax charge;
- Adjusted EBITDA improved marginally to negative USD0.2 million from negative USD0.4 million mainly due to the absence of restructuring costs in the current quarter;
- Net debt increased as a result of working capital loans received from Olisol Petroleum Limited during 2016 which were expected to be converted into ordinary shares of the Company or repaid from the proceeds of the investment agreement, however, Olisol failed to complete the transaction.

Operational Highlights

Oil

- Oil production in Q2 2017 averaged 752 bopd compared with 965 bopd in Q2 2016, reflecting a natural decline in overall production. The ESP installed in early June has produced up to 2,483 bopd although some downtime due to generator issues meant it was not on production consistently throughout June;
- Oil production cost per barrel in Q2 2017 reduced to USD6.34 compared with USD7.73 in Q2 2016, despite the lower production volume as a result of ongoing cost optimisation;

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- Oil prices averaged USD7.91 in the quarter compared with USD6.96 bbl in Q2 2016, an increase of 14%, reflecting slightly better contract terms from the customer and a stronger Kazakhstan Tenge.

Gas

- Current quarter gross gas production averaged 2,104 boe/d compared with 2,312 boe/d in Q2 2016, reflecting a natural decline in overall production. Some downtime with the compressors also impacted production volumes;

- Gas production cost per Mcm in the current quarter decreased to USD16.68 compared with USD16.84 in Q2 2016, due to the timing of recognition of some costs although were higher for the half year reflecting the decrease in gas production and non-variable costs of production. Costs were also higher in USD from the strengthening of the Kazakhstan Tenge;

- Gas was sold at a net price equivalent to USD45.33 per Mcm for the quarter compared with USD62.61 in Q2 2016.

Q2 Significant Events and Transactions

- On March 29, 2017 the Company announced a new shallow gas well drilling programme and said that it hoped to commence drilling in early May. The tender was awarded to drilling company Great Wall and contracts were signed on April 28, 2017. Drilling operations were delayed from the original planned date, however, whilst the Company renegotiated some of the contractual terms, including the price, with the outcome being a price reduction achieved of around 12 percent. The cost of the drilling programme is approximately USD5.1 million (USD5.7m including recoverable VAT) at the current exchange rate with most of the payments deferred until 2018 when the Company expects to be able to pay from increased production.

  Great Wall is now fully engaged, has mobilised, delivered equipment to the drilling site and commenced drilling operations which are expected to be completed in November. Wells are typically 650m and take up to 14 days to drill with testing usually taking up to 10 days post completion. No results of testing are available at this time.

  The initial plan was for a ten well drilling programme. Additionally, the Company would work over three existing wells and tie in two wells drilled but not tied into production.

  Because drilling has begun later than originally intended, discussions are now underway to modify the programme. This would involve reducing the number of wells drilled in 2017 from ten to eight, obtaining and interpreting new seismic then drilling the two 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.

  While these are Tethys' current intentions and plans, all plans are subject to unforeseen circumstances (such as those experienced to date) that will naturally arise and which may lead to further revisions;

- The Company successfully completed the installation of an Electrical Submersible Pump ("ESP") in its main oil producing well, AKD-01. The ESP has been operating as expected although some periods of downtime have been experienced due to issues with generators and the availability of trucking, in part due to extreme weather conditions. AKD-01 was therefore not on

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production throughout the whole of June and July although these issues have now been overcome and current production from the well is circa 2,100 bopd with an approximate 55% water-cut;

- On June 23, 2017 the Company held its AGM and announced that all resolutions put to shareholders at the meeting were passed on a poll at the meeting, including over 99% of all votes cast in favour of the re-election of the current board members;
- In June, the Company completed the relocation of its main administrative office in Kazakhstan from Almaty to Aktobe where it already had an office. Tethys' field operations and exploration acreage are both in the Aktobe region in the west of Kazakhstan and Aktobe is the main regional centre. The Company expects to achieve annualized cost savings of at least USD600,000 from amalgamating the two offices;
- The cancellation of the standard listing of the Company's ordinary shares from the Official List of the UKLA and trading in the shares on the Main Market of the London Stock Exchange, which was announced in March took effect on May 2, 2017. This followed a determination by the Company that the costs of maintaining a dual listing on the London and Toronto stock exchanges was unnecessarily expensive for a company of Tethys' size. The shares will continue to trade on the Toronto Stock Exchange;
- The Company has previously had two share registers, a register maintained by Capita Asset Services in the UK and a register maintained by TSX Trust Company in Canada. The shareholdings on the Capita register in the UK were transferred to the TSX Trust register in Canada following the Company's Annual General Meeting on June 23, 2017 which will result in further cost savings for the Company;
- The Company has arranged for TSX Trust to provide shareholders with access to Direct Registration Service (DRS), the global standard for securities ownership in which securities are owned, recorded and transferred electronically. Shareholders who wish to use DRS will still have all the same rights and privileges as previously, without the necessity of having a physical share certificate, although a physical certificate can still be issued on request. Information for shareholders who wish to transfer their shares to DRS is available on the Company's website. No action is required to be taken by Tethys shareholders unless they wish to use the DRS service.

Significant events and transactions subsequent to the period end

- Tethys and its partner in Georgia, Georgia Oil and Gas Limited ("GOG"), have proposed to the State Agency of Oil and Gas in the Ministry of Energy of Georgia ("the Agency") to amend the existing minimum work programmes for License Blocks XI^M and XI^N to allow further time to evaluate, through additional geological studies, the possibility of running 2D seismic surveys on the license areas or, alternatively, to relinquish the licenses and terminate the PSCs without application of any sanctions or penalties. The Agency has responded positively to the proposals and confirmed in writing that it has commenced the legal process to review and amend the PSCs.

  Tethys and GOG also notified the Agency of their decision to relinquish License Block XI^A and terminate the PSC as work performed to date indicates it has low prospectivity and Tethys and GOG do not wish to commit further investment to it.

The full Q2 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 Q2 2017 financial statements are prepared under International Financial Reporting Standards (IFRS).

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 annualized savings from the relocation of its Kazakhstan office to Aktobe, the cost, timing, payment for and outcome of the shallow gas well drilling program and the whether the Agency in Georgia will approve the proposed work programme amendments. 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 annualized savings from the relocation of its Kazakhstan office to Aktobe, the cost, timing, payment for and outcome of the shallow gas well drilling program and the whether the Agency in Georgia will approve the proposed work programme amendments.

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 June 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	
	June 30, 2017	**December 31, 2016**
Non-current assets		
Intangible assets	42,836	42,732
Property, plant and equipment	99,069	103,115
Restricted cash	2,156	2,238
Investment in joint arrangements	4	4
Trade and other receivables	1,326	1,237
Deferred tax	95	208
	145,486	**149,534**
Current assets		
Cash and cash equivalents	817	449
Trade and other receivables	6,980	6,532
Inventories	611	676
Restricted cash	7	2,713
	8,415	**10,370**
Total assets	**153,901**	**159,904**
Non-current liabilities		
Trade and other payables	24	44
Financial liabilities - borrowings	6,789	-
Deferred tax	11,172	11,913
Provisions	944	910
	18,929	**12,867**
Current liabilities		
Financial liabilities - borrowings	26,950	33,249
Current taxation	560	522
Trade and other payables	22,396	19,838
Provisions	26	200
	49,932	**53,809**
Total liabilities	**68,861**	**66,676**
Equity		
Share capital	5,081	5,081
Share premium	358,444	358,444
Other reserves	43,755	43,648
Accumulated deficit	(328,336)	(320,041)
Non-controlling interest	6,096	6,096
Total equity	**85,040**	**93,228**
Total equity and liabilities	**153,901**	**159,904**

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

	Three months ended June 30		**Six months ended June 30**	
	2017	**2016**	**2017**	**2016**
Sales and other revenues	2,855	3,529	3,335	6,984
Sales expenses	-	(733)	-	(1,467)
Production expenses	(1,513)	(1,328)	(2,108)	(2,524)
Depreciation, depletion and amortisation	(2,503)	(2,927)	(5,070)	(5,783)
Administrative expenses	(1,392)	(1,230)	(2,566)	(3,025)
Restructuring costs	17	(676)	(101)	(1,423)
Share based payments	(51)	(81)	(107)	(163)
Profit on sale of fixed assets	-	-	-	10
Foreign exchange (loss)/gain	(153)	50	(171)	123
Fair value gain on derivative financial instrument	-	65	-	269
Finance costs	(977)	(2,012)	(2,080)	(3,942)
	(6,572)	**(8,872)**	**(12,203)**	**(17,925)**
Loss before tax from continuing operations	**(3,717)**	**(5,343)**	**(8,868)**	**(10,941)**
Taxation	(188)	409	573	330
Loss from continuing operations and total comprehensive income	**(3,905)**	**(4,934)**	**(8,295)**	**(10,611)**
Loss and total comprehensive income attributable to:	**(3,905)**	**(4,934)**	**s(8,295)**	**(10,611)**
Shareholders	(3,905)	(4,776)	(8,295)	(10,453)
Non-controlling interest	-	(158)	-	(158)
Loss and total comprehensive income for the year	**(3,905)**	**(4,934)**	**(8,295)**	**(10,611)**
Loss per share attributable to shareholders:				
Basic and diluted - from continuing operations (USD)	(0.01)	(0.01)	(0.02)	(0.03)

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

	Three months ended June 30		Six months ended June 30	
	2017	**2016**	**2017**	**2016**
Cash flow from operating activities				
Loss before tax from continuing operations	(3,717)	(5,343)	(8,868)	(10,941)
Adjustments for:				
Share based payments	51	81	107	163
Net finance cost	977	2,012	2,080	3,942
Depreciation, depletion and amortisation	2,503	2,927	5,070	5,783
Profit on sale of fixed assets	-	-	-	(10)
Fair value gain on derivative financial instruments	-	(65)	-	(269)
Net unrealised foreign exchange gain	51	(293)	67	(357)
Movement in provisions	(155)	(845)	(275)	(1,636)
Net change in working capital	2,342	(79)	2,531	(216)
Cash generated from/(used in) operating activities	**2,052**	**(1,605)**	**712**	**(3,541)**
Corporation tax paid	(10)	(21)	(18)	(21)
Net cash generated from/(used in) operating activities	**2,042**	**(1,626)**	**694**	**(3,562)**
Cash flow from investing activities				
Expenditure on exploration and evaluation assets	(51)	(177)	(104)	(455)
Expenditure on property, plant and equipment	(58)	(165)	(1,004)	(281)
Proceeds from sale of fixed assets	-	33	-	33
Movement in restricted cash	108	(3)	2,788	148
Movement in advances to construction contractors	14	(203)	-	(199)
Movement in value added tax receivable	(343)	206	(42)	428
Net change in working capital	(214)	61	(228)	39
Net cash generated (used in)/generated from investing activities	**(544)**	**(248)**	**1,410**	**(287)**
Cash flow from financing activities				
Proceeds from issuance of borrowings, net of issue costs	-	1,500	-	3,500
Repayment of borrowings	(502)	(234)	(744)	(574)
Interest paid on borrowings	(134)	(544)	(754)	(1,713)
Movement in other non-current liabilities	-	(21)	(21)	(68)
Net cash (used in)/generated from financing activities	**(636)**	**701**	**(1,519)**	**1,145**
Effects of exchange rate changes on cash and cash equivalents	(114)	740	(217)	132
Net decrease in cash and cash equivalents	**748**	**(433)**	**368**	**(2,572)**
Cash and cash equivalents at beginning of the year	69	1,133	449	3,272
Cash and cash equivalents at end of the year	**817**	**700**	**817**	**700**