

GRAND CAYMAN, CAYMAN ISLANDS--(Marketwired - May 13, 2016) - [Tethys Petroleum Ltd.](#) (TSX:TPL)(LSE:TPL) today announced its Results for the quarter ended March 31, 2016.

Q1 Financial Highlights (all figures reported in USD unless stated otherwise. 2015 amounts are for the quarter ended March 31, 2015)

- Oil and gas revenue of USD3.5m (2015: USD6.0m);
- Production expenses down 54% to USD1.2m (2015: USD2.6m);
- G&A expenses down 37% to USD1.8m (2015: USD2.8m);
- Loss of USD5.7m (2015:USD2.1m) due to higher depreciation, depletion and amortization of USD2.2m and higher financing costs of USD1.3m;
- Capital expenditure was lower due to lack of funding to develop the Company's assets with expenditure in the prior period relating to new gas well tie-ins and Tajikistan exploration;
- Net debt increased as a result of interim finance obtained as part of larger strategic transactions which did not complete.

## Q1 Operational Highlights

### Oil

- Current quarter oil production averaged 861 bopd compared with 1,195 bopd in Q1 2015, reflecting a natural decline in overall production as well as prolonged winter and spring oil trucking disruption;
- Oil production cost per barrel in the current quarter reduced to USD8.37 compared with USD13.91 in Q1 2015 despite lower production volume as a result of reductions in staff levels and other operating cost reduction initiatives as well as the devaluation of the Kazakhstan currency, the Tenge;
- Oil prices averaged USD7.47 per bbl in the quarter compared with USD13.00 per bbl in Q1 2015, a reduction of 43%, reflecting the fall in World oil price and the devaluation of the Tenge.

### Gas

- Current quarter gross gas production averaged 2,442 boe/d compared with 3,173 bopd in Q1 2015, reflecting a natural decline in overall production;
- Gas production cost per Mcm in the current quarter reduced to USD13.27 compared with USD21.47 in Q1 2015 despite lower production volume as a result of reductions in staff levels and other operating cost reduction initiatives as well as the Tenge devaluation;
- An increase in gas price in local currency of over 50 percent was obtained from January 1, 2016, however, this was negatively affected in USD terms due to the Tenge devaluation.

## Q1 Corporate Highlights

- March 2, 2016 Facility Agreement Amendment signed with Olisol;
- Olisol Petroleum Limited agreed to convert US\$6.3 million of its outstanding debt into 63,044,460 shares in Tethys at a price of US\$0.10. The 5-day volume weighted average price of shares in Tethys was CDN\$0.04 (US\$0.03).
- NI 51-101 report issued by Gustavson Associates with an effective date of December 31, 2015 (as set out in the Annual Information Form dated March 29, 2016 available at [sedar.com](#)):
  - 23.97 million barrels of oil equivalent gross (i.e. before the application of Kazakh Mineral Extraction Tax) Proven plus Probable Reserves
  - NPV10 USD183.6 million (for gross Proven plus Probable Reserves)

## Post Q1 Highlights

On April 29, 2016 Tethys announced that it has entered into a binding investment agreement with Olisol Investments Limited ("Olisol") setting out the terms and conditions upon which Olisol Petroleum Limited, a wholly-owned subsidiary of Olisol ("OPL"), has agreed to purchase 181,240,793 new ordinary shares in Tethys at a price of C\$0.054 per Share, for total proceeds of C\$9.8 million, by way of a private placement and to commit to backstop a further equity fundraising of 50 million Shares at C\$0.054 per Share (collectively, the "Olisol transaction"), subject to the terms and conditions of the investment agreement, including shareholder, court and regulatory approvals. This will generate proceeds of a total of C\$12.5 million upon closing the transactions. An annual and special shareholders' meeting (the "AGM") has been called for May 31, 2016 for shareholders to approve a number of resolutions related to the Olisol transaction and the annual election of directors and appointment of auditors.

The Notice of Meeting and Management Information Circular for the AGM (the "meeting materials") together with forms of proxy, voting instructions and directions (as applicable) have been mailed to shareholders and are available on [sedar.com](#). Shareholders are encouraged to carefully review the meeting materials and vote in favour of the resolutions set out in the meeting materials, including those related to the Olisol transaction. The Olisol transaction was unanimously supported by the Tethys Board of Directors.

Voting instructions for registered and non-registered shareholders are set out in the meeting materials.

Shareholder questions or requests for assistance with voting at the AGM should be directed to info@tethyspetroleum.com.

The full Q1 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](http://www.sedar.com) or on the Tethys website at [www.tethyspetroleum.com](http://www.tethyspetroleum.com). The summary financial statements are attached to this press release.

The Company's Q1 2016 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.

#### Cautionary Statements

This press release contains "forward-looking information" which may include, but is not limited to, statements with respect to our operations and completion of the Olisol transaction. Such forward-looking statements reflect our current views with respect to future events and assume the completion of the Olisol transaction. These forward-looking statements are subject to certain risks and uncertainties, including the risk that the Olisol transaction will not receive required shareholder, court and regulatory approvals, that closing conditions will not be satisfied or that one or more aspects of the Olisol transaction will be otherwise delayed and accordingly that the Olisol transaction will not be completed. See our Annual Information Form for the year ended December 31, 2015 for a description of risks and uncertainties relevant to our business, including our exploration activities.

#### About Tethys Petroleum

Tethys Petroleum's aim is to become the leading independent E&P Company in Central Asia, by exercising capital discipline, by generating cash flow from existing discoveries and by maturing large exploration prospects within our highly attractive frontier acreage.

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

As at  
March 31, 2016 December 31, 2015

Non-current assets		
Intangible assets	65,499	64,202
Property, plant and equipment	110,672	113,397
Restricted cash	2,232	2,233
Investment in joint arrangements	4	4
Trade and other receivables	2,195	2,457
Deferred tax	223	226
	180,825	182,519
Current assets		
Cash and cash equivalents	1,133	3,272
Trade and other receivables	6,208	3,710
Inventories	872	879
Restricted cash	65	215
	8,278	8,076
Total assets	189,103	190,595
Non-current liabilities		
Trade and other payables	115	133
Financial liabilities - borrowings	19,814	22,873
Deferred tax	10,837	10,792
Provisions	862	846
	31,628	34,644
Current liabilities		

Financial liabilities - borrowings	10,718	9,159
Derivative financial instruments	71	275
Current taxation	429	398
Trade and other payables	16,227	14,189
Provisions	311	360
	27,756	24,381
Total liabilities	59,384	59,025
Equity		
Share capital	37,440	33,696
Share premium	321,803	321,803
Other reserves	43,248	43,166
Accumulated deficit	(278,866)	(273,189)
Non-controlling interest	6,094	6,094
Total equity	129,719	131,570
Total equity and liabilities	189,103	190,595

Tethys Petroleum Limited

Consolidated Statements of Comprehensive Income (Loss)

(in thousands of US dollars except per share information)

	Three months ended March 31	
	2016	2015
Sales and other revenues	3,455	5,954
Sales expenses	(734 )	(1,102 )
Production expenses	(1,196 )	(2,608 )
Depreciation, depletion and amortisation	(2,856 )	(674 )
Administrative expenses	(1,787 )	(2,821 )
Restructuring costs	(755 )	(319 )
Transaction costs of assets held for sale	-	(120 )
Share based payments	(82 )	(147 )
Profit on sale of fixed assets	10	14
Foreign exchange gain/(loss)	73	(6 )
Fair value gain on derivative financial instrument	204	1,078
Loss from jointly controlled entity	-	(250 )
Finance costs	(1,930 )	(579 )
	(9,063 )	(7,534 )
Loss before tax from continuing operations	(5,598 )	(1,580 )
Taxation	(79 )	(454 )
Loss from continuing operations	(5,677 )	(2,034 )
Loss from discontinued operations net of tax	-	(41 )
Loss and total comprehensive income	(5,677 )	(2,075 )
Loss and total comprehensive income attributable to:		
Shareholders	(5,677 )	(2,073 )
Non-controlling interest	-	(2 )
Loss and total comprehensive income	(5,677 )	(2,075 )
Loss per share attributable to shareholders:		
Basic and diluted - from continuing operations (USD)	(0.02 )	(0.01 )
Basic and diluted - from discontinued operations (USD)	-	-

Tethys Petroleum Limited

Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Three months ended March 31	
	2016	2015
Cash flow from operating activities		
Loss before tax from continuing operations	(5,598 )	(1,580 )

Loss before tax from discontinued operations	-	(41	)	
	(5,598	)	(1,621	)
<b>Adjustments for:</b>				
Share based payments	82	146		
Net finance cost	1,930	579		
Depreciation, depletion and amortisation	2,856	674		
Profit on sale of fixed assets	-	(15	)	
Fair value gain on derivative financial instruments	(203	)	(1,078	)
Net unrealised foreign exchange gain	(64	)	(121	)
Loss from jointly controlled entity	-	250		
Movement in provisions	(791	)	(793	)
Net change in working capital	(137	)	641	
Cash used in operating activities	(1,925	)	(1,338	)
Corporation tax paid	-	(130	)	
Net cash used in operating activities	(1,925	)	(1,468	)
<b>Cash flow from investing activities:</b>				
Interest received	-	45		
Expenditure on exploration and evaluation assets	(278	)	(1,205	)
Expenditure on property, plant and equipment	(116	)	(742	)
Proceeds from sale of fixed assets	-	16		
Movement in restricted cash	151	(4	)	
Movement in advances to construction contractors	4	91		
Movement in value added tax receivable	222	352		
Net change in working capital	(22	)	(2,128	)
Net cash used in investing activities	(39	)	(3,575	)
<b>Cash flow from financing activities:</b>				
Proceeds from issuance of borrowings, net of issue costs	2,000	9,135		
Repayment of borrowings	(340	)	(467	)
Interest paid on borrowings	(1,169	)	(354	)
Movement in other non-current liabilities	(47	)	(28	)
Net cash generated from financing activities	444	8,286		
Effects of exchange rate changes on cash and cash equivalents	(619	)	(124	)
Net (decrease)/increase in cash and cash equivalents	(2,139	)	3,119	
Cash and cash equivalents at beginning of the period	3,272	3,868		
Cash and cash equivalents at end of the period	1,133	6,987		
<b>Cash and cash equivalents at end of the period comprises:</b>				
Cash in assets of a disposal group held for sale	0	1,707		
Cash and cash equivalents	1,133	5,280		
	1,133	6,987		

## Contact

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