

GRAND CAYMAN, CAYMAN ISLANDS--(Marketwired - Nov 15, 2016) - [Tethys Petroleum Ltd.](#) (TSX:TPL)(LSE:TPL) today announced its Results for the quarter ended September 30, 2016.

Q3 Financial Highlights (all figures reported in USD unless stated otherwise. 2015 amounts are for the quarter ended September 30, 2015).

- Revenues decreased by 46% to USD3.1m from USD5.7m due to a natural decline in production volumes and price reductions in USD terms as a result of the devaluation of the Kazakh currency, the Tenge, in August 2015;
- The loss of USD4.0m was higher than loss of USD3.7m in 2015 due to the significantly lower revenue in the current quarter and provision of USD0.8m made for non-fulfilment of Kazakh work programmes penalties. The Company is working to have these withdrawn or reduced;
- EBITDA - adjusted for share based payments increased from negative USD0.6m to negative USD0.8m as a result of significantly lower revenue in the current quarter. This was offset by lower costs;
- Capital expenditure at USD0.3m (Q3 2015: USD1.9m) was lower due to lack of funds to develop the Company's assets with expenditure in the prior period relating to Kazakhstan exploration and development and Tajikistan exploration.

Q3 Operational Highlights

Oil

- Average oil production for the quarter decreased to 742 bopd (Q3 2015: 1,702 bopd) reflecting a natural decline in overall production;
- Oil production cost per barrel in Q3 2016 increased to USD8.84 compared with USD6.26 in Q3 2015. This was mainly due to the decrease in oil production and non-variable costs of production. There was a decrease in cost per barrel to USD8.27 in YTD Q3 2016 compared with USD8.73 in YTD Q3 2015 as a result of cost reduction initiatives and the Tenge devaluation;
- Oil prices averaged USD7.81 in the quarter compared with USD12.24 bbl in Q3 2015, a reduction of 36%, reflecting the fall in World oil price which impacted the domestic Kazakh price and the devaluation of the Tenge.

Gas

- Current quarter gas production averaged 2,106 boe/d compared with 3,121 boe/d in Q3 2015 reflecting a natural decline in overall production;
- Gas production cost per Mcm in the current quarter reduced to USD14.76 compared with USD15.70 in Q3 2015 despite lower production volume as a result of 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.

Note: 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.

Q3 Significant Events

- Kenneth J. May was appointed as interim Chief Executive Officer and his permanent appointment has since been confirmed;
- The Grand Court in the Cayman Islands approved a reduction in the par value of the Company's ordinary shares from USD0.10 per share to USD0.01 which was done to facilitate the Investment Agreement between Tethys and Olisol;
- A new cost optimisation programme, that once fully implemented, should save the company an estimated USD2.5 million a year commenced. The programme followed an extensive review into costs and operations following the Company's AGM;
- Claims brought against the Company in Kazakhstan in relation to the USD 7.5 million debenture due June 30, 2017 originally issued to AGR and which resulted in a seizure order over the Company's assets and freezing of the Company's bank accounts were successfully defended and dismissed by the Courts;
- The Company worked to complete the private placement with Olisol, however Olisol failed to meet its funding commitments and breached the terms of the Investment Agreement. The Company announced it would continue to work with Olisol to complete the private placement;

Significant Events Subsequent to September 30, 2016

- The private placement with Olisol did not close by the outside date under the Investment Agreement. Tethys took all steps required to close the private placement and was ready, willing and able to do so, however, Olisol failed to provide Tethys with any of the CAD9.8 million purchase price. Olisol claims that it is entitled to terminate the Investment Agreement and has also demanded immediate repayment of its working capital loan. Tethys disagrees with Olisol that it has the right to terminate the Investment Agreement and disagrees that the loan is repayable.
- Eurasia Gas Group LLP ("EGG") the sole customer for oil produced by the Company's subsidiary Tethys Aral Gas LLP ("TAG"), and a related party of Olisol, lodged a court claim seeking an award equivalent to USD2.6 million for the alleged failure by TAG to deliver certain minimum volumes of crude oil to EGG. The Company's view is that the claim is without merit or substance. As a consequence of EGG's Court claim the bank accounts of TAG have been blocked.

- Alexander Abramov, a principal of Olisol, was removed from the Board of Directors of the Company by a majority vote of the Board and in accordance with the Company's Articles of Association. Alexander Abramov was replaced as Chairman of the Board by William P. Wells.
- Allegations of improper conduct were made against certain employees of TAG in an action initiated by Mr. Abramov and searches and seizures at TAG's offices in Kazakhstan took place by law enforcement agencies. These claims have since been dismissed. Tethys wishes to acknowledge the assistance of the Office of the Almaty City Prosecutor in quickly reviewing the claims and dismissing the case. Property taken during the investigation has been returned to the Company and we work to have the Court imposed freezing order over TAG's bank accounts lifted and restore normal business operations as soon as possible.
- Proposals from two private investors have been received which would result in each investor acquiring approximately 9.9% (when measured individually against the current number of shares outstanding) of the enlarged share capital of the Company. The price for the ordinary shares would be USD0.01593 per share and the total proceeds would amount to approximately USD1.4m. The investors would also be granted warrants giving them the right to acquire additional ordinary shares of Tethys with an exercise price of USD0.031 per share. Each of the investors would be appointed to the Board of the Company on closing of the placings which the parties are working to complete as soon as possible. If completed, the placements will bring much needed funding to the Company as well as provide it with strong in-country partners in Kazakhstan and internationally.
- The full Q3 Results together with Management's Discussion & 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.

Cautionary Statements

This press release contains "forward-looking information" which may include, but is not limited to, statements with respect to our operations. Such forward-looking statements reflect our current views with respect to future events. These forward-looking statements are subject to certain risks and uncertainties. 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 September 30, 2016	December 31, 2015
Non-current assets		
Intangible assets	67,227	64,202
Property, plant and equipment	105,699	113,397
Restricted cash	2,237	2,233
Investment in joint arrangements	4	4
Trade and other receivables	1,910	2,457
Deferred tax	211	226
	177,288	182,519
Current assets		
Cash and cash equivalents	1,800	3,272
Trade and other receivables	7,349	3,710
Inventories	821	879
Restricted cash	65	215
	10,035	8,076
Total assets	187,323	190,595
Non-current liabilities		
Trade and other payables	70	133
Financial liabilities - borrowings	1,811	22,873
Deferred tax	10,133	10,792
Provisions	894	846
	12,908	34,644
Current liabilities		

Financial liabilities - borrowings	32,356	9,159
Derivative financial instruments	-	275
Current taxation	491	398
Trade and other payables	18,133	14,189
Provisions	25	360
	51,005	24,381
Total liabilities	63,913	59,025
Equity		
Share capital	4,000	33,696
Share premium	357,803	321,803
Other reserves	43,349	43,166
Accumulated deficit	(287,838	) (273,189
Non-controlling interest	6,096	6,094
Total equity	123,410	131,570
Total equity and liabilities	187,323	190,595

Tethys Petroleum Limited

Consolidated Statements of Comprehensive Income (Loss)

(in thousands of US dollars except per share information)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Sales and other revenues	3,119	5,736	10,103	18,528
Sales expenses	(665	) (1,182	) (2,132	) (3,563
Production expenses	(1,979	) (1,811	) (4,503	) (8,578
Depreciation, depletion and amortisation	(2,473	) (3,716	) (8,256	) (25,004
Administrative expenses	(1,354	) (2,073	) (4,379	) (7,608
Restructuring costs	23	(586	) (1,400	) (2,907
Transaction costs of assets held for sale	-	-	-	(1,065
Share based payments	(20	) (93	) (183	) (358
Profit on sale of fixed assets	-	10	10	53
Foreign exchange gain/(loss)	18	(716	) 141	(931
Fair value gain/(loss) on derivative financial instrument	6	236	275	(233
Loss from jointly controlled entity	-	(15	) -	(250
Finance costs	(893	) (321	) (4,835	) (2,848
	(7,337	) (10,267	) (25,262	) (53,292
Loss before tax from continuing operations	(4,218	) (4,531	) (15,159	) (34,764
Taxation	182	833	512	3,754
Loss from continuing operations	(4,036	) (3,698	) (14,647	) (31,010
Loss from discontinued operations net of tax	-	(11	) -	(88
Loss and total comprehensive income	(4,036	) (3,709	) (14,647	) (31,098
Loss and total comprehensive income attributable to:				
Shareholders	(4,196	) (3,711	) (14,649	) (31,097
Non-controlling interest	160	2	2	(1
Loss and total comprehensive income	(4,036	) (3,709	) (14,647	) (31,098
Loss per share attributable to shareholders:				
Basic and diluted - from continuing operations (USD)	(0.01	) (0.01	) (0.04	) (0.09
Basic and diluted - from discontinued operations (USD) -	-	-	-	-

Tethys Petroleum Limited

Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Three months ended September 30		Nine months ended September 30	
Cash flow from operating activities				
Loss before tax from continuing operations	(4,218	) (4,531	) (15,159	) (34,764

Loss before tax from discontinued operations	-	(11	) -	(88)
Adjustments for:					
Share based payments	20	93	183	358	
Net finance cost	893	321	4,835	2,848	
Depreciation, depletion and amortisation	2,473	3,716	8,256	25,004	
Profit on sale of fixed assets	-	(10	) (10	) (53)
Fair value gain on derivative financial instruments	(4	) (236	) (274	) 233	
Net unrealised foreign exchange loss/(gain)	109	(87	) (246	) (61)
Loss from jointly controlled entity	-	15	-	250	
Movement in provisions	(100	) (1,308	) (1,736	) (3,298)
Net change in working capital	(883	) (3,085	) (1,099	) (970)
Cash used in operating activities	(1,710	) (5,123	) (5,250	) (10,541)
Corporation tax paid	(7	) -	(28	) (134)
Net cash used in operating activities	(1,717	) (5,123	) (5,278	) (10,675)
Cash flow from investing activities:					
Interest received	-	46	-	137	
Expenditure on exploration and evaluation assets	(90	) (1,588	) (545	) (5,530)
Expenditure on property, plant and equipment	(228	) (350	) (509	) (2,389)
Proceeds from sale of fixed assets	-	8	33	121	
Movement in restricted cash	(2	) (87	) 146	(238)
Movement in advances to construction contractors	193	(11	) (6	) 179	
Movement in value added tax receivable	131	339	559	1,058	
Net change in working capital	200	598	239	(924)
Net cash generated/(used) in investing activities	204	(1,045	) (83	) (7,586)
Cash flow from financing activities:					
Proceeds from issuance of borrowings, net of issue costs	4,430	5,000	7,930	23,235	
Repayment of borrowings	(715	) (288	) (1,289	) (4,953)
Interest paid on borrowings	(903	) (311	) (2,616	) (1,219)
Movement in other non-current liabilities	(22	) (27	) (90	) (83)
Net cash generated from financing activities	2,790	4,374	3,935	16,980	
Effects of exchange rate changes on cash and cash equivalents	(177	) 1,138	(46	) 1,699	
Net increase/(decrease) in cash and cash equivalents	1,100	(656	) (1,472	) 418	
Cash and cash equivalents at beginning of the period	700	4,942	3,272	3,868	
Cash and cash equivalents at end of the period	1,800	4,286	1,800	4,286	

Contact

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