

Tethys Petroleum Press Release: Corporate Update

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Grand Cayman, February 9, 2023 - [Tethys Petroleum Ltd.](#) (TSXV: TPL) ("Tethys" or the "Company") is providing a notification of a claim made by the Prosecutor's Office of the Aktobe region or the Republic of Kazakhstan ("the Republic").

Tethys announces that the Prosecutor's Office of the Aktobe region in the Republic has initiated a claim against Kul-Bas LLP, a Tethys' subsidiary registered in the Republic to cancel the subsurface rights for the Klymene oil field and the Kul-Bas license. Both the Ministry of Energy ("MOE") and Kul-Bas LLP are listed in the claim as co-defendants. The claim states that a January 20, 2020 extension of the terms of the subsurface contract for the Klymene oil field was performed in violation of applicable Kazakhstan law and therefore the given contract extension should be invalidated. This claim comes following the previously reported issuance of findings resulting from a prosecutor's audit of Kul-Bas during 2022. The initial claim was that the license was improperly extended but it was shown that the law at the time allowed the additional extension. The main argument of the current amended claim is that at the time of the extension (January 20, 2020) the subsurface contract was not eligible for extension. The reason given was that Kul-Bas LLP had unpaid contractual financial obligations. However, the Ministry of Energy had agreed to a payment schedule, and the agreed schedule was included into the contract extension supplemental agreement. Despite the position of the MOE to the contrary, the prosecutor asserts that the Ministry of Energy unlawfully concluded the extension agreement due to such unpaid contractual obligations. There have not been any claims of criminal or conspiratorial activity towards Kul-Bas LLP or any of its employees and we are unaware of any such claim towards the Ministry of Energy or its employees.

Tethys management is confident that the contract extension is legally valid and intends to avail itself of all available remedies both in Kazakhstan courts and per international law including, but not limited to, international arbitration rights provided for in international investment treaties and the Energy Charter Treaty. The board and management are naturally hopeful it will not go this far and that the claim will be dismissed in court. The next hearing is currently scheduled for February 13, 2023.

As we understand the claim, the Prosecutor is taking a position that the MOE incorrectly took a position allowing Kul-Bas to defer payment for a period of a small amount. Their position is this delay past the period in which the license was renewed invalidates the license renewal and the tens of millions of dollars invested in the license prior to and post the license extension. Our understanding is that the total amount of outstanding payments under the agreed repayment schedule was a mere sum of 36.7 million Kazakh tenge (US\$79.7K at today's exchange rate) and a small fraction of the amount of money invested in the project up until that time. Clearly, Kul-Bas would have made that payment if the MOE had determined that it was needed to cure any defaults by the company prior to signing the extension.

Despite the risks associated with this claim, Tethys is continuing to move forward with much of its planned operations at Kul-Bas LLP. Our understanding that the MOE has reviewed and rejected the Prosecutor's claims provides the board some comfort that this claim will ultimately be dismissed. If the prosecutor's claim is upheld and the MOE doesn't have the ability to determine the timing of payment obligations, this would likely put a number of the Republic's subsurface contracts with other investors at risk either on payments or work programs. Tethys has invested millions of dollars in the Republic to explore and develop the Klymene field with the creation of hundreds of jobs and much-needed economic development in a remote part of the Republic. The welfare of Tethys workers and their families as well as the local economy are now at risk depending on the outcome of this claim. A ruling that the MOE doesn't have the right to determine what is required may put not only Tethys employees at risk but those of other companies as well.

About Tethys

Tethys is focused on oil and gas exploration and production activities in Central Asia and the I Caspian

Region. Tethys believes that significant potential exists in both exploration and in discovered deposits in the area.

Disclaimer

Some of the statements in this document are forward-looking. 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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