



February 10, 2020

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

Settlement Agreement and Corporate Update

Grand Cayman, Cayman Islands - Tethys Petroleum Limited (TSXV: TPL.H) ("**Tethys**" or the "**Company**") is pleased to announce it has reached a legally binding settlement agreement with Olisol Petroleum Limited and certain of its affiliated companies and their principals (together "**Olisol**") and DSFK Special Finance Company LLP ("**DSFK**"), (hereinafter the "**Settlement Agreement**").

The key terms of the Settlement Agreement insofar as they affect Tethys are:

- (1) Tethys and Olisol agree that they shall seek to discontinue the Canadian lawsuit commenced by Tethys on January 27, 2017 with no order as to costs and the parties agree not to bring any further claims in respect of the disputed matters in the Canadian lawsuit;
- (2) Tethys agrees to issue eighteen million (18,000,000) ordinary shares to Olisol in full satisfaction, and in exchange for full repayment, of all amounts owing under the facility agreement between the parties. Based on the amount claimed by Olisol to be owing at December 31, 2019 of US\$7,396,812, this would equate to a price of US\$0.41 per ordinary share;
- (3) Olisol agrees to sell a total of two million eight hundred and nine thousand and thirty six (2,809,036) Tethys ordinary shares to existing shareholder Gemini IT Consultants DMCC ("**Gemini**") for an aggregate of US\$1,151,705, at a price of US\$0.41 per Share. The proceeds of the sale shall be delivered by Olisol to DSFK;
- (4) Olisol agrees for a period of three years to always exercise the voting rights attaching to its ordinary shares in Tethys in accordance with the recommendation of the Tethys Board of Directors;
- (5) Tethys subsidiary, TethysAralGas LLP ("**TAG**"), agrees to pay DSFK a settlement payment of KZT 1,434,692,762 (approximately US\$3.8 million) to cancel and release TAG from all obligations under the pledge agreements under which TAG's gas transportation assets are pledged to DSFK;
- (6) The settlement payment referred to in (5) above will be funded from the proceeds of a convertible debenture which Tethys has agreed to issue to Gemini and which Gemini has agreed to subscribe for (the "**Debenture**"). The Debenture will be for an amount of no less than US\$4.6 million with a three year term, interest and principal due at maturity, interest rate of 9% payable if held to maturity or 4% if converted prior to maturity. The issuance of the Debenture will be subject to the approval of the TSXV, assuming that Tethys is able to move its listing from the NEX to the TSXV;
- (7) Olisol agrees to pay TAG KZT 227,223,284 (approximately US\$0.6 million) to settle unpaid oil sales debts owing to TAG;

- (8) DSFK and Olisol agree to release Tethys and TAG from all claims, and not to sue Tethys and TAG, in respect of the disputed matters, and vice versa; and
- (9) Those parties to the Settlement Agreement, which are also parties to Kazakhstan court proceedings brought by DSFK, will seek to execute a mediation agreement reflecting their rights and obligations under the Settlement Agreement and have this approved by the Republic of Kazakhstan Court.

The obligation of Tethys and TAG to complete the transactions contemplated by the Settlement Agreement is subject to prior receipt of any approvals required by relevant securities laws or stock exchange rules, Gemini having subscribed and paid for the Debenture and Tethys satisfaction that all necessary DSFK corporate approvals have been obtained.

Whilst not part of the Settlement Agreement, Tethys understands that Gemini plans to grant William Wells a six month option to purchase 50% of the Debenture at cost, plus accrued interest.

While the Settlement Agreement and the Debenture will increase the number of Tethys ordinary shares outstanding, these agreements, together with the recently announced loan restructurings and loan conversions puts Tethys in a much stronger operational and financial position. These agreements have allowed for the resumption of gas sales and for significant reductions in the Company's overall debt levels. While Tethys still has significant debt, it is now in a position of generating free cash flow. It is hoped that this free cash flow will cover interest and principal payments as well as allow for further development plans. If the Klymene exploration well, see below for further details, is productive, this will naturally help Tethys generate funding to grow the operations.

Gas Production and Sales

Pending implementation of the transactions contemplated by the Settlement Agreement, Tethys has been able to resume production and sales from the gas wells which were closed in September 2019.

Promotion to TSX Venture Exchange

Following the full resumption of gas sales and the recently announced loan restructurings and conversions, Tethys believes it should be able to meet the eligibility criteria to move its listing from the NEX Board of the TSX Venture Exchange ("NEX") to a full listing on the TSX Venture Exchange ("TSXV") which will enable the Company to issue the Debenture under TSXV rules. While there is no guarantee of approval, the TSXV have indicated in preliminary discussions that Tethys' application to move its listing from NEX to the TSXV can be reviewed on an expedited basis.

Kul-bas Exploration Contract and Klymene Exploration Well

The Company has received confirmation of an extension of its Kul-bas Exploration Contract until December 31, 2022. This will allow the Company to test the KBD-02 exploration well ("Klymene") which the Company finished drilling in December. The testing process is now underway but was delayed whilst awaiting notification of the contract extension and due to challenging winter weather and poor roads leading to the well-site. A further announcement will be made when testing results are available.



Share Options

The Company granted options over Tethys ordinary shares to directors and employees of the Company in March 2016. The Tethys Board have determined, after taking legal advice, that the options were not effectively issued, since the condition precedent of a placement to Olisol did not take place.

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 implementation of the transactions contemplated by the Settlement Agreement, resumption of gas sales, ability of the Company to generate free cash flow, service debt, fund development plans, productivity of the Klymene exploration well and promotion to the TSXV. 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 it will not be possible to implement all of the transactions contemplated by the Settlement Agreement, that the resumption of gas sales will not be maintained, that the Company will not generate sufficient free cash flow to service debt and fund development plans and that the Company's application to move its listing from the NEX to TSXV will not be approved. 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. Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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