TESLA EXPLORATION LTD.

Tesla Announces Receipt of Repayment Demand and Expected Appointment of Receiver

Calgary, Alberta **Symbol: TXL**

July 25, 2016 **Stock Exchange: TSX**

Tesla Exploration Ltd. ("**Tesla**" or the "**Company**") announces that it has received a demand from its Canadian lender (the "**Lender**") for repayment of all outstanding indebtedness with the exception of the leasing facilities under the Company's Canadian credit facility (the "**Credit Facility**").

As previously announced, the Credit Facility expired on June 30, 2016 and management and members of the board of directors of the Company have been working diligently with the Lender over the last number of months in an attempt to restructure the Company's debt to achieve a sustainable capital structure or an otherwise positive solution for all stakeholders. The Lender has granted a number of extensions since the initial expiry of the Credit Facility on June 30, 2016. The Company is not in compliance with its adjusted earnings before interest, taxes, depreciation, and amortization covenant on the Credit Facility and the Credit Facility is drawn in excess of its maximum borrowing base allowed under the Credit Facility with no means of repaying the indebtedness outstanding.

As previously disclosed on July 5, 2016, the Lender has called the entire $2.5 million available under the Matco Guarantee ("**Guarantee**"). As a result, the Company has received letters from Matco demanding repayment of the $2.5 million previously called under the Guarantee. In its letters dated July 22, 2016, Matco demanded repayment of $747,741 plus interest and costs no later than July 22, 2016 and $976,731 plus interest and costs no later than August 4, 2016. The Company had previously received demands for the repayment of the initial $775,528 plus interest and costs provided under the Guarantee which remain unpaid.

On July 22, 2016, the Lender issued a demand letter and notice under the Bankruptcy and Insolvency Act whereby the Lenders set forth their intent to enforce their security for repayment of all amounts owing under the Credit Facility. The Lender has indicated to the Company that if the payment demanded is not made in full by close of business on August 1, 2016, or if the Lender determines that its collateral is at risk, the Lender will take such further steps as may be necessary to protect its position. These steps are expected to include the appointment by the Lender of Ernst & Young Inc. as a receiver and such receiver will be in charge of managing the day-to-day affairs of the Company.

The Company has requested that the Toronto Stock Exchange halt trading in the Company's shares and it is expected that the shares will remain halted until such time that the Toronto Stock Exchange deems appropriate.

Forward-looking Statements

Certain information set forth in this press release, including management's assessment of the Company's future plans and operations, contains forward-looking statements, which are based on the Company's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "intends", "continues", "estimates", "objective", "ongoing", "may", "will", "should", "might", "plans" and similar expressions. These statements are not guarantees of future results and undue reliance should not be placed on them. Such forward-looking statements are based on current expectations, estimates and projections that involve a number of known and unknown risks and uncertainties, which may cause actual results to differ materially from any projections of future results expressed or implied by such forward-looking statements.

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