

August 23, 2016

Tethys Petroleum Press Release

Par Value Reduction and Corporate Update

Grand Cayman, Cayman Islands - (Aug. 23, 2016) Tethys Petroleum Limited (TSX:TPL)(LSE:TPL) ("Tethys Petroleum" or the "Company") today announces a corporate update.

Par Value Reduction

The Grand Court in the Cayman Islands has approved a motion by Tethys Petroleum to reduce the par value of the Company's ordinary shares to USD 0.01. Accordingly, the Company is now in a position to give effect to the reduction in the par value of its ordinary shares by making the necessary filing with the Cayman Islands Registrar of Companies. This filing is the last remaining hurdle before the Olisol private placement transaction (announced on April 29, 2016) can complete. The Company expects the filing to be made and the private placement transaction completed by September 2, 2016.

Cost Optimisation

The Board of Directors has adopted a new cost optimisation programme, that once fully implemented, should save the company an estimated USD 2.5 million a year. The programme follows an extensive review into costs and operations that was started after the Company's May 31, 2016 Annual General and Special Shareholders Meeting.

Other Items

As referred to in our Q2, 2016 financial statements the assets of one of the Company's Kazakhstan subsidiaries remain frozen after the first Court hearing of a claim brought against the Company by a private individual in relation to the USD 7.5 million debenture due June 30, 2017 originally issued to AGR. The Court is scheduled to hold further hearings on Tuesday, August 23. Tethys expects a release of its assets and hopes for dismissal of all claims. Tethys has been working tirelessly to resolve what it believes is an unfounded claim.

Management comments

Kenneth May, Interim Chief Executive Officer says: "The Company has been through a challenging time. Working with Olisol, the Company should be able to boost profitability by restarting the shallow gas drilling programme to increase production, while at the same time cutting costs and increasing efficiency."

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.

About Olisol

Olisol and its subsidiaries and affiliates have investments in energy and oil and gas operations in the Russian Federation and Kazakhstan. The Company has more than seven years of experience with Tethys in Kazakhstan and owns the Aral Oil Terminal in partnership with Tethys. Olisol has its own fleet of specialized oil tankers engaged in automobile transportation of oil from the Tethys fields and through its subsidiaries, is engaged in rail transportation, oil refining, storage and sale of petroleum products. Olisol is incorporated under the laws of Cyprus and is headquartered in Almaty, Kazakhstan.

Disclaimer

Some of the statements in this document are forward-looking. Forward-looking statements include statements regarding the intent, belief and current expectations of the Company or its officers with respect to the Olisol placement transaction and related transactions, cost optimisation programme and the outcome of a dispute relating to the debenture issued to AGR. When used in this document, the words "expects," "believes," "anticipates," "plans," "may," "will," "should" and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. 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 risks and uncertainties with respect to completion of the private placement transaction and related transactions (including the risk that such transaction may not be completed or may be delayed beyond September 2, 2016) and the outcome of the hearing over the dispute over the claim in respect of the debenture issued to AGR (including the risk that the Company will not succeed in the release of the funds deposited by a subsidiary in a Kazakhstan bank) and the cost optimisation programme (including the risk that such programme will not generate the savings expected).

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 the Listing Rules and 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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