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BINDING C\$25.5 MILLION PRIVATE PLACEMENT SIGNED WITH OLISOL INVESTMENTS LIMITED

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Tethys Petroleum Limited ("Tethys" or the "Company") (TSX:TPL)(LSE:TPL) announces that it has entered into a binding investment agreement (the "Investment Agreement") with Olisol Investments Limited ("Olisol") setting out the terms and conditions upon which Olisol Petroleum Limited, a wholly-owned subsidiary of Olisol ("OPL"), has agreed to purchase 150 million new ordinary shares in Tethys ("Shares") at a price of C\$0.17 per Share, for total proceeds of C\$25.5 million, by way of a private placement (the "Placing") and to commit to backstop a further equity fundraising of 50 million Shares at C\$0.17 per Share (the "Further Financing", together the "Transaction").

On closing of the Placing, the outstanding principal and accrued but unpaid interest under the US\$15 million convertible facility ("Interim Facility") entered into with Olisol on November 19, 2015, will be automatically converted into Shares at a conversion price of C\$0.17 per Share.

Currently, there are 336,960,387 Shares outstanding and following the Placing (150,000,000 Shares) and conversion of the Interim Facility, assuming it is fully drawn, (117,820,588 Shares) there will be 604,820,588 Shares in issue, of which Olisol will own 267,820,588 Shares or approximately 44% of the outstanding Shares. The Further Financing will result in at least a further 50,000,000 Shares being issued at C\$0.17 per Share.

John Bell, Executive Chairman commented:

"We are pleased to have signed a binding agreement with Olisol for the larger private placement, following on from the recent signed loan agreement for US\$15 million. This Transaction will result in a significant recapitalisation of the Company and provide much needed stability going forward."

Summary

Placing and Further Financing

- Tethys and Olisol have signed a definitive Investment Agreement providing for the Placing and commitment to backstop the Further Financing.
- An injection of C\$25.5 million of new capital into Tethys by OPL by way of a subscription for 150 million Shares at C\$0.17 per Share.

- Conversion of all outstanding amounts under the Interim Financing into Shares at C\$0.17 per Share.
- Following completion of the Placing, the Company proposes to undertake the Further Financing to its 20 largest shareholders at C\$0.17 per Share, which will be backstopped by OPL to ensure that a minimum of C\$8.5 million is raised.
- Olisol has advised Tethys that it has access to a US\$51 million credit facility from a leading Kazakh bank (all of which is undrawn) in support of the Transaction. Certain supporting information has been provided and further supporting information is a condition to the parties continuing with the Transaction.
- Upon satisfaction of the additional confirmation of funding referred to above, and full drawdown of the Interim Facility, an additional non-executive independent director will be nominated to the Tethys board ("Board") by Olisol.
- Upon completion of the Placing, the Board will be comprised of five directors as follows:
 - o John Bell, Executive Chairman;
 - o Adeola Ogunsemi, non-executive director;
 - o Williams Wells, non-executive director;
 - o Alexander Abramov, non-executive director (designated by OPL); and
 - o One non-executive and independent director designated by OPL (TBD, per above);
- The ongoing composition of the Board shall be determined by a relationship agreement, the form of which has been substantially agreed to, containing provisions intended to address conflicts of interest and related party matters and compliance with applicable laws and listing requirements (the "Relationship Agreement"). The Relationship agreement will only apply in the event that OPL acquires shares to which are attached more than 30 percent of the outstanding voting rights over the entire issued share capital of Tethys. Entering into the definitive form of such an agreement will be a mutual condition precedent to completing the transactions contemplated by the Investment Agreement.
- In addition to customary closing conditions for transactions of this nature, OPL's obligation to complete the Placing shall be subject to satisfaction or waiver of the following:
 - o receipt of all required approvals from the Government of Kazakhstan;
 - o receipt of all required shareholder, regulatory, exchange and other third party approvals; and
 - o aggregate debt of Tethys, net of cash, being not greater than US\$40 million (excluding the Interim Financing).
- The Interim Financing, Placing and Further Financing are not subject to either a financing condition or a due diligence condition.
- The Company anticipates that it will take approximately eight weeks to complete the Placing. The Placing and Further Financing are subject to regulatory approvals, including approval of the Toronto Stock Exchange, and shareholder approval as required by the rules of the Toronto Stock Exchange and applicable securities laws.

- Further details of the Investment Agreement, the Interim Facility and the Relationship Agreement will be set out in the circular to be sent to shareholders in connection with the EGM to consider the Transaction. A copy of the Investment Agreement and Relationship Agreement will be filed on SEDAR in a timely manner.

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 has advised that it will pursue the Transaction through its wholly-owned subsidiary Olisol Petroleum Limited. Olisol and its subsidiaries and affiliates have investments in energy and oil & gas operations in the Russian Federation and Kazakhstan. 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 Interim Financing, the Placing and the Further Financing. 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 with respect to completion of the Placing and the Further Financing and receipt of proceeds, required shareholder approval and required regulatory approvals, use of proceeds, and receipt of funds pursuant to the Interim Financing within anticipated timeframes, effective implementation of the agreed form Relationship Agreement.

The forward-looking statements are based on the following assumptions: that the Placing and Further Financing will be completed and all shareholder and other required approvals will be obtained and that conditions will be fulfilled and funds received under the Interim Financing and the Investment Agreement within anticipated timeframes.

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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