

Principles for remuneration and other terms of employment for management 2014

It is the aim of Tethys Oil to recruit, motivate and retain executives capable of achieving the objectives of the Group, and to encourage and appropriately reward superior performance in a manner that enhances shareholder value. Accordingly, the Group operates a Policy on Remuneration which ensures that there is a clear link to business strategy and a close alignment with shareholder interests, and aims to ensure that executives are rewarded fairly for their contribution to the Group's performance.

The Company's Policy on Remuneration for executives, has been approved by the Remuneration Committee and is described here below. The term 'executives' refers to the Managing Director and Chief Financial Officer (CFO).

Remuneration Committee

The Remuneration Committee is to receive information on, and to determine matters regarding the remuneration of Group management. The Committee is responsible for reviewing the Policy on Remuneration and the compensation of executives and for making recommendations thereon to the Board of Directors. The proposed compensation level, criteria for variable salary and other employment terms for the Managing director are submitted by the Remuneration Committee to the Board for approval. For other executives, the Managing director is responsible for proposing appropriate terms of compensation for approval to the Remuneration Committee and for reporting to the Board.

Elements of Remuneration

There are four key elements to the remuneration package of executives in the Group:

- 1) basic salary;
- 2) pension arrangements;
- 3) yearly variable salary;
- 4) non-financial benefits.

The Remuneration committee is evaluating long term share price incentive programme as a fifth element to the remuneration package to executives and other employees.

Basic Salary

The basic salary shall be in line with market conditions, be competitive, and shall take into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the executive. The basic salary shall be reviewed annually to ensure that it remains competitive. In order to assess the competitiveness of the salary and benefit packages offered by the Group, comparisons may be made to those offered by similar companies. In such circumstances, the comparator group is chosen with regard to:

- a) Swedish companies in the same industry;
- b) the size of the company (turnover, profits and employee numbers);
- c) the diversity and complexity of their businesses;
- d) the geographical spread of their businesses; and
- e) their growth, expansion and change profile.

Periodic benchmarking activities may also be undertaken to ensure that remuneration packages remain in line with local market conditions.

Yearly Variable Salary

The Company considers that a yearly variable salary is an important part of the remuneration package where associated performance targets reflect the key drivers for value creation and growth in shareholder value. At the end of each year, the Managing director will make a recommendation to the Remuneration Committee regarding the payment of the yearly variable salary to employees based upon their individual contribution to the Company's performance. After consideration of the Managing director's recommendations, the Remuneration Committee will recommend to the Board of Directors for approval the level of the yearly variable salary of the Managing director, and the CFO and other employees, to the extent that such award is in excess of USD 10,000 per employee. The yearly variable salary for executives shall normally be within the range of 1 - 4 monthly salaries.

Pension Arrangements

The pension benefits comprise a defined contribution scheme with premiums calculated on the full basic salary. The pension contributions shall be in relation to the basic salary and is set on an individual basis but shall not be higher than what is tax deductible.

Non-Financial Benefits

Non-financial benefits shall be based on market terms and shall facilitate the discharge of each executive's duties.

Severance Arrangements

A mutual termination period of six months applies between the Company and the executives. In addition, severance terms are incorporated into the employment contracts for the executives that give rise to compensation in the event the Company terminates their employment or in the event of change of control of the Company. The Managing director and the CFO are entitled to 12 months and 9 months payments respectively if the Company terminates their contracts.

Stockholm, April 2014

The board of directors in Tethys Oil AB (publ)