

Documents for the Annual General Meeting in

**SHELTON PETROLEUM AB**

Monday June 30, 2014

*N.B: The English text is an in-house translation for information purposes only.*

## **Proposed agenda**

1. Opening of the general meeting
2. Election of a chairman of the general meeting
3. Preparation and approval of the voting register
4. Election of one or two persons to attest the minutes
5. Determination of whether the general meeting has been duly convened
6. Approval of the agenda
7. Presentation of the annual report and auditor's report as well as consolidated financial statements and auditor's report for the group
8. Resolutions regarding
  - a) adoption of the income statement and balance sheet as well as the consolidated income statement and the consolidated balance sheet
  - b) allocation of the Company's profits or losses in accordance with the adopted balance sheet
  - c) discharge from liability of the directors and CEO
9. Determination of the number of directors and auditor and alternate auditors
10. Determination of fees for the Board of Directors and the auditors
11. Information regarding appointments held in other companies by candidates for election to the Board of Directors, election of directors and auditor and alternate auditors
12. Resolution regarding guidelines for compensation to senior executives
13. Resolution regarding a Nomination Committee
14. Resolution regarding authorization for the Board of Directors to decide on new issues
15. Resolution regarding an agreement between the Company and one of its larger shareholders, Petrogrand AB
16. Closure of the general meeting

## **Complete proposals**

### **Chairman of the annual general meeting (item 2)**

The Nomination Committee proposes that the lawyer, Erik Nerpin, be elected to chair the annual general meeting.

### **Allocation of the Company's earnings (item 8 b)**

The Board proposes that the result for the year be carried forward and that no dividend is paid for the financial year 2013.

### **Election of directors, Chairman of the Board, auditor and fees (items 9-11)**

The Nomination Committee proposes that the Board should consist of seven directors. The Nomination Committee further proposes re-election of directors Björn Lindström, Hans Berggren, Richard N. Edgar, Peter Geijerman, Freddie Linder, Zenon Potoczny and Katre Saard. Björn Lindström is proposed to be re-elected as Chairman of the Board.

The Nomination Committee proposes that the company should have one auditor and no alternate auditor. The Nomination Committee further proposes re-election of the authorized auditing firm Ernst & Young AB.

The Nomination Committee further proposes that the general meeting resolves that board fees be paid to the Chairman in the amount of SEK 200,000 (increase by SEK 40,000 compared to previous year) and SEK 100,000 (increase by SEK 20,000 compared to previous year) to each of the other directors with the exception of Zenon Potoczny who is employed in the Group. A fee in the amount of SEK 50,000 (increase by SEK 50,000) shall be paid for committee work to the Chairman of the Audit Committee. Fees will thus total SEK 750 000, including for committee work. It is proposed that the auditors be paid fees in accordance with approved invoices.

### **Guidelines for compensation to senior executives (item 12)**

The Board proposes that the general meeting adopt guidelines for compensation to senior executives with essentially the same content as the guidelines adopted at the 2013 annual general meeting, entailing the following. Compensation to management shall be on market terms and competitive in order to enable the Company to retain qualified employees. The compensation level for the individual executive shall be based on factors such as position, expertise, experience and performance. In addition to fixed salary, it shall be possible for management to receive variable salary, pensions, other benefits as well as an incentive program. The fixed salary, which shall be individual and differentiated based on the individual's responsibilities, experience and performance, shall be determined based on market principles. Variable salary shall be based on the Company's earnings growth, aimed at promoting the Company's long term value creation. The annual variable portion of salary may normally not exceed 30 per cent of fixed salary. Share- and share-price-related incentive programs are to be designed so that the vesting period or the period from the commencement of an agreement to the date for acquisition of shares is to be no less than three years. Other benefits shall correspond to what is deemed reasonable relative to practice on the market. The portions are intended to create a balanced compensation and benefits program which reflects the performance and responsibilities of the employees as well as the Company's earnings trend. The Board shall be entitled to deviate from these guidelines where special reasons exist in an individual case.

### **Resolution regarding Nomination Committee (item 13)**

The Nomination Committee proposes that the general meeting resolves on the following principles for election of a Nomination Committee with essentially the same content as the guidelines adopted at the 2013 annual general meeting: The Company shall have a Nomination Committee which shall consist of the Chairman of the Board and three other members, who shall each represent the three largest shareholders (by votes) of the

Company, based on the share register maintained by Euroclear Sweden AB of registered shareholders (per group of owners) on 30 September 2014. A shareholder who is not registered in its own name in the aforementioned register and who wishes to be represented on the Nomination Committee shall notify this to the Chairman of the Board and shall provide evidence of its shareholding.

As soon as possible, after the end of the month of September, the Chairman of the Board shall contact the three largest shareholders (by votes) in accordance with the above, and request that they appoint one member each. If anyone of those shareholders refrains from using its rights to appoint a member, the right passes to the shareholder that after these shareholders has the largest shareholding. The names of the members of the Nomination Committee and the names of the shareholders, whom they represent, shall be made public not later than six months before the annual general meeting. The Nomination Committee elects its Chairman, though however the Chairman of the Board shall not be Chairman of the Committee.

The Nomination Committee's duties shall be to prepare and present proposals to the shareholders at the 2015 annual general meeting regarding election of a chairman of the meeting, the Chairman of the Board, directors and, where appropriate, auditors, as well as fees to the Board of Directors and auditors. The appointment shall extend until such time as a new Nomination Committee is appointed. In the event that the shareholder, who the member represents, has materially reduced its holding in the Company, the member shall resign from the Nomination Committee and the Committee shall offer the largest shareholder, who is not represented on the Nomination Committee, the opportunity to appoint a new member. In the event a member for other reason resigns from the Nomination Committee before the Committee's work is completed, a new member shall be appointed according to the same principles. No fees shall be paid to the members of the Nomination Committee. However, where necessary the Company may be liable for reasonable costs for external consultants, which the Nomination Committee considers necessary for the performance of its duties.

#### **Authorization of the Board to decide on new issues (item 14)**

The Board of Directors proposes that the annual general meeting authorizes the Board, on one or more occasions during the period until next annual general meeting, to decide on issues of new shares, warrants and/or convertible debentures in exchange for cash payment and/or with provisions regarding payment in kind or by set-off or otherwise with conditions, and that it thereupon be possible to derogate from the shareholders' pre-emption rights. The purpose of the authorization and the reason for the derogation from the shareholders' pre-emption rights is to facilitate the raising of capital for expansion through corporate acquisitions or acquisitions of business assets and for the Company's business as well as the adjustment of the company's capital and/or ownership structure, including settlement of the Company's debt. The total number of shares which may be issued pursuant to the authorization may not exceed 10.0 percent of the total number of shares at the time of the annual general meeting, which would correspond to issuing 1,785,437 shares calculated on the current issued shares in the company. In the event an issue is made by way of deviation from the shareholders' pre-emption rights, the issue shall be made on market terms. Any issue pursuant to the authorization shall refer to shares of series A and series B or any of them.

#### **Resolution regarding an agreement between the Company and one of its larger shareholders, Petrogrand AB (item 15)**

The Board is currently exploring the possibilities for the Company to reach an agreement with one of its larger shareholders, Petrogrand AB. In the Board's opinion, such agreement would involve related party transactions comprised by the Swedish Securities Council's statement in AMN 2012:05. Shelton Petroleum, therefore, intends to present the agreement

to the annual general meeting for its approval. The Board also intends to obtain a statement from the Swedish Securities Council whether the agreement would be in line with good practices in the Swedish stock market. The proposal, together with other relevant documentation, will be published and made available as set out below as soon as the proposal has been completed and the Swedish Securities Council has given its statement.

Petrogrand AB has, at the request of the Company, convened an extraordinary to be held on 27 June 2014 to (among other things) resolve on "an agreement between Shelton Petroleum AB and Petrogrand AB". This matter refers to the agreement described above.

**Miscellaneous**

The Company currently has 17,854,372 shares registered with the Swedish Companies Registration Office (*Sw Bolagsverket*), of which 764,330 are shares of series A (10 votes/share) and 17,090,042 are shares of series B (1 vote/share). The number of voting rights amounts to 24,733,342.