

Documents for the Annual General Meeting in

**SHELTON PETROLEUM AB**

Thursday May 21, 2015

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

## **Proposed agenda**

1. Opening of the 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 an issue of stock options
15. Resolution regarding authorization for the Board of Directors to decide on issue of shares
16. Closure of the general meeting

## **Complete proposals**

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

The Nomination Committee proposes that the lawyer Carl Westerberg 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 2014.

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

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

The Nomination Committee proposes that the company shall 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 (unchanged compared to previous year) and SEK 100,000 (unchanged 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 (unchanged compared to previous year) shall be paid for committee work to the Chairman of the Audit Committee. Fees will thus total SEK 750 000, including committee work. It is proposed that the auditors are paid 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 2014 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 participate in incentive programs. 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 2014 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 2015. 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 the Chairman of the Board and shall provide evidence of the 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, the Chairman of the Board shall however not be Chairman of the Committee.

The Nomination Committee's duties shall be to prepare and present proposals to the shareholders at the 2016 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.

#### **Resolution regarding issue of stock options (item 14)**

Shareholders representing more than 10 per cent of the shares in the company propose that the general meeting resolves to issue stock options. It is proposed that the company shall issue a maximum of 320,000 stock options of series 2015/2018. The following two categories shall have the right to subscribe, with departure from the shareholders' preferential rights, to the stock options (the maximum number of options that each category can subscribe to is indicated within brackets for each category): Managing Director (144,000 options) and management (176,000 options). The options shall be subscribed to on a separate subscription list during the period from 1 July 2015 up until and including 15 July 2015.

Allotment is not guaranteed and provides that acquisition of the stock options can be legally done, and that the board find that it can be done at reasonable administrative and financial costs. The right to participate in the program further provides that the officer at the time of the subscription has not given notice or been given notice of his or hers employment in the Shelton Petroleum group. The board shall make a final resolution on and execute the allotment within the limits given.

The stock options shall be issued at a price corresponding to a calculated market value of the stock options on 30 June 2015, applying the Black & Scholes model, based on a subscription price upon execution of 150 per cent of the volume weighted average price during the period 16 June 2015 – 30 June 2015, though not below the share quota value at the time. The stock options can be exercised during the period 16 July 2018 until and

including 30 September 2018 and subscription for shares shall relate to shares of series B. Upon full subscription of the shares under the stock options the company's share capital can increase by a maximum of SEK 1 600 000, calculated using the quota value of SEK 5. A full subscription of the shares under the stock options corresponds to a dilution of 1.7% (in relation to the current share capital).

The reasons for the deviation of the shareholders' preferential rights is that the company shall be able to motivate and keep competent and motivated personnel on an international market for oil companies by offering participation in a long term incentive program through acquisition of stock options on market terms.

It is also proposed that the general meeting assigns the board to execute the resolution regarding stock options and to make the necessary adjustments that may be required in relation to registration at the Swedish Companies Registration Office or any other formal requirements.

Please also see the documents "Appendix Shareholders proposal on issue of warrants", "Reason for deviation of shareholders preferential rights" and "Terms and conditions of warrants 2015-2018".

#### **Authorization for the Board to decide on issue of shares (item 15)**

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. The total number of shares which may be issued pursuant to the authorization shall be a maximum of 2,000,000 shares which corresponds to 10.7% of the total number of shares in the company at the time of the annual general meeting. 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 B.

#### **Majority requirements**

A resolution in accordance with the proposal in item 14 in the proposed agenda requires that the general meeting's resolution is supported by at least nine tenths of the votes given as well as of the shares represented at the general meeting. Further, a resolution in accordance with the proposal in item 15 in the proposed agenda requires that the general meeting's resolution is supported by at least two thirds of the votes given as well as of the shares represented at the general meeting.

#### **Miscellaneous**

The Company currently has 18,661,247 shares registered with the Swedish Companies Registration Office (*Sw Bolagsverket*), of which 761,900 are shares of series A (10 votes/share) and 17,899,347 are shares of series B (1 vote/share). The number of voting rights amounts to 25,518,347.