

This is an English translation of the Swedish original provided for convenience only. In case of discrepancies between this English translation and the Swedish original, the Swedish original shall prevail.

The Board of Directors' complete resolution proposals, etc. for the extraordinary general meeting in Shelton Petroleum AB (publ) on 9 November 2015

- **Proposal for resolution regarding agreement between Shelton Petroleum AB (the "Company") and Petrogrand AB (publ) ("Petrogrand"):**
 - (A) **Approval of agreement between the Company and Petrogrand**
 - (B) **Resolution regarding a distribution of all of the shares in a wholly-owned subsidiary (NewCo)**
 - (C) **Resolution regarding an issue of new shares of series B for non-cash consideration and an amendment of the articles of association, including changing the name of the Company**
 - (D) **Resolution regarding a reduction of the share capital with retirement of shares and an increase of the share capital by way of bonus issue**

- **Election of Board of Directors**

The Board proposes that the proposed resolutions regarding the agreement between the Company and Petrogrand and the election of Board of Directors are conditional upon each other and also upon that an extraordinary general meeting in Petrogrand (planned to take place on the same day as the general meeting) approves Transaction Step 2 (as defined below) and the Company's agreement with Petrogrand. In addition, the proposed resolutions regarding the agreement between the Company and Petrogrand (that is, proposed resolutions (A)-(D)), shall be approved as one resolution. Under the Swedish Companies Act, this resolution therefore requires approval by shareholders representing at least two thirds (2/3) of both the votes cast as well as the shares represented at the general meeting. In addition and as follows from the Swedish Securities Council's statement in AMN 2012:05, the resolution requires approval by simple majority whereby the shares held by Petrogrand shall be disregarded.

Stockholm, October 2015
Shelton Petroleum AB (publ)
The Board of Directors

(A) The Board's resolution proposal regarding agreement between the Company and Petrogrand

The Company has concluded an agreement with Petrogrand. Petrogrand is one of the Company's largest shareholders, currently holding 4,700,000 shares, which represents about 25% of the shares and about 18% of the votes in the Company (the "**Initial Shelton Shares**"). The Company is the largest shareholder in Petrogrand, currently holding 11,585,308 shares, representing about 29% of the shares and votes in Petrogrand (the "**Petrogrand Shares**").

In summary, the agreement provides that the Company and Petrogrand will enter into a series of transactions for the purposes of dissolving the cross-ownership between the Company and Petrogrand, and combining the Company's and Petrogrand's Russian assets (the "**Transaction**"), whereby a "New Shelton" will be formed for the purposes of creating value for all shareholders in both the Company and Petrogrand.

The Transaction comprises two main transaction steps:

- **Transaction Step 1:** The Company transfers all of its Ukrainian oil assets to a newly established wholly-owned subsidiary (a Swedish limited company) of the Company ("**NewCo**"). The Company's Ukrainian oil assets comprise primarily a 45% ownership (through wholly-owned subsidiaries) in Kashtan Petroleum, the operator and owner of the Lelyaki licence. As soon as reasonably practicable thereafter, the Company distributes all of its shares in NewCo to its shareholders. As Petrogrand is a shareholder in the Company, Petrogrand will become a shareholder in NewCo in connection with the distribution of the shares in NewCo. The intention is that NewCo will assume the Company's current name "Shelton Petroleum" and that the shareholders in NewCo will be offered liquidity in the shares through a listing on a market place.
- **Transaction Step 2:** As soon as reasonably practicable after completion of Transaction Step 1, the Company acquires all of the shares ("**Sonoyta Shares**") in Sonoyta Ltd ("**Sonoyta**"), a Cypriot holding company holding (i) USD 4 million in cash and (ii) 49 % of the shares in Ripiano Holdings Ltd ("**Ripiano**"), which in turn holds (among other things) certain Russian oil assets comprised of three oil licences in Komi, from Petrogrand for a total consideration of 17,500,000 newly issued shares of series B in the Company (the "**Additional Shelton Shares**"), which (based on the closing price of the Shelton Petroleum share on 6 October 2015) corresponds to a total consideration of SEK 124,250,000 for the Sonoyta Shares. Petrogrand will as soon as reasonably practicable thereafter distribute all of the Initial Shelton Shares and Additional Shelton Shares to its shareholders. The Initial Shelton Shares and the Additional Shelton Shares will amount to, and Petrogrand will therefore until the shares have been distributed be owner of, a total of 22,200,000 shares of series B, representing about 61% of the shares and about 52% of the votes in the Company after the Company's acquisition of the Sonoyta Shares. To that end, Petrogrand has applied for, and the Swedish Securities Council has granted (subject to certain conditions), an exemption from the Swedish mandatory bid requirements. As the Company is a shareholder in Petrogrand, the Company will receive Initial Shelton Shares and Additional Shelton Shares in connection with the distribution of these shares, which are proposed to be retired through a reduction of the Company's share capital.

After the completion of Transaction Step 2, Dmitry Zubatyuk (member of the Company's Board and Petrogrand's CEO) will assume the position as the Company's CEO.

The Board is of the opinion that Transaction Step 2 involves such related party transactions that are covered by the Swedish Securities Council's (*Aktiemarknadsnämnden*) statement in AMN 2012:05. The Board will therefore in accordance with the Swedish Securities Council's statement in AMN 2012:05 prepare a statement and obtain a fairness opinion regarding the fairness of Transaction Step 2, from a financial point of view, for the Company's shareholders. These documents, together with the Company's agreement with Petrogrand, will be available on the Company's website (www.sheltonpetroleum.com) no later than three weeks before the general meeting.

Against the background described above, the Board proposes that the general meeting approves the Transaction, and authorises the Board and the senior management to, as soon as reasonably practicable, effectuate the Transaction.

Appendix: Agreement between Shelton and Petrogrand

(B) The Board's resolution proposal regarding a distribution of all of the shares in NewCo

As a result of the Transaction, the Board proposes that all of the shares in the wholly-owned subsidiary NewCo shall be distributed as a dividend. One share of series B in the Company shall entitle to one share in NewCo of series B and one share of series A in the Company shall entitle to one share in NewCo of series A. The distribution will mean that Company's shares in Shelton Canada Inc., which is the legal owner of the Ukrainian operations in Shelton Petroleum, will be distributed. The shares in Shelton Canada will be transferred to NewCo. The shares in Shelton Canada currently has a carrying value of approximately SEK 97 million which corresponds to SEK 5.20 of the distributed shares of series A and B in NewCo.

Furthermore, the Board proposes that the general meeting shall authorise the Board of Directors to set the record day for the dividend, provided, however, that the record day shall not be set later than the day before the next annual general meeting.

The CEO, or the person that is appointed by the CEO, is authorised to make such minor adjustments to the resolution as may be required in connection with the registration with the Swedish Companies Registration Office, Euroclear Sweden AB or other formal requirements.

Distributable funds pursuant to Chapter 17, Section 3 of the Swedish Companies Act

According to the Company's last adopted balance sheet, showing the Company's financial position as at 31 December 2014, the unappropriated earnings at the disposal of the annual general meeting were SEK 256,761,202. After the mentioned balance sheet date, no distributions have been declared and there has not been any change in the restricted equity. Accordingly, the unappropriated earnings at the disposal of the extraordinary general meeting are SEK 256,761,202.

Documentation pursuant to Chapter 18, Sections 4 and 6 of the Swedish Companies Act is appended to this proposal and made available at the Company's office.

The Board's statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act

With reference to the Board's resolution proposal regarding a dividend, the Board hereby gives the following statement:

It is the Board's opinion that the proposed dividend is justifiable with regards to the requirements that the operation's nature, scope and risks imposes on the Company's equity capital and on the Company's consolidation need, liquidity and financial position in general. To that end, the Board has taken into consideration the Company's financial position according to the Company's most recent annual report and other, to the Board, known and relevant conditions.

In the assessment of the justification of the dividend, the Board has also taken the following into consideration. The proposed dividend amounts to about 28% of the Company's total equity based on the most recently adopted balance sheet. Before the dividend, the equity ratio amounts to about 98%, calculated on the basis of the most recently adopted balance sheet. Based on the information currently at hand, the Board's assessment is that the Company, also after the dividend, will be able to fulfil its short term and long term obligations with necessary investments taken into consideration.

In the most recently adopted balance sheet, no assets or liabilities were valued at fair value in accordance with Chapter 4, Section 14a of the Swedish Annual Accounts Act.

The Board's report pursuant to Chapter 18, Section 6, Chapter 13, Section 6 and Chapter 12, Section 7 of the Swedish Companies Act

With reference to the Board's resolution proposal regarding a dividend, an issue of new shares of series B and a bonus issue, the Board hereby gives the following statement.

The events of material significance for the Company's financial position, which have occurred after the presentation of the annual report for the financial year 2014, are described in the Company's interim report for the period 1 January – 30 June 2015, [Appendix 1](#), and the appended press releases, [Appendix 2](#), which are also available at the Company's website.

No dividends have been declared after the presentation of the annual report for the financial year 2014. Furthermore, there have not been any changes to the Company's restricted equity subsequent to 31 December 2014.

Stockholm on 15 October 2015

Björn Lindström

Hans Berggren

Peter Geijerman

Cheddi Liljeström

Zenon Potoczny

Katre Saard

Dmitry Zubatyuk

(C) The Board's resolution proposal regarding an issue of new shares of series B for non-cash consideration and an amendment of the articles of association

As a result of the Transaction, the Board proposes that the general meeting resolves on an increase of the Company's share capital of not more than SEK 87,500,000 by way of an issue of not more than 17,500,000 new shares of series B on the following terms:

- the right to subscribe for the issued shares shall be vested solely in Petrogrand;
- payment for the subscribed shares shall be made by Petrogrand contributing 1 share in Sonoyta per each 10,294 shares of series B in the Company, which at a subscription of 17,500,000 shares of series B represents all 1,700 shares in Sonoyta;
- Petrogrand shall subscribe for the new shares on a separate subscription list no later than 31 December 2015. The Board shall have the right to extend the subscription period;
- Petrogrand shall pay for the subscribed shares no later than 31 December 2015. The Board shall have the right to extend the payment period; and
- the new shares carry the right to dividends for the first time on the first record day for dividends occurring after the registration of the issue of new shares with the Swedish Companies Registration Office and the entry of the new shares in the share register maintained by Euroclear Sweden AB.

The proposed issue of new shares (assuming subscription in full) will increase the Company's share capital from SEK 93,306,235 to SEK 180,806,235 and increase the number of outstanding shares from 18,661,247 (divided among 761,900 shares of series A and 17,899,347 shares of series B) to 36,161,247 shares (divided among 761,900 shares of series A and 35,399,347 shares of series B), corresponding to a dilution of 94% in relation to the current number of shares and 69% in relation to the current number of votes, and 48% in relation to the number of shares and 41% in relation to the number of votes after full dilution (calculated as the number of new shares and votes in relation to the number of current together with the number of new shares and votes).

The above issue of new shares of series B requires an amendment of the Company's articles of association. Accordingly, the Board proposes that the share capital limits and the limits on the number of shares in the Company's articles of association are amended in accordance with the following.

	Current articles of association	Proposed articles of association
Minimum share capital	38,000,000	58,500,000
Maximum share capital	152,000,000	234,000,000
Minimum number of shares	7,600,000	9,750,000
Maximum number of shares	30,400,000	39,000,000

As the intention is that NewCo shall assume the name "Shelton Petroleum", it is further proposed that the articles of association are changed so that the Company's name shall be "Petrosibir AB".

The proposed articles of association are appended in full in [Appendix](#).

The CEO, or the person that is appointed by the CEO, is authorised to make such minor adjustments to the resolution as may be required in connection with the registration with the Swedish Companies Registration Office, Euroclear Sweden AB or other formal requirements.

Documentation pursuant to Chapter 13, Sections 6-8 of the Swedish Companies Act is appended to this proposal and made available at the Company's office.

Appendix

This is an English translation of the Swedish original of the proposed articles of association and is provided for convenience only. In case of discrepancies between this English translation and the Swedish original, the Swedish original shall prevail.

Articles of Association Petrosibir AB (publ)

Adopted at the extraordinary general meeting held on 9 November 2015

§ 1 Name

The company's name is Petrosibir AB. The company is a public company (publikt).

§ 2 Registered office

The company's registered office shall be situated in the municipality of Stockholm.

§ 3 Objects of the company's business

The objects of the company's business are production, prospecting and distribution of natural sources as well as management and ownership of such licenses in its own name or via subsidiaries or through smaller partnership shares or other forms of cooperation, including activities compatible therewith.

§ 4 Share capital

The share capital shall be a minimum of SEK 58,500,000 and a maximum of SEK 234,000,000.

The share capital shall be divided into two series, A and B. A-shares entitle the holder to ten (10) votes per share, whereas B-shares entitle the holder to one (1) vote per share.

The quantity of A-shares and B-shares shall be issued in such a way that either A-shares or B-shares correspond to the total number of shares in the company.

If the company decides to issue new A-shares and B-shares as payment other than non-cash consideration, holders of A-shares and B-shares, respectively, shall be given right of first priority to subscribe to new shares of the same series type in relation to the number of shares the holder previously held (primary right of precedence). Remaining shares not subscribed to under primary right of precedence shall be offered for subscription to all shareholders (subsidiary right of precedence). If shares offered in this way are insufficient in quantity to be subscribed to under subsidiary right of precedent, then the shares shall be divided between subscribers in relation to the number of shares they previously held and, to the extent such division is not possible, they shall be distributed by lottery.

If, as payment other than non-cash consideration, the company decides to issue either solely A-shares or B-shares or share options or convertible notes or shares, all shareholders regardless of their share series type shall have right of precedence to subscribe to such new shares, options or convertible notes or shares, in relation to the number of shares they previously held.

The above shall not entail any restriction on the company's ability to decide on non-preferential rights issuances.

Upon an increase in share capital due to a bonus share issuance, new shares shall be issued for each share type in relation to the number of shares of each type that existed previously. Upon such issuance, old shares of one type shall entail the right to new shares of the same type. This shall not entail any restriction on the company's ability to issue shares of a new series type via a bonus share issuance, once it has amended the company's articles of association accordingly.

§ 5 Share conversion

A-shares shall be converted to B-shares upon the demand of A-shareholders.

A conversion request is submitted to the company's board of directors, which in any event considers the matter at the first board meeting of the calendar year. If the request is granted, the board shall register the conversion without delay and shall have implemented the conversion by the time it is registered. The board of directors may nonetheless consider a request for the conversion of A-shares to B-shares at other meetings of the board during the year.

§ 6 Number of shares

The number of shares shall be a minimum of 9,750,000 and a maximum of 39,000,000.

§ 7 The board of directors

The board of directors shall consist of at least three (3) and at most nine (9) members. A nomination committee shall nominate persons for election to the board. The criteria for appointment of members to the nomination committee shall be decided at the meetings of shareholders.

§ 8 Auditor

The company's annual report, as well as the director's report and board's statement shall be reviewed by one to two auditors and at most two deputy auditors, who are appointed at the company's annual general meeting.

§ 9 Financial year

The company's financial year shall be the calendar year.

§ 10 Notice to attend meetings

Notice convening any meeting shall be given by an announcement in *Post- och Inrikes Tidningar* (the Official Gazette) and on the Company's website and information that notice has been given shall be published in *Svenska Dagbladet* at the time of the notice.

§ 11 Participation at general meeting of shareholders

Shareholders who wish to participate in a General Meeting of shareholders shall give notice to the company of his or her intention to participate in the meeting the day that is set forth in the notice of the meeting. The aforementioned final day shall not be a Sunday nor any other public holiday. Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and shall not fall prior to the fifth weekday before the meeting.

§ 12 Annual General Meeting

The annual general meeting shall be held annually within six months after the end of the financial year. The order of business of the ordinary general meeting shall comprise the following:

1. Election of the chairman of the meeting
2. Preparation and approval of the list of shareholders entitled to vote at the meeting
3. Appointment of one or two persons to verify the minutes of the meeting
4. Determination of whether the meeting has been properly convened
5. Approval of the proposed order of business
6. Presentation of the annual report and auditor's report and, where applicable, the consolidated annual report and the auditor's report for the group
7. Adoption of resolutions concerning:
 - a) the adoption of the company's income statement and balance sheet and, where applicable, the consolidated income statement and the consolidated balance sheet
 - b) the appropriation of the company's profit or loss result, in accordance with the adopted balance sheet; and
 - c) granting of a discharge from liability for the members of the board and the managing director.
8. Determination of the number of board members and, where applicable, the auditor and any deputies to be elected at the meeting
9. Setting of remuneration for the board members and the auditors
10. Declaration of board candidates' commitments and interests in other companies; election of board members and, where applicable, the auditor and any deputies.

11. Any other business which is to be transacted at the general meeting pursuant to the Swedish Companies Act or the articles of association.

§ 13 Control share register

In accordance with Swedish law (1998:1479) on accounting of financial instruments, company shares must be registered in a control share register

The Board's statement pursuant to Chapter 13, Section 7 of the Swedish Companies Act

With reference to the Board's resolution proposal regarding an issue of shares of series B for consideration in kind, the Board hereby gives the following statement.

According to the Board's proposal, the consideration to be paid for the subscribed shares shall be paid through contribution of shares in Sonoyta Ltd, corporate identity no HE334394, with every one share in Sonoyta Ltd entitling the subscriber to 10,294 shares of series B in the Company. The right to subscribe for the issued shares shall be solely vested in Petrogrand AB (publ). Petrogrand AB (publ) is, therefore, entitled to subscribe for not more than 17,500,000 shares of series B.

The Board is of the opinion that non-cash consideration may be assumed to be of benefit for the operations of the Company. Also, the Board is of the opinion that the amount that the Board intends to record for the non-cash consideration in the Company's balance sheet has not been set higher than its actual value to the Company.

The Board has assessed the value of non-cash consideration mainly on the basis of an estimated market value of the shares in Sonoyta Ltd and after negotiations with Petrogrand AB (publ). The Board is of the opinion that the amount of the non-cash consideration that will be recorded in the balance sheet at least corresponds to the actual value for the Company. Particular difficulties to estimate the value of the non-cash consideration have not existed.

At full subscription, the Company will hold all of the shares in Sonoyta Ltd.

Based on the valuation accounted for above, the Board has estimated that non-cash consideration (based on the closing price of the Shelton Petroleum share on 6 October 2015) has a value of at least SEK 124,250,000 (at subscription in full), which corresponds to SEK 73,088 per share in Sonoyta Ltd. This is also the amount that is expected to be recorded for the non-cash consideration in the Company's balance sheet (at subscription in full). As follows from applicable accounting policies, the value of the non-cash consideration may, however, change depending on the share price of the Shelton Petroleum share on the transaction date.

Based on the Board's knowledge about the non-cash consideration, the Board is of the opinion that the value of non-cash consideration corresponds to at least the value of the shares in the Company that will be paid for with the non-cash consideration.

Documentation pursuant to Chapter 2, Section 9 of the Swedish Companies Act is made available at the Company's office.

Stockholm on 15 October 2015

Björn Lindström

Hans Berggren

Peter Geijerman

Cheddi Liljeström

Zenon Potoczny

Katre Saard

Dmitry Zubatyuk

(D) The Board's resolution proposal regarding a reduction of the share capital with retirement of shares and an increase of the share capital through a bonus issue

As the Company holds shares in Petrogrand, the Company will receive 6,387,386 own shares of series B in connection with Petrogrand's distribution of the Initial Shelton Shares and the Additional Shelton Shares (the distribution constitutes a part of Transaction Step 2 as described above).

Against this background, the Board proposes that the general meeting resolves that the Company's share capital shall be reduced with not more than SEK 31,936,931 through a retirement of not more than 6,387,386 own shares of series B in the Company for allocation to non-restricted equity. The reduction shall be effectuated as soon as reasonably practicable after the Company has received the own shares from Petrogrand.

The Board also proposes that the general meeting resolves that the Company's share capital shall be increased with SEK 31,936,931 through a redistribution of SEK 31,936,931 from the Company's non-restricted equity. No new shares shall be issued in connection with the increase of the share capital.

The Board's statement pursuant to Chapter 20, Section 13 paragraph 4 of the Swedish Companies Act

The reduction of the share capital can be accomplished without obtaining the Swedish Companies Registration Office or a general court's consent, as the Company will accomplish an increase of the share capital by way of bonus issue at the same time, resulting in that neither the Company's restricted equity nor the share capital will be reduced.

The reduction of the share capital and the bonus issue's effect on the Company's restricted equity and share capital is set out in resolution proposal (D) above.

The CEO, or the person that is appointed by the CEO, is authorised to make such minor adjustments to the resolution as may be required in connection with the registration with the Swedish Companies Registration Office, Euroclear Sweden AB or other formal requirements.

Documentation pursuant to Chapter 12, Section 7 of the Swedish Companies Act is appended to this proposal and made available at the Company's office.

Election of Board of Directors

As a result of the Transaction and the creation of a “New Shelton”, the following is proposed.

- The Board shall consist of five ordinary members.
- The Board shall consist of the ordinary members Björn Lindström, Dmitry Zubatyuk, Sven-Erik Zachrisson, David Sturt and Hans Berggren. Björn Lindström shall be the chairman of the Board.
- The new Board shall assume its office as soon as the ownership of the Sonoyta Shares has been effectively transferred to the Company.
- If Petrogrand has not effectuated the distribution of all Initial Shelton Shares and Additional Shelton Shares on or before 31 December 2015 (a) all these ordinary members of the Board shall immediately be dismissed, (b) the Board shall instead consist of seven ordinary members with Björn Lindström, Hans Berggren, Peter Geijerman, Zenon Potoczny, Katre Saard, Cheddi Liljeström and Dmitry Zubatyuk as the ordinary members and (c) Björn Lindström shall be the chairman of the Board.

The following is further proposed.

- The chairman of the Board shall receive an annual remuneration of SEK 200,000 and the other members of the Board, not employed by the Company, shall receive SEK 100,000.
- An annual remuneration shall be paid with SEK 50,000 for committee work to the chairman of the audit committee.

Information on proposed new directors

Sven-Eric Zachrisson

Sven-Eric Zachrisson, born 1950, is currently a board member in Gripen Oil & Gas that is engaged in exploration of hydrocarbons in Sweden and has more than 30 years of experience in the oil and gas industry. Sven-Eric had previously served as CEO of Svenska Petroleum Exploration in 1996-2007 and was a board member of Preem. Sven-Eric has a Master of Science (Chemical Engineering) from the Royal Institute of Technology (KTH) and a degree in Economics from the University of Stockholm. He is a member of the board and deputy managing director in Petrogrand since 2015. In 2009-2013 Sven-Eric served as chairman of the board of directors of Petrogrand.

David Sturt

David Sturt, born 1962, has over 29 years of international experience in the oil and gas industry gained working on projects in Europe, CIS, Africa and SE Asia. Since 2012 David is a Senior Vice President with Azimuth Limited, and is still a founding shareholder of VTX, which is an oil and gas production company with assets in Indiana and Illinois formed after the sale of VistaTex. In 2011-2012, David served as a Deputy Board Chairman and Head of Upstream for Ukrnafta. David was one of the founding shareholders of VistaTex, a gas producing company with assets onshore US, recently acquired by Dome Energy. David holds a BSc honors degree in Earth Sciences from Kingston Polytechnic University, an MSc degree in Exploration and Geophysics from Leeds University, and a postgraduate diploma in business administration from Herriott Watt University. David is a member of the board of Petrogrand since 2015.

Report by the Board of Shelton Petroleum AB (publ) regarding the acquisition of Sonoyta Ltd

The Board of Shelton Petroleum AB (publ) submits the following report pursuant to statement AMN 2012:05 by the Securities Council concerning related party transactions.

Transaction overview

Shelton Petroleum AB (SHEL B, Nasdaq Stockholm) (“Shelton Petroleum”) and Petrogrand AB (PETRO, Nasdaq First North Stockholm) (“Petrogrand”) have entered into an agreement (i) to form a new combined and enlarged oil group with exclusively Russian oil assets and (ii) to dissolve the cross-ownership between the two companies. Shelton Petroleum’s and Petrogrand’s operations in Bashkiria and Komi regions respectively, both located in the European part of Russia, will be managed as one oil group. The agreement with Petrogrand is subject to approval on an extra general meeting on 9 November 2015. In short, Shelton Petroleum will issue 17,500,000 shares of series B to Petrogrand as consideration for all shares in Sonoyta Ltd, a wholly owned Cyprian subsidiary of Petrogrand. Sonoyta Ltd has (i) approximately USD 4 million in cash and 49% of the shares in Ripiano Holdings Ltd who in turn owns oil assets in Komi. Petrogrand will distribute all of its shares in Shelton Petroleum to its shareholders, i.e. the 4,700,000 shares of series B they already own and the newly subscribed 17,500,000 shares of series B. Before the shares are issued to Petrogrand, Shelton Petroleum will distribute its operations in Ukraine to its shareholders.

A detailed description of the merger can be found in the document “The Board’s resolution proposal regarding agreement between the Company and Petrogrand”.

Background and reason for the transaction

The combined businesses will benefit from an attractive license portfolio and an improved position on the financial markets. Synergies are anticipated within operational management, oil sales, purchasing power as well as central administration. The combined company will have a net working interest oil production of about 1,350 barrels of oil per day and 2P oil reserves of about 32 million barrels. The entity will be owned by the current shareholders of both Shelton Petroleum and Petrogrand, in total about 10,000 shareholders.

The transaction will also dissolve the cross ownership between Shelton Petroleum and Petrogrand. Before the transaction Petrogrand owns 4,700,000 shares of series B in Shelton Petroleum, corresponding to approximately 25% of the capital and 18% of the votes. Shelton Petroleum owns 11,585,308 shares in Petrogrand, corresponding to approximately 29% of the votes and capital. In the end of 2013 and the first half of 2014, when there was a different board and management than the current in Petrogrand, there were a number of conflicts between the companies. Both companies were criticized by the Securities Council, which demanded that the companies should agree on a solution. Since the new Board and management were appointed in the spring 2015 the companies have had constructive discussions and the result of these is the transaction that is put forward to the general meeting for approval.

Purchase price

When determining the purchase price for all shares in Sonoyta Ltd the Board has assessed the value of Shelton Petroleum’s oil assets in Bashkiria, Petrogrand’s 49% share of the oil assets in Komi as well as the financial assets included in the transaction. The resulting relative valuation of the companies has formed the basis when determining the number of shares that Shelton Petroleum propose to issue to acquire all of the shares in Sonoyta Ltd, i.e. 17,500,000 shares of series B in Shelton Petroleum.

Fairness opinion

As a support for the resolution of the general meeting the Board has asked Remium Nordic AB to issue a so called fairness opinion on the fairness from a financial perspective for the shareholders of the acquisition, Appendix A. In the opinion of Remium Nordic AB the terms of the acquisition are fair, from a financial perspective for the shareholders of Shelton Petroleum.

Stockholm, October 2015

Shelton Petroleum AB (publ)

The Board of Directors