

## To holders of convertible bonds in PA Resources

**In this folder you will find answers to some of the most relevant questions in relation to PA Resources' recommendation of an early conversion of your convertible bonds into shares.**

On 7 November 2012, the Board of Directors of PA Resources proposed a resolution to reduce the company's high indebtedness and at the same time increase the company's equity with approximately SEK 1,700 million. The Board of Directors proposes that this will be carried out through two transactions.

- 1 All holders of PA Resources' convertible bond 2008/2014 are recommended to convert their convertible bonds into new shares – this will substantially reduce the company's indebtedness and at the same time increase the equity.
- 2 Subject to conversion of 90% of the outstanding convertible bond amount into equity, a subsequent fully underwritten rights issue of approximately SEK 700 million will be carried out – which will provide additional liquidity to the company. Approximately 50% of the fully underwritten rights issue will be directed to the convertible bondholders who have converted their convertible bonds into shares and approximately 50% to the company's current shareholders.

Please note that both the offer to you as a convertible bondholder and the rights issue are conditional upon that at least 90% of all convertible bonds are converted into new shares and that the extraordinary general meeting on 7 December approves the Board of Directors' resolutions above. If the proposed transactions are not completed, the Board of Directors is of the opinion that the company may be forced into a formal restructuring process or to file for bankruptcy, which in turn may lead to an outcome where you might lose, partly or entirely, your investment.

In relation to the above, you may have questions regarding how the transactions affect you. Below we aim to provide you with answers to these questions.

### **What is the background to the Board of Directors' resolution?**

PA Resources' current indebtedness is too high and the company is therefore required to take actions to substantially reduce debt. In short, a conversion into shares combined with the rights issue, would substantially improve the company's financial position as well as enable long-term production growth and value creation. If the proposed transactions are not carried out, the Board of Directors is of the opinion that the company may be forced into a formal restructuring process or to file for bankruptcy, which in turn may lead to an outcome where you might lose, partly or entirely, your investment.

### **What does this mean to me as a convertible bondholder?**

PA Resources recommends you as a holder of the convertible bond 2008/2014 to convert your convertible bonds into shares. The offer means that you will receive shares corresponding to the nominal value of the convertible bonds, including accrued interest. In short, this means that you will receive 116 shares for each convertible bond. Please see information below regarding how you can calculate the number of shares that you are entitled to. You will not pay anything for the new shares as you off-set your claim on the company. In addition, you are not obliged to participate in the subsequent rights issue.

### **What am I required to do?**

At the moment, nothing. On 7 December the extraordinary general meeting will vote upon the Board of Directors' resolutions. At the extraordinary general meeting, only shareholders may vote. If you hold both shares and convertible bonds, you, as a shareholder, are entitled to register for participation in the extraordinary general meeting. For further information, please see [www.paresources.se](http://www.paresources.se). If the resolutions are approved, you will receive an information brochure together with an application form on or around 7 December and/or an online offer provided directly to you by your nominee (for example Avanza or Nordnet). Your application to participate in conversion should be submitted by 17 December at the latest. A prospectus will be made public on or around 5 December and will thereafter be available on [www.paresources.se](http://www.paresources.se), where you also will be able to find further information as well as application forms.

### **What will happen if I don't accept to convert my convertible bonds into shares?**

In order for the two transactions to be completed, convertible bondholders with an aggregated holding amounting to 90% of all outstanding convertible bonds are required to accept the offer. If the transactions are not completed, the Board of Directors of PA Resources is of the opinion that the company may

be forced into a formal restructuring process or to file for bankruptcy, which in turn may lead to an outcome where you might lose, partly or entirely, your investment, as it is currently difficult to estimate the value that may be allocated to the convertible bondholders.

### **What does the conversion mean? When will I receive my shares?**

At the end of the acceptance period, which takes place between 6–17 December, and when the conditions for completion of the offer of early conversion are fulfilled, the convertible bonds will be converted into new B-shares. The B-shares will not be subject to trade. Following the completion of the subsequent rights issue, the B-shares will automatically be converted into A-shares, which in turn are subject to trade.

### **What is the next step?**

Following the conversion of your convertible bonds, you will be offered to subscribe for shares in the fully underwritten rights issue at a subscription price of SEK 0.10 per new share. You are, by no means, required to participate in the rights issue as this will be a new offer directed to you. Approximately half of the rights issue of SEK 700 million will be directed to the convertible bondholders who have converted their convertible bonds into shares. The remaining part of the rights issue will be directed to current shareholders. The number of



The entire resolution is described in the press release as of 7 November 2012 and will be further described in the prospectus that will be made public around 5 December. The prospectus and the application forms are thereafter available on [www.paresources.se](http://www.paresources.se)



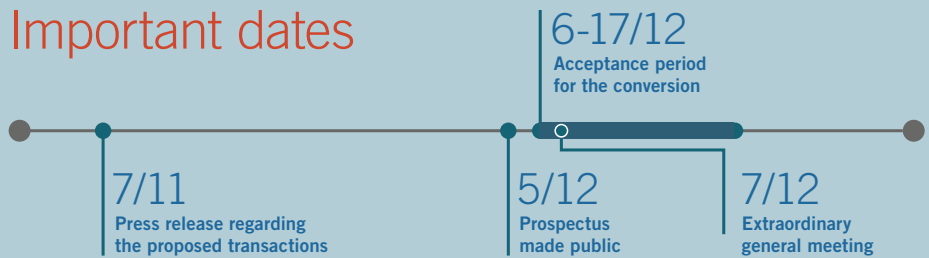
shares that you are entitled to subscribe for in the rights issue is determined by the number of shares you have obtained following the conversion of your convertible bonds.

**How many shares am I entitled to if I convert my convertible bonds?**

The conversion includes the nominal value of your convertible bonds and the accrued interest. The convertible bond 2008/2014 in PA Resources holds a nominal value of SEK 16 per convertible bond and carries a fixed annual interest of 11 percent. On 6 November 2012, the day prior to the announcement of the proposed transactions, the accrued interest amounted to SEK 1.40 per convertible bond. In total, this means that you hold a claim on the company amounting to SEK 17.40 per convertible bond (nominal value of SEK 16 + interest of SEK 1.40). The conversion price amounts to SEK 0.15 per share, meaning that each convertible bond entitles to conversion into 116 newly issued shares (SEK 17.40/SEK 0.15 per new share=116 new shares).

Normally, the nominal value is stated in the custody accounts that you receive from your bank or nominee. You may find out how many shares you are entitled to in the conversion, illustrated in the example.

## Important dates



## Example

**Number of shares that you are entitled to if you convert your convertible bonds**

$$\begin{matrix} \text{Nominal value} \\ 50\ 000 \end{matrix} / 16 = \begin{matrix} \text{Number of convertible bonds} \\ 3\ 125 \end{matrix} \times 116 = \begin{matrix} \text{Number of shares} \\ 362\ 500 \end{matrix}$$

## Your calculation

**Below you may calculate how many shares you are entitled to in the conversion**

$$\begin{matrix} \text{Nominal value} \\ \boxed{\phantom{00000}} \end{matrix} \overset{1}{/} 16 = \begin{matrix} \text{Number of convertible bonds} \\ \boxed{\phantom{00000}} \end{matrix} \overset{2}{\times} 116 = \begin{matrix} \text{Number of shares} \\ \boxed{\phantom{000000}} \end{matrix}$$

1. Please find out the nominal value of your convertible bonds (often stated in the custody account)
2. Each convertible bond has a nominal value of SEK 16. To calculate the number of convertible bonds you hold, divide the total nominal value of your convertible bonds with 16
3. Each convertible bond entitles you to 116 new shares. By multiplying the number of convertible bonds with 116 you find how many shares you will receive in the conversion



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