



PETROGRAND

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Petrogrand AB no longer requests conversion of Convertible 2

The reasons for the decision are briefly as follows.

The fundamental prerequisite for the deal was that Petrogrand would acquire at least 50% plus one share of Shelton Petroleum AB, and by that to be able to distribute these shares to Petrogrand's shareholders according to Lex ASEA rule.

After that Petrogrand and Shelton Petroleum have not been able to agree on the terms for additional capital injections to Shelton beyond Convertible 2, have Shelton-at short notice-called an Extraordinary General Meeting. Proposals to be treated at Shelton's EGM would mean, if the proposals are approved, that Petrogrand for the conversion of Convertible 2 receives 7% of the votes in Shelton instead of contracted about 40%. Expected decision on Shelton's EGM makes dividends of acquired Shelton shares in Petrogrand in accordance to Lex ASEA impossible.

Petrogrand chose therefore to let courts try the execution of conversion of Convertible 2. Petrogrand's trial does not cover other questions about agreement between the parties. The Stockholms tingsrätt, however, took no decision on the issue but decided instead to give Shelton the time to express their views on Petrogrand's request [to January 2, 2014](#), which is the same date as the record date for the Shelton shareholders' meeting. Petrogrand appealed this decision in Svea hovrätt, but the court did not give leave to appeal. Since the court order would not be on the record date for the EGM would a continued trial be without value for Petrogrand's.

If Petrogrand in time after the record date would be allowed by the Court to convert Convertible 2 to shares in Shelton, such a conversion would mean that Petrogrand only receive shares with voting rights, equivalent to 7% of the votes in Shelton. This means that a dividend of Shelton shares in accordance with Lex ASEA is rendered impossible. Since the basic purpose of the deal thus cannot be achieved, the Board of Directors for Petrogrand decided not to further request the conversion of the Convertible 2. Right of conversion have expired on 31 December 2013.

The Board of Directors of Petrogrand regret that the capital injection Convertible 2 would have meant for Shelton's further development, now is not going to happen.

This is a translation of the Swedish version. In case of any discrepancy between the English and the Swedish version, the Swedish version shall take precedence.

For further information, please contact:

Maks Grinfeld, CEO, phone: +46 8 5000 7810
Mikael Wallgren, Chairman, phone: +46 8 5000 7810
Certified Adviser First North: Mangold Fondkommission AB

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