



PETROGRAND

PRESS RELEASE 08 October 2015

Notice to extraordinary general meeting of shareholders in Petrogrand AB(publ)

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 shareholders of Petrogrand AB (publ) (hereinafter the “Company”) are hereby given notice to attend the Extraordinary General Meeting to be held at 1:00 p.m. CET on Monday 9 November 2015, at Hotell Scandic Anglais, Humlegårdsgatan 23 in Stockholm. Registration of attendees begins at 12.30 p.m.

Right to participate

The right to participate at the meeting vests in a person who:

- is registered as a shareholder in the share register maintained by Euroclear Sweden AB regarding circumstances pertaining on Tuesday 3 November 2015; and
- not later than Tuesday 3 November 2015 notifies the Company of his/her intention to participate at the meeting by giving notice of participation and naming any assistant(s) either in writing to Petrogrand AB (publ), Birger Jarlsgatan 41A, 111 45 Stockholm or by e-mail to agm@petrogrand.se. The notification should state the name, preferably personal ID or registration number, address, telephone number, shareholding of the shareholder and, if applicable, name of representatives, proxy/attorneys and assistants. The number of assistants may not be more than two. In order to facilitate the entrance to the meeting, the notice of participation should be accompanied by authorisation documents such as power of attorney and registration certificates and other authorisations documents.

Shareholders with nominee-registered shares must, in order to be entitled to participate at the meeting, request that the nominee effects a temporary re-registration (voting right registration) of the shares, Such re-registration must be effective on 3 November 2015 and must therefore be requested in ample time prior to such date.

Proxy

A shareholder who intends to be represented at the meeting by one or more proxies must ascertain that the proxy has been authorised by virtue of a dated power of attorney signed by the shareholder. Any person who represents a legal entity must produce a registration certificate (or the like) evidencing that the signatories of the power of attorney are authorised to do so on behalf of the shareholder. The power of attorney and the registration certificate (or the like) must not be older than five years from the date of the meeting.

Power of attorney

A power of attorney form is available at www.petrogrand.se and may also be sent at no cost to those shareholders who request a form and in connection therewith advise the Company of their postal address.

Number of shares and votes

The total number of shares and votes in the Company is 40,265,898 as of the date of this notice.

Proposed agenda

1. Opening of the meeting and election of chairman of the meeting

2. Preparation and approval of the voting register
3. Approval of the agenda
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 agreement between the Company and Shelton Petroleum AB (publ)
7. Resolution regarding a distribution of all of the Company's shares in Shelton Petroleum AB (publ) and giving authorization for the Board to set the record day for the distribution.
8. Closing of the meeting

Proposed resolutions

Item 1 — Chairman

The board proposes the lawyer Clas Romander to be elected chairman of the meeting.

Item 6 – Approval of agreement between the Company and Shelton Petroleum AB (publ)

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

In summary, the agreement provides that the Company and Shelton will enter into a series of transactions for the purposes of dissolving the cross-ownership between the Company and Shelton, and combining the Company's and Shelton'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 Shelton.

The Transaction comprises two main transaction steps:

- **Transaction Step 1:** Shelton transfers all of its Ukrainian oil assets to a newly established wholly-owned subsidiary (a Swedish limited company) of Shelton ("**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, Shelton distributes all of its shares in NewCo to its shareholders. As the Company is a shareholder in Shelton, the Company will become a shareholder in NewCo in connection with the distribution of the shares in NewCo. The intention is that NewCo will assume Shelton's current name "Shelton Petroleum" and that the shareholders in NewCo will be offered liquidity in the shares through a listing at a market place.
- **Transaction Step 2:** As soon as reasonably practicable after completion of Transaction Step 1, Shelton 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 the Company for a total consideration of 17,500,000 newly issued shares of series B in Shelton (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. The Company 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 the Company 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 Shelton after Shelton's acquisition of the Sonoyta Shares. To that end, the Company has applied for, and the Swedish Securities Council has granted (subject to certain conditions), an exemption from the Swedish mandatory bid requirements. As Shelton is a shareholder in the Company, Shelton 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 Shelton's share capital.

After the completion of Transaction Step 2, Dmitry Zubatyuk (member of Shelton's Board and the Company's CEO) will assume the position as Shelton'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 Shelton, will be available on the Company's website (www.petrogrand.se) no later than two 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.

Item 7 – Distribution to the shareholders of all of the Company's shares in Shelton Petroleum AB (publ) and authorisation for the Board to set the record day for the distribution

The Board proposes that the Company distributes all of its 22,200,000 shares of series B in Shelton Petroleum AB (publ) to the shareholders on a pro rata basis in accordance with the Board's distribution proposal and that the Board is authorised to set the record day which shall not fall later than on the day before the next annual general meeting. The value of each share awarded corresponds to the book value at the time of payment. The book value of the shares may however, when applying applicable accounting rules, change up to the date of payment. For this reason, the distribution which can fall on each share of the Company amounts to no higher than SEK 6,67, i.e. the Company's free equity capital according to annual financial report (SEK 268 587 000) allocated to the number of shares in the Company (40 265 898).

The Board further proposes that 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.

Item 6-7 - Conditions

The proposals of the Board and the effectuation of the resolutions require (i) that the general meeting votes in favor of both proposals in items 6-7 and (ii) that Shelton Petroleum AB (publ) and its shareholders make necessary resolutions in order to enable the Company to complete the transactions.

Miscellaneous

No later than two weeks prior to the general meeting, the Company will make available at its premises to the shareholders the following:

1. Copy of the annual report as per 31 December 2014 containing the latest approved profit and loss accounts and balance sheets.
2. Copy of the auditors' report of the fore-mentioned annual report.
3. The Board's account of events of significant importance during 2015.
4. A statement from the Company's auditor of the fore-mentioned Board's account.
5. Share Purchase Agreement with Shelton Petroleum AB (publ).
6. The Board's proposal for distribution to the shareholders of all of its shares in Shelton Petroleum AB (publ)

The documents above will be made available no later than two weeks prior to the general meeting at the Company's website (www.petrogrand.se). The documents will also be presented at the general meeting. Copies will immediately be sent at no cost to shareholders who so require and in connection therewith inform the Company of their postal address.

The Board and the CEO shall, at a shareholder's request and provided it can take place without incurring material damage to the Company, provide information about circumstances that may affect the assessment of an item on the agenda of the general meeting.

Stockholm, October 2015

Petrogrand AB (publ)

The Board of Directors

About Petrogrand

Petrogrand's overall business concept is to conduct oil production through acquired Russian subsidiaries and oil licenses. The company is also to manage and refine Russian oil resources and, when favorable, divest assets and licenses. The shares in Petrogrand are listed at Nasdaq First North Stockholm, an alternative market place (i.e. not a regulated market) and the company's Certified Adviser is Mangold Fondkommission AB. For more information visit our webpage www.petrogrand.se.

Certified Adviser First North: Mangold Fondkommission AB, phone: +46 8 503 01 550.