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## **Shelton Petroleum and Petrogrand signed agreement on directed issue of SEK 215 convertible debentures**

**14 June 2013, it was announced that the management of Shelton Petroleum AB ("Shelton Petroleum") and the management of Petrogrand AB ("Petrogrand") decided to enter into an agreement regarding two directed issues of convertible debentures with a combined amount of approximately SEK 215 million and a tenure to 31 December 2013. The Board of Directors of Shelton Petroleum and Petrogrand have today signed the agreement, which formally is subject to approval by extra shareholders' meetings in Shelton Petroleum and Petrogrand respectively.**

### **The convertible debentures**

The first convertible, which is unconditional, amounts to SEK 30 million and both Shelton Petroleum and Petrogrand can call for conversion at a conversion price of SEK 20. This convertible has a zero coupon rate and is intended to quickly progress Shelton Petroleum's operations through production increasing measures such as further drilling and fracking in the Rustamovskoye field among others.

The second convertible amounts to approximately SEK 185 and is conditional upon certain events. In addition to raising production, it is Shelton Petroleum's strategy and focus to expand. There are many attractive opportunities on the markets in Russia and Ukraine. Petrogrand can call for conversion at a conversion price of SEK 20 given that certain common activities, which are deemed to create substantial value in Shelton Petroleum, take place. The second convertible has a marked based coupon rate corresponding to the deposit rate.

At full conversion, Petrogrand's ownership in Shelton Petroleum will amount to 50 percent plus one share. Petrogrand has committed to distribute its shares in Shelton Petroleum to its shareholders by a Lex Asea dividend.

### **Background and reasons**

Shelton Petroleum has during the past few years gradually developed from a pure exploration company to become an oil producing company. Shelton Petroleum and Petrogrand's board judges that with external financing, Shelton Petroleum is continuing to develop its existing licenses in a shareholder positive direction. The proceeds from the issuance will be used mainly for expansion, growth of output in the producing fields and the acceleration of the development of other licenses in the portfolio including offshore fields.

Petrogrand's Board believes that the investment of a portion of Petrogrand's cash in Shelton Petroleum is industrially and financially attractive. The development and value add in Shelton Petroleum Petrogrand's due to the recapitalization is expected to increase Petrogrand shareholder value as the shareholders will own 50% plus one share of Shelton Petroleum.

### **Recommendations by the Board of Directors**

The Board of Directors of Shelton Petroleum and Petrogrand unanimously recommend their respective shareholders to vote in favour of the agreement at the respective extra shareholders' meetings.

### **Statements by shareholders**

Shareholders in Shelton Petroleum representing 25 percent have irrevocably committed themselves to vote in favour of the agreement at Shelton Petroleum's extra shareholders' meeting. Shareholders in Petrogrand representing 25 percent have irrevocably committed themselves to vote in favour of the agreement at Petrogrand's extra shareholders' meeting.

### **Extra shareholders' meetings**

The agreement is conditional upon the approval by extra shareholders' meetings in both Shelton Petroleum and Petrogrand. Notices to extra shareholders' meetings will be posted separately.

### **Advisors**

Advokatfirman Lindahl in Gothenburg as legal advisor to Petrogrand AB.

### **For further information, please contact:**

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Certified Adviser First North: Mangold Fondkommission AB

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These statements and assumptions are subject to a large number of risks and uncertainties. These, in their turn, comprise but are not limited to I) changes in the financial, legal and political environment of the countries in which Petrogrand conducts business, II) changes in the available geological information concerning the company's projects in operation, III) Petrogrand's capacity to continuously guarantee sufficient financing to perform their activities as a "going concern", IV) the success of all participants in the group, or of the various interested companies, joint ventures or secondary alliances, V) changes in currency exchange rates, in particular those relating to the RUB/USD rate. Due to the background of the many risks and uncertainties that exist for any oil-prospecting venture and oil production company in its initial stage, Petrogrand's actual future development may significantly deviate from that indicated in the company's informative statements.