



PETROGRAND

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Petrogrand AB's request for conversion of Convertible 2

The first convertible C1 was unconditioned and amounted to 30 million SEK, with maturity to 31 December 2013. Both parties had the right to request the conversion. C1 was aimed for investment in Shelton Petroleum operations in Russia. Shelton Petroleum acquired the funds and the investments have been implemented with good drilling results. C1 has since been converted to shares.

Petrogrand AB has requested the conversion of Convertible 2 of 185 249 280 SEK to 9 262 464 newly issued B-shares in Shelton Petroleum AB, as stated in press release per 9 December 2013.

The two companies have entered into an agreement dated 10 July 2013, which governs the transaction and how it will be implemented. There is a disagreement between the parties regarding Petrogrand's right to convert the Convertible 2, referring to the terms of the agreement of 10 July 2013.

Convertible 2 is an independent financial instrument and is as such not subject to the agreement of 10 July 2013. According to Petrogrand's opinion, there is no breach of the terms of the Convertible 2 and therefore Petrogrand has continued to request the conversion.

The current situation does not benefit the companies or its shareholders. The boards of Petrogrand and Shelton Petroleum are now conducting constructive negotiations and seek a common solution that is acceptable for both parties. The parties make the mutual assessment that an extensive solution can create significant value for both companies.

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.

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