

## **Report and Proposals of Lundin Petroleum AB's Nomination Committee for the 2012 Annual General Meeting of Shareholders**

The Nomination Committee of Lundin Petroleum AB (publ) (hereinafter "Lundin Petroleum" or the "Company") submits the following report for the Annual General Meeting of Lundin Petroleum to be held on 10 May 2012.

### **1. Formation of the Nomination Committee**

The Annual General Meeting of Lundin Petroleum held on 5 May 2011 resolved that the following principles shall apply for the nomination process for the 2012 Annual General Meeting.

The Chairman of the Board of Directors shall invite three or four of the Company's larger shareholders to form a Nomination Committee based on shareholdings as per 1 August 2011. The names of the members of the Nomination Committee shall be announced not later than six months prior to the 2012 Annual General Meeting. If the shareholding in the Company changes significantly before the Nomination Committee's work is completed, a change in the composition of the Nomination Committee may take place. The Nomination Committee shall remain in office until a new Nomination Committee has been appointed. The Nomination Committee shall appoint its Chairman within the Nomination Committee.

The Nomination Committee shall prepare the following proposals for resolutions to the 2012 Annual General Meeting:

- (i) proposal for Chairman of the meeting;
- (ii) proposal for members of the Board of Directors;
- (iii) proposal for Chairman of the Board of Directors;
- (iv) proposal for remuneration of the members of the Board of Directors, distinguishing between the Chairman and the other members of the Board of Directors and remuneration for Committee work;
- (v) proposal for election of auditors (when needed);
- (vi) proposal for remuneration of the Company's auditors; and
- (vii) proposal for the principles of the nomination process for the 2013 Annual General Meeting.

On 21 October 2011, the Nomination Committee for the 2012 Annual General Meeting was formed with the following members: Ian H. Lundin (Chairman of the Board of Directors, representing Lorito Holdings (Guernsey) Ltd., Zebra Holdings and Investment (Guernsey) Ltd. and Landor Participations Inc.), Magnus Unger (member of the Board of Directors), Kerstin Stenberg (representing Swedbank Robur fonder), Ulrika Danielson (representing Andra AP-fonden) and Anders Algotsson (representing AFA Försäkring). The Nomination Committee represented as per 1 August 2011 approximately 38.2 percent of the shares in Lundin Petroleum. The Nomination Committee meets the independence requirements of the Swedish Code of Corporate Governance (hereinafter the "Code").

Magnus Unger was appointed Chairman of the Nomination Committee at the first meeting, which constitutes a deviation from rule 2.4 of the Code as a member of the Board of Director shall according to this Code rule not act as Chairman of the Nomination Committee. The members of the Nomination Committee felt that it was justified that Ian H. Lundin be appointed Chairman in light of the Lundin family's

large shareholdings in the Company. Ian H. Lundin gratefully acknowledged this confidence but proposed that Magnus Unger be appointed Chairman instead as he has been for several years responsible for these types of issues within the Board of Directors and at Annual General Meetings, and as his closer connections to Sweden would facilitate the work of the Nomination Committee. For the same reasons, Magnus Unger has served as Chairman of Lundin Petroleum's Nomination Committees for the Annual General Meetings as of 2006 up to 2011.

The formation of the Nomination Committee was announced through a press release issued on 24 October 2011. The press release contained information on how shareholders could submit proposals to the Nomination Committee. No such proposals were received.

## **2. The work of the Nomination Committee**

The Nomination Committee met on three occasions and had informal contacts in between the meetings. The Nomination Committee received a report on the work of the Board of Directors, as well as the results of an evaluation of the Board of Directors' work carried out by the Chairman of the Board of Directors. In addition, a comparison of directors' fees in Europe was undertaken by Chairman of the Nomination Committee and the findings thereof were presented to the full Committee.

Committee members representing shareholders independent of the major shareholders of Lundin Petroleum (Kerstin Stenberg and Ulrika Danielson) also held meetings per telephone with two current Board members, Asbjørn Larsen and Kristin Færøvik, to discuss the work and functioning of the Board of Directors. Ian H. Lundin and Magnus Unger were not present at these meetings.

## **3. Reasoned statement regarding the proposal for election of the Board of Directors**

The Nomination Committee proposes that seven members of the Board of Directors be elected at the 2012 Annual General Meeting. The current number is eight, however, the Nomination Committee notes that Dambisa F. Moyo has advised the Company that due to her other work and time commitments, she does not wish to stand for re-election at the 2012 Annual General Meeting. Prior to the 2011 Annual General Meeting, the number of members of the Board of Directors was seven and the Nomination Committee considers that seven members is sufficient and appropriate for the Company's Board of Directors.

The Nomination Committee therefore proposes the re-election of all current members of the Board of Directors, with the exception of Dambisa F. Moyo, being Ian H. Lundin, William A. Rand, Magnus Unger, Lukas H. Lundin, C. Ashley Heppenstall, Asbjørn Larsen and Kristin Færøvik. The Nomination Committee further proposes the re-election of Ian H. Lundin as Chairman of the Board of Directors and that no deputy members be elected.

It is the opinion of the Nomination Committee that, taking into consideration the business operations of Lundin Petroleum, its current phase of development, and circumstances generally, the proposed Board of Directors is composed of multi-faceted individuals who are well-suited for the job and whose expertise, experience and background is extensive and the Board fulfils the requirements regarding independence in relation to the Company, Group management and the Company's major shareholders (see further below). Further information regarding the proposed members of the Board of Directors is included in [Annex 1](#).

#### **4. Remuneration of the members of the Board of Directors, the Chairman of the Board of Directors and remuneration for Committee work**

The fees of the Board of Directors, the Chairman of the Board of Directors and fees for Committee work have remained unchanged since the 2007 AGM. Based on a review of the remuneration practices of other companies, the Nomination Committee considers that it is reasonable to increase the fees to reflect current market practice, given the size and nature of Lundin Petroleum's business. The Nomination Committee therefore proposes that the remuneration of the members of the Board of Directors, the Chairman of the Board of Directors and fees for Committee work and Committee Chairmen, be as follows:

- (i) annual fees of the members of the Board of Directors to be increased from SEK 400,000 to SEK 450,000 (excluding the Chief Executive Officer C. Ashley Heppenstall);
- (ii) annual fees of the Chairman of the Board of Directors to be increased from SEK 800,000 to SEK 1,000,000;
- (iii) annual fees for Committee members to remain unchanged at SEK 100,000 per Committee assignment (other than the Reserves Committee for which no fee is to be paid); and
- (iv) annual fees for Committee Chairmen to be increased from SEK 100,000 to SEK 150,000 (other than the Reserves Committee for which no fee is to be paid).

#### **5. Independence of the members of the Board of Directors**

According to the Code, a majority of the members of the Board of Directors elected by the shareholders' meeting are to be independent of the Company and Group management. In addition, at least two of the members of the Board of Directors who are independent of the Company and Group management are also to be independent of the Company's major shareholders.

It is the opinion of the Nomination Committee that all of the proposed members of the Board of Directors, with the exception of the Chief Executive Officer C. Ashley Heppenstall, shall be considered independent of the Company and Group management. In the opinion of the Nomination Committee, the fact that Ian H. Lundin has received fees for special assignments outside the directorship does not entail that he shall be considered non-independent of the Company and Group management.

With respect to independence of the Company's major shareholders, it is the opinion of the Nomination Committee that William A. Rand and C. Ashley Heppenstall shall not be deemed to be independent of the Company's major shareholders who are represented on the Board of Directors by Ian H. Lundin and Lukas H. Lundin. The reason for this assessment is that William A. Rand serves on the Board of Directors of a number of listed companies in which entities associated with the Lundin family are significant shareholders. C. Ashley Heppenstall is, in addition to his position as Chief Executive Officer of the Company, also a member of the Board of two other companies in which entities associated with the Lundin family are significant shareholders. It is the opinion of the Nomination Committee that Magnus Unger, Asbjørn Larsen and Kristin Færøvik are independent of the Company's major shareholders.

## **6. Election of auditor and auditor's fees**

The Nomination Committee noted that PricewaterhouseCoopers AB, with authorised public accountant Bo Hjalmarsson as the auditor in charge, was elected at the 2009 Annual General Meeting for a term of four years and that no election of auditor is therefore required at the 2012 Annual General Meeting.

The Nomination Committee proposes that, as in previous years, the payment of auditor's fees shall be made upon approval of their invoice.

## **7. Nomination Committee Process for the 2013 Annual General Meeting**

Following a review of current Swedish practice and for improved corporate governance, the Nomination Committee proposes that the nomination procedure for the 2013 Annual General Meeting shall follow the Nomination Committee Process attached hereto in Annex 2.

---

## **The Nomination Committee's complete proposal for resolutions by the 2012 Annual General Meeting of Lundin Petroleum AB (publ)**

- The Chairman of the Board Ian H. Lundin to be appointed as Chairman of the Annual General Meeting.
- Seven members of the Board of Directors to be appointed without deputy members.
- Re-election of Ian H. Lundin, William A. Rand, Magnus Unger, Lukas H. Lundin, C. Ashley Heppenstall, Asbjørn Larsen and Kristin Færøvik as members of the Board of Directors. Dambisa F. Moyo has declined re-election.
- Re-election of Ian H. Lundin as Chairman of the Board of Directors.
- Remuneration of the members of the Board of Directors and the Chairman of the Board of Directors, including in respect of Committee membership, to be as follows: (i) annual fees of the members of the Board of Directors of SEK 450,000 (excluding the Chief Executive Officer C. Ashley Heppenstall); (ii) annual fees of the Chairman of the Board of Directors of SEK 1,000,000; (iii) annual fees for Committee members of SEK 100,000 per Committee assignment (other than the Reserves Committee for which no fee is to be paid); and (iv) annual fees for Committee Chairmen of SEK 150,000 (other than the Reserves Committee for which no fee is to be paid); with the total fees for Committee work, including Committee Chairmen fees, not to exceed SEK 800,000.
- The registered accounting firm PricewaterhouseCoopers AB, with authorised public accountant Bo Hjalmarsson as the auditor in charge, was elected at the 2009 Annual General Meeting as the auditor for a term of four years and therefore no election of auditor is required at the 2012 Annual General Meeting.
- The auditor's fees shall be payable upon approval of their invoice.
- The nomination procedure for the 2013 Annual General Meeting shall follow the Nomination Committee Process (described in [Annex 2](#)).

Stockholm, March 2012

*Magnus Unger*  
*Chairman*

*Ian H. Lundin*

*Kerstin Stenberg*

*Ulrika Danielson*

*Anders Algotsson*

Annex 1 – Report and Proposals of Lundin Petroleum AB’s Nomination Committee for the 2012 AGM

Information about the proposed members of the Board of Directors of Lundin Petroleum AB for the 2012 Annual General Meeting

<b>Name</b>	<b>Ian H. Lundin</b>	<b>C. Ashley Heppenstall</b>	<b>Asbjørn Larsen</b>	<b>Lukas H. Lundin</b>	<b>William A. Rand</b>	<b>Magnus Unger</b>	<b>Kristin Færøvik</b>
<b>Function</b>	Chairman (since 2002)	President and CEO, Director	Director	Director	Director	Director	Director
<b>Elected</b>	2001	2001	2008	2001	2001	2001	2011
<b>Born</b>	1960	1962	1936	1958	1942	1942	1962
<b>Education</b>	Bachelor of Science degree in Petroleum Engineering from the University of Tulsa.	Bachelor of Science degree in Mathematics from the University of Durham.	Norwegian School of Economics and Business Administration (NHH).	Graduate from the New Mexico Institute of Mining, Technology and Engineering.	Commerce degree (Honours Economics) from McGill University, Law degree from Dalhousie University, Master of Laws degree in International Law from the London School of Economics and Doctorate of Laws from Dalhousie University (Hon.).	MBA from the Stockholm School of Economics.	Master of Science degree in Petroleum Engineering from the University of Trondheim.
<b>Experience</b>	Ian H. Lundin was previously CEO of International Petroleum Corp during 1989–1998, of Lundin Oil AB during 1998–2001 and of Lundin Petroleum during 2001–2002.	C. Ashley Heppenstall was previously CFO of Lundin Oil AB during 1998–2001 and of Lundin Petroleum during 2001–2002.	Asbjørn Larsen was CFO of Saga Petroleum during 1978–1979 and President and CEO during 1979–1998.	Lukas H. Lundin has held several key positions within companies where the Lundin family has a major shareholding.	William A. Rand practised law in Canada until 1992, after which he co-founded an investment company and pursued private business interests.	Magnus Unger was an Executive Vice President within the Atlas Copco group during 1988–1992.	Kristin Færøvik is currently the Executive Vice President Offshore of Bergen Group. She worked with Marathon Petroleum Company 2003–2010 and with BP 1986 - 2003.
<b>Other board duties</b>	Chairman of the board of Etrion Corporation and Bukowski Auktioner AB.	Member of the board of Etrion Corporation, Vostok Nafta Investment Ltd. and Gateway Storage Company Limited.	Vice chairman of the board of Saga Fjordbase AS, member of the board of Selvaag Gruppen AS, GreenStream Network Oyj, The Montebello Cancer Rehabilitation Foundation and The Tom Wilhelmsen Foundation.	Chairman of the board of Lundin Mining Corp., Vostok Nafta Investment Ltd., Denison Mines Corp., Lucara Diamond Corp., NGEx Resources Inc., Sirocco Mining Inc. and Lundin Foundation, member of the board of	Member of the board of Lundin Mining Corp., Vostok Nafta Investment Ltd., Denison Mines Corp., New West Energy Services Inc. and NGEx Resources Inc.	Chairman of the board of CAL-Konsult AB and member of the board of Black Earth Farming Ltd.	None.

## Annex 1 – Report and Proposals of Lundin Petroleum AB’s Nomination Committee for the 2012 AGM

<b>Name</b>	<b>Ian H. Lundin</b>	<b>C. Ashley Heppenstall</b>	<b>Asbjørn Larsen</b>	<b>Lukas H. Lundin</b>	<b>William A. Rand</b>	<b>Magnus Unger</b>	<b>Kristin Færøvik</b>
				Fortress Minerals Corp. and Bukowski Auktioner AB.			
<b>Shares in Lundin Petroleum (as at 31 December 2011)</b>	Nil <sup>1</sup>	1,391,283	12,000	788,331 <sup>4</sup>	120,441	50,000	9,000
<b>Independent of the Company and the Group management</b>	Yes <sup>2</sup>	No <sup>3</sup>	Yes	Yes	Yes	Yes	Yes
<b>Independent of the Company’s major shareholders</b>	No <sup>1</sup>	No <sup>3</sup>	Yes	No <sup>4</sup>	No <sup>5</sup>	Yes	Yes

<sup>1</sup> Ian H. Lundin is the settler of a trust that owns Landor Participations Inc., an investment company that holds 11,538,956 shares in the Company, and is a member of the Lundin family that holds, through a family trust, Lorito Holdings (Guernsey) Ltd. which holds 76,342,895 shares in the Company and Zebra Holdings and Investment (Guernsey) Ltd. which holds 10,844,643 shares in the Company.

<sup>2</sup> Ian H. Lundin has been regularly retained by management to perform remunerated work duties which fall outside the scope of the regular work of the Board. It is the Nomination Committee’s and the Company’s opinion that despite his work, he remains independent of the Company and the Group management.

<sup>3</sup> C. Ashley Heppenstall is in the Nomination Committee’s and the Company’s opinion not deemed independent of the Company and the Group management since he is the President & CEO of Lundin Petroleum and not of the Company’s major shareholders since he holds directorships in two companies in which entities associated with the Lundin family hold ten percent or more of the share capital and voting rights.

<sup>4</sup> Lukas H. Lundin is a member of the Lundin family that holds, through a family trust, Lorito Holdings (Guernsey) Ltd. which holds 76,342,895 shares in the Company and Zebra Holdings and Investment (Guernsey) Ltd. which holds 10,844,643 shares in the Company.

<sup>5</sup> William A. Rand is in the Nomination Committee’s and the Company’s opinion not deemed independent of the Company’s major shareholders since he holds directorships in companies in which entities associated with the Lundin family hold ten percent or more of the share capital and voting rights.

## **LUNDIN PETROLEUM AB**

### **NOMINATION COMMITTEE PROCESS**

#### **1. General**

- 1.1 As per the Swedish Code of Corporate Governance (Code of Governance), Lundin Petroleum AB (publ) (the Company) shall each year appoint a Nomination Committee which shall have as its sole task to propose decisions to the Annual General Meeting (AGM) on electoral and remuneration issues, and procedural issue for the appointment of the Nomination Committee for the following year.
- 1.2 The AGM shall either appoint the members of the Nomination Committee or specify how they are to be appointed. This Nomination Committee Process shall be submitted each year to the AGM to specify how the Nomination Committee for the AGM of the following year is to be appointed and to instruct the Nomination Committee on how it is to conduct its work.
- 1.3 References herein to AGMs shall apply *mutatis mutandis* to Extraordinary General Meetings where elections of the Board of Directors and/or the auditor are to take place.

#### **2. Appointment of the Nomination Committee**

- 2.1 The Chairman of the Board of Directors shall invite three or four of the larger shareholders of the Company based on shareholdings as per 1 August of each year, provided such larger shareholders agree to participate, to form a Nomination Committee for the AGM of the following year. The Chairman of the Board of Directors shall also be a member of the Nomination Committee. External members not representing a larger shareholder may also be invited to join the Nomination Committee to assist in and facilitate the work of the Nomination Committee.
- 2.2 The names of the members of the Nomination Committee shall be published on the Company's website no later than six months prior to the AGM of the following year. The names of the shareholders that the members represent, if applicable, shall be included in the announcement, as well as information on how shareholders may submit recommendations to the Nomination Committee.
- 2.3 The mandate period of a Nomination Committee commences on the date its composition has been published as per article 2.2 and continues until the publication of the composition of the Nomination Committee for the following AGM.
- 2.4 The Chairman of the Board of Directors shall convene the first meeting of each Nomination Committee, which is to be held in good time before the announcement of the composition of the Nomination Committee as per

article 2.2. The Nomination Committee shall appoint a Chairman at the first meeting.

- 2.5 If the shareholding in the Company changes significantly before the Nomination Committee's work has been completed, or if a member leaves the Nomination Committee before its work has been completed, a change in the composition of the Nomination Committee may take place. If the Nomination Committee then consists of representatives of less than three of the larger shareholders of the Company, the Chairman of the Board shall invite another larger shareholder to join the Nomination Committee. If a member ceases to be a representative of a larger shareholder, due to termination of employment or similar, that larger shareholder may appoint another person to replace such member of the Nomination Committee. Information about changes to the composition of the Nomination Committee, as well as information about new members and the larger shareholders that they represent, if applicable, shall be published on the Company's website as soon as possible after a change has occurred.

### **3. Duties of the Nomination Committee**

- 3.1 The Nomination Committee shall prepare proposals for the following resolutions to the AGM:
- (i) Chairman of the AGM;
  - (ii) number of members of the Board of Directors;
  - (iii) members of the Board of Directors;
  - (iv) Chairman of the Board of Directors;
  - (v) remuneration of the members of the Board of Directors, distinguishing between the Chairman and other members and remuneration for Board Committee work;
  - (vi) election of auditor of the Company (when needed);
  - (vii) remuneration of the Company's auditor; and
  - (viii) Nomination Committee Process for the AGM of the following year.
- 3.2 The proposals of the Nomination Committee shall be presented to the Company in a written report in general at least eight weeks before the AGM to ensure the proposals can be duly included in the notice of the AGM. The Nomination Committee report shall in addition be posted on the Company's website at the same time as the notice of the AGM is issued.
- 3.3 As a basis for its proposals regarding the members of the Board of Directors, the Nomination Committee shall consider the requirements set forth in the Code of Governance to ensure that the Company's Board of Directors has a size and composition that enables it to manage the Company's affairs efficiently and with integrity.

3.4 In its written report, the Nomination Committee shall include a description of its work and considerations, as well as explanations regarding its proposals, in particular in respect of the following requirements regarding the composition of the Board of Directors:

- (i) candidates' age, principal education and work experience;
- (ii) any work performed by the candidates for the Company and other significant professional commitments;
- (iii) candidates' holdings of shares and other financial instruments in the Company and any such holdings owned by candidates' related natural or legal persons;
- (iv) whether the Nomination Committee deems the candidates to be independent of the Company and Group management, as well as of major shareholders of the Company;
- (v) in case of re-election, the year that the candidates were first elected to the Board of Directors; and
- (vi) other information that could be of importance to shareholders to assess the candidates' expertise and independence.

3.5 If an election for auditor shall take place at the AGM, the proposal of the Nomination Committee shall be based on a report to be prepared by the Company's Audit Committee, which report shall include an assessment of the independence and impartiality of the proposed auditor, as well as of the implications of services provided to the Company by the proposed auditor outside the scope of general audit work, if applicable.

3.6 The Nomination Committee shall at each AGM give an account of its work and present its proposals for resolutions at the AGM. All members of the Nomination Committee shall endeavour to be present at each AGM.

#### **4. Meetings of the Nomination Committee**

4.1 The Nomination Committee shall meet as often as is required for the performance of its duties. A notice of a meeting shall be circulated by the Chairman of the Nomination Committee in good time before each meeting, except as provided in article 2.4 in respect of the first meeting of each Nomination Committee. Any member of the Nomination Committee may reasonably request at any time during the mandate period that a meeting be convened and the Chairman shall comply with such reasonable requests.

4.2 The Nomination Committee shall be quorate if more than half of the members are present.

4.3 The Nomination Committee shall endeavour to reach unanimous decisions in all matters to be proposed to the AGM. If a unanimous decision cannot be reached, the Nomination Committee shall present to the AGM the

proposals approved by a majority of the members of the Nomination Committee and dissenting members may present their own proposals individually or jointly with other members of the Committee.

- 4.4 Meetings of the Nomination Committee shall be minuted and the minutes shall be signed by the person keeping the minutes and shall be attested by the Chairman and another member appointed by the Nomination Committee. If the Chairman has been assigned to keep the minutes, the minutes shall be attested by two other members appointed by the Nomination Committee.

## **5. Other**

- 5.1 All information which is provided to the members of the Nomination Committee by the Company and/or candidates, or which information the Nomination Committee members otherwise receive within the scope of their duties as Nomination Committee members, shall be treated as confidential and may not be disclosed to third parties without the prior approval of the Company.
- 5.2 No remuneration shall be paid to the members of the Nomination Committee. The Company may however cover reasonable out of pocket expenses that the members may occur in relation to work performed for the Nomination Committee.
- 5.3 The Nomination Committee shall yearly assess this Nomination Committee Process and shall propose changes to it to the AGM, as appropriate.