

6 April 2011

Documents for the AGM in

**LUNDIN PETROLEUM AB (publ)**

Thursday 5 May 2011

**AGENDA**  
**for the AGM in**  
**LUNDIN PETROLEUM AB (publ)**

1. Opening of the meeting.
2. Election of Chairman of the meeting.
3. Preparation and approval of the voting register.
4. Approval of the agenda.
5. Election of one or two persons to approve the minutes.
6. Determination as to whether the meeting has been duly convened.
7. Speech by the Chief Executive Officer.
8. Presentation of the annual report and the auditors' report, the consolidated financial statements and the auditors' Group report.
9. Resolution in respect of adoption of the income statement and the balance sheet and the consolidated income statement and consolidated balance sheet.
10. Resolution in respect of appropriation of the Company's result according to the adopted balance sheet.
11. Resolution in respect of discharge from liability of the members of the Board and the Chief Executive Officer.
12. Presentation by the Nomination Committee:
  - The work of the Nomination Committee
  - Proposal for election of Chairman of the Board and other members of the Board
  - Proposal for remuneration of the Chairman and other members of the Board
  - Proposal for remuneration of the auditors
13. Resolution in respect of the number of members of the Board to be elected at the meeting.
14. Resolution in respect of remuneration of the Chairman and other members of the Board.
15. Election of Chairman of the Board and of other members of the Board.
16. Resolution in respect of remuneration of the auditors.
17. Presentation of proposals in relation to:
  - The 2011 Policy on Remuneration for the Executive Management
  - Remuneration of Board members for special assignments outside the directorship
  - Authorization of the Board to resolve new issue of shares and convertible debentures
  - Authorization of the Board to resolve repurchase and sale of shares
18. Resolution in respect of the 2011 Policy on Remuneration for the Executive Management.

19. Resolution in respect of remuneration of Board members for special assignments outside the directorship.
20. Resolution to authorize the Board to resolve new issue of shares and convertible debentures.
21. Resolution to authorize the Board to resolve repurchase and sale of shares.
22. Resolution regarding the nomination process for the AGM in 2012.
23. Other matters.
24. Closing of the meeting.

# **Proposals for resolutions to be presented at the AGM in Lundin Petroleum AB (publ) Thursday 5 May 2011**

## ***Resolution in respect of appropriation of the Company's result (item 10)***

The Board of Directors proposes that no dividend is declared for the financial year 2010.

## ***Resolutions in respect of Chairman of the meeting, number of Board members, fees payable to the Board members and auditors and election of Chairman of the Board and of other members of the Board (items 2 and 13-16)***

Lundin Petroleum AB's Nomination Committee, consisting of Ian H. Lundin (appointed by Lorito Holdings (Guernsey) Ltd., Landor Participations Inc. and Zebra Holdings and Investment (Guernsey) Ltd. and Chairman of the Board of Directors), Magnus Unger (Member of the Board of Directors and Chairman of the Nomination Committee), KG Lindvall (appointed by Swedbank Robur fonder), Anders Algotsson (appointed by AFA Försäkring) and Ossian Ekdahl (appointed by Första AP-fonden), jointly representing approximately 39 per cent of the voting rights for all the shares in Lundin Petroleum AB, proposes the following:

- Election of Ian H. Lundin as Chairman of the meeting.
- Election of eight members of the Board of Directors with no deputy members.
- Re-election of the members of the Board Ian. H. Lundin, Magnus Unger, William A. Rand, Lukas H. Lundin, C. Ashley Heppenstall, Dambisa F. Moyo and Asbjørn Larsen and election of Kristin Færøvik as a new member of the Board. Kristin Færøvik is currently the Executive Vice President Offshore of Bergen Group. Before joining Bergen Group in 2010, she was associated with Marathon Petroleum Company since 2003, where she held several positions, including the position of Managing Director of Marathon Petroleum Company (Norway). She also has extensive international experience from various senior positions within BP. Kristin Færøvik holds a Master of Science degree in Petroleum Engineering from the University of Trondheim (formerly NTH).
- Re-election of Ian H. Lundin as Chairman of the Board of Directors.
- A total compensation to the Board of Directors of SEK 4.2 million to be divided as follows. SEK 800'000 to the Chairman, SEK 400'000 to other members of the Board except the Chief Executive Officer C. Ashley Heppenstall and SEK 100'000 for each assignment in the Committees of the Board of Directors (in total not more than SEK 1'000'000 for committee work).
- Payment of auditors' fees upon approval of their invoice.

***Resolution in respect of the 2011 Policy on Remuneration for the Executive Management (item 18)***

The Board of Directors' proposal for the 2011 Policy on Remuneration for Lundin Petroleum's Executive Management entails that it is the aim of Lundin Petroleum to recruit, motivate and retain high calibre Executives capable of achieving the objectives of the Group, and to encourage and appropriately reward performance in a manner that enhances shareholder value. Accordingly, the Group operates a Policy on Remuneration which ensures that there is a clear link to business strategy and a close alignment with shareholder interests and current best practice, and aims to ensure that the Executive Management is rewarded fairly for its contribution to the Group's performance.

During 2010, new rules regarding management remuneration were introduced in Sweden following the introduction of a revised Code of Corporate Governance (Code of Governance). In light of these changes, the Compensation Committee considered the implications of the new rules on the content and scope of the Policy on Remuneration. Based on its review, the Compensation Committee concluded that the Policy remains in compliance with the rules of the Code of Governance and that no changes to the content of the Policy, as a result of the new rules, are required.

In connection with this review, the Compensation Committee also considered the Company's internal decision-making processes. Since 2009, when Lundin Petroleum's Investment Committee was established, all major management decisions regarding the worldwide operations and the financial position of the Company are submitted for consideration and approval to the Investment Committee, which consists of the President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Senior Vice President Operations. Considering this development, the Compensation Committee determined that the Executive Management of the Company, to which the Company's Policy on Remuneration shall be applicable, shall be the members of the Investment Committee.

There are four key elements to the remuneration package of Executive Management in the Group: a) Basic salary; b) Yearly variable salary; c) Long-term Incentive Plan (LTIP); and d) Other benefits. The yearly variable salary shall in the normal course of business be within the range of 1 - 12 monthly salaries, however the Compensation Committee may recommend to the Board of Directors for approval yearly variable salary outside of this range in circumstances or in respect of performance which the Compensation Committee considers to be exceptional. The LTIP for Executive Management was approved by the 2009 AGM and the Board's proposal for the 2011 Policy on Remuneration does not include any new LTIP for the Executive Management.

Please refer to [attachment 1](#) for the Policy on Remuneration.

***Remuneration of Board members for special assignments outside the directorship (item 19)***

Shareholders jointly representing approximately 30 per cent of the voting rights for all the shares in the Company propose that an amount of not more than SEK 2.5 million in total be

available for remuneration of Board members for special assignments outside the directorship.

***Authorization to resolve new issue of shares and convertible debentures (item 20)***

The Board of Directors proposes that the Board is authorized to decide, at one or more occasions until the next Annual General Meeting:

- (i) to issue new shares with consideration in cash or in kind or by set-off or otherwise with conditions and thereby be able to resolve to disapply the shareholders pre-emption rights. To the extent the new shares are issued with disapplication of the shareholders pre-emption rights they shall be issued at a subscription price that closely corresponds to the market price of the shares at the time of the issue; and
- (ii) to issue convertible debentures with consideration in cash or in kind or by set-off or otherwise with conditions and thereby be able to resolve to disapply the shareholders pre-emption rights. To the extent the convertible debentures are issued with disapplication of the shareholders pre-emption rights they shall be issued at a subscription price that closely corresponds to market value based on the market price of the shares at the time of the issue of the convertible debentures.

The reason for disapplying the shareholders' pre-emption rights is to enable Lundin Petroleum to make business acquisitions or other major investments. The total number of shares that can be issued based on the authorization may not exceed 35'000'000. If the authorization is exercised in full, the newly issued shares would constitute approximately ten per cent of the share capital.

***Authorization to resolve repurchase and sale of shares (item 21)***

The Board of Directors proposes that the Board is authorized, during the period until the next Annual General Meeting, to decide on repurchases and sales of Lundin Petroleum shares on the NASDAQ OMX Stockholm Exchange or the Toronto Stock Exchange (the "Exchanges"). The maximum number of shares repurchased shall be such that shares held in treasury from time to time do not exceed five per cent of all shares of the Company. Repurchase of shares on the Exchanges may take place only at a price within the spread between the highest bid price and lowest ask price as registered from time to time on the Exchanges. The repurchases shall be made in accordance with the provisions concerning the purchase of a company's own shares under applicable stock exchange rules and regulations.

The purpose of the authorization is to provide the Board of Directors with an instrument to optimize Lundin Petroleum's capital structure and thereby create added value for the shareholders and to secure Lundin Petroleum's obligations under its incentive plans. The authorization shall also include the right to secure the obligations under the incentive plans by the acquisition of derivatives. Repurchased shares may not be transferred to employees.

Based on the annual report, the consolidated financial statements and other information which has become known, the Board of Lundin Petroleum AB has considered all aspects of the Company's and the Group's financial position. This evaluation has led the Board to the conclusion that a repurchase of shares in accordance with the authorization is justifiable, in view of the requirements that the nature and scope of, and risks involved in the Company's operations place on the size of the Company's and Group's equity, as well as its consolidation needs, liquidity and position in other respects.

***Resolution regarding the nomination process for the AGM in 2012 (item 22)***

The Nomination Committee proposes that the Annual General Meeting decides that the nomination process for the Annual General Meeting in 2012 shall follow the same procedure as the current year, meaning that the Chairman of the Board shall invite three or four of the larger shareholders of the Company based on the shareholdings as per 1 August 2011 to form a Nomination Committee. The names of the members of the Nomination Committee shall be announced not later than six months prior to the Annual General Meeting in 2012. If the shareholding in the Company is significantly changed before the Nomination Committee's work is 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. 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 Annual General Meeting in 2012: (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 other members of the Board and remuneration for Committee work; (v) proposal for election of auditors of the Company (when needed), (vi) proposal for remuneration of the Company's auditors; and (vii) proposal for principles of the nomination process for the AGM in 2013.

Stockholm in April 2011  
LUNDIN PETROLEUM AB (publ)  
*The Board of Directors*

## **LUNDIN PETROLEUM AB'S 2011 POLICY ON REMUNERATION FOR THE EXECUTIVE MANAGEMENT**

### **Application and Objectives of the Policy**

In this Policy on Remuneration, the terms "Executive Management" or "Executives" refers to the President and Chief Executive Officer (CEO), the Executive Vice President and Chief Operating Officer, the Vice President Finance and Chief Financial Officer, and the Senior Vice President Operations.

It is the aim of Lundin Petroleum to recruit, motivate and retain high calibre Executives capable of achieving the objectives of the Group, and to encourage and appropriately reward performance in a manner that enhances shareholder value. Accordingly, the Group operates this Policy on Remuneration to ensure that there is a clear link to business strategy and a close alignment with shareholder interests and current best practice, and aims to ensure that the Executive Management is rewarded fairly for its contribution to the Group's performance.

### **Compensation Committee**

The Board of Directors of Lundin Petroleum has established the Compensation Committee to, among other things, administer this Policy on Remuneration. The Compensation Committee is to receive information and prepare the Board of Directors' and the Annual General Meeting's decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of the Executive Management. The Compensation Committee meets regularly and its tasks include monitoring and evaluating programmes for variable remuneration for the Executive Management and the application of this Policy on Remuneration, as well as the current remuneration structures and levels in the Company.

### **Elements of Remuneration**

There are four key elements to the remuneration of Executive Management:

- a) basic salary;
- b) yearly variable salary;
- c) long-term incentive plan; and
- d) other benefits.

### **Basic Salary**

The Executive's basic salary shall be based on market conditions, shall be competitive and shall take into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the Executive. The Executive's basic salary, as well as the other elements of the Executive's remuneration, shall be reviewed annually to ensure that such remuneration remains competitive and in line with market conditions. As

part of this assessment process, the Company, as well as the Compensation Committee, periodically undertakes benchmarking comparisons in respect of its remuneration policy and practices. In such circumstances, the comparator group is chosen with regard to:

- a) companies both within and outside the oil and gas industry;
- b) the size of the company (turnover, profits and employee numbers);
- c) the diversity and complexity of the company's business;
- d) the geographical nature of the company's business; and
- e) the company's growth, expansion and change profile.

The advice and assistance of specialised consultants may be requested in connection with these comparisons and the Compensation Committee shall ensure that there is no conflict of interest regarding other assignments such consultants may have for the Company and the Executive Management.

### **Yearly variable salary**

The Company considers that yearly variable salary is an important part of the Executive's remuneration package where associated performance targets reflect the key drivers for value creation and growth in shareholder value. Through its Performance Management Process, the Company sets predetermined and measurable performance criteria for each Executive, aimed at promoting long term value creation for the Company's shareholders.

At the end of each year, the CEO will make a recommendation to the Compensation Committee regarding the payment of the yearly variable salary to the other Executives based upon the achievement of their respective performance criteria. After consideration of the CEO's recommendations, the Compensation Committee will recommend to the Board of Directors for approval the level of the yearly variable salary of the CEO and of the other Executives.

The yearly variable salary shall, in the normal course of business, be based upon a predetermined limit, being within the range of 1 - 12 monthly salaries. However, the Compensation Committee may recommend to the Board of Directors for approval yearly variable salary outside of this range in circumstances or in respect of performance which the Compensation Committee considers to be exceptional.

### **Long-term Incentive Plan**

The Company believes that it is appropriate to structure the long-term incentive plan (LTIP) to align Executive Management's incentives with shareholder interests. Therefore, the Company's LTIP for Executive Management is an incentive plan related to the Company's share price.

The LTIP for Executive Management approved by the 2009 AGM provided for the issuance by Lundin Petroleum of phantom options exercisable after 13 May 2014, being five years from the date of grant. The exercise of these options does not entitle the recipient to acquire shares of Lundin Petroleum, but to receive a cash payment based on the appreciation of the market value of such shares.

The Executives were granted phantom options with an exercise price equal to 110 per cent of the average of the closing prices of the Company's shares on the NASDAQ OMX Stockholm for the ten trading days immediately following the 2009 AGM. In accordance with the terms of the 2009 LTIP, the exercise price was adjusted in connection with the distribution by Lundin Petroleum to its shareholders of shares of EnQuest plc and Etrion Corporation, and such adjusted exercise price is equal to SEK 52.91. The total number of phantom options granted to Executive Management is 5,500,928, following adjustments in connection with such distributions of shares of EnQuest plc and Etrion Corporation.

Such options will vest on 13 May 2014, being the fifth anniversary of the date of grant. The Executive will be entitled to receive a cash payment equal to the average closing price of Lundin Petroleum's shares during the fifth year following grant, less the exercise price, multiplied by the number of options then held by the Executive. Payment of the award under these phantom options will occur in two equal instalments: (i) first on the date immediately following the fifth anniversary of the date of grant (May 2014), and (ii) second on the date which is one year following the date of the first payment (May 2015).

No Executive who received an award of phantom options will be eligible for a grant of awards under the Company's unit bonus plan during the five year vesting period of the phantom options.

If the recipient of an award of phantom options resigns from the Group or if the recipient's employment is terminated for cause or similar during the five year vesting period, the award of phantom options will immediately terminate. If the recipient's employment is terminated for any other reason during such period, the award of phantom options will vest and become immediately payable, based on the average closing price of Lundin Petroleum's shares during the 90 day period prior to such termination. If a third party acquires more than 50 per cent of the then outstanding Lundin Petroleum shares, the award of phantom options will vest and become immediately payable based on the value per Lundin Petroleum share paid by such third party.

From an accounting perspective the 2009 LTIP for Executive Management is regarded as compensation for services provided and will, under IFRS 2, result in accounting costs which will be distributed over the five year vesting period. Lundin Petroleum's liability under the LTIP will be measured at fair market value and will be revalued at each reporting period. The changes in value will be recognized in the income statement over the five year period so that the accumulated cost over the period corresponds to the value of the LTIP on the final date.

#### **Other Benefits**

Other benefits shall be based on market terms and shall facilitate the discharge of each Executive's duties. Such benefits include statutory pension benefits comprising a defined contribution scheme with premiums calculated on the full basic salary. The pension contributions in relation to the basic salary are dependent upon the age of the Executive.

### **Severance Arrangements**

A mutual termination period of between one month and six months applies between the Company and Executives, depending on the duration of the employment with the Company. In addition, severance terms are incorporated into the employment contracts for Executives that give rise to compensation, equal to two years' basic salary, in the event of termination of employment due to a change of control of the Company.

The Compensation Committee shall approve termination packages that exceed USD 150,000 in value per individual.

### **Authorization for the Board**

The Board of Directors is authorized to deviate from the Policy on Remuneration in accordance with Chapter 8, section 53 of the Swedish Companies Act in case of special circumstances in a specific case.



## **Lundin Petroleum AB**

Company Reg. No. 556610-8055

### **ARTICLES OF ASSOCIATION**

Adopted at the Annual General Meeting on 13 May 2009

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#### **§ 1 Name**

The name of the Company is Lundin Petroleum AB. The Company is a public company (publ).

#### **§ 2 Registered office**

The board of directors shall have its registered office in Stockholm.

#### **§ 3 Object of the Company**

The object of the Company's business is to explore, develop and produce oil and gas, to develop other energy resources, and to undertake activities compatible therewith, either directly or indirectly through its subsidiaries, associated companies or other forms of joint enterprises.

#### **§ 4 Share capital**

The share capital of the Company shall amount to not less than SEK 1,000,000 and not more than SEK 4,000,000.

#### **§ 5 Shares**

The number of shares in the Company shall not be less than 100,000,000 and not more than 400,000,000.

#### **§ 6 Financial year**

The financial year of the Company shall be January 1 – December 31.

## **§ 7 Board of directors**

The board shall consist of not less than three and not more than ten members with not more than three deputies.

## **§ 8 Auditors**

The Company shall have not more than two auditors with or without not more than two deputy auditors.

## **§ 9 Shareholders' meeting**

At an annual general meeting the following matters shall be dealt with;

1. Election of a chairman at the meeting,
2. Preparation and approval of the voting list,
3. Election of at a minimum one person to attest the minutes,
4. Approval of the agenda
5. Determination as to whether the meeting has been duly convened,
6. Presentation of the annual statement of accounts and the auditor's report
7. Resolutions in respect of
  - a) adoption of the profit and loss statement and the balance sheet and the consolidated profit and loss statement and consolidated balance sheet,
  - b) appropriation of the company's profit or loss according to the adopted balance sheet,
  - c) discharge of the directors and managing director from liability
8. Resolutions in respect to the fees payable to the board of directors and, where applicable, to the auditors,
9. Election of the board members and, where applicable, of auditors
10. Other matters which should be addressed by the Annual General Meeting according to the Swedish Companies Act (2005:551) or the Articles of Association

## **§ 10 Notice**

Notice of a General Meeting of shareholders shall be published in the Official Swedish Gazette (Post- och Inrikes Tidningar) as well as on the Company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet.

Notice of the Annual General Meeting and of any Extraordinary General Meeting at which a proposal for amendment of the Articles of Association will be considered shall be issued no more than six and no less than four weeks prior to the Meeting. Notice of any other

Extraordinary General Meetings shall be issued no more than six weeks and no less than three weeks prior to the Meeting

Shareholders who wish to participate in a General Meeting of shareholders shall be recorded as a shareholder in a print-out or other manifestation of the share register five weekdays before the meeting, as well as give notice to the company of his or her intention to participate in the meeting no later than the day that is set forth in the notice of the meeting. The last-mentioned day shall not be a Sunday, or any other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and not fall prior to the fifth weekday before the meeting.

### **§ 11 Record date provision**

The shareholder or nominee who is registered on the record date in the share register and in a central securities depository register pursuant to Chapter 4 of the Financial Instruments Accounts Act (1998:1479) or any person who is registered in a central securities depository account pursuant to Chapter 4, Section 18 first paragraph 6-8 of the mentioned Act, shall be deemed to be authorised to exercise the rights set out in Chapter 4, Section 39 of the Companies Act (2005:551).

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