

Interim report January – June 2010

- The RS#2 well in Bashkiria has been completed
- New price regime in Ukraine increases price on oil by 40%
- Application submitted to migrate listing to Nasdaq OMX Nordic Main Market
- SEK 30 million raised through a private placement
- Shelton Petroleum is actively pursuing expansion opportunities in Russia and Ukraine
- Revenue for the period January-June: SEK 19 (0) million
- Profit for the period after tax: SEK 0 (-9) million
- Basic and diluted earnings per share: SEK 0.00 (-0.09)

Statement from the CEO

Shelton Petroleum has taken several steps during the second quarter to achieve our short-term goal to increase cashflow-generating production from our oil reserves. The exploration program on Rustamovskoye in Russia was successfully completed earlier this year with oil discoveries in both exploration wells. During the summer, we have completed well RS#2 and it is now ready to lift our first Russian oil. We have also commenced completion of RS#1, so we expect to have two wells on production in Russia by the end of the year. In parallel, we are preparing a field development program for Rustamovskoye and will start large-scale production drilling during 2011.

The oil production rate at the Lelyaki field in the Chernigov region outside Poltava was on par with the previous quarter. We are rolling out a long-term series of works consisting of new wells, side tracks and well workovers which step by step will raise the production levels. Furthermore, recently passed legislation aimed to align local Ukrainian prices to the world market has increased prices by 40 per cent to approximately USD 60 per barrel.

Shelton Petroleum has resources of up to as much as 300 million barrels of oil equivalent offshore Ukraine in the Black Sea and Azov Sea. It is estimated that as little as 5 per cent of the offshore gas in the region has been exploited, and Shelton Petroleum's presence, at an early stage of the industry's development, enables us to build a strong position and an attractive resource portfolio. The Ukrainian government recently announced that it wants to involve the multinational oil and gas companies to realize the potential of the Black Sea, and the increased level of activity will benefit Shelton Petroleum.

On the corporate level, Shelton Petroleum has applied for a listing on the Nasdaq OMX Nordic main market in order to facilitate trading for our shareholders in North America and Ukraine, increase liquidity in the share and to strengthen the company's position in the capital markets.

Shelton Petroleum remains committed to developing the company by taking advantage of the excellent business opportunities within oil and gas that both Russia and Ukraine today offer.

Robert Karlsson

Shelton Petroleum's reserves and strategic objectives

License	Country	Phase	Primary product	Reserves			Resources		
				1P	2P	3P	Low	Med	High
Lelyaki	Ukraine	Production	Oil	3	8	8	-	-	-
Arkhangelskoye	Ukraine Black Sea	Expl: 3 wells	Gas & NGL	-	-	-	1	55	130
North Kerchenskoye	Ukraine Azov Sea	Expl: 3 wells	Gas	-	-	-	1	2	4
Biryucha	Ukraine Azov Sea	Expl: 1 well	Gas	-	-	-	1	10	166
Rustamovskoye	Russia	Production	Oil	1	1	6	7	14	43
Aysky*	Russia	Expl: 10 wells	Oil	-	-	-	-	-	-
Suyanovskoye*	Russia	Expl: 15 wells	Oil	-	-	-	-	-	-
Total				3	9	14	9	82	342
Present value @ 10% discount rate, USD million				54	151	186	-	-	-

* Aysky and Suyanovskoye were added to the portfolio in autumn 2009 and have not yet been subject to an independent audit
All reserves and resources are net to Shelton Petroleum.
All amounts are in million barrels of oil equivalent.
Columns may not add due to rounding.

Reserves are based upon assessment carried out by Trimble Engineering Associates and AGR TRACS International Consultancy Ltd.

Shelton Petroleum operates upon a good base of reserves and resources. The company has formulated the following strategic objectives:

Ramp up production at Lelyaki, Ukraine

The Lelyaki oil field was previously one of the largest producing oil fields in the Soviet Union, with a cumulative production of 385 million barrels of oil. The production during the second quarter was on average 228 barrels per day, net to Shelton Petroleum. The company plans to increase production by drilling new wells and by re-entering and sidetracking suspended wells. Well interventions show very good economics as the required investments are low. The new wells are drilled in close proximity to pipeline infrastructure for rapid tie-in.

Commence production in Bashkiria

Shelton Petroleum will continue exploration and commence extraction of oil in order to realize the potential of the Rustamovskoye, Aysky and Suyanovskoye license blocks. The short-term objective is to commence production from Rustamovskoye, where the company has completed a successful exploration program and found oil in the first two wells.

Convert resources to reserves

Shelton Petroleum will take steps to pursue its potentially high-yield exploration opportunities offshore in Ukraine and onshore in Russia. Work will include analyzing historical exploratory data, collecting new seismic and selective and carefully assessed drilling.

Acquire new licenses and integrate vertically into the oil refining business

Shelton Petroleum has built effective personal relationships, strategic regional partnerships and a portfolio of projects onshore and offshore. Local knowledge and experience enables the company to identify, acquire and exploit attractively valued assets in Russia and Ukraine. Shelton Petroleum is currently evaluating its strategic options regarding a significant share holding in Tomsk Refining AB, which owns a newly built refinery in Western Siberia.

April – June 2010

The merger between Petrosibir and Shelton Canada Corp. was completed on 31 December 2009 and the group adopted the new name Shelton Petroleum during the first quarter of 2010. Consequently, the consolidated balance sheets for 30 June 2010 and 31 December 2009 include both companies but the profit and loss statements for April-June 2009 and January-June 2009 refer only to Petrosibir. From 1 January 2010 the consolidated profit and loss statement includes operations in Ukraine, including sales of oil produced. All numbers are net to Shelton Petroleum, unless otherwise indicated.

Revenue for the second quarter 2010 amounted to SEK 8.0 million compared to SEK 0.0 million in the second quarter 2009. Oil production during the second quarter amounted to 20,700 barrels net to Shelton Petroleum, compared to 20,500 in the first quarter. Average daily production was 228 barrels, compared to 225 in the previous quarter. The natural production decline has been compensated by a number of workovers on old wells. Current production stems from the Lelyaki oil field in Ukraine. Shelton Petroleum has launched a long-term series of works consisting of new wells, side tracks and well workovers which step by step will raise the production levels at this field to reach the total field potential of over 3,000 barrels per day, or net 1,350 to Shelton Petroleum. Well 304A drilled earlier this year is the first new well of the investment program. The well will contribute to the production volumes when a rig has been assembled to perforate the potentially productive interval. Investments at Lelyaki are self-financed through cash generated by sale of oil. In addition, the successful exploration wells on the Rustamovskoye field will increase production rates during the year. Well RS#2 has been completed and is now ready to produce the company's first Russian oil.

The price of Ukrainian oil hit an eighteen month high in May due to newly passed legislation aiming to align local Ukrainian oil prices to the world market. At the auction in June, the company sold oil at USD 64 per barrel, which was an increase of 42 per cent compared to the first quarter. The average price of oil sold during the second quarter was USD 54 per barrel, compared to USD 45 in the first quarter. The positive effect of the price increase has partly been offset by higher production royalty, but we expect a continued positive effect for the company from the new price regime in the third quarter. Despite the increase in the oil price, revenue during the second quarter decreased to SEK 8.0 million from SEK 10.7 million in the first quarter. This is due to a larger sale of inventory in January. The inventory level as per the balance sheet date amounted to 8,600 barrels of oil, compared to 7,000 barrels at the end of the first quarter.

Operating expenses amount to SEK -10.5 (-6.6) million and consist primarily of costs for raw materials, consumables and personnel costs. The result for the period amounted to SEK 1.3 (-6.3) million. Financial items consist of interest on cash deposits, exchange rate differences and capitalized interests paid. The total comprehensive income, SEK 10.7 (-6.6) million includes exchange rate differences not affecting cash flow on the internal group loan in foreign currency.

The group had SEK 50 million in cash and cash equivalents at the end of the period compared to SEK 22 million at June 30, 2009. Equity per share at 30 June 2010 was SEK 0.54 (0.50) and the equity assets ratio was 77 (88) per cent.

Major events occurring after the reporting period

During 2009, Shelton Petroleum announced that it has obtained an option to acquire a minority stake in Tomsk Refining AB by granting a loan to one of the largest shareholders in the refinery. Tomsk Refining AB is a Swedish holding company of a new wholly-owned refinery in Tomsk in Western Siberia. The option to acquire the shares has expired. Shelton Petroleum has a continued positive view on creating an integrated company involved in both upstream and downstream, and it is currently evaluating its strategic alternatives regarding Tomsk Refining.

As a result of the private placement completed in June, 50,000,000 B-shares were issued in July, which increased the total number of Shelton Petroleum B-shares to 421,840,442. Besides the B-shares, there are 9,028,593 A-shares in Shelton Petroleum. After the completion of the issuance, the number of votes in Shelton Petroleum is 512,126,372, and the total number of shares amounts to 430,869,035.

The parent company

The parent company's balance sheet total as at the period end amounted to SEK 262 million. Cash and cash equivalents amounted to SEK 30 million. The result after tax for the period January-June was SEK -3 million.

Risk factors and uncertainties

A detailed account of the risks facing the company appears in the 2009 annual report. During the period, there has been no major change in material risk factors or uncertainties during the period for the group or the parent company. Risks include exploration risk, oil price risk, exchange rate risk, liquidity risk, credit risk, interest rate risk and political risk, among others.

Upcoming financial reporting

Interim Report July – September 30 November 2010

Publication under Swedish law

Shelton Petroleum is publishing this information in accordance with the Swedish Financial Markets Act (Sw. Lag om värdepappersmarknaden) and/or the Swedish Financial Trading Act (Sw. Lag om handel med finansiella instrument). This information was released for publication on 26 August 2010 at 08:30 CET.

For more information, please contact:

Robert Karlsson, CEO, +46 709 565 141, robert.karlsson@sheltonpetroleum.com

Shelton Petroleum AB
Swedish company number: 556468-1491
Birger Jarlsgatan 2
114 34 Stockholm
Tel: +46 8 407 18 50
www.sheltonpetroleum.com

About Shelton Petroleum

Shelton Petroleum is a Swedish company focused on exploring and developing concessions in the Volga-Urals area in Russia and the resource-rich basins of Ukraine. Shelton Petroleum has built effective personal relationships, strategic regional partnerships and a portfolio of projects onshore and offshore. The company holds three licenses in the Russian republic of Bashkiria, located southwest of the Ural Mountains. The license blocks, which border one another, have an area of over 500 square kilometers and are surrounded by other producing oil fields. The company has found oil in its first two wells and measured commercial flow rates. In Ukraine, Shelton Petroleum's wholly-owned subsidiary Zhoda 2001 has a strategic partnership with Ukrnafta, Ukraine's largest oil and gas company. It provides Shelton Petroleum with a stake in the oil producing Lelyaki field in Chernigov Region close to Poltava. Shelton Petroleum also has a Joint Investment Agreement with Chornomornaftogaz, the leading Ukrainian oil and gas company in offshore development, that gives it a fifty per-cent stake in three major license areas in the Azov and Black Sea regions. The Shelton Petroleum share is traded on the NGM stock exchange under the symbol SHEL B. The company has applied for a listing of its share on NASDAQ OMX Main Market.

Note on the reserves and resources calculation

Reserves are based upon assessment carried out by Trimble Engineering Associates and AGR TRACS International Consultancy Ltd. The calculations have been derived in accordance with the Canadian Oil and Gas Evaluation Handbook and have been compiled in cooperation with the Society of Petroleum Evaluation Engineers (www.spee.org) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society). Resources have been estimated by AGR TRACS. Resources have a lower probability of extraction than reserves. All estimates are based upon information as of 30 September 2009. Reserves and resources refer to the amounts of oil and gas attributable to Shelton Petroleum's share in the fields where the company conducts joint operations via joint ventures and joint investment agreements. Amounts are reported in millions of barrels of oil equivalent. Aysky and Suyanovskoye are two exploration licenses that lie immediately next to Rustamovskoye. Drilling during the Soviet era has confirmed the presence of oil in these fields, but the company has yet to complete any exploration of its own in these areas. These licenses were acquired during the fall of 2009 and were not included in the reserves studies.

CONDENSED GROUP STATEMENT OF INCOME

SEK thousand	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Net revenue	7,953	0	18,655	0	0
Other revenue	8	0	45	0	0
Total revenue	7,961	0	18,700	0	0
Work performed by the company for its own use and capitalized	497	340	954	660	1,257
Raw material and consumables	-4,849	0	-10,560	0	0
Personnel costs	-1,924	-1,233	-4,630	-2,347	-5,708
Other external expenses	-3,499	-5,284	-6,549	-6,957	-11,919
Depreciation	-252	-74	-638	-149	-294
Operating expenses	-10,524	-6,591	-22,377	-9,453	-17,921
Operating result	-2,067	-6,251	-2,724	-8,793	-16,664
Financial items	3,286	-81	2,729	-76	264
Result before tax	1,219	-6,332	5	-8,869	-16,400
Income tax	120	0	40	0	881
Result for the period	1,339	-6,332	45	-8,869	-15,519
Other comprehensive income					
Exchange differences	9,324	-268	13,646	-4,561	-5,850
Total other comprehensive income	9,324	-268	13,646	-4,561	-5,850
Total comprehensive income for the period	10,663	-6,600	13,691	-13,430	-21,369
Earnings per share for the period before/after dilution	0.00	-0.05	0.00	-0.09	-0.10
Average number of shares	381,349,255	133,264,747	380,762,405	101,308,397	159,302,635

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

SEK thousand	Jun 30 2010	Dec 31 2009
ASSETS		
Non-current assets		
Goodwill	6,807	6,807
Intangible assets	107,705	98,400
Tangible fixed assets	107,341	93,593
Financial assets	181	2,698
Total non-current assets	222,034	201,498
Current assets		
Inventory	2,488	4,192
Other short-term receivables	28,431	28,767
Cash and cash equivalents	49,822	32,725
Total current assets	80,741	65,684
Total ASSETS	302,775	267,182
EQUITY AND LIABILITIES		
Equity	232,352	189,811
Non-current liabilities		
Convertible loan	26,359	25,799
Deferred income tax liabilities	30,911	28,796
Other provisions	206	187
Total non-current liabilities	57,476	54,782
Current liabilities		
Accounts payable	5,822	7,688
Other current liabilities	7,125	14,901
Total current liabilities	12,947	22,589
Total EQUITY AND LIABILITIES	302,775	267,182

CONDENSED GROUP STATEMENT OF CASH FLOW

SEK thousand	Jan-Jun 2010	Jan-Jun 2009
Cash flow from operating activities	-8,426	-578
Cash flow from investing activities	-4,616	16,644
Cash flow from financing activities	28,483	0
Cash flow for the period	15,441	16,066
Cash and cash equivalents at beginning of the period	32,725	5,517
Cash flow for the period	15,441	16,066
Exchange differences in cash and cash equivalents	1,656	-5
Cash and cash equivalents at end of the period	49,822	21,578

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

SEK thousand	2010	2009
Opening balance January 1	189,811	78,772
Total comprehensive income for the period	13,691	-13,430
Share issue	0	37,948
Not registered share issue	27,923	0
Equity part of convertible loan	367	0
Option premium	560	0
Closing balance June 30	232,352	103,290

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK thousand	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Net revenue	128	0	253	0	244
Other revenues	0	1	0	1	1
Total revenues	128	1	253	1	245
Personnel costs	-630	-188	-1,530	-602	-1,822
Other external expenses	-1,352	928	-2,091	-719	-2,378
Operating results	-1,854	741	-3,368	-1,320	-3,955
Financial items	1,142	255	800	397	1,695
Result before tax	-712	996	-2,568	-923	-2,260
Income tax	-134	0	21	0	-33
Result for the period	-847	996	-2,548	-923	-2,293

CONDENSED PARENT COMPANY BALANCE SHEET

SEK thousand	Jun 30 2010	Dec 31 2009
ASSETS		
Non-current assets		
Financial non-current assets	200,247	201,826
Total non-current assets	200,247	201,826
Current assets		
Other receivables	31,662	23,635
Cash and cash equivalents	30,406	11,217
Total current assets	62,068	34,852
Total ASSETS	262,315	236,678
EQUITY AND LIABILITIES		
Equity	229,261	202,711
Non-current liabilities		
Convertible loan	26,359	25,799
Deferred income tax liabilities	1,334	1,353
Total non-current liabilities	27,693	27,152
Current liabilities		
Other liabilities	5,362	6,815
Total current liabilities	5,362	6,815
Total EQUITY AND LIABILITIES	262,315	236,678

Notes to the financial statements

Note 1. Information about the company

Shelton Petroleum AB (publ) (formerly Petrosibir AB), with Swedish corporate identity number 556468-1491 and registered office in Stockholm, Sweden, is listed on the NGM stock exchange under the ticker SHEL. The company has applied for a listing on Nasdaq OMX Nordic Main Market. The company's and its subsidiaries' operations are described under "About Shelton Petroleum" herein.

Note 2. Accounting principles

The interim report has been prepared in accordance with IAS 34 and the Swedish Annual Reports Act (Sw. *Årsredovisningslagen*). The group financial statements have been prepared, just as in the year-end accounts for 2009, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and by the Swedish Annual Reports Act. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act and the recommendations "RFR 2.2 on Financial Reporting for Legal Entities" issued by the Swedish Financial Reporting Board (Sw. *Rådet för finansiell rapportering*).

The same accounting principles have been applied during the period as were applied during the financial year 2009 and in the manner in which they were described in the 2009 annual report. No new or revised standards, interpretations or amendments adopted by the EU had an effect on the group. IFRS 3R and IAS 27 should be applied for acquisitions completed after 1 January 2010. No acquisitions were made during the accounting period.

The interim report does not contain the entirety of the information that appears in the annual report and, accordingly, the interim report should be read in conjunction with the 2009 annual report.

Note 3. Related party transactions

Shelton Petroleum has entered into a consultancy contract with Sergey Titov, one of the initiators and shareholders of Shelton Petroleum, and Richard Edgar, board member of Shelton Petroleum. The contracts cover services rendered in project management, business development and geological expertise. Remuneration under the contract is approx SEK 30 thousand per month for Sergey Titov and CAD 10 thousand per month for Richard Edgar, which the group regards as the going rate.

In 2008 Shelton Petroleum signed a financial advisory and equity funding agreement with Alpcot Capital Management Ltd ("ACM"). The contract is success-based and entails no running monthly expense. SEK 900 thousand have been charged for commission for capital raise during the reporting period. ACM is controlled by a number of shareholders of Shelton Petroleum, two of whom are members of Shelton Petroleum's board of directors.

Note 4. Segment reporting

The group is organized in and managed from geographical regions. These correspond to the operating segments for which information is reported and followed up on by the management of the company. Operating segments per geographical region include all reporting local entities within each respective region.

The operating segments apply the same accounting principles as the group. The operating segments' revenue, expenses, assets and liabilities include items directly attributable to the segment and items that can be allocated to a specific operating segment in a reasonable and reliable way.

Sale of oil accounts for external reported revenue for the operating segments. Internally reported revenue consists of invoiced expenses for intra-group services. The arm's length principle is applied and market price considered when transactions are made between operating segments.

Group management follows up the profit or loss measure "profit before tax".

Segment reporting is not provided for 2009 as the group only had operations in Russia.

January - June 2010					
Income statement, SEK thousand	Russia	Ukraine	Other	Group & eliminations	Total
Revenue, external	0	18,700	0	0	18,700
Revenue, internal	0	0	253	-253	0
Raw materials and consumables	0	-10,560	0	0	-10,560
Other operating expenses	-1,511	-2,698	-6,908	253	-10,864
Operating profit/loss	-1,511	5,442	-6,655	0	-2,724
Financial items	-1,929	660	1,856	2,142	2,729
Profit/loss before tax	-3,440	6,102	-4,799	2,142	5

April - June 2010					
Income statement, SEK thousand	Russia	Ukraine	Other	Group & eliminations	Total
Revenue, external	0	7,961	0	0	7,961
Revenue, internal	0	0	128	-128	0
Raw materials and consumables	0	-4,849	0	0	-4,849
Other operating expenses	-332	-1,032	-3,946	131	-5,179
Operating profit/loss	-332	2,080	-3,818	3	-2,067
Financial items	-1,170	558	1,678	2,220	3,286
Profit/loss before tax	-1,502	2,637	-2,139	2,223	1,219

June 30, 2010					
Balance sheet, SEK thousand	Russia	Ukraine	Other	Group & eliminations	Total
Assets					
Tangible and intangible fixed assets	90,994	124,047	6,812	0	221,853
Current assets, external	2,766	18,913	56,574	0	78,253
Current assets, internal	0	0	10,620	-10,620	0

Liabilities

Non-current liabilities, external	4,721	25,062	27,693	0	57,476
Non-current liabilities, internal	77,829	0	24,691	-102,520	0
Current liabilities, external	826	3,577	8,543	0	12,946
Current liabilities, internal	1,903	0	8,731	-10,634	0
Investments in tangible and intangible fixed assets	4,132	483	0	0	4,615

Board's assurance

The Board of Directors and the Chief Executive Officer affirm that this half-year report gives a true and fair view of the company's and the group's operations, standing and financial results, and that it describes the principal risk factors and uncertainties that the company and group companies face.

Stockholm, 26 August 2010

Shelton Petroleum AB (publ.)

Per Höjgård
Chairman of the Board

Zenon Potoczny
Director

Bruce Hirsche
Director

Peter Geijerman
Director

Richard Edgar
Director

Ulf Cederin
Director

Katre Saard
Director

Robert Karlsson
CEO

Auditor's Review Report

Introduction

We have performed a review of the condensed interim financial statements for Shelton Petroleum AB (publ) at 30 June 2010 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of these Interim financial statements in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the condensed interim financial statements based on our review.

Scope of Review

We have conducted our review in accordance with the Standard on Review Engagements, SÖG 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity", issued by the Swedish Federation of Authorized Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different purpose and a substantially less scope than an audit conducted in accordance with the Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain such a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, an opinion based on a review does not constitute the same level of assurance as an opinion based on an audit.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material aspects, for the group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the parent company in accordance with the Swedish Annual Accounts Act.

Stockholm, 26 August 2010

Ernst & Young AB

Per Hedström
Authorized Public Accountant