

Interim report January-March 2013

Oil discovery in the new well on the Rustamovskoye field in Russia

- Total revenue for the period: SEK 23 (30^{*}) million
- Operating profit for the period: SEK 6 (12^{*}) million
- Profit for the period after tax: SEK 4 (11^{*}) million
- A one-off item increased revenue and profit for 2012 by SEK 7 million^{*}
- Basic earnings per share: SEK 0.35 (1.04)
- Diluted earnings per share: SEK 0.35 (0.96)

<u>Oil production</u>	<u>Q1 2013</u>	<u>Q1 2012</u>	<u>2012</u>	<u>2011</u>
Barrels	46,750	41,400	177,850	77,300
Barrels per day	519	455	486	212

Statement from the CEO

Shelton Petroleum continues to show significant progress. The company's operating margin of 25% in the first quarter is strong, and it has proven to be stable for a number of quarters. Our production of over 519 barrels per day is an increase of 14% compared to the same quarter last year.

During the year, we have focused on the development program at the Rustamovskoye oil field in Bashkiria, Russia. In early May, we announced that the new production well encountered oil in a sandstone formation at target depth. The fact that we have discovered oil in three out of three wells on this field is encouraging for future drillings and our understanding of the ultimate potential of the field. A test program, including perforation of a five-meter interval, will provide important information about the daily production volumes we can expect from this well.

At the Lelyaki oil field in Ukraine, the production was slightly higher than in the first quarter 2012 as a result of continued workovers. The previously announced test of the Permian zone in the new well #310 has been commenced.

In April, Shelton Petroleum divested its holding in AIM-listed Pan European Terminals at a premium to the market price. The transaction strengthened the company's cash position by approximately SEK 27 million. The divestment gives us increased resources to develop the significant potential in our license portfolio. In addition to the current drilling program in Bashkiria and the development of the Lelyaki field, we have interests in high potential offshore gas licenses in Ukraine, which we want to take to the next level.

Robert Karlsson

^{*} The amounts for 2012 include a one-off item of SEK 7 million relating to payment from the shareholding in Tomsk Refining

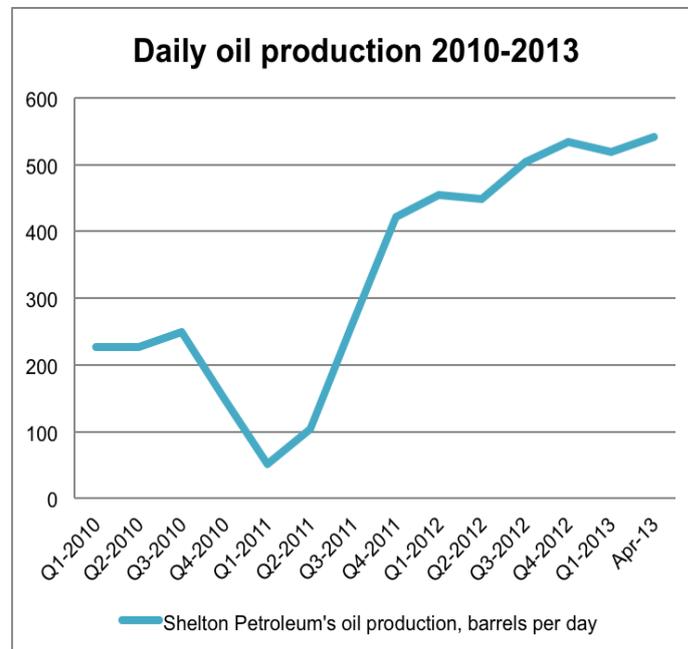
January - March 2013

Financial development

Revenue from oil sales during the quarter amounted to SEK 23 (23) million. Shelton Petroleum sold 43,410 (41,400) barrels of oil and the production in the quarter amounted to 46,750 (41,400) barrels of oil. Prices were slightly lower in both Russia and Ukraine in the first quarter 2013 compared to the same period 2012.

The average daily production during the first quarter 2013 amounted to 519 barrels compared 455 barrels the same period 2012.

Operating expenses in the first quarter amount to SEK 18 (19) million and consist primarily of production costs, personnel costs and other external expenses. The operating result for the period January – March 2013 amounted to SEK 6 (12) million. The result for the quarter amounted to SEK 4 (11) million.



Revenue and profit for 2012 include a positive one-off item of SEK 7 million relating to the shareholding in Tomsk Refining.

An adjustment of the fair value of the investment in Pan European Terminals (PAN), SEK 3 million, and translation differences, SEK -2 million, related to intra-group loans in foreign currency are included in other comprehensive income. The adjustments to fair value and translation differences do not affect the cash flow.

The group held SEK 23 million in cash and cash equivalents at the end of the period compared to SEK 31 million at 31 December 2012. Cash flow for the quarter was SEK -8 (2) million. Cash flow from operational activities was SEK 2 million, which is below the operational profit for the quarter due to an increase in accounts receivable. Investments in exploration and development activity amounted to a total of SEK 10 (2) million in the quarter, mainly related to the new Russian well that encountered oil.

Financial fixed assets, consisting of the holding in PAN that was divested after period end in April, amounted to SEK 26 million at the end of the period compared to SEK 24 million at 31 December 2012. The increase is related to an adjustment to fair value.

The company's convertible loan, SEK 22 million, with a 10 per cent interest and conversion price of SEK 16, matures in December 2013 and has consequently been reclassified to current liabilities.

Shareholders' equity per share at 31 March 2012 was SEK 25.86 (24.87) and the equity to assets ratio was 78 (81) per cent.

Russian operations

Shelton Petroleum's production of oil in Russia during the first quarter amounted to 17,655 (12,400) barrels, which is significantly higher than the same period previous year. Production per day amounted to 196 (136) barrels. Revenue in the Russian segment in the first quarter amounted to SEK 4.4 (3.3) million and operating profit to SEK 1.1 (0.7) million, corresponding to an operating margin of 25% (22%).

The company spudded a new well in February as part of a production drilling program on Rustamovskoye in Bashkiria. In May, the well reached a total depth of 2,565 meters. Wireline log data show that the well encountered oil in the Devonian sandstone formation from which the other two wells on the Rustamovskoye field are producing. A five-meter interval will be perforated and production tested.

The field will be developed step by step in order to manage geological risks and balance investments against the financial resources available to the company. Shelton has therefore entered into a contract that allows it to drill one well with an option to drill one more well. Following review of drilling data and geological information a new project design on how to optimally target and extract the pool's reserves will be finalized. The new design will encompass the possibility of horizontal drilling, which, given suitable geological conditions, allows for significantly enhanced well economics.

Ukrainian operations

Production in the first quarter amounted to 29,095 (29,000) barrels. Production per day amounted to 323 (319) barrels. Revenue in the Ukrainian segment in the first quarter amounted to SEK 18.5 (19.9) million and operating profit to SEK 8.4 (7.6) million, corresponding to an operating margin of 48% (38%).

Shelton Petroleum (Zhoda 2001 Corporation) and its partner Ukrnafta, Ukraine's largest oil and gas company continue the field development program on the Lelyaki field. The objective is to step by step enhance productivity and increase production volumes. As previously announced, the operator Kashtan Petroleum has completed the drilling of well #310. Initially the Carboniferous zone was tested. Based on the results of the tests the operator decided to not start production from this zone, but instead isolate it and perforate the shallower Permian zone. The Permian zone accounts for approximately 75 per cent of the current Lelyaki field production. This testing process has been commenced. The operator will perforate a total of 8 meters, install an electric submersible pump and then measure flow rates.

Significant events occurring after the reporting period

In April the company divested its holding in Pan European Terminals for approximately SEK 27 million.

In May the company announced it had encountered oil in the third well at Rustamovskoye.

The parent company

The parent company's total assets as at the period end amounted to SEK 302 (309) million. Cash and cash equivalents amounted to SEK 17 (21) million. The result after tax for the first quarter was SEK -1 (5).

Risk factors and uncertainties

A detailed account of the risks facing the company can be found in the 2012 annual report. During the period, there has been no major change in material risk factors or uncertainties 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

Annual General Meeting	21 May 2013
Interim Report April – June 2013	23 August 2013
Interim Report July – September 2013	22 November 2013

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 21 May 2013 at 08:30 CET.

This report has not been reviewed by the company's auditors.

For more information, please contact:

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

Shelton Petroleum AB

Swedish corporate identity number: 556468-1491
Hovslagargatan 5B
SE-111 48 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 Russia and the resource-rich basins of Ukraine. In Russia, the company holds three licenses in the Volga-Urals area in Bashkiria and has commenced production on the Rustamovskoye field after a successful exploration program. In Ukraine, Shelton Petroleum's wholly owned subsidiary has a joint venture with Ukrnafta and Chornomornaftogaz, two leading Ukrainian oil and gas companies. The Shelton Petroleum share is traded on NASDAQ OMX Stockholm under the symbol SHEL B.

Shelton Petroleum's exploration and production portfolio

Production onshore	Geography	Primary product	Reserves			Resource potential	Working interest	Partner
			1P	2P	3P			
Rustamovskoye	Russia	Oil	1	1	6	43	100%	
Lelyaki	Ukraine	Oil	3	8	8	-	45%	Ukrnafta

Exploration onshore								
Aysky*	Russia	Oil	-	-	-	-	100%	
Suyanovskoye	Russia	Oil	-	-	-	-	100%	

* Aysky and Suyanovskoye were added to the portfolio in autumn 2009 and have not yet been subject to an independent audit. The independent seismic service company Udmurtgeofizika estimates Russian C1+C2 reserves and C3 resources to amount to 12 and 10 million recoverable barrels of oil respectively, based on Shelton Petroleum's seismic program and wells drilled during the Soviet era.

Exploration offshore								
Arkhangelskoye	Ukraine Black Sea	Gas & NGL	-	-	-	130	50%	CNG
Biryucha	Ukraine Azov Sea	Gas	-	-	-	166	50%	CNG
North Kerchenskoye	Ukraine Azov Sea	Gas	-	-	-	4	50%	CNG

All reserves and resources in the tables are in million barrels of oil equivalent net to Shelton Petroleum. Reserves are based upon assessment carried out in year 2009 by Trimble Engineering Associates and AGR TRACS International Consultancy Ltd.

Note on the reserves and resources calculation

Reserves are based upon assessment made by Trimble Engineering Associates and AGR TRACS International Consultancy Ltd. The calculations have been carried out 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, and the company has begun an exploration program on these blocks. These licenses were acquired during the fall of 2009 and were not included in the reserve studies.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Note	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
Net revenue		22 835	23 178	93 223
Other revenue		23	6 617	6 691
Total revenue		22 858	29 795	99 914
Work performed by the company for its own use and capitalized		996	1 051	3 998
Raw material and consumables		-11 185	-12 610	-48 142
Personnel costs		-3 255	-2 575	-10 342
Other external expenses		-3 039	-3 161	-13 553
Depreciation		-555	-618	-2 262
Operating expenses		-18 034	-18 964	-74 299
Operating profit		5 820	11 882	29 613
Financial income		61	988	1 833
Financial expenses		-117	0	-667
Total financial items		-56	988	1 166
Profit before tax		5 764	12 870	30 779
Income tax	4	-2 044	-1 830	-5 964
Profit for the period		3 720	11 040	24 815
Other comprehensive income				
Financial assets available for sale		2 538	882	-63
Deferred tax convertible loan		0	0	29
Exchange differences		-1 666	-781	-8 145
Total items which may be re-classified to result for the period		872	101	-8 179
Total other comprehensive income		872	101	-8 179
Total comprehensive income for the period		4 592	11 141	16 636
Earnings per share		0,35	1,04	2,33
Earnings per share after dilution		0,35	0,96	2,23
Average number of shares		10 640 588	10 640 588	10 640 588
Average number of shares after dilution		10 640 588	12 063 713	12 063 713

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousand	Mar 31 2013	Mar 31 2012	Dec 31 2012
ASSETS			
Non-current assets			
Goodwill	6 807	6 807	6 807
Intangible assets	73 257	72 531	74 150
Tangible fixed assets	179 021	155 805	171 364
Financial assets	26 040	42 895	23 503
Total non-current assets	285 125	278 038	275 824
Current assets			
Inventory	200	672	139
Other short-term receivables	44 702	2 241	29 592
Cash and cash equivalents	23 031	46 945	30 764
Total current assets	67 933	49 858	60 495
Total ASSETS	353 058	327 896	336 319
EQUITY AND LIABILITIES			
Equity	275 157	264 594	270 565
Non-current liabilities			
Convertible loan	0	21 656	22 102
Deferred income tax liabilities	28 092	28 736	27 337
Other provisions	350	337	349
Total non-current liabilities	28 442	50 729	49 788
Current liabilities			
Convertible loan	22 261	0	0
Accounts payable	18 403	3 415	6 108
Other current liabilities	8 795	9 158	9 858
Total current liabilities	49 459	12 573	15 966
Total EQUITY AND LIABILITIES	353 058	327 896	336 319

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

SEK thousand	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
Cash flow from operating activities	2 084	11 516	3 447
Cash flow from investing activities	-9 760	-2 169	-10 910
Cash flow from financing activities	0	-7 800	-7 324
Cash flow for the period	-7 676	1 547	-14 787
Cash and cash equivalents at beginning of the period	30 764	45 986	45 986
Cash flow for the period	-7 676	1 547	-14 787
Exchange differences in cash and cash equivalents	-57	-588	-435
Cash and cash equivalents at end of the period	23 031	46 945	30 764

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	2013	2012
Opening balance January 1	270 565	253 453
Total comprehensive income for the period	4 592	11 141
Closing balance March 31	275 157	264 594

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK thousand	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
Net revenue	120	110	491
Other revenue	0	6 573	6 573
Total revenues	120	6 683	7 064
Personnel costs	-1 587	-1 003	-4 051
Other external expenses	-1 359	-1 182	-3 700
Operating results	-2 826	4 498	-687
Financial items	2 274	523	-1 336
Result before tax	-552	5 021	-2 023
Income tax	35	37	154
Result for the period	-517	5 058	-1 869

CONDENSED PARENT COMPANY BALANCE SHEET

SEK thousand	Mar 31 2013	Dec 31 2012
ASSETS		
Non-current assets		
Financial non-current assets	275 740	270 066
Total non-current assets	275 740	270 066
Current assets		
Other receivables	8 743	8 194
Cash and cash equivalents	17 418	24 780
Total current assets	26 161	32 974
Total ASSETS	301 901	303 040
EQUITY AND LIABILITIES		
Equity	275 730	276 247
Non-current liabilities		
Convertible loan	0	22 102
Deferred income tax liabilities	112	147
Total non-current liabilities	112	22 249
Current liabilities		
Convertible loan	22 261	0
Other liabilities	3 798	4 544
Total current liabilities	26 059	4 544
Total EQUITY AND LIABILITIES	301 901	303 040

Notes to the financial statements

Note 1. Information about the company

Shelton Petroleum AB (publ), with Swedish corporate identity number 556468-1491 and registered office in Stockholm, Sweden, is traded on NASDAQ OMX Stockholm under the symbol SHEL B. The company's and its subsidiaries' operations are described under "About Shelton Petroleum" herein.

Note 2. Accounting principles

The interim report for the period ended 31 March 2013 has been prepared in accordance with IAS 34 and the Swedish Annual Reports Act (Sw. *Årsredovisningslagen*). The consolidated financial statements have been prepared, consistently with the 2012 consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Reports Act. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act and the recommendation "RFR 2 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 2012 and in the way they were described in the 2012 annual report. However, a review of the timing of revenue recognition has been made in Ukraine. The effect in the first quarter 2013 was approximately SEK 1.7 million on revenue and SEK -0.9 million on raw materials and consumables. No new or revised standards, interpretations or amendments adopted by the EU had an effect on the group. No acquisitions were made during the accounting period.

The interim report does not contain all the information that appears in the annual report and, accordingly, the interim report should be read in conjunction with the 2012 annual report.

Note 3. Fair value

Changes in IAS 34 require that fair values are disclosed in accordance with IFRS 13. Shelton Petroleum is affected by this change and should disclose fair values of financial assets and financial liabilities also in interim reports. The table below discloses the group's financial assets and liabilities. Financial Assets are classified as Financial assets available for sale and Accounts and other receivables and the financial liabilities are classified as Loans and accounts and other payables. Financial assets available for sale consist of the company's holding in Pan European Terminals and are included in level 1 in the fair value hierarchy, where fair value is determined using quoted prices on active markets.

	Carrying value	Fair value
Financial assets	26 040	26 040
Other short-term receivables	44 702	44 702
Cash and cash equivalents	23 031	23 031
Total assets	93 773	93 773
Convertible loan	22 261	22 261
Accounts payable	18 403	18 403
Other current liabilities	8 795	8 795
Total liabilities	49 459	49 459

Note 4. Income tax

The company reports income tax expense of SEK 2 (2) million. The income tax is primarily related to corporate profits tax on the operations in Ukraine. It also contains changes in deferred taxes.

Note 5. Related party transactions

Shelton Petroleum has entered into a consultancy contract with Sergey Titov, one of the initiators and shareholders of Shelton Petroleum. Sergey Titov is remunerated on a monthly basis for his services. The company is party to a consultancy agreement with a company (Co. # 1144449 Alberta Ltd.) in which Richard N. Edgar (director) is one of several partners. The hourly-based agreement includes business development and technical expertise.

Note 6. 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 local reporting entities within each respective region. The operating segments apply the same accounting principles as the group. The operating segments' revenue, expenses and assets 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 is accounted for as externally 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 "operating result".

January - March 2013					
Income statement, SEK thousand	Russia	Ukraine	Other	Elimi- nations	Total
Revenue, external	4 385	18 473	0	0	22 858
Revenue, internal	0	0	155	-155	0
Capitalized own work	996	0	0	0	996
Raw materials and consumables	-1 709	-9 476	0	0	-11 185
Other operating expenses	-2 558	-604	-3 842	155	-6 849
Operating profit/loss	1 114	8 393	-3 687	0	5 820

January - March 2012					
Income statement, SEK thousand	Russia	Ukraine	Other	Elimi- nations	Total
Revenue, external	3 331	19 891	6 573	0	29 795
Revenue, internal	0	0	155	-155	0
Capitalized own work	1 051	0	0	0	1 051
Raw materials and consumables	-1 481	-11 129	0	0	-12 610
Other operating expenses	-2 152	-1 126	-3 231	155	-6 354
Operating profit/loss	749	7 636	3 497	0	11 882

31 March, 2013					
Balance sheet, SEK thousand	Russia	Ukraine	Other	Elimi- nations	Total
Assets					
Tangible and intangible fixed assets	139 440	112 702	6 943	0	259 085
Current assets, external	4 401	43 867	19 665	0	67 933
Current assets, internal	0	0	11 035	-11 035	0
Investments in tangible and intangible fixed assets	8 936	824	0	0	9 760

31 March, 2012					
Balance sheet, SEK thousand	Russia	Ukraine	Other	Elimi- nations	Total
Assets					
Tangible and intangible fixed assets	119 257	108 935	6 950	0	235 142
Current assets, external	1 497	24 345	24 016	0	49 858
Current assets, internal	0	0	16 047	-16 047	0
Investments in tangible and intangible fixed assets	1 727	442	0	0	2 169