

**SHELTON**

P E T R O L E U M

Shelton Petroleum AB (publ) 556468-1491

Stockholm, 23 August 2012

Interim report January - June 2012

Another solid quarter from Shelton Petroleum

January-June 2012

- Total revenue for the period: SEK 52 (5) million
- Operating result for the period: SEK 18 (-11) million
- Result for the period after tax: SEK 15 (-12) million
- One-off item affects revenue and profit by SEK 7* million
- Basic and diluted earnings per share: SEK 1.37 (-1.12)

April-June 2012

- Revenue second quarter: SEK 22 (5) million
- Operating result second quarter: SEK 6 (-6) million

<u>Oil production</u>	<u>Q2</u> <u>2012</u>	<u>Q2</u> <u>2011</u>	<u>Q1-Q2</u> <u>2012</u>	<u>Q1-Q2</u> <u>2011</u>	<u>Q1-Q4</u> <u>2011</u>
Barrels	40,900	9,500	82,300	14,100	77,300
Barrels per day	449	104	452	78	212

Statement from the CEO

It is pleasing to note that Shelton Petroleum continues its positive trend. We have taken the company from pure exploration into production. The company is now generating a healthy profit from production and sale of oil.

On the Rustamovskoye field in Russia, we have implemented measures to counteract the natural depletion that all wells are exposed to and also to maximize information on reservoir characteristics in order to determine drill locations and optimize drilling technology. During the summer, we have completed a vertical seismic profile and fracking of two wells. It is satisfying that we as a direct result of the fracking raised the field's production to over 200 barrels per day so far in August, compared to 120 in June.

The results from Rustamovskoye are encouraging and strengthen our confidence in the potential of this and the company's adjacent fields. Based on our analyses and modeling, the company has now resolved to commence production drilling. We will conclude a drilling contract and then commence mobilization of the rig. Details of the program will be announced once they have been agreed with the drilling company.

Production in Ukraine during the second quarter was 14 per cent higher than in the fourth quarter 2011. A mobile rig is performing workovers that step by step enable us to raise produced volumes on the very profitable Ukrainian market. In addition, the activity on the oil and gas market in Ukraine is high, and we are continually taking steps to strengthen our position.

The second quarter marks another period of solid operational performance for Shelton Petroleum. We have built a foundation from which I am looking forward to further developing the potential in our license portfolio. We are committed toward further increasing the company's production.

Robert Karlsson

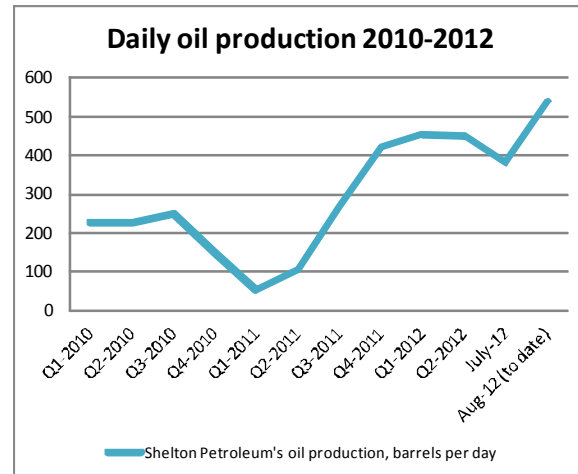
* Relates to payment from the shareholding in Tomsk Refining

January - June 2012

Financial development

Revenue from oil sales amounted to SEK 46 (5) million. Revenue for the first six months 2012 stems from the sale of oil at Rustomovskoye and Lelyaki, whereas the same period in 2011 included sales from Rustomovskoye only. During the period, Shelton Petroleum sold 83,800 (26,000) barrels of oil.

Production during the period amounted to 82,300 (14,100) barrels, which is significantly higher compared to the same period last year. The production included oil extraction from both Rustomovskoye and Lelyaki, while it only included test production on Rustomovskoye in the first and second quarters 2011.



The average daily production during the first six months 2012 amounted to 452 barrels compared 78 barrels the same period 2011.

During the summer, the company has completed a fracking of the two wells at Rustomovskoye. This led to a shut-in of the wells for the greater part of July with a corresponding drop in production. The wells came back on production in August, and to date the company reached a record total production of over 500 barrels per day.

Operating expenses in the period amount to SEK 37 (17) million and consist primarily of production costs, personnel costs and other external expenses. The result for the period amounted to SEK 15 (-12) million.

The operating result for the period January – June 2012 amounted to SEK 18 (-11) million, which is a significant improvement compared to the same period last year.

Shelton Petroleum reports other revenue of SEK 7 (0) million. The majority of other revenue relates to a capital gain on the investment in Tomsk Refining AB (TRAB) due to the voluntary liquidation. In the beginning of April 2012 the company received the final payment, SEK 18 million, from TRAB. In total, together with the first payment received in 2011, the company has received approximately SEK 69 million from the liquidation and has reported a total gain of SEK 18 million.

An adjustment of the fair value of the investment in Baltic Oil Terminals of SEK -5 million and translation differences of SEK -0.1 million related to intra-group loans in foreign currency is included in other comprehensive income. The adjustment to fair value and translation differences do not affect the cash flow.

The group held SEK 49 million in cash and cash equivalents at the end of the period compared to SEK 8 million at 30 June 2011 and SEK 46 million at 31 December 2011. Cash flow for the period was SEK 2 (-13) million. Investments in exploration and development activity in Russia and Ukraine amounted to a total of SEK 8 (3) million in the period. During the period the company repaid SEK 8 million to those holders of the convertible loan that chose not to exchange it for the new convertible loan, which was issued in December 2011.

Financial fixed assets amounted to SEK 19 million at the end of the period compared to SEK 35 million at 31 December 2011. The decrease is related to the final payment from TRAB and the adjustment of fair value mentioned above.

Shareholders' equity per share at 30 June 2012 was SEK 24.77 (23.10) and the equity to assets ratio was 81 (80) per cent.

April – June 2012

Russian operations

Shelton Petroleum's production of oil in Russia during the second quarter amounted to 11,500 (9,500) barrels, which is significantly higher than previous year. Production per day amounted to 126 (104) barrels.

On the Rustamovskoye field in Russia, measures have been implemented to counteract the natural depletion that all wells are exposed to and also to maximize information on reservoir characteristics in order to determine drill locations and optimize drilling technology. During the summer, we have completed a vertical seismic profile (VSP)² and fracking³ of two wells. It is satisfying that we as a direct result of the fracking raised the field's production to over 200 barrels per day so far in August, compared to 120 in June. RS#2 and RS#1 produced approximately 170 and 30 barrels per day respectively in August. RS#2 was drilled following RS#1 and the higher flow rates in the second well illustrate how a deepened understanding of the reservoir's properties allow for higher precision in drill location and use of drilling technology.

The VSP performed during the summer provides important data for understanding the reservoir properties surrounding well RS#2, where the company will drill new production wells.

The results from the work performed during the summer are encouraging and strengthen our confidence in the potential of Rustamovskoye and the company's adjacent Aysky and Suyanovskoye fields. Based on analyses and modeling of available data, the company has now resolved to commence production drilling. The company will conclude a drilling contract and then commence mobilization of the rig. Details of the program will be announced once they have been agreed with the drilling company.

Ukrainian operations

Production in the second quarter amounted to 29,400 (0) barrels. Production per day amounted to 323 (0) barrels. The average daily production during the second quarter increased by 14 per cent compared to the fourth quarter 2011.

The increase in production is a direct result of the continued field development program performed by Shelton Petroleum (Zhoda 2001 Corporation) and its partner Ukrnafta, Ukraine's largest oil and gas company. The objective is to step by step enhance productivity and increase production volumes. Production can vary somewhat between months but the company's objective is to continue to increase production by performing additional workovers and drilling sidetracks and a new well.

² *Vertical seismic profile (VSP)* is a method of measuring seismic velocities of rock layers in a well. VSP provides higher resolution on a defined area compared to surface seismic. The results give operators a clearer understanding of the best ways to exploit the reservoir, enabling more accurate drilling decisions.

³ *Fracking* is a method of breaking up the rock of the reservoir by inserting fluids with additives under pressure. It allows for oil to flow more freely in the reservoir into the wellbore.

Shelton Petroleum has taken the first steps within the framework of the Memorandum of Understanding signed with the state company Nadra of Ukraine (Nadra) earlier this year. Shelton Petroleum and Nadra are making a joint effort to explore oil and gas projects in Ukraine. Nadra has over 100 projects and licenses and Shelton Petroleum has made two site visits in order to identify candidates to enter into a joint venture.

Significant events occurring after the reporting period

Shelton Petroleum completed fracking of the wells at Rustamovskoye that raised flow rates from 120 to over 200 barrels per day.

The parent company

The parent company's total assets as at the period end amounted to SEK 301 (311) million. Cash and cash equivalents amounted to SEK 33 (33) million. The result after tax January – June 2012 was SEK -3 (-12) million. The improvement is mainly related to the gain on the investment in TRAB.

Risk factors and uncertainties

A detailed account of the risks facing the company can be found in the 2011 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

Interim Report July – September 2012

22 November 2012

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 23 August 2012 at 08:30 CET.

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About Shelton Petroleum

Shelton Petroleum is a Swedish company focused on exploring and developing concessions in Russia and the resource-rich basins of Ukraine. The company holds three licenses in the Volga-Urals area 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. Shelton Petroleum is pursuing an integrated business model and holds an equity stake in Baltic Oil Terminals PLC. The Shelton Petroleum share is traded on the NGM stock exchange under the 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 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, 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	Apr-Jun 2012	Apr-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Net revenue	22 355	4 566	45 533	4 566	35 714
Other revenue	25	22	6 643	56	11 469
Total revenue	22 380	4 588	52 176	4 622	47 183
Work performed by the company for its own use and capitalized	996	874	2 047	1 612	3 331
Raw material and consumables	-11 465	-3 660	-24 076	-3 660	-24 177
Personnel costs	-2 507	-1 766	-5 082	-5 481	-10 454
Other external expenses	-3 142	-5 930	-6 303	-8 085	-12 571
Depreciation	-499	-53	-1 117	-201	-920
Operating expenses	-17 613	-11 409	-36 578	-17 427	-48 122
Operating result	5 763	-5 947	17 645	-11 193	2 392
Financial income	-314	488	674	1 263	935
Financial costs	-294	-811	-294	-816	-1 786
Total financial items	-608	-323	380	447	-851
Result before tax	5 155	-6 270	18 025	-10 746	1 541
Income tax	-1 580	-310	-3 410	-1 135	-907
Result for the period	3 575	-6 580	14 615	-11 881	634
Other comprehensive income					
Financial assets through P/L	-5 238	865	-4 356	-5 105	-15 039
Exchange differences	670	2 308	-111	-5 686	-1 387
Total other comprehensive income	-4 568	3 173	-4 467	-10 791	-16 426
Total comprehensive income for the period	-993	-3 407	10 148	-22 672	-15 792
Earnings per share for the period before/after dilution	0,34	-0,62	1,37	-1,12	0,06
Average number of shares *	10 640 588	10 640 331	10 640 588	10 640 264	10 640 428

* The average number of shares have been adjusted for the comparative periods to reflect the reverse split 50:1 that was registered in July 2011.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousand	Jun 30 2012	Jun 30 2011	Dec 31 2011
ASSETS			
Non-current assets			
Goodwill	6 807	6 807	6 807
Intangible assets	70 708	60 547	70 137
Tangible fixed assets	161 908	147 211	155 975
Financial assets	19 210	81 079	35 147
Total non-current assets	258 633	295 644	268 066
Current assets			
Inventory	329	871	321
Other short-term receivables	18 612	4 569	9 849
Cash and cash equivalents	48 611	7 724	45 986
Total current assets	67 552	13 164	56 156
Total ASSETS	326 185	308 808	324 222
EQUITY AND LIABILITIES			
Equity	263 601	245 768	253 453
Non-current liabilities			
Convertible loan	21 800	0	21 517
Deferred income tax liabilities	30 168	27 273	28 429
Other provisions	348	315	344
Total non-current liabilities	52 316	27 588	50 290
Current liabilities			
Convertible loan	0	27 493	7 800
Accounts payable	3 049	3 176	5 272
Other current liabilities	7 219	4 783	7 407
Total current liabilities	10 268	35 452	20 479
Total EQUITY AND LIABILITIES	326 185	308 808	324 222

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

SEK thousand	Apr-Jun 2012	Apr-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Cash flow from operating activities	-11 246	-1 354	270	-7 123	-4 851
Cash flow from investing activities	11 981	-878	9 812	-2 985	31 728
Cash flow from financing activities	0	-3 436	-7 800	-3 436	-3 409
Cash flow for the period	735	-5 668	2 282	-13 544	23 468
Cash and cash equivalents at beginning of the period	46 945	13 311	45 986	22 171	22 171
Cash flow for the period	735	-5 668	2 282	-13 544	23 468
Exchange differences in cash and cash equivalents	931	81	343	-903	347
Cash and cash equivalents at end of the period	48 611	7 724	48 611	7 724	45 986

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	2012	2011
Opening balance January 1	253 453	268 438
Total comprehensive income for the period	10 148	-22 672
Closing balance June 30	263 601	245 768

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK thousand	Apr-Jun 2012	Apr-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Net revenue	110	250	220	409	435
Other revenues	0	0	6 573	0	11 362
Total revenues	110	250	6 793	409	11 797
Personnel costs	-922	-1 421	-1 925	-2 233	-4 465
Other external expenses	-1 361	-1 666	-2 543	-2 134	-5 108
Operating results	-2 173	-2 836	2 325	-3 957	2 224
Financial items	-5 503	-611	-4 980	-8 634	-20 814
Result before tax	-7 676	-3 447	-2 655	-12 591	-18 590
Income tax	38	97	75	257	619
Result for the period	-7 638	-3 350	-2 580	-12 334	-17 971

CONDENSED PARENT COMPANY BALANCE SHEET

SEK thousand	Jun 30 2012	Dec 31 2011
ASSETS		
Non-current assets		
Financial non-current assets	262 333	271 892
Total non-current assets	262 333	271 892
Current assets		
Other receivables	6 742	5 719
Cash and cash equivalents	32 519	33 353
Total current assets	39 261	39 072
Total ASSETS	301 594	310 964
EQUITY AND LIABILITIES		
Equity	274 647	277 218
Non-current liabilities		
Convertible loan	21 800	21 517
Deferred income tax liabilities	255	330
Total non-current liabilities	22 055	21 847
Current liabilities		
Convertible loan	0	7 800
Other liabilities	4 892	4 099
Total current liabilities	4 892	11 899
Total EQUITY AND LIABILITIES	301 594	310 964

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 listed on the NGM stock exchange under the ticker SHEL. 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 30 June 2012 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 2011 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 recommendations "RFR 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 2011 and in the way they were described in the 2011 annual report. 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 2011 annual report.

Note 3. Other revenue

In April 2012 the Company received final payment in the voluntary liquidation of Tomsk Refining AB to which resulted in capital gain of 6,573 thousand. This is reported in other revenue in the statement of comprehensive income.

Note 4. Related party transactions

Shelton Petroleum has entered into a consultancy contract with Sergey Titov, one of the initiators and shareholders of Shelton Petroleum. Remuneration under the contract is approximately SEK 30 thousand per month. The company has also entered into a consultancy agreement with a company (Co. # 1144449 Alberta Ltd.) in which Richard N. Edgar (director) is one of several partners. The agreement includes project management, business development and geological analysis. Remuneration under the contract is approximately CAD 12.5 thousand per month, which the group regards as the going rate.

Note 5. 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 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 and work performed by the company for its own use and capitalized. 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 - June 2012				Group &	
Income statement, SEK thousand	Russia	Ukraine	Other	eliminations	Total
Revenue, external	6 173	39 430	6 573	0	52 176
Capitalized own work	2 047	0	310	-310	2 047
Raw materials and consumables	-2 672	-21 404	0	0	-24 076
Other operating expenses	-4 014	-2 259	-6 545	316	-12 502
Operating result	1 534	15 767	338	6	17 645

January - June 2011				Group &	
Income statement, SEK thousand	Russia	Ukraine	Other	eliminations	Total
Revenue, external	4 566	56	0	0	4 622
Capitalized own work	1 612	0	318	-318	1 612
Raw materials and consumables	-3 660	0	0	0	-3 660
Other operating expenses	-5 904	-1 850	-6 290	277	-13 767
Operating result	-3 386	-1 794	-5 972	-41	-11 193

April - June 2012				Group &	
Income statement, SEK thousand	Russia	Ukraine	Other	eliminations	Total
Revenue, external	2 842	19 539	0	0	22 381
Capitalized own work	996	0	155	-155	996
Raw materials and consumables	-1 191	-10 275	0	0	-11 466
Other operating expenses	-1 862	-1 133	-3 314	161	-6 148
Operating profit/loss	785	8 131	-3 159	6	5 763

April - June 2011				Group &	
Income statement, SEK thousand	Russia	Ukraine	Other	eliminations	Total
Revenue, external	4 566	26	-4	0	4 588
Capitalized own work	874	0	159	-159	874
Raw materials and consumables	-3 660	0	0	0	-3 660
Other operating expenses	-4 398	-384	-3 085	118	-7 749
Operating profit/loss	-2 618	-358	-2 930	-41	-5 947

June 30, 2012					
Balance sheet, SEK thousand	Russia	Ukraine	Other	Group & eliminations	Total
Assets					
Tangible and intangible fixed assets	116 105	116 369	6 950	0	239 424
Current assets, external	1 722	25 852	39 978	0	67 552
Current assets, internal	0	0	21 775	-21 775	0
Investments in tangible and intangible fixed assets	4 871	3 764	0	0	8 635

June 30, 2011					
Balance sheet, SEK thousand	Russia	Ukraine	Other	Group & eliminations	Total
Assets					
Tangible and intangible fixed assets	105 253	102 503	6 809	0	214 565
Current assets, external	2 279	7 362	3 523	0	13 164
Current assets, internal	0	0	12 789	-12 789	0
Investments in tangible and intangible fixed assets	4 792	556	0	0	5 348

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 23 August 2012

Shelton Petroleum AB (publ.)

Björn Lindström
Chairman

Hans Berggren
Director

Richard Edgar
Director

Peter Geijerman
Director

Freddie Linder
Director

Katre Saard
Director

Zenon Potoczny
Director

Robert Karlsson
CEO

Auditor's Review Report

Introduction

We have reviewed the condensed interim report for Shelton Petroleum AB as of 30 June, 2012 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the Swedish Standard on Review Engagements, SÖG 2410 *Review of Interim Reports Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, August 23, 2012
Ernst & Young AB

Per Hedström
Authorized Public Accountant