

## Interim report January – September 2011

### Financials January-September 2011

- Total revenue for the period: SEK 25 (27) million
- Revenue from oil sales for the period: SEK 14 (27) million
- Operating result for the period: SEK -1 (-5) million
- Result for the period after tax: SEK -3 (-7) million
- Basic and diluted earnings per share: SEK -0.33 (-0.82)

### Operational development July-September 2011

- Production during the third quarter: 24,400 barrels
- Production reinstated at the Lelyaki oil field in Ukraine
- Development programs launched on Rustamovskoye and Lelyaki to increase production
- Positive results from exploration activity on Aysky
- Amended tax law significantly reduces production tax in Russia 2012
- SEK 51 million from the liquidation of Tomsk Refining received in August

### Statement from the CEO

I am very satisfied that Shelton Petroleum is again able to report revenue from sale of oil. The production in September amounted to over 400 barrels per day. Despite financial concerns and fear of an approaching recession in Europe and USA, the oil price has remained at a high level. This strengthens the operating result as well as cash flow from our operations. Another positive matter is the amended tax legislation that President Medvedev approved. The amended tax legislation will reduce the production tax considerably from 2012 for the size of fields that Shelton Petroleum holds.

Shelton Petroleum's prioritized objective is to increase the production volumes. This applies to both the Russian and Ukrainian operations. In July the company announced an overall plan for the development of the Rustamovskoye field, where we as operator have completed a successful exploration program and started production of oil. The development program includes infrastructure for processing, storing and transportation of oil and drilling of up to six new production wells. Given the debt crisis in Europe and the turbulence on the global financial markets, Shelton Petroleum will implement the development program at a pace where we balance investments against our finances. The current exchange of the convertible bond of approximately SEK 30 million, where seventy per cent of the holders of the existing bond have notified the company that they intend to accept the offer, and the expected payment from the liquidation of Tomsk Refining of SEK 15-20 million in the first quarter of 2012, are important parts of the financing.

In parallel to the development program in Bashkiria, we are taking steps to increase production on the Lelyaki field in Ukraine. Production was reinstated in September and amounted to 7 000 barrels of oil, net to Shelton Petroleum, in September. In October the corresponding amount was 8 100 barrels of oil. Together with our partner Ukrnafta, the largest oil and gas company in Ukraine, we are conducting a program consisting of workovers of old wells, drilling of new wells and planning for future side tracks. The field has been producing oil for several decades which enables cost-effective investments with low geological risk.

In order to deepen the knowledge of the characteristics and extension of the reservoirs and to increase the company's registered oil reserves, we are also conducting further exploration activity on the two licenses neighboring Rustamovskoye. Results so far strengthen us in our opinion that the license portfolio has much to offer going forward.

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	-	-	-	-	-	-
<b>Total</b>				<b>3</b>	<b>9</b>	<b>14</b>	<b>9</b>	<b>82</b>	<b>342</b>
<b>Present value @ 10% discount rate, USD million</b>				<b>54</b>	<b>151</b>	<b>186</b>	-	-	-

*\* 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 in year 2009 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:

### **Increase production in Bashkiria**

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

### **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 company plans to increase production by drilling new wells and by re-entering and sidetracking suspended wells. Investments in the Lelyaki oil field are self-financed through cash flows from oil sales. Well interventions show good economics as the required investments are low. The new wells are drilled in close proximity to pipeline infrastructure for rapid tie-in.

### **Convert resources to reserves**

Shelton Petroleum will step by step 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**

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 holds a significant stake in Tomsk Refining AB, which is under voluntary liquidation after a trade sale of the company's assets, and Baltic Oil Terminals, an AIM listed company with a terminals and transshipment business in Kaliningrad on the coast of the Baltic Sea.

## January - September 2011

Revenue from oil sales for the period amounted to SEK 14 (27) million. The decrease in revenue compared to the first nine months 2010 is a result of the temporary shut-in of production at Lelyaki oil field until the end of August 2011. Revenue for 2011 includes sales from production at Rustamovskoye.

During the period Shelton Petroleum received SEK 51 million from the liquidation of Tomsk Refining AB and reports other revenue and a gain from the investment of SEK 11 million.

Total revenue amounted to SEK 25 (27) million.

Operating result for the period amounted to SEK -1 (-5) million.

Cash flow for the period was SEK 34 (6) million. Shelton Petroleum invested SEK 11 (12) million in the existing oil and gas properties during the period.

Cash and cash equivalents at the end of the period amounted to SEK 56 (37) million.

## July - September 2011

### **Russian operations**

Production and sale of oil in Russia during the third quarter amounted to 17,400 barrels, which is higher than the second quarter test production of 9,500 barrels. The oil was produced from the two exploration wells. There was no oil inventory in Russia at the end of the third quarter.

In July, the company announced an overview of a development program including infrastructure and drilling of up to six wells. During the third quarter, the company has taken several steps in this program by completing a comprehensive project design and construction of the drill pad. The company has conducted a close dialog with government authorities in order to secure permits and approvals. In addition, a tender process for selecting contractor for manufacturing and installing equipment for infrastructure as well as a contractor for drilling of production wells has been completed.

Shelton Petroleum has also made progress in its exploration program. Earlier this spring, sixty-five kilometers of seismic data were collected on the Aysky block. A third party processing and interpretation of the seismic data identified three prospective structures with an independent estimated potential of over 20 million barrels according to Russian standards for calculating reserves and resources. During the third quarter, the company completed a helium study on Aysky providing indications of the presence of hydrocarbons and supporting evidence that the producing structure on Rustamovskoye extends into the Aysky block.

President Medvedev has signed into law an amendment to the tax on oil production, called Mineral Extraction Tax (MET). New oil fields with initial recoverable reserves of less than five million tons (about 35 million barrels), will pay a discounted rate of MET from 1 January 2012. This will significantly enhance the value and cash generation potential of the Rustamovskoye field.

### **Ukrainian operations**

The temporary shut-in of the Lelyaki license block has been lifted by the Ukrainian government authorities. In early September, production was reinstated and production that month and for the third quarter amounted to 7,000 barrels. In October, the company produced a net of 8,100 barrels.

Shelton Petroleum has relaunched a field development program together with its partner Ukrnafta, Ukraine's largest oil and gas company. The objective is to step by step enhance productivity and increase production volumes. This will be achieved by a series of workovers, drilling of new wells and sidetrack drilling. In the fourth quarter, the operator put well 304A into production and spudded the new well 309.

At the September auction, 8 500 barrels of oil were sold in Ukraine. Oil in inventory at the end of the third quarter amounted to approximately 6 000 barrels. Sales in October and November were 8,600 and 10,400 respectively.

### **Financial development**

Revenue from oil sales for the third quarter 2011 amounted to SEK 9 million compared to SEK 8 million during the same period 2010. Revenue for the third quarter 2011 stems from the sale of oil at Rustamovskoye and Lelyaki, whereas revenue for the same period in 2010 was generated at the Lelyaki field. As noted above, the revenue from Lelyaki in the third quarter 2011 is only for September due to the temporary shut in which was lifted in the end of August.

In the end of August Shelton Petroleum received SEK 51 million in a first payment from the liquidation of Tomsk Refining AB (TRAB). The company reports other revenue and a gain from the investment in TRAB of SEK 11 million. The liquidator has informed Shelton Petroleum that a second payment of SEK 15-20 million net to Shelton Petroleum is likely to be made in the first quarter 2012.

Operating expenses in the third quarter amount to SEK 11 (11) million and consist primarily of personnel costs and other external expenses. The result for the third quarter amounted to SEK 8 (-7) million. Other comprehensive income amounted to SEK 1 (-26) million and includes exchange rate differences, which do not affect cash flow, on the internal group loans in foreign currency.

Cash flow for the third quarter was SEK 47 (-9) million, primarily related to operating activities, including the payment from the liquidation of TRAB. Investments in exploration and development activity amounted to a total of SEK 7 (8) million in the quarter and stem mainly from activities in Russia. The group had SEK 56 million in cash and cash equivalents at the end of the period compared to SEK 37 million at 30 September 2010 and SEK 22 million at year-end 2010.

Financial fixed assets amounted to SEK 43 million at the end of the period compared to SEK 50 million at September 2010 and SEK 92 million at 31 December 2010. The decrease since year end is primarily due to ongoing liquidation of TRAB. In the middle of June 2011 the trading in the Baltic Oil Terminals (BOT) shares was suspended. The value of the BOT holdings on that day exceeded the carrying value. Due to lack of a market value of the BOT share, Shelton Petroleum has, in accordance with IFRS, kept the value unchanged. Once trading is resumed the fair value will be reassessed and the carrying value may be adjusted.

Shareholders' equity per share at 30 September 2011 was SEK 23.96 (26.74) and the equity to assets ratio was 78 (78) per cent.

### **Major events occurring after the reporting period**

On 21 November Shelton Petroleum announced an offer to the holders of convertible bond 2009/2011 to exchange the bond for a new secured convertible bond. The new bond will mature on 31 December 2013 and carries an annual interest of 10 per cent. Holders of approximately 70 percent of the existing convertible bond have notified Shelton Petroleum that they intend to subscribe to the offer.

## The parent company

The parent company's total assets as at the period end amounted to SEK 324 (286) million. Cash and cash equivalents amounted to SEK 39 (14) million. The result after tax for the third quarter was SEK 8 (-6) million.

## Risk factors and uncertainties

A detailed account of the risks facing the company can be found in the 2010 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

Year-end Report January – December 2011	24 February 2012
Annual Report 2011	April 2012
Interim Report January – March 2012	22 May 2012
Interim Report April – June 2012	23 August 2012
Interim Report July – September 2012	22 November 2012
Annual General Meeting 2012	22 May 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 29 November 2011 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](mailto:robert.karlsson@sheltonpetroleum.com)

Shelton Petroleum AB  
Swedish company number: 556468-1491  
Hovslagargatan 5B  
SE-111 48 Stockholm  
Tel: +46 8 407 18 50  
[www.sheltonpetroleum.com](http://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. 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 has acquired an equity stake in Baltic Oil Terminals PLC, an AIM listed company with a terminals and transshipment business in Kaliningrad on the coast of the Baltic Sea. The Shelton Petroleum share is traded on the NGM stock exchange under the symbol SHEL B.

## 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](http://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	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Jan-Dec 2010
Net revenue	9 187	8 071	13 753	26 725	29 110
Other revenue	note 3 11 386	69	11 442	113	181
<b>Total revenue</b>	<b>20 573</b>	<b>8 139</b>	<b>25 195</b>	<b>26 839</b>	<b>29 291</b>
Work performed by the company for its own use and capitalized	853	682	2 465	1 636	2 233
Raw material and consumables	-6 613	-4 502	-10 273	-15 062	-17 639
Personnel costs	-2 463	-1 755	-7 944	-6 385	-9 895
Other external expenses	-2 095	-4 916	-10 180	-11 465	-13 532
Depreciation	-291	-312	-492	-950	-1 898
<b>Operating expenses</b>	<b>-11 462</b>	<b>-11 485</b>	<b>-28 889</b>	<b>-33 862</b>	<b>-42 965</b>
<b>Operating result</b>	<b>9 964</b>	<b>-2 664</b>	<b>-1 229</b>	<b>-5 388</b>	<b>-11 441</b>
Financial income	43	633	501	1 877	1 912
Financial costs	-1 294	-3 252	-1 305	-1 768	-1 470
<b>Total financial items</b>	<b>-1 251</b>	<b>-2 619</b>	<b>-804</b>	<b>110</b>	<b>441</b>
<b>Result before tax</b>	<b>8 713</b>	<b>-5 283</b>	<b>-2 033</b>	<b>-5 278</b>	<b>-11 000</b>
Income tax	-314	-1 309	-1 449	-1 269	-1 417
<b>Result for the period</b>	<b>8 399</b>	<b>-6 592</b>	<b>-3 482</b>	<b>-6 547</b>	<b>-12 417</b>
<b>Other comprehensive income</b>					
Financial assets through P/L	0	0	-5 105	0	-1 297
Exchange differences	743	-25 913	-4 943	-12 267	-10 834
<b>Total other comprehensive income</b>	<b>743</b>	<b>-25 913</b>	<b>-10 048</b>	<b>-12 267</b>	<b>-12 131</b>
<b>Total comprehensive income for the period</b>	<b>9 142</b>	<b>-32 505</b>	<b>-13 530</b>	<b>-18 814</b>	<b>-24 548</b>
Earnings per share for the period, basic and diluted	0,79	-0,76	-0,33	-0,82	-1,46
Average number of shares *	10 640 588	8 688 091	10 640 373	7 976 792	8 498 582

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

SEK thousand	Sep 30 2011	Sep 30 2010	Dec 31 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	6 807	6 807	6 807
Intangible assets	65 132	75 999	57 957
Tangible fixed assets	149 098	119 963	147 942
Financial assets	43 441	49 651	91 509
<b>Total non-current assets</b>	<b>264 478</b>	<b>252 420</b>	<b>304 215</b>
<b>Current assets</b>			
Inventory	1 259	2 628	2 648
Other short-term receivables	5 046	4 547	4 586
Cash and cash equivalents	56 056	37 578	22 171
<b>Total current assets</b>	<b>62 361</b>	<b>44 753</b>	<b>29 405</b>
<b>Total ASSETS</b>	<b>326 839</b>	<b>297 173</b>	<b>333 620</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>254 910</b>	<b>230 413</b>	<b>268 438</b>
<b>Non-current liabilities</b>			
Convertible loan	0	26 830	26 670
Deferred income tax liabilities	28 622	27 719	27 827
Other provisions	326	743	2 632
<b>Total non-current liabilities</b>	<b>28 948</b>	<b>55 292</b>	<b>57 129</b>
<b>Current liabilities</b>			
Convertible loan	28 539	0	0
Accounts payable	3 597	4 652	3 237
Other current liabilities	10 845	6 817	4 816
<b>Total current liabilities</b>	<b>42 981</b>	<b>11 469</b>	<b>8 053</b>
<b>Total EQUITY AND LIABILITIES</b>	<b>326 839</b>	<b>297 173</b>	<b>333 620</b>

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

SEK thousand	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
Cash flow from operating activities	2 354	-6 831	-4 769	-15 257
Cash flow from investing activities	45 061	-12 813	42 076	-17 429
Cash flow from financing activities	1	10 261	-3 435	38 744
<b>Cash flow for the period</b>	<b>47 416</b>	<b>-9 384</b>	<b>33 872</b>	<b>6 057</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>7 724</b>	<b>49 822</b>	<b>22 171</b>	<b>32 725</b>
Cash flow for the period	47 416	-9 384	33 872	6 057
Exchange differences in cash and cash equivalents	916	-2 860	13	-1 204
<b>Cash and cash equivalents at end of the period</b>	<b>56 056</b>	<b>37 578</b>	<b>56 056</b>	<b>37 578</b>

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	2011	2010
<b>Opening balance January 1</b>	<b>268 438</b>	<b>189 811</b>
Total comprehensive income for the period	-13 530	-18 814
Share issue	2	58 489
Equity part of convertible loan	0	367
Option premium	0	560
<b>Closing balance September 30</b>	<b>254 910</b>	<b>230 413</b>

**CONDENSED PARENT COMPANY INCOME STATEMENT**

SEK thousand	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Jan-Dec 2010
Net revenue	68	128	477	381	453
Other revenue	11 362	0	11 362	0	0
<b>Total revenues</b>	<b>11 430</b>	<b>128</b>	<b>11 839</b>	<b>381</b>	<b>453</b>
Personnel costs	-1 157	-1 063	-3 390	-2 593	-3 369
Other external expenses	-1 518	-1 836	-3 652	-3 927	-5 571
<b>Operating results</b>	<b>8 754</b>	<b>-2 772</b>	<b>4 797</b>	<b>-6 140</b>	<b>-8 487</b>
Financial items	-1 065	-3 120	-9 698	-2 320	-3 358
<b>Result before tax</b>	<b>7 690</b>	<b>-5 892</b>	<b>-4 901</b>	<b>-8 460</b>	<b>-11 845</b>
Income tax	104	-124	361	-103	655
<b>Result for the period</b>	<b>7 794</b>	<b>-6 016</b>	<b>-4 540</b>	<b>-8 563</b>	<b>-11 190</b>

**CONDENSED PARENT COMPANY BALANCE SHEET**

SEK thousand	Sep 30 2011	Dec 31 2010
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial non-current assets	278 429	316 528
<b>Total non-current assets</b>	<b>278 429</b>	<b>316 528</b>
<b>Current assets</b>		
Other receivables	6 845	3 896
Cash and cash equivalents	38 950	3 617
<b>Total current assets</b>	<b>45 795</b>	<b>7 513</b>
<b>Total ASSETS</b>	<b>324 224</b>	<b>324 041</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>289 635</b>	<b>294 561</b>
<b>Non-current liabilities</b>		
Convertible loan	0	26 670
Deferred income tax liabilities	258	619
<b>Total non-current liabilities</b>	<b>258</b>	<b>27 289</b>
<b>Current liabilities</b>		
Convertible loan	28 539	0
Other liabilities	5 792	2 190
<b>Total current liabilities</b>	<b>34 331</b>	<b>2 190</b>
<b>Total EQUITY AND LIABILITIES</b>	<b>324 224</b>	<b>324 041</b>

## 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 September 30, 2011 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 2010 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 2010 and in the way they were described in the 2010 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 2010 annual report.

### Note 3. Other revenue

In the third quarter 2011 the company received a first payment of SEK 51 million from the liquidation of Tomsk Refining AB. As a result of the payment the company has written down the carrying value of the investment and the company reports a gain from the investment of SEK 11 million in Other revenue in the in the consolidated statement of comprehensive income and in the parent company income statement.

### 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 approx CAD 12 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".

<b>January - September 2011</b>				<b>Group &amp;</b>	
<b>Income statement, SEK thousand</b>	<b>Russia</b>	<b>Ukraine</b>	<b>Other</b>	<b>eliminations</b>	<b>Total</b>
Revenue, external	8 271	5 563	11 361	0	<b>25 195</b>
Revenue, internal	2 465	0	477	-477	<b>2 465</b>
Raw materials and consumables	-6 449	-3 824	0	0	<b>-10 273</b>
Other operating expenses	-4 894	-2 761	-11 738	777	<b>-18 616</b>
Operating result	-607	-1 022	100	300	<b>-1 229</b>

<b>January - September 2010</b>				<b>Group &amp;</b>	
<b>Income statement, SEK thousand</b>	<b>Russia</b>	<b>Ukraine</b>	<b>Other</b>	<b>eliminations</b>	<b>Total</b>
Revenue, external	0	26 839	0	0	<b>26 839</b>
Revenue, internal	1 636	0	381	-381	<b>1 636</b>
Raw materials and consumables	0	-15 062	0	0	<b>-15 062</b>
Other operating expenses	-3 911	-4 262	-11 009	381	<b>-18 801</b>
Operating result	-2 275	7 515	-10 628	0	<b>-5 388</b>

<b>July - September 2011</b>				<b>Group &amp;</b>	
<b>Income statement, SEK thousand</b>	<b>Russia</b>	<b>Ukraine</b>	<b>Other</b>	<b>eliminations</b>	<b>Total</b>
Revenue, external	3 705	5 507	11 361	0	<b>20 573</b>
Revenue, internal	853	0	159	-159	<b>853</b>
Raw materials and consumables	-2 789	-3 824	0	0	<b>-6 613</b>
Other operating expenses	-602	-911	-3 836	500	<b>-4 849</b>
Operating profit/loss	1 167	772	7 684	341	<b>9 964</b>

<b>July - September 2010</b>				<b>Group &amp;</b>	
<b>Income statement, SEK thousand</b>	<b>Russia</b>	<b>Ukraine</b>	<b>Other</b>	<b>eliminations</b>	<b>Total</b>
Revenue, external	0	8 139	0	0	<b>8 139</b>
Revenue, internal	682	0	128	-128	<b>682</b>
Raw materials and consumables	0	-4 502	0	0	<b>-4 502</b>
Other operating expenses	-1 446	-1 564	-4 101	128	<b>-6 983</b>
Operating profit/loss	-764	2 073	-3 973	0	<b>-2 664</b>

<b>September 30, 2011</b>					<b>Group &amp;</b>	
<b>Balance sheet, SEK thousand</b>		<b>Russia</b>	<b>Ukraine</b>	<b>Other</b>	<b>eliminations</b>	<b>Total</b>
<b>Assets</b>						
Tangible and intangible fixed assets		105 976	109 159	6 809	0	<b>221 944</b>
Current assets, external		3 183	12 688	45 583	0	<b>61 454</b>
Current assets, internal		0	0	13 145	-13 145	<b>0</b>
Investments in tangible and intangible fixed assets		9 936	1 347	0	0	<b>11 283</b>
<b>September 30, 2010</b>					<b>Group &amp;</b>	
<b>Balance sheet, SEK thousand</b>		<b>Russia</b>	<b>Ukraine</b>	<b>Other</b>	<b>eliminations</b>	<b>Total</b>
<b>Assets</b>						
Tangible and intangible fixed assets		77 983	106 296	6 812	4 871	<b>195 962</b>
Current assets, external		1 365	1 453	1 729	0	<b>4 547</b>
Current assets, internal		0	0	13 533	-13 533	<b>0</b>
Investments in tangible and intangible fixed assets		7 966	0	0	0	<b>7 966</b>

## Shelton Petroleum AB

Hovslagargatan 5B

SE-111 48 Stockholm

Organisationsnummer: 556468-1491

Tel: +46 8 407 18 50

E-post: robert.karlsson@sheltonpetroleum.com

www.sheltonpetroleum.com