

## Interim report January – March 2011

- Revenue for the period: SEK 0.0 million (10.7)
- Operating result for the period: SEK -5.2 million (-0.7)
- Result for the period after tax: SEK -5.3 million (-1.3)
- Basic and diluted earnings per share: SEK -0.01 (0.00)

### Statement from the CEO

The first quarter of 2011 has contained both negatives and positives for Shelton Petroleum. Due to the temporary shut-in of the Lelyaki field in Ukraine, we recorded no revenues during the quarter. On the other hand, we made important progress regarding the development and seismic program in Russia.

Let me start by expressing my disappointment about the development on the Lelyaki field in Ukraine. In October last year Ukrainian authorities recommended us to temporarily halt our production on the Lelyaki field while a review was conducted. Unfortunately it has taken longer to bring the field back on production than we originally anticipated. We are working hard on implementing measures to solve the bureaucratic and administrative elements that are holding us back. Progress has been made and we will make an immediate announcement when the issue has been resolved.

I am very pleased that our strategy in Bashkiriya has proven to be successful. Based on test results and logs from work done during the Soviet era, we have performed selective exploration drilling and confirmed the presence of oil on Rustamovskoye. We are currently designing a development program with production wells that we expect to initiate this summer. A large part of the program will be financed by proceeds from our holding in the refinery in Tomsk. I am looking forward to shortly announcing the development program in more detail once it has been finalized.

Up until last year, focus has been on starting production on Rustamovskoye. During 2011, we have also started to explore the adjacent fields. On the Aysky block, we recently completed a seismic program confirming the field's excellent potential of over 20 million barrels of oil.

Shelton Petroleum's near-term priority is to increase production volumes and to generate cash flows from the sale of oil. With proceeds from our holding in the refinery, we will be able to initiate the drilling of production wells on Rustamovskoye. Shelton Petroleum is in terms of oil companies a young company, and a successfully implemented development program will take us to the next level.

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.

### Restart and 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 very 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 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

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 share holding in Tomsk Refining AB, which is under divestment after a bid on the company, and Baltic Oil Terminals, an AIM listed company with a terminals and transshipment business in Kaliningrad on the coast of the Baltic Sea.

## January – March 2011

Revenue for the first quarter 2011 amounted to SEK 0 million compared to SEK 11 million during the same period 2010. The decrease compared to last year is due to the temporary shut-in of the production at Lelyaki. The successful exploration wells on the Rustamovskoye field have been on test production in order to optimize production conditions and infrastructure. As previously announced, while this provides valuable information to be used in design of the development program, it is done at the expense of optimizing immediate production volumes. The quantities of produced oil during the first two quarters of 2011 are therefore not representative of what we expect to achieve going forward when we progress from the test production stage. The oil produced during the test production during 2010 and 2011 has been sold during the second quarter. Oil from test production at Rustamovskoye amounted to 4,600 barrels during the first quarter. Total oil in inventory as at the end of the first quarter amounts to approximately 24,000 barrels.

Operating expenses amount to SEK 6 (12) million and consist primarily of personnel costs and other external expenses. The operating expenses are lower than the first quarter last year since no production costs have been charged to the profit and loss statement due to the production shut-in at Lelyaki. The result for the period amounted to SEK -5 (-1) million. The total comprehensive income, SEK -19 (3) million includes exchange rate differences from the weakening of the USD compared to SEK, not affecting cash flow, on the internal group loan in foreign currency, exchange rate changes on the holdings in Tomsk Refining AB and exchange rate and share price changes in our holdings in Baltic Oil Terminals PLC.

Cash flow for the period was SEK -8 (-11) million, primarily related to operating activities. Investments in oil and gas properties amounted to a total of SEK 2 (1) million in the period and stem mainly from activities in Russia.

Financial fixed assets amounted to SEK 85 million at the end of the period compared to SEK 92 million at the beginning of the period. The lower figure for 31 March 2011 is due to changes in the GBP/SEK exchange rate and share price changes in Baltic Oil terminals PLC. The group had SEK 13 million in cash and cash equivalents at the end of the period. Shareholders' equity per share at 31 March 2011 was SEK 0.47 (0.50) and the equity to assets ratio was 79 (80) percent.

## Major events occurring after the reporting period

In fall 2010, Shelton Petroleum acquired an equity stake in Tomsk Refining. During 2011, Tomsk Refining resolved to sell its refining operations for a consideration of approximately USD 80 million. In May 2011, the Tomsk Refining Annual General Meeting resolved to enter into a voluntary liquidation as a way of distributing the funds, generated from the sale of its subsidiaries, to its shareholders. A first tranche of cash is expected to be distributed to the shareholders, including Shelton Petroleum, during the third quarter of 2011.

On 2 May 2011, Shelton Petroleum announced the results of a 65 kilometer seismic program on the Aysky block in Bashkiria. An independent processing and interpretation of the seismic data has identified three prospective structures with a potential amounting to over 20 million barrels of oil. The collection of this round of seismic is the first significant step in the exploration program on Aysky. Shelton Petroleum is designing a tightening of the seismic grid in order to identify the optimal location for the exploration well to be drilled in accordance with the license agreement.

At the Annual General Meeting in Shelton Petroleum on 17 May 2011, the shareholders voted on a reverse split entailing that 50 A-shares and 50 B-shares are consolidated into 1 A-share and 1 B-share, respectively. As a consequence, the number of shares of the company will be reduced while the share capital remains unchanged. The reverse split is planned to be completed during the second quarter of 2011.

### The parent company

The parent company's total assets as at the period end amounted to SEK 315 (324) million. Cash and cash equivalents amounted to SEK 1 (3) million. The result after tax for the period was SEK -9 (-2) million.

### Risk factors and uncertainties

A detailed account of the risks facing the company appears in the 2010 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 April – June 2011  
Interim Report July – September 2011

26 August 2011  
29 November 2011

### 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 27 May 2011 at 08:30 CET.

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

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## 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. The company holds three licenses in Russia 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. Ukrainian operations include onshore as well as offshore projects. Shelton Petroleum is pursuing an integrated business model and has acquired significant equity stakes in Tomsk Refining AB and Baltic Oil Terminals PLC, the latter being 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. 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](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, 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	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
Net revenue	0	10,702	29,110
Other revenue	34	37	181
<b>Total revenue</b>	<b>34</b>	<b>10,739</b>	<b>29,291</b>
Work performed by the company for its own use and capitalized	738	457	2,233
Raw material and consumables	0	-5,711	-17,639
Personnel costs	-3,715	-2,706	-9,895
Other external expenses	-2,155	-3,050	-13,532
Depreciation	-148	-386	-1,898
<b>Operating expenses</b>	<b>-6,018</b>	<b>-11,853</b>	<b>-42,964</b>
<b>Operating result</b>	<b>-5,246</b>	<b>-657</b>	<b>-11,440</b>
Financial income	775	511	1,912
Financial expenses	-5	-1,068	-1,470
<b>Total financial items</b>	<b>770</b>	<b>-557</b>	<b>442</b>
<b>Result before tax</b>	<b>-4,476</b>	<b>-1,214</b>	<b>-10,998</b>
Income tax	-825	-80	-1,417
<b>Result for the period</b>	<b>-5,301</b>	<b>-1,294</b>	<b>-12,415</b>
<b>Other comprehensive income</b>			
Financial assets available for sale	-5,970	0	-1,297
Exchange differences	-7,994	4,322	-10,834
<b>Total other comprehensive income</b>	<b>-13,964</b>	<b>4,322</b>	<b>-12,131</b>
<b>Total comprehensive income for the period</b>	<b>-19,265</b>	<b>3,028</b>	<b>-24,546</b>
Earnings per share for the period before/after dilution	-0.01	0.00	-0.03
Average number of shares	532,009,880	380,169,035	424,929,104

**CONDENSED GROUP STATEMENT OF FINANCIAL POSITION**

SEK thousand	<b>Mar 31 2011</b>	<b>Dec 31 2010</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	6,807	6,807
Intangible assets	57,470	57,957
Tangible fixed assets	143,260	147,942
Financial assets	85,383	91,509
<b>Total non-current assets</b>	<b>292,920</b>	<b>304,215</b>
<b>Current assets</b>		
Inventory	4,386	2,648
Other short-term receivables	3,052	4,586
Cash and cash equivalents	13,311	22,171
<b>Total current assets</b>	<b>20,749</b>	<b>29,405</b>
<b>Total ASSETS</b>	<b>313,669</b>	<b>333,619</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>249,173</b>	<b>268,438</b>
<b>Non-current liabilities</b>		
Convertible loan	0	26,670
Deferred income tax liabilities	27,023	27,827
Other provisions	314	2,632
<b>Total non-current liabilities</b>	<b>27,337</b>	<b>57,129</b>
<b>Current liabilities</b>		
Convertible loan	27,126	0
Accounts payable	3,535	3,236
Other current liabilities	6,498	4,816
<b>Total current liabilities</b>	<b>37,159</b>	<b>8,052</b>
<b>Total EQUITY AND LIABILITIES</b>	<b>313,669</b>	<b>333,619</b>

### CONDENSED GROUP STATEMENT OF CASH FLOW

SEK thousand	Jan-Mar 2011	Jan-Mar 2010
Cash flow from operating activities	-5,769	-10,861
Cash flow from investing activities	-2,107	-965
Cash flow from financing activities	0	560
<b>Cash flow for the period</b>	<b>-7,876</b>	<b>-11,266</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>22,171</b>	<b>32,725</b>
Cash flow for the period	-7,876	-11,266
Exchange differences in cash and cash equivalents	-984	306
<b>Cash and cash equivalents at end of the period</b>	<b>13,311</b>	<b>21,765</b>

### CONDENSED GROUP 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	-19,265	3,028
Option premium	0	560
<b>Closing balance March 31</b>	<b>249,173</b>	<b>193,400</b>



**CONDENSED PARENT COMPANY INCOME STATEMENT**

<b>SEK thousand</b>	<b>Jan-Mar 2011</b>	<b>Jan-Mar 2010</b>	<b>Jan-Dec 2010</b>
Net revenue	159	125	453
Other revenues	0	0	0
<b>Total revenues</b>	<b>159</b>	<b>125</b>	<b>453</b>
Personnel costs	-812	-900	-3,369
Other external expenses	-468	-739	-5,571
<b>Operating results</b>	<b>-1,121</b>	<b>-1,514</b>	<b>-8,487</b>
Financial items	-8,023	-342	-3,358
<b>Result before tax</b>	<b>-9,144</b>	<b>-1,856</b>	<b>-11,845</b>
Income tax	160	155	655
<b>Result for the period</b>	<b>-8,984</b>	<b>-1,701</b>	<b>-11,190</b>

**CONDENSED PARENT COMPANY BALANCE SHEET**

SEK thousand	<b>Mar 31 2011</b>	<b>Dec 31 2010</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial non-current assets	310,721	316,528
<b>Total non-current assets</b>	<b>310,721</b>	<b>316,528</b>
<b>Current assets</b>		
Other receivables	4,015	3,896
Cash and cash equivalents	547	3,617
<b>Total current assets</b>	<b>4,562</b>	<b>7,513</b>
<b>Total ASSETS</b>	<b>315,283</b>	<b>324,041</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>285,190</b>	<b>294,561</b>
<b>Non-current liabilities</b>		
Convertible loan	0	26,670
Deferred income tax liabilities	459	619
<b>Total non-current liabilities</b>	<b>459</b>	<b>27,289</b>
<b>Current liabilities</b>		
Convertible loan	27,126	0
Other liabilities	2,508	2,190
<b>Total current liabilities</b>	<b>29,634</b>	<b>2,190</b>
<b>Total EQUITY AND LIABILITIES</b>	<b>315,283</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 31 March 2011 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 2010, 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 manner in which 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 the entirety of 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. 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 approx 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 10 thousand per month, which the group regards as the going rate.

### 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 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 accounts for 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 profit and loss".

**January – March 2011**

<b>Income statement, SEK thousand</b>	<b>Russia</b>	<b>Ukraine</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Revenue, external	0	30	4	0	<b>34</b>
Revenue, internal	0	0	159	-159	<b>0</b>
Raw materials and consumables	0	0	0	0	<b>0</b>
Other operating expenses	-768	-1,466	-3,205	159	<b>-5,280</b>
Operating profit/loss	-768	-1,436	-3,042	0	<b>-5,246</b>

**January - March 2010**

<b>Income statement, SEK thousand</b>	<b>Russia</b>	<b>Ukraine</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Revenue, external	0	10,739	0	0	<b>10,739</b>
Revenue, internal	0	0	125	-125	<b>0</b>
Raw materials and consumables	0	-5,711	0	0	<b>-5,711</b>
Other operating expenses	-1,179	-1,666	-2,962	122	<b>-5,685</b>
Operating profit/loss	-1,179	3,362	-2,837	-3	<b>-657</b>

**March 31, 2011**

<b>Balance sheet, SEK thousand</b>	<b>Russia</b>	<b>Ukraine</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Tangible and intangible fixed assets	99,540	101,188	6,809	0	<b>207,537</b>
Financial fixed assets	0	0	491,660	-406,277	<b>85,383</b>
Current assets, external	4,899	1,887	652	0	<b>7,438</b>
Current assets, internal	0	0	12,338	-12,338	<b>0</b>

Investments in tangible and intangible fixed assets	2,107	0	0	0	<b>2,107</b>
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**March 31, 2010**

<b>Balance sheet, SEK thousand</b>	<b>Russia</b>	<b>Ukraine</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Tangible and intangible fixed assets	84,596	114,825	6,813	0	<b>206,234</b>
Financial fixed assets	0	168	176,955	-176,955	<b>168</b>
Current assets, external	2,722	3,480	23,503	0	<b>29,705</b>
Current assets, internal	0	0	8,631	-8,631	<b>0</b>

Investments in tangible and intangible fixed assets	826	138	0	0	<b>965</b>
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