

Press release  
Stockholm, 13 December 2013

## **Update regarding Convertible 2 and constructive talks between Shelton Petroleum and Petrogrand**

**Shelton Petroleum has been informed that Petrogrand has requested conversion of Convertible 2. The parties are in disagreement regarding the right to convert. The board of directors of Shelton Petroleum and Petrogrand are now holding constructive talks and believe that a new solution that potentially could create significant value for both companies is close at hand.**

On 14 June 2013 Shelton Petroleum and Petrogrand announced that management of the companies had agreed to enter into an agreement on the issuance of two convertible debentures and on 10 July 2013 the two companies announced that the agreement had been signed. During the fall of 2013, the shareholders in both Shelton Petroleum and Petrogrand approved the transaction.

The first convertible, K1, was unconditional and amounted to SEK 30 million with expiration on 31 December 2013. Both parties had the right to call for conversion. K1 was intended for investments in Shelton Petroleum's Russian operations. Shelton Petroleum has received the proceeds from K1 and the investments have been made with strong drilling results. The convertible was later converted to shares.

The second convertible, K2, is conditional and amounts to SEK 185 million with expiration on 31 December 2013. K2 is intended for a specific acquisition. K2 amounts to SEK 185 249 280 and corresponds to 9 262 464 new B shares in Shelton Petroleum, should it be converted. In accordance with the conditions in the agreement Petrogrand has the right to call for conversion, provided that the conditions are fulfilled. Shelton Petroleum has received the proceeds from K2, but the funds are kept on a blocked account, and not available for Shelton Petroleum, until conversion is completed. If there has been no conversion by the expiration date, the funds should be paid back to Petrogrand. The parties are in disagreement regarding the right to convert.

The board of directors of Shelton Petroleum and Petrogrand are now holding constructive talks and believe that a new solution that potentially could create significant value for both companies is close at hand. The solution entails a capital injection into Shelton Petroleum that exceeds the amount in K2. It would be done at an average stock price significantly higher than the conversion price of K2. Shelton Petroleum has a license portfolio with increasing production and a significant exploration potential offshore in Ukraine. The oil and gas markets present several attractive expansion opportunities. The board of directors of the companies have a common view on how to capitalize on the company's assets and opportunities.

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### **Facts 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



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leading Ukrainian oil and gas companies. The Shelton Petroleum share is traded on NASDAQ OMX Stockholm under the under the symbol SHEL B.