

Interim report January - March 2015

Operating margin 7% despite significantly lower oil prices

- Total revenue for the period: SEK 19 (32) million
- Operating result for the period: SEK 1 (9) million
- Operating margin: 7% (29%)
- Basic earnings per share: SEK 0.04 (0.55)
- Diluted earnings per share: SEK 0.04 (0.53)

<u>Oil production</u>	<u>Q1</u> <u>2015</u>	<u>Q1</u> <u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Barrels	71,760	84,760	321,377	248,870	177,850
Barrels per day	797	942	880	682	486

Statement from the CEO

During the first quarter, Shelton Petroleum produced approximately 800 barrels per day. The company recorded a turnover of SEK 19 million and an operating result of SEK 1 million, equivalent to an operating margin of 7%. Both the turnover and the profit were lower than in previous quarters, which is mainly due to the rapid and significant drop in the oil price that has affected the whole sector. The oil industry is currently adapting to the new market conditions. This is especially true for the high-cost North American shale oil industry, where the rig count has fallen from 1,600 to 700 active rigs.

Since the middle of the first quarter, the oil price, and as a result also Shelton Petroleum's profitability, have recovered. Shelton Petroleum, compared with several other oil companies, has relatively low production costs and can therefore post profits despite the fact that the company's fields in Russia have not been developed even close to their ultimate potential. Shelton Petroleum's production in Russia amounts to 455 barrels per day, whereas the 2P potential amounts to more than 5,000 barrels per day solely on the already producing field according to the recent reserves report. As the production volumes increase, Shelton Petroleum will raise its profitability both in absolute terms and per barrel.

Shelton Petroleum has through successful drillings proven its reserves base and demonstrated that the oil can be extracted and sold under sound profitability. In the latest reserves update, the Russian 2P reserves increased from 1 to 23 million barrels of oil. The group's total 2P reserves amount to 34 million barrels. The company is currently making investments into a seismic program in order to delineate the promising structures that it has previously identified. Shelton Petroleum has built considerable value in its oil assets.

Ukraine is implementing a program to modernize and deregulate the country and its economy. Shelton Petroleum's production in Ukraine is stable, and, due to its geographic location, unaffected by the unrest that still exists, although on a lower level during the past few months, in the eastern parts of the country. The accounts receivable from the sale of oil in Ukraine continue to be high and it is the company's objective to more swiftly turn them into cash flow. It is however important to note that the operator of the Lelyaki field

continuously receives payments, although delayed, for the oil it has sold. During the past three months Shelton Petroleum's wholly owned Canadian subsidiary has received dividends from the operator.

Shelton Petroleum has a shareholding in Petrogrand that carried a market value of SEK 53 million at the end of the first quarter. This is an important asset and the company is evaluating the holding to determine how it can be used to create most value for the shareholders.

How will Shelton Petroleum create new value for its shareholders? One key element is to convert the oil reserves to production by drilling new wells on the oil fields in Russia. How will this be financed? Shelton Petroleum is able to finance current investments through cash flow from the oil it sells, but lacks sufficient funds for a full-scale development program. It is however important to note that the company holds two substantial assets – the shareholding in Petrogrand as well as receivables on a customer in Ukraine. If one or both of these were to be converted to cash, then Shelton Petroleum would be able to finance a drilling program to significantly enhance production in Russia. Shelton Petroleum is also considering industrial partnerships on the asset and corporate level and is exploring farm-out options where drillings would be financed by a partner that would earn into the field. It is also important to note that the company is free from interest-bearing debt.

The players in the oil industry have not yet fully adapted to the new market conditions, and as they do, new opportunities will open up for Shelton Petroleum to find solutions to realize the significant value in the oil reserves that the company has established.

In summary, Shelton Petroleum has through persistent and successful work established producing oil fields and I am looking forward to realize the value that is substantially higher than current production volumes show.

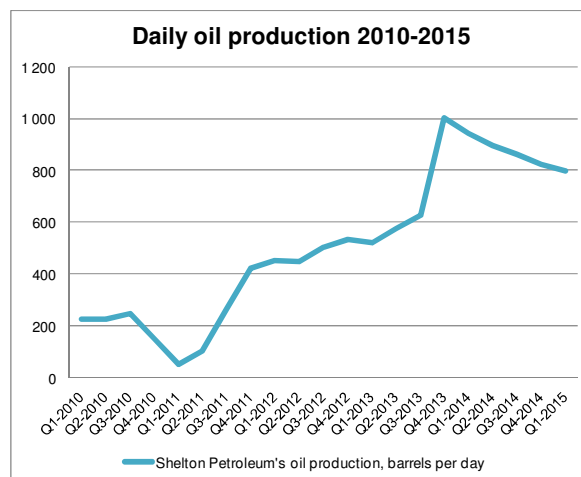
Robert Karlsson

January - March 2015

Financial development

Revenue from oil sales amounted to SEK 19 (32) million. During the period, Shelton Petroleum sold 70,700 (74,370) barrels of oil and produced 71,760 (84,760) barrels of oil. The production has decreased in both Russia and Ukraine compared to the same period last year. The prices of oil in USD in both Russia and Ukraine were lower compared to the same period in 2014.

The average daily production during the period amounted to 797 barrels compared to 942 barrels in 2014, 519 barrels in 2013 and 455 barrels in 2012.



The company reported an operating result for the period January to March 2015 of SEK 1 (9) million, equivalent to an operating margin of 7%. The operating result was negatively affected by the lower oil prices in the quarter compared to last year. In the first quarter of 2015 the average price of Brent oil was USD 54 per barrel compared to USD 108 per barrel in the first quarter of 2014. The Brent oil price has strengthened and during the second quarter to date the average price amounts to USD 61 per barrel.

The group held SEK 13 million in cash and cash equivalents at the end of the period. Cash flow from operations during the quarter was SEK 3 million, whereas cash flow from investing activities was SEK -4 million, all related to the oil and gas operations. The company is free from interest-bearing debt.

The accounts receivable balance, included in Other short term receivables in the balance sheet, amounted to SEK 37 million as of 31 March 2015 compared to SEK 54 million at 31 December 2014. The receivable has been confirmed by the counterparty in writing. As has been described in previous reports, the customer who acquires the oil in Ukraine is making payments on a regular basis but with delays. During January to April, payments received for oil sales in Ukraine amounted to SEK 15 million. The company believes that the receivables will be settled in full. However, to reflect the cost of interest on older receivables the company has increased the reserve that was booked at year end by SEK 0.7 million and the reserve amounts to SEK 1.8 million. The company continues to monitor the situation closely and has a continuous dialogue with the customer on settling the outstanding amounts as they become due.

The operator of the Lelyaki oil field, Kashtan Petroleum, has during the first quarter recommenced to pay dividends to Shelton Petroleum's wholly owned Canadian subsidiary. During the period January to April, approximately SEK 2.5 million has been received.

Investments in exploration and development activity amounted to a total of SEK 4 (8) million for the period.

Non-current financial assets amounted to SEK 53 million at the end of the period compared to SEK 48 million at 31 December 2014, and consisted of shares in Petrogrand. The stock price of Petrogrand increased in the first quarter 2015.

Shareholders' equity per share at 31 March 2015 was SEK 14.94 (21.25) and the equity to assets ratio was 85 (83) %.

The Russian and Ukrainian currencies continued to be volatile during the first quarter. The Russian ruble strengthened by 9 per cent against the Swedish krona compared to the year-end rate 2014 while the Ukrainian hryvnia weakened by 27 per cent against the Swedish krona. As a result of the fluctuations in the exchange rates the company reports translation differences in other comprehensive income of SEK -13 (-52) million. The translation differences arise when the income statements and balance sheets of foreign operations are translated from local currency to Swedish krona. The translation differences mainly relate to intra-group loans and fixed assets and do not affect cash flow. See note 7 for a table of exchange rates that have been used.

Russian operations

Shelton Petroleum's production of oil in Russia during the first quarter amounted to 40,960 (51,500) barrels. Production per day amounted to 455 (572) barrels. The decrease is due to the natural depletion that all wells are subject to as oil is extracted. Revenue in the first quarter for the Russian segment amounted to SEK 6.3 (11.9) million and operating profit to SEK 1.3 (5.0) million, corresponding to an operating margin of 20% (42%). The lower operating profit and margin compared to previous periods is due to a significantly lower oil price, a higher production tax rate and lower volumes compared to the same period last year.

Despite the lower oil prices the Russian segment posted a healthy profit during the first quarter. In addition, Shelton Petroleum's assets have not yet been developed to a stage where they are close to their ultimate potential. The current production level is about one tenth of the 2P potential of over 5,000 barrels per day according to the recent reserves report. As production volumes increase, Shelton Petroleum will raise its profitability both in absolute terms and per barrel.

Ukrainian operations

Production in the first quarter amounted to 30,800 (33,260) barrels. Production per day amounted to 342 (370) barrels. Revenue in the first quarter in the Ukrainian segment amounted to SEK 13.1 (19.6) million and operating profit to SEK 2.7 (8.0) million, corresponding to an operating margin of 21% (41%). The lower operating profit and margin is due to a significantly lower oil price, higher production tax rate and lower volumes compared to the same period last year. As is the case with the Russian segment, the Ukrainian segment is also able to show sound profitability despite the lower oil prices. The average Brent oil price so far during the second quarter is USD 61 per barrel, which is USD 7 higher than the average price in the first quarter.

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 support production volumes through a program consisting of new wells, sidetracks and workovers.

Significant events occurring after the reporting period

On 29 April 2015 Shelton Petroleum announced that an additional 142 kilometers of seismic data has been collected on the Suyanovskoye oil field to further delineate three promising structures that had been identified in 2014. The results of the processing and interpretation of the data will be published later in 2015.

The parent company

The parent company's total assets as at the period end amounted to SEK 411 (402) million. Cash and cash equivalents amounted to SEK 3 (22) million. The result after tax January – March 2015 was SEK 2 (7) million. The total assets have increased by approximately SEK 53 million since year end. In preparation for the extra general meeting in January 2015, which were to resolve on the dissolution of the cross-ownership with Petrogrand, the company transferred its shares in Petrogrand to a wholly owned subsidiary in Cyprus. The shares have since been transferred back to Shelton Petroleum as a loan.

Risk factors and uncertainties

A detailed account of the risks facing the company can be found in the 2014 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 April – June 2015	21 August 2015
Interim Report July – September 2015	20 November 2015
Annual General Meeting 2015	21 May 2015

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 20 May 2015 at 08:15 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 Russia and Ukraine. In Russia, the company holds 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. Shelton Petroleum oil and gas 2P reserves amount to 34 million barrels. The company's share is traded on Nasdaq Stockholm under the symbol SHEL B.

Shelton Petroleum's exploration and production portfolio

Production onshore					
License	Product	Reserves			Working interest
		1P	2P	3P	
Rustamovskoye	Oil	7	23	41	100%
Rustamovskoye	Gas	1	4	7	100%
Lelyaki	Oil	3	8	8	45%
Total		10	34	55	

Exploration onshore					
License	Product	Contingent and risked prospective resources			Working interest
		L	M	H	
Rustamovskoye	Oil	1	4	6	100%
Aysky	Oil	4	13	20	100%
Suyanovskoye	Oil	47	47	47	100%
Total		52	64	73	

Exploration offshore					
License	Product	Prospective resources			Working interest
		L	M	H	
Arkhangelskoye	Gas and NGL	1	55	130	50%
Biryucha	Gas	1	10	166	50%
Total		2	66	296	

The amounts may not add up due to roundings.

Note on the reserves and resources calculation

Amounts are reported in millions of barrels of oil equivalent. 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. Calculations in the assessments have been made in accordance with SPE PRMS with the exception of Suyanovskoye resources, which are of category D according to Russian standards. AGR TRACS has made the assessment for Rustamovskoye and Aysky (2014) and the offshore assets (2009). Trimble Engineering Associates has made the assessment for Lelyaki (2009) and GeoSeis Group for Suyanovskoye (2014).

Arkhangelskoye and Biryucha are offshore licenses in the Black Sea and Sea of Azov. The license holder CNG has filed an application to extend the Biryucha license, which expired in the fourth quarter 2014. It is expected that an extension will be granted during the year. Following the annexation of Crimea, the company perceives an increased risk regarding future financial benefit from these licenses.

Resources have a lower probability of extraction than reserves.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Note	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
Revenue		19 408	31 528	112 831
Work performed by the company for its own use and capitalized		410	754	3 252
Raw material and consumables		-13 494	-16 223	-58 732
Impairment of exploration and evaluation assets		0	0	-6 993
Personnel costs		-1 897	-2 810	-11 731
Other external expenses		-2 782	-3 348	-19 849
Depreciation		-356	-906	-2 561
Operating expenses		-18 529	-23 287	-99 866
Operating profit		1 289	8 995	16 217
Financial income		286	230	344
Financial expenses		-11	-285	-363
Total financial items		275	-55	-19
Profit before tax		1 564	8 940	16 198
Income tax	4	-837	-1 741	-3 234
Profit for the period		727	7 199	12 964
Other comprehensive income				
Financial assets available for sale	5	5 097	9 995	-36 102
Translation differences		-13 332	-51 813	-109 897
Total items which may be or have been re-classified to result for the period		-8 235	-41 818	-145 999
Total other comprehensive income		-8 235	-41 818	-145 999
Total comprehensive income for the period		-7 508	-34 619	-133 035
Earnings per share		0,04	0,55	0,76
Earnings per share after dilution		0,04	0,53	0,76
Average number of shares		18 661 247	13 096 799	17 047 428
Average number of shares after dilution		18 661 247	14 597 751	17 063 378

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousand	Note	Mar 31 2015	Mar 31 2014	Dec 31 2014
ASSETS				
Non-current assets				
Goodwill		6 807	6 807	6 807
Exploration and evaluation assets		59 749	73 855	53 399
Oil and gas assets		145 218	180 236	153 314
Other fixed assets		1 053	1 020	990
Financial assets available for sale	5	53 061	80 415	47 963
Total non-current assets		265 888	342 333	262 473
Current assets				
Inventory		55	93	179
Other short-term receivables		49 476	55 179	61 000
Cash and cash equivalents		12 553	27 760	13 674
Total current assets		62 084	83 032	74 853
Total ASSETS		327 972	425 365	337 326
EQUITY AND LIABILITIES				
Equity		278 790	352 377	286 298
Non-current liabilities				
Deferred income tax liabilities		14 084	20 764	15 488
Other provisions		294	323	322
Total non-current liabilities		14 378	21 087	15 810
Current liabilities				
Convertible loan		0	22 274	0
Accounts payable		16 497	16 498	21 032
Other current liabilities		18 307	13 129	14 186
Total current liabilities		34 804	51 901	35 218
Total EQUITY AND LIABILITIES		327 972	425 365	337 326

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
Cash flow from operating activities			
Before change in working capital	2 241	7 622	17 976
Change in working capital	804	-2 487	-6 287
Cash flow from operating activities	3 045	5 135	11 689
Investment in oil and gas assets	-2 128	-4 219	-14 643
Investment in exploration and evaluation assets	-1 776	-3 953	-8 825
Investment in financial assets	0	-2 067	-5 056
Cash flow from investing activities	-3 904	-10 239	-28 524
Cash flow from financing activities	0	0	-730
Cash flow for the period	-859	-5 104	-17 565
Cash and cash equivalents at beginning of the period	13 673	33 728	33 728
Cash flow for the period	-859	-5 104	-17 565
Exchange differences in cash and cash equivalents	-261	-865	-2 491
Cash and cash equivalents at end of the period	12 553	27 759	13 672

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	2015	2014
Opening balance January 1	286 298	318 643
Total comprehensive income for the period	-7 508	-34 619
Issue of shares	0	68 353
Closing balance March 31	278 790	352 377

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK thousand	Note	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
Revenue		135	173	636
Personnel costs		-1 007	-1 222	-5 288
Other external expenses		-1 172	-1 862	-11 784
Operating results		-2 044	-2 911	-16 436
Financial items	5	4 013	10 239	-33 527
Result before tax		1 969	7 328	-49 963
Income tax		0	29	59
Result for the period		1 969	7 357	-49 904

CONDENSED PARENT COMPANY BALANCE SHEET

SEK thousand	Note	Mar 31 2015	Dec 31 2014
ASSETS			
Non-current assets			
Financial assets	5	390 033	334 242
Total non-current assets		390 033	334 242
Current assets			
Other receivables		18 147	16 702
Cash and cash equivalents		3 263	6 797
Total current assets		21 410	23 499
Total ASSETS		411 443	357 741
EQUITY AND LIABILITIES			
Equity		352 037	350 067
Non-current liabilities			
Loan from group companies		56 979	4 758
Total non-current liabilities		56 979	4 758
Current liabilities			
Other liabilities		2 427	2 916
Total current liabilities		2 427	2 916
Total EQUITY AND LIABILITIES		411 443	357 741

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 Nasdaq Stockholm under the ticker SHEL B. The company's and its subsidiaries' operations are described under "About Shelton Petroleum" herein.

Note 2. Accounting principles

The interim report has been prepared in accordance with IAS 34 and the Swedish Annual Reports Act (Sw. *Årsredovisningslagen*). The consolidated financial statements have been prepared 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 2014 and in the way they were described in the 2014 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 2014 annual report.

Note 3. Fair value

Financial instruments are classified in the following categories:

	Mar 31	Dec 31
	2015	2014
Loans and accounts receivable	49 757	67 443
Financial assets at fair value	53 061	47 963
Total assets	102 818	115 406
Other financial liabilities	16 497	21 032
Total liabilities	16 497	21 032

The reported values equal, in all material respects, the fair value. Shelton Petroleum has not offset any financial assets and liabilities and has no agreements that allows set-off.

Note 4. Income tax

The company reports income tax expense of SEK 1 (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. Financial assets

As of 31 March 2015 Shelton Petroleum held 11,585,308 shares in Petrogrand corresponding to 28.8% of the shares and votes. Shelton Petroleum does not have any representation on the board of directors in Petrogrand and does not have any influence over Petrogrand in any other way. Shelton Petroleum therefore classified the shares in Petrogrand as financial assets at fair value, instead of accounting for the shares using the equity method. The unrealized gain on the shares, SEK 5 million, is reported in other comprehensive income in the consolidated statement of comprehensive income and in financial items in the income statement of the parent company.

Note 6. Related party transactions

The company is party to a consultancy agreement with a company in which Richard N. Edgar (director) is one of several partners. The hourly-based agreement includes technical expertise.

Note 7. Exchange rates

The following exchange rates have been used when translating the financial statements of foreign operations in the respective periods presented in this report.

	Q1 2015		Q1 2014		2014	
	Balance sheet date	Average rate	Balance sheet date	Average rate	Balance sheet date	Average rate
1 Euro	9,29	9,38	8,95	8,86	9,52	9,10
1 USD	8,62	8,34	6,51	6,46	7,81	6,86
1 CAD	6,78	6,72	5,89	5,86	6,72	6,21
100 Rubles	14,93	13,26	18,26	18,44	13,75	18,09
100 Hryvnia	36,61	38,25	59,26	73,55	50,04	58,16

Note 8. 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".

Segment Income statements, SEK thousand

January - March 2015	Russia	Ukraine	Other	Elimi- nations	Total
Revenue, external	6 324	13 084	0	0	19 408
Revenue, internal	0	0	170	-170	0
Capitalized own work	410	0	0	0	410
Raw materials and consumables	-4 200	-9 295	0	0	-13 495
Other operating expenses	-1 259	-1 048	-2 897	170	-5 034
Operating profit/loss	<u>1 275</u>	<u>2 741</u>	<u>-2 727</u>	<u>0</u>	1 289

January - March 2014	Russia	Ukraine	Other	Elimi- nations	Total
Revenue, external	11 943	19 586	0	0	31 529
Revenue, internal	0	0	161	-161	0
Capitalized own work	754	0	0	0	754
Raw materials and consumables	-5 378	-10 845	0	0	-16 223
Other operating expenses	-2 350	-757	-4 119	161	-7 065
Operating profit/loss	<u>4 969</u>	<u>7 984</u>	<u>-3 958</u>	<u>0</u>	8 995

Segment Balance sheets, SEK thousand

31 March, 2015	Russia	Ukraine	Other	Elimi- nations	Total
Assets					
Tangible and intangible fixed assets	157 346	48 518	6 963	0	212 827
Current assets, external	4 159	49 021	8 904	0	62 084
Current assets, internal	0	0	20 287	-20 287	0
Investments in exploration and evaluation assets and oil and gas assets	3 526	378	0	0	3 904

31 March, 2014	Russia	Ukraine	Other	Elimi- nations	Total
Assets					
Tangible and intangible fixed assets	170 868	84 088	6 962	0	261 918
Current assets, external	6 133	51 925	24 974	0	83 032
Current assets, internal	0	0	11 035	-11 035	0
Investments in exploration and evaluation assets and oil and gas assets	6 424	1 748	0	0	8 172