Shelton Petroleum AB (publ) 556468-1491 Stockholm, 26 May 2010

Interim report January – March 2010

- Shelton Petroleum enters into a production phase and reports its first revenue from sale of oil at Lelyaki
- The RS#2 well in Bashkiria tested 200 barrels per day and is expected to be put into production during the summer
- Shelton Petroleum is actively pursuing expansion opportunities in Russia and Ukraine
- Revenue for the period: SEK 10.7 million (0.0)
- Profit for the period after tax: SEK -1.3 million (-2.5)
- Basic and diluted earnings per share: SEK 0.00 (-0.13)

Statement from the CEO

Shelton Petroleum's immediate goal is to increase cashflow-generating production from its reserves and then, step by step, to realize the potential of over 300 million barrels of oil equivalent in its offshore fields. We have taken a number of steps in this direction during the past quarter. It is very satisfying to be able to say that Shelton Petroleum, for the first time in its history, is reporting revenues from the sale of oil through the consolidation of the Lelyaki field in Chernigov region outside Poltava. The company has entered into a production phase, in other words. We also anticipate being able to report initial revenues from oil sales from Rustamovskoye in Russia as early as summer 2010. A production test recently conducted there on the second exploration well RS#2 indicated flows of 200 barrels per day.

Shelton Petroleum is taking a number of measures to increase production levels. On the Rustamovskoye field, we are preparing a field development program, with start of drilling in 2011. On the Lelyaki field, Shelton Petroleum has rolled out a series of works consisting of new wells and a continuous program of well workovers. The field's properties are well known and this enables a cost-effective development program at low risk.

Shelton Petroleum has a clear-cut growth strategy, and I look forward to adding to the license portfolio during this year. Both Russia and Ukraine offer excellent business opportunities today.

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

** 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.

Shelton Petroleum operates upon a good base of reserves and resources. The company has formulated the following strategic objectives:

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 field's total daily production in 2009 was over 600 barrels per day, net 270 to Shelton Petroleum. The company plans to increase production by drilling new wells and by re-entering and sidetracking suspended wells. 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.

Commence production in Bashkiria

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

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 into the oil refining business

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 undervalued assets in Russia and Ukraine. Shelton Petroleum holds an option to acquire a major share holding in Tomsk Refining AB, which owns a newly built refinery in Western Siberia.

January – March 2010

The merger between Petrosibir and Shelton Canada Corp. was completed on 31 December 2009 and the group adopted the new name Shelton Petroleum during the first quarter of 2010. Consequently, the consolidated balance sheets for 31 March 2010 and 31 December 2009 include both companies but the profit and loss statements for January-March 2009 and full-year 2009 refer only to Petrosibir. From 1 January 2010 the consolidated profit and loss statement includes also operations in Ukraine, including sales of oil produced. All numbers are net to Shelton Petroleum, unless otherwise indicated.

Revenue for the first quarter 2010 amounted to SEK 10.7 (0) million. Shelton Petroleum sells its Ukrainian oil at auctions. The average price of oil sold during the first quarter was $45 per barrel. This is significantly higher than the average in 2009. However, recently passed legislation allows for a convergence of local prices and world market prices. A full implementation of this legislation would have a significant and positive effect on Shelton Petroleum’s netbacks.

Total oil production during the first quarter was 20,500 barrels net to Shelton Petroleum. Average production was 225 barrels per day. All current production is generated at the Lelyaki oil field. The company has launched a work program consisting of new wells and a continuous program of well workovers and interventions in order to reach the total field potential of over 3,000 barrels per day, or net 1,350 to Shelton Petroleum. Investments are self-financed through cash generated by sale of oil.

The inventory level as per the balance sheet date amounts to 15,500 barrels.

Operating expenses amount to SEK 11.9 (2.9) million and consist primarily of costs for raw materials, consumables and personnel costs. The result for the period amounted to SEK -1.3 (-2.5) million. The total comprehensive income, SEK 3.0 (-6.8) million includes exchange rate differences not affecting cash flow on the internal group loan in foreign currency.

At the end of the period, the group had 20 employees, of which two were employed by the parent company Shelton Petroleum AB. The group had SEK 22 million in cash and cash equivalents at the end of the period. Investments in oil and gas assets for the period amount to SEK 6.7 million. Equity per share at 31 March 2010 was SEK 0.51 and the equity assets ratio was 75 percent.

Shelton Petroleum and Ukraine's largest oil and gas company, Ukrnafta, have drilled their third development well as partners in the Lelyaki oil field in the Chernigov Region next to Poltava. The well is in close proximity to pipeline infrastructure for rapid tie in.

On 5 February 2010, Shelton Petroleum published the results of an independent Western reserves report on the company's licenses in Russia and Ukraine. Reserves amount to 14 million barrels of oil, and the potential in the company's oil and gas fields amounts to 342 million barrels of oil equivalent.

Major events occurring after the reporting period

Shelton Petroleum has completed a successful production test of the second exploration well (RS#2) on the Rustamovskoye field in Bashkiria, Russia. Production wells indicate that the well is capable of producing 200 barrels per day. This is the last step in the Rustamovskoye exploration program, and the plan is for Shelton Petroleum to sell its first oil in Russia as early as this summer. The commercial flow rates provide the company with enough support to commence a large-scale field development program involving the drilling of production wells.

The parent company

The parent company's balance sheet total as at the period end amounted to SEK 231 million. Cash and cash equivalents amounted to SEK 3 million. The result after tax for the period was SEK -2 million.

Risk factors and uncertainties

A detailed account of the risks facing the company appears in the 2009 annual report. There has been no major change in material risk factors or uncertainties during the period. Risks include exploration risk, exchange rate risk, liquidity risk, credit risk, interest rate risk and political risk, among others.

Upcoming financial reporting

Interim Report April – June	26 August 2010
Interim Report July – September	30 November 2010

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 26 May 2010 at 09.00 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. Shelton Petroleum has built effective personal relationships, strategic regional partnerships and a portfolio of projects onshore and offshore. The company holds three licenses in the Russian republic of Bashkiria, located southwest of the Ural Mountains. The license blocks, which border one another, have an area of over 500 square kilometers and are surrounded by other producing oil fields. The company has found oil in its first two wells and measured commercial flow rates. In Ukraine, a strategic partnership with Ukrnafta, Ukraine's largest oil and gas company, provides Shelton Petroleum with a stake in the oil producing Lelyaki field in Chernigov Region close to Poltava. Shelton Petroleum also has a Joint Investment Agreement with Chornomornaftogaz, the leading Ukrainian oil and gas company in offshore development, that gives it a fifty per-cent stake in three major license areas in the Azov and Black Sea regions. 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 independent accounting 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, 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 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Jan-Mar 2010	Jan-Mar 2009	Jan-Dec 2009
Net revenue	10,702	0	0
Other revenue	37	0	0
Total revenue	**10,739**	**0**	**0**
Work performed by the company for its own use and capitalized	457	320	1,257
Raw material and consumables	-5,711	0	0
Personnel costs	-2,706	-1,114	-5,708
Other external expenses	-3,050	-1,673	-11,919
Depreciation	-386	-75	-294
Operating expenses	**-11,853**	**-2,862**	**-17,921**
Operating profit	**-657**	**-2,542**	**-16,664**
Financial items	-557	5	264
Profit before tax	**-1,214**	**-2,537**	**-16,400**
Income tax	-80	0	881
Profit for the period	**-1,294**	**-2,537**	**-15,519**
Other comprehensive income			
Exchange differences	4,322	-4,293	-5,850
Total other comprehensive income	**4,322**	**-4,293**	**-5,850**
Total comprehensive income for the period	**3,028**	**-6,830**	**-21,369**
Basic and diluted earnings per share	0.00	-0.13	-0.10
Average number of shares	380,169,035	19,797,167	159,302,635

CONDENSED CONSOLIDATED BALANCE SHEET

SEK thousand	Mar 31 2010	Dec 31 2009
ASSETS		
Non-current assets		
Goodwill	6,807	6,807
Intangible assets	102,020	98,400
Tangible fixed assets	97,407	93,593
Financial assets	168	2,698
Total non-current assets	**206,402**	**201,498**
Current assets		
Inventory	1,752	4,192
Other short-term receivables	27,953	28,767
Cash and cash equivalents	21,765	32,725
Total current assets	**51,470**	**65,684**
Total ASSETS	**257,872**	**267,182**
EQUITY AND LIABILITIES		
Equity	**193,400**	**189,811**
Non-current liabilities		
Convertible loan	26,263	25,799
Deferred income tax liabilities	29,379	28,796
Other provisions	191	187
Total non-current liabilities	**55,833**	**54,782**
Current liabilities		
Accounts payable	4,261	7,688
Other current liabilities	4,378	14,901
Total current liabilities	**8,639**	**22,589**
Total EQUITY AND LIABILITIES	**257,872**	**267,182**

SHELTON PETROLEUM

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK thousand	**Jan-Mar 2010**	**Jan-Mar 2009**
Cash flow from operating activities	-10,861	-2,623
Cash flow from investing activities	-965	-981
Cash flow from financing activities	560	0
Cash flow for the period	**-11,266**	**-3,604**
Cash and cash equivalents at beginning of the period	**32,725**	**5,517**
Cash flow for the period	-11,266	-3,604
Exchange differences in cash and cash equivalents	306	-58
Cash and cash equivalents at end of the period	**21,765**	**1,855**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	**2010**	**2009**
Opening balance January 1	**189,811**	**78,772**
Total comprehensive income for the period	3,028	-6,830
Option premium	560	0
Closing balance March 31	**193,400**	**71,942**

PARENT COMPANY CONDENSED INCOME STATEMENT

SEK thousand	Jan-Mar 2010	Jan-Mar 2009	Jan-Dec 2009
Net revenue	125	0	244
Other revenues	0	0	1
Total revenues	**125**	**0**	**245**
Personnel costs	-900	-448	-1,822
Other external expenses	-739	-1,193	-2,378
Depreciation	0	0	0
Operating results	**-1,514**	**-1,641**	**-3,955**
Financial items	-342	492	1,695
Result before tax	**-1,856**	**-1,149**	**-2,260**
Income tax	155	0	-33
Result for the period	**-1,701**	**-1,149**	**-2,293**

PARENT COMPANY CONDENSED BALANCE SHEET

SEK thousand	Mar 31 2010	Dec 31 2009
ASSETS		
Non-current assets		
Financial non-current assets	201,247	201,826
Total non-current assets	**201,247**	**201,826**
Current assets		
Other receivables	27,409	23,635
Cash and cash equivalents	2,788	11,217
Total current assets	**30,197**	**34,852**
Total ASSETS	**231,444**	**236,678**
EQUITY AND LIABILITIES		
Equity	**201,690**	**202,711**
Non-current liabilities		
Convertible loan	26,263	25,799
Deferred income tax liabilities	1,200	1,353
Total non-current liabilities	**27,463**	**27,152**
Current liabilities		
Other liabilities	2,291	6,815
Total current liabilities	**2,291**	**6,815**
Total EQUITY AND LIABILITIES	**231,444**	**236,678**

Notes to the financial statements

Note 1. Information about the company

Shelton Petroleum AB (publ) (formerly Petrosibir AB), 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 2010 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 2009, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and by 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 2.2 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 2009 and in the manner in which they were described in the 2009 annual report. No new or revised standards, interpretations or amendments adopted by the EU had an effect on the group. IFRS 3R and IAS 27 should be applied for acquisitions completed after 1 January 2010. 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 2009 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, and Richard Edgar, board member of Shelton Petroleum. The contracts cover services rendered in project management, business development and geological expertise. Remuneration under the contract is approx SEK 30 thousand per month for Sergey Titov and CAD 10 thousand per month for Richard Edgar, which the group regards as the going rate.

In 2008 Shelton Petroleum signed a financial advisory and equity funding agreement with Alpcot Capital Management Ltd ("ACM"). The contract is success-based and entails no running monthly expense. No fees have been charged to the reporting period. ACM is controlled by a number of shareholders of Shelton Petroleum, two of whom are members of Shelton Petroleum's board of directors.

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, assets and liabilities 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 external 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 "profit before tax".

Segment reporting is not provided for 2009 as the group only had operations in Russia.

January - March 2010 Income statement, SEK thousand	**Russia**	**Ukraine**	**Other**	**Group & eliminations**	**Total**
Revenue, external	0	10,739	0	0	**10,739**
Revenue, internal	0	0	125	-125	**0**
Raw materials and consumables	0	-5,711	0	0	**-5,711**
Other operating expenses	-1,179	-1,666	-2,962	122	**-5,685**
Operating profit/loss	-1,179	3,362	-2,837	-3	**-657**
Financial items	-759	102	178	-78	**-557**
Profit/loss before tax	-1,938	3,465	-2,660	-81	**-1,214**

March 31, 2010 Balance sheet, SEK thousand	**Russia**	**Ukraine**	**Other**	**Group & eliminations**	**Total**
Assets					
Tangible and intangible fixed assets	84,596	114,825	6,813	0	**206,234**
Current assets, external	6,684	16,522	28,264	0	**51,470**
Current assets, internal	0	0	8,631	-8,631	**0**
Liabilities					
Non-current liabilities, external	4,668	23,702	27,463	0	**55,833**
Non-current liabilities, internal	75,767	0	25,691	-101,458	**0**
Current liabilities, external	1,342	2,045	5,252	0	**8,639**
Current liabilities, internal	1,756	0	6,813	-8,569	**0**
Investments in tangible and intangible fixed assets	826	138	0	0	**964**