

# Shelton Petroleum

Exploration and Production in Russia and Ukraine



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# Shelton Petroleum overview

Market capitalization: SEK 250 million

Shares outstanding:

Basic	10.64 million
Fully diluted	11.88 million

Trading at NASDAQ OMX Stockholm

Management & board ownership 20%

- Oil and gas exploration and production company founded in 2007
- Operations in Russia and Ukraine
- Producing oil in Russia following a successful exploration program
- Combination of production and large resource potential in Ukraine
- Significant management ownership with vast sector experience

# Shelton Petroleum asset overview



# Why invest in Shelton Petroleum?

- Attractive risk-reward
- Proven oil fields, profitable oil production and large resource potential
- Healthy profit at current production level
- Positive trend in production
  - Rustamovskoye Russia – from exploration to production
  - Lelyaki Ukraine – a classic redevelopment case
- Significant improvement in tax regimes
- Large unexploited Black/Azov Sea potential and exposure to Ukraine's reborn oil and gas market
- Solid track record in corporate transactions
- Strengthened financial position
- NASDAQ OMX Stockholm Main Market listing



## Financial highlights

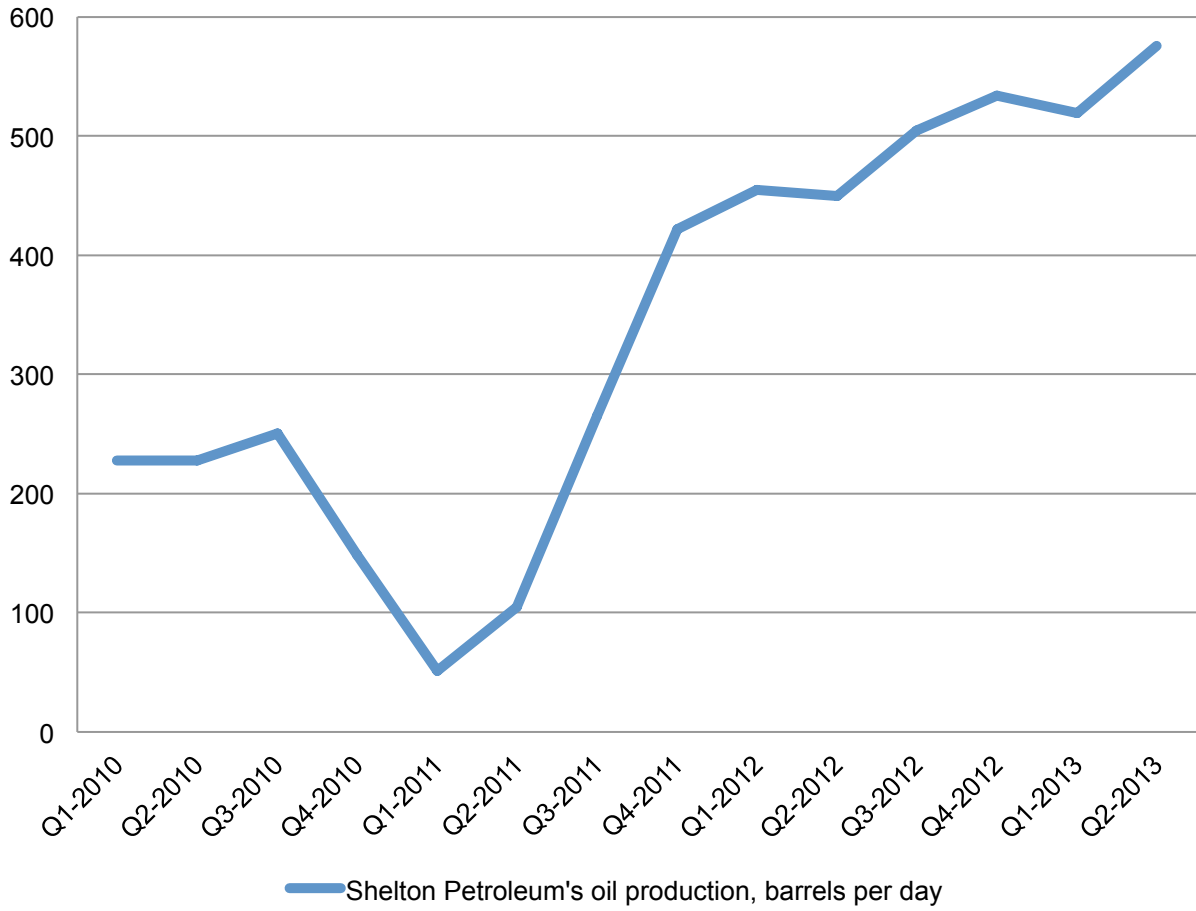
Daily production of over 575 barrels

Strengthened financial position

Operating margin 23%

	Q2-2013	Q1-2013	2012	2011	2010	2009	2008	2007
Production, barrels	52 360	46 750	177 850	77 300	77 900	0	0	0
Revenue, SEK th	22 776	22 858	99 914	47 183	29 291	0	9	0
Operating profit, SEK th	4 724	5 820	29 614	2 392	-11 440	-16 664	-8 791	-2 871

# Positive trend in barrels per day



## Recent developments

- Third well on Rustamovskoye strikes oil
- Fourth well spudded
- Fracking program to raise well productivity
- Preparations for horizontal drillings with superior well economics
- Strengthened finances accelerate production increase





# Prioritized objectives



## Increase production

- Development of Rustamovskoye
- Work program on Lelyaki

## Create value in offshore assets

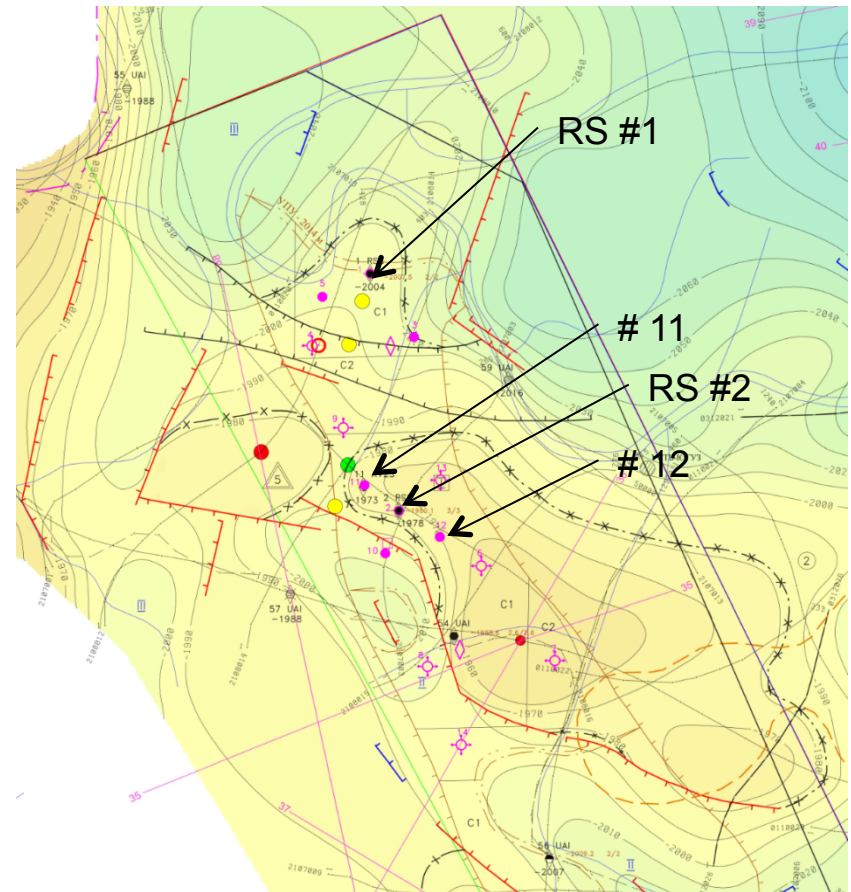
- Offshore gas exploration in Ukraine

## Seize expansion opportunities

- Strong network and local presence on dynamic market

# Drilling of new well #12 on Rustamovskoye

- High activity level on the drill pad
- Well #12 spudded in July
- Target depth approximately 2,500 meters
- Targeting same Devonian sandstone formation as other wells
- Will be fracked upon reaching total depth



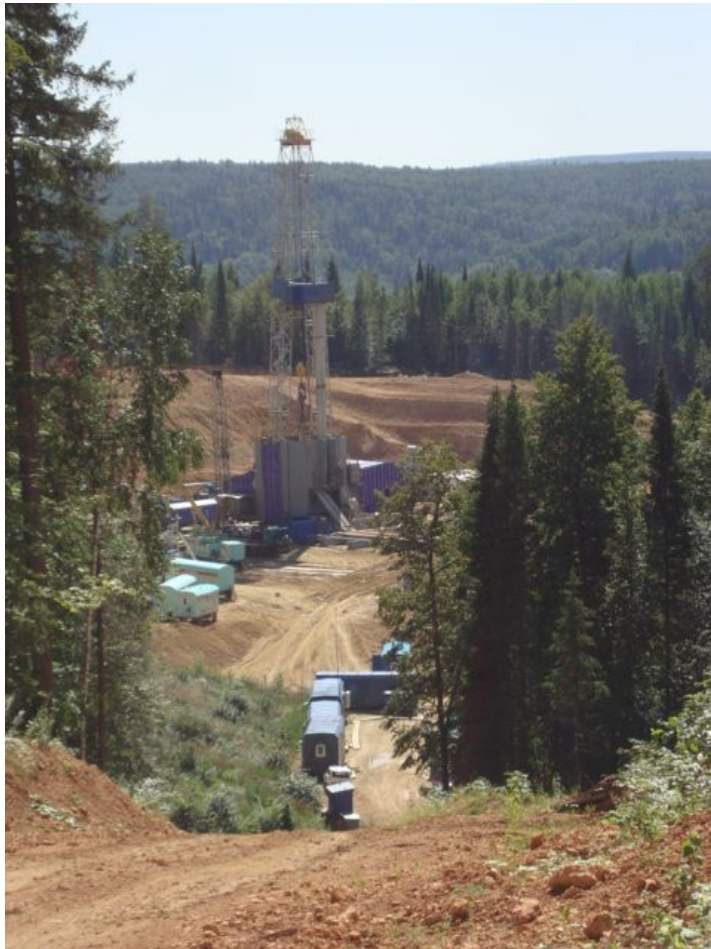
# Drilling of #12



# Drilling of #12



# Oil from #2 being pumped into truck



## Well #11 – workover rig preparing for frack



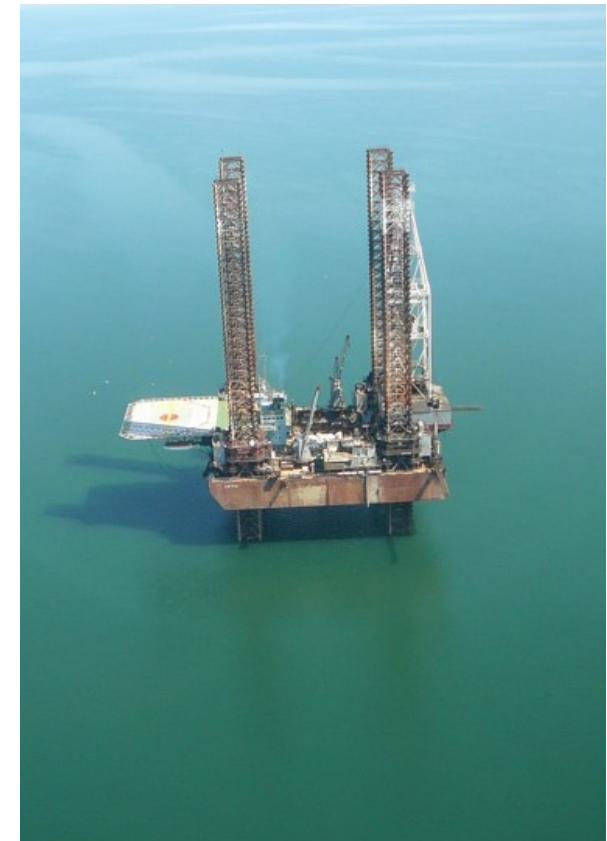
# Overview of the Ukrainian operations

- A combination of production and large resource potential
- Attractive netbacks on oil and gas
- Joint venture with Ukrnafta
  - Ukrnafta is Ukraine's largest oil and gas company
  - Onshore Lelyaki oil field JV in Poltava
  - Current field production is 800 bopd, of which Shelton Petroleum has a 45% working interest
  - 2P reserves of 8 mmboc, with significant upside
- Joint activity agreement with Chornomornaftogaz
  - Chornomornaftogaz is Ukraine's leading offshore company
  - Offshore licenses Arkhangelskoye, Biryuchya fields and North Kerchenskaya in the Black Sea and Azov Sea
  - Unrisked resource potential of 600 million boepd, of which Shelton Petroleum has a 50% working interest



# Expansion in Ukraine

- Political pressure to increase petroleum production
- “Triple Black Sea gas production in two years”, Energy Minister in May 2012
- Exxon/OMV make “find of a lifetime” in Black Sea in Feb 2012
- Auction and tender process with Shell, Chevron and Exxon taking on new licenses in 2012. Offshore license acquired for \$300+400 million
- Production sharing agreement legislation passed
  - No royalty, up to 50 year license, all investors are license holders, “stabilization clause” regarding taxes and legislation
- Shell signed \$10 billion investment deal in 2013
- Shelton Petroleum’s presence and network open up opportunities





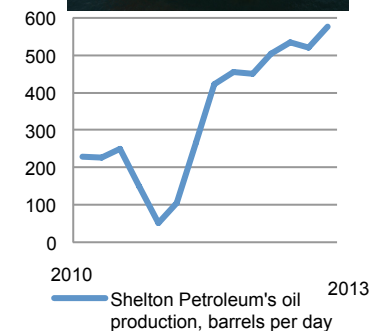
# Keys to value creation

- **Rustamovskoye**
  - Presence of oil proved by existing wells (~300 bopd)
  - Develop field by step by step infill drilling of production wells
  - Horizontal drillings with superior well economics
- **Lelyaki**
  - Current production ~350 bopd (net to Shelton Petroleum)
  - Increase production by workovers, drilling new wells and by sidetracking suspended wells
  - Significant potential in applying western reservoir engineering
- **Aysky and Suyanovskoye**
  - Prove reserves through collection of seismic data and drilling
- **Offshore Black/Azov Sea**
  - Analyze historical exploratory data, collect new seismic data to prepare for carefully addressed drilling



# Transaction with Petrogrand

- The objective is to continue to build value for Shelton and its shareholders
  - Shelton has gone from pure exploration into production
  - Lelyaki and Rustamovskoye have a considerable development potential
  - Strong financial development
- Convertible 1: SEK 30 million
  - Immediate use of funds for production drilling and fracking in Bashkiria
  - Encountered oil in three out of three wells. Facilities available for immediate tie-in of new well.
  - Increase production and reserves
- Convertible 2: SEK 185 million
  - Availability of funds increases probability of closing deals
  - Several attractive opportunities have been identified in Russia and Ukraine
  - High activity on dynamic markets



# Transaction with Petrogrand

- **Convertible 1: SEK 30 million**
  - To accelerate development of the Bashkirian assets through drilling and fracking
  - Conversion price SEK 20 per share (1,500,000 B shares)
  - No interest
  - Expires 31 December 2013
  - Conversion on request of either Shelton Petroleum or Petrogrand
- **Convertible 2: SEK 185 million**
  - To seize expansion opportunities in Russian and Ukraine
  - Conversion price SEK 20 per share (9,262,464 B shares), conditional upon closing of certain transactions
  - Interest = deposit rate (net interest zero)
  - Expires 31 December 2013
  - Conversion on request of Petrogrand
  - SEK 185 million on a restricted account
- **Distribution according Lex Asea**
  - A shares to B shares
  - Offer to holders of Convertible 2013 to exchange it for Convertible 2014
- **Mats Jansson and Maks Grinfeld to join the board of directors**