

Interim report January-September 2015

January - September 2015

Continuing Operations*

- Total revenue: SEK 23 (36) million
- Operating result: SEK 1 (2) million
- Operating margin: 2% (6%)
- Basic and diluted earnings per share:
SEK -2.58 (0.11)

January - September 2015

Russian and Ukrainian Operations**

- Revenue: SEK 62 (93) million
- Operating result: SEK 9 (23) million
- Operating margin: 15% (24%)

Financial result Russian and Ukrainian Operations excluding one-off items

Amounts in SEK th	Q3 2015	Q3 2014	Q1-Q3 2015	Q1-Q3 2014	FY 2014		
Russia							
Revenue	7 226	12 006	22 517	35 812	44 252		
Capitalized work	450	944	1 364	2 531	3 252		
Expenses	-5 158	-8 055	-17 281	-22 248	-28 641		
Operating result	2 518	4 895	6 600	16 095	18 863		
Operating margin	35%	41%	29%	45%	43%		
Ukraine							
Revenue	12 125	17 164	39 264	56 695	68 578		
Expenses	-8 388	-11 603	-30 568	-36 342	-47 320		
Operating result	3 737	5 561	8 696	20 353	21 258		
Operating margin	31%	32%	22%	36%	31%		
Parent company	-1 949	-2 501	-6 151	-13 879	-16 911		
Total operating result	4 306	7 955	9 145	22 569	23 210		
Total operating margin	22%	27%	15%	24%	21%		
Oil production	Q3 2015	Q3 2014	Q1-Q3 2015	Q1-Q3 2014	2014	2013	2012
Russia	39,430	49,470	121,600	150,496	196,236	122,305	57,900
Ukraine	30,350	29,630	88,810	95,041	125,141	126,565	119,950
Total barrels	69,780	79,100	210,410	245,537	321,377	248,870	177,850
Russia	429	538	445	551	538	335	159
Ukraine	330	322	325	348	343	347	329
Total barrels per day	758	860	771	899	880	682	486

On 17 November 2015 Shelton Petroleum issued a press release stating that the interim report will include several non-recurring adjustments of values and reclassifications. These items are described in detail in this interim report in the section "Adjustments and reclassifications" and note 6. In order to facilitate comparison of the development of the Russian and Ukrainian Operations with previous periods, the table above includes financial data excluding one-off adjustments and reclassifications.

* **Continuing Operations** fully reflect the financial statements in this report and include the Russian and parent company operations. They are not fully comparable with those in previous interim reports as they include one-off items posted in Q3 2015.

** **Russian and Ukrainian Operations** are fully comparable with the financial statements in previous interim reports. The one-off adjustments and reclassifications reflected in Continuing Operations are not included in the Russian and Ukrainian Operations. The Russian and Ukrainian Operations include the Russian, Ukrainian and parent company operations.

Statement from the CEO Robert Karlsson

During the third quarter, Shelton Petroleum produced 758 barrels per day. The Russian and Ukrainian Operations recorded a turnover of SEK 19 million and an operating result of SEK 4 million. The operating margin in the third quarter increased to 22% from 15% in the first half of the year.

The oil price continues to be volatile. The average Brent oil price during the first nine months this year was USD 55 per barrel, which is almost 50% below the same period last year. We see that the oil industry is adapting to the new economic environment. Onshore US rig count has reached a five year low and we are starting to see a decline in production of unconventional oil. Drastic budget cuts on the conventional side are being announced by the oil and gas industry. In the long run we expect to see a significant growth in world oil demand. The factors are there to evidence a recovery of the oil price. The timing of such recovery is however uncertain. In the midst of this, Shelton Petroleum is positioning itself in terms of cost controls but also in order to take advantage of the business opportunities that arise.

On 9 November the shareholders of Shelton Petroleum and Petrogrand approved a transaction between the two companies to enter into a business combination. An enlarged oil group with Russian oil assets with 32 million barrels 2P oil reserves and a daily net production of 1,350 barrels will be formed. The combined businesses will benefit from an attractive license portfolio and an improved position on the financial markets. Synergies will be achieved within operational management, oil sales, purchasing power as well as central administration. In addition, the transaction will dissolve the cross-ownership between the companies, which in turn will directly facilitate future development. One of the objectives of the transaction is to accelerate drilling activity and increase production. The new combined board of directors will be in a position to communicate strategic direction and activities following closing of the transaction planned for December this year. In short, the transaction is the definitive end to the cross-ownership and marks the beginning of new opportunities in terms of further drillings, increased production, stronger financial position and growth opportunities.

Prior to the transaction with Petrogrand, Shelton Petroleum will distribute its Ukrainian operations to its shareholders. Due to the geopolitical development in the region, it is the opinion of the board that it is best to manage the Russian and Ukrainian operations as separate entities. The Ukrainian operations produced over 300 barrels per day and recorded a turnover of almost SEK 40 million, an operating profit of SEK 9 million and an operating margin of 22% for the first nine months of 2015. Despite the relatively strong financial results, the carrying value of the Ukrainian operations has been written down to reflect the volatility in the oil price and the geopolitical environment.

In summary, the combined entity will have an attractive license portfolio with proven and producing fields. A new drilling program could potentially boost production significantly. The lower oil prices pose challenges to the oil industry, but also open up new possibilities to expand and to pursue new opportunities and ventures.

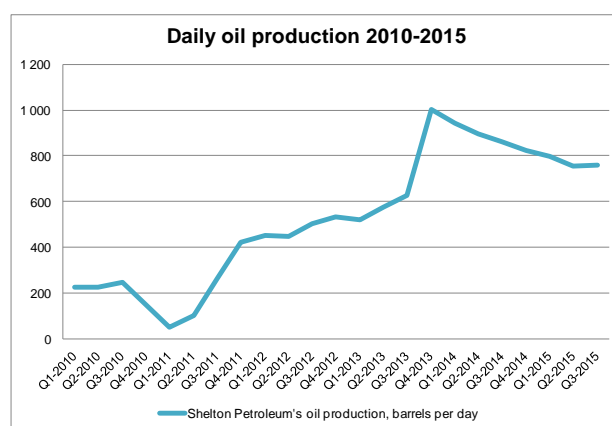
January - September 2015

Financial development of the Russian and Ukrainian Operations

In order to facilitate a comparison with previous periods, this section contains comments to the financial development of the Russian and Ukrainian Operations accounted for according to the same principles as in previous periods. One-off items are therefore not included. It is recommended that the section "Adjustments and reclassifications" and note 6 below are read in parallel as they cover important items in the Condensed consolidated statement of comprehensive income and Condensed consolidated statement of financial position.

Revenue from oil sales in the Russian and Ukrainian Operations amounted to SEK 62 (93) million. During the period, Shelton Petroleum sold 208,590 (236,810) barrels of oil and the production in the period amounted to 210,410 (245,537) barrels of oil. The price of oil in USD in both Russia and Ukraine was significantly lower in the first nine months 2015 compared to the same period last year.

The average daily production during the first nine months 2015 amounted to 771 barrels compared to 899 barrels the same period in 2014.



The Russian and Ukrainian Operations, excluding one-off items, reported an operating result for the period January - September 2015 of SEK 9 (23) million, equivalent to an operating margin of 15% (24%). The operating result was negatively affected by the lower oil prices in the period compared to last year. In January to September 2015, the average price of Brent oil was USD 56 per barrel compared to USD 107 per barrel the same period last year.

The Russian and Ukrainian Operations held SEK 14 million in cash and cash equivalents at the end of the period compared to SEK 14 million at 31 December 2014. Cash flow from operations during the period was SEK 7 million, whereas cash flow from investing activities was SEK -9 million, all related to the oil and gas operations. Cash flow from financing activities was SEK 4 million, reflecting a loan from Pareto Securities. The company's shareholding in Petrogrand has been pledged for this loan.

The accounts receivable balance in the Ukrainian operations amounted to SEK 57 million as of 30 September 2015 compared to SEK 54 million at 31 December 2014. During January to September, payments received for oil sales in Ukraine amounted to SEK 32 million. The counterparties have confirmed the receivables in writing. Despite the fact that the operator in Ukraine has sold its produced oil to new customers in the second and third quarter, that is to other companies than the one that previously has acquired the vast majority of the oil, payments are still made with delays, although on a regular basis. 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 2.4 million and the reserve amounts to SEK 3.0 million. The company monitors the situation closely and has a continuous dialogue with the customers on settling the outstanding amounts as they become due.

In the first quarter the operator of the Lelyaki oil field, Kashtan Petroleum, recommenced to pay dividends to Shelton Petroleum's wholly owned subsidiary. During the period January to September, approximately SEK 10 million has been received.

Investments in exploration and development activity in the Russian and Ukrainian Operations amounted to a total of SEK 9 (19) million for the period.

Non-current financial assets amounted to SEK 35 million at the end of the period compared to SEK 48 million at 31 December 2014, and consisted of shares in Petrogrand. The lower value is due to lower price of the Petrogrand share.

Shareholders' equity per share at 30 September 2015 was SEK 11.61 (19.54) and the equity to assets ratio was 81 (85) %.

The Russian and Ukrainian currencies continued to be volatile during the period. The Russian ruble strengthened by 7 per cent against the Swedish krona compared to the year-end rate 2014 while the Ukrainian hryvnia weakened by 21 per cent against the Swedish krona. See note 6 for details regarding exchange differences that affects the condensed financial statements.

Adjustments and reclassifications

On 17 November 2015 Shelton Petroleum issued a press release stating that the interim report will include several non-recurring adjustments of values and reclassifications as a result of the recent shareholder approval of the agreement between Shelton Petroleum and Petrogrand, the development on the oil and gas market, depreciation of the Ukrainian currency and share price development in Petrogrand. These items are described below and in note 6.

Ukrainian operations

Due to the distribution of the Ukrainian operations to the Shelton Petroleum shareholders, now also approved by the shareholders at an extraordinary general meeting, these operations are in accordance with IFRS 5 accounted for as discontinued operations in the financial reporting starting from the third quarter 2015. The Ukrainian operations are therefore reported as discontinued operations below those of continuing operations in the Condensed consolidated statement of comprehensive income.

As mentioned above, the Ukrainian operations continue to show profitability despite the drop in the oil price. For the period January-September 2015, these operations recorded revenue of SEK 39 million and an operating profit of SEK 9 million, equivalent to an operating margin of 22%. Despite that, the board has decided to adjust the group's value attributed to the Ukrainian operations from SEK 78 million to SEK 35 million. It is the opinion of the company that the oil price and the geopolitical situation in Ukraine will continue to be volatile. A downward adjustment of the value of approximately SEK 43 million has therefore been reported within discontinued operations.

Furthermore, the weakening of the Ukrainian currency is no longer regarded as temporary. Accumulated adjustments (amounting to SEK -84 million as of 30 September) of the value of the Ukrainian operations due to the depreciation of the Ukrainian currency will therefore be reported in discontinued operations following the distribution of the Ukrainian operations. In the press release on 17 November 2015 ("Update regarding the interim report for January-September 2015") it was anticipated that this reclassification would take place in the third quarter 2015. However, the company now expects to reclassify this item in the fourth quarter when the distribution of the Ukrainian operations approved by the shareholders meeting is planned to be executed.

Shares in Petrogrand

Shelton Petroleum is Petrogrand's largest shareholder and holds 11,585,308 shares equivalent to approximately 29% of the capital. Due to the development in the Petrogrand share price, Shelton Petroleum has in previous interim reports written down the book value of the shareholding by SEK 38 million in other comprehensive income. The third quarter has evidenced a further drop by SEK 11 million. It is the opinion of the company that the share price development is no longer temporary. Adjustments made in previous quarters and in the third quarter of the value of the shares in Petrogrand amounting to approximately SEK 49 million are reported in financial items in the group's income statement, of which SEK 36 million is a reclassification from other comprehensive income in continuing operations.

Warrants

In June 2015 the exercise period for 320,000 warrants issued in 2012 expired. The warrants were not exercised as the subscription price for the shares exceeded the market price.

The annual general meeting in May 2015 approved the issue of 320,000 warrants with a subscription period during the first two weeks of July 2015. Management was unable to subscribe to the warrants due to insider rules, as at that time the transaction with Petrogrand was being negotiated but had not yet been disclosed to the markets, and the warrants have therefore expired.

July - September 2015

Russian operations

Shelton Petroleum's production of oil in Russia during the quarter amounted to 39,430 (49,470) barrels. Production per day amounted to 429 (538) barrels. The decrease is due to the natural depletion that all wells are subject to as oil is extracted. Revenue in the quarter for the Russian operations amounted to SEK 7.2 (12.0) million and operating profit to SEK 2.5 (4.9) million, corresponding to an operating margin of 35% (41%). The lower operating profit and margin compared to the same period last year is due to a significantly lower oil price, a higher production tax rate and lower volumes compared to the same period last year.

Shelton Petroleum has processed and is currently interpreting an additional 142 kilometers of seismic data that has been collected on the Suyanovskoye oil field to further delineate three promising structures that were identified in 2014. Seismic has also been collected on the Rustamovskoye field in order to determine the next drilling locations.

Ukrainian operations

Production in the quarter amounted to 30,350 (29,630) barrels. Production per day amounted to 330 (322) barrels. Revenue in the quarter in the Ukrainian segment amounted to SEK 12.1 (17.2) million and operating profit to SEK 3.7 (5.6) million, corresponding to an operating margin of 31% (32%). 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.

As the Lelyaki license expires in May 2016, the holder and operator of the license (Kashtan Petroleum) has recently filed a license extension application, including an extensive geological study of the field, to the Geological Service of Ukraine, which is part of the Ministry of Ecology.

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 9 November 2015 extraordinary shareholder meetings in both Shelton Petroleum and Petrogrand approved the agreement by the two companies to enter into a business combination and dissolve the cross-ownership. The transaction consists of the following steps: (i) Distribution of Shelton Petroleum's Ukrainian operations, (ii) Acquisition of the shares in Sonoyta, containing USD 4 million as well as 49% of the Komi assets for a consideration of 17,500,000 B shares, (iii) Cancellation of the approximately 6,000,000 Shelton Petroleum B

shares that the company receives when Petrogrand distributes its shareholding in Shelton Petroleum and (iv) Election of a new board of directors consisting of Björn Lindström (chairman), Hans Berggren, David Sturt, Sven-Erik Zachrisson and Dmitry Zubatyuk, subject to closing of the transaction. More information on the transaction is available on www.sheltonpetroleum.com under the Investor Relations section.

Since the transaction has not yet been completed Shelton Petroleum cannot present a preliminary purchase price allocation of the acquisition of Sonoyta in this report.

The parent company

The parent company's total assets as at the period end amounted to SEK 316 (358) million. Cash and cash equivalents amounted to SEK 2 (7) million. The result after tax January-September 2015 was SEK -78 (-27) million. The negative result is mainly due to write down of the value of Petrogrand shares and a write-down of the value of shares in subsidiaries, which is related to the decision to adjust the value of the Ukrainian operations.

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

Year-end Report January – December 2015	26 February 2016
Annual report 2015	April 2016
Interim Report January – March 2016	20 May 2016
Interim Report April – June 2016	24 August 2016
Interim Report July – September 2016	18 November 2016
Annual General Meeting 2016	24 May 2016

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 November 2015 at 08:00 CET.

This is an English translation of the Swedish original. In case of discrepancies, the Swedish original shall prevail.

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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	Jul-Sep 2015	Jul-Sep 2014	Jan-Sep 2015	Jan-Sep 2014	Jan-Dec 2014
<i>Continuing operations</i>						
Total revenue		7 226	12 006	22 517	35 812	44 252
Work performed by the company for its own use and capitalized		450	944	1 364	2 531	3 252
Raw material and consumables		-3 755	-5 644	-12 910	-14 819	-17 363
Personnel costs		-1 566	-2 170	-5 220	-7 573	-10 128
Other external expenses		-1 524	-2 327	-4 638	-12 445	-16 568
Depreciation		-184	-410	-586	-1 286	-1 492
Operating expenses		-7 029	-10 551	-23 354	-36 123	-45 551
Operating result		647	2 399	527	2 220	1 953
Financial income		294	2	344	74	123
Financial costs	6	-49 002	-245	-49 002	-361	-83
Total financial items		-48 708	-243	-48 658	-287	40
Result before tax		-48 061	2 156	-48 131	1 933	1 993
Income tax		6	10	18	-165	-158
Result for the period		-48 055	2 166	-48 113	1 768	1 835
<i>Discontinued operations</i>						
Revenue		12 125	17 165	39 264	56 696	68 578
Operating costs		-8 388	-11 606	-30 568	-36 346	-47 321
Operating result before impairment		3 737	5 559	8 696	20 350	21 257
Impairment charges		-42 635	-6 993	-42 635	-6 993	-6 993
Operating result		-38 898	-1 434	-33 939	13 357	14 264
Other items, incl tax		6 589	232	5 181	-3 346	-3 135
Result for the period		-32 309	-1 202	-28 758	10 011	11 129
Result for the period, total for the Group		-80 364	964	-76 871	11 779	12 964
Other comprehensive income						
Financial assets available for sale	6	38 883	-1 738	36 102	-15 133	-36 102
Exchange differences		-18 408	-15 043	-28 900	-57 076	-109 897
Total items which may be or have been re-classified to result for the period		20 475	-16 781	7 202	-72 209	-145 999
Total comprehensive income for the period		-59 889	-15 817	-69 669	-60 430	-133 035
Earnings per share						
Continuing operations		-2,58	0,12	-2,58	0,11	0,11
Discontinued operations		-1,73	-0,06	-1,54	0,61	0,65
Earnings per share after dilution						
Continuing operations		-2,58	0,12	-2,58	0,11	0,11
Discontinued operations		-1,73	-0,06	-1,54	0,61	0,65
Average number of shares		18 661 247	18 661 247	18 661 247	16 503 577	17 047 428
Average number of shares after dilution		18 661 247	18 661 247	18 661 247	16 544 915	17 063 378

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousand	Note	Sep 30 2015	Sep 30 2014	Dec 31 2014
ASSETS				
Non-current assets				
Goodwill		6 807	6 807	6 807
Exploration and evaluation assets		49 117	68 592	53 399
Oil and gas assets		90 305	183 588	153 314
Other fixed assets		817	1 767	990
Financial assets	4,6	34 756	68 933	47 963
Total non-current assets		181 802	329 687	262 473
Current assets				
Inventory		17	289	179
Other current receivables		3 089	64 781	61 000
Cash and cash equivalents		3 559	23 993	13 674
Total current assets		6 665	89 063	74 853
Assets that will be distributed		79 911	-	-
Total ASSETS		268 378	418 750	337 326
EQUITY AND LIABILITIES				
Equity		216 629	358 903	286 298
Non-current liabilities				
Deferred income tax liabilities		5 600	18 718	15 488
Other provisions		218	317	322
Total non-current liabilities		5 818	19 035	15 810
Current liabilities				
Short term loans		4 000	-	-
Accounts payable		1 892	20 990	21 032
Other current liabilities		2 954	19 822	14 186
Total current liabilities		8 846	40 812	35 218
Liabilities that will be distributed		37 085	-	-
Total EQUITY AND LIABILITIES		268 378	418 750	337 326

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Jul-Sep 2015	Jul-Sep 2014	Jan-Sep 2015	Jan-Sep 2014	Jan-Dec 2014
<i>Continuing operations</i>					
Cash flow from operating activities					
Before change in working capital	1 083	2 205	265	1 993	-611
Change in working capital	-3 313	-800	-4 077	5 815	8 137
Cash flow from operating activities	-2 230	1 405	-3 812	7 808	7 526
Investment in oil and gas assets	-1 665	-6 638	-5 249	-9 073	-11 081
Investment in exploration and evaluation assets	-297	3 025	-2 821	-6 111	-8 825
Investment in financial assets	0	-728	0	-5 056	-5 056
Cash flow from investing activities	-1 962	-4 341	-8 070	-20 240	-24 962
Cash flow from financing activities	4 000	-2	4 000	-730	-730
Cash flow for the period	-192	-2 938	-7 882	-13 162	-18 166
<i>Cash flow from discontinued operations</i>					
	3 372	4 246	9 421	4 693	601
Cash and cash equivalents at beginning of the period	11 742	23 194	13 674	33 729	33 729
Cash flow for the period	3 180	1 308	1 539	-8 469	-17 565
Exchange differences in cash and cash equivalents	-850	-509	-1 141	-1 267	-2 490
Cash and cash equivalents at end of the period	14 072	23 993	14 072	23 993	13 674
<i>Discontinued operations</i>					
Cash flow from operating activities	3 666	4 847	10 607	8 092	4 163
Cash flow from investing activities	-294	-601	-1 186	-3 399	-3 562
Cash held in discontinued operations	10 513	6 295	10 513	6 295	2 132

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	2015	2014
Opening balance January 1	286 298	318 643
Comprehensive income for the period	-69 669	-60 430
Share issue	0	79 010
Issue costs	0	-730
Conversion of convertible loan	0	22 410
Closing balance September 30	216 629	358 903

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK thousand	Jul-Sep 2015	Jul-Sep 2014	Jan-Sep 2015	Jan-Sep 2014	Jan-Dec 2014
Total revenues	49	193	319	501	636
Personnel costs	-852	-1 086	-2 903	-3 997	-5 288
Other external expenses	-1 012	-1 494	-3 292	-9 915	-11 784
Operating results	-1 815	-2 387	-5 876	-13 411	-16 436
Financial items	-77 283	-732	-72 232	-13 520	-33 527
Result before tax	-79 098	-3 119	-78 108	-26 931	-49 963
Income tax	0	0	0	59	59
Result for the period	-79 098	-3 119	-78 108	-26 872	-49 904

CONDENSED PARENT COMPANY BALANCE SHEET

SEK thousand	Note	Sep 30 2015	Dec 31 2014
ASSETS			
Non-current assets			
Financial assets		292 460	334 242
Total non-current assets		292 460	334 242
Current assets			
Other receivables		21 719	16 702
Cash and cash equivalents		1 561	6 797
Total current assets		23 280	23 499
Total ASSETS		315 740	357 741
EQUITY AND LIABILITIES			
Equity		271 959	350 067
Non-current liabilities			
Loan from group companies		37 285	4 758
Total non-current liabilities		37 285	4 758
Current liabilities			
Short term loans		4 000	0
Other liabilities		2 496	2 916
Total current liabilities		6 496	2 916
Total EQUITY AND LIABILITIES		315 740	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.

As described earlier in this report the company reports the Ukrainian operations as discontinued operations in accordance with IFRS 5.

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:

	Sep 30 2015	Dec 31 2014
Loans and accounts receivable	71 298	67 443
Financial assets available for sale	34 756	47 963
Total assets	106 054	115 406
Other financial liabilities	25 157	21 032
Total liabilities	25 157	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. Financial assets

As of 30 September 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 available for sale, instead of accounting for the shares using the equity method. As at 30 September, the price per share was SEK 3.00 and value of the shares amounted to SEK 35 million. An adjustment to fair value of the shares, SEK -13 million, was reported for the period January to September in financial items in the consolidated statement of comprehensive income and the parent company income statement. See also note 6 below.

Note 5. Related party transactions

The company is party to a consultancy agreement with a company in which Richard N. Edgar is one of several partners. The hourly-based agreement includes technical expertise. Richard N. Edgar was a director of the company until the annual general meeting in May 2015.

Note 6. Financial items and Exchange differences

As a result of the fluctuations in the exchange rates the company reports translation differences in other comprehensive income of SEK -29 (-57) 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. Below are breakdowns of financial items in continuing operations as well as a breakdown of the composition of other comprehensive income.

	Jul-Sep 2015	Jan-Sep 2015
Financial items, continuing operations		
Interest income	294	344
Reclassified write down Petrogrand shares from other comprehensive income	-38 883	-36 102
Writedown Petrogrand current period	-10 084	-12 865
Interest cost	-35	-35
Total financial costs, continuing operations	-48 708	-48 658
Breakdown of other comprehensive income	Jul-Sep 2015	Jan-Sep 2015
Financial assets available for sale		
Reclassification of write down Petrogrand shares *	38 883	36 102
Exchange differences		
Exchange differences related to Ukrainian operations	-376	-18 083
Exchange differences related to Russian operations	-18 031	-10 817
Exchange differences in other comprehensive income	-18 407	-28 900
Total other comprehensive income	20 476	7 202

* Reclassified to financial items in continuing operations

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

	Jan-Sep 2015		Jan-Sep 2014		2014	
	Balance sheet date	Average rate	Balance sheet date	Average rate	Balance sheet date	Average rate
1 Euro	9,41	9,37	9,18	9,04	9,52	9,1
1 USD	8,39	8,41	7,24	6,68	7,81	6,86
1 CAD	6,25	6,68	6,49	6,10	6,72	6,21
100 Rubles	12,75	14,23	18,39	18,83	13,75	18,09
100 Hryvnia	39,20	38,61	55,95	60,88	50,04	58,16

Note 7. 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 - September 2015	Russia	Other	Elimi- nations	Total	Ukraine*
Revenue, external	22 517	0	0	22 517	39 264
Revenue, internal	0	406	-406	0	0
Capitalized own work	1 364	0	0	1 364	0
Raw materials and consumables	-12 910	0	0	-12 910	-24 583
Impairment charges	0	0	0	0	-42 635
Other operating expenses	-4 366	-6 484	406	-10 444	-5 986
Operating result	6 605	-6 078	0	527	-33 940

January - September 2014	Russia	Other	Elimi- nations	Total	Ukraine*
Revenue, external	35 812	0	0	35 812	56 695
Revenue, internal	0	558	-558	0	0
Capitalized own work	2 531	0	0	2 531	0
Raw materials and consumables	-14 819	0	0	-14 819	-32 644
Impairment charges	0	0	0	0	-6 993
Other operating expenses	-7 429	-14 433	558	-21 304	-3 701
Operating result	16 095	-13 875	0	2 220	13 357

July - September 2015	Russia	Other	Elimi- nations	Total	Ukraine*
Revenue, external	7 226	0	0	7 226	12 125
Revenue, internal	0	66	-66	0	0
Capitalized own work	450	0	0	450	0
Raw materials and consumables	-3 755	0	0	-3 755	-6 576
Impairment charges	0	0	0	0	-42 635
Other operating expenses	-1 398	-1 942	66	-3 274	-1 814
Operating profit/loss	2 523	-1 876	0	647	-38 900

July - September 2014	Russia	Other	Elimi- nations	Total	Ukraine*
Revenue, external	12 006	0	0	12 006	17 164
Revenue, internal	0	227	-227	0	0
Capitalized own work	944	0	0	944	0
Raw materials and consumables	-5 644	0	0	-5 644	-10 432
Impairment charges	0	0	0	0	-6 993
Other operating expenses	-2 411	-2 723	227	-4 907	-1 173
Operating profit/loss	4 895	-2 497	0	2 399	-1 434

* The Ukraine segment is reported as discontinued operations in the income statement as it will be distributed to the shareholders of Shelton Petroleum. The Ukrainian segment includes an impairment charge of SEK 42,635 thousand in 2015 and SEK 6,993 thousand in 2014.

Segment Balance sheets, SEK thousand

September 30, 2015	Russia	Other	Elimi- nations	Total	Ukraine*
Assets					
Tangible and intangible fixed assets	140 239	6 807	0	147 046	9 942
Current assets, external	2 560	4 105	0	6 665	69 816
Current assets, internal	0	17 819	-17 819	0	0
Investments in exploration and evaluation assets and oil and gas assets	8 070	0	0	8 070	1 186

September 30, 2014	Russia	Other	Elimi- nations	Total	Ukraine
Assets					
Tangible and intangible fixed assets	180 236	6 809	0	187 045	73 701
Current assets, external	7 817	12 216	0	20 033	69 030
Current assets, internal	0	17 819	-17 819	0	0
Investments in exploration and evaluation assets and oil and gas assets	15 184	0	0	15 184	3 399

* The Ukrainian segment is reported as Assets that will be distributed in the balance sheet as it will be distributed to the shareholders of Shelton Petroleum.

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review Report

To the board of Shelton Petroleum AB, corporate identity number 556468-1491

Introduction

We have reviewed the condensed interim report for Shelton Petroleum AB as of 30 September, 2015 and for the nine month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Reports Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, November 20, 2015
Ernst & Young AB

Per Hedström
Authorized Public Accountant