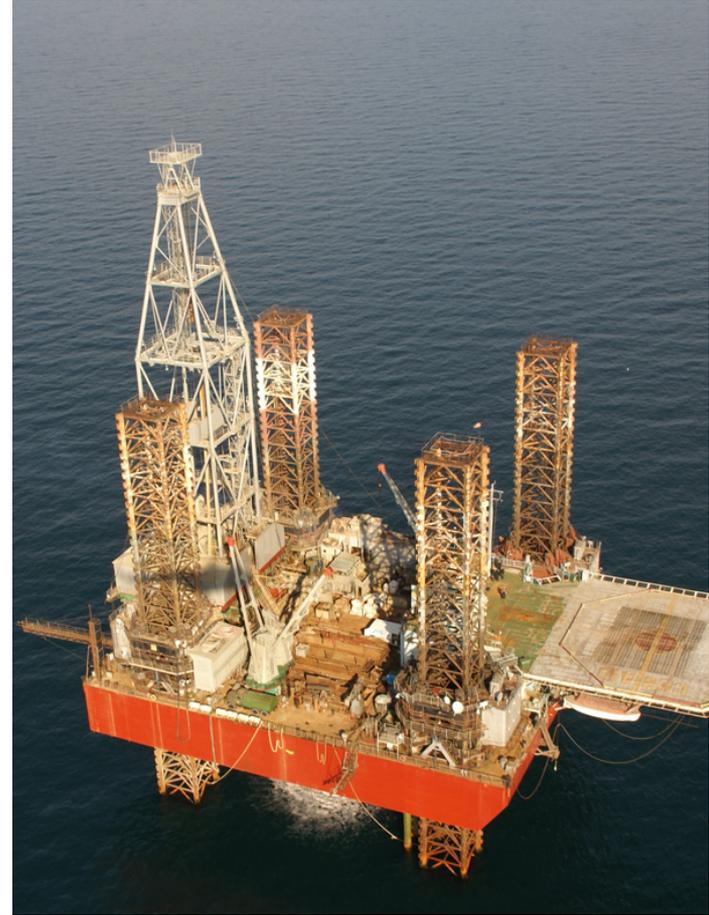


# Shelton Petroleum

Exploration and Production in Russia and Ukraine



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# Shelton Petroleum overview

Market capitalization fully diluted  
SEK 520 million  
USD 80 million

Shares outstanding:

Basic	12.14 million
Fully diluted	13.88 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

# Share development since Nasdaq OMX listing



Comparison in orange OMXS

- Turnover of 24 million shares in one year (12 million outstanding shares)
- Average daily turnover of SEK 2.4 million

# Shelton Petroleum asset overview



# Exploration and production licenses

License	Geography	Primary product	Reserves			Resource potential	Working interest	Partner
			1P	2P	3P			

## Production onshore

<b>Rustamovskoye</b>	Russia	Oil	1	1	6	43	100 %	
<b>Lelyaki</b>	Ukraine	Oil	3	8	8	–	45 %	Ukrnafta

## Exploration onshore

<b>Aysky</b>	Russia	Oil	–	–	–	–	100 %	
<b>Suyanovskoye</b>	Russia	Oil	–	–	–	–	100 %	

## Exploration offshore

<b>Arkhangelskoye</b>	Ukraine Black Sea	Gas and NGL	–	–	–	130	50 %	CNG
<b>Biryucha</b>	Ukraine Sea of Azov	Gas	–	–	–	166	50 %	CNG
<b>North Kerchenskoye</b>	Ukraine Sea of Azov	Gas	–	–	–	4	50 %	CNG

**Total** **3** **9** **14** **342**

Reserves audit completed in September 2009 and does not take into account recent successful drillings

The columns may not add up due to rounding

Aysky and Suyanovskoye have not been subject to a western audit. The independent seismic service company Udmurtgeofizika has estimated that Russian C1-C3 reserves and resources may amount to over 20 million barrels

All amounts are in million barrels of oil equivalent net to Shelton Petroleum

# 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
  - Rostamovskoye 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 Q2 2013

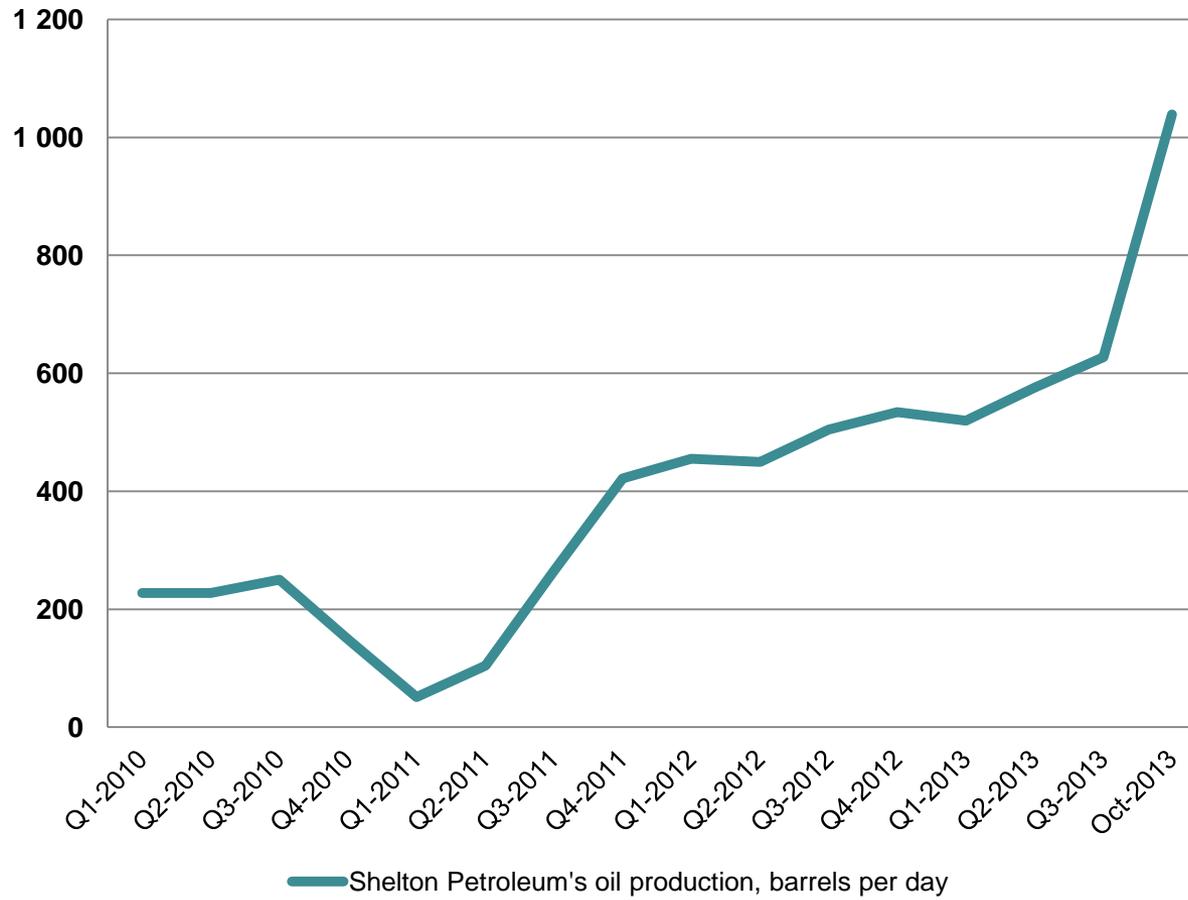
Daily production of over 575 barrels

Strengthened financial position

Operating margin 23%

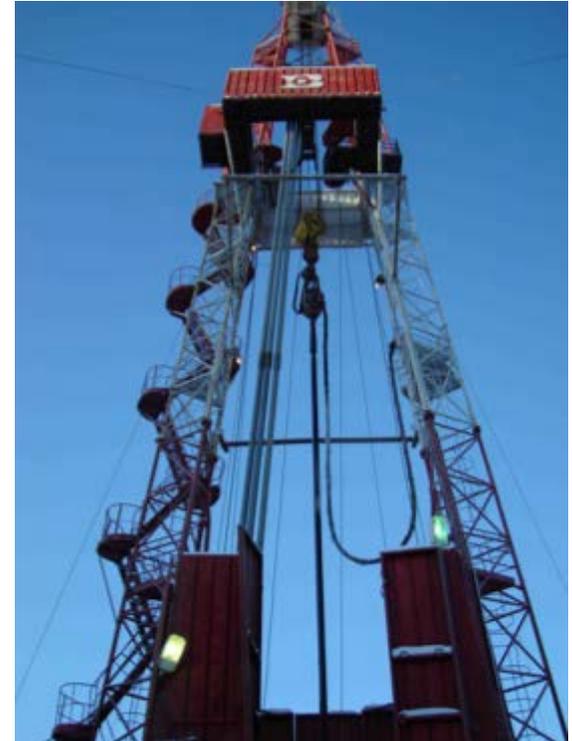
	Q2-2013	Q1-2013	2012	2011	2010	2009	2008	2007
Production, barrels	52 360	46 750	177 850	77 300	77 900	0	0	0
Revenue, SEK th	22 776	22 858	99 914	47 183	29 291	0	9	0
Operating profit, SEK th	4 724	5 820	29 614	2 392	-11 440	-16 664	-8 791	-2 871

# 1,000 barrels per day milestone reached



# Recent developments

- 1,000 barrels per day milestone reached
- Third well (#11) on Rustamovskoye strikes oil
- Fourth well (#12) tested record flow rate
- Fracking program raised 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

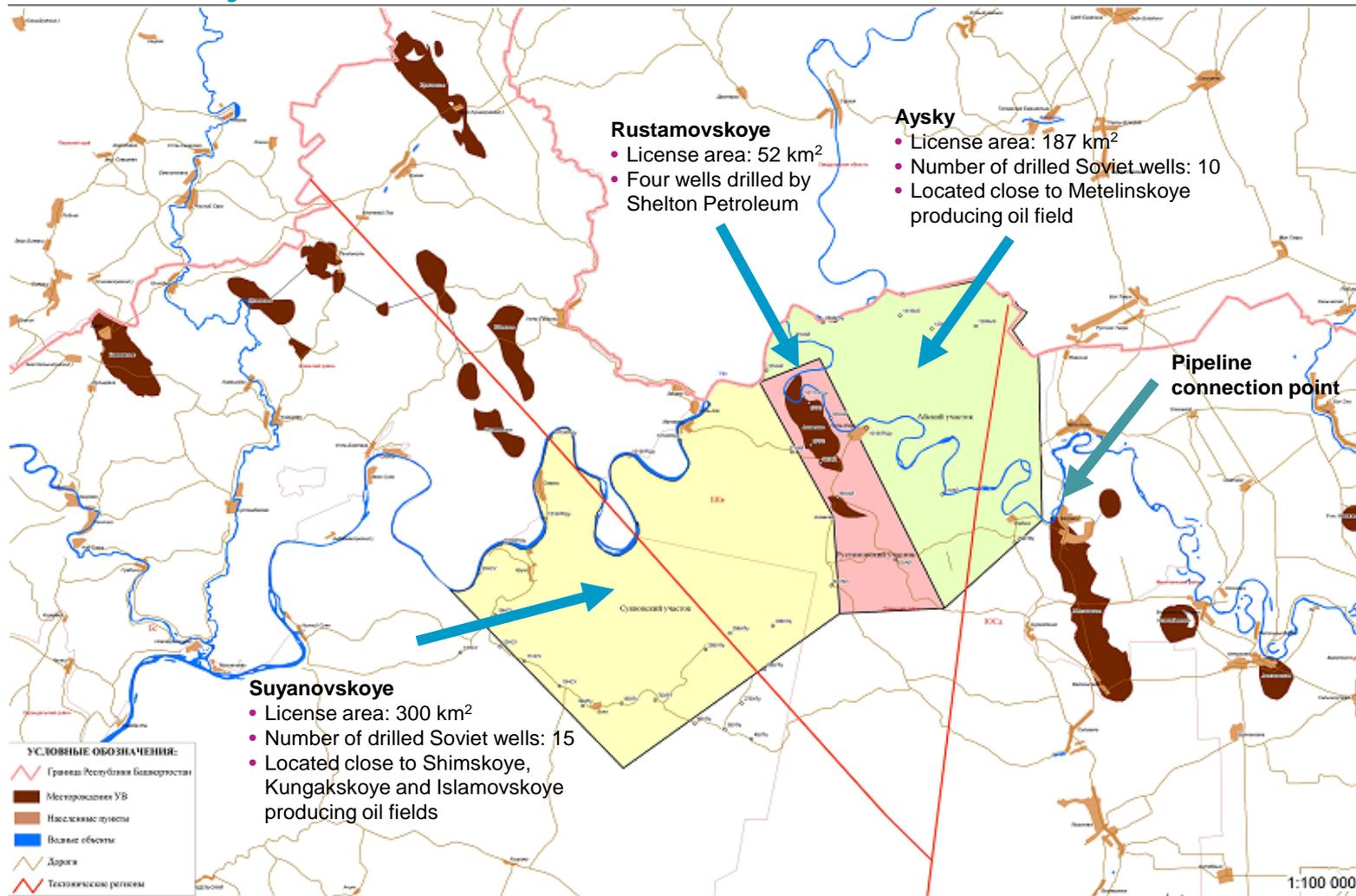
- Strong network and local presence on dynamic market

# Russian licence blocks in Bashkiria



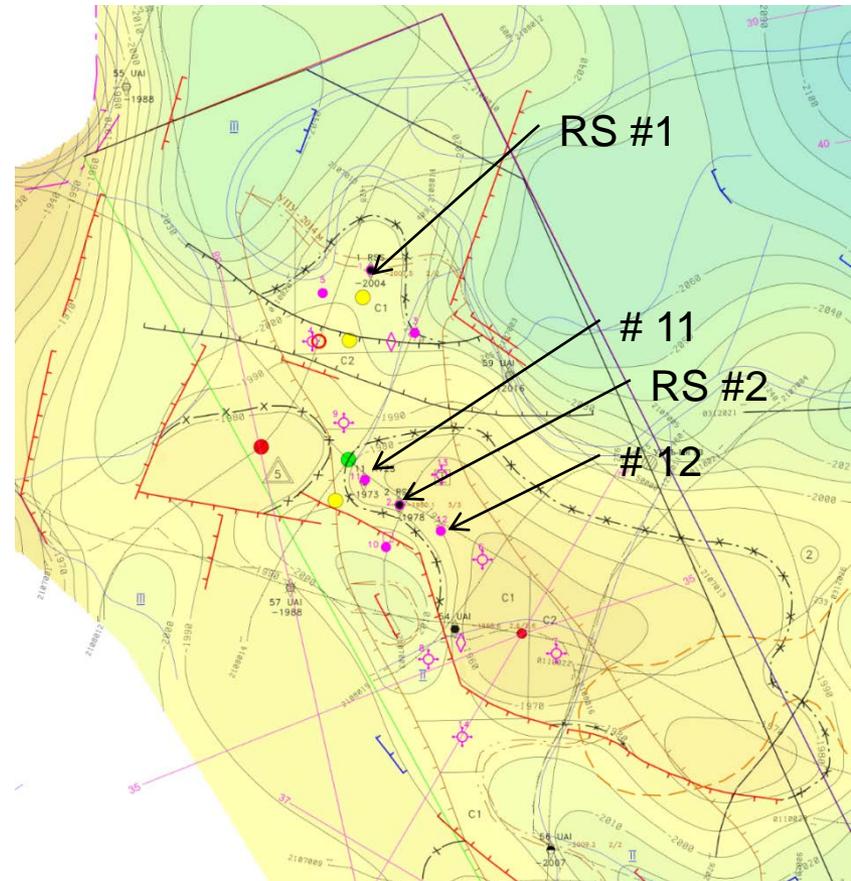
- Mature oil region with developed infrastructure
- Russia's largest refining capacity
- Located west of the Ural mountains
- Favorable climate conditions make year-round operations possible
- One of the top nine regions for investment climate in Russia according to Deutsche Bank
- Shelton Petroleum methodology
  - Exploratory drilling during the Soviet era confirms oil presence
  - Surrounding producing fields and availability of pipelines
  - Modern cost-effective exploration
  - Step by step seismic coverage
  - Improve on Soviet drilling practice from the 1960's
  - Infill development drilling

# Three adjacent licenses



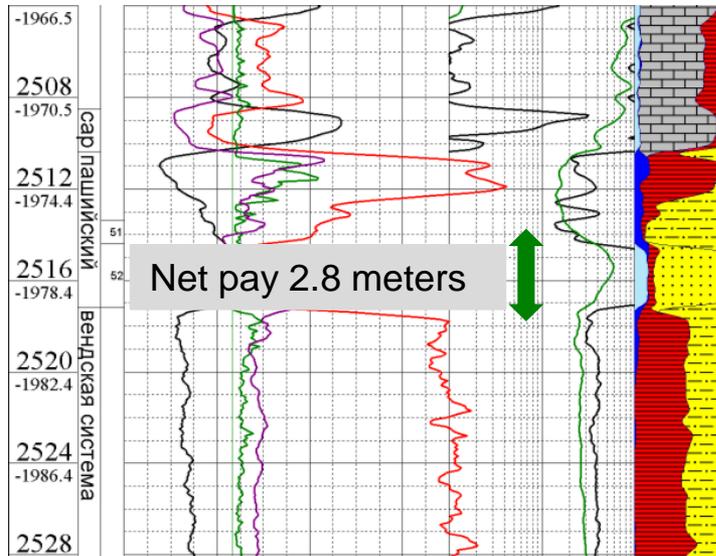
# New wells on Rustamovskoye

- 100% success rate on wells drilled
- High activity level on the drill pad with wells #11 and #12 drilled 2013
- Total depth approximately 2,500 meters
- Producing from the same Devonian sandstone formation as other wells
- Producing formations potentially extending into neighboring licenses
- 32° API oil
- Geologic update will be published later this year

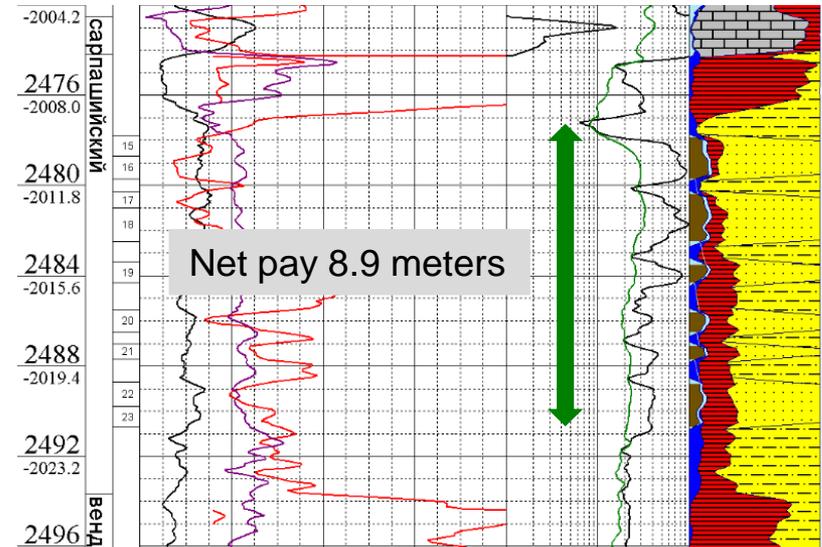


# Record flow rate from #12 well

Well #11



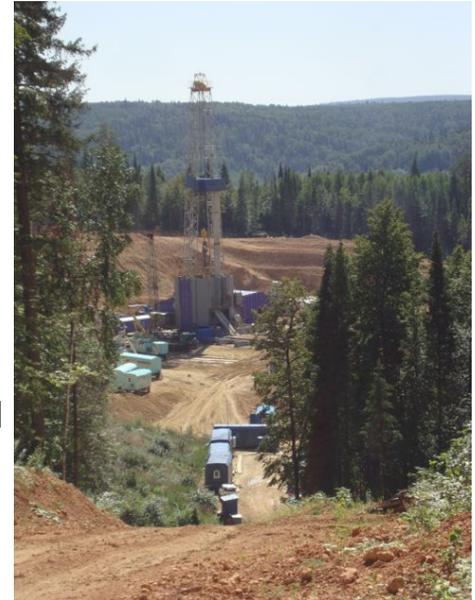
Well #12



- New and improved view on the ultimate potential of the field
- 8.9 meters of net pay compared to up to 2.8 meters in previous wells
- Extended know oil column
- Good reservoir properties with high permeability
- Current production in #12 well over 300 barrels per day (pump capacity limiting factor)

# New #12 well implications

- Financial
  - Cash flow from oil sales covers opex and part of capex
  - Economies of scale increase profitability per barrel
  - Increased stability and flexibility in further financing. Opens up debt financing opportunities
- Operational
  - Oil currently sold at well head and transported by truck. Increased volumes open up opportunity for pipeline sales with increased profitability per barrel
  - Larger net pay facilitates horizontal drillings with superior economics (fewer wells, lower opex, greater and faster recovery)
- Reserves
  - Larger net pay and extended oil column increases volumes of oil
- New wells are required to demonstrate extension of additional pay



# “What a difference some pay makes”

Recoverable reserves Rustamovskoye		
	TRACS 3P	#12 well
	Sep-09	Sep-13
Area km2	5,3	
Porosity	17%	15-20%
Oil saturation	85%	74-84%
Net pay	3,0	8,9
Recovery rate	46%	
FVF	0,901	
Cubic meters	956 097	
Barrels	6 023 412	

- “It’s complex geology but simple arithmetics”
- Area
  - New wells demonstrate oil on an increased area
  - The higher oil column increases the area
- Net pay
  - Net pay in #12 well three times higher than in the reserve assessment
- Potential to increase reserves manifold

# Drilling of #12

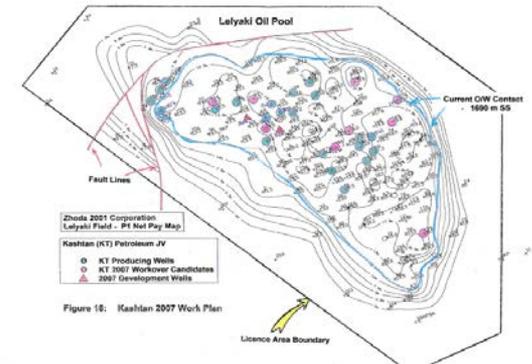


# Well #11 – workover rig preparing for frack



# Lelyaki - “A classic redevelopment case”

- Joint venture with Ukrnafta, onshore in Ukraine
  - Previously one of the largest producing onshore fields in Soviet Union
  - Current field production is 800 bopd, of which Shelton Petroleum has a 45% working interest
  - 2P reserves of 8 mmbbl (net to Shelton), with significant upside
- Attractive field economics
  - The Lelyaki field is cash generative and current work program is self-financed
  - Low cost development with operating profit of \$40/barrel
- Significant future potential in applying modern reservoir engineering
  - The pool has been producing for several decades without much attention to enhanced recovery, such as water flooding
  - Original oil in place estimated at ~1 billion bbl, 385 mmbbl lifted implies a 38.5% recovery factor
  - Through Western technology a 45-50% recovery factor may be reached, which implies up to another 50 million barrels net to Shelton



# Offshore licenses in Ukraine

- 50% Joint Activity Agreement (JIA) with state-owned Chornomornaftogaz (CNG)
  - CNG is Ukraine's leading offshore company
  - CNG has several rigs and produces approximately 20,000 boepd
- Licences are offshore Black Sea and Azov Sea
  - Licences included in the JIA are Arkhangelskoye, Biryuchya fields and North Kerchenskaya
  - Unrisked resource potential of 600 million boepd, of which Shelton Petroleum has a 50% working interest
  - Analog pools are producing significant volumes of gas
- Shallow water depth implies relatively low cost drilling
- Ukraine imports approximately 70% of its oil and gas consumption, yet only 5% of the offshore resources are exploited. Political interest to increase production



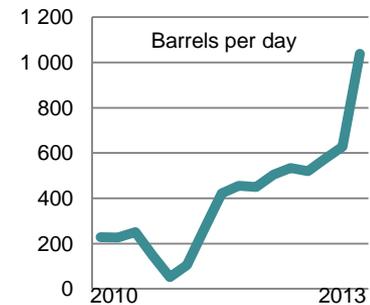
# Expansion in Ukraine

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



# Issue of convertibles – summer 2013

- 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 – Has been converted into shares
  - 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
  - Conditional upon certain events, cash held on a restricted account
  - Availability of funds increases probability of closing deals
  - Several attractive opportunities have been identified in Russia and Ukraine
  - High activity on dynamic markets
- Lex ASEA dividend



# Keys to value creation

- **Rustamovskoye**
  - Presence of oil proved by existing wells (~700 bopd)
  - Develop field by step by step infill drilling of production wells
  - Horizontal drillings with superior well economics
  - Increased reserves
- **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
- **Seize expansion opportunities**
  - Strong network and local presence on dynamic market

