

Press release
Stockholm, 4 June 2014

Shelton Petroleum proposes a share swap to dissolve the cross-ownership with Petrogrand

Shelton Petroleum presents a proposal to the shareholders of Shelton Petroleum and Petrogrand to dissolve the cross-ownership between the companies. The proposal is put forward for resolution on general meetings in both companies in the end of June. The disputes and the strained relationship between the companies affect the companies and their shareholders negatively. Both the board and management of Shelton Petroleum believe that it would be beneficial for both companies to dissolve the cross-ownership in order to give the companies the opportunity to develop their respective license portfolios on their own.

“Despite many efforts during the past six months, we have been unable to find an arrangement that would create value for the shareholders of both companies. We therefore now propose that the two companies go separate ways, which would put an end to the current unsustainable situation. The large shareholders of Petrogrand such as Länsförsäkringar, whose funds are managed by Alfred Berg, and Stena must live up to their responsibility as investors and take an active stand regarding their investments in Petrogrand”, says Robert Karlsson, CEO of Shelton Petroleum.

Shelton Petroleum currently holds approximately 29% of the shares in Petrogrand and Petrogrand holds approximately 28% of the shares and 20% of the votes in Shelton Petroleum. The proposal to the shareholders entails a transaction where Shelton Petroleum and Petrogrand swap their shareholdings with each other. The cross-ownership would thereby be dissolved. The proposal is based on the same exchange ratio that Shelton Petroleum earlier offered the shareholders of Petrogrand in its public offer of 0.44 shares in Shelton Petroleum for each share in Petrogrand. Based on this exchange ratio the companies' holdings in each other are valued more or less the same. The Securities Council (*Sw. Aktiemarknadsnämnden*) welcomes the proposal and has confirmed that it is in line with good practice on the stock market.

“When it comes to the exchange ratio, it should be noted that Petrogrand's board has, based on an independent fairness opinion from ABG Sundal Collier, on 4 April 2014 stated that Shelton Petroleum's earlier public share offer was not beneficial for the shareholders of Petrogrand. Since the proposed transaction offers Petrogrand to dissolve the cross ownership at the exact same exchange ratio, the board of Petrogrand can hardly come to any other conclusion than that Shelton Petroleum's proposal is beneficial for the shareholders of Petrogrand”, says Robert Karlsson, CEO of Shelton Petroleum.

In light of the above, the board submits a proposal for resolution at Shelton Petroleum's annual general meeting. The proposal and the board's report on the decision are available at the company and are also available on the company's website, www.sheltonpetroleum.com. Shelton Petroleum also submits a corresponding proposal to a shareholders' meeting in Petrogrand, which will be made available on www.petrogrand.se.

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Shelton Petroleum AB (publ)
The Board of Directors

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The information provided herein is such that Shelton Petroleum AB is obligated to disclose it pursuant to the Securities Markets Act (2007:528) and the Takeover rules. The information was submitted for publication at 8:30 (CET) on 4 June 2014.

About Shelton Petroleum

Shelton Petroleum is a Swedish company focused on exploring and developing concessions in Russia and the resource-rich basins of Ukraine. In Russia, the company holds three 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, two leading Ukrainian oil and gas companies. The Shelton Petroleum share is traded on NASDAQ OMX Stockholm under the symbol SHEL B.

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