

Year-end report January-December 2009

- The company changes its name to Shelton Petroleum after the completion of the merger
- New independent Western reserves report confirms reserves of 14 million barrels of oil and a resource potential of 342 million barrels of oil equivalent
- Bashkiria, Russia: Successful exploration program completed with good oil flow rates. Acquisition of two new licenses increased the company's license area by factor of ten
- Ukraine: Drilling of a new development well in Lelyaki commenced during the first quarter 2010. Significantly improved sales prices for oil at the end of 2009
- Obtained an option to acquire a considerable holding in Tomsk Refining AB
- The company was in an exploration phase and no sale of oil or gas has yet occurred. Sales of oil will be accounted for in the first quarter 2010
- Result for the period after tax: SEK -16 million (-8)
- Result per share before and after dilution: SEK -0.10 (-0.41)

Statements from the CEO

At year-end, the merger between Petrosibir and Shelton Canada Corp. was completed and during the beginning of 2010 the new name Shelton Petroleum was adopted. I am convinced that the transaction is very positive for the shareholders of both companies. Together we obtain an increased reserves base, existing production with large resource potential, possibilities to expand both in Ukraine and Russia, strengthened operational expertise within exploration and production and increased liquidity in the share with improved access to capital.

During 2009 we achieved solid exploration results on the Rustamovskoye field in Bashkiria, Russia. We measured good indicative flow rates also in the second exploration well. We plan to start production from this well upon the completion of the upcoming test program. During the fall of 2009, we were awarded two new licenses, which increased our license area in Russia by factor of ten, resulting in a continuous block of 540 square kilometers.

The results from the Ukrainian operations will be consolidated from 1 January 2010. It is evident from the recently completed auctions that the pricing of oil improved significantly during the end of 2009 in Ukraine. It is also rewarding that the company already during the first quarter of 2010 has commenced drilling of a new development well on the Lelyaki oil field in the Chernigov Region near Poltava.

I would also like to highlight the results from the recently published independent Western reserve reports. 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. The immediate objective is to increase the cash flow generating production from the reserves and then step-by-step realize the huge potential in the Ukrainian off-shore fields.

Shelton Petroleum's reserves and strategic objectives

License	Country	Primary product	Reserves			Contingent resources		
			1P	2P	3P	Low	Med	High
Lelyaki	Ukraine	Oil	3	8	8	-	-	-
Arkhangelskoye	Ukraine Black Sea	Gas & NGL	-	-	-	1	55	130
North Kerchenskoye	Ukraine Azov Sea	Gas	-	-	-	1	2	4
Biryucha	Ukraine Azov Sea	Gas	-	-	-	1	10	166
Rustamovskoye	Russia	Oil	1	1	6	7	14	43
Asyky*	Russia	Oil	-	-	-	-	-	-
Suyanovskoye*	Russia	Oil	-	-	-	-	-	-
Total			3	9	14	9	82	342

* 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 equivalents.
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. 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-December 2009

The merger between Petrosibir and Shelton Canada Corp. was completed on 31 December 2009 and the new group adopted the new name Shelton Petroleum during the first quarter of 2010.

Consequently, the consolidated balance sheets for the year-end include both companies but the profit and loss statement for 2009 only refers to Petrosibir. From 1 January 2010 the consolidated profit and loss statement will include also operations in Ukraine, including the existing sale of oil.

During 2009 Shelton Petroleum completed the drilling of the second of two exploration wells on the Rustamovskoye field in the Russian republic of Bashkiria. Oil and gas have been encountered in both wells. The second well was drilled to a final depth of 2,440 meters. Core samples and an extensive program of logs have confirmed the presence of one gas interval and multiple oil intervals. An extrapolation of a recently completed shorter open hole drill stem test indicated a well flow rate corresponding to 700 barrels of oil per day from the Kynovsko-Pashysky horizon of the Devonian period. The well has now been cased, and Shelton Petroleum will commence a test program. The tests will provide additional information about the flow rates and the characteristics of the reservoir.

Investments in oil and gas assets, not including the acquisition of Shelton Canada Corp, for the period amounted to SEK 19 (24) million and pertain mainly to drilling of the second well. The company is currently in a phase of exploration, and there has yet to be any sale of oil or gas. Operating expenses amounted to SEK 18 (10) million and consist primarily of personnel costs and expenses incurred during the merger between Temporär Förvaltning i Stockholm AB (TFS) and Petrosibir AB, and the merger between Petrosibir and Shelton Canada Corp. The result for the period amounted to SEK -16 (-8) million. This result includes a change in deferred tax, given the change in the tax rate in Russia. To the total result, SEK -6 (0) million was charged in exchange rate differentials not affecting cash flow on the internal group loan in foreign currency. Cash flow for the period was SEK 27 (-44) million. Cash flow from investing activities includes the cash obtained in the reverse takeover of TFS and the merger with Shelton Canada Corp. as well as the payment of the loan to secure the option to acquire shares in Tomsk Refining AB.

At year-end, the group had 20 employees, of which two were employed with the parent company Shelton Petroleum AB. The group had SEK 33 million in cash and cash equivalents at the end of the period. Equity per share as at 31 December 2009 was SEK 0,91.

During 2009 the company was awarded two new licenses in Bashkiria. Aysky and Suyanovskoye neighbor the first license block Rustamovskoye. Previous drilling confirms the occurrence of oil on the new fields.

In November, Shelton Petroleum reached an agreement with a large shareholder in Tomsk Refining AB, a Swedish refinery with operations in Russia. Shelton Petroleum has, by granting a loan to the shareholder, obtained an option to acquire a substantial equity interest in the refinery.

The merger with Shelton Canada Corp. was completed on 31 December 2009 and Shelton Canada Corp. is now a wholly-owned subsidiary of Shelton Petroleum AB. The acquisition was executed through a non-cash issuance directed to Shelton Canada Corp's shareholders and holders of convertibles and warrants. The value of the acquisition was approximately SEK 97 million. For further details, please see Note 3 b below.

Major events occurring after the reporting period

Shelton Petroleum and Ukraine's largest oil and gas company, Ukrnafta, have commenced drilling of 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.

An EGM voted to change the company's name from Petrosibir AB to Shelton Petroleum AB. In addition, Richard N. Edgar, Zenon Potoczny and Bruce D. Hirsche were elected as new members of the board. In order to fulfill the requirement that only one board director be a member of management, Robert Karlsson, CEO of Shelton Petroleum, stepped down as member of the board. The EGM resolved to increase the company's incentive scheme, where warrants are acquired at market value, to include the newly-elected board directors Zenon Potoczny and Richard N. Edgar, as well as the company's CFO Joakim Hedlund. Shelton Petroleum published a prospectus regarding the admission to trading of the new shares in Shelton Petroleum issued to the shareholders and holders of convertibles and warrants in Shelton Canada Corp.

The parent company

The parent company's balance sheet total as at the period end amounted to SEK 237 (35) million. Cash and cash equivalents amounted to SEK 11 (35) million. During the year the company has made investments totaling SEK 202 (0) million in connection to an acquisition as well as loans to a subsidiary. The result after tax for the period amounted to SEK -2 (-54) million. During the fourth quarter, the company issued convertible bonds of approximately SEK 30 million.

Risk factors and uncertainties

A detailed account of the risks facing the company appears in the management's report in the 2008 annual report of Petrosibir Exploration. 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.

Dividend

The Board of Directors intends to propose to the Annual General Meeting that no dividend is given for the financial year 2009.

Upcoming financial reporting

Annual General Meeting	17 May 2010
Interim Report January – March	26 May 2010
Interim Report April – June	26 August 2010
Interim Report July – September	30 November 2010

The Annual Report 2009 will be available at the company's office and on the corporate website no later than two weeks before the AGM.

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 24 February 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, which fall under the category "unrisked contingent 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.

GROUP STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Oct-Dec 2009	Oct-Dec 2008	Jan-Dec 2009	Jan-Dec 2008
Net revenue	0	0	0	0
Total revenue	0	0	0	9
Work performed by the company for its own use and capitalized	401	196	1,257	1,194
Personnel costs	-2,513	-1,595	-5,708	-4,899
Other external expenses	-3,213	-1,463	-11,919	-4,970
Depreciation	-77	-42	-294	-125
Operating expenses	-5,803	-3,100	-17,921	-9,994
Operating result	-5,402	-2,904	-16,664	-8,791
Financial items	614	440	264	585
Result before tax	-4,788	-2,464	-16,400	-8,206
Income tax	-5	147	881	147
Result for the period	-4,793	-2,317	-15,519	-8,059
Other comprehensive income				
Exchange differences	2,929	-233	-5,850	205
Total other comprehensive income	2,929	-233	-5,850	205
Total comprehensive income for the period	-1,864	-2,550	-21,369	-7,854
Earnings per share before/after dilution	-0.02	-0.12	-0.10	-0.41

GROUP COMPREHENSIVE BALANCE SHEET

SEK thousand	Dec 31 2009	Dec 31 2008
ASSETS		
Non-current assets		
Intangible assets	98,400	67,598
Goodwill	6,807	0
Machinery and equipment	93,593	705
Other long-term receivables	2,698	8,712
Total non-current assets	201,498	77,015
Current assets		
Inventory	4,192	0
Other short-term receivables	28,765	3,617
Cash and cash equivalents	32,725	5,517
Total current assets	65,682	9,134
Total ASSETS	267,180	86,149
EQUITY AND LIABILITIES		
Equity	189,811	78,772
Non-current liabilities		
Convertible loan	25,799	0
Deferred income tax liabilities	28,796	6,002
Other provisions	187	0
Total non-current liabilities	54,782	6,002
Current liabilities		
Accounts payable	7,686	16
Other current liabilities	14,901	1,358
Total current liabilities	22,587	1,374
Total EQUITY AND LIABILITIES	267,180	86,149

GROUP COMPREHENSIVE CASH FLOW STATEMENT

SEK thousand	Note	Oct-Dec 2009	Oct-Dec 2008	Jan-Dec 2009	Jan-Dec 2008
Cash flow from operating activities		392	6,555	-4,951	-7,698
Cash flow from investing activities	3	-6,686	-12,507	5,498	-36,160
Cash flow from financing activities		26,264	0	26,732	0
Cash flow for the period		19,970	-5,952	27,279	-43,858
Cash and cash equivalents at beginning of the period		12,811	11,445	5,517	49,339
Exchange differences in cash and cash equivalents		-56	24	-71	36
Cash and cash equivalents at end of the period		32,725	5,517	32,725	5,517

GROUP COMPREHENSIVE STATEMENT OF CHANGES IN EQUITY

SEK thousand	2009	2008
Opening balance 1 January	78,772	86,626
Result for the period	-21,369	-7,854
Share issue	37,949	0
Not registered share issue	91,991	0
Equity part of convertible loan	1,999	0
Option premium	469	0
Closing balance 31 December	189,811	78,772

GROUP NUMBER OF SHARES

Number	2009
Average number of A and B shares	159,302,635
A shares at end of period	9,028,593
B shares at end of period	199,215,219
Total number of shares at the end of the period	208,243,812

During the third quarter 2009, 8,676,812 warrants were issued to the chairman of the board and CEO. During the fourth quarter 2009 convertible bonds amounting to approximately SEK 30 million were issued. If all convertible bonds were converted, the number of B shares would increase by 50,900,000 shares. The 171,925,223 B shares issued to the previous owners of Shelton Canada Corp. and accounted for as "Not registered share issue", will be registered during the first quarter 2010. In addition, 8,000,000 warrants will be issued to new board members and management during the first quarter 2010.

After full dilution the number of outstanding shares would be 447,745,847 shares.

PARENT COMPANY COMPREHENSIVE INCOME STATEMENT

SEK thousand	Oct-Dec 2009	Oct-Dec 2008	Jan-Dec 2009	Jan-Dec 2008
Net revenue	244	0	244	0
Other revenues	0	0	1	0
Total revenues	244	0	245	0
Personnel costs	-1,112	-888	-1,822	-1,158
Other external expenses	-1,279	-3,467	-2,378	-4,899
Depreciation	0	0	0	0
Operating results	-2,147	-4,355	-3,955	-6,057
Financial items*	1,279	-12,647	1,979	-47,639
Result before tax	-868	-17,002	-1,976	-53,696
Income tax	0	0	0	0
Result for the period	-868	-17,002	-1,976	-53,696

* During a large portion of 2008, the parent company Shelton Petroleum AB, Petrosibir AB, formerly NGM Holding AB, was the owner of the NGM stock exchange in Stockholm and had operations which were completely separate from Shelton Petroleum's current operations. The financial item regarding SEK -47,639 thousand during 2008 refers to a write-down of the value of the stock exchange operations.

PARENT COMPANY COMPREHENSIVE BALANCE SHEET

SEK thousand	Dec 31 2009	Dec 31 2008
ASSETS		
Non-current assets		
Financial non-current assets	201,826	0
Total non-current assets	201,826	0
Current assets		
Other receivables	23,634	135
Cash and cash equivalents	11,217	35,281
Total current assets	34,851	35,416
Total ASSETS	236,677	35,416
EQUITY AND LIABILITIES		
Equity	201,029	33,963
Non-current liabilities		
Convertible loan	28,834	0
Total non-current liabilities	28,834	0
Current liabilities		
Other liabilities	6,814	1,453
Total current liabilities	6,814	1,453
Total EQUITY AND LIABILITIES	236,677	35,416

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 30 September 2009 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 2008, 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 2008 and in the manner in which they were described in the 2008 annual report, with certain exceptions (listed below) on account of new or revised standards, interpretations or amendments adopted by the EU to be applied starting 1 January 2009. Only those new or revised standards that have had an effect on the group are described below.

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 2008 annual report.

New or revised standards

IAS 1 Presentation of financial statements (revised)

The revised standard divides up changes in equity as a result of transactions with owners and other changes. The presentation of changes in equity will only contain details regarding transactions with owners. Changes other than those in transactions with owners are to be presented in one row in the presentation of changes in equity. In addition, the standard introduces the concept of "Group statement of comprehensive income," which shows all items pertaining to revenues and costs, either in one separate presentation or in two related presentations. The group has chosen to present all revenues and costs separately in the item "Group statement of comprehensive income."

Note 3. Acquisitions

a. Petrosibir Exploration AB

On 20 May 2009, Petrosibir AB ("Petrosibir", formerly Temporär Förvaltning i Stockholm AB) acquired Petrosibir Exploration AB ("Exploration", formerly Petrosibir AB). The acquisition was effected via a directed issuance of new shares to the existing shareholders of Exploration. As a result of the issue, the previous shareholders in Exploration became the major shareholders in Petrosibir, and the surviving business and operations are in all material senses a continuation of Exploration's business and operations. The transaction has therefore been accounted for as a so-called reverse takeover in accordance with IFRS 3 "Business combinations", which means that a reevaluation of Exploration's

assets and liabilities has not been carried out; rather, the group financial statements have been prepared as though Exploration had acquired Petrosibir.

The number of shares issued amounted to 139,246,835, with an estimated value of SEK 0.55 per share. To this can be added acquisition costs of SEK 1,840 thousand. This is reflected in the parent company's equity. Meanwhile, in the group financial statements, the acquisition value has been calculated in acc. with IFRS 3 based on the number of shares outstanding in Petrosibir immediately prior to the acquisition: 68,996,997 shares, with an estimated value of SEK 0.55.

Following the transaction, Petrosibir's ownership stake in Exploration amounted to 100%.

Petrosibir's contribution to the group's net result for the period 20 May to period end amounted to SEK -428 thousand.

Below is a presentation of the estimated fair values of the acquired assets and liabilities as at the time of acquisition. These correspond with the values entered into the accounts:

	SEK th
Non-current financial assets	12,000
Current assets	1,992
Cash and cash equivalents	20,013
Current liabilities	<u>- 1,023</u>
Net assets	32,982
Goodwill	<u>6,807</u>
Purchase price	<u>39,789</u>

As noted above, the acquisition was carried out via a non-cash issuance of new shares.

The acquired non-current financial assets referred to a loan granted by Petrosibir to Exploration prior to the acquisition. In the cash flow analysis, this loan has been presented together with the acquired cash and cash equivalents as a positive item in the investing activities.

b. Shelton Petroleum Corp.

Shelton Petroleum AB ("Shelton Petroleum") acquired Shelton Canada Corp. on 31 December 2009. The acquisition was affected via a directed issuance of new shares to the shareholders of Shelton Canada and to the holders of options and convertible bonds issued by Shelton Canada.

The number of shares issued amounted to 171,925,223 with an estimated value of SEK 0.55 per share. To this can be added acquisition costs of SEK 2,571 thousand. Total acquisition cost amounts to SEK 97,129 thousand.

Following the acquisition, Shelton Petroleum AB holds 100% of the shares of Shelton Canada Corp.

The acquisition was made as of 31 December 2009 and therefore it has not affected the group's profit and loss statement for 2009.

The acquisition has been accounted for in accordance with the acquisition method. The estimated fair values of the acquired assets and liabilities are presented in the table below and are based on Shelton Canada Corp.'s net assets as of 31 December 2009:

	Book value	Adjustment	Fair value
Intangible assets	33	18,331	18,364
Tangible assets	18,942	73,324	92,266
Financial non-current assets	165		165
Inventory	4,192		4,192
Other current assets	6,141		6,141
Cash	12,347		12,347
Deferred tax debt	0	-22,912	-22,912
Provisions	-187		-187
Current liabilities	-13,246		-13,246
Net assets	28,386	68,743	97,129

The acquired intangible and tangible assets are based on the valuation of Shelton Canada Corp.'s Ukrainian exploration licenses and its current oil production in Ukraine.

The estimated distribution between intangible assets (exploration licenses), tangible assets (oil and gas assets in production) and deferred tax liabilities is based on preliminary data and estimates that are subject to change. The finally adopted fair value of assets and liabilities may affect the value of intangible and tangible assets, deferred tax liabilities and goodwill.

The acquisition was made as a non-cash issue and it has therefore only been affected by the acquired cash balance and acquisition costs.

Note 4. Related party transactions

In 2008 Shelton Petroleum signed a financial advisory and equity funding agreement with Alpcot Capital Management Ltd ("ACM"). The contract is results-based and entails no running monthly expense. A fee to ACM of SEK 3,275 thousand was charged to the second quarter. During the fourth quarter Shelton Petroleum accrued SEK 1,405 thousand in fees to ACM regarding the capital raising through issuance of convertible bonds and SEK 2,205 thousand in fees regarding the merger with Shelton Canada Corp. ACM is controlled by a number of shareholders of Shelton Petroleum, two of whom are members of Shelton Petroleum's board of directors.

During 2009, a selection of board members acquired share options at market value.