

Date: 30 September 2004



SIBIR ENERGY PLC (“Sibir” or “the Company”)

INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2004

Report of the Chairman and Chief Executive

Trading to Resume Following Extraordinary General Meeting in Late November

Within the next 30 days we will be sending a Circular to all shareholders in which we will describe in detail the strategic developments in your Company’s affairs since we last reported to you in June with the publication of the 2003 Annual Report. The Circular will describe *inter alia* a number of proposed transactions which in the opinion of your Board will be very beneficial and ensure your Company’s future. Some of these transactions will require votes by shareholders at an Extraordinary General Meeting which will be held in London in the last 10 days of November. The appropriate resolutions will be contained in the Circular. Immediately upon the conclusion of the Extraordinary General Meeting we will arrange for trading in our shares to resume the following morning. We have agreed this timetable with AIM Regulation at the London Stock Exchange.

The Circular will also include positive developments in relation to our funding of the Salym Fields and the enhancement of our interest in Moscow Oil and Gas Company, as well as a report on the Company’s actions to restore our interest in Sibneft-Yugra.

In view of this imminent and extensive Circular we have decided to truncate this report for the six months to 30 June by restricting it to the operational and financial aspects of the six month period. Our normal practice of setting out our strategic progress is deferred simply because it is to be set out in detail and at length in the Circular to follow shortly.

Salym Fields

The enormous progress reported to you in June continues. As at 30 September, 2004 total spend since the final investment decision of 1 January, 2003 totals approximately \$228 million. We have met our 50% share of this from a mixture of the proceeds of share issues, bank loans, the Upper Salym buy back (referred to in previous reports) and the carry negotiated with our partners in Salym, the Royal Dutch Shell Group. The majority of this spend has been incurred on the infrastructure required to allow drilling and export of oil from the Fields.

At West Salym the intensive well drilling programme has already started, with 5 oil wells having been drilled to date. All have encountered oil as predicted. These wells will be put on test shortly and we expect to be able to report on the results as they become available over the next few months. Agreement has been reached with Transneft, the national pipeline operator, and preparations for construction of the oil treatment facility and 90-kilometer tie-in pipeline are well underway. Large volume production will commence in the second half of 2005 with some 40,000 bbls of oil a day being produced by the end of that year.

Production resumed at Upper Salym and an exploration well was drilled in a hitherto unexplored area, the potential of which had been enhanced following vertical seismic studies carried out during initial drilling in Upper Salym. We are delighted to report to you that a significant discovery was made. Drilled to a depth of 2,316 meters, the core sampling and log analysis indicate oil bearing sands with thickness in excess of 16 meters which is greater than forecast. Testing of this discovery will take place in October, 2004 and we are confident that this will result in an increase in the reserves of the Fields. Additional areas in Upper Salym have been similarly identified as prospective exploration targets and these will be explored in due course.

The third licence in the Salym Fields is called Vadelyp and little has been said about this field in the past. As part of the catching-up process the development of this field has been brought forward to 2006 from 2009 and this should further enhance Salym's project economics.

The Shell buy-back into Upper Salym has been largely completed. This means that all of the Salym Group Fields are once again under Shell's *de facto* operatorship which was the only practical way to proceed. Particularly gratifying is the recognition by the government licensing authorities of the remarkable construction and drilling achievements, both quantitative and qualitative, made over the last 12 months. It is not an exaggeration to say that these achievements represent a giant leap forward and Sibir is now enjoying the benefits of being partnered with a leading operator, namely Shell. Although outstanding licensing issues had already been put behind us, these achievements serve to further justify the confidence placed in the operator by the authorities.

Magma

Our \$8 million investment programme designed to provide water injection facilities to support and maintain production and enhance field manpower accommodation is close to completion. We have commenced hydraulic fracturing treatment and are confident that the execution of these programmes, which will be completed in 2005, will offset production decline and take production from approximately 5,000 to 8,000 bbls per day.

Additionally, plans have been put in place to re-commence development drilling after a three year drilling hiatus. We expect to drill 3 wells in the second half of 2004 and another 17 wells before the end of 2006.

Improved Trend in Financial Performance

We are pleased to report a significant turnaround in financial performance. This is due to two basic factors; first, greater margins achieved on our production resulting from higher oil prices and the benefit accruing from our integrated status and access to Moscow refinery and, second, the commencement of our trading of oil products (also a benefit accruing from our integrated status).

The Group's gross profit for the period was over £7.2m compared to under £0.25m in the comparable period in 2003. In approximate terms this increase is attributable as follows: £3.3 million to enhanced margins and increased oil prices and £3.9 million to trading activities.

We have succeeded in keeping administration expenses under control with only a 7% increase in costs over the comparable period last year notwithstanding that we have had to increase the numbers of higher paid staff to cope with an increase in activity.

Prior to the adjustment for the operating loss of the Salym joint venture, the Group's net operating profit was £3.5 million compared to a loss of £4.2 million in the comparable period for 2003.

After accounting for the share of losses at the Salym joint venture, which reflect the increasing activity at Salym, the Group shows a loss before interest and tax of £0.3 million. All else being equal, given that we expect substantial rates of production by end-2005 we expect to no longer have to account for such losses after that time.

Clearly the trend is the important development and we expect that this trend will continue. Our trading activities did not start until March and, beginning cautiously, we did not reach full capacity until May. We fully expect a much larger profit contribution from trading in the second half of this year.

We are confident this trend will continue and that Sibir has in terms of profitability "turned the corner".

Moscow Oil and Gas Company

In our June report we referred to the support we had received from our fellow shareholder in Moscow Oil and Gas Company, the City of Moscow. We will have much more to say about this in the Circular.

Support and Sign of Confidence from largest shareholder

We also wrote in the June report about the level of support we had received from our largest shareholder, Bennfield Limited, as represented by Chalva Pavlovitch Tchigirinski, and again we will have much more to say about this in the Circular. In the meantime however we are pleased to report that Bennfield exercised the rights granted to it in the year 2000 and subscribed for approximately 171 million shares for which it paid approximately £20 million. Your Board takes this decision as a real sign of confidence in Sibir's future, the future of Russia as a place to do business, and in our ability to restore our 50% ownership in Sibneft Yugra.

Contrary to our normal practice we will not make any concluding statement as the Circular will be a more appropriate place for such a conclusion.

OPERATIONS REVIEW

Salym Group

The Salym Group of fields is located in the Khanty-Mansiysk Autonomous Okrug in Western Siberia and is operated by Salym Petroleum Development (SPD), a 50/50 joint venture between Sibir's subsidiary OAO Evikhon ('Evikhon') and Shell's Salym Development B.V. ('SSD'), a member of the Royal Dutch Shell Group. The Salym fields consist of Upper Salym, West Salym and Vadelyp.

From the time of the December 2003 announcement that Sibir and Shell had agreed to the one billion dollar development of Salym, it was well accepted that the focus for 2004 would be on actions to preserve the Group's licences and lay the foundations for this massive development. In the first 6 months of 2004, SPD has already achieved these goals and more, and has truly laid the groundwork for a steady stream of production – and income – starting in 2005. Furthermore, SPD's progress has been such that plans have been brought forward for early production, and thus early income.

Upper Salym

In order to preserve the relevant licence agreement, in 2001 Sibir and Shell agreed that Evikhon would develop Upper Salym on a sole-risk basis. Evikhon continued to develop the field through December 2003, when Sibir and Shell announced agreement to restore Upper Salym to SPD with effect from January, 2004.

SPD re-started production from Upper Salym's six operating wells in the spring and in the first six months of 2004 produced 62,744 bbls of oil. Additionally, SPD spudded its first exploration well from well-pad K-2 in Upper Salym on 24 June, 2004, in the 'Bonus Area', so-called because it represents a newly discovered prospect within the Upper Salym Field. The well was drilled to the depth of 2,316 meters and indicated oil-bearing sands in excess of 16 meters. Testing of this well will be completed in October. The initial findings validate SPD's assumptions for the Bonus structure potential and further testing should lead to an increase in the proven reserves for Upper Salym. To further complement this discovery and enhance current drilling plans, SPD plans a 620 kilometre seismic campaign over the coming winter.

Additionally, a temporary access road to Upper Salym well-pad K-1 was completed in June and the pad was completed to accept the transfer of the drilling rig from K-2. 16 development wells will be drilled from K-1 before May 2005.

West Salym

Infrastructure development at West Salym, the group's largest field, is progressing rapidly and on schedule. 50 kilometres of the planned 90-kilometre 'Communications Corridor' has been completed connecting the West Salym, Vadelyp and Upper Salym Fields to the Tyumen-Nefteyugansk highway. A Central Processing Facility ('CPF') located in the West Salym licence area will feature an oil treatment facility to remove water and stabilise crude oil to meet specifications necessary for transport in the Transneft system. Early work that has been completed at the CPF includes two 110/35/6 kV transformer substations, a 20-kilometre power line and two 1000 m³ tanks for diesel and water. Additionally, two warehouses and a base camp have been developed. Pad construction for additional facilities and manufacturing of the material for the pipeline that will connect the CPF to Transneft is also well advanced.

The first well in West Salym was spudded on schedule on 30 April 2004 from well pad K-20 and encountered the oil-bearing reservoirs exactly as predicted. Two additional wells were drilled by end-June from a total of 20 that will be drilled from K-20. These wells are scheduled to be tested before the end of the year and their production will contribute to the early production from the Salym group of fields. A total of 26 well pads will be built in West Salym.

Large volume production will commence in the second half of 2005, reaching 40,000 bbls per day by year-end. The average daily production of each well is expected to be 500 bbls per day, and daily production of 120,000 bbls per day is anticipated from West Salym by 2009.

Vadelyp

Further enhancing the Salym project's economics, SPD has brought forward the development plans for Vadelyp from 2009 to 2006, and planning is progressing well. The development scenario has been fully developed and provided to authorities for their approval, and preparation work is completed for topographical and ecological surveys to be commenced.

Magma Group

Magma Oil Company, which is 95% owned by Sibir, operates the *Yuzhnoye* oilfield in West Siberia. During the first six months of 2004 Magma produced 898,748 bbls of oil, representing an average of 4,938 bbls per day. Of this production (and an additional 9,613 bbls from inventory), 526,834 bbls of crude oil were sold and 381,527 were processed at the Moscow refinery and the resulting products exported. Of the crude sold, 307,140 bbls, or 58%, were sold in the more profitable export market, representing a much larger percentage than in the previous 6-month period.

Yuzhnoye Oilfield

Production was from 22 oil wells, supported by 17 water injector wells and 9 water source wells. A feasibility study of hydraulic fracturing treatments has been completed and it is planned that 15 oil producing wells and 2 water injector wells will be given this treatment in 2004 and 2005. These treatments will offset production decline and provide an additional 1,800 bbls per day in production.

An ongoing \$8 million investment program that is providing upgraded production and water injection facilities and accommodation will be completed by the end of 2004. This investment will allow for production and supporting water injection to increase to 6,500 bbls per day. Additionally, plans are in place to restart development drilling at Magma, and the required regulatory procedures have been completed. Authorities have approved the plan to drill 3 development wells in 2004 and another 17 wells in 2005 and 2006.

Sibir's Oil Assets

The Group's interest in commercial reserves of oil as at 1 January 2004 and 30 June 2004 are included in the unaudited table below:

Operated assets	P1	P2	P1 + P2
UK classification (a)	(mboe)	(mboe)	(mboe)
Russia – Magma fields at 1 January 2004	28,019	9,084	37,103
Production	(899)	-	(899)
Total Operated assets at 30 June 2004	27,120	9,084	36,204

(a) These reserve calculations are based upon original engineering reports compiled in accordance with internationally recognised Society of Petroleum Engineers standards and updated internally by Sibir engineers.

Non-Operated assets

Russia – West Salym, Vadelyp & Upper Salym

(b)

At 1 January 2004 assets	342,814	123,401	466,215
Test production	(63)	-	(63)
Total Non-Operated assets at 30 June 2004	342,751	123,401	466,152

(b) The Salym fields' reserves are based upon calculations by Shell Petroleum Development.

Total Operated and Non-Operated assets at 30 June 2004	369,871	132,485	502,356
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FINANCIAL REVIEW

Production

The Group's production for the first six months of 2004 was 961,492 bbls, (2003: 762,359 bbls) comprising Magma's production of 898,748 bbls (2003: 741,774 bbls) and Evikhon's production of 62,744 bbls (2003: 20,585).

Turnover and Cost of Sales

Turnover for the first six months of 2004 amounted to £45.7 million compared to £8.0 million for the corresponding period of 2003. Sales of crude oil and oil products in the period were 539,663 bbls and 2,657,746 bbls respectively. (2003: crude oil 416,398 bbls and oil products 399,773 bbls).

The Group's gross profit for the period was £7.2 million compared to £0.2 million for the first six months of 2003. This substantial increase in gross profit is attributable to two factors. First, domestic and export crude oil margins have increased due to higher crude oil prices. Second, Sibir has set up as planned its own trading operation which, utilising Sibir's access to Moscow refinery, contributed to 85% of the gross turnover.

£3.3 million of the gross profit of £7.2mn is attributable to higher prices and £3.9million is attributable to the trading operation.

Administration Expenses

The Group's administrative and general expenses in the first six months of 2004 were £3.7 million compared to £4.4 million for the corresponding period of 2003. After excluding from these figures the effect of foreign exchange movements and other non-recurring items, the Group's administrative expenses for the six months ended 30 June 2004 have increased by £0.4 million.

Operating Profit for the Period

The operating profit, before our share of operating loss from the SPD joint venture, was £3.5 million compared to a loss of £4.2 million in the first six months of 2003. This significant turnaround is due to the higher gross profit referred to above.

The Group's share of losses from SPD reflect the increasing activity of this joint venture following Sibir and Shell's decision to proceed with full development of the Salym group of oilfields. Under UK GAAP Sibir has had to accrue its share of SPD losses for a number of years to date, but it is clear that, all else being equal, following the commencement of significant production by the end of 2005, administration expenses of SPD will be more than covered by gross profit.

Interest Income

The group's net interest income for the first half of 2004 was £0.2 million compared to £0.7 million interest expense in the previous period. The increase has arisen as a result of interest receivable on the Group's loans to SPD.

Financial Instruments

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items, such as trade debtors, and trade creditors which arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations. It is, and has been throughout the period under review, the Group's policy that there is no trading in financial instruments. The main risks arising from the Group's financial instruments are foreign currency risk, oil price risk, interest rate and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised as follows under the following two headings:

Foreign Currency Policy

Sibir's revenue is largely received in United States dollars. Significant protection from movements in exchange rates results from the loans which are repayable in United States Dollars. Sibir faces certain currency risks relating to its Russian operations. The balance of these revenues is received in roubles following sales to the Russian domestic markets. As most development, production and taxation expenditures are in roubles the risk from variations in the value of the rouble is minimal. Sibir continues to transfer funds to and from Russia without incident or impediment.

Interest Rate and Liquidity Policy

The Group finances its operations through trade finance and short term loans. In 2000 the Company issued £20 million of 15% convertible loan stock which was redeemable on 30 June 2002 and subsequently extended at an interest rate of 11% to 30 June 2004. During the first six months of 2004 a total of 288,643 new ordinary shares of 10p each were issued as a result of the conversion of £48,200 of the loan notes and on 30 June 2004 the remaining convertible loans notes totalling £676,926 were redeemed. In summary, of the £20 million issued in 2000, a total of £19,221,074 had been converted into new ordinary shares and £778,926 had been redeemed for cash.

Going Concern

After making enquiries and considering the adequacy of the disclosures made in Note 1 of the Financial Statements, the directors have a reasonable expectation that the group has adequate resources to continue its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

W L S Guinness
Chairman

H O Cameron
Chief Executive Officer

Date: 30 September 2004

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30 June 2004	Six months ended 30 June 2003	Year ended 31 December 2003
		£000	£000	£000
Group turnover	2	45,652	8,009	17,376
Cost of sales				
Depletion of oil and gas properties		(769)	(882)	(1,645)
Decommissioning charge		-	-	(303)
Cost of sales		<u>(37,672)</u>	<u>(6,878)</u>	<u>(11,750)</u>
Gross profit		7,211	249	3,678
General and administrative expenses		<u>(3,690)</u>	<u>(4,406)</u>	<u>(7,727)</u>
Group operating profit/(loss)	3	3,521	(4,157)	(4,049)
Share of operating loss in joint ventures		<u>(3,773)</u>	<u>(3,405)</u>	<u>(7,793)</u>
Operating loss : Group and share of joint venture		(252)	(7,562)	(11,842)
Loss on ordinary activities before interest and tax		(252)	(7,562)	(11,842)
Interest receivable		884	3	20
Interest payable		<u>(692)</u>	<u>(724)</u>	<u>(1,833)</u>
Loss on ordinary activities before taxation		(60)	(8,283)	(13,655)
Tax on loss on ordinary activities	4	<u>(1,023)</u>	<u>(305)</u>	<u>(1,723)</u>
Loss on ordinary activities after taxation		(1,083)	(8,588)	(15,378)
Minority interests – equity		<u>475</u>	<u>55</u>	<u>2,395</u>
Loss for the period		<u>(608)</u>	<u>(8,533)</u>	<u>(12,983)</u>
Basic loss per share (pence)	5	(0.04)	(0.54)	(0.81)
Diluted loss per share (pence)	5	(0.04)	(0.54)	(0.81)

UNAUDITED CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Six months ended 30 June 2004	Six months ended 30 June 2003	Year Ended 31 December 2003
	£000	£000	£000
Loss for the period attributable to members of the parent company	(608)	(8,533)	(12,983)
Exchange differences on the re-translation of the net investments and related borrowings	(34)	24	(4,148)
Total recognised gains and losses relating to the period and recognised since last annual report	(642)	(8,509)	(17,141)

UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' FUNDS

	Six months Ended 30 June 2004	Six months ended 30 June 2003	Year Ended 31 December 2003
	£000	£000	£000
Total recognised gains and losses	(642)	(8,509)	(17,131)
New share capital subscribed	29	749	17,970
Share premium on shares issued less issue costs	19	6	8,107
Total movements during the year	(594)	(7,754)	8,946
Shareholders' funds at beginning of period	145,381	136,435	136,435
Shareholders' funds at end of period	144,787	128,681	145,381

UNAUDITED CONSOLIDATED BALANCE SHEET

	As at 30 June 2004 £000	As at 30 June 2003 £000	As at 31 December 2003 £000
Fixed Assets			
Tangible	183,828	186,907	173,337
Other investments	6	6	6
	<u>183,834</u>	<u>186,913</u>	<u>173,343</u>
Current Assets			
Stocks	6,753	691	631
Debtors:			
Amounts falling due within one year	25,444	10,807	10,148
Amounts falling due after more than one year	11,272	-	2,854
	<u>36,716</u>	<u>10,807</u>	<u>13,002</u>
Cash at bank and in hand	1,002	3,253	9,461
	<u>44,471</u>	<u>14,751</u>	<u>23,094</u>
Creditors: amounts falling due within one year	(47,476)	(39,793)	(28,313)
Net Current Liabilities	<u>(3,005)</u>	<u>(25,042)</u>	<u>(5,219)</u>
Total Assets less Current Liabilities	<u>180,829</u>	<u>161,871</u>	<u>168,124</u>
Creditors: amounts falling due after more than one year	-	(3,089)	-
Provision for Deficit in Joint Venture			
Share of gross assets	14,431	2,070	10,648
Share of gross liabilities	(29,023)	(9,322)	(11,480)
	<u>(14,592)</u>	<u>(7,252)</u>	<u>(832)</u>
Provisions for Liabilities and Charges	<u>(1,812)</u>	<u>(1,252)</u>	<u>(1,840)</u>
	164,425	150,278	165,452
Minority interest - equity	<u>(19,638)</u>	<u>(21,597)</u>	<u>(20,071)</u>
	<u>144,787</u>	<u>128,681</u>	<u>145,381</u>
Capital and Reserves			
Called up share capital	174,683	157,433	174,654
Share premium account	39,275	31,155	39,256
Capital redemption reserve	14,396	14,396	14,396
Profit and loss account	(83,567)	(74,303)	(82,925)
Equity Shareholders' funds	<u>144,787</u>	<u>128,681</u>	<u>145,381</u>

Approved by the Board on 30 September 2004

H O Cameron
Director

A Betsky
Director

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months ended 30 June 2004	Six months ended 30 June 2003	Year ended 31 December 2003
		£000	£000	£000
Net cash outflow from operating activities	6	<u>(6,166)</u>	<u>(3,059)</u>	<u>(4,722)</u>
Returns on investment and servicing of finance				
Interest paid		(467)	(504)	(1,128)
Interest received		<u>9</u>	<u>3</u>	<u>20</u>
Net cash outflow from returns on investments and servicing of finance		(458)	(501)	(1,108)
Taxation		-	-	(823)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		<u>(3,272)</u>	<u>(7,124)</u>	<u>(17,869)</u>
Net cash outflow from capital expenditure and financial investment		(3,272)	(7,124)	(17,869)
Acquisitions and disposals				
Investment in Joint Venture		<u>(11,028)</u>	<u>-</u>	<u>-</u>
Net cash outflow from acquisitions and disposals		(11,028)	-	-
Financing		(11,028)		-
Receipt of loans		51,730	10,592	10,899
Proceeds of share issue		-	-	24,000
Expenses of share issue		-	-	(1,267)
Proceeds of share options		-	225	450
Repayment of convertible loan notes		(677)	-	-
Repayment of unsecured loan		(38,588)	(626)	(141)
Repayment of secured loan		<u>-</u>	<u>-</u>	<u>(3,704)</u>
Net cash inflow from financing		12,465	10,191	30,237
(Decrease)/increase in cash		<u>(8,459)</u>	<u>(493)</u>	<u>5,715</u>

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTD)

	Six months ended 30 June 2004 £000	Six months ended 30 June 2003 £000	Year ended 31 December 2003 £000
Reconciliation of net cash flow to movement in net debt			
(Decrease)/Increase in cash in the period	(8,459)	(493)	5,715
Cash outflow from repayment of convertible loan notes	677	-	-
Cash outflow from repayment of loans*	38,588	626	3,845
Cash inflow from receipt of loans*	(51,730)	(10,592)	(10,899)
Change in net debt resulting from cash flows	<u>(20,924)</u>	<u>(10,459)</u>	<u>(1,339)</u>
Exchange differences	96	377	2,027
Other non-cash movements **	48	530	2,894
Movement in net debt in the period	<u>(20,780)</u>	<u>(9,552)</u>	<u>3,582</u>
Net debt at the start of the period	(14,416)	(17,998)	(17,998)
Net debt at the end of the period	<u>(35,196)</u>	<u>(27,550)</u>	<u>(14,416)</u>

* In the first half of 2004 the Group arranged and drew down a total of £51.7 million of trade finance, short term and long term loans to finance the establishment of its own trading operations utilising Sibir's access to the Moscow refinery, to meet its funding obligations to SPD and also for its day to day ongoing operations. A significant proportion of these loans are short term in nature with £38.6million being repaid in the period.

** Other non-cash movements comprise the conversion of 11% (formerly 15%) Convertible Loan Notes into ordinary share capital.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1) Accounting policies and basis of preparation

The interim financial statements have been prepared on the basis of accounting policies consistent with those set out in the Sibir Group's statutory accounts for the year ended 31 December 2003. The interim financial statements for the six months to 30 June 2004 are unaudited.

Going concern

At the date of approving these interim financial statements, the Company is negotiating project finance facilities of up to US\$180 million for the funding of the Company's subsidiary Evikhon's share of the development costs of its joint venture with Shell Salym Development N.V.

If this financing is not successful and the Group is unable to secure sufficient funding, it may not be appropriate to prepare the accounts on a going concern basis and adjustments would have to be made to adjust the value of the assets to their realisable amount, to provide for any further liabilities which might arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities.

However, the Directors are confident of success of raising project finance, and therefore believe it is appropriate for the financial statements to be prepared on a going concern basis.

Russian business environment

During the period ended 30 June 2004 most of the Company's business was conducted in Russia through its investment in subsidiaries operating in the oil and gas industry. These operations and those of similar companies in Russia are subject to the economic, political and regulatory uncertainties prevailing in Russia.

The Russian economy, while deemed to be of market status beginning in 2002, continues to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets, and the existence of currency controls which cause the national currency to be illiquid outside of Russia. The continued success and stability of the Russian economy will be significantly impacted by the government's continued actions with regard to supervisory, legal, and economic reforms.

2) Turnover

Turnover represents the amounts invoiced by the Group to third parties in the ordinary course of business and is stated net of value added tax and similar levies.

3) Segmental analysis

During the six months ended 30 June 2004 and the year ended 31 December 2003, the Group operated in one business segment being that of oil and gas exploration, development, production and trading, and in one geographical segment, being the Russian Federation. All of the Group's turnover and operating profit/ (loss) was derived from continuing operations.

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

4) Taxation

The taxation charge for the period has been estimated from the expected taxable profits of the Sibir Group after taking account of losses brought forward and other available reliefs.

5) Loss per share

Loss per share for the six months ended 30 June 2004 and 30 June 2003 is based on the loss for the period of £0.6m (2003 – loss of £8.5m). The weighted average number of ordinary shares in issue during the period was 1,746,723,439 and 1,568,864,760 respectively.

Potential ordinary shares resulting from share options have an anti-dilutive effect and, as such, are excluded from the calculation of diluted loss per share.

6) Reconciliation of operating profit/(loss) to net cash flow from operating activities.

	Six months ended 30 June 2004	Six Months ended 30 June 2003	Year ended 31 December 2003
	£000	£000	£000
Operating profit/(loss)	3,521	(4,157)	(4,049)
Depreciation and decommissioning	1,221	1,005	2,192
(Increase)/ decrease in stocks	(6,122)	550	610
(Increase)/decrease in debtors	(12,686)	(1,438)	(316)
Increase/ (decrease) in creditors	7,900	981	(3,159)
Net cash flow outflow from operating activities	<u>(6,166)</u>	<u>(3,059)</u>	<u>(4,722)</u>

7) Events Since the Balance Sheet Date

In August 2004 Magma Oil Company arranged and drew down a revolving loan facility of \$10,000,000 from Bank Zenit at an interest rate of 9.1%. As at 30 September 2004, \$2,000,000 of this facility had been repaid. The loan is repayable every 60 days and the final repayment is 6 months from the initial drawdown.

During July and August 2004 Evikhon Oil Company arranged and drew down a loan facility of 278 million roubles (\$9.5 million) from the Moscow Oil Company at an interest rate of 8.667%. The loan is repayable by 31 August 2007.

Following repayment of the convertible loan stock on 30 June 2004, Bennfield Limited had the right to subscribe for 171,647,731 ordinary shares in the Company at the average conversion price of 11.655 p. In September 2004, Bennfield Limited exercised this option for total consideration of £20 million. Following the exercise of this option, Bennfield held 42.07% of the share capital of the Company.

8) Publication of Non-Statutory Accounts

The financial information contained in this interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2003. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

This interim statement will be sent to the shareholders in due course and will be made available at the Company's registered office at 11 Grosvenor Crescent, London, SW1X 7EE.

INDEPENDENT REVIEW REPORT TO SIBIR ENERGY PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2004 which comprises the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Statement of Shareholders' Funds, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 8. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company having regard to guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report as required by the AIM Rules issued by the London Stock Exchange.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Going Concern

In forming our conclusion we have considered the adequacy of the disclosures made in Note 1 of the financial statements in respect of the uncertainty as to Sibir's ability to raise project finance for the funding of the development of the Salym fields, and the consequential implications for the company's ability to operate as a going concern. The validity of the going concern basis depends on the successful raising of such project finance. The financial statements do not include any adjustments that would result from failure to secure sufficient funds through the financing negotiations. Our conclusion is not modified in respect of this fundamental uncertainty.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

Ernst & Young LLP
London
30 September 2004

CORPORATE DIRECTORY

Directors

William L S Guinness, Non-Executive Chairman
Henry O Cameron, Chief Executive
Alexander Betsky, Finance Director
Stuard Detmer, Downstream Operations Director
Urs Haener, Non-Executive Director
Evgeny Savostyanov, Non-Executive Director
Karl Heinz Stock, Non-Executive Director +*
Chalva Tchigirinski, Non-Executive Director

* Chairman of Audit Committee
+ Chairman of Remuneration Committee

Secretary

Andrew Harrison

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