sibir

Date: 30 September 2005

SIBIR ENERGY PLC ("Sibir" or "the Company")

INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2005

Report of the Chairman
and Chief Executive

In June of this year we reported to you that we had never been in better shape. Although only 3 months have elapsed we are delighted to report to you that we are in even better shape than ever with further improvement around the corner.

Sibir has achieved its ambition and grand vision and the market is beginning to recognise this as evidenced by the strengthening of the share price. Your Board are firmly of the opinion that the fundamentals of the Company and the sector are such that this strengthening will continue.

Sibir is an integrated oil company. We are in business from reservoir to the fuel pump in one of the world's fastest growing markets. We have achieved this in 10 years against fierce and in one instance unscrupulous competition but more of that later. We achieved this because our strategy to align ourselves to a strong, clever and enlightened Russian partner was right. Through this strategy we have formed a truly international shareholder profile and Board which provides the Company with the knowledge of how to work in Russia in a manner consistent with international standards of corporate governance.

Think of Sibir and you think of three groups of assets.

Salym Fields

We own 50% of one of Russia's best onshore oil field developments. The field is operated de facto by Shell as our 50% partner. Full scale commercial production is scheduled to start in late November of this year when the infrastructure necessary to treat and transport the oil to the market will be in place. Shell's remarkable achievements as de facto operator are best understood when you consider that this project is situated in the middle of West Siberia, 2500 kilometers from Moscow just south of the Artic Circle, in what was almost impenetrable forest and marsh. Millions of tonnes of sand needed to be transported to the operational bases, hundreds of piles needed to be driven and over 100 kilometers of roads and many bridges had to be built. A massive central processing facility had to be built together with an 88 kilometer pipeline. All of this was achieved in less than 18 months which is truly remarkable. The highest standards of care and attention were paid to the welfare of the workforce which at the height of construction numbered over 3500 people. To date 49 wells have been drilled and each well in average is now taking 15 days or less to drill which is another remarkable achievement.

The operator estimates the scope of recovery at Salym at 812 million barrels of which 406 is attributable to Sibir. The official Russian reserve number is 1.1 billion barrels which your Board is confident indicates that the operators numbers are conservative. By 2009 production according to latest operators estimates is expected to be at a rate of 165,000 barrels per day. Your Board is confident this figure is also conservative.

As of this date Sibir has invested over US$ 317.3 million in the Salym fields.

Moscow Oil and Gas Company (MOGC)

Through our deal with the City of Moscow in forming MOGC we get refining capacity, terminal capacity and gasoline stations. It is becoming clearer and clearer to analysts that our involvement in MOGC will contribute materially to the further strengthening of our business. MOGC gives Sibir the flexibility it needs to choose in which market it will dispose of its crude oil or refined product at any given point of time. The City of Moscow as the controlling shareholder gets the benefit of a secure source of supply from a partner with whom it has aligned interests namely Sibir. As long term investors in Russia we look forward to a greater alignment of interests of the shareholders at Moscow Refinery currently controlled by MOGC; and the announcement this week that Gazprom is to acquire Sibneft's stake at the Refinery is a most encouraging development in this respect. This development will we believe provide the basis for further investment in the Refinery leading to substantial improvement in its financial performance.

Sibneft Yugra

As very widely reported the most of our 50% stake in Sibneft Yugra was stolen. In the months preceding the discovery of the theft we fully expected that there would be battles with the ultimate operator Sibneft about overcharging and price transferring policies but we never suspected Sibneft would act as they did Upon discovery we resisted the temptation of peremptory action preferring to secure our other primary assets until we felt strong enough to confront Sibneft who we recognised were a formidable adversary. We are now engaged in a series of legal battles in Russia and in the BVI and we are confident about favourable outcomes. Successes in the courts to date have thwarted elements of the Sibneft conspiracy in an adverse and irreversible manner for Sibneft which adds to our confidence in our eventual success.

The announcement this week of a deal between Gazprom and Sibneft leaves our legal actions in the BVI against Roman Abramovich, Sibneft and six Sibneft associated companies unaffected by the change in ownership in Sibneft. We will continue to pursue these claims and numerous claims in Russia all of which are related to the Sibneft Yugra fraud. We remain utterly determined to achieve the restitution of our full share in Sibneft Yugra.

Gazprom's proposed acquisition of Sibneft is a material development in the Sibneft-Yugra fraud case. Gazprom is a responsible corporation controlled by the Russian Federation and it will in the course of its due diligence recognize that the defence submitted by Sibneft is unsustainable and that the activities of Sibneft must be remedied by the return of Sibir's interests in the Sibneft Yugra Joint Venture. We welcome the prospect of working together with Gazprom in the development of Sibneft Yugra.

Financial Performance.

Our financial performance continues to improve largely due to the benefit from our involvement in MOGC, the continued increase in production at our Magma subsidiary and higher oil prices. Turnover was up over three times at £136.9 million, Gross profit was up over two times to £24.9 million. The operating profit was £18.2 million compared to a profit of £3.5 million for the corresponding period in 2004. This substantial improvement in operating profit has offset the share of losses incurred during the run up to the commencement of full scale commercial production at Salym of £11.8 million. With the commencement of full scale production less than two months away it is clear that 2006 will see a dramatic improvement on the already improved financial performance of the Company.

Derivative Minority Action

In our report to you in June of this year we forecast that this action would be rendered to the status of a side show. We are pleased to confirm that the action was dismissed as bogus in the words of the judge. The claimant has failed to settle an interim order for costs and we are proceeding with an application to wind up the claimant. The claimant has applied for a right to appeal which we are confident will be declined. As we reported to you in June an independent legal investigation was conducted into the allegations of wrongdoing which formed the basis of the claim and the report which followed found that the allegations were without foundation. This episode was an expensive and time consuming distraction. At least we have had independent external confirmation of what we already knew namely that the integrity of our main shareholder and key management is not in issue.

Outstanding Transactions

Of the transactions approved in December 2004 we still have to complete the acquisition of 25% plus one share of the BP branded retail network in Moscow and Moscow region. Pressure of work has prevented us from completing this transaction but we expect to so before the end of the year.

Conclusion

The only imponderable in the immediate future is the settlement of the Sibneft Yugra dispute. This week has seen a positive development in that respect so our confidence in a satisfactory outcome is higher than ever. Your Board is satisfied that the current market value of the Company takes no account of Sibneft Yugra and therefore the recovery of our stake will all be upside for shareholders.

Your Board has always been committed to the payment of dividends when circumstances allowed. The ever improving financial performance is expected to enable the Company to begin paying dividends not later than the first six months of 2007 in respect of the year ended 2006.

Having achieved the aim we set ourselves 10 years ago your Company is now busy formulating the plan for the next 10 years and we expect to expand on the details of this plan in our next report to you.

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 and Shell Salym Development B.V. (SSD), a member of the Royal Dutch Shell group. The Salym fields consist of West Salym, Upper Salym and Vadelyp.

The first half of 2005 has been a period of massive infrastructure build out and intensive drilling in order to reach commercial production in late Q4. In addition to roads, utilities, base camps, drilling pads and infield flow lines, three very large project components began construction: the Central Processing Facility (CPF), the Custody Transfer Facility (CTF) and the the 88 km Export Pipeline. The CPF, located in the West Salym field, will collect oil from all three fields to separate out gas and water to meet Transneft specifications in preparation for transport. From there SPD's own 88 km export pipeline will deliver crude to the CTF (actually, a fiscal metering system) where it is tied in to Transneft Trunk Line for transport to Russian refineries or export abroad. Completion and commissioning of these major infrastructure projects are on track to conclude in Q4.

While infrastructure development proceeded apace, drilling and completion of the wells experienced significant improvements in efficiency; since the first well was spudded in April 2004, drilling time per well was reduced from an initial forty-one days to an average of less than fifteen days with significant step outs (up to 1800 meters). In all, SPD is scheduled to drill 67 wells and have 33 or more completed, hooked up and producing by year-end.

West Salym

In addition to infrastructure development intensive, drilling activity has taken place in West Salym which contains most of the Group's reserves. In the first half of 2005, two more Deutag drilling rigs were mobilized and spudded their first wells, while the SSK1 rig finished drilling at Pad K20. At the end of period three rigs were drilling on Pads K1, K9 and K16 while one heavy duty hoist was completing the wells on Pad 20.

In total twenty wells were drilled on Pad K20 with sixteen wells completed and three producing. Production in the first half was primarily for testing and compliance with License obligations. Some of this oil was sold locally to domestic processors as "wet" unprocessed crude. In April, SPD also began trucking crude oil to Zapadny Maly Balyk for processing and transport via the Transneft pipeline system. Cumulative production from West Salym for the period was 229 thousand barrels.

Upper Salym

Upper Salym's drilling program in the first half focused on Pad K1A to fully develop western structure in the field. By the end of the period 14 wells were drilled of which 8 were completed and hooked-up with four more scheduled to be drilled. Production was maintained from five wells previously drilled by Evikhon and cumulative production for first six months of 2005 was 219 thousand barrels.

Some 400 km of 2D seismic profiles were acquired in 2004 to better define development and exploration potential of Upper Salym. Findings from these seismic data will allow SPD specialists to better understand the structures in Upper Salym where significant additional reserves may be found beyond the "Bonus Structure" where exploratory drilling found 16 meters of pay. This analysis will form the basis for an updated development scenario for 2006 and beyond.

Vadelyp

In early 2005 SPD acquired an additional 200 km of 2D seismic profiles the analysis of which will be used to modify a range of designs and development programs (e.g. subsurface, drilling and completion design, field development, land take request etc.) necessary to begin work at Vadelyp in 2006.

Oil Company OAO Magma

Magma Oil Company is 95% owned by Sibir and operates Yuzhnoe oilfield in Western Siberia.During the first six months of 2005 Magma produced 1,184,582 barrels of oil. For the period 739,701 barrels of crude oil were sold and the remainder processed at the Moscow Refinery as part of Magma's oil products trading operation

Yuzhnoe Oilfield

Production for the first half of 2005 represents a 32% increase over the production for the first half of 2004 achieved primarily by increasing the number of producing wells. Under its development program Magma drilled an additional 9 wells in the first half of 2005, worked over 52 wells, finished 5 recompletions for hydraulic fracturing treatments and changed 38 electrical submersible pumps (ESPs).

In the same period, Magma increased its proven reserves base by 31 million barrels. Following a three-year program of exploration drilling and seismic appraisal (3 appraisal wells and 489 km of 2D seismic profiles) a new geological model for Yuzhnoe oilfield was developed. On the basis of an evaluation of reserves and recovery factors, the governmental regulatory agency TsKR (Central Committee for Development) approved a new reserves figure of 80.6 million barrels in C1 (73.8 million barrels) plus C2 (6.8 million barrels).

An $8 million investment program for reconstruction of facilities has been continued and is expected to be completed before the year end. New facilities will allow for steady increase of production and continued development of the field.

Sibir's Oil Assets

Magma fields

On 23 May 2005, the Company announced that the results of a feasibility study on oil recovery from the Yuzhnoye oilfield had resulted in an increase of almost 30 million barrels in reserves as measured by the Russian C1 + C2 classification. The feasibility study was carried out by Magma in accordance with its obligations under the conditions of the Yuzhnoye licence, together with VNIINeft, a leading Russian petroleum institute. The work involved appraisal of 3 new wells, 489 km of 2D seismic, and geologic and hydronomic modelling of the reservoir. The study was presented to the Russian Ministry of Natural Resources which approved an increase in the estimated remaining C1+C2 recoverable reserves in the Yuzhnoye oilfield to 10.691 million tonnes (80.5 million barrels) compared to the previous Russian official number of 6.728 million tonnes (50.7 million barrels). Of this total, the C1 category (Russian "proved") increased to 9.784 million tonnes (73.7 million barrels).

Salym fields

In the early part of 2004 SPD provided the Company with estimates of the petroleum resources within the Salym group of fields. SPD adopted the Shell classification of reserves and the reserve numbers were supported by the field development plan.

In accordance with the estimates produced by the operator SPD, the total proved, expectation and scope for recovery reserves totalled 812 million bbls of which 406 million bbls are attributable to Sibir.

The equivalent reserve number approved in accordance with the Russian classification is 1,100 million bbls of which 550 million bbls are attributable to Sibir.

The difference between these numbers lies principally in the exclusion from the Shell numbers of the lower reservoirs.

FINANCIAL REVIEW

Production

The Group's production for the first six months of 2005 was 1,408,919 bbls (2004: 961,492 bbls), comprising Magma's production of 1,184,582 bbls (2004: 898,748 bbls) and Evikhon's share of SPD's production of 224,337 bbls (2004: 62,744 bbls).

Turnover and Cost of Sales

Turnover for the first six months of 2005 amounted to £136.9 million compared to £45.7 million for the corresponding period in 2004. Sales of crude oil and oil products in the first six months of 2005 were 739,701 bbls and 6,620,383 bbls respectively. (2004: crude oil 539,663 bbls and oil products 2,657,746 bbls).

The Group's gross profit excluding charges for decommissioning and depletion in the first six months of 2005 was £25.3 million compared to £8.0 million for the same period in 2004, an increase of 216%.

Gross profit on crude oil sales for the period increased to £9.0 million from £5.3 million in 2004. This 70% increase came as a result of a 33% production increase in Magma, as well as higher margins achieved due to growth in oil prices. In the first six months of 2004, the company's share of crude oil exports was 60%, compared to 58% for the equivalent period in 2004.

Sibir has maintained as planned its own trading operation which, utilising Sibir's access to the Moscow Oil Refinery ("MOR") has been instrumental in adding significant incremental value to the company. Gross profit of oil products sales increased to £23.6 million in the first six months of 2005 from £6.5 million in the equivalent period in 2004. This substantial increase of 263% in gross profit is attributable to three factors. First, the trading operations commenced on 1 March 2004, and therefore the prior period recorded only four out of six months of activity, compared to all six months in 2005. Second, though the trading operation was commenced on 1 March 2004, the benefits of the operation from a sales recognition point of view only began in the beginning to middle of April 2004 (due to the approximate time lag in converting crude oil to selling finished product). Third, margins for oil products have also improved from the last period.

The company's share of oil product exports in the first six months of 2005 was 47%, compared to 25% for the same period last year.

Administration Expenses

The Group's administrative and general expenses for the first six months of 2005 were £6.8 million compared to £3.7 million for the same period in 2004. After excluding from these figures the effect of foreign exchange movements and other non-recurring items, the Group's administrative expenses for the first six months of 2005 have increased by £3.8 million which has occurred as a result of significant corporate advisory services and legal fees incurred during the period.

Operating Profit

The company recorded an operating profit of £18.2 million for the period compared to an operating profit of £3.5 million for the previous period. This significant turnaround is due to the higher gross profit referred to above.

Operating Profit after interest

The Group's share of losses after interest from SPD for the period was £11.8 million compared to £3.8millionn in the previous period. This 210% increase reflects the increasing activity of this joint venture as it approaches commercial production

Interest Income

The Group's net interest income in the first six months of 2005 was £4.0 million (2004: £0.9 million) accrued on Sibir's loans provided to SPD to finance cash calls. Interest expense for the first six months of 2005 was £4.7 million compared to £0.7 million in the previous period. The increase from the prior period has arisen as a result of loans to the Group to finance both SPD cash calls and trading activity.

After-Tax Profit for the Period

Sibir has recorded in the first six months of 2005, an after-tax profit of £0.5 million compared to a loss of £0.6 million for the same period in 2004. The significance of this improvement is better understood when it is appreciated that start up losses and increases in administrative expenses amounting to £15.6 million in total have been accounted for in the calculation of the after tax profit.

Acquisition of additional 10% Interest in Evikhon

During the period the Company completed the acquisition of 10% of the issued share capital of Evikhon from Dana Petroleum. As a result of this the Company is required to revalue its entire investment in Evikhon and its joint venture SPD to its fair value. The effect of this on the Group balance sheet was to increase the Groups net assets by approximately £100.5 million by the creation of an asset revaluation reserve of £108.8 million and negative goodwill of £8.3 million. The negative goodwill is the excess of the fair value over the price paid for the additional interest and will be released to profit over the life of the Salym project.

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 various 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, with the exception of foreign currency reservation requirements imposed by the Central Bank of the Russian Federation since August 2004..

Interest Rate and Liquidity Policy

The Group finances its operations though trade finance and short term loans.

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	H O Cameron
Chairman	Chief Executive Officer

Date: 30 September 2005

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
		£000	**£000**	**£000**
Turnover: group and share of joint venture's turnover	2	139,030	45,652	168,870
Less : share of joint venture		(2,150)	-	(728)
Group Turnover		136,880	45,652	168,142
Cost of sales				
Depletion of oil and gas properties		(407)	(769)	(1,725)
Cost of sales		(111,532)	(37,672)	(145,053)
Gross profit		24,941	7,211	21,364
General and administrative expenses		(6,749)	(3,690)	(14,903)
Fee for Services of Bennfield Limited		-	-	(16,389)
Group operating profit/(loss)	3	18,192	3,521	(9,928)
Share of operating loss in joint ventures		(7,309)	(3,773)	(15,185)
Operating profit / (loss) : Group and share of joint venture		10,883	(252)	(25,113)
Loss on disposal of fixed assets		-	-	(2,807)
Profit / (Loss) on ordinary activities before interest and tax		10,883	(252)	(27,920)
Interest receivable		4,029	884	3,010
Interest payable				
Group		(4,663)	(692)	(2,318)
Joint Venture		(4,457)	-	(3,236)
Profit / (Loss) on ordinary activities before taxation		5,792	(60)	(30,464)
Tax on profit / (loss) on ordinary activities	4	(5,796)	(1,023)	(3,494)
Loss on ordinary activities after taxation		(4)	(1,083)	(33,958)
Minority interests – equity		490	475	3,138
Profit / (loss) for the period		486	(608)	(30,820)
Basic profit/(loss) per share (pence)	5	0.24	(0.04)	(17.32)
Diluted profit/(loss) per share (pence)	5	0.24	(0.04)	(17.32)

UNAUDITED CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year Ended 31 December 2004
	£000	£000	£000
Profit / (Loss) for the period attributable to members of the parent company	486	(608)	(30,820)
Exchange differences on the re-translation of the net investments and related borrowings	2,065	(34)	(1,631)
Total recognised gains and losses relating to the period and recognised since last annual report	2,551	(642)	(32,451)

UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' FUNDS

	Six months Ended 30 June 2005	Six months ended 30 June 2004	Year Ended 31 December 2004
	£000	£000	£000
Total recognised gains and losses	2,551	(642)	(32,451)
New share capital subscribed	-	29	18,325
Share premium on shares issued less issue costs	-	19	30,012
Shares to be issued	-	-	2,000
Revaluation reserve	108,848		
Total movements during the year	111,399	(594)	17,886
Shareholders' funds at beginning of period	163,267	145,381	145,381
Shareholders' funds at end of period	274,666	144,787	163,267

UNAUDITED CONSOLIDATED BALANCE SHEET

	As at 30 June 2005 £000	As at 30 June 2004 £000	As at 31 December 2004 £000
Fixed Assets			
Tangible	28,349	43,755	23,852
Other investments	6	6	6
Negative Goodwill	(8,374)	-	-
Investment in Joint Venture			
Share of gross assets	417,725	154,504	213,713
Share of gross liabilities	(187,136)	(29,023)	(101,594)
	230,589	125,481	112,119
	250,570	169,242	135,977
Current Assets			
Stocks	7,163	6,753	7,250
Debtors:			
Amounts falling due within one year	47,586	25,444	36,345
Amounts falling due after more than one year	137,377	11,272	73,346
	184,963	36,716	109,691
Cash at bank and in hand	23,317	1,002	4,362
	215,443	44,471	121,303
Creditors: amounts falling due within one year	(117,419)	(47,476)	(52,340)
Net Current Assets / (Liabilities)	98,024	(3,005)	68,963
Total Assets less Current Liabilities	348,594	166,237	204,940
Creditors: amounts falling due after more than one year	(53,170)	-	(23,365)
	295,424)	166,237	181,575
Provisions for Liabilities and Charges	(1,163)	(1,812)	(1,133)
	294,261	164,425	180,442
Minority interest – equity	(19,595)	(19,638)	(17,175)
	274,666	144,787	163,267
Capital and Reserves			
Called up share capital	192,979	174,683	192,979
Share premium account	69,268	39,275	69,268
Shares to be issued	2,000	-	2,000
Asset revaluation reserve	108,848		
Capital redemption reserve	14,396	14,396	14,396
Profit and loss account	(112,825)	(83,567)	(115,376)
Equity Shareholders' funds	274,666	144,787	163,267

Approved by the Board on 30 September 2005

H O Cameron
Director

A Betsky
Director

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
		£000	£000	£000
Net cash inflow / (outflow) from operating activities	7	26,823	(6,166)	(9,012)
Returns on investment and servicing of finance				
Interest paid		(1,283)	(467)	(2,377)
Interest received		29	9	40
Net cash outflow from returns on investments and servicing of finance		(1,254)	(458)	(2,337)
Taxation		(1,193)	-	(3,596)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(2,471)	(3,272)	(5,377)
Payments to acquire investments		(12,302)	-	-
Loans to joint venture		(52,102)	(11,028)	(47,156)
Net cash outflow from capital expenditure and financial investment		(66,875)	(14,300)	(52,533)
Financing				
Receipt of loans		167,663	51,730	107,654
Proceeds of share issue		-	-	20,005
Repayment of convertible loan notes		-	(677)	(677)
Repayment of unsecured loan		(106,209)	(38,588)	-
Repayment of secured loan		-	-	(64,603)
Net cash inflow from financing		61,454	12,465	62,379
Increase/ (decrease) in cash		18,955	(8,459)	(5,099)

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTD)

	Six months ended 30 June 2005 £000	Six months ended 30 June 2004 £000	Year ended 31 December 2004 £000
Reconciliation of net cash flow to movement in net debt			
(Decrease)/Increase in cash in the period	18,955	(8,459)	5,099
Cash outflow from repayment of convertible loan notes	-	677	677
Cash outflow from repayment of loans*	106,209	38,588	64,603
Cash inflow from receipt of loans*	(167,663)	(51,730)	(107,654)
Change in net debt resulting from cash flows	(42,499)	(20,924)	(47,473)
Exchange differences	(6,251)	96	2,366
Other non-cash movements **	-	48	12,046
Movement in net debt in the period	(48,750)	(20,780)	(33,061)
Net debt at the start of the period	(47,477)	(14,416)	(14,416)
Net debt at the end of the period	(96,227)	(35,196)	(47,477)

** In the first half of 2005 the Group arranged and drew down a total of £167.7 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 £106.2 million being repaid in the period.*

*** Other non-cash movements in previous periods 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 2004. The interim financial statements for the six months to 30 June 2005 are unaudited.

Going concern

At the date of approving these financial statements, the Company has agreed US$180 million of project finance 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. ("SPD"). Final approval of this facility is subject to consent by Shell, which can not be unreasonably withheld, to the granting of Evikhon's shares in SPD as security over the facility. The Director's are confident that this consent will be received, and the facility approved by November 2005, and the Directors believe that such finance will be sufficient to meet the working capital requirements until SPD starts generating positive cash flows.

If this financing is not successful and the Group is unable to secure sufficient alternative 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 the project finance, along with the feasibility of alternative financial strategies, 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 2005 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 2005 and the year ended 31 December 2004, 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) **Profit / (loss) per share**

Profit per share for the six months ended 30 June 2005 and 30 June 2004 is based on the profit for the period of £0.5m (2004 – loss of £0.6m). The weighted average number of ordinary shares in issue during the period was 203,160,802 and for 2004 the adjusted total was 174,672,344 respectively.

6) **Investment in subsidiary undertaking.**

On 13 June 2005 the Company completed the acquisition of a further 10% of the issued share capital of Evikhon Oil Open Joint Stock Company from Dana Petroleum Limited. The consideration for the acquisition was $24 million paid in cash and brought the Group's total holding in Evikhon to 92%. Evikhon is Sibir's Russian subsidiary which is partnered with Shell in a 50/50 joint venture to develop the Salym group of oil fields in Western Siberia.

Due to the above transaction an asset revaluation reserve of £108.8 million has arisen as a result of the requirement to revalue Evikhon's assets to fair value.

The investment in Evikhon has been included in the Group balance sheet at its fair value at the date of acquisition which can be analysed as follows:-

	Book Value £000	**Adjustments £000**	**Fair Value to the Group £000**
Tangible assets	5,581		5,581
Investment in joint venture			
Share of gross assets	285,060	132,665	417,725
Share of gross liabilities	(187,136)	-	(187,136)
Debtors : amounts falling due after one year	45,000	-	45,000
Debtors : amounts falling due within one year	2,182	-	2,182
Stocks	27	-	27
Cash	8	-	8
Creditors : amounts falling due after one year	(68,722)	-	(68,722)
Creditors : amounts falling due within one year	(5,409)	-	(5,409)
Net assets	76,591	132,665	209,256

The fair value of the net assets acquired was £20.9 million, which has been accounted for as a reduction to the minority interest. The excess of this fair value of the net assets acquired over the purchase consideration was £8.4 million which has been accounted for as negative goodwill on the balance sheet. The negative goodwill will be released to profit over the life of the Salym project.

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

	Six months ended 30 June 2005	Six Months ended 30 June 2004	Year ended 31 December 2004
	£000	**£000**	**£000**
Operating profit/(loss)	18,192	3,521	(9,928)
Fee for services of Bennfield Limited		-	16,389
Depreciation and decommissioning	507	1,221	1,763
Decrease in loan provision	-	-	(474)
Decrease/ (increase) in stocks	87	(6,122)	(6,619)
Decrease / (increase) in debtors	3,869	(12,686)	(29,155)
Increase in creditors	4,168	7,900	19,012
Net cash flow inflow / (outflow) from operating activities	26,823	(6,166)	(9,012)

8) **Events Since the Balance Sheet Date**

On 22 September 2005 the Company completed the acquisition of Hitchens Global SA, bringing to 100% its ownership of Russian subsidiary, OAO NK Evikhon. Evikhon is the formal partner with Shell in a 50/50 joint venture to develop the Salym group of oil fields in Western Siberia where the start of commercial production is weeks away.

The Hitchens acquisition is part of a larger corporate restructuring approved by shareholders at Sibir's EGM on December 20, 2004 and brings into the company three assets: 8% of Evikhon, benefit of a $9.9 million debt payable by Evikhon (eliminated on consolidation), and a 12.5% interest in Mosnefteproduct, a downstream fuels retailing and distribution network in the Moscow region. In parallel Sibir is finalizing the acquisition of a 25% + 1 share interest in STBP directly from its beneficial owner, Mr. Chalva Tchigirinsky, as provided for by the shareholder approved restructuring. STBP is a joint venture which owns and operates a network of 45 BP branded filling stations in the City of Moscow.

Sibir acquired Hitchens in exchange for 12,111,111 ordinary Sibir shares at a price of £2.50/share or £30,277,778. Sibir shares were valued at £2.275/share the day after the transaction was approved.

9) **Comparative Information**

The comparative financial informaiton has been adjusted to reclassify the £140,073,000 fair value adjustment to Oil & Gas assets which arose on the original acquisition of Sibir's 50% of Salymn Petroleum Development N.V. (SPD) from Property, Plant and Equipment to Share of Assets of Joint Venture, to better reflect the value of Sibir's share of the assets of SPD.

10) 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 2004. 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 2005 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 10. 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 adequate financing being available. 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 2005.

Ernst & Young LLP
London
30 September 2005

CORPORATE DIRECTORY

Directors

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Henry O Cameron, Chief Executive
Alexander Betsky, Finance Director
Stuard Detmer, Downstream Operations Director
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