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Interim Report & Accounts
for the 6 Months Ended 30 June 2006

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Directors

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Henry O Cameron, Chief Executive
Alexander Betsky, Finance Director
Stuard Detmer, Downstream Operations Director
Urs Haener, Executive Director
Chalva Tchigirinski, Non-Executive Director

Secretary

Andrew Harrison

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Registered

In England and Wales
Registered No. 3204093

“Our report for the six months to June 30th 2006 is a portrait of a company in transformation from an enterprise of promise to an enterprise of profit.”

Report of the Chairman and Chief Executive

Our report for the six months to June 30th 2006 (“the Period”) is a portrait of a company in transformation from an enterprise of promise to an enterprise of profit. In this our tenth year of dedicated business in Russia, the company is beginning to reap the benefits of the work of the past decade with robust and rapidly growing production, a first-class asset base in development across the entire value chain from production to refining, distribution and retail fuels in one of the world’s most dynamic markets. With a strong balance sheet, positive earnings and more on the way, we have set the stage for a new era of profitable growth as we work to expand in all phases of our business.

The net profits of the Group for the Period after interest, taxation and minority interest was £19.6 million or 7.53 pence per share compared with a profit of £0.5 million or 0.24 pence per share for the equivalent period in 2005.

For the first time all three core businesses of Sibir contributed to operating profits of £26.9 million, up £16.0 million on the equivalent period in 2005, an increase of 147%. Oil producing company Magma continued to deliver reliable results by contributing £9.4 million to operating profit. Sales of oil products from our refining operations

realised through our affiliation with Moscow Oil and Gas Company (“MOGC”) contributed a further £16.3 million. The most significant contribution came from our production joint venture with Shell, Salym Petroleum Development (“SPD”), in which losses for the six months ended on 31st December 2005 of £13.7 million were transformed into profits of £8.9 million for the Period. The turnaround in SPD’s performance in the Period reflects the ramp up of commercial production as SPD began to realise its promised potential. These three contributions total £34.6 million and after deduction of general and administrative expenses of £7.7 million the resultant operating profit is £26.9 million.

Our share of SPD’s production at the end of the Period was 23,811 barrels of oil per day (“bopd”) which when coupled with period end production from Magma meant that we ended the period with a daily production of 29,958 bopd.

Despite this all round financial improvement the Group managed to maintain administration and general expenses for the Period at the same level as in the equivalent period for 2005 after excluding the effect of foreign exchange movements and other non-recurring items.

Right: MOGC's
Moscow Refinery.
Far right:
Salym Crude
Processing
Facility



Net interest expense for the Group for the Period increased to £8.0 million from £5.1 million in the equivalent period in 2005 owing to an increase in borrowings made by the Group to finance Sibir's share of development expenditures incurred by SPD and trade finance lines for Sibir's crude and oil products trading activities. Now that the Group's borrowings are materially reduced following the strengthening of the Balance Sheet, interest charges will be much reduced in the future.

In March of this year we completed the Bennfield share subscription of 58.8 million shares and the placing of an additional 20 million shares to qualifying shareholders all as approved earlier by shareholders. As a result the Group's balance sheet has been transformed by the net subscription proceeds of £305.8 million, materially strengthening the Group's financial flexibility over the short and long term. As a consequence the Group's net debt has decreased from £204.4 million as at 31 December 2005 to £5.5 million as at the end of the Period and Group cash balances have increased from £5.4 million as at 31 December 2005 to £42.6 million as at the end of the Period.

As important as the resulting injection of funds, the Bennfield placement has strengthened our Russian

shareholder profile, a key element of Sibir's long-term strategy that has served us well in the past and will ensure that we continue to succeed in the future.

Called up share capital has decreased in the period due to the cancellation of the 191,847,421 issued Deferred shares of 90p each which was approved by the High Court of Justice, Chancery Division on 18 January 2006. The effect of this is to create a reserve of £172,663,000 which will first be used to eliminate the deficit on the Company's profit and loss account and secondly to create a pool of realised profit to retain within the Company until the Company is ready and able to pay dividends to its shareholders.

Salym Fields

One week into 2006, the first shipments of crude were made into the national Transneft pipeline system and operations at Salym took on an entirely new direction; SPD's focus, previously on construction, switched to production to achieve its 2006 year-end target of 60,000 bopd.

To achieve this goal, Salym operations are concentrated on three key areas: First drilling, completion, and hookup, second installation of water injection facilities and third the construction of new drilling pads with their related infield

roads, pipelines and power lines. During the Period; 36 new wells were drilled, 58 new and previously drilled wells were hooked up, and 51 of these were put on stream; water injection facilities at Upper and West Salym were constructed and four new pads were built. A total of eight new pads and supporting infrastructure is expected to be completed by year end.

The results of these SPD activities have been reflected in impressive production increases, growing from 10,341 bopd (5,171 bopd Sibir share) on January 1, 2006 to over 51,800 bopd (25,900 bopd Sibir share) by the end of the Period, an increase of over 380%.

By the end of the Period, Sibir had contributed over \$510 million to SPD, being its one half share, primarily in the form of loans. As we go to print, that figure has increased to \$523 million and we have been informed by SPD that the operation is now self funding. Loan repayments from SPD to the Sibir Group are expected to start in 2007 and be paid in full by 2009-2010. Thereafter one half of all surplus cash generated by SPD will be distributed to the Sibir Group in the form of dividend.

Magma Fields

During the Period our subsidiary, Magma, continued to make important contributions to Sibir's results at the Yuzhnoye field in West Siberia. Magma drilled 8 wells, completed or recompleted 10 wells, and performed 33 well workovers in the first six months of the year. An aggressive hydrofracking program begun in 2004 continues to deliver positive results. Over 23,000 linear metres were drilled with one rig and lifting cost increases have been limited to the rate of rouble inflation. The unusually cold weather in the early part of the year initially hampered the timely

completion of these programmes thus slowing production at Yuzhnoye, but production has recovered and exceeds 7,000 bopd as we go to print.

During the Period Magma submitted to the local authorities a plan for development of the Orekhovskoye field which lies contiguous to the Yuzhnoye field. Magma has received approval for the plan, which may lead to an increase of as much as 50 million barrels of C1+C2 Russian classification reserves for Magma.

Moscow Oil and Gas Company

Through our deal with the City of Moscow in the formation of MOGC, Sibir enjoys access to refining capacity for its domestic production from the Salym and Yuzhnoye fields as well as terminal storage and retail outlets for the distribution and sale of its refined products. Sibir uses Magma as the vehicle to conduct its refining and trading activities with MOGC through the latter's control of tolling arrangements at the Moscow Refinery. These activities contributed £16.3 million to Magma's gross profit in the Period proving again the value of Sibir's integrated strategy.

Access to refining capacity depends on the continued control by MOGC of the Moscow refinery. The effect of a ruling by the Supreme Arbitrage Court of the Russian Federation in June 2006 was to affirm MOGC as the controlling shareholder in the Moscow Refinery. In addition to the stability this brings to our activities, it clears the way for upgrades at the refinery and further development of the retail fuels chains.

Most of the crude processed in respect of our quota at the refinery continues to be purchased on the open market, but production from Salym and Magma is making up an increasingly important part of these requirements. In the

This page:
Getting the
job done
at Salym



first half of 2006, our upstream operations delivered over 1.4 million barrels of crude directly to the Moscow Refinery, comprising some 19% of our total requirements. The remainder of our domestic barrels indirectly find their way to the Moscow refinery via third party transactions and swaps. Sibir's own production is expected to comprise an increasing share of the refinery's crude requirements as production ramps up at Salym and nearly all of our current crude requirements are expected to be met by our own production by 2009.

MOGC's network of 139 petrol stations continued to enjoy strong retail margins for the Period in the burgeoning Moscow market. An ongoing modernisation program for those stations located within the City of Moscow has been ongoing since 2004 delivering improved volumes, gains in market share and improved financial performance. Land acquisition and permitting of new greenfield sites is proceeding in parallel to ensure that the network will grow as the City grows and maintain its leading market position well into the future.

Encouraged by these strong results, Sibir is developing a restructuring and recapitalisation plan for MOGC with its partner the City of Moscow which we expect will result in Sibir gaining a larger stake in MOGC in the near future.

Sibneft Yugra

In our 2005 year-end report, we advised you that talks with Gazprom regarding a solution to the Sibneft Yugra affair had begun. These discussions have not been easy, but they support our view that prospects of reaching a resolution have been enhanced by the acquisition of Sibneft by Gazprom. Sibir remains unswayed and unbending in its determination to see right prevail and we expect developments before the end of the year.

Outstanding Transaction

Our acquisition of the 25% plus one share of the BP branded retail network in Moscow and the Moscow region is now in its final stages. All documentation is complete, executed and ready for approval by the Russian anti-monopoly authorities. We are confident of an early positive outcome. The BP network, one of the most profitable in the world on a per-station basis, consists of 47 petrol stations including modern fuelling facilities, convenience stores, in-store bistro and automatic car wash. The performance of the network continues to outpace expectations, highlighting the tremendous potential of the MOGC network redevelopment currently underway and will have a material impact in our results for the full year.

Looking Forward

With the ramp-up of commercial production at Salym well underway, solid performance from the downstream refining and trading businesses and the financial flexibility of a strong balance sheet, we have finally put all the critical components of our existing asset base to work. The stage is now fully set for Sibir to begin to bring in new assets that will fuel the next era of growth for the company. In the first half of 2006 a dedicated acquisitions team began a review of potential acquisition targets on two fronts: First, we are collaborating with Shell to evaluate new license opportunities in West Siberia where we can use existing SPD staff, technology and infrastructure to develop new acreage; Second, we are reviewing a range of new opportunities in Russia and the former Soviet Union that include new license auctions, purchase of existing licenses and corporate acquisitions. Sibir plans to follow its proven strategy of partnering with world class operators to bring these projects on stream.

The expansion of the upstream business will require additional refining capacity to keep our portfolio in balance and to that end Sibir intends to acquire a larger stake in MOGC and push forward the modernisation of the Moscow Refinery. The continued development of the Moscow retail fuels network will ensure that we have a profitable outlet for our domestic oil products and the growing Moscow market.

Over the past decade Russia has re-established its position as one of the premier energy suppliers to world markets and

we view this as a positive development for Sibir. As the new Russia grows in stature and confidence, it is increasingly charting its own course, choosing a path of development that suits Russia's needs and sensibilities – seeking to balance the dynamism of the market economy with a desire for greater influence over the direction of economic growth. Some in the West are concerned by these developments.

Sibir believes that the emergence of a stronger, more independent Russia is a natural result of a society returning to health and taking its place on the world stage and that efforts by the government to ensure economic stability are essential after an extended period of turbulent and painful change. Throughout its ten years in Russia, Sibir has succeeded by taking into account Russian sensibilities and trusting in the energy and ingenuity of its Russian shareholders and employees to find solutions that work in the Russian environment while leveraging the best of western business practice, technology and access to capital markets. This approach has served the company well in the past and will allow us to adapt to the changes that the evolving Russian economy brings now and in the future.

After ten years of growing the Sibir enterprise in Russia, we continue to be inspired by the energy and creativity of the Russian people and the enormous wealth that is being unlocked through the relentless application of their efforts. It is against this backdrop that your board looks to the future with great optimism and confidence that the best is yet to come.



- KEY
- Oil trunklines
 - Gas trunklines
 - Main road
 - Access road
 - Licence area

This page: The Salym Group of Fields in the Khanty-Mansiysk Autonomous Okrug in Western Siberia

“Total Salym production grew from 10,341 bopd at the beginning of the year and exceeded 50,000 bopd by June for a total production of 5.57 million barrels.”

Operations Review

The early part of 2006 was one of the coldest periods on record in Russia with temperatures dropping below -50 degrees Celsius. The cold significantly impacted economic activity across the country including energy production and distribution; power outages and shortages of natural gas supplies required the evacuation of many villages and city neighbourhoods to protect people from freezing.

In the E&P sector construction activities, drilling and workover operations were ceased or significantly delayed over a period of several weeks in all producing regions. Magma and Salym operations were not spared, but despite these challenging conditions our colleagues were able to deliver impressive operational results.

Magma Oil Company

Magma Oil Company (95% Sibir owned) holds the licenses for the Yuzhnoe and Orekhovskoe oilfields in Khantiy-Mansiysk District of West Siberia.

Yuzhnoe Oilfield

In the first half of 2006 Magma continued to focus its activities on increasing production capacity at the Yuzhnoe Oilfield, located 60 kilometres from the City of

Nizhnevartovsk. The successful drilling and hydro-fracking campaign launched in 2004 continued with the goal of beating the record high oil production performance of 2005.

Production

Production at Yuzhnoye for the first half of 2006 totalled 1,175,145 barrels for an average production rate of 6,528 bopd.

Capital Spending

Capital spending for the period totalled \$9,067,300 with another \$6,804,382 budgeted for the remainder of the year.

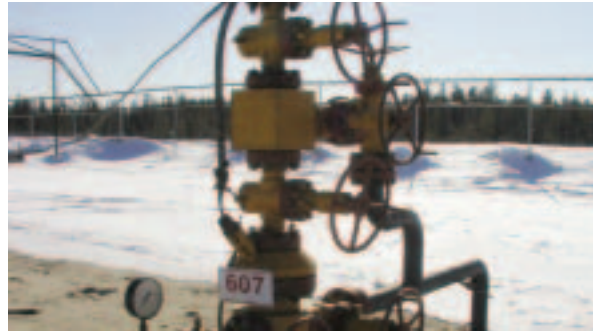
Operational Highlights

Magma operational highlights for the first half of 2006 include:

- Completion and commissioning of a \$5 million Central Processing Facility (CPF) and water injection system.
- 2,063,240 barrels of water injected for reservoir pressure maintenance through 15 water injection wells;
- 23,140 linear metres drilled with one rig for a total of 8 wells - cost of drilling and completion averaged \$705,000 per well;

Right: Laying the 88km export pipeline at Salym

Far right: Well head at the Yuzhnoe Oil Field (Magma)



- 10 wells completed/recompleted, 33 well workovers and 51 well service jobs performed over first six months of 2006;
- no lost time or injuries;
- no environmental incidents

Orekhovskoe Oilfield

The Orekhovskoye field is a greenfield property which lies contiguous to the Yuzhnoye oilfield. Sibir acquired the license for Orekhovskoye as part of the purchase of Magma, but development was delayed because the economics of the project were thought to be unattractive. Taking into consideration the long term outlook for crude prices, Magma re-engineered its development scenario based on four well pads and highly deviated wells. The resulting proposal was submitted to the authorities who approved it in August of this year. The approved development scenario delivers positive economics at oil prices above \$30 a barrel and may increase Magma's C1+C2 Russian classification reserves by as much as 50 million barrels.

Salym Petroleum Development N.V. (SPD)

SPD is Sibir's 50/50 joint venture between its 100% owned subsidiary Evikhon (Evikhon) and Shell Salym Development

B.V. (SSD), a member of the Royal Dutch Shell Group. SPD operates the Salym Group of fields (West Salym, Vadelyp and Upper Salym) in the Khanty-Mansiysk District in West Siberia.

Salym Fields

January 7, 2006 marked a turning point for the Salym project as first oil was delivered to the Transneft national pipeline system from Central Processing Facilities (CPF) at West Salym, via the SPD 88 km Export Pipe line and SPD Custody Transfer Facilities (CTF) at the Transneft tie-in point. Extreme cold in the first quarter affected all development activities resulting in a slower than forecast ramp up of production, but this was compensated by intensive activity in the second quarter to bring production rates back in line with projections and the year end target of 60,000 bopd now looks to be well within reach.

Production

Total Salym production grew from 10,341 bopd at the beginning of the year and exceeded 50,000 bopd by June for a total production of 5.57 million barrels. Crude sales for the period totalled 5.42 million barrels. Of the total, exports comprised 2.28 million barrels, and domestic sales 3.14 million barrels.



Far Left: Construction of the ComCor road at Salym.
Centre: Well head at Salym
Left: Service attendant at new MOC station in Moscow

Capital Expenditure

Period capital expenditure for construction projects totalled \$106.59 million and drilling outlays totalled \$48.14 million for a total capital spend of \$154.74 million. An additional \$174.23 million is budgeted for the second half of 2006.

Operational Highlights

Construction highlights at Salym included:

- Completion of a second 60,000 bopd capacity train of the CPF at West Salym;
- Construction of a water injection pump station on West Salym and water intake facilities;
- Ground breaking on the second phase of the custody transfer facilities (CTF);
- Building of a waste utilisation site on West Salym;
- Construction of a 13 km trunk pipe line from Upper Salym to CPF at West Salym with a tie-in to Vadelyp;
- Development of five new well pads at West Salym, two on Vadelyp, and one on Upper Salym, with related infield roads, oil and water pipe lines and power lines;
- Installation of temporary water injection facilities at Upper Salym;

Drilling

SPD's aggressive drilling program continued using four rigs and five hoists were at work on completions and workovers. The SPD drilling team continued to set records for drilling time, completing one well in as little as 8.1 days. In total for the period 36 wells were drilled, 33 were hooked up and 51 new and previously drilled wells were put on stream. A two hundred ton mobile rig will be put into service at Salym in December of this year for appraisal and development drilling on smaller pads in Upper Salym and Vadelyp. SPD has spudded the first well at Vadelyp and initial production scheduled for October, which is budgeted to contribute in total 90,000 barrels 2006 production.

Power Generation

A contract for supply of gas turbines for 45 MW Power Generation Plant (PGP) was executed in April and the plant is expected to be operational by the end of 2007. When completed the PGP will utilise most of associated gas from production and significantly reduce SPD's dependence on the local electric monopoly for power.

Right:
Operations
control room
at West Salym.

Far right:
Crude oil
heaters at
Salym CPF



Appraisal and Development

The appraisal and development of the AS9 reservoir, development of the so-called “Bonus” structure and the K7 area in Upper Salym was approved. These projects, if successful, should increase reserves at the field and boost production.

Group Reserves Summary

The Group’s interests in commercial reserves of oil as of 30 June 2006 are included in the unaudited table below:

Russian reserves classification (1)

Million barrels	A+B+C1	C2	Total
Magma’s Yuzhnoe Oilfield	80	6	86
Salym Group of Fields (50%) (2)	394	156	550
Total	474	162	636

1. Russian reserves are classified as follows:

A = reserves proved and developed.

B = reserves proved but not yet developed.

C1= reserves tested and lie within proven and probable.

C2= reserves contiguous to C1 and substantiated by Geological data and lie within probable, possible and contingent.

2. As noted previously, the operator of the Salym fields, SPD, uses a reserves classification known as proven, expected and scope for recovery reserves. The current scope for recovery reserve estimate based on the field development plan total 926 million barrels or 463 million barrels Sibir share. The difference between the SPD estimates and the Russian reserves numbers are due primarily to the exclusion of the lower reservoirs in the SPD numbers.

“The half year ending June 30th 2006 was a period of record profits for the Group as, for the first time, all three core businesses contributed to the profitability of the company.”

Financial Review

The half year ending June 30th 2006 was a period of record profits for the Group as, for the first time, all three core businesses contributed to the profitability of the company. First, as in previous periods, crude production from Magma continued to deliver reliable results. Second, sales of oil products from our refining activities realised through our affiliation with MOGC bolstered profitability in line with expectations. Third, our joint venture with Shell at the Salym Group of Fields, SPD, turned the losses of previous years into profits for the Period as commercial production started to ramp up and the project began to realise its long-promised potential.

Net Profit

The net profit of the Group after interest, taxation and minority interest was £19.6 million or 7.53 pence per share compared with a net profit of £0.5 million or 0.24 pence per share for the equivalent period in 2005.

Operating Profit for the Period

The Group's operating profit from ordinary activities before interest, taxation and minority interest, including its share of SPD net profits, was £26.9 million, compared to a profit of £10.9 million in 2005, an increase of 147%.

This result was due in large part to Sibir's share of profit in SPD where positive performance transformed a £7.3 million loss in the first half of 2005 to a £8.9 million profit, a turnaround of £16.2 million for the period under review. The full impact of the turnaround is even more pronounced when the 2006 result is compared to the second half of 2005 when Sibir's share of profit from SPD showed a loss of £13.7 million, indicating an improvement in SPD's performance of £22.6 million in the first six months of 2006.

The Group's operating profit before its share of operating profit from the SPD joint venture was £18.0 million compared to a profit of £18.2 million in the equivalent period in 2005 with the decrease due to higher administration expenses offset by an increase in gross profit.

Gross Profit

The Group's gross profit after depletion was £25.7 million compared with £24.9 million for the equivalent period in 2005 as increased production expenses were offset by growth in gross margins. Production expenses increased as a result of a 51% increase in the mineral extraction tax levied as crude prices increased and a 12% increase in lifting costs from an average of \$2.66/bbl in first half 2005 to \$2.98/barrel 2006, in line with Russian rouble inflation.

Right: Drilling continues around the clock at West Salym

Far right: 10,000 m³ storage tanks at Salym CPF



Of the total £25.7 million gross profit for the period, £9.4 million came from sales of Magma crude production, and £16.3 million came from trading of oil products from our refining operations.

Turnover

The Group turnover excluding our share of turnover from SPD was £265.8 million compared to £136.9 million in 2005, an increase of 94%. Our turnover is calculated from the sales of crude and finished product. To facilitate an understanding of how our own crude production, on the one hand, and trading and refining sales of product, on the other hand, have contributed to the turnover we have split out these contributions on an actual or at arms length basis. On this basis the turnover attributable to sales of our own production amounted to £27.3 million and turnover attributable to trading and refining activities amounted to £238.5 million.

Combined turnover from Group and SPD operations grew by 132% to £322.9 million from £139.0 million of which £84.4 million is in respect of the contribution from our own crude production from Magma and SPD, reflecting the fact that by

the end of the period Sibir had become a 30,000 barrels a day company.

Administration Expenses

The Group's administration and general expenses were £7.6 million compared with £6.8 million for the equivalent period in 2005. After excluding the effect of foreign exchange movements and other non-recurring items, the Group's administration expenses decreased by 14% from £7.1million in the equivalent period in 2005 to £6.1 million in 2006 primarily as a result of reduced legal activity in the Sibneft Yugra affair.

Interest Expense

Net interest expense for the Group increased to £8.0 million from £5.1 million in the equivalent period in 2005 owing to an increase in borrowings made by the Group to finance Sibir's share of development expenditures incurred by SPD and trade finance lines for Sibir's crude and oil products trading activities. The bulk of the interest expense was incurred in respect of the first quarter of 2006, before the placing referred to immediately below.

Taxation

Under UK GAAP accounting standards the Group previously had not been able to accrue the potential tax benefits which arose during the development phase of the Salym project when SPD was incurring losses. Now that SPD is generating profits, the utilisation of these tax benefits is imminent and UK GAAP permits us to credit the Profit and Loss account with a deferred tax asset of £8.0 million which is included as a credit to the taxation charge in the Group's Profit and Loss account. A corresponding deferred tax asset has been recognised in the Group's balance sheet.

Balance Sheet

The Group's balance sheet has been transformed by a placing of 78,813,008 shares raising a total of £305.8 million (net of placement costs) in the first quarter of 2006, strengthening the Group's financial flexibility over the short and long term.

As at 30 June 2006, the Company had net current assets of £360.2 million compared with net current assets of £61 million as at 31 December 2005.

Total assets less current liabilities as at 30 June 2006 was £579.4 million compared with £272.4 million as at 31 December 2005.

Called up share capital has decreased in the period due to the cancellation of the 191,847,421 issued Deferred shares of 90p each which was approved by the High Court of Justice, Chancery Division on 18 January 2006. The effect of this is to create a reserve of £172,663,000 which will first be used to eliminate the deficit on the Company's profit and loss account and secondly to create a pool of realised profit to

retain within the Company until the Company is ready and able to pay dividends to its shareholders.

Total shareholder's equity as at 30 June 2006 was £567.5 million compared to £259.7 million as at 31 December 2005.

The Group's net debt has decreased from £204.4 million as at 31 December 2005 to £5.5 million as at 30 June 2006 and Group cash balances have increased from £5.4 million as at 31 December 2005 to £42.6 million as at 30 June 2006.

Cash Flow

The Group recorded a net cash outflow from operating activities of £38.6 million, mostly as a result of repaying creditor balances that had built up during 2005, but also as a result of increasing its trade debtors during the period.

During the period, the Group financed £4.3 million of capital expenditure in its daughter company Magma, and made loans totalling £59.1 million to SPD.

Proceeds from the placing referred to above along with cash on hand were used to repay £322.2 million of borrowings. These borrowings were incurred in satisfying the financing obligations of the Group in respect of the SPD expenditures, as well as short-term facilities required to finance the Group's crude and oil products trading activities.

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

This page:
West Salym
drilling rig
and drilling
operator.



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

Approximately 64% of Sibir's revenue in the first six months of 2006 was received in United States dollars, the balance being received in Russian roubles. Significant protection from movements in exchange rates results from the majority of loans which are repayable in United States dollars. As the substantial majority of development, production and taxation expenditures are in roubles, and some interest servicing and loan repayments are in roubles, the risk from variations in the value of the rouble is insignificant. Sibir continues to transfer funds to and from Russia without incident or impediment, with the exception of foreign currency reservation requirements in respect of

loans from the Group's Russian subsidiaries to the Group's non-Russian companies (e.g. Head office) imposed by the Central Bank of the Russian Federation since August 2005, but now cancelled in May 2006.

Interest Rate and Liquidity Policy

The Group finances its operations through its own cash on hand, project finance, and trade finance.

Going Concern

After making enquiries and considering the adequacy of the disclosures 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.

William L S Guinness
Chairman
20 September, 2006

Henry O Cameron
Chief Executive Officer
20 September, 2006

Unaudited Group Profit and Loss Account

	Notes	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Turnover: group and share of joint Venture's turnover		322,892	139,030	365,270
Less: share of joint venture		(57,102)	(2,150)	(8,028)
Group Turnover	2	265,790	136,880	357,242
Cost of sales				
Depletion of oil and gas properties		(557)	(407)	(1,245)
Decommissioning charge		–	–	(3)
Cost of sales		(239,566)	(111,532)	(308,127)
Gross profit		25,667	24,941	47,867
General and administrative expenses		(7,633)	(6,749)	(17,937)
Group operating profit	2	18,034	18,192	29,930
Share of operating profit / (loss) in joint venture	2	8,893	(7,309)	(21,050)
Operating profit: Group and share of joint venture		26,927	10,883	8,880
Profit on ordinary activities before interest and tax		26,927	10,883	8,880
Interest receivable		13,547	4,029	10,805
Interest payable				
Group		(8,178)	(4,663)	(18,270)
Joint Venture		(13,413)	(4,457)	(12,280)
Profit/(Loss) on ordinary activities before taxation	2	18,883	5,792	(10,865)
Tax on profit/(loss) on ordinary activities	3	1,517	(5,796)	(9,635)
Profit/(Loss) on ordinary activities after taxation		20,400	(4)	(20,500)
Minority interests – equity		(797)	490	(1,370)
Profit/(loss) for the period		19,603	486	(21,870)
Basic profit/(loss) and Diluted profit/(loss) per share (pence)	4	7.53	0.24	(10.57)

Unaudited Group Statement of Total Recognised Gains and Losses

	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Profit/(Loss) for the period attributable to members of the parent company	19,603	486	(21,870)
Exchange differences on the re-translation of the net investments and related borrowings	(17,516)	2,065	(5,931)
Cancellation of Deferred Shares ⁽ⁱ⁾	115,647	–	–
Total recognised gains and losses relating to the period and recognised since last annual report	117,734	2,551	(27,801)

(i) On 18 January 2006 the High Court of Justice, Chancery Division approved the cancellation of the 191,847,421 issued Deferred shares of 90p. The effect of this is to create a transfer to profit and loss reserves of £115,647,000 and a special reserve of £57,016,000. The special reserve of £57,016,000 will also be available for transfer in due course.

Unaudited Reconciliation of Group Shareholders' Funds

	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Total recognised gains and losses	2,087	2,551	(27,801)
New share capital subscribed	7,881	–	1,292
Share premium on shares issued less issue costs	297,901	–	41,109
Asset revaluation reserve	–	108,848	83,793
Issue of shares to be issued	–	–	(2,000)
Total movements during the period	307,869	111,399	96,393
Shareholders' funds at beginning of period	259,660	163,267	163,267
Shareholders' funds at end of period	567,529	274,666	259,660

Unaudited Group Statement of Cash Flows

	Notes	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Net cash inflow/(outflow) from operating activities	5	(38,206)	26,823	36,584
Returns on investment and servicing of finance				
Interest paid		(10,930)	(1,283)	(14,850)
Interest received		807	29	60
Net cash outflow from returns on investments and servicing of finance		(10,123)	(1,254)	(14,790)
Taxation		(5,676)	(1,193)	(7,553)
Acquisitions and disposals				
Purchase of shares in subsidiary		–	(12,302)	(12,552)
Capital expenditure and financial investment				
Sale of plant and machinery		20	–	2,158
Purchase of tangible fixed assets		(4,335)	(2,471)	(4,431)
Loans to joint venture		(59,114)	(52,102)	(131,197)
Purchase of promissory notes		–	–	95,150
Redemption of promissory notes		–	–	(95,150)
Loans to other entities		4,378	–	(28,745)
Net cash outflow from capital expenditure and financial investment		(59,051)	(54,573)	(162,215)
Financing				
Receipt of loans		166,686	167,663	344,777
Proceeds of share issue		305,766	–	–
Repayment of share options		–	–	10
Repayment of unsecured loan		–	(106,209)	–
Repayment of secured loan		(322,230)	–	(183,225)
Net cash inflow from financing		150,222	61,454	161,562
Increase in cash		37,166	18,955	1,036

Unaudited Group Statement of Cash Flows continued

Notes	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period	37,166	18,955	1,036
Cash outflow for repayment of borrowings	322,230	106,209	183,225
Cash inflow from receipt of loans	(166,686)	(167,663)	(344,777)
Change in net debt resulting from cash flows			
Exchange differences	6,192	(6,251)	(1,551)
Other non-cash movements	–	–	5,148
Movement in net debt in the period	198,902	(48,750)	(156,919)
Net debt at the start of the period	(204,396)	(47,477)	(47,477)
Net debt at the end of the period	(5,494)	(96,227)	(204,396)

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 2005. The interim financial statements for the six months to 30 June 2006 are unaudited.

Russian business environment

During the period ended 30 June 2006 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.

Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product and a reduced rate of inflation, Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

2 Turnover and Segmental Analysis

Segmental information

During the period the Group operated in two business segments, being those of oil and gas exploration, development and production and the refining and marketing of oil products, and in one geographical segment, being Khanty-Mansiysk Okrug in Western Siberia, in the Russian Federation.

Turnover

	Oil Production			Refining of oil products			Total		
	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Total Year ended 2005 £000
Continuing operations									
Export	16,037	10,411	24,742	154,506	51,998	153,905	170,543	62,409	178,647
Domestic	14,579	2,667	8,966	80,658	71,804	169,629	95,237	74,471	178,595
	30,616	13,078	33,708	235,164	123,802	323,534	265,780	136,880	357,242
Profit									
Segment profit:									
Continuing operations	6,470	1,676	10,135	17,487	21,528	34,454	23,957	23,204	44,589
Common Costs	–	–	–	–	–	–	(5,923)	(5,012)	(14,659)
Group Operating profit	–	–	–	–	–	–	18,034	18,192	29,930
Share of operating profit/(loss) in joint venture	–	–	–	–	–	–	8,893	(7,309)	(21,050)
Net Interest payable	–	–	–	–	–	–	(8,044)	(5,091)	(19,745)
Profit/(loss) on ordinary activities before taxation	–	–	–	–	–	–	18,883	5,792	(10,865)
Net Assets by segment:									
Continuing Operations	38,688	27,697	30,463	68,409	5,063	11,461	107,097	32,760	41,924
Unallocated Net Assets	–	–	–	–	–	–	282,887	30,912	45,611
	–	–	–	–	–	–	389,984	63,672	87,535
Share of Net Assets of Joint Venture	–	–	–	–	–	–	181,696	230,589	175,750
Minority Interest	–	–	–	–	–	–	(4,151)	(19,595)	(3,625)
Total Net Assets	–	–	–	–	–	–	567,529	274,666	259,660

3 Taxation

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

The tax charge is made up as follows:

	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Current tax:			
Foreign tax	4,509	5,796	9,635
Share of joint venture's current tax	1,953	–	–
Deferred tax:			
Share of joint venture's deferred tax	(7,979)	–	–
Tax on profit on ordinary activities	(1,517)	5,796	9,635

4 Profit per share

Profit per share for the six months ended 30 June 2006 is based on the profit for the period of £19.6 million (2005 – profit of £0.5 million). The weighted average number of ordinary shares in issue during the period was 260,495,873 and for 2005 the adjusted total was 203,160,802 respectively.

5 Reconciliation of operating profit to net cash flow from operating activities.

	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Operating profit	18,034	18,192	29,930
Depreciation and decommissioning	621	507	1,284
Amortisation of goodwill	113	–	30
Release of negative goodwill	(230)	–	(62)
Decrease/ (increase) in stocks	5,880	87	(11,421)
(Increase)/decrease in debtors	(27,800)	3,869	(14,307)
(Decrease)/Increase in creditors	(34,824)	4,168	31,130
Net cash flow (outflow)/inflow from operating activities	(38,206)	26,823	36,584

6 Contingent Liabilities

As at 30 June 2006, the Company had outstanding guarantees in respect of the performance of obligations of third parties as follows:

(i) Moscow Oil Company (MOC)

MOC had 427 million roubles (\$15.8 million) outstanding to the Bank of Moscow guaranteed by the Company. As at the date of this report, the outstanding loan has been repaid by MOC.

(ii) Goshel Consultants Limited (Goshel)

On 1 October 2006, the Company had signed a guarantee in respect of the performance obligation on a 1.9 billion rouble (US\$ 70.4 million) loan Goshel received from three companies (Stroitranssvyaz, Stal-converter and Yugo-Zapadnoe Rudoupravlenije) repayable beginning in March 2006 and ending in August 2008. As at the date of this report, the outstanding amounts owed have not changed materially.

(iii) Export Trading

The Company signed a guarantee in respect of the performance obligation on a loan of 1,500,000,000 roubles (US\$55.7 million) provided by Bank of Moscow to Exporttrading in May of 2006. As at 30 June 2006, 500,000,000 roubles (\$18.6 million) of the loan remained outstanding. As at the date this report, the loan has been fully repaid.

Post balance sheet guarantees

The Company signed guarantees in respect of the performance obligations on three loans provided by Bank of Moscow to Exporttrading on 3 July 2006, 1 August 2006 and 6 September 2006 in the amounts of 2,200,000,000 roubles (US\$81.6 million), 2,369,164,000 roubles (US\$ \$88.4 million), and 2,230,000,000 roubles (US\$83.5 million) respectively.

As at the date of this report, the first amount is outstanding in the amount of 687,500,000 roubles (US\$25.7 million), the second amount is still outstanding in the amount of 789,164,000 roubles (US\$29.5 million), and the third amount is outstanding in the amount of 1,567,158,000 roubles (US\$58.5 million).

Borrowing facilities

Sberbank: As at 30 June 2006, Magma did not comply with the maximum trade creditor limit of 450 million roubles in total for creditors for oil purchased in respect of borrowings with the bank and as a result the loans totalling £40,549,308 have been reclassified from long term loans to short term loans. On 2 July 2006 Magma sufficiently repaid the creditors to satisfy the bank. As at the date of this report, Magma continues to work with Sberbank to the satisfaction of both parties.

7 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 2005. 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 17c Curzon Street, London, W1J 5HU.

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 2006 which comprises the Group Profit and Loss account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Reconciliation of Group Shareholders' Funds, Group Statement of Cash Flows, and the related notes 1 to 7. 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 International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

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 2006.

Ernst & Young LLP
London
20 September 2006

