Report for the financial year and the quarter ended December 31, 2005

- **Oil revenue increased by 232% to MUSD 73.5 (MUSD 22.1) for the financial year and by 300% to MUSD 31.3 (MUSD 7.8) for the quarter.**
- **EBITDA amounted to MUSD 25.7 (MUSD 24.7) for the financial year and to MUSD 8.6 (MUSD 22.6[1]) for the quarter.**
- **The financial year net result amounted to MUSD 0.2 (MUSD 17.4[1]) and the quarterly net result amounted to loss of MUSD 7.1 (profit of MUSD 20.1[1]).**
- **The net result was affected by an acceleration in the depletion charges based on recent SPE estimates of oil reserves and future capital expenditures. The depletion charge increased to MUSD 14.0 (MUSD 1.0) for the financial year and MUSD 10.4 (MUSD 0.1) for the quarter.**
- **The net result corresponds to USD 0.0 per share for the financial year (USD 0.1 per share). For the quarter, the earnings per share were a loss of USD 0.0 (profit of USD 0.1 per share).**
- **Oil production increased by 153% to 2,976,312 barrels for the financial year and by 193% to 1,274,443 barrels for the quarter.**
- **In early 2006, the Saneco acquisition was closed, USD 153 million in equity was raised and a strategic alliance was formed with Repsol YPF.**

West Siberian Resources Ltd is an independent oil company active in Russia. West Siberian´s depository receipts are traded on Nya Marknaden of the Stockholm Stock Exchange under the symbol WSIB.

[1] Prior year numbers include a MUSD 21.4 pre-tax reversal of non-cash impairment charges recorded in 2003.

Results – the Group

Group revenue for the financial year was MUSD 79.18 (MUSD 22.36). For the quarter, the Group revenue was MUSD 33.04 (MUSD 7.90).

Production costs for the financial year were MUSD 41.17 (MUSD 12.90) and for the quarter the production costs were MUSD 17.52 (MUSD 4.45).

For the financial year ended December 31, 2005 the depletion and depreciation charge was MUSD 14.04 (MUSD 0.96) and MUSD 10.41 (MUSD 0.13) for the quarter. In 2005, WSR commissioned DeGolyer and MacNaughton (D&M) for the company's first ever Society of Petroleum Engineers (SPE) classification of recoverable reserves. From the fourth quarter 2005, WSR calculates depletion charges based on D&M's estimates of reserves and future capital expenditures, which has resulted in a significant increase in depletion per barrel of oil produced. In prior years depletion charges were based on external and internal estimates of oil reserves under Russian classification.In assessing future capital expenditures D&M did not take into account the effects of secondary recovery techniques such as water injection and hydro-fracturing, as these measures were introduced in the past year with no historical record established yet. D&M has therefore assumed that a significant number of new wells need to be drilled to recover estimated oil reserves while management is focused on secondary recovery techniques. D&M's projected capital expenditures therefore significantly exceeded WSRs internally planned investments for coming years and will do so until WSR has established a record of oil recovery through water injection and hydrofracturing. Therefore and as WSR expects to recover additional reserves at lower cost than D&M's projections, the oil and gas properties are depleted at a higher rate than may be the case in coming years.

The selling, general and administration expenses amounted to MUSD 11.37 (MUSD 5.53) for the financial year and MUSD 6.42 (MUSD 1.73) for the quarter. The selling expenses included in the selling and administration expenses amounted to MUSD 5.79 (MUSD 1.96) for the financial year and MUSD 3.16 (MUSD 0.58) for the quarter.

EBITDA amounted to MUSD 25.73 (MUSD 24.70) for the financial year and MUSD 8.64 (MUSD 22.56) for the quarter.

The operating profit amounted to MUSD 11.61 (MUSD 23.74) for the financial year and to a loss of MUSD 1.77 (profit of MUSD 22.43) for the quarter. The operating result for the financial year and the quarter ended December 31, 2004 was affected by a MUSD 21.00 reversal of the prior years' non-cash impairment loss as required by IAS 36. The reversal was based on the updated appraisal of the Company's oil reserves and cash flow projections.

Net finance expenses were MUSD 6.82 (MUSD 3.65) for the financial year and MUSD 4.38 (MUSD 0.11) for the quarter.

For the financial year, there was a net currency exchange rate loss of MUSD 3.74 (gain of MUSD 3.07) and for the quarter the currency exchange rate loss amounted to MUSD 1.11 (gain of MUSD 2.20). These unrealised currency exchange rate losses incurred in 2005 resulted from the devaluation of the Russian Rouble against the US Dollar and was derived from recalculating the dollar denominated external and inter-company loans of the Russian subsidiaries into Roubles.

The current and deferred tax charge was MUSD 0.81 (MUSD 5.75) for the financial year and an income of MUSD 0.14 (charge of MUSD 4.43) for the quarter.

The net result attributable to equity holders of the parent company for the financial year ended December 31, 2005 was a profit of MUSD 0.23 corresponding to USD 0.00 per share (MUSD 17.76 and USD 0.06 per share, respectively, for the extended financial year of fifteen months last year). For the quarter ended December 31, 2005 the Group reports a net loss after tax of MUSD 7.12 corresponding to a loss of USD 0.01 per share (profit of MUSD 20.09 and USD 0.05 per share, respectively, for the corresponding period of last year).

The board of directors propose that no dividends shall be paid for the financial year ended December 31, 2005.

Exploration and Production

Oil production increased to 2,976,312 barrels (1,176,903 barrels) for the financial year ended December 31, 2005 and to 1,274,443 barrels (434,903 barrels) for the quarter. For calendar year 2004 total oil production amounted to 1,029,377 barrels. Average daily production increased to 8,154 barrels per day (2,570 barrels per day) for the financial year and to 13,853 barrels per day (4,727 barrels per day) for the quarter. During the financial year, a total of 24 wells in the Tomsk region contributed to production and 13 wells in the Timano-Pechora region contributed from September.

Group net oil revenue amounted to MUSD 73.54 (MUSD 22.12) for the financial year ended December 31, 2005 and MUSD 31.29 (MUSD 7.83) for the quarter ended December 31, 2005.

Average gross export and domestic prices per barrel (inclusive export duty and VAT) achieved for the financial year ended December 31, 2005 were USD 47.71 and USD 30.77, respectively, and USD 47.58 and USD 35.39, respectively, for the quarter ended December 31, 2005.

Average net oil prices received for the financial year ended December 31, 2005 were USD 26.38 (USD 20.09) and USD 26.41 (USD 20.24) per barrel for the quarter ended December 31, 2005.

Average export prices achieved for the financial year ended December 31, 2005 were USD 29.57 (USD 23.71) per barrel and USD 27.79 (USD 21.25) per barrel (exclusive export duty) for the quarter then ended. Domestic prices of USD 24.00 (USD 16.97) per barrel (exclusive VAT) were received in the financial year ended December 31, 2005 and USD 25.16 (USD 19.65) per barrel (exclusive VAT) were received in the quarter then ended. 48% of the sales volume for the quarter ended December 31, 2005 was exported. As a result of exponentially increased production taxes and export duty, Russian oil companies are not able to take full advantage of rising international oil prices achieved on export sales.

The total proven, probable and possible oil reserves have been estimated to amount to 259.3 million barrels according to DeGolyer and MacNaughton (D&M) estimates, following the closing of the Saneco acquisition in February 2006. The total proven and probable oil reserves amounted to 176.2 million barrels. D&M is a leading international petroleum consulting firm with an extensive reserve estimation practice in Russia that recently completed WSR's first ever reserve appraisals in accordance with reserve definitions consistent with those approved in March 1997 by the SPE. In prior years, WSR reported reserves based on Russian classification. Under Russian classification, ABC1+C2 reserves amount to 292.5 million barrels. The oil reserves are located in the Tomsk, Timano-Pechora- and Volga-Urals regions of Russia.

The Tomsk Region

Four oil fields are operated in the Tomsk region of Russia. The main producing fields are the Middle Nyurola and Khvoinoye. Middle Nyurola production is transported by a 112 km pipeline to the Transneft pipeline access point. Khvoinoye production is transported to the fully owned nearby Alexandrov refinery for processing. The Kluchevskoye and Puglalymskoye fields are under development and have been connected to the Middle Nyurola pipeline and processing grid. Total Tomsk region production for the financial year amounted to 2,002,739 barrels and 528,644 barrels in the fourth quarter. D&M estimated WSR proven and probable reserves in the Tomsk region to be approximately 56.5 million barrels. Under Russian classification, ABC1+C2 reserves in the Tomsk region amounted to 88.7 million barrels.

During the fourth quarter of 2005 the drilling program continued at the Middle Nyurola field with two Ural-3000 rigs drilling 3 production wells. In total 11 production wells were drilled in the field during 2005. A water injection system was put into operation in the Middle Nyurola field in the third quarter and five water injection wells were completed during 2005 in order to improve layer pressure and facilitate increased production.

At the Khvoinoye field hydro-fracturing works were successfully completed on 3 wells in the third quarter. During the financial year 281.9 thousand barrels were refined at the Alexandrov refinery which generated oil products revenue of MUSD 4.86.

The Timano-Pechora Region
In the third quarter 2005, the Timano-Pechora region in Northern Russia was entered through the acquisitions of Pechoraneft (Middle Kharyaga oil field) and NBNK. NBNK holds an exploration license for an undeveloped oil field nearby to Middle Kharyaga. In October 2005 WSR was granted a 25 year license for exploration and production at the Lek-Kharyaga and North Kharyaga fields following the license auction held by the Federal Agency of the Interior of the Earth Use (Rosnedra).

The Pechoraneft and NBNK acquisitions were consolidated as of, and revenues recorded from September 1, 2005. Total production in the Timano-Pechora region amounted to 2,663,726 barrels for the financial year, out of which 973,573 barrels were consolidated in the financial year and 745,799 barrels in the fourth quarter ended December 31, 2005. D&M estimated WSR proven and probable reserves in the Timano-Pechora region to be approximately 95.8 million barrels. Under Russian classification, ABC1+C2 reserves in the Timano-Pechora amount to 153.2 mln barrels.

Oil from Pechoraneft production facilities is pumped through its own pipeline to the "Kharyaga" terminal where oil is measured and sold. From the terminal oil is transported through Lukoil's pipeline system to Transneft's trunk pipeline.

In December 2005 one production well was drilled in the Timano-Pechora region.

The Volga-Urals Region
In February 2006, the acquisition of ZAO “Saneco”, an oil producing company in the Volga-Ural region of Russia, was closed. In 2005, ZAO “Saneco” produced 2.1 million barrels of oil or on average approximately 5,714 barrels per day. The main assets acquired include 3 production licenses and 3 exploration licenses covering a total of eight fields. D&M appraised Saneco's reserves and estimated proven and probable recoverable reserves of approximately 23.9 million barrels. Under Russian classification, Saneco’s ABC1+C2 reserves amounted to 50.68.

March 2006 will be the first full month for consolidation of the Saneco’s operations; its operations did not affect the financial results for 2005.

Investments, Financing and Liquidity

Investments

Net investments in oil and gas assets during the financial year ended December 31, 2005 amounted to MUSD 108.52 (MUSD 19.30). Net investments in the quarter amounted to MUSD 84.54 (MUSD 10.43).

The Tomsk region
The acquisition of 100% of Khvoinoye LLP and Alexandrov refinery was formally approved by the Anti-Monopoly Committee of the Russian Federation and the acquisition was completed during the first quarter. The total consideration for the shares acquired including acquisition costs was MUSD 9.10.

The Timano-Pechora region
In September 2005 WSR completed the acquisition of 100% of a Russian limited liability company Nikol. Nikol owns 99.729% of the shares of the Russian open joint stock company “Pechoraneft” holding a production license to operate the Middle Kharyaga oil field in the Timano-Pechora region of Russia. Total cash consideration for the shares acquired was MUSD 115.17 including acquisition costs of MUSD 1.61.

In addition in September 2005 WSR completed the acquisition of 100% of a Russian limited liability company “Nenetsko-Belorusskaya Neftaynaya Kompaniya” (NBNK) holding an exploration license for an undeveloped oil field nearby to Middle Kharyaga. The acquisition price amounted to MUSD 5.12 including existing debt. Debt in the amount of MUSD 4.59 was assumed and the remaining consideration was paid at closing.

In November 2005 the licenses for two fields in the Timano-Pechora region of Russia were granted to WSR through Khvoinoye. The total consideration for the licenses amounted to MUSD 67 paid in December 2005.

The Volga-Urals Region
In February 2006, the acquisition of ZAO "Saneco", an oil producing company in the Volga-Ural region of Russia, was completed. In accordance with share purchase agreement the total purchase price of MUSD 140 should be paid by USD 70 million in cash (including assumption of debt if any) and USD 70 million in West Siberian shares valued at SEK 4.74 per share. 116 500 000 shares, representing 10.6%, were issued to Saneco's shareholders.

Financing

In April 2005 a 4 year MUSD 20 credit facility agreement was signed between the fully owned subsidiary VTK and BNP Paribas SA. As of December 31, 2005 MUSD 20 was received and used for investing activity. The credit is secured by revenues from VTK export sales of crude oil and production assets. In accordance with the credit facility agreement VTK signed 4-year export contract with Central Energy under which VTK is obliged to export not less than 7,000 tons (about 51,100 barrels) of oil per month. The credit bears interest at the rate of one month LIBOR plus 4.75%. West Siberian Resources Ltd and Vostok Oil (Cyprus) Ltd act as guarantors of fulfilment of credit obligations. The loan was repaid on February 28, 2006.

In September 2005 a 1 year bridge loan facility of MUSD 60.0 was received from BNP Paribas. The loan is secured by the pledge of shares in VTK, Pechoraneft, Khvoinoye, Vostok Oil (Cyprus) Ltd. and Nikol and the assignments of Nikol Share Purchase Agreement and Pechoraneft export sales of crude oil. In accordance with the bridge loan facility agreement Pechoraneft is obliged to export not less than 7,000 tons (about 51,100 barrels) of oil per month. The loan bears interest at the rate of LIBOR plus 9%. VTK and Pechoraneft act as guarantors of fulfilment of loan obligations.

In November 2005 the BNP Paribas bridge loan facility was extended up to MUSD 100 to finance the acquisition of two new licenses in Timano-Pechora region.

In April 2005, an equity offering raising SEK 347,530,905 (MUSD 49.0 before issue costs) was executed with preferential rights for shareholders. The shareholders were offered to subscribe for 257,430,300 new shares/depository receipts with a subscription price of SEK 1.35. The rights issue was fully subscribed and net proceeds after rights issue costs amounted to SEK 336,040,595 (MUSD 47.39).

In September 2005 a private placement of common shares raising SEK 456,000,002 (MUSD 60.0 before placement costs) was completed. Institutional investors subscribed for 106,046,512 new shares/depositary receipts with a subscription price of SEK 4.30. The net proceeds after placement costs amounted to SEK 434,170,717 (MUSD 57.0).

In February 2006 a private placement of common shares raising SEK 1,254,408,940 (MUSD 162.40 before placement costs) was completed. Institutional investors subscribed for 80,097,268 new shares/depositary receipts with a subscription price of SEK 7.25. 109,902,732 shares were issued to Repsol YPF at SEK 6.13 (10% of enlarged share capital). The net proceeds after placement costs amounted to SEK 1,184,389,286 (MUSD 153.34).

Parent company

The parent company's revenue amounted to MUSD 0.89 (MUSD 0.99) for the financial year ended December 31, 2005 and MUSD 0.35 (MUSD 0.13) for the quarter ended December 31, 2005. The parent company's net result before tax was MUSD 0.68 (MUSD 16.27) for the financial year ended December 31, 2005 and a loss of MUSD 2.25 (profit of MUSD 20.69) for the quarter ended December 31, 2005.

Investments of the parent company in 2005 are described above.

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As at December 31, 2005 the liquidity of the parent company amounted to MUSD 0.73 (MUSD 0.17).

Organisation

The current board of directors consists of Mr Eric Forss, Chairman, Mr Maxim Barski, Mr Claes Levin, Mr Fred Boling, all re-elected at the Annual General Meeting in May 2005 and Oleg Fomenko, who was elected at an Extraordinary General Meeting in January 2006.

Share data

The shares of the Company are represented by Depository Receipts listed on Nya Marknaden of the Stockholm Stock Exchange. Each share carries one vote.

The share capital of the Company amounted to USD 39,626,366 and the number of shares outstanding as of December 31, 2005 amounted to 792,527,312.

In April 2005, the share capital of the Company increased by USD 12,871,515 to USD 34,324,040 and the number of shares increased from 429,050,500 to 686,480,800 as a result of the successful rights offering.

In September 2005 the share capital of the Company increased by USD 5,302,326 to USD 39,626,366 and the number of shares increased from 686,480,800 to 792,527,312.

In February 2006 as a result of private placement and Saneco deal the share capital of the Company increased by USD 15,325,000 to USD 54,951,366 and the number of shares increased from 792,527,312 to 1,099,027,312.

Discussion

We started 2005 as a fairly small, regional oil company with a large vision. We were producing less than five thousand barrels of oil per day from the Middle Nyurola field in the Tomsk region. As we enter 2006, production has increased to more than nineteen thousand barrels per day and we are established in three of Russia’s key oil provinces, the Tomsk, Timano-Pechora and Volga-Urals regions. The company employs more than one thousand devoted employees and the market capitalisation recently passed the 1 billion dollar mark.

Financially, the growth path entered late in 2004 continued and accelerated in 2005. Revenues grew by 232%, primarily as a result of high production growth. We also benefited from higher oil prices and the cost cutting program initiated in 2004. Cash flows from operations, before changes in working capital, exceeded 20 million dollars despite recent acquisitions only being partially included as they were closed late in 2005 or early 2006.

Earnings were negatively affected by higher depletion charges. In the past year, five strategic acquisition opportunities were identified, executed and integrated into group operations. These acquisitions have created an asset base from which we expect to recover close to 300 million barrels of oil. In order to recover this oil and additional potential resources in our exploration areas, we will invest extensively in development in coming years and are also expecting to benefit from water injection and hydro-fracturing activities. We are including significant future investments, but are not projecting the benefits of these secondary recovery techniques in our depletion charges which negatively affects earnings in the near term. In the next five years, we expect production to grow to about 50,000 barrels per day from existing fields. As this new production comes on line, earnings should improve significantly.

Including the recent acquisition of Saneco, we are entering 2006 with daily production rates that are about 140% higher than the average 2005 production. Oil prices remain high in world- and Russian domestic markets. These factors will drive our revenues to significantly higher levels, with cash flow and earnings further improving as well.

In the past 10 months, we raised a total of MUSD 257 through three equity offerings at increasing issue prices. We have a strong balance sheet that allows us to continue to review growth opportunities. For 2006, a key objective is to develop the strategic alliance that we entered with Repsol YPF as they acquired 10% of WSR through the recent equity offering. We will continue to be opportunistic and are looking forward to capitalising on acquisition opportunities that will allow us to extend our assets in and beyond our current operating areas.

GROUP INCOME STATEMENT

(Expressed in USD thousands)	Note	Jan 1, 2005 - Dec 31, 2005 12 months	Oct 1, 2003 - Dec 31, 2004 15 months	Oct 1, 2005 - Dec 31, 2005 3 months	Oct 1, 2004 - Dec 31, 2004 3 months
Operating income					
Sales of oil and gas	3	73 544	22 119	31 285	7 826
Sales of oil products	3	4 857	-	1 752	-
Other income		780	241	-	75
		79 181	**22 360**	**33 037**	**7 901**
Cost of Sales					
Production costs		-41 170	-12 895	-17 522	-4 452
Depletion and depreciation	5	-14 036	-957	-10 407	-126
Reversal of impairment of oil and gas properties		-	20 995	-	20 995
Investment provision		-85	-	-	-
Gross Profit		**23 890**	**29 503**	**5 108**	**24 318**
Selling, general and administration expenses		-11 372	-5 532	-6 416	-1 730
Other operating income/expenses		-912	-231	-461	-156
Operating result		**11 606**	**23 740**	**-1 769**	**22 432**
Finance income/expenses, net		-6 823	-3 647	-4 381	-111
Currency exchange gains/losses, net		-3 741	3 068	-1 109	2 198
Result before tax and minority interests		**1 042**	**23 161**	**-7 259**	**24 519**
Tax	10	-811	-5 746	138	-4 430
Result for the period		**231**	**17 415**	**-7 121**	**20 089**
Attributable to:					
Equity holders of the parent		**232**	**17 762**	**-7 115**	**20 089**
Minority interests		**-1**	**-347**	**-6**	**-**
Earnings per share (USD)	2	0,00	0,06	-0,01	0,05
Diluted earnings per share (USD)	2	0,00	0,06	-0,01	0,05

GROUP BALANCE SHEET - Condensed

(Expressed in USD thousands)	*Note*	Dec 31, 2005	Dec 31, 2004
NON-CURRENT ASSETS			
Oil and gas properties and office equipment		381 684	74 884
Goodwill and computer software		583	-
Deferred tax asset		1 126	1 899
Financial fixed assets		4 214	5 512
		387 607	**82 295**
CURRENT ASSETS	7	38 242	9 457
TOTAL ASSETS		**425 849**	**91 752**
SHAREHOLDERS' EQUITY	9	**174 323**	**70 300**
LONG TERM LIABILITIES			
Interest-bearing long-term liabilities	4	3 311	-
Deferred tax liability	10	38 679	9 167
Provision for site restoration costs		9 762	1 611
		51 752	**10 778**
CURRENT LIABILITIES	4	199 774	10 674
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**425 849**	**91 752**
PLEDGED ASSETS and SHARES	4	175 436	4 172
CONTINGENT LIABILITIES	11	1 878	None

GROUP STATEMENT OF CASH FLOW - Condensed

(Expressed in USD thousands)	Note	Jan 1, 2005 - Dec 31, 2005 12 months	Oct 1, 2003 - Dec 31, 2004 15 months
Cash flow from operations			
Operating result		11 606	23 740
Operating cash flow after adjustments made before changes in working capital	8	**22 040**	**630**
Total cash flow from operations		**11 672**	**7 536**
Total cash flow used for investments	6	**-233 183**	**-25 991**
Total cash flow from financing	8,9	**220 919**	**20 794**
Effect of exchange rate changes on cash and cash equivalents		-870	-14
Change in cash and bank		**-1 462**	**2 325**
Cash and bank at beginning of period		2 645	320
Cash and bank at end of period		**1 183**	**2 645**

GROUP STATEMENT OF EQUITY

(Expressed in USD thousands)	Attributable to equity holders of the parent company							Minority interest	Total equity
	Share capital	Share premium reserve	Unconditional shareholders' contribution	Convertible debenture equity component	Currency translation difference	Retained earnings	Total		
Equity at Sep 30, 2003	**8 045**	**7 540**	**15 000**	**6 992**	**183**	**-28 217**	**9 543**	**869**	**10 412**
Reduction of shares' nominal value	-6 436	6 436	-	-	-	-	-	-	-
Issue through set-off	3 754	14 502	-	-6 152	-	6 152	18 256	-	18 256
Rights Issue	16 089	10 187	-	-	-	-	26 276	-	26 276
Acquisition of minority interest	-	-	-	-	-	-	-	-522	-522
Translation difference for the period	-	-	-	-	-160	-	-160	-	-160
Net result for the period Oct 1, 2003 – Sep 30, 2004	-	-	-	-	-	-2 675	-2 675	-347	-3 022
Equity at Sep 30, 2004	**21 452**	**38 665**	**15 000**	**840**	**23**	**-24 740**	**51 240**	**-**	**51 240**
Correction of the prior year	-	-	-	-	-	-1 510	-1 510	-	-1 510
Translation difference for the period	-	-	-	-	481	-	481	-	481
Net result for the period Oct 1, 2004 – Dec 31, 2004	-	-	-	-	-	20 089	20 089	-	20 089
Equity at Dec 31, 2004	**21 452**	**38 665**	**15 000**	**840**	**504**	**-6 161**	**70 300**	**-**	**70 300**
Rights Issue / Private Placement	18 174	86 178	-	-	-	-	104 352	-	104 352
Convertible debenture equity component (Note 8)	-	-	-	-840	-	-	-840	-	-840
Acquisition of subsidiaries with minority interest	-	-	-	-	-	-	-	313	313
Translation difference for the period	-	-	-	-	1 314	-	1 314	-	1 314
Net result for the period Jan 1, 2005 – Sep 30, 2005	-	-	-	-	-	7 346	7 346	6	7 352
Equity at Sep 30, 2005	**39 626**	**124 843**	**15 000**	**-**	**1 818**	**1 185**	**182 472**	**319**	**182 791**
Translation difference for the period	-	-	-	-	-1 348	-	-1 348	-	-1 348
Net result for the period Oct 1, 2005 – Dec 31, 2005	-	-	-	-	-	-7 115	-7 115	-5	-7 120
Equity at Dec 31, 2005	**39 626**	**124 843**	**15 000**	**-**	**470**	**-5 930**	**174 009**	**314**	**174 323**

KEY FINANCIAL AND OPERATIONAL RATIOS

	Jan 1, 2005 - Dec 31, 2005 12 months	Oct 1, 2003 - Dec 31, 2004 15 months	Oct 1, 2005 - Dec 31, 2005 3 months	Oct 1, 2004 - Dec 31, 2004 3 months
Financial ratios				
EBITDA [1], TUSD	25 727	24 697	8 638	22 558
Return on shareholders' equity [2], %	0%	24%	-4%	29%
Return on capital employed [3], %	4%	48%	-1%	37%
Debt/equity ratio [4], %	106%	10%	107%	10%
Equity ratio [5], %	41%	77%	41%	77%
Risk-bearing capital [6], %	50%	87%	50%	87%
Interest-coverage ratio [7]	1,15	7,05	-0,59	120,03
Weighted average number of shares for the financial period [8,9,10,11]	635 615 586	258 811 520	792 527 312	429 050 500
Weighted average number of shares for the financial period (fully diluted) [8,9,10,11]	635 615 586	333 023 466	792 527 312	429 050 500
Number of shares at financial period end [10,11]	792 527 312	429 050 500	792 527 312	429 050 500
Operational ratios				
Production volume, barrels	2 976 312	1 176 903	1 274 443	434 903
Oil revenue per barrel (sold), USD/barrel	26,38	20,09	26,41	20,24
Export (excl. export duty)	29,57	23,71	27,79	21,25
Domestic	24,00	16,97	25,16	19,65
Operating costs per barrel produced, USD/barrel	17,62	11,87	21,25	10,81
Production Costs (excl. refining costs)	3,99	6,13	3,95	4,68
Production Taxes	8,91	4,60	9,13	4,96
Depletion, depreciation and amortisation	4,72	1,14	8,17	1,17

Key ratio definitions

1. Earnings before interest, tax, depreciation and amortisation is defined as the Group's net result plus depletion, depreciation and amortisation.
2. Return on shareholders' equity is defined as the Group's net result divided by the shareholders' equity at the end of the financial period.
3. Return on capital employed is defined as the Group's net result after financial items, plus interest expenses, plus/minus exchange-rate differences on financial loans, divided by average total capital employed (the average total assets less non-interest bearing liabilities over the financial period).
4. Debt/equity ratio is defined as the Group's interest-bearing liabilities in relation to shareholders' equity.
5. Equity ratio is defined as the Group's shareholders' equity, plus minority interest, in relation to total assets.
6. The percentage of risk-bearing capital is defined as the total sum of shareholders' equity and deferred tax liabilities (including minority interest), divided by total assets.
7. Interest-coverage ratio is defined as the Group's net result after financial items, plus interest expenses, plus/minus exchange-rate differences on financial loans, divided by interest expenses.
8. Two issues of convertible debentures were completed in late May 2002. The conversion price was SEK 6.70 per convertible debenture. The term of the convertible debentures was 3 years and matured on May 31, 2005. On February 17, 2004 by way of the Issue Through Set-off SEK 150,165,272 of convertible debentures were converted into 75,082,636 shares at the conversion price of SEK 2 after which the number of shares increased to 107,262,625. After the conversion of the outstanding convertible debentures the number of shares would increase by 1,367,312. The conversion price of SEK 6.70 was higher than the average market price of the share over the financial period. Therefore, the non-converted part of the convertible debentures did not have an effect on the average number of shares when calculated on a fully diluted basis. The non-converted part of the convertible debentures was redeemed on May 31, 2005.
9. On March 26, 2004 the Group completed the preferential right issue to existing shareholders and debenture holders after which the number of shares increased by 321,787,875 from 107,262,626 to 429,050,500.
10. On April 27, 2005 the Group completed the preferential right issue to existing shareholders after which the number of shares increased by 257,430,300 from 429,050,500 to 686,480,800.
11. On September 14, 2005 the Group completed the private share placement after which the number of shares increased by 106,046,512 from 686,480,800 to 792,527,312.

NOTES

Note 1 Accounting principles

This consolidated report is prepared in accordance with IAS 34. Several International Financial Reporting Standards (IFRS) were subject to changes as of January 1, 2005. The amended IFRS have not had any significant impact on the profit or loss and financial position of West Siberian Resources Limited.

Note 2 Earnings per share

The earnings per share have been calculated by dividing the net result by the weighted average number of shares for the financial period. No dilutive potential ordinary shares exist as of December 31, 2005 and December 31, 2004.

Note 3 Segment information

In 2005 West Siberian Resources Ltd produces crude oil and oil products. As a consequence, there are two business segments. Management still review and evaluate the business on a geographical basis as a result two secondary segments are identified. Sale of crude oil and oil products to Russia are categorised as domestic and sale of crude oil to countries outside Russia is categorised as export. During the quarter ended December 31, 2005 there were no sale of oil products to countries outside Russia.

	Crude oil		Re-sale of purchased crude oil	Oil products	Group
	Export	Russia		Russia	
12 months ended December 31, 2005					
Segment revenue	34 449	37 404	1 691	4 857	78 401
Segment result	7 048	9 231	502	622	17 403
15 months ended December 31, 2004					
Segment revenue	12 095	10 024	-	-	22 119
Segment result	3 711	2 592	-	-	6 303

	Crude oil		Re-sale of purchased crude oil	Oil products	Group
	Export	Russia		Russia	
Quarter ended December 31, 2005					
Segment revenue	15 435	15 291	559	1 752	33 037
Segment result	150	1 637	6	150	1 943
Quarter ended December 31, 2004					
Segment revenue	3 043	4 783	-	-	7 826
Segment result	839	2 024	-	-	2 863

Note 4 Loans and pledged assets

WSR Group short-term and long-term bank loans and related pledged assets are presented in the table below. MUSD 20 loan from BNP Paribas and MUSD 40 loan from VEB are classified as short-term as they have been repaid on February 28, 2006.

Borrower	Creditor	Denominated in	Outstanding amount	Maturity	Interest rate	Pledged assets		
						Amount of pledge, TUSD	Description of pledged assets	Location of pledged assets
Long-term loans								
Khvoinoye	Grand Invest Bank, Moscow	RUR	2 779	08.06.2007	14.5%	1 614	Producing well No 4	Khvoinoye oil field, Alexandrovsky district, Tomsk region
Subtotal			**2 779**			**1 614**		

Borrower	Creditor	Denominated in	Outstanding amount	Maturity	Interest rate	Pledged assets		
						Amount of pledge, TUSD	**Description of pledged assets**	**Location of pledged assets**
Short-term loans								
Alexandrov Refinery	Uralsib Bank (Tomsk branch)	RUR	695	07.07.2006	14.5%	1 249	Refining properties and equipment	Tomsk Region, Alexandrovsky district
Pechoraneft	International Moscow Bank, Moscow	USD	10 000	28.02.2006	4.4%+LIBOR	10 000	17,18% of shares of Pechoraneft owned by Nikol	Central Moscow Depositary, Russia
						750	Crude oil in stock	Middle - Khariaga oil field, Timano-Pechora region, Russia
						1 367	Oil and gas equipment	
Pechoraneft	Vneshekonombank, Moscow	USD	17 000	28.02.2006	9.5%	33 946	26% of shares of Pechoraneft; guarantees of Petro-Russo (AER) Holdings Company Ltd, NBNK and Khariaga LLC	Central Moscow Depositary, Russia
Pechoraneft	Vneshekonombank, Moscow	USD	23 000	28.02.2006	9,50%	26 112	20% of shares of Pechoraneft; guarantees of Petro-Russo (AER) Holdings Company Ltd	Central Moscow Depositary, Russia
						8 982	Terminal "Khariaga" including measuring unit, pipeline connecting Middle-Khariaga and trunk pipeline of Transneft, producing wells 28, 141, 142, rights under land rent agreement	Middle - Khariaga oil field, Timano-Pechora region, Russia
VTK	BNP PARIBAS SA	USD	20 000	28.02.2006	4.75% + LIBOR	24 416	Pipeline connecting Middle-Nyurola oil field and Transneft pipeline, producing wells Nos. 45, 41, G-1, G-2, G-3, 125, 130, 131, 129, 128, 136, 127; export revenue assignment, export obligations at minimum of 7,000 tons of crude oil per month; guarantees of West Siberian Resources Ltd and Vostok Oil (Cyprus) Ltd	Middle-Nyurola oil field, Tomsk region, Russia
West Siberian Resources Ltd	BNP Paribas	USD	100 000	16.09.2006	9.0%+LIBOR	67 000	100% of shares of Vostok Oil (Cyprus) Ltd, VTK, Khvoinoye, Nikol and Pechoraneft, Nikol Share Purchase Agreement Assignment, Pechoraneft export revenue assignment, export obligations at minimum of 7,000 tons of crude oil per month, Pechoraneft and VTK Guarantee	Moscow Depository "R.O.S.T."
Subtotal			**170 695**			**173 822**		
TOTAL			**173 474**			**175 436**		

Note 5 Depletion and depreciation

In the income statement line “Depletion and depreciation” the depletion charge for oil and gas properties was included amounting to TUSD 10,407 for the quarter and TUSD 14,036 for the financial year ended December 31, 2005. WSR has commissioned DeGolyer and MacNaughton (D&M) for the company’s first ever Society of Petroleum Engineers (SPE) classification of recoverable reserves. From the fourth quarter 2005, WSR calculate depletion charges based on D&M’s estimates of reserves and future capital expenditures. As D&Ms projected capital expenditures significantly exceed WSRs internally planned investments for coming years and WSR expects to recover additional reserves, the oil and gas properties are depleted at a higher rate than may be the case in coming years.

Note 6 Acquisitions

The details of acquisitions of subsidiaries of the Group during the financial year are presented in the table below:

	Khvoinoe	**Alexandrov Refinery**	**Pechoraneft**	**NBNK**
Date of acquisition	January 1, 2005	January 1, 2005	September 1, 2005	September 1, 2005
Percentage of share capital acquired	100,00%	100,00%	99,73%	100,00%
Oil and gas properties	11 394	-	192 366	5 942
Refining properties	-	819	-	-
Office equipment	-	17	744	10
Deferred tax asset	-	-	-	96
Financial fixed assets	-	-	14 088	962
Inventories	48	94	1 475	141
Trade and other accounts receivable	310	146	19 377	165
Cash and cash equivalents	5	2	1 796	39
Long-term borrowings	-	-	(39 083)	-
Provision for site restoration costs	(42)	-	(5 294)	-
Deferred tax liability	(2 499)	(26)	(28 952)	-
Other long-term liabilities	-	-	(1 232)	-
Short-term borrowings and current-portion of long-term borrowings	-	(4)	(11 771)	(1 189)
Trade payables	(1 069)	(162)	(12 735)	(1 030)
Accrued expenses	(96)	(156)	(4 217)	(8)
Other current liabilities	(1)	(2)	(11 259)	(2)
Net assets at acquisition date	**8 050**	**728**	**115 304**	**5 124**
Minority interest	-	-	312	-
Net assets acquired	**8050**	**728**	**114 992**	**5 124**
Consideration	8 050	1 050	115 170	5 124
Goodwill	-	(322)	(178)	-
Cash paid by the Company	8 050	1 050	115 170	5 124
Less cash of acquired subsidiary	(5)	(2)	(1 796)	(39)
Cash flow on acquisition, net of cash acquired	**8 045**	**1 048**	**113 374**	**5 085**
Profit (loss) since the acquisition date	(1 153)	168	383	(53)
Revenue for 12 months 2005 as though the acquisition had been January 1, 2005	4 754	6 467	67 078	-
Profit (loss) for 12 months 2005 as though the acquisition had been January 1, 2005	(1 153)	168	4 082	(53)

In November 2005 the licenses for two fields in the Timano-Pechora region of Russia were granted to WSR through Khvoinoye. The total consideration for the licenses amounts to MUSD 67 paid in December 2005.

Note 7 Restricted cash

WSR opened a Reserve Account with BNP Paribas the balance on which starting from July 2005 served as a security for interest and principal payments of each following interest period in accordance with BNP Paribas MUSD 20 credit facility. As of December 31, 2005 the balance on the Reserve Account amounted to TUSD 151 and was included in the balances sheet line “Current Assets”. Upon the repayment of MUSD 20 loan to BNP Paribas the restricted cash will be released.

Note 8 Convertible debentures

On May 31, 2005 the convertible debentures principal of TUSD 2,851 and interest accrued of TUSD 264 were fully repaid and included in the cash flow statement lines “Total cash flow from financing” and “Operating cash flow after adjustments made before changes in working capital”.

Note 9 Rights issue/private placement proceeds

On April 27, 2005 the equity offering was completed with preferential rights for shareholders. The rights issue proceeds of TUSD 47,389 net of right issue costs is included in the cash flow statement line “Total cash flow from financing”.

On September 14, 2005 the share private placement was completed with total proceeds of TUSD 60,000. The amount of TUSD 56,962 net of placement costs was included in the cash flow statement line “Total cash flow from financing”.

Note 10 Tax

For the twelve months ended December 31, 2005 the deferred tax liability increased from TUSD 9,167 to TUSD 38,679 due to consolidation of Pechoraneft and related increase of oil and gas properties.

For twelve months ended December 31, 2005 the current tax expense amounted to TUSD 1,865 and deferred tax income amounted to TUSD 1,054.

Note 11 Contingent liability

On December 26, 2005 Administration of the Nenetsk Autonomous Area ("Nenetsk") brought a claim to the Arbitrazh court of the Arkhangeslk Region requiring Pechoraneft to repay an amount of USD 1,878,200. Nenetsk alleges Pechoraneft owes it this amount under the Agreement on Social-Economic Cooperation dated 26 October 2001 between Nenetsk and Pechoraneft pursuant to the conditions of the licensing agreement related to the licence granted to Pechoraneft. According to these arrangements, Pechoraneft was obliged to USD 1,000,000 to the special-purpose budget fund of the Nenetsk Autonomous Area and pay USD 3.5 from each tonne of oil produced starting from the first quarter of 2002. However, when the relevant licence was re-issued to Pechoraneft, the licensing agreement did not provide for such obligation. WSR took a position that the obligations under the previous arrangement were no longer valid.

Pechoraneft has not yet received any documents initiating proceedings and, as a result, the status of the claim remains unclear. At this stage, Pechoraneft has not received any indications that Nenetsk will claim that these payments will be required on an ongoing basis. If they do, Pechoraneft may be required to make payments of USD 3.5 per tonne (USD 0.47 per barrel) of relevant oil produced on an ongoing basis.

Note 12 Subsequent events

In February 2006, the acquisition of ZAO “Saneco”, an oil producing company in the Volga-Ural region of Russia, was completed. In accordance with share purchase agreement the total purchase price of MUSD 140 should be paid by USD 70 million in cash (including assumption of debt if any) and USD 70 million in West Siberian shares valued at SEK 4.74 per share. 116 500 000 shares, representing 10.6%, were issued to Saneco’s shareholders.

In February 2006 a private placement of common shares raising SEK 1,254,408,940 (MUSD 162.40 before placement costs) was completed. Institutional investors subscribed for 80,097,268 new shares/depositary receipts with a subscription price of SEK 7.25. 109,902,732 shares were issued to Repsol YPF at SEK 6.13 (10% of enlarged share capital). The net proceeds after placement costs amounted to SEK 1,184,389,286 (MUSD 153.34).

Next report due

The next financial report for the first quarter from January 1, 2006 to March 31, 2006 will be published on May 31, 2006. The annual report will be sent to registered shareholders in April 2006. The Annual General Meeting will be held in Stockholm, Sweden, in May 2006.

February 28, 2006

West Siberian Resources Limited
The Board of Directors

The financial information relating to the fourth quarter has not been subject to review by the auditors of the company.

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