THE BOARD OF DIRECTORS' ANNUAL REPORT 2005

HISTORY

The original company Pertra was established by Petroleum Geo-Services ASA (PGS) in 2002 as a direct follow-up of White Paper 39 (1999-2000), which created an opening for new participants on the Norwegian Shelf. Pertra purchased 70 % of the Varg Field, then in the process of being shut down, and assumed the operatorship 1 August 2002. Daily production from Varg was doubled, and an additional reserve of 40 million barrels was discovered and included in the Varg Field. PGS sold Pertra to Talisman Energy UK Ltd., the effective date being 1 January 2005. The management of Pertra established a new oil company on 11 February 2005 and re-purchased from Talisman the name Pertra, physical onshore property, procedures, computer equipment, and license interests in five licenses, the effective date also here 1 January 2005. The authorities approved the license share transfers from Talisman to Pertra on 29 April 2005. In connection with the start-up, Pertra became the operator for one exploration license. 16 of the 19 who were employed by Pertra when the company was purchased by Talisman in January 2005 continued in the new Pertra. At the turn of the year, Pertra had 19 employees.

Ownership

In 2005, Pertra raised NOK 213.8 million in new equity from Norwegian and international investors. Petro Midt-Norge AS and Pertra Management are the two major shareholders with respectively 40 % and 32 % owner's shares as of 31.12.2005. Pertra Management AS and Petro Midt-Norge AS have submitted notification regarding the dissolution of the companies to the Brønnøysund Register Centre. The actual dissolution will take place in April 2006, approximately. The purpose of the dissolution is to provide the owners of these holding companies with direct ownership in Pertra. This will in itself increase the liquidity of Pertra's shares, but is primarily a step in the process of listing Pertra on the stock exchange.

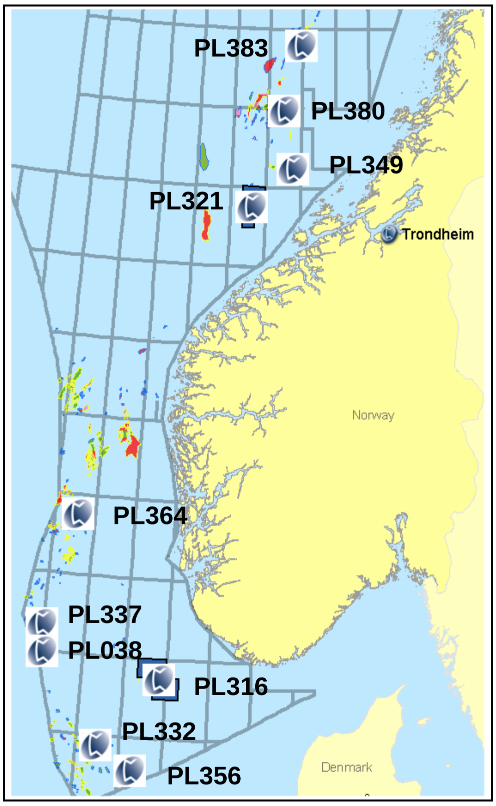
Area of Activity

The company's activities consist of petroleum production and activities related to this and by means of share subscription or otherwise participate in such or other activities independently or in cooperation with other enterprises and stakeholders. The company's main offices are located in Trondheim.

Portfolio

The company has license interests in a total of 10 licenses. The license interests vary from 5 % to 70 %. Pertra is the operator for a total of four licenses.

Pertra owns a 5 % share of one producing field (Varg in PL 038). Pertra owns shares in two licenses where work aimed at submitting a PDO (Plan for Development and Operation) has been initiated, PL 316 – where the Yme Field is located, and PL 364 - comprising the Frøy Field. Three discoveries in PL 332 are expected to be of commercial interest provided that additional resources in the area are discovered. Of the total number of 36 mapped prospects not yet drilled in our licenses, plans for drilling have been made for only one prospect. It is expected that the decision to drill one additional prospect in a Pertra-operated license will be made during 2006. The decision to drill further two prospects in partner-operated licenses may be made in 2006.



Pertra's license shares are all located in well-known petroleum provinces in the Norwegian sector of the North Sea and the Norwegian Sea. Four licenses are in the Norwegian Sea, and six in the North Sea. The operatorships are equally distributed, with two in each area.

License	**Share**
PL 038	5 %
PL 316	10 %
PL 321 (O)	40 %
PL 332	20 %
PL 337 (O)	35 %
PL 349	5 %
PL 356	50 %
PL 364 (O)	50 %
PL 380 (O)	70 %
PL 383	50 %

The work program for these licenses requires that geophysical evaluations be made within two to three years, resulting in a decision to drill an exploration well or relinquish the production license to the authorities.

The company's comprehensive activities in 2005 constituted the basis for the development of resources. Remaining proven developed reserves, estimated in accordance with guidelines issued by SEC (Securities and Exchange Commission in the U.S.) on the Varg Field (the entire field, of which the company owns 5 %) as of 31.12.2005 amounted to 5.7 million barrels (0.9 million Sm^3). The company's estimate for reserves in the Varg Field are higher than this, and the company's 5 % share of this estimate is discussed in the chapter "Oil Resources and Reserves" in the form of million barrels.

Exploration and Development Activities

The company participated in three development wells on Varg in 2005. In addition, Pertra participated in one exploration well in PL 316 (Aimee) in 2005. In 2006 one additional production well on Varg is scheduled to be drilled, which may prolong the production from the field somewhat.

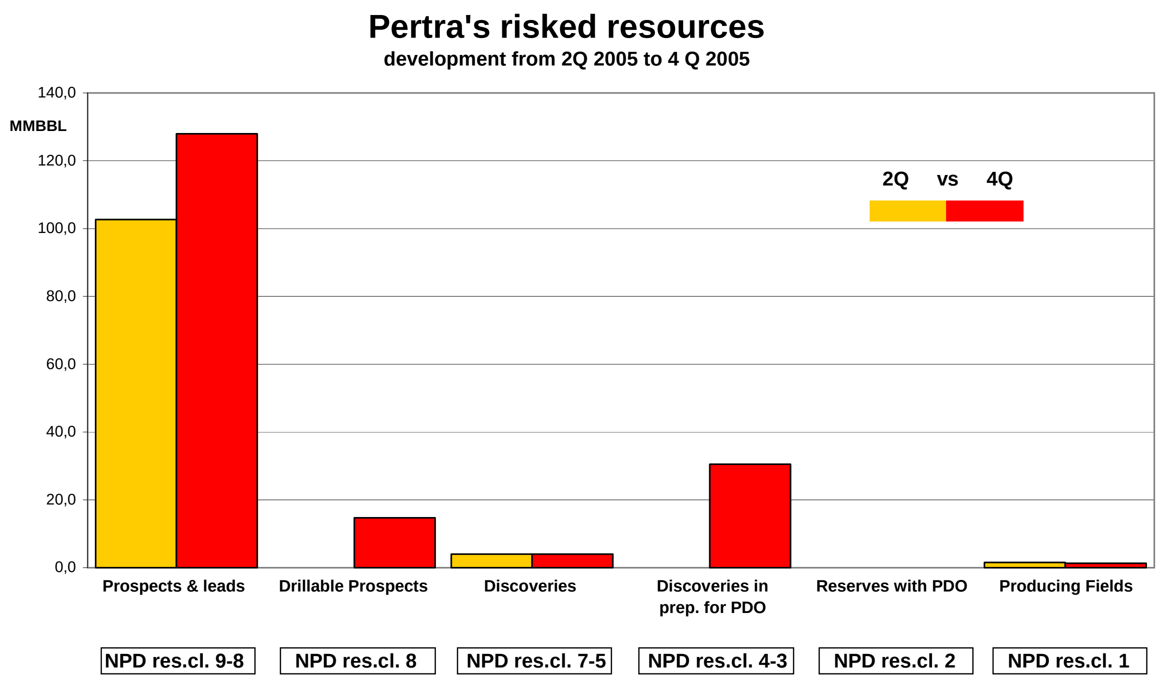
Oil Resources and Reserves

At 1 January 2005 Pertra had no license interests; the entire portfolio has consequently been established during a period of less than one year. Pertra's risked resources have been estimated at 190 million barrels as compared to 110 million barrels as of Q2. The APA (Awards in Predefined Areas) Awards in December 2005 resulted in an increase of 72 million barrels risked resources in the form of prospects and discoveries.

We find it appropriate to divide the prospects into six resource classes. cf. the table below, which also relates Pertra's resources and reserves in accordance with the NPD's resource classifications.

Pertra's share of resources under assessment constitutes 31 million barrels in Yme and Frøy.

Pertra has 1.3 million barrels reserves in production on the Varg Field, as compared to 1.5 million after Q3. The decrease is caused by production during the period and correction following third-party verification of reserves.



Graph indicating how Pertra in one year has established a significant portfolio and during Q4 matured resources toward production. Resource classifications are based on NPD's definitions. The resource estimate as of Q4 2005 is compared to the estimate as of Q2 2005.

Health, Safety and Environment

It is Pertra's objective that all operations shall be carried out with zero damage to people or to the environment. Safety for people, the environment, and financial values is an integrated part of the company's management systems. This is to be achieved by means of systematic work with regard to follow-up as well as maintaining a sharp focus on continuous improvement processes. Registration, reporting, and assessment of causal relations and potential consequences constitute a vital part of the work.

In 2005, Pertra has received good feedback with regard to its HSE work after audits carried out by the Petroleum Safety Authority Norway (PSA). The company received no orders or notifications of orders during 2005.

Equal Opportunities

It is Pertra's objective that the company shall constitute a workplace with equal gender opportunities. In its procedures, the company has incorporated that there shall be no gender discrimination with regard to salary, promotion, or recruitment. The company has traditionally recruited from working environments where the number of men and women is unequally represented.

Of the company's 19 employees, eight are women. As of 31.12 there were one woman and seven men on the Board of Directors. After the turn of the year this composition has been altered to two women and six men.

Working time arrangements in the company are in accordance with terms for the various positions and independent of the employee's gender.

Working Environment

The company maintained a high level of activity in 2005, and the working environment is considered to be good. Improvement measures are continuously being implemented. At the end of the year, the company had 19 permanent employees, corresponding to a total of 15.6 man-labor years. A total of 24 sick days, or 0.9 %, were registered in 2005.

No serious occupational injuries or accidents, resulting in bodily injuries or material damage, have been registered during the year.

The company's personnel safety representative has participated in the planning and design of the new office premises.

In 2005, no injuries or accidents were registered among the company's employees.

The Environment

Pertra is not an operator for producing fields. For environmental data for the Varg Field, including emissions to air and discharges to sea as well as the use of chemicals, we refer to the environmental data reported by the operator Talisman Production Norge AS to the Petroleum Safety Authority

Norway (PSA), the Norwegian Petroleum Directorate (NPD), and the Norwegian Pollution Control Authority.

FINANCIAL STATEMENT 2005

Effective as of 01.01.2006, Pertra has been transformed into a public limited company (ASA). The company's 2005 Financial Statement Report has been formally submitted in accordance with the regulations stated by the Limited Liability Companies Act.

To the best of its knowledge, the Board is not aware of any significant conditions that may impact the evaluation of the company's standing as of 31 December 2005 or the 2005 annual result, beyond that which has been disclosed in the above and otherwise in the Financial Statement.

Profit / (Loss)

It is the Board's opinion that the Financial Statement provides a true representation of Pertra's assets and liabilities, financial position, and result.

The company's total turnover for 2005 amounted to NOK 94.4 million.

The crude oil was sold CIF for an average price of 377.7 NOK/barrel (NOK 2,377/Sm^3). The average price is relatively high, and exceeds our expectations. The company continuously assesses the need for limiting the risk of oil price fluctuations. The company's currency exposure is reduced by the fact that the majority of both production costs and petroleum revenue are in USD. As of yet, it has not been deemed necessary to hedge currency risk.

Pertra incurred a net operating loss amounting to NOK 129 million in 2005. Extensive exploration costs being charged as expenses, including an exploration well in PL 316 (Aimee), has adversely affected the result.

Taxable income due to exploration costs has been estimated at NOK 82 million. The net loss for 2005 was NOK 42 million.

Balance Sheet and Liquidity

At 31.12.2005 the company had a positive equity of NOK 171 million. The company has no retained earnings.

At the end of the year, the company had a short-term bank overdraft. No long-term debts have been established.

Allowance for plug and abandonment obligations are NOK 10 million at the end of the year.

Cash Flow

Cash flow from operating activities for 2005 amounted to NOK – 53.8 million. As of 31.12.2005, cash and cash equivalents amounted to NOK 106 million.

Production

The company's total share of the production from Varg equaled 39,373 Sm^3 crude oil. The company's share of non-allocated inventory 31.12 amounted to 2,894 Sm^3.

Financial Risk

Market Risk
The company is exposed to fluctuations in oil prices and exchange rates, as the company's revenue is generated in foreign currency. The company has not entered into forward contracts or other agreements aimed at reducing the company's oil price and currency risk and thus the market risk of operating activities.

Credit Risk
The risk of counter parties not having the financial ability required to fulfill their contractual obligations is considered low, as there historically have been no losses on accounts receivable.

Liquidity Risk
The company considers its liquidity as good. No decisions have been taken that would change the liquidity risk. Deadlines for accounts receivable are maintained.

Annual Result and Allocations

The Board proposes that the loss for Pertra be allocated as follows: NOK –0.857 million to be transferred from other paid-in equity, and NOK -41.346 million to be transferred from the share premium reserve.

Continued Operation

In accordance with the Norwegian Accounting Act § 3-3a it is confirmed that the assumptions for continued operation are present. The company has sufficient liquidity from completed share issues and existing production to implement the obligations and investment programs approved for 2006 in the various licenses. The Board recognizes considerable long-term opportunities for increase of reserves and non-developed resources in the various licenses where Pertra has license interests. However, this will require further supply of capital, and the company is currently making preparations for an initial public offering as a step in the process of securing additional financing.

Future Prospects

Pertra's share of production on Varg is expected to amount to approximately 1,200 barrels per day in 2006. It is anticipated that there will be a gradual decline of production on Varg in the years to come. The production on Varg may continue until 2011-12, depending on oil prices and access to production capacity.

The Company’s prospects the next two years are to a significant degree related to the development of the Yme Field (PL 316) and the Frøy Field (PL 364). Work aimed at completing a Plan for Development and Operation (PDO) for Yme by 2006 and for Frøy by 2007 is ongoing. A successful development process may result in production from these two fields in 2008-2009 and onward.

It is Pertra’s ambition to participate in six to ten exploration wells by the end of 2008. To secure capacity in Pertra-operated licenses, Pertra has entered into an agreement with Maersk Contractors regarding the lease of ”Mærsk Giant” for a well in 2007. Pertra, in cooperation with several other operators, has also signed an agreement with Fred Olsen Energy regarding the lease of ”Bredford Dolphin” for three years from the fall of 2006. No exploration wells have been planned for the Company’s operator licenses in 2006. For the time being, two exploration wells have been planned for 2007.

The Government has recently announced the APA (Awards in Predefined Areas) 2006, with a total of 192 blocks. Pertra will instigate work aimed at obtaining awards in APA 2006.

The company’s financials may be subjected to major variations due to oil price fluctuations, produced volumes, development costs, and exploration activities. The value of the company’s risked reserves and resources will correlate with the above-mentioned factors.

The Board would like to emphasize that there is considerable uncertainty associated with assessments of future conditions.

The Board of Pertra ASA

Trondheim, 7 April 2006

Kaare M Gisvold, Chairman	Svein Sivertsen, Board Member
Ivar Aarseth, Board Member	Halfdan Carstens, Board Member
Kjetil Grønskag, Board Member	Marit Arnstad, Board Member
Eva Henderson Kristensen, Board Member	Anton E. Tronstad, Board Member
Erik Haugane, CEO	