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Photo: Erik Haugane

You know, being an "oil midge" has its advantages. For one thing, our size means we get to go places that escape the interest of others. For despite the 'big guys' realizing small discoveries have a certain value, we are the ones capable of harvesting their potential. The oil midge has no need for headline-grabbing discoveries. For us, small is synonymous with intrinsic values.

Continuing along that line of thought we have traveled around in the area that is Pertra's natural habitat, Mid-Norway. We have sought after – and found – many gems that are possibly easy to overlook when the grandeur of the surroundings otherwise leaves you reeling with so many stunning impressions. So, welcome to viewing this Norwegian region as only an oil midge can!

Seeing the world from an oil midge's perspective

Highlights 2006

Pertra listed on Oslo Stock Exchange

Subsequent to a successful private placement in the amount of NOK 600 million and a retail offering of NOK 50 million, Pertra was listed on Oslo Stock Exchange 10 November 2006.

Award of new licenses

Following the APA 2006 awards announced 29 January 2007, Pertra is now the operator of seven licenses. Pertra was awarded all three licenses the company had applied for. Four of the seven operator licenses are located in the North Sea, and three in the Norwegian Sea. The Ministry of Petroleum and Energy (MPE) has announced that additional licenses may be offered, and Pertra expects to be awarded a license interest in one of these.

Substantial staff increase

At the end of 2006 the number of employees was 29, corresponding to an increase of approximately 50% compared to the beginning of the year (19 employees).

Production

Production from the Varg Field decreased significantly in Q1 2006 as compared to 2005 due to problems with certain production wells. Following the successful conversion of a water injection well to a production well and the drilling of a sidetrack to a production well, the above-mentioned wells were put in production in September and November, respectively. The total production in 2006 was 272 762 barrels (Pertra's share). The level of production has since November 2006 been somewhat higher than the average level for 2006.

PDO (Plan for Development and Operation) submitted for the Yme Field

Plan for Development and Operation (PDO) for the Yme Field was submitted to the authorities 9 January 2007. Talisman is operator (70%), and license partners are Revus Energy (20%) and Pertra (10%).

New exploration wells

Pertra entered into an agreement with Aker Exploration AS regarding the sale of a 15% license interest in PL 321 in exchange for Aker Exploration providing rig capacity and covering the costs of two exploration wells for Pertra.

Pertra initiator of rig consortium

Pertra, in cooperation with DNO and Revus, initiated the establishment of a rig consortium consisting of a total of seven companies in connection with a rig contract with Dolphin AS. Pertra's quota consists of two fixed wells and two optional wells.

Key Figures

	2006	2005
No. of license interests at 31.12 *	9	10
Total license acreage, Pertra's share, as of 31.12 *	1,663 km^2	1,685 km^2
Production per day	747 barrels	1,158 barrels **
P50 reserves at 31.12 *	7.0 mill. barrels	1.3 mill. barrels
Risked resources at 31.12 *	234 mill. barrels	190 mill. barrels
Operating revenues	NOK 118 mill.	NOK 94 mill.
Operating profit /(loss) before depreciation and provisions for plugging and abandonment	NOK (117) mill.	NOK (99) mill.
Operating profit /(loss)	NOK (146) mill.	NOK (129) mill.
Income /(loss) before taxes	NOK (143) mill.	NOK (127) mill.
Net income /(loss)	NOK (35) mill.	NOK (42) mill.
Exploration costs	NOK 186 mill.	NOK 166 mill.
Investments	NOK 70 mill.	NOK 67 mill.
Cash flow from operations	NOK (85) mill.	NOK (54) mill.
Booked equity	NOK 787 mill.	NOK 171 mill.
No. of shares at 31.12	26,510,650	15,565,650 ***
Par value per share at 31.12	NOK 0.20	NOK 0.20 ***
Share price at 31.12.06	NOK 65	n.a.
No. of employees at 31.12	29	19

*	No. of license interests at 31.01.2007 (after APA 2006)	12
	Total license acreage at 31.01.2007 (after APA)	2,267 km^2
	P50 reserves as of 31.01.2007 (after APA 2006)	7.0 mill. barrels
	Risked resources at 31.01.2007 (after APA 2006)	260 mill. barrels ****

** 01.06.05 - 31.12.05
*** Adjusted for split 27.02.2006
**** After farm-out of 15% in PL 321

In Røros there lies a desert…

Well alright, that's stretching the truth just a tad to call Kvitsand at Røros a real desert, but otherwise it has all the other necessary attributes. The area is covered in sand that is never quite at a standstill. Winds move the sand around to produce the appearance of a typical desert, or flying sands as it is more commonly known. The wind also sorts the sand so the fine-grained sand is separated from coarse sand and stones. The desert is not particularly big; we are talking about less than a square kilometer, but this tiny area is protected by Norwegian conservation laws due to its unique characteristics.

In the midst of gentle mountain plateaus in Røros Municipality we find a desert in miniature.
Photo: Synne Klausen

Pertra on the Fast Track

We have increased our ambitions compared to those established two years ago. Pertra has not merely delivered a stronger performance than we anticipated; the development on the Norwegian Shelf has provided us with more opportunities of growth than we predicted two and also five years ago. Pertra is already one of the largest Norwegian operating companies, and subsequent to the merger between Statoil and Hydro's Oil & Gas Division we will emerge as the third largest, surpassed only by StatoilHydro and DNO. Pertra's level of ambition on the Norwegian Shelf ought to secure us the position as the second largest Norwegian operating company within few years.

Both Pertra and DNO are scheduled to drill their first exploration wells on the Norwegian Shelf during 2007. With the exception of Pertra's drilling operations in 2003 and 2004, this will be the very first time a Norwegian oil company other than Statoil/Hydro/Saga drills on the Norwegian Shelf. The announced international priorities of the new StatoilHydro are likely to result in a lower level of exploration activities by the new company than the sum of Statoil's, Hydro's, and Saga's individual engagement. This occurs at a time when the level of exploration on the Norwegian Shelf must escalate. The future oil reserves of Norway calls for more extensive exploration activities than what has been the case during the last 15 years.

> "The added value has already started to materialize

Pertra aims to respond to and provide one of the answers to the authorities' stated ambition of discovering additional petroleum reserves on the Norwegian Shelf, thus sustaining an oil production of more than two million barrels/day also after 2010. Since the authorities facilitated the emergence of new licensees in 2000, a total of 40 new oil companies have entered the Norwegian Shelf, among these as many as 18 only after 2005. 11 of these companies are Norwegian. However, out of a total of 24 new operating companies, no more than four are Norwegian. This demonstrates that the initiative launched by the authorities has been a success. Now, the challenge for these companies is to demonstrate that they are able to create value for the Norwegian society and deliver returns for their owners.

The added value has already started to materialize. The Varg Field, operated by Pertra from August 2002 to May 2005 and currently by Talisman, will by 2007 have doubled the accumulated production stipulated when the field was initially planned shut down. Yme is the first field where a Plan for Development and Production (PDO) has been initiated solely by newcomers. This field, operated by Talisman with license partners Revus and Pertra, has set an example. On the Norwegian Shelf, Yme constitutes the first reopening of a field previously shut down and abandoned. In cooperation with partner Premier Oil, Pertra is currently in the process of concluding a plan for the reopening of the Frøy Field.

However, there is no abundance of candidates for reopening. Pertra aims to deliver a significant contribution to value creation by exploring and identifying oil reserves not yet discovered. Our major concern is neither the availability of competent manpower nor the costs inherent in the industry, but rather access to an adequate amount of exploration acreage. 80 – 90% of the acreage in the mature petroleum provinces in both the North Sea and the Norwegian Sea has been blocked by licenses awarded at a time when license periods were 30 years or more. It is precisely in these areas that we expect to discover many of the smaller oil fields. The State, as ground owner, should cease to exert patience with the licensees of the old licenses where no definite drilling or development plans are yet in place.

Photo: Jørn Adde

Based on our soon-to-be 40 well-qualified, competent, and dedicated employees, seven operatorships, and sound growth strategy, Pertra is well positioned for making substantial headway as Norway's second largest operating company. In 20 years, however, the main portion of Norwegian oil production will still originate from the large well-known fields, and these will in all likelihood still be operated by StatoilHydro and other major operating companies. The lion's share of all new projects, nevertheless, will be managed by operating companies that emerged in Norway during this millennium – among whom Pertra will stand out as a key player.

Erik Haugane, CEO

Kårvatn waters: purest in all of Europe

When you arrive in Kårvatn, it's a good idea to be thirsty, as this is where you will find Europe's purest water! In fact the landscape here is considered to be among the least polluted areas of the world.

The water is so clean that research scientists who work with pollution use samples from here as the datum point for other measurements. But make sure you don't litter here; only a tiny scrap of rubbish may have an effect on the measurements!

Kårvatn in Trollheimen can boast Europe's purest water – good health in every single drop.
Photo: Gudmund Kårvatn

Halfdan Carstens,
Board Member

Kjetil Grønskag,
Board Member

Anton Tronstad,
Board Member

Eva Henderson Kristensen,
Board Member

Svein Sivertsen,
Board Member

Ivar Aarseth,
Board Member

Kaare Moursund Gisvold,
Chairman

Photo: Jørn Adde

Board and Management

Board	No. of shares as of 31.12.2006 *)
Kaare M. Gisvold	443 635
Svein Sivertsen	17 500
Ivar Aarseth	11 000
Halfdan Carstens	10 000
Kjetil Grønskag	109 460
Eva Henderson Kristensen	0
Anton Tronstad	756 040

Company Management	No. of shares as of 31.12.2006 *)
Erik Haugane, CEO	1 259 282
Stein Fines, VP Technology & HSE	689 315
Anton Tronstad, VP Drilling/Well Op.	756 040
Tom Bugge, Exploration Manager	757 130
Paul Hjelm-Hansen, CFO	237 521
Sigmund Hanslien, Portfolio Manager	55 200

*) Owned directly and indirectly through other companies

There have been two changes in the composition of the Board in 2006. Paul Hjelm-Hansen resigned when he accepted the position as Chief Financial Officer (CFO) in Pertra.
Hjelm-Hansen was replaced by Eva Henderson Kristensen.

Board

Kaare Moursund Gisvold (born 1943)
Chairman of the Board

Mr. Gisvold is an independent investor and advisor. He holds a Master of Science and PhD in naval architecture/ marine technology from NTNU, Trondheim. Responsible for establishing and commissioning MARINTEK laboratories. He was one of the founders of Pertra and for 20 years the CEO/President of Petrojarl ASA (Golar-Nor Offshore AS /PGS Production AS). He was the first chairman of Pertra in 2001. Several board memberships including Boa Offshore, Aker Marine Contractors, Corrocean. Mr. Gisvold is a Norwegian citizen with residence in Trondheim, Norway. Mr. Gisvold has been on the board of Pertra since 2005. Mr. Gisvold's term expires at the Annual General Meeting in 2007.

On the wing in mid-Norwegian rain forest

There's an air of bewitchment and adventure lurking in the woods. Damp and luxuriant with spongy mosses and ferns. A goshawk glides silently over the treetops. You have found yourself in the midst of a temperate rain forest.

There are only five places in the world with coastal rain forest, and one of these is along the coast of Mid-Norway. Coastal rain forest is among the world's rarest type of forest. Humid and moist all year round, even in the driest of summers.

Pockets of rain forest are to be found along stretches of Mid-Norwegian coastline.
Photo: Arnodd Håpnes

Svein Sivertsen (born 1951)
Board Member

Partner in Borgersen & Partners as. Master of Science from NTNU. Has held CEO positions in Nidar, Fokus Bank, and SINTEF. Several board memberships. Mr. Sivertsen is a Norwegian citizen with residence in Trondheim, Norway. Mr. Sivertsen has been on the Board of Pertra since 2005. Mr. Sivertsen's term expires at the Annual General Meeting in 2007.

Ivar Aarseth (born 1944)
Board Member

Independent consultant and advisor. Master of Science in Engeneering Geology from NTNU in Trondheim 1970. More than 30 years of experience from NPD, DNO, Conoco and Total. From 2000 – 2004 manager of Totals assets in the Norwegian Sea and the Barents Sea. Mr. Aarseth is a Norwegian citizen with residence in Asker, Norway. Mr. Aarseth has been on the Board of Pertra since 2005. Mr. Aarseth's term expires at the Annual General Meeting in 2007.

Halfdan Carstens (born 1952)
Board Member

Independent consultant and editor of the geological magazine GEO. Cand. real degree in geology, University of Oslo. Worked as geologist in Saga Petroleum, manager at NOPEC/PGS, visiting professor at Univ. of Texas, Austin. Mr. Carstens is a Norwegian citizen with residence in Trondheim, Norway. Mr. Carstens has been on the Board of Pertra since 2005. Mr. Carstens's term expires at the Annual General Meeting in 2007.

Kjetil Grønskag (born 1964)
Board Member

Mr. Grønskag holds a Master of General Business (Siviløkonom) from Handelshøyskolen BI, and is a Certified Financial Analyst (CFA) from the Norwegian School of Economics and Business Administration. Mr. Grønskag has long experience from international banking, and is partner in North Bridge Capital Ltd. Mr. Grønskag has previously held several external board positions and sits currently on the board of inter alia Odfjell Drilling Ltd., some Odfjell Drilling subsidiaries, Pertra ASA, Petrol Holding AS, RomReal Invest Ltd. Range Petroleum Ltd., and Trekanten Eiendom og Drift AS. Mr. Grønskag resides in London, UK. Mr. Grønskag has been on the Board of Pertra since 2005. Mr. Grønskag's term expires at the Annual General Meeting in 2007.

Eva H. Kristensen (born 1969)
Board Member

President of Aker Kvaerner Process Systems. Master of Science in marine technology from NTNU in Trondheim. Experience from subsea field development, installation contracting, IT industry, and equipment provider to the oil & gas industry. Ms. Kristensen is a Norwegian citizen with residence in Oslo, Norway. Ms. Kristensen has been on the Board of Pertra since 2006. Ms. Kristensen's term expires in 2008.

Anton Tronstad (born 1957)
Board Member

VP Drilling and Well Operations, Pertra. Master in engineering from NTNU in Trondheim. Diversified operational experience with different oil companies (Statoil, Conoco, and Pertra). Anton is an employee of Pertra. Mr. Tronstad is a Norwegian citizen with residence in Trondheim, Norway. Mr. Tronstad has been on the Board of Pertra since 2005. Mr. Tronstad's term expires at the Annual General Meeting in 2007.

Management

Erik Haugane (born 1953)
Chief Executive Officer (CEO)

Erik Haugane founded Pertra in 2001. He holds a Cand. real. degree in Exogene Geology from the University of Tromsø. He has 20 years of experience from the oil industry and has been employed as Exploration Geologist with Esso, Research Scientist with SINTEF, Advisor in Energy Matters with the Governor of Sør-Trøndelag, and Secretary of the Mid-Norwegian Oil Council. He joined PGS in 1992 where he worked internationally and was stationed in Singapore for 2 years. He became Corporate Advisor for PGS before starting Pertra in 2001. He was awarded the title "Oilman of the Year" in 2004 by SPE, Norway. Mr. Haugane is a Norwegian citizen with residence in Trondheim, Norway.

Stein Fines (born 1951)
Vice President Technology & HSE

Stein Fines joined Pertra in 2002. He holds a M.Sc. degree in Engineering from the Norwegian University of Science and Technology in Trondheim. Mr. Fines has 30 years of experience from the offshore oil and gas industry, including design, engineering, construction and operation of offshore oil and gas installations for different companies (Det Norske Veritas, Saga Petroleum, Norsk Hydro, PGS Production, and Pertra). He has held several managerial positions in the Snorre and Varg Field Development Projects for Saga Petroleum, and has been responsible for several development projects related to development of deep water technology. In Pertra, he has been responsible for the Varg Field operations, and is presently Management Committee member for PL 316 (Yme), and Project Manager for the Frøy Redevelopment Project. Mr. Fines is a Norwegian citizen with residence in Hønefoss, Norway.

Anton Tronstad (born 1957)
Vice President Drilling and Well Operations

Anton Tronstad joined Pertra in 2003. He holds a M.Sc. degree in Engineering from the Norwegian University of Science and Technology in Trondheim. He has more than 23 years of diversified experience with different oil companies (Statoil, Conoco, and Pertra), primarily within drilling and well operations. His experience and core competencies are within planning and managing of offshore drilling & well intervention activities. He also has extensive experience from subsea project developments. Before joining Pertra in 2003, he held the position as Drilling Superintendent for Statoil on the Kristin HTHP Development project. Mr. Tronstad is a Norwegian citizen with residence in Inderøy, Norway.

Tom Bugge (born 1948)
Exploration Manager

Tom Bugge joined Pertra in 2004. He holds a Ph.D. in Geology from the Norwegian University of Science and Technology in Trondheim. Dr. Bugge has more than 30 years of working experience in companies such as Norsk Hydro, Saga Petroleum, IKU, and NTNF. Mr. Bugge is a Norwegian citizen with residence in Trondheim, Norway.

Paul Hjelm-Hansen (born 1962)
Chief Financial Officer (CFO)

Paul Hjelm-Hansen joined Pertra in January 2006 as Chief Financial Officer. Hjelm-Hansen received his MBA from the University of Denver, USA, in 1988 and is a Certified European Financial Analyst (AFA) from The Norwegian School of Economics and Business Administration. In addition, he is a Certified Portfolio Manager (The Norwegian Society of Financial Analysts/The Norwegian School of Economics and Business Administration). He has previously held positions as Financial Analyst, Asset Manager for Equities and Fixed-income, and Financial Manager (Christiania Bank og Kreditkasse, Fokus Bank, Bachke & Co). He has several board appointments, one which has been with Pertra. As Chief Financial Officer he is responsible for financial strategy, financing activities, financial analysis, financial reporting, and investor relations. He is Head of the Accounting and Administrative departments. Mr. Hjelm-Hansen is a Norwegian citizen with residence in Trondheim, Norway.

Sigmund Hanslien (born 1950)
Portfolio Manager

Sigmund Hanslien joined Pertra in January 2006. He holds a M.Sc. in Petroleum Geology from the Norwegian University of Science and Technology (NTNU) in Trondheim. Hanslien has more than 30 years of of experience in exploration and production activities from major oil companies. He has held a number both technical and managerial positions, primarily in ExxonMobil and Statoil, where his latest position was Chief Geologist. Hanslien serves as an advisor in technical and business matters and is a member of Pertra's management team. With his office location in Stavanger he is an important link to the business community in Stavanger. Mr. Hanslien is a Norwegian citizen with residence in Stavanger, Norway.

We alight on pink-toned mountains

The gleaming, pink gemstone has been given the name of thulite after Ultima Thule, The Greeks' name for "the northernmost part of the inhabitable world ".

Occurrences of this mineral abound in Leksvik. In fact the Leksvik thulite is world-renowned due to the rare, high quality and considerable size of this mineral field. Thulite is Nord-Trøndelag's official county mineral, and unofficially the thulite has gained status as Norway's national stone.

Uncommonly rich occurrences of the gemstone thulite are found in Leksvik.
Foto: www.geolib.no

External Conditions

The authorities announce annual licensing rounds in mature areas (Awards in Predefined Areas, APAs). Prospects are to be drilled or relinquished within a fixed period. When discoveries are made a Plan for Development and Operation (PDO) is to be submitted, generally within four years. This implies that Pertra needs to ensure a thorough application process, enabling us to apply for licenses that may realistically adhere to such a schedule. For the majority of Pertra's licenses, requirements stipulate that drilling decisions be made by the end of 2008. PL 321 is the exception, where a drilling decision must be in place by the summer of 2007. If discoveries are made, the license period for areas comprised by the oil or gas field will be extended by from 10 up to 15 years.

> **Exploration rigs are in short supply on the Norwegian Shelf.**

Fallow Acreage

Under the licensing terms applicable to licensing rounds including the 17th (2002), license holders were able to keep half the awarded acreage for 30 years beyond the specified exploration period without committing to further activities. The consequence of this policy is the current existence of large areas that according to the new licensing terms (applicable from 2004 onwards) would have been relinquished. Discoveries were also made during the 1970s and 80s without the license holders preparing plans for development and operation. There are several prospects that are of interest, but where no drilling decisions are being made. Such "fallow acreage" may be of substantial value and may also, with a different composition of licensees, create added value for society. Increased dynamics, by means of making fallow acreage available to other license holders, will create greater opportunities for small as well as large oil companies. Consequently, the Government has approved to cultivate the area fee and use it as an instrument in the process of releasing such acreage. It remains to be seen if the revised licensing terms will have the required effects, as relinquishments of acreage in 2006 were dominated by lapsed license periods.

A Fair Level of Taxation

Petroleum carries a considerable economic rent, i.e., the value of resources does not reasonably reflect the costs incurred by developing them. A high level of taxation, in Norway 78%, ensures that the property owner will receive a fair share of the oil and gas assets. Pertra is of the opinion that the current tax structure is balanced and provides incentives for efficient operation without jeopardizing commercially profitable projects.

Such as the petroleum tax structure has been organized, the State is in reality a 78% financial partner. The tax structure enables Pertra and other small oil companies to acquire substantial parts of exploration licenses without carrying the equivalent financial risk. The fact that the State is also working to achieve a potential pledging of disbursements of the fiscal deficit incurred by exploration costs has also improved the conditions for exploration-focused newcomers on the Norwegian Shelf. However, tax allowances for financial expenses have been reduced, consequently sharpening the need for financial robustness.

Increasing Costs and Scarcity of Drilling Rig Capacity

Costs are on the increase, and the industry is facing world-wide challenges where capacity is concerned. In our opinion, the authorities acted appropriately when deciding to postpone the 20th Licensing Round, which otherwise would have further increased the pressure on the Norwegian Shelf. Pertra, however, is localized outside the pressure areas of the oil industry in Norway. Consequently, we are of the opinion that we can adapt to the challenges posed by this situation also with regard to the supplier industry. Exploration rigs are in short supply on the Norwegian Shelf. In a period characterized by high oil prices, an unusually large share of the rig capacity on the Norwegian Shelf has been utilized for production drilling. In addition to the capacity being reduced, the competitive situation has resulted in rig owners entering into long-term contracts. This situation poses a challenge to companies drilling no more than 1 – 3 exploration wells per year. Pertra, however, has succeeded in securing a rig contract with Mærsk for one single exploration well, and has also cooperated with other operating companies in contracting the drilling rig "Bredford Dolphin" for a period of three years. With reference to the company's current expansive phase, Pertra will have to consider leasing a rig full time to fulfill its own exploration program.

Opportunities for New Participants

Statoil's acquisition of the Oil & Gas Division in Norsk Hydro has created a situation dominated by one giant and several significantly smaller participants. We anticipate that the Norwegian Shelf will be of less interest to StatoilHydro and that this will create both a demand for as well as an opportunity for other participants on the Norwegian Shelf. We furthermore operate under the assumption that the authorities will seek to equalize this asymmetric situation over time, and that the smaller companies will continue to receive incitements ensuring that exploration activities on the NCS be sufficiently diversified. In addition to its dominant ownership in StatoilHydro, the State holds large shares of exploration acreage through Petoro. In a joint initiative launched in cooperation with the three other Norwegian operating companies (DNO, Revus, and Noreco) aimed at facilitating growth conditions for the companies expected to fill the void after StatoilHydro, Pertra has requested that the Government authorize Petoro to sell license shares currently not in production.

Strategy

Pertra is primarily an exploration-focused oil company with geographical focus in the Norwegian North Sea and in the Norwegian Sea. The company concentrates its activity in areas located near existing discoveries and existing infrastructure, and aims to build a balanced portfolio of prospects, resources, and reserves. Acreage will be acquired through applications in licensing rounds, buy-ins and swaps. Pertra may choose to sell discoveries before production start-up.

We know there are immense quantities of hydrocarbons in the Norwegian Shelf underground. It is a fact that ever since the commencement of exploration activities in 1965, we have only been searching for large fields. This was a consequence of only large oil companies operating on the Norwegian Shelf prior to 2000, and indicates with much probability that a significant number of new fields will be discovered during the years to come.

Pertra has established a staff focused on geology, geophysics, and field development. This enables us to identify promising prospects with significant chances of discovering recoverable hydrocarbons. Pertra's strategy therefore, in all its simplicity, consists of identifying interesting prospects, acquiring licenses, and drilling the best prospects. We might strike oil in one of three exploration wells, and we will then develop or sell these fields to other oil companies.

As a result of our rapid growth and the fact that StatoilHydro has been established as one company, Pertra has become the third largest Norwegian operating company. Pertra has within a short period of time established a foundation with significant growth opportunities. We envision expanding the scope of exploration activities and operating 4-5 exploration wells annually. We will, alone or in collaboration with other operators, enter into rig contracts that ensure the required capacity as soon as possible.

Washed with a gall bladder, rinsed in sea water

In the olden days, fishermen wore thick woolen mittens, and fishing often started by dipping the sea mittens in sea water to improve their insulation qualities. A really good mitten required wool that had grown thick and hard-wearing under the toughest of weather conditions, which meant wool from wild sheep (mouflons) that grazed outside all year round. They grew insulating belly wool and long, coarse straight hair that was resilient. Some hairs from the head of the fisherman's good wife were often also knitted into the mitten. Mostly to fortify, but we suspect a shade of homesickness here as well? When cleaning, the fishermen inserted a cod bladder in the mitten, and this lathered well when he packed it inside. It certainly did the job of cleansing, but was hardly what you might call "sweetly scented"!

Thick woolen mittens were essential items on board when the Åfjord boats sailed out to the fishing grounds.
Photo: Museet Kystens Arv

Even though we maintain the philosophy of buying services where these are available, we will need to expand the staff considerably. We will continue to recruit skilled professionals while extending the collaboration with consultants and oil service suppliers. Given continued access to promising acreage and success with the exploration strategy, we must recruit at least ten people per year over the next two to three years.

Pertra puts emphasis on having solid financial resources as a condition for fulfilling its growth ambitions.

Exploration and Risk Assessment

The methods available for mapping the underground can never provide an accurate description of the conditions that influence a reservoir's abilities for trapping and releasing hydrocarbons. Anyone who has moved about in nature can imagine how difficult it is to know the detailed conditions hidden 2-3 kilometers beneath the ground.

Seismic surveys, well data, and analogies that may be subjected to studies in the field are the keys to understanding what is beneath the seabed and thus reduce the risk. The experience and skills of the geologists in Pertra and our advisors constitute the most determining factors for success.

There are also other methods that can provide additional information. Examples can be traces of hydrocarbons in the sediments on the seabed or other geophysical or electromagnetic responses that may indicate oil. All of this is exploited to secure a best possible evaluation of the probability of finding oil or gas in the selected areas. But it is solely through drilling that we can conclude whether oil is present or not and subsequently physically collect it.

Up to now, Pertra has been focused on building a portofolio of licenses within the known petroleum provinces on the Norwegian Shelf. Our first exploration well shall drill two prospects in one and the same well; Storskrymten and Grytkollen. These projects are located close to existing infrastructure and can, if discoveries are proven, start producing within a relatively short time span.

Along the build-up of competence and capacity our ambition involves extending the activity to a larger selection of prospects. We will therefore seriously consider participating in the regular licensing rounds on the Norwegian Shelf, e.g., the coming 20th Licensing Round, instead of confining ourselves to the areas comprised by the APA arrangement. Consequently, we will look for opportunities on the entire Norwegian Shelf. Pertra intends to participate in licenses that carry a higher exploration risk and a longer time window till production than the current portfolio.

The major part of our portfolio will, however, still be "low risk." The extended engagement allows the total risk to be reduced by increasing the scope of our exploration activities significantly. If access to acreage in the mature areas is improved and a number of new opportunities opened up in the known petroleum provinces, these will constitute main targets for Pertra for many years to come.

How to Create Added Value

Oil and gas will, together with coal, continue to serve as the world's principal energy carriers in coming years. Utilized reasonably and economically, oil and gas can contribute to increased quality of life and an improved living standard for people in all parts of the world.

By discovering hydrocarbons in the underground, which might have remained undiscovered without our invested efforts, we contribute significant revenues to the Norwegian community. As the only oil company with a registered business address in Mid-Norway, we aim to be conducive to the region's contractors and service companies further developing their capacity and know-how in cooperation with Pertra as operator.

Pertra is primarily interested in fields containing 50 – 100 million barrels of recoverable resources. With an oil price in excess of USD 50/barrel, one might find that also significantly smaller fields demonstrate potential for profitable operation. However, the increase in income caused by high oil prices is neutralized by increasing supplier costs and levels of cost pertaining to drilling rigs, storage vessels, and subsea equipment. Today, small and independent developments on fields containing up to 50 million barrels require a high oil price to be regarded as profitable.

Pertra's value creation is primarily achieved through new and commercially viable discoveries. Profitable development and operation will not merely contribute revenues to the State, Pertra, and our partners, but also considerable turnover to contractors and service companies. Only in Norway, contractors and service companies create added value in the amount of NOK 10 billion per year. If we are to sustain a high level of activity in the coming decades, Pertra and other small operating companies will have to make headway by demonstrating our ability to contribute and participate more actively in future projects.

With reference to the structural changes we have witnessed on the Norwegian Shelf during only the last year or so, the authorities will continue to play a decisive role in creating opportunities for companies focusing primarily on this area. We consider it to be a challenge that the authorities, while facilitating and encouraging increased competition and activity, also own several licenses where new activities ought to be implemented. The direct state-owned shares of licenses without production can create considerable value for the Norwegian society if they were made available to the new and expansive operator companies.

Pertra's value creation is primarily achieved through new and commercially viable discoveries

When Pertra makes a discovery of a size deemed commercially viable, we assess a number of alternative development scenarios to ensure that as much as possible of the value can be realized. To Pertra, a high recovery rate is extremely important, allowing production of the maximum amount possible from small fields. Like all operators on the Norwegian Shelf, we will of course strive to execute our projects in a safe and environmentally friendly way.

Pertra has previously, as operator of the Varg Field, demonstrated that we can create value by using simpler organizational models where the large companies give up. The way Pertra organized production, modification, and exploration drilling operations will be continued and further developed in future projects. Close collaboration on equal terms with contractors and service companies will continue to be conducive to Pertra's success.

Keeping one's head below water

Down the Namsen river are drifting orange-clad people like large floats bobbing with their heads underwater. Masks and snorkels ensure them clear vision and sufficient air. They are on a salmon safari; a very different way to meet the salmon than with a rod and fly. The biggest salmon landed here weighed a whole 31.5 kilos, big enough to feed an entire wedding reception. Not to mention pretty scary to meet face to face underwater...

The Namsen is one of the best rivers for salmon fishing in Norway.
Photo: Steinar Johansen

Corporate Social Responsibility

Pertra is a Norwegian oil company engaged in petroleum exploration, and through this we seek to create added value for owners, employees, and society at large.

Our vision is as follows: "Pertra shall be a prosperous and efficient company with regard to exploration, development, and operation of small and medium-sized petroleum resources. This is to be achieved through acquisition of exploration acreage. Development and operation will be performed in close cooperation with subcontractors of relevant services."

> Pertra shall be an innovative and dynamic operating company.

An Active and Dedicated Participant

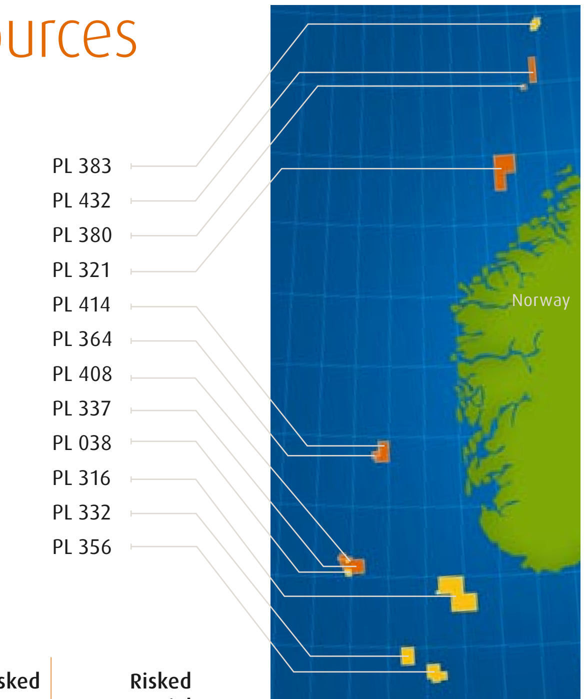
The authorities' policy with regard to small Norwegian oil companies will be of vital importance to Pertra's access to licenses. Consequently, Pertra must endeavor to establish good relations with the authorities by being an active and dedicated participant. The authorities should perceive Pertra as a reliable and positive contributor to the development of Norwegian petroleum activities. Our objective is to stand out as a reference company.

Pertra shall be an innovative and dynamic operating company. By creating an attractive place of employment we will attract the best competence within our area. We furthermore seek to be the preferred partner of other small oil companies and various suppliers. Pertra shall also maintain a firm connection with Mid-Norway and this region's industrial and commercial development.

Petroleum Reserves and Resources

A separate Annual Statement of Reserves in accordance with the new guidelines established by Oslo Stock Exchange is presented in the Annual Report. The overview below is based on this, but includes in addition estimated petroleum resources and prospects.

Reserves and resources in categories 1 – 7 are discoveries proved by drilling. Resource category 8 comprises prospects that have been mapped and thus enabled estimation of volumes. These potentially recoverable reserves have then been multiplied by a discovery probability calculated in accordance with industry standard.



Resource category	NPD's classification	Proved reserves (P90) Mill. barre	Reserves (P50) Mill. barre	Risked contingent resources Mill. barre	Risked potential resources Mill. barrel
1	In production	0.5	1.0		
2	Under development				
3	Development committed	4.5	6.0		
4	In planning phase			25	
5	Development likely			8	
7	Under evaluation				
8	Prospect				194

Reserves and resources per 31.12.2006

Resource category	NPD's classification	Proved reserves (P90) Mill. barre	Reserves (P50) Mill. barre	Risked contingent resources Mill. barre	Risked potential resources Mill. barre
1	In production	0.5	1.0		
2	Under development				
3	Development committed	4.5	6.0		
4	In planning phase			25	
5	Development likely			8	
7	Under evaluation				
8	Prospect				220

Reserves and resources after APA 2006 and sale of 15 % license interest in PL 321

A heavenly sight

When the clergyman Alexander Borch returned home from his pilgrimage to Jerusalem, he brought back a flower bulb as a reminder of his trip.

He planted this outside Aukra Church. Whether it was the soil, the touch of the clergyman or a bulb that had been blessed accounting for this, who knows? But the one plant quickly flourished into a large field of daffodils. It is 300 years since Borch lived, but since then several thousand daffodils continue to grace that particular spot every single year!

A glorious carpet of spring daffodils is located in Aukra, a tiny coastal municipality in Møre & Romsdal County.
Photo: Aukra Kommune

License Portfolio

PL 321

Licensees:
Pertra (40%) - Operator
Talisman Production Norge (40%)
Norsk Hydro (20%)

Location:
Blocks 6306/2, 3 & 5 on the Frøy Height in the Norwegian Sea, totally 1373 km²

Awarded:
18th Round, 18 June 2004
License period: 6 years

Work program:
Acquisition of 500 km² seismic data.
Drill or drop 2-1 well within 3 years.

Performed work program:
800 km² seismic data have been acquired.

This license is located on the Frøy Height east of Ormen Lange and south of Draugen. The acquisition of new 3D seismic data was completed in July 2006 and processed in the end of December. These data will be utilized in studies ending in June 2007, when it will be determined whether any of the prospects are to be drilled or if the license shall be relinquished. During the last six months of 2006 work has been done on analyzing existing 3D and 2D seismic data and well data from surrounding wells in order to be thoroughly prepared when the new 3D data were made available.

PL 337 incl. Storskrymten

Licensees:
Pertra (45%) - Operator
Talisman Energy (10%)
Revus Energy (20%)
BG Norge (25%).

Location:
Block 15/12 and 16/10 (parts) in the Southern North Sea, just north of the Varg Field close to the UK border, a total of 674 km2

Awarded:
APA 2004, 17 December 2004
License period: 5 years

Prospects:
Storskrymten and Grytkollen

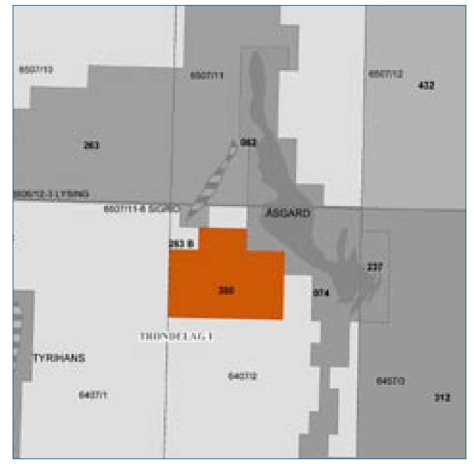
Work program:
Execute relevant G&G work and decide whether to drill an exploration well or drop the license within two years (drilling has been decided).Decide whether to develop within four years and submit PDO within five years.

Performed work program:
G&G work has been performed, and it has been decided to drill the prospects "Storskrymten" and "Grytkollen".

This license is located north of the Varg Field and was awarded in APA 2004. Having subjected the license to thorough and extensive analyses, the decision to drill the prospects "Storskrymten" and "Grytkollen" in one exploration well was made. Drilling is scheduled to commence early in Q3 2007 using the jack-up drilling rig "Mærsk Giant".

PL 380 incl. Fongen

PL 380 is situated due west of the Midgard Field in the Norwegian Sea. The license was awarded in APA 2005, and the authorities allotted the license partners one year by which to complete studies providing a basis for determining whether to drill or relinquish the license. The license partners decided to drill the prospect "Fongen" within the deadline, which was set at 6 January 2007. The license has thus initiated phase 2 of the work program, with a two-year drilling deadline. A prospective discovery is sought produced by means of third-party infrastructure located nearby. The prospect is to be drilled using the semi-submersible drilling rig "Bredford Dolphin". In accordance with the prevailing schedule of the drilling consortium, the drilling of "Fongen" is scheduled to commence in early 2008.



Licensees:
Pertra ASA (70%) - Operator
DNO AS (30%)

Location:
Block 6407/2 in the Norwegian Sea

Awarded:
APA 2005, 6 January 2006

License period: 5 years

Prospects:
Fongen

Work program:
Execute seabed logging. Decide whether to develop within three years and submit PDO within five years.

Performed work program:
Seabed logging has been completed and shows that the EM-SBL data will probably not contribute to determining whether there are hydrocarbons in the prospect. The drilling decision was made on the basis of studies and analyses of the seismic data.

PL 364 incl. the Frøy Field

Pertra is currently in the process of preparing a possible redevelopment of the Frøy Field. The process of screening various development and operational concepts continues in 2007. A prospective Plan for Development and Operation (PDO) is expected concluded during Q3 2007. Production start-up is expected in 2010.

Licensees:
Pertra (50%) - Operator
Premier Oil Norge AS (50%)

Location:
Blocks 25/2, 25/3, 25/5 & 25/6 (parts) in the North Sea

Awarded:
APA 2005, 6 January 2006.

License period: 3 years

Fields in production:
In production 1995-2001. Produced: 35 Mbbls, 18% recovery. High water content due to pre-drilled vertical wells only. Closed during low oil price regime. Expected remaining recoverable reserves: 40 - 70 Mbbls.

Work program:
PDO work initiated with the objective of PDO submittal and approval in 2007.

Performed work program:
New 3D seismic data was acquired in 2006 to optimize production layout.

PL 408

In APA 2006, Pertra and license partner Altinex were awarded PL 408 in Blocks 15/8 and 15/9 in the area situated between Sleipner and PL 337. Interesting prospects in Jurassic and Paleocene have been identified in this area. The license was assigned two years by which to reprocess 3D seismic and interpret existing data prior to deciding whether to drill or relinquish the license.

Licensees:
Pertra (70%) - Operator
Altinex (30%)

Location:
Blocks 15/8 and 9 (parts)
in the North Sea

Awarded:
APA 2006, 29 January 2007

License period: 5 years

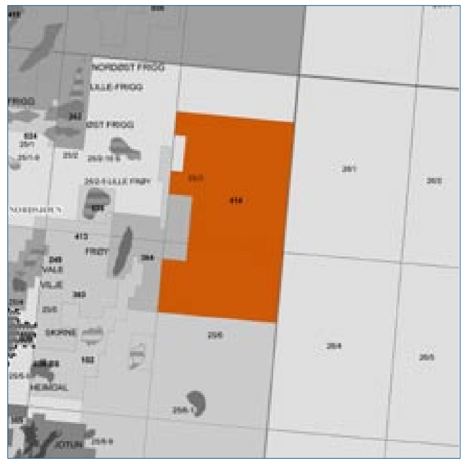
Prospects:
Two prospects and several leads mapped in the license

Work program:
Reprocess 3D seismic and Drill or drop decision within 2 years. DoC or relinquishment within 4 years. Submit PDO or relinquish within 5 years.

Extension period:
25 years

PL 414

The partnership consisting of Pertra (operator), Færøy Petroleum, Noreco, and PA Resources was awarded Blocks 25/3, 25/5, and 25/6 in PL 414. The license is located east and northeast of Frøy (PL 364). In PL 414 prospects in Jurassic and Paleocene have been identified. These may be produced through the Frøy Field if they are drilled and discoveries made. The work program stipulates two years by which to reprocess 3D seismic data and complete studies before a drilling decision has to be reached.



Licensees:
Pertra (40%) - Operator
Noreco (20%)
Faroe (20%)
PA Resources (20%)

Location:
Blocks 25/3, 5 and 6 (parts) in the North Sea

Awarded:
APA 2006, 29 January 2007

License period: 5 years

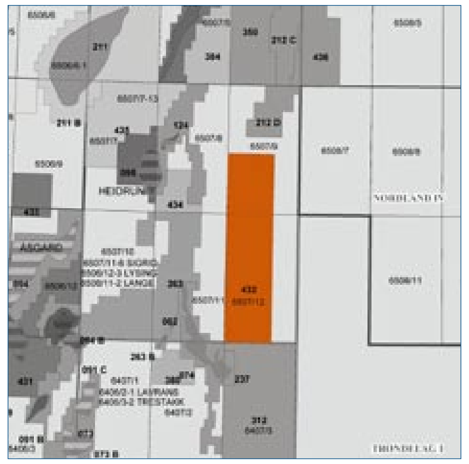
Prospects:
Two prospects and several leads mapped in the license

Work program:
Obtain and reprocess 3D seismic within the awarded acreage. "Drill or drop" decision within 2 years. DoC or relinquishment within 4 years. Submit PDO or relinquish within 5 years.

Extension period:
20 years

PL 432

PL 432 was awarded in APA 2006 and is situated in the Norwegian Sea east and northeast of the Midgard Field. Interesting prospects that may have trapped oil or gas spilling over from the Midgard Field have been identified. The work program involves shooting 400 km² 3D seismic and decide whether to drill or relinquish the license within three years. Pertra has entered into a contract with Fugro Geoteam regarding the shooting of this seismic, and data acquisition is scheduled for August 2007.



Licensees:
Pertra (100%) - Operator

Location:
Blocks 6507/9 and 12 (parts)
in the Norwegian Sea

Awarded:
APA 2006, 29 January 2007

License period: 6 years

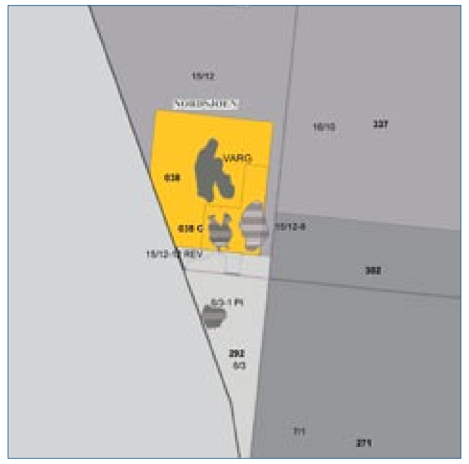
Prospects:
Nebba

Work program:
Acquire 400 km² 3D seismic within the awarded acreage. "Drill or drop" decision within 3 years. DoC or relinquishment within 5 years. Submit PDO or relinquish within 6 years.

Extension period:
25 years

PL 038 incl. the Varg Field

The company's production revenues stem entirely from its 5% license share in PL 038 – the Varg Field. In Q4 production amounted to 82,472 barrels (13,105 Sm³). The total recoverable reserves from the field have remained basically unchanged throughout the year despite an increase in production due to an extensive workover program and investments in new wells during the last six months of 2006.



Licensees:
Pertra (5%)
Talisman Energy (65%) - Operator
Petoro AS (30%)

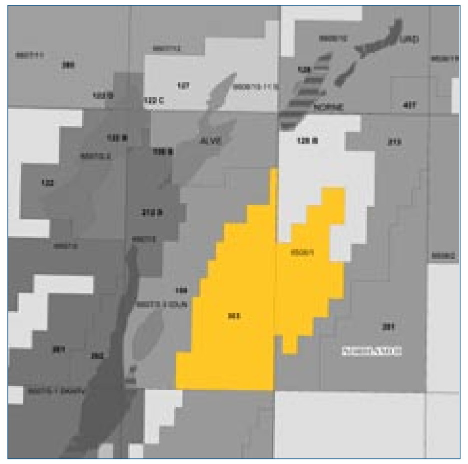
Location:
Block 15/12 in Southern North Sea, 32 km south of Sleipner and close to the UK border

Fields in production:
Varg Field, in production since 1998. Expected total reserves: 13.0 MSm³ oil. Total produced pr. 31.12.2006: 10.0 MSm³ oil.

Prospects:
Grevling, Jerv, Oter, and Villmink West

PL 383

PL 383 is located south of Norne and is operated by DNO, who holds the other 50% license interest. Seabed logging (EM surveys) was conducted during the summer of 2006. The interpretation of these data has not yet been completed, but shows anomalies that may prove positive. The decision whether to drill an exploration well or relinquish the license is to be made during 2007.



Licensees:
Pertra (50%)
DNO AS (50%) - Operator

Location:
Blocks 6507/3 & 6508/1 in the Norwegian Sea

Awarded:
APA 2005, 6 January 2006

License period: 5 years

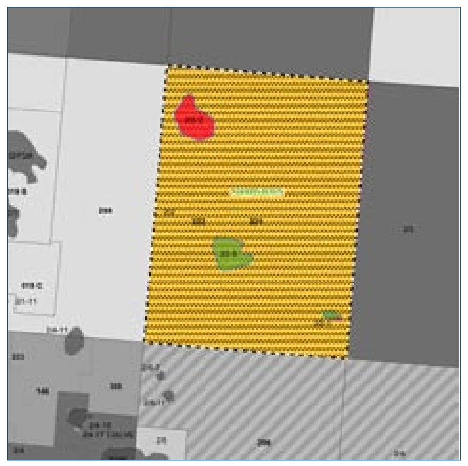
Prospects:
Struten, Dyna

Work program:
The licensees are committed to get access to existing 3D seismic data in the licensed blocks. The licensees are also obliged to acquire new EM-SBL across the two mapped prospects. Interpretation and decide whether to drill an exploration well within two years from 06.01.2006. Decide whether to submit PDO within four years. Submit PDO one year later.

Performed work program:
EM-SBL data and 3D seismic data have been acquired.

PL 332

This license is located in Block 2/2 and was awarded in APA 2004 with Talisman as operator. DNO, PA Resources, and Pertra are license partners. The license contains some minor finds. 3D seismic was acquired in 2005 and 2006, and the processing of this seismic is expected to be accomplished toward the end of Q1 2007. The decision whether to drill or not has to be made by the end of 2007.



Licensees:
Pertra (20%)
Talisman Energy (50%) - Operator
DNO AS (20%)
PA Resources (10%)

Location:
Block 2/2 in the North Sea

Awarded:
APA 2004, 17 December 2004

License period: 6 years

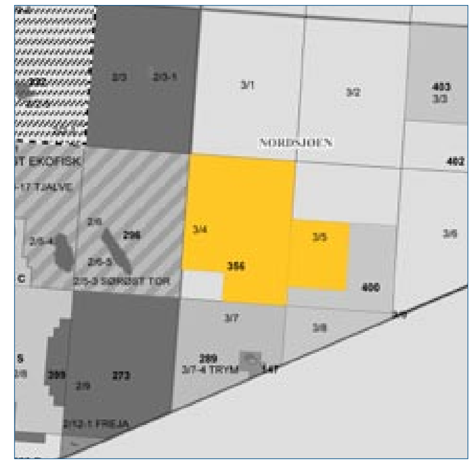
Prospects:
Jurassic Ula Formation (2/2-5) oil prospect and Oligocene Vade Formation (2/2-2) gas prospect

Work program:
Cover the license with new and/or reprocessed 3D seismic. Decide whether to drill an exploration well or drop the license. Decide whether to develop within five years and submit PDO within six years.

Performed work program:
New 3D seismic has been acquired across the entire license.

PL 356

The license was awarded in APA 2005 and has been assigned three years before a drilling decision has to be made. Approximately 500 km² 3D seismic was acquired in March – April 2006, and the data processing is expected completed in Q1 2007.



Licensees:
Pertra (50%)
DNO AS (50%) - Operator

Location:
Blocks 3/4 & 3/5 in the North Sea

Awarded:
APA 2005, 6 January 2006

License period: 6 years

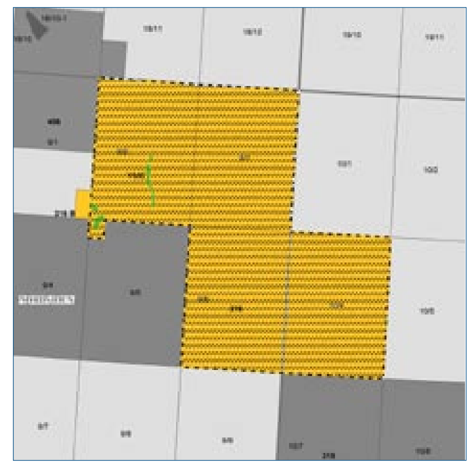
Prospects:
Stabben, Kvitsøy, Ryvingen.

Work program:
Acquire 500 km² 3D seismic across the license within three years. Decide whether to drill an exploration well within three years. Decide whether to develop within five years and submit PDO one year later.

Performed work Program:
500 km² 3D seismic was acquired in March/April 2006.

PL 316, incl. the Yme Field and PL 316 B

In addition to the Yme Field, currently in the process of being redeveloped, this license also comprises considerable exploration acreage in the Egersund Basin. Talisman, as operator, has mapped a series of prospects and is now about to conclude an evaluation of these. A drill site survey aimed at commencing drilling in 2008 has been completed.



Licensees:
Pertra (10%)
Talisman Energy Norge AS (70%) - Operator
Revus Energy ASA (20%)

Location:
Blocks 9/2, 9/3, 9/5, 9/6 & 10/4 in the North Sea. Part of Block 9/1 (PL 316B, APA 2006)

Awarded:
18th Round, 18 June 2004. PL 316B in APA 2006, 29 January 2007

License period: 6 years

Fields in Production:
PDO for redevelopment of the Yme Field has been submitted

Prospects:
8 prospects mapped in the license

Work program:
Acquire a minimum of 800 km² 3D seismic data covering blocks 9/6 and 10/4. Drill one exploration well within four years from 18.6.2004.

Performed work program:
The Aimee well was drilled in 2005 and proved to be dry. 800 km² 3D seismic data was acquired over blocks 9/6 and 10/4 in 2005. PDO for the previously abandoned Yme Field was submitted in January 2007.

PL 349

Following a unanimous resolution by the license partners, PL 349 was decided relinquished in Q4 2006 as the operator Marathon recommended that none of the identified prospects in the license be drilled. Pertra held a 5 % interest in this license.

Development in 2006

2006 has been an exciting year for both employees as well as the owners of Pertra.

Production from the Varg Field decreased in Q1 2006 as compared to 2005 due to problems pertaining to certain production wells. The operator Talisman, however, mobilized the drilling rig "Mærsk Giant" to convert a water injection well to a production well by drilling a sidetrack. In addition, a new sidetrack to a production well was drilled. The wells started producing in September and November, respectively. The total production in 2006 was 272,762 barrels (Pertra's share). In the period June – December 2005 the production was 247,774 barrels. Since November 2006, the level of production has been somewhat higher than the average level for 2006.

In addition to securing increased production on existing fields, we have maintained focus on acquisition and interpretation of data prior to applying for new license interests in APA 2006. A significant portion of out total expenses has been allocated to these activities. Based on our analyses, Pertra applied for three operator licenses in APA 2006 and was awarded all three. Following the APA 2006 awards, announced 29 January 2007, Pertra is now the operator of a total of seven licenses. Four of the seven operator licenses are located in the North Sea, and three in the Norwegian Sea.

In the fall of 2006 the Board of Pertra approved to apply for stock exchange listing to secure additional growth potential through increased supply of capital. A successful private placement in the amount of NOK 600 million was executed, followed by a retail offering of NOK 50 million prior to the stock exchange listing. Both offerings were considerable oversubscribed, and by raising further equity capital we have ensured a solid financial basis for sustaining the company's exploration program on the Norwegian Shelf. Pertra was listed on Oslo Stock Exchange 10 November 2006. There has been positive and stable interest in the share since the listing, and our goal is to further increase this interest. The share is traded under the ticker PERTRA.

The ability to attract competent manpower with relevant track records will always constitute a critical factor for fast-growing companies like Pertra. Despite facing a very tight labor market throughout the entire year, the company has succeeded in recruiting new staff with relevant competence in 2006. We have experienced a steady increase in the number of employees and at the end of 2006 we could record 29 full-time staff. At year end 2005 we were 19 employees.

One of Pertra's objectives involves being a transparent company. Consequently, we maintain an open dialogue with business partners, the stock market, public authorities, and the press. Through our open and direct attitude and active dialogue with external parties we seek to strengthen our position as a serious and competent growth company in our field.

Pertra deems it essential to establish and maintain good relations with other operators and partners within our area (small and medium-sized fields) in order to reach our goals and fulfill our growth potential. We have already benefited greatly from cooperating with other parties:

- In Q1 2006, and in cooperation with DNO and Revus, Pertra initiated the establishment of a rig consortium comprising a total of seven companies in connection with a rig contract with Dolphin AS. Pertra's quota consists of two fixed wells. We have furthermore secured access to a rig from Mærsk for the drilling of one additional well.
- In Q4 2006, Pertra entered into an agreement with Aker Exploration AS regarding the sale of a 15% license interest in PL 321 in exchange for Aker Exploration providing rig capacity and covering the costs of two exploration wells for Pertra.
- Plan for Development and Operation (PDO) for the Yme Field was submitted to the authorities 9 January 2007. Talisman is operator (70%), and license partners are Revus Energy (20%) and Pertra (10%).

HSE (Health, Safety, and the Environment)

Pertra shall conduct all activities without causing any permanent injuries or adverse effects on people's health or the environment. Health, safety, and environmental work shall always remain the focus of all our activities, from exploration to the production phase, and also when shutting down production. Internally, a continuous focus on HSE ensures a beneficial and health-promoting working environment for all employees.

Pertra has established a complete overall management system. The system is continuously being developed in accordance with changes in regulations, our experience basis and activities, and in industry practice.

Pertra is a member of several qualifying HSE networks, one of which is NOFO (the Norwegian Clean Seas Association for Operating Companies). This membership is important because it enables us to attend to our responsibility for oil-spill preparedness when carrying out exploration drilling operations and future production activities. Through this membership we also benefit from a continuous updating of our competence within oil-spill preparedness. In 2006 Pertra attended oil-spill preparedness courses and also participated in the role of observer in a comprehensive oil-spill emergency exercise hosted and managed by Shell in cooperation with NOFO.

As operator of Production License 364, Pertra prepared an Environmental Impact Assessment Program proposal for Frøy in 2006. The proposal was submitted to the authorities concerned and to central governmental and non-governmental organizations for comments. Subsequent to Pertra's evaluation of comments received, the final Environmental Impact Assessment Program was endorsed by the Ministry of Petroleum and Energy (MPE) in February 2007. As license partner in Production License 038 Varg, Pertra has conducted audits of maintenance and HSE in operations managed by Talisman and Petrojarl (now Teekay Petrojarl). Such audits constitute an essential part of our HSE work with regard to attending to our licensee responsibilities.

The follow-up of Pertra's internal HSE-related matters is implemented in accordance with established best practice for internal control. Through the company's continuous improvement work we seek to reach our main HSE objectives, the internal goals included. One of the activities aimed at attaining this goal is the appraisal interview. In 2006, the appraisal interview as a tool was assessed and further developed. The management team in Pertra also conducted an internal assessment of the company's management practices and efficiency in 2006.

The number of HSE staff required to follow up Pertra's activities is continuously being assessed based on the tasks Pertra is responsible for implementing at any given time. Pertra's competence in these areas is adapted to requirements through hiring new staff or engaging consultants.

Pertra is a member of several qualifying HSE networks

Up in the realm of Quasimodo

Away up on the West front of Nidaros Cathedral, to the right of the pink window, is the figure of a tiny little woman clambering up a ladder in a plinth. That's Tulla, busy helping her husband, architect Gerhard Fischer, with surveying. Fisher had a fear of heights, and that was most inconvenient when engaging in restoration work at lofty heights. Thus, his wife ended up depicted in one of countless fascinating details in the decoration of the facade. Fischer himself is immortalized through the sculpture where King Ussia is rendered with the architect's own facial features.

Nidaros Cathedral in Trondheim is a treasure trove for tiny details well worth a closer look.

Photo: Terje Rakke/Nordic Life

Annual Statement of Reserves

Classification of Reserves and Contingent Resources

The reserve and contingent resource volumes have been classified in accordance with the NPD classification system (http://www.npd.no/regelverk/r2002/Ressursklassifisering_n.htm) and are consistent with Oslo Stock Exchange's guidelines for the disclosure of hydrocarbon reserves and contingent resources.

Fig.
NPD classification system used by Pertra

	NPD category	Description
Potential Resources	9	Leads. Conceptual ideas of possible prospects
	8	Prospects. A mapped rock volume believed to contain hydrocarbons
Contingent Resources	7	Discoveries under evaluation
	6	Discoveries where development is unlikely
	5	Discoveries where development is likely
	4	Discoveries where development is beeing planned
Reserves	3	Fields where PDO has been concluded by the Licensees
	2	Fields under development, PDO approved
	1	Fields in production

Reserves, Developed and Undeveloped

The Varg Field (PL 038) is the only field in production where Pertra has a license interest (NPD Category 1). Talisman is the operator and Pertra owns a 5% share. Estimates of proved reserves (1P/P90) include 90% of the expected volume from existing wells, assuming no new wells being drilled and abandonment of the field at 1 July 2010. This is the earliest possible date on which the "Petrojarl Varg" owner has the right to remove the production vessel from the field. Estimates of proved plus probable reserves (2P/P50) are based on the same cut-off date but contain the total volumes and production profile from the base case provided by the operator. All proved and probable reserves are considered "developed reserves".

The PDO for the reactivation of the Yme Field (PL 316) was decided by the license in December 2006 but the PDO was not submitted to MPE before 9 January 2007. Approval by the authorities is expected during the spring of 2007. Talisman is the operator and Pertra's share is 10%. The reserves are consequently classified as "development committed" (Category 3). The reserve estimates are consistent with the PDO assessment, which is based on extensive geological and geophysical studies, dynamic reservoir simulation, and history matching. A range of sensitivities has been addressed reflecting uncertainties in various parameters and form the basis for the Low Case (1P/P90) and the Base Case (2P/P50) estimates of remaining recoverable reserves.

Pertra's share of production from the Varg Field during 2006 amounts to 0.3 mmboe. There have been no acquisitions or disposals of reserves during the year.

Table
Reserves by field

Net to Pertra listed in Total. Source: Talisman, Pertra.

RESERVES mmbbl = million barrels

Developed assets (Category 1)

As of 31.12.2006	1P / P90 (low estimate)					2P / P50 (best estimate)				
	Liquids	Gas				Liquids	Gas			
	(mmbbl)	(bcm)	mmboe	Interest %	Net mmboe	(mmbbl)	(bcm)	mmboe	Interest %	Net mmboe
PL 038 - Varg	10.0	0.0	10.0	5%	0.5	20.0	0.0	20.0	5%	1.0
Total					**0.5**					**1.0**

Under development (Category 2)

As of 31.12.2006	1P / P90 (low estimate)					2P / P50 (best estimate)				
	Liquids	Gas				Liquids	Gas			
	(mmbbl)	(bcm)	mmboe	Interest %	Net mmboe	(mmbbl)	(bcm)	mmboe	Interest %	Net mmboe
Total					**0**					**0**

Development decided (Category 3)

As of 31.12.2006	1P / P90 (low estimate)					2P / P50 (best estimate)				
	Liquids	Gas				Liquids	Gas			
	(mmbbl)	(bcm)	mmboe	Interest %	Net mmboe	(mmbbl)	(bcm)	mmboe	Interest %	Net mmboe
PL 316 Yme	45.0	0.0	45.0	10%	4.5	60.0	0.0	60.0	10%	6.0
Total					**4.5**					**6.0**

Picking Christmas nuts in own woods

In days gone by, hazelnuts were the principal item of export from the narrow Eikesdalen valley. The nuts were transported by horse and wagon over the mountains to Romsdalen or Molde. Temperatures in Eikesdalen are extra warm; just what is needed to encourage the heat-loving hazelnuts to grow. Steep mountainsides rise from the valley floor and absorb the warmth of the summer sunshine. This heat is accumulated in the rock face and gradually released into the environment. Many local Eikesdal folk gather nuts for their own use, but the days of exporting are almost over.

Hazelnuts thrive in the pleasantly warm tempraturers in Eikesdalen, Nesset Municipality.
Photo: Øyvind Leren

Contingent Resources

The Frøy Field (PL 364) is operated by Pertra (50% license interest) and work is ongoing to assess a possible redevelopment. The field was in production from 1995 to 2001 and produced 35 million barrels (6 MSm^3) with Elf as operator. Based on a comprehensive evaluation of the reservoir and production history, the best estimate is that the recovery factor can be increased from the original 18% to minimum 40%, increasing recovered volumes by 50 million barrels (8 MSm^3). Pertra's share of 25 million barrels (4 MSm^3) is classified as contingent resources "in planning phase" (Category 4).

The 2/2-2 gas discovery (PL332) is currently being remapped based on new seismic data. The viability of drilling an appraisal well, and, if successful, use it as a production well for tie-in to the Gyda Field to provide injection gas, is currently being assessed. Talisman is the operator and Pertra has an interest of 20%. Pertra's share of the gas volumes equates to 8 million bbl (1.3 MSm^3) oil equivalents, classified as contingent resources "development likely" (Category 5).

Table
Aggregate reserves, production, developments and adjustments

RESERVES DEVELOPMENT

Net attributed mmboe. Calendar years, reporting as of year end.	Developed assets		Under development		Development decided	
	1P / P90	2P / P50	1P / P90	2P / P50	1P / P90	2P / P50
Balance as of 31.12.2005	0.6	1.3	0	0	0	0
Production	0.3	0.3				
Acquisitions/disposals						
Extensions and discoveries						
New developments					4.5	6.0
Revisions of previous estimates	0,2					
Balance as of 31.12.2006	**0.5**	**1.0**	**0**	**0**	**4.5**	**6.0**

Management's Discussion and Analysis

The assessment of Reserves and Resources is performed by experienced professionals in the Pertra staff based upon input from the Operators, partners, and our own interpretation. The calculations are, however, associated with significant uncertainties. The P90 and P10 estimates give the most likely interval. The methods used for subsurface mapping do not expose all essential parameters for neither the actual oil in place nor the producability of the hydrocarbons. The actual results may therefore be both lower than the P90 and higher than the P10 estimates. A significant change in oil prices may also impact the reserves. Very low oil prices may even force the Licensee to close down producing fields and cancel ongoing developments.

Pertra's reserves are limited to the Norwegian Continental Shelf. Pertra's equities and license terms are listed on the NPD website. The operator will annually, in cooperation with the partners, report Reserves to NPD. Only two fields in Pertra's portfolio have been classified as Reserves, both operated by Talisman. The reserves given in this report are consistent with the figures agreed to by the partners in the two licenses and reported to the authorities. No third-party assessment has been undertaken.
The Varg Field is being produced by the FPSO "Petrojarl Varg", which is leased from Teekay Petrojarl ASA. Within the tieback distance from Varg several exploration projects have been undertaken, including Pertra's operated PL 337, where an exploration will be spudded during third quarter 2007. A potential tie-in of additional reserves to Varg will extend the lifetime and increase the reserves from that field. The PL 038 license expires in June 2011. However, extension has been applied for.

The Yme PDO is expected to be approved by the Norwegian Government in April 2007. The Yme Field is expected to be on stream in 2009. The field will be produced by a leased facility delivered by SBM and operated by Talisman.

Contingent Reserves listed in this report are related to license PL 332 and PL 364. We are confident that at the oil prices we see today, these resources have commercial value. The volumes in these accumulations are firmly mapped on good quality 3D seismic in addition to well information. The Frøy Field has even been in production and demonstrated its production characteristics. The timing of the development of these reserves is uncertain. However, in PL 364, the Frøy Field, the Licensees must make a formal decision to submit a PDO no later than 6 January 2008.

Erik Haugane, CEO

If all herded together, they number 214

That large bull-like animal looks peaceful enough, but believe me, it is not to be messed with. It can quickly become irritated, and with a weight that in the worst instance is well over 400 kilos distributed over a body mass of up to 8 foot long, a little human being doesn't stand a chance.

On the other hand there are not all that many musk oxen around. 148 animals were counted at Oppdal in 2006, and the entire Norwegian population only numbers 214. 40 000 years ago musk ox roamed in huge numbers in Northern Europe, Russia and Alaska. It was thought they were extinct until an expedition discovered a flock in Greenland in 1869. Today there are only three places in the world where you can see musk ox; Canada, Greenland and Norway.

The current Norwegian musk ox population originates from a herd that was transported from Greenland to Dovre in 1947.
Photo: Bjørn Brendbakken

Corporate Governance

Pertra ASA is a public limited company organized under Norwegian law with a governance structure based on Norwegian corporate law. Pertra is dedicated to maintaining high standards of corporate governance. This document outlines our key principles, in line with the Norwegian Code for Corporate Governance of November 2006. In the instances that our governance differs from that of the Code, we have explained so in the points below.

Our business

Pertra's principal activities are exploration, field development and production of petroleum. The Company is qualified as operator and has obtained operatorships on the Norwegian Continental Shelf. Pertra may independently or in cooperation with other companies and stakeholders invest in other exploration and production-related activities. Pertra's business is defined in its Articles of Association and details about our assets are available on our website (www.pertra.no).

Pertra's vision is to be a successful and effective company with respect to exploration, development and operation of small and medium-sized oil fields on the Norwegian Shelf. We intend to grow, both through the acquisition of new exploration acreage in licensing rounds and through acquisition of exploration acreage. Development and operations will be managed in close co-operation with the vendors of relevant services.

Equity and dividends

Pertra is to maintain an equity which is adequate in terms of risk and scope of our business. For the next three to four years, Pertra's petroleum prospecting and development programs require investments, and stock dividends will therefore not be prioritized until after 2009-2010. Until this time, Pertra aims at creating value for its shareholders through a positive development in the share price.

On 2 October 2006, in accordance with the Norwegian Public Limited Company Act § 10-14, Pertra's Extraordinary General Meeting granted a general proxy to the Board of Directors to increase the share capital by issuing up to 8,750,000 shares with a par value of NOK 0.20 each. This capital may be used in incentive programs for the employees. The subscription price may be decided by the Board. As of 23 March 2007 7,785,307 is left of the proxy. The Board of Directors has proposed for the General Meeting 27 April 2007 that the proxy be revoked and replaced by a new proxy which is limited in time to 30 June 2008, the latest date for the next General Meeting.

Equal treatment of shareholders and transactions with close associates

The Company has one class of shares which all carry equal rights. Board members, leading employees and close associates who wish to purchase or sell Pertra shares need an advance approval from the Chairman/CEO.

Pertra has a 100 per cent free float in the share and the shares are freely negotiable.

Our management system manual stipulates that anybody who is acting on Pertra's behalf is prohibited during employment with Pertra from being employed with entities who may compete with Pertra, or with whom Pertra conducts business. The employees are also prohibited from engaging in economic activities which may compete with Pertra.

General Meeting

The General Meeting is the highest authority of the Company. Pertra's articles of association and the Norwegian Public Limited Companies Act stipulate the role and mandate of the General Meeting which we follow.

The Annual General Meeting (AGM) is held before the end of June each year and usually at the end of April. Notice with agenda for the AGM is sent out together with the annual report to shareholders registered with the Norwegian Central Securities Depository (VPS), no less than two weeks before the event. Pertra encourages its shareholders to use the right to submit proposals and vote, either in person or by proxy. The registration deadline is set as close as possible to the actual day of the AGM, and normally the day before. Minutes are published on our website.

The Board may at any time call an Extraordinary General Meeting (EGM). If an auditor or shareholder representing at least five per cent of the share capital requests an EGM to discuss a particular matter, the Pertra Board will ensure that the meeting is held within a month of the request being submitted.

The Chairman, the CEO and the Auditor attend the AGM. Pertra's general meetings have been chaired by the Chairman of the Board in the past. Pertra will make arrangements to encourage election of an independent person to chair general meetings in the Company.

The EGM on 2 October 2006 approved the Board's proposal to establish a nomination committee. The committee members will be elected at the AGM 27 April 2007, and the majority of these shall be independent of the Board and the daily management. The nomination committee's responsibilities include proposing candidates and compensation to the Board. Information on the membership of the nomination committee will be made available on our website. Proposals for candidates to the nomination committee should be made available to the Company three weeks before the announced date for the AGM.

Board of Directors

Pertra's Board currently consists of seven members including the Chairman. All Board Members are independent of the Company's main shareholders and material business contacts. The employees are entitled to have a representative on the Board. It is expected that an employee representative will be elected before the AGM 27 April 2007.

A beautiful connection

19 600 square meters of concrete looks incredibly beautiful once brilliant architects had finished with it. Skarnsund Bridge was the world's longest concrete, cable-stayed bridge when it was completed in 1991, and included in the awards it has won, is the "Beautiful Roads' Award". The dimensions of the supporting cables are also impressive, even though they appear awfully slender from a distance. 208 cables weighing 1030 metric tons, with a total length of 33 km. But if you get up close you will see the diameter only measures between 52 and 85 mm!

Skarnsund Bridge connects Innherred with Fosen.

Photo: Johan Brun.
Norsk vegmuseums fotoarkiv

The Board of Directors has full plenary powers and the statutory responsibility to supervise Pertra's business conduct and management. The fundamental objectives of the Board are to enhance and preserve long-term shareholder value and to ensure that Pertra meets ongoing obligations.

Whilst the Chief Executive Officer is responsible for the day-to-day management, the Board acknowledges its responsibility for the stewardship of the company, including:

(a) Drawing up strategic plans, and monitoring these through a regular reporting and review process;
(b) Identifying principal risks of Pertra's business and ensuring the implementation of appropriate systems to manage these risks;
(c) Ensuring timely and accurate communications to shareholders of financial and other matters in accordance with applicable law; and
(d) Ensuring the implementation and integrity of Pertra's internal control and management information systems.

The Board meets frequently and the Members contribute considerable and diverse experience, skills and capacity to the benefit of the company. Through frequent meetings with management, the Board stays well informed of corporate and financial developments. With Pertra being a relatively young organisation, the Board, and the Chairman in particular, has a high involvement in the business. However the roles are clearly defined between the Board and the management. The Board has established instructions for the Board, specifying the area of responsibility and administrative procedures. It evaluates its work on an annual basis. The Board has established instructions for the Chief Executive Officer specifying his area of responsibility and administrative procedures.

The General Meeting elects the Chairman of the Board. There is currently no Deputy Chairman position. The Board might decide to elect a Deputy Chairman during 2007.

Due to the size of the Company and scale of its operations, the Board deems it appropriate that Directors stay involved on all issues. Therefore, the Board does not yet organize its work in permanent board committees, and Pertra has no audit or remuneration committee.

Risk Management and Internal Control

Pertra's management routines provide a basis for and contribute to sound controls and reporting of the Company's progress. Internal control and risk management procedures contribute to transparent and diligent reporting for the long term benefit of the Company and its shareholders.

Pertra has not formalized its corporate values and ethical guidelines. The aim is to do so during the course of 2007.

Oysters inferior in comparison…

Long spikes are not enough to keep people at bay. Sushi consumers and other gourmets have namely discovered what delicatessen is hidden inside the beautiful sea urchins. If you haven't tasted them, this is how you go about it: Use heavy-duty gloves and a big knife. Crack open the top of the sea urchin and empty the contents. Around the opening in the bottom is the star-shaped roe. You can eat this directly from the shell, maybe flavored with a touch of lemon. But pick the sea urchins yourself, as the market price for these is higher than king crab and oysters!

Edible sea urchins abound around the island municipalities of Hitra and Frøya.
Photo: Frank Gregersen, Fiskeriforskning

Remuneration of Board Directors and Management

The Board Directors are encouraged to acquire shares in the Company, but no Director is party to any option agreements. The Board shall approve any Board Member's consultancy assignment for the Company and remuneration for such assignment. The annual report outlines Board Members' ownership and remuneration.

The Board also determines the Chief Executive's remuneration and other terms and conditions of employment in meeting. The annual report outlines the executive management's remuneration, including salary and pension costs.

Pertra has an employee bonus share program for all its employees. The program is outlined in the annual report.

Information and Communication

Pertra seeks to ensure that the investor community, in Norway and abroad, is timely and regularly informed about our corporate and financial development. Through our website (www.pertra.no) and the Oslo Stock Exchange, we publish a financial calendar, price-sensitive information and interim reports. We also host quarterly presentations for investors, analysts and the media in connection with interim results. Investor and analyst meetings with Pertra's management are available outside the regular reporting schedule upon request. Our aim is to provide sufficient and relevant information to the market so that the share price reflects the underlying value of the Company. The Company's policy on investor relations is outlined in the annual report.

Take-overs

The Board concurs with the principles for equal treatment of all shareholders and will strive to ensure that complete information is provided in all situations affecting the shareholders' interests. The Board will not, without special reasons, seek to prevent anyone from presenting offers to take over company shares or specific business areas. In the event of a bid, the Board will present a recommendation to its shareholders.

Auditor

The General Meeting appoints the auditor and approves the auditor's fees. At least once a year the Board of Directors meets the auditor, without Pertra's management being present, to review internal control procedures, including identified weaknesses and proposals for improvement. The auditor also attends board meetings which deal with the annual accounts.

Investor Relations Policy

It is our goal to ensure that all material information required by investors and analysts be disclosed to the market, thus ensuring that the market's evaluation of the Company reflects the Company's inherent values. Subsequently, Pertra is committed to disclosing all relevant information pertaining to the Company and its financial performance to investors and analysts in a correct and timely manner. Quarterly reports, the financial calendar, and other information comprised by disclosure requirements are distributed to the market through the stock exchange's notification system and the Company's website. Pertra is committed to disclosure principles stating that information to analysts, investors, and shareholders be distributed equally in terms of content and timing. The Company does not comment on rumors.

Pertra holds open presentations in connection with the release of quarterly reports to investors, analysts, and media. The actual presentations will always be held in Oslo, and also in Trondheim if so required. Information about scheduled presentations will be disclosed through the stock exchange's notification system and the Company's website. In addition, individual analyst and investor meetings may be arranged upon request, usually in connection with quarterly presentations.

20 LARGEST SHAREHOLDERS AS OF 31.12.2006

Name	No. of Shares	% of Share Capital
CREDIT SUISSE SECURITIES *	3 045 537	11.49 %
KØRVEN AS	1 257 182	4.74 %
H.L.MANAGEMENT AND CONSULTANTS (1986) LTD.	968 000	3.65 %
SJÆKERHATTEN AS	756 040	2.85 %
VILJE 2M AS	754 830	2.85 %
OLEUM AS	753 000	2.84 %
BEAR STEARNS SECURITIES CORP. *	734 025	2.77 %
SPAREBANKEN MIDT-NORGE	709 068	2.67 %
MORGAN STANLEY & CO. INC. *	692 980	2.61 %
VINN INVEST AS	687 215	2.59 %
VERDIPAPIRFOND ODIN NORGE	684 600	2.58 %
KJELDSBERG EIENDOM AS	591 635	2.23 %
LUXEMBOURG FUNDS SER AAMLUX (SICAV)*	590 000	2.23 %
MÅNEMELK AS	553 654	2.09 %
CREDIT AGRICOLE INVESTOR SERVICES*	535 050	2.02 %
BANK OF NEW YORK, BRUSSELS BRANCH*	527 913	1.99 %
THE NORTHERN TRUST CO. *	500 000	1.89 %
TAUBÅTKOMPANIET AS	472 635	1.78 %
TRØNDERENERGI AS	445 000	1.68 %
HEKTOR BONUM AS	443 635	1.67 %
UNIQUM AS	443 635	1.67 %
KOTENG, IVAR JOHANNES	443 635	1.67 %
Other shareholders	**9 921 381**	**37.42 %**
TOTAL	**26 510 650**	**100.00 %**

* Registered as nominee shareholder with VPS

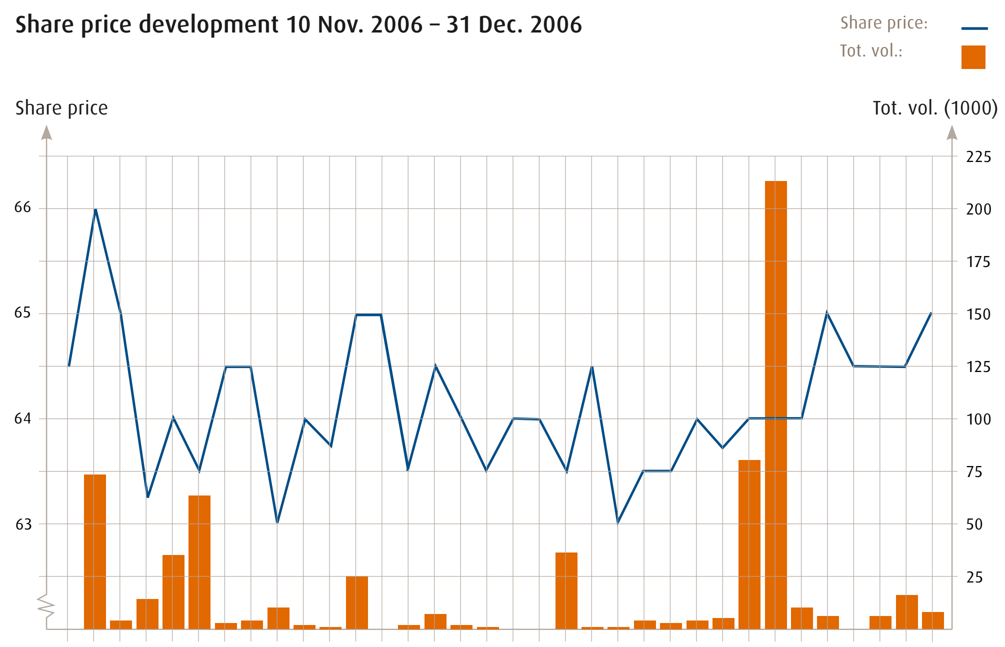
Liquidity

Pertra's goal is to ensure that the share is attractive and easily marketable. In the General Meeting, each share carries one vote and equal rights to share dividends. The Company aims to attain an appropriately dispersed composition of owners.

Initiatives that the management of Pertra seeks to prioritize to ensure liquidity in the share:

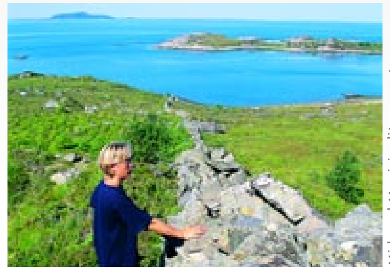
- Arrange open presentations in connection with quarterly reports
- Attend relevant seminars and contribute with lectures to enhance the visibility of the Company's performance
- Ensure that the market remains continuously updated with regard to the Company's status and development through the distribution of news letters, etc.
- Prioritize an informative and continuously updated website
- Ensure that the Company has allocated the necessary resources to handling enquiries from the market

Share price development 10 Nov. 2006 – 31 Dec. 2006

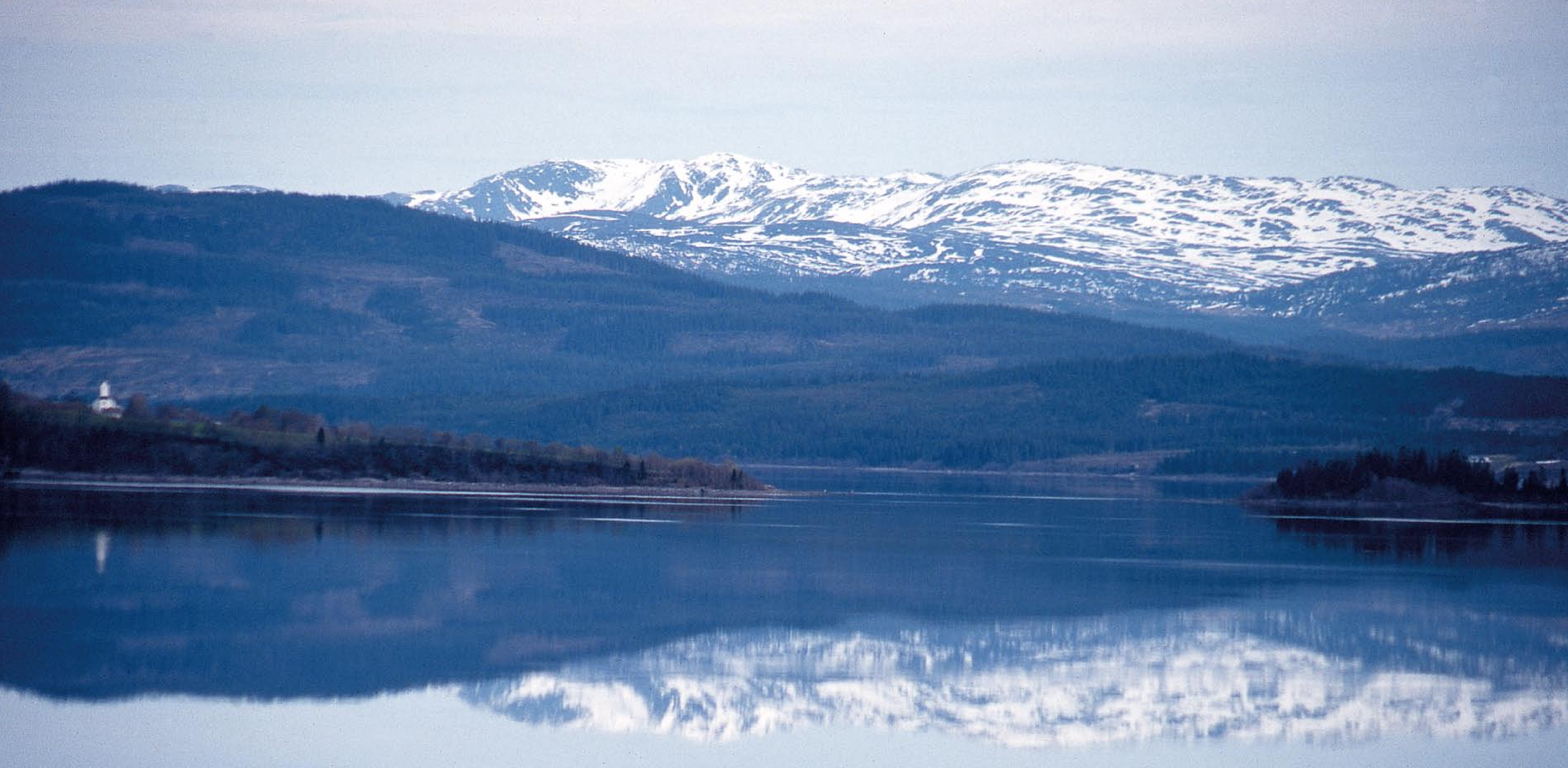


Swedish-Danish frontier ran midway through Norway

The ruins of a mighty rock wall emerges at the sea's edge at Midøya and edges its way inland. This wall marked the international boundary that was enforced between Sweden and Denmark/Norway from 26 February 1658 to 27 May 1660. The country was divided into two, and the rock wall was the westernmost end point of this boundary. In latter times there have been both judicial and municipal boundaries fixed here, but nowadays the rock wall is merely an historic relic where it passes through Midsund Municipality.



Midsund Municipality was at one time split in two between Sweden and Denmark-Norway.
Photo: Øyvind Leren



Fongen

Fongen is a mountaintop located in Skarvan and Roltdalen National Park. It towers 1441 m.a.s. and forms the common boundary point between Sør- and Nord-Trøndelag Counties. Fongen and the surrounding landscape is an extensive forest and mountain area typical of the Trøndelag region's highland expanses. This area has been spared from modern, technical intervention, and the lower stretch of Roltdalen is Trøndelag's largest highland valley.

Fongen is a prospect in PL 381 located by th Midgard Field. Drilling is expected during Q1 2008.
Photo: Tomas Eggen

The Board of Directors' Annual Report 2006

Area of Activity

Pertra is an oil company focused on exploration and production of petroleum resources in the North Sea and the Norwegian Sea. The company's headquarters are located in Trondheim. A branch office has been established in Stavanger.

History

The original company Pertra was established by Petroleum Geo-Services ASA (PGS) in 2002. Pertra purchased 70% of the Varg Field, then in the process of being shut down, and assumed the operatorship 1 August 2002. PGS sold Pertra to Talisman Energy UK Ltd. in January 2005. The management of Pertra established a new oil company on 11 February 2005 and repurchased from Talisman the name "Pertra", physical onshore property, procedures, computer equipment, and interests in five licenses. 16 of the 19 who were employed by Pertra when the company was purchased by Talisman in January 2005 continued in the new Pertra.

The company has experienced considerable growth during 2005 and 2006. At the turn of the year, Pertra had interests in nine licenses and had 29 employees.

Ownership

Following the successful completion of a private placement in the amount of NOK 600 million and a retail offering of NOK 50 million, Pertra ASA was listed on Oslo Stock Exchange 10 November 2006. At the end of 2006, the company had a total of 1,266 registered shareholders. The shareholders are both Norwegian as well as international investors, members of the management group, the Board of Directors, and employees.

Portfolio

At the end of the year the company had interests in a total of nine licenses. The license interests vary from 5% to 70%.

PRODUCTION LICENSES OPERATED BY PERTRA AS OF 31.12.2006

Production license	Pertra's share	Location	Status
PL 321	40%	Norwegian Sea	Exploration license
PL 337 (incl. Storskrymten)	45%	North Sea	Exploration license Well decided drilled in 2007
PL 364 (incl. the Frøy Field)	50%	North Sea	PDO expected submitted in 2007
PL 380 (incl. Fongen)	70%	Norwegian Sea	Exploration license. Well decided drilled

PL 349 was relinquished in December 2006. Pertra's (partner) interest was 5%.

PRODUCTION LICENSES WHERE PERTRA IS PARTNER AS OF 31.12.2006

Production license	Pertra's share	Location	Status
PL 038 (incl. the Varg Field)	5%	North Sea	In production
PL 316 (incl. the Yme Field)	10%	North Sea	PDO submitted in 2007 Production start-up expected in 2009
PL 332	20%	North Sea	Exploration license
PL 356	50%	North Sea	Exploration license
PL 383	50%	Norwegian Sea	Exploration license

The announcement of the APA 2006 awards by the Ministry of Petroleum and Energy (MPE) was delayed until 29 January 2007. The APA awards have previously always been announced during the month of December. Subsequent to this award (APA 2006) Pertra is the operator of seven licenses and partner in additional five licenses. Pertra has entered into a farm-out agreement with Aker Exploration regarding a 15% license interest in PL 321, thus reducing Pertra's share in this license to 25%. This transaction has been approved by the Boards and license partners. Authority approval is pending.

Oil Resources and Reserves

2006 was a year of considerable growth for the company and resulted in an increase in potential risked resources, resources, and reserves. As of 31.12 total risked resources and reserves amounted to a total of 234 million barrels, of which reserves constituted 7 million barrels.

Research and Development

Licensing terms applicable to the Norwegian Shelf encourage and facilitate research and development activities. During 2006, Pertra has participated in several R&D projects in collaboration with local and other national research institutions and scholars. The costs of these activities are expensed in the profit and loss accounts.

Three Master students from the Norwegian University of Science and Technology (NTNU) have worked part-time in Pertra all of 2006 and are now working on their NTNU Master theses.

Health, Safety, and Environment (HSE)

The company seeks to ensure that all operations be carried out with zero permanent damage to people or to the environment. Safety for people, the environment, and financial values constitutes 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, with special attention to the risk of large-scale accidents. Registration, reporting, and assessment of causal relations and potential consequences constitute a vital part of this work.

Working Environment

The company maintained a high level of activity in 2006, and the working environment is considered to be good. Improvement measures are continuously being implemented. Absence from work due to ill amounted to a total of 64 sick days, or 1%, in 2006.

The company's personnel safety representative has participated in the planning and design of new office premises and in internal improvement processes. A fire escape plan for the company's new office premises has been established.

In 2006, no injuries or accidents were registered among the company's employees. This also applies to accidents resulting in material damage.

External Environment

Pertra is not operating fields in production. For environmental data applicable to 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.

Equal Opportunity

Pertra aims to be a workplace with equal opportunities. The company aims to avoid gender discrimination regarding salary, promotion, and recruiting, and this objective constitutes a part of our policies. Pertra has traditionally recruited from environments where the number of men and women is unequally represented.

Of the company's 29 employees at the turn of the year, ten were women. As of 31.12 there were one woman and six men on the Board of Directors. Working time arrangements in the company are in accordance with terms for the various positions and independent of gender.

Corporate Governance

Pertra's Corporate Governance principles comply with the system published in the current Norwegian Code for Corporate Governance.

A more comprehensive description of Pertra's principles for Corporate Governance has been provided as a separate topic in the Annual Report publication.

Remuneration of the CEO and Other Leading Members of Staff

The Board has established guidelines for remuneration of the CEO and other management personnel as follows:

Management personnel receive a base salary subject to annual adjustment.

Adjustments in the base salary for the CEO are decided by the Board. For other management personnel, adjustments in the base salary are determined by the CEO, within limits approved by the Board.

Management personnel of the company participate in the same general arrangements that apply to all employees regarding incentive program, pension schemes, and other benefits.

A scheme has previously been established whereby the CEO is entitled to compensation in the event of retirement before the age of 67, if so requested by the Board.

There are no other special compensation arrangements for management personnel, with the possible exception of specific benefits regulated by individual contracts of employment.

The Board, with the Board's power of attorney, has on several occasions executed share offerings through cash contributions directed at employees. There are currently no further share offerings of this type planned. Such share offerings must be decided by the Board based on the Board's power of attorney or by the General Meeting in each instance.

A bonus share incentive program for all employees has been established. The bonus is determined by the Board annually following the presentation of the profit and loss statement to the Board and subsequent to a discretionary assessment of Pertra's total activities and results the preceding year. Based on this, the Board decides whether a bonus will be disbursed to the employees. The size of the bonus is calculated as a percentage of the base salary. One year's bonus can amount to a maximum of 40% of the base salary. Employees must acquire shares in Pertra ASA for 50% of the value of the bonus to be entitled to a bonus. The placement presupposes that the Board is authorized to perform a share offering or that such offering is decided at the General Meeting. The subscription rate is set as the market price of the share at the time the share offering is decided by the Board or by the General Meeting. Bonus is not awarded to employees who have resigned or in other ways have left the company at the time the bonus is decided. For 2006, the Board set the bonus at 25% of the base salary. There are no other remuneration schemes for the CEO or management personnel related to shares, subscription rights, options, or other share-related conditions. For these guidelines and their application to the awarding of shares to management personnel in 2008, approval is sought at the General Meeting.

Financial Statements 2006

Effective as of 1 January 2006, Pertra was transformed into a public limited company (ASA). The company's 2006 Financial Statements have been formally submitted in accordance with the regulations stated by the Public Limited Companies Act and Generally Accepted Accounting Principles in Norway (NGAAP). For the time being, the company has adopted to desist from reporting pursuant to IFRS.

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 Dec. 2006 or the 2006 annual result, beyond that which has been disclosed in the above and otherwise in the Financial Statements.

Profit/Loss

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

The company's total operating revenues for 2006 amounted to NOK 118.0 million.

Varg crude oil was sold at an average price of USD 63.6/barrel. The company is continuously assessing the need for limiting the risk of oil price fluctuations.

Pertra incurred a net operating loss amounting to NOK 146.4 million in 2006. The negative result is in accordance with the company's plans and is largely affected by a high level of exploration activities.

Tax income on ordinary income/loss amounted to NOK -108.1 million. The tax effect of costs related to issue of new shares has been booked directly to equity. As of 31 January 2006 calculated tax receivables due to exploration activities amounted to NOK 112.7 million. The time of payment is December 2007.

The net loss for 2006 was NOK 35.0 million.

Balance Sheet and Liquidity

At 31 January 2006 the company had a positive equity of NOK 786.5 million. The equity ratio was 87.7%. The company has no free equity.

At the end of the year, the company had no interest-bearing debt. Short-term debt amounts to NOK 89.1 million.

Allowance for plug and abandonment obligations at the end of the year constitutes NOK 18.1 million.

Pertra still covers 50% of the costs in PL 316 (Yme), limited upward to USD 35 million. The share of expenses applicable to development is being capitalized. As of 31 December USD 15.3 million remain of this total liability.

Cash Flow

Cash flow from operating activities for 2006 amounted to NOK –84.9 million. The negative Cash flow from operating activities is lower than the operating loss, mainly due to a direct tax payout from the State in the amount of NOK 81.9 million, interest excluded.

Payments related to investments amounted to NOK 69.5 million.

As of 31 December, cash and cash equivalents amounted to NOK 565.9 million. The company's liquidity is satisfactory due to share issues executed prior to listing on the Oslo Stock Exchange.

Production

The company's total share of the production from Varg equaled 272,762 barrels (43,344 Sm^3) crude oil. The company's share of non-allocated inventory at 31.12 amounted to 9,213 barrels (1,464 Sm^3).

Financial Risk

The company's risk management, financial risk management included, shall ensure that risks that may have an impact on Pertra's objectives be mapped, analyzed, and managed in a systematic and cost-efficient manner. Pertra's management procedures provide a good basis for reporting and follow-up of the risks to which the company is exposed.

Pertra is exposed to market risk with regard to fluctuations in oil prices, exchange rates, and interest rates. The company's exposure to risk is continuously being monitored. The need for utilizing financial instruments is under continuous assessment with reference to hedging of market risks. The company's revenues consist primarily of revenues from the sale of petroleum, and the company is thus exposed to risk pertaining to oil price changes. Fluctuations in exchange rates constitute both a direct as well as an indirect financial risk for the company. Pertra's petroleum revenues are in US Dollars (USD), whereas the main costs incurred in 2006 have been in Norwegian Kroner (NOK). The company's cash and cash equivalents are in both USD and NOK. When converted, a decrease of USD value will cause a lower amount in NOK. The company has not entered into forward contracts or other agreements designed to reduce the company's commodity and currency risk and thus market risk related to operations. With reference to the company's development and exploration plans, Pertra anticipates considerable dollar-based disbursements that exceed the petroleum earnings in 2007 and 2008. With the purpose of reducing the foreign exchange exposure inherent in these plans, the company aims to partially and gradually hedge exposure to USD disbursements. Pertra is exposed to interest rate risk, but subsequent to the capital increases related to the stock exchange listing Pertra carries no interest-bearing liabilities. Liquid assets are managed so as to ensure a relatively limited interest rate risk. The average modified duration pertaining to the company's liquid assets shall, in accordance with guidelines issued by Pertra, not exceed one year.

The company's credit risk is considered to be low. Risks of debtors and business partners not being financially capable of fulfilling their obligations toward Pertra are seen as very low, as historically there have been no losses on accounts receivable. Liquid assets are invested in financial instruments and bank deposits that represent an overall low credit risk.

The combination of limited production revenues and an extensive exploration and development program put demands on liquidity risk management. The Company's liquid assets and current undrawed credit facility are expected to cover the financing requirement of Pertra's operations throughout 2007. The company anticipates considerable tax refunds from exploration activities in coming years and aims to establish a drawing facility efficiently mortgaging such tax refunds. In the management of the company's liquid assets low liquidity risk is prioritized. Payment deadlines for accounts receivable are maintained.

Annual Result and Allocations

The Board proposes that the loss for Pertra be allocated by transferring NOK 1.248 million from other paid-in equity and NOK 33,777 million from the share premium reserve.

Going Concern

In accordance with the Accounting Act § 3-3a we confirm that the Financial Statements have been prepared under the assumption of going concern. Subsequent to the share offerings in 2006 the company has ensured a sound financial position. Pertra seeks to grow the company further and foresees additional capital requirements. In consequence of these growth ambitions the company will for the time ahead examine alternative sources of funding.

Outlook

Pertra was awarded two operatorships and two partnerships in APA 2005. There has been a positive development in all these four licenses. In PL 380 (Fongen) a drilling decision has been made, and work aimed at identifying a re-development concept for Frøy (PL 364) is ongoing. During the summer of 2006, mere five months after the award was announced, new 3D seismic was being acquired over the Frøy Field. The acquisition of these data has enabled a more precise mapping of the remaining reserves in the field. Production start-up is expected during 2010.

A Plan for Development and Operation (PDO) of the Yme Field (PL 316) was submitted to the authorities 9 January 2007. Pertra expects the authorities to approve the plan during the first half of 2007, with production start-up in 2009.

As operator, Pertra plans to drill three exploration wells in 2007/2008. In PL 337, the prospects Storskrymten and Grytkollen will both be targeted by drilling one well with the jack-up drilling rig "Mærsk Giant". The semi-submersible drilling rig "Bredford Dolphin" is significantly delayed, thus the prospect Fongen in PL 380 will not be drilled before Q1 2008. Pertra's second well with Bredford Dolphin is not expected to be drilled before Q3 2008.

Pertra was awarded three license interests in APA 2006, all as operator. The company was also awarded additional acreage adjacent to PL 316, where Pertra owns a 10% license interest. The MPE has announced that ten additional licenses may be offered later in 2007, of which Pertra expects to be partner in one. APA 2007 has been announced and the deadline for applications set at 28 September 2007, in keeping with common practice. The 20th Licensing Round has been postponed to 2008.

To ensure progress in the licenses operated by Pertra, the company has already entered into an agreement with Fugro-Geoteam regarding the acquisition of 400 km² 3D seismic over Blocks 6507/9 and 12 (PL 432) scheduled for the summer of 2007. This entails that Pertra may commence interpreting the prospects in this license as soon as the end of 2007. Pertra owns a 100% interest in this license and aims to sell a share to a partner prior to a prospective drilling operation. Abundant amounts of data are available for the other two licenses awarded in APA 2006, and the prospects will be subjected to detailed studies prior to concluding whether these are to be drilled or not.

The planned company merger of Hydro and Statoil entails major structural changes on the Norwegian Shelf. Pertra will be monitoring this situation closely.

Access to interesting exploration acreage in future APA rounds in conjunction with Pertra's ability to identify attractive prospects, as well as access to the required rig capacity over the coming years will have a significant impact on the company's development in the years after 2010. To ensure that the APA rounds will invoke interest also in the future, it is essential that larger parts of the exploration acreage awarded during the 1980s and 1990s, and where no drilling decisions have yet been reached, be relinquished to the Norwegian State and thus made available in future APA rounds.

The company's drilling program for the next three years has been ensured access to the required rig capacity for this period. Pertra expects that this program will result in discoveries amounting to an average of 30 million barrels of oil per year. It is the company's stated objective to increase its growth potential further by continuing to actively acquire licenses and increase the required drilling capacity. Pertra's ambition is to make new discoveries amounting to an average of 50 million barrels of oil per year after 2010.

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 of Directors of Pertra ASA
Trondheim, 23 March 2007

Kaare M. Gisvold, Chairman

Svein Sivertsen, Board Member

Ivar Aarseth, Board Member

Halfdan Carstens, Board Member

Eva Henderson Kristensen, Board Member

Anton E. Tronstad, Board Member

Kjetil Grønskag, Board Member

Erik Haugane, CEO

Storskrymten – reaching skyward

Mt. Storskrymten marks the boundary between three municipalities and counties; Oppdal in Sør-Trøndelag, Sunndal in Møre & Romsdal and Lesja in Oppland. It is the highest mountain in Sør-Trøndelag County, but nonetheless receives relatively few visitors. This is due possibly to its height – with its 1985 m.a.s it lacks the last 15 meters needed to conquer the magic 2000-meter limit. That's a pity; Storskrymten is a marvelous tour alternative, and the fittest of us can make the ascent to the summit in a day trip.

Storskrymten is the name of a prospect in PL337 that is to be drilled with the rig Mærsk Giant in Q3 2007.
Photo: www.ifriluft.net

Income Statement

(All figures in NOK 1000)	Note	01.01.-31.12. 2006	11.02.-31.12. 2005
Petroleum revenues	2	115 869	93 601
Other operating revenues		2 173	884
TOTAL OPERATING REVENUES		**118 043**	**94 485**
Exploration costs	6	186 178	166 298
Change in inventories	4	2 582	(1 371)
Production costs	3	43 443	27 703
Payroll and payroll-related expenses	5,11	2 093	582
Depreciation and amortisation expenses	9	21 058	19 941
Provisions for plugging and abandonment liabilities	18	8 044	10 104
Other operating expenses	7	1 051	188
TOTAL OPERATING EXPENSES		**264 449**	**223 445**
OPERATING PROFIT/(LOSS)		**(146 407)**	**(128 960)**
Interest income		11 335	1 033
Other financial income	8	3 326	3 767
Interest expenses		5 976	1 240
Other financial expenses	8	5 406	1 834
NET FINANCIAL ITEMS		**3 278**	**1 726**
INCOME/(LOSS) BEFORE TAXES		**(143 128)**	**(127 233)**
Taxes (+)/tax income (-) on ordinary income/(loss)	10	(108 103)	(85 030)
NET INCOME/(LOSS)		**(35 025)**	**(42 203)**
Allocated from other paid-in equity		(1 248)	(857)
Allocated from share premium reserve		(33 777)	(41 346)
TOTAL ALLOCATIONS		**(35 025)**	**(42 203)**
Time-weighted average number of shares outstanding		18 200 614	8 347 593
Earnings/(loss) after taxes per share (adjusted for split)		(1.92)	(5.06)

Balance Sheet

(All figures in NOK 1000)	Note	31.12. 2006	2005
ASSETS			
Intangible assets			
Deferred tax assets	10	19 165	2 796
Property, plant, and equipment			
Property, plant, and equipment	9	95 383	46 935
TOTAL FIXED ASSETS		**114 548**	**49 732**
Inventories			
Inventories	4	2 208	4 764
Accounts receivable			
Accounts receivable		15 262	9 692
Other receivables	12	86 387	10 482
Calculated tax receivable	10	112 724	82 234
Investments			
Other financial investments	17	25 563	
Cash and cash equivalents			
Cash and cash equivalents	14	540 327	106 634
TOTAL CURRENT ASSETS		**782 469**	**213 805**
TOTAL ASSETS		**897 017**	**263 537**
EQUITY AND LIABILITIES			
Paid-in equity			
Share capital (26,510,650 shares at 0.20/3,113,130 shares at 1.00)	15	5 302	3 113
Share premium reserve	15	781 241	167 589
TOTAL EQUITY		**786 544**	**170 702**
Provisions			
Pension liabilities	11	3 255	1 490
Provisions for plug- and abandonment liabilities	18	18 148	10 104
TOTAL PROVISIONS		**21 403**	**11 594**
Current liabilities			
Bank overdraft	14		15 271
Accounts payable		26 787	17 794
Taxes withheld and public duties payable		3 420	2 291
Other current liabilities	13	58 864	45 885
TOTAL CURRENT LIABILITIES		**89 071**	**81 241**
TOTAL LIABILITIES		**110 474**	**92 835**
TOTAL EQUITY AND LIABILITIES		**897 017**	**263 537**

Trondheim, 23 March 2007

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

Cash Flow

(All figures in NOK 1000)	01.01.-31.12. 2006	11.02.-31.12. 2005
Cash flow from operating activities		
Income/(loss) before taxes	(143 128)	(127 233)
Direct tax payout from the State	81 925	
Depreciation and amortisation expenses	21 058	19 941
Changes in plugging and abandonment liabilities	8 044	10 104
Discount shares to employees	1 248	857
Changes in inventories, accounts payable and receivable	5 980	3 338
Changes in net current capital and in other current balance sheet items	(60 031)	39 185
NET CASH FLOW FROM OPERATING ACTIVITIES	**(84 904)**	**(53 809)**
Cash flow from investment activities		
Purchase of offshore PP&E	(66 272)	(60 866)
Purchase of software, inventory, etc.	(3 234)	(6 011)
NET CASH FLOW FROM INVESTMENT ACTIVITIES	**(69 507)**	**(66 877)**
Cash flow from financing activities		
Paid-in share capital / capital increase	628 938	212 048
Bank overdraft	(15 271)	15 271
NET CASH FLOW FROM FINANCING ACTIVITIES	**613 667**	**227 319**
Net change in cash and cash equivalents	459 256	106 634
Cash and cash equivalents at start of period	106 634	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**565 890**	**106 634**
Specification of cash and cash equivalents at end of period		
Bank deposits, etc.	540 327	106 634
Other financial investments	25 563	
Total cash and cash equivalents at end of period	**565 890**	**106 634**

Accounting Principles

The Financial Statement has been prepared in accordance with the rules of the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway (NGAAP).

Revenue Recognition

Revenue from sale of petroleum is recognized when ownership passes to the customer (delivery). Other revenue is recognized at the time of delivery of goods and services.

Expenses

Expenses are accounted for according to the matching principle, i.e., either juxtaposed with the corresponding income or identified as a period expense.

Classification and Evaluation of Balance Sheet Items

Current assets and short-term liabilities comprise items that are due within one year, as well as items related to goods circulation. Other items are classified as fixed assets/long-term liabilities.

Current assets are valued at the lower of acquisition cost and actual value. Short-term liabilities are capitalized to nominal amount at the time of establishment.

Fixed assets are valued at acquisition cost, but are depreciated to actual value if the decrease in value is not considered temporary. Long-term liabilities are capitalized to nominal amount at the time of establishment, after deduction for paid installments.

Exploration Costs

Exploration costs are managed according to the Successful Effort method. The method implies that purchase of seismic data and expenses related to geological and geophysical explorations are expensed. Exploration wells are temporarily capitalized pending an evaluation of prospective discoveries of oil and gas reserves. Such expenses are charged to the Profit and Loss Account if commercial oil reserves are not proven.

Research and Development

Research and development costs are expensed as incurred.

Oil and Gas Assets Offshore

Field development costs are capitalized if development of proven reserves is relatively certain and if a decision regarding concrete development is expected in the near future.

In accordance with the matching principle, expenditures are capitalized even though the economic life time is less than three years. Depreciation of drilling expenses and production rights are calculated in accordance with the production unit method. The rate of depreciation is equal to the ratio of oil and gas production for the period to proved reserves. Wells are included in the depreciation basis when the well is put in production.

Maintenance costs are expensed as operating costs when incurred, whereas upgrades and significant renewals are capitalized and depreciated as part of the asset they relate to.

Oil and Gas Assets Onshore

Oil and gas-related assets onshore are capitalized and depreciated linearly throughout the expected lifetime of assets if these are estimated to have a lifetime exceeding three years and a production cost exceeding NOK 15,000.

Inventory

The value of the petroleum inventory on board the FPSO Varg is estimated as the lower of total production cost and actual value.

Shares in Joint Venture Activities

The Company's license shares on the Norwegian Continental Shelf are included in the Profit and Loss Account and Balance Sheet in accordance with the gross method.

Accounting principles related to the sale and purchase of license shares in joint venture activities are individually assessed for each agreement. Such transactions are assessed at fair value or at the best estimate of fair value. So-called farm-in/farm-out agreements involve one party covering the costs on behalf of the other party; these are limited to a specific type of cost or limited upward to a fixed amount. This consideration is entered in the books when incurred and classified as either expense or asset.

Provisions for Plugging and Abandonment

Costs relating to future plugging and abandonment of offshore petroleum installations are calculated as nominal value of estimated future expenses. Current provisions for this future obligation are entered in the Profit and Loss Account in accordance with the production unit method.

Taxes

Taxes in the Profit and Loss Account encompass both taxes payable this period and changes in deferred tax liabilities. Deferred tax liabilities are calculated using a 28 % tax rate and a 50 % surtax rate, based on the temporary differences between accounting values and tax values at 31.12. The Company recognizes the effect of uplift, a special deduction for petroleum surtax in Norway, at the investment date. The effect of tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period has been capitalized and entered as net in the Balance Sheet. Net deferred tax assets are capitalized to the extent that it is probable it will be utilized. Calculated outstanding tax in consequence of deficit related to exploration activities are entered as current receivables in the balance sheet.

Currency

Transactions in foreign currency are entered at transaction exchange rates. Money items in foreign currency are converted into the exchange rate of the Balance Sheet date. Realized and unrealized foreign exchange gains and losses are included in the annual results.

Pensions

Pension costs and liabilities are calculated according to linear contribution based on discount rate, future wage regulations, pensions and National Insurance benefits, future return on pension resources, and actuarial assumptions regarding mortality rates, voluntary retirement, etc. Pension assets are assessed at actual value and deducted in net pension liabilities in the balance. Altered liabilities caused by changes in pension plans are divided over the expected remaining contribution time. The same applies to estimate deviations to the extent that these exceed 10 % of the larger of pension liabilities and pension assets (corridor).

Cash Flow Analysis

The cash flow statement is based on the indirect method, and the Company's bank inventory is shown as means of payment.

Share-based Compensation

When allotting shares to employees at a discount, the difference between market value and purchase value is expensed as salary. In equity, the discount appears as other paid equity.

Notes

(All figures in NOK 1000)

NOTE 1 ABOUT THE COMPANY AND SIGNIFICANT EVENTS

Pertra was established 11 February 2005 after a previous company of the same name was purchased by Talisman Energy. The company is focused on exploration activities and production of oil on the Norwegian Continental Shelf.

License portfolio

As of 31.12., the Company owned the following shares in production and exploration licenses on the Norwegian Shelf:

No.	Name	Operator	2006 Share	2005 Share
PL 038	Varg	Talisman	5%	5%
PL 038	Varg Outside	Talisman	5%	5%
PL 316	Yme	Talisman	10%	10%
PL 321	Frøyhøgda	Pertra	40%	40%
PL 332		Talisman	20%	20%
PL 337		Pertra	45%	35%
PL 349		Marathon	0%	5%
PL 356		DNO	50%	50%
PL 364	Frøy	Pertra	50%	50%
PL 380	Fongen	Pertra	70%	70%
PL 383		DNO	50%	50%

Stock exchange listing and share issues

Pertra ASA was listed on Oslo Stock Exchange 10 November 2006 following the successful execution of a private placement in the amount of NOK 600 million and a retail offering of NOK 50 million.

Subsequent events

Awards in APA 2006
Pertra was awarded three licenses in APA 2006, all as operator. The Company was also awarded additional acreage adjacent to PL 316, where Pertra has a 10 % license interest.

Plan for Development and Operation (PDO) of the Yme Field
PDO for the Yme Field was submitted to the authorities 9 January 2007. Pertra expects the Government to approve the plan during the first six months of 2007, and production start-up at the turn of the year 2008/09.

NOTE 2 PETROLEUM REVENUE

The petroleum revenue is entirely related to the Varg Field in PL 038 in the North Sea. In 2006, the company's total share of production from Varg amounted to 272,762 barrels (43,344 Sm^3) crude oil as compared to 247,774 barrels (39,373 Sm^3) crude oil in 2005 (for the June - December period). The company' share of non-allocated inventory was 9,213 barrels (1,464 Sm^3) in 2006, as compared to 18,212 barrels (2,894 Sm^3) in 2005.

NOTE 3 PRODUCTION COSTS

Production costs apply to PL 038 Varg and comprise costs related to the lease of production ship and additional costs related to the production of oil, including operation and maintenance of installations, well intervention and work-over activities, CO^2 fees, etc. The share of payroll and administration costs applicable to operations has also been reclassified and presented as production costs.

In 2006, the license entered into a new lease agreement with Teekay Petrojarl for the lease of the FPSO Varg. The agreement stipulates that production on Varg may continue until 2011 dependent upon oil prices and production rate. The termination clauses have been revised, and a minimum rate of USD 220,000 per day has been established. If production from the field exceeds appr. 21,000 barrels/day, a tariff of USD 6.30/barrel plus USD 90,000 per day sets in. The term of notice for Petrojarl has been extended from 3 to 12 months, and Petrojarl may first terminate the agreement effective as of July 2010 provided that regular production falls below 15,725 barrels (2,500 Sm^3) each day .

NOTE 4 INVENTORY AND CHANGE IN INVENTORY

Inventory consists entirely of petroleum in tanks on board the FPSO Varg and is valued at full production cost.

Inventory 31.12.2005	4 680
Inventory 31.12.2006	2 098
CHANGE IN INVENTORY	2 582

In addition, spare parts is included in the Balance Sheet with 109 per 31.12.2006 and 84 per 31.12.2005.

NOTE 5 WAGE COSTS, NUMBER OF EMPLOYEES, REMUNERATION, FEES ETC.

	2006	2005
Wage costs		
Salaries	24 534	8 675
Pension costs, payroll tax included (Note 11)	5 722	2 658
Discount shares to employees	1 248	857
Payroll tax	2 562	1 474
Other contributions	1 090	295
Other personnel costs	1 120	831
Reclassification of wage costs to exploration and production costs	(34 183)	(14 208)
TOTAL	**2 093**	**582**
No. of employed, in man-years	22.7	9.8
No. of employees as of 31.12.	29	19

The share of payroll and operating costs attributable to exploration and operational activities has been reclassified and categorized as production and exploration costs, respectively.

Share-based payment

Prior to the Company's stock exchange listing in the fall of 2006, the employees were given the opportunity to purchase shares at a discount. The difference between market value and purchase price is presented as wage cost and contra entry under other paid-in equity.

The Company has established an incentive program applicable to all employees. The bonus is set by the Board following a rough calculation of Pertra's total results for the preceding year. Based on this estimate, the Board resolves whether or not to award a bonus to all employees. The bonus for one year may amount to maximum 40% of the basic wage. Employees must subscribe for shares in Pertra ASA for 50% of the bonus. Bonus is not paid out to employees who have resigned or otherwise terminated their employment in the Company when the bonus is awarded.

Management remuneration, etc. in 2006

Name	Salary	Other remuneration	Pension cost share	Total remuneration
Erik Haugane (CEO)	1 574	49	408	2 030
Tom Bugge (Exploration Manager)	1 009	44	216	1 269
Anton E Tronstad (VP Drilling & Well Operations)	1 188	44	331	1 563
Stein Fines (VP Technology & HSE)	982	48	216	1 246
Sigmund Hanslien (Portfolio Manager)	1 378	80	511	1 968
Paul E. Hjelm-Hansen (CFO)	953	81	323	1 357

Having reached the age of 60 years, the CEO is obliged to resign his position if so required by the Board. As compensation for resignation prior to 67 years, the CEO is entitled to a compensation equivalent to 70% of wages from 60 to 67 years. A life annuity insurance has been established to ensure this arrangement. The cost is accrued for in the accounts and has been calculated according to the same actuarial assumptions as the Company's other pension obligations.

Management remuneration policy statement

The Board will present a statement of management remuneration policy at the Annual General Meeting.

Board remuneration

Name	Period	2006
Kaare M. Gisvold (Chairman)	Jan-Dec	300
Svein Sivertsen (Board Member)	Jan-Dec	150
Ivar Aarseth (Board Member)	Jan-Dec	150
Halfdan Carstens (Board Member)	Jan-Dec	150
Kjetil Grønskag (Board Member)	Jan-Dec	150
Eva Henderson Kristensen (Board Member)	Feb-Dec	138
Marit Arnstad (Board Member)	Jan-May	63

Anton E. Tronstad (Director and VP Drilling & Well Operations) has not received separate remuneration for his directorship.

No loans or guarantees have been granted to persons holding management positions or positions on the Board of Directors.

Shares owned by persons holding management positions per 31.12.2006

The company management and several Board Directors own shares in the Company. The summary below shows the number of shares and owner's shares in the company, owned both directly and indirectly through other companies. Indirect ownership through other companies has been included in its entirety if the owner's share is 50% or more.

Name	Total no. of shares	Owner's share in %
Erik Haugane (CEO)	1 259 282	4.75%
Tom Bugge (Eploration Manager)	757 130	2.86%
Anton E. Tronstad (VP Drilling & Well Operations)	756 040	2.85%
Stein Fines (VP Technology & HSE)	689 315	2.60%
Sigmund Hanslien (Portfolio Manager)	55 200	0.21%
Paul E. Hjelm-Hansen (CFO)	237 521	0.90%
Kaare M. Gisvold (Chairman)	443 635	1.67%
Halfdan Carstens (Board Member)	10 000	0.04%
Kjetil Grønskag (Board Member)	109 460	0.41%
Svein Sivertsen (Board Member)	17 500	0.07%
Ivar Aarseth (Board Member)	11 000	0.04%
Eva Henderson Kristensen (Board Member)	0	0.00%
TOTAL	**4 346 083**	**16.41%**

Auditor's fees (all figures excl. VAT)	2006	2005
Statutory audit fee	160	130
Assurance services	223	0
Other consultancy services	264	0
Total auditor's fees	**646**	**130**
Of which booked to equity in connection with equity transactions	85	0
Total expensed auditor's fees	**561**	**130**

There are no fees related to consulting services from coadjutant companies to Deloitte AS.

NOTE 6 EXPLORATION COSTS

Specification of exploration costs:	2006	2005
Seismic, well data, field studies and other exploration costs related to licensing rounds and regional studies	27 488	31 963
Share of exploration costs from participation in licenses	121 028	48 363
Dry exploration well in PL 316 charged as expense	8 665	67 607
Share of wage and operation costs reclassified as exploration costs	28 997	18 364
Total exploration costs	**186 178**	**166 298**

The share of payroll and operating costs attributable to exploration and operational activities has been reclassified and categorized as production and exploration costs, respectively.

NOTE 7 OTHER OPERATING EXPENSES

	2006	2005
Office equipment and IT costs	7 441	1 948
Remuneration consultants and auditor (auditor's fees specified in Note 5)	9 192	4 469
IPO expenses	2 913	
Other operating expenses, incl. travel expenses	4 587	2 055
Operating expenses charged to licenses/reclassified to exploration/production	(23 081)	(8 284)
Total operating expenses	**1 051**	**188**

The share of payroll and operating costs attributable to exploration and operational activities has been reclassified and categorized as production and exploration costs, respectively.

NOTE 8 OTHER FINANCIAL INCOME AND EXPENSES

	2006	2005
Foreign exchange profits	2 701	3 767
Increased value of financial investments	625	
Total other financial income	**3 326**	**3 767**
Foreign exchange losses	5 406	1 834
Total other financial expenses	**5 406**	**1 834**

NOTE 9 TANGIBLE ASSETS

	Production license oil and gas fields	Temporarily capitalized exploration wells	Capitalized drilling and development expenses	Fixtures and fittings, tools, office machinery etc.	Total
Procurement cost 31.12.2005	45 002		15 864	6 011	66 877
Investments	1 094	1 792	63 387	3 234	69 507
Retirements					
Procurement cost 31.12.2006	**46 096**	**1 792**	**79 251**	**9 245**	**136 383**
Accumulated depr. and write-downs 31.12.2006	24 013		13 448	3 539	41 000
Capitalized value 31.12.2006	**22 083**	**1 792**	**65 803**	**5 706**	**95 383**
Depreciations and write downs this year	10 302		8 276	2 480	21 058

Production license and capitalized drilling and development expenditures are depreciated in accordance with the production unit method. Fixtures and fittings, office machinery, software, etc. are depreciated linearly over the lifetime, 3-5 years.

NOTE 10 TAXES

Calculation of taxable income	2006	2005
Income/(loss) before taxes	(143 128)	(127 233)
Permanent differences:		
Depreciation production license	13 575	18 155
Other permanent differences	(23 678)	118
Change in temporary differences	11 822	3 585
Taxable income, statutory tax rate 28%	**(141 409)**	**(105 375)**
Effect of uplift current year	(4 765)	
Financial items without 50% special oil tax rate	(85)	(82)
Taxable income, 50% special oil tax rate	**(146 259)**	**(105 457)**
Taxes paid for the year appear as follows:		
Taxable income due to exploration-related losses	112 724	82 234
Of which taxable income booked to equity	(20 681)	
Adjustment of previous period	(308)	
Change deferred tax liabilities	16 369	2 796
Total taxes	**108 103**	**85 030**
Effective tax rate in %	**75.5%**	**6.8%**
Reconciliation of taxes		
28 % corporate income tax of earnings before taxes	40 076	35 625
50 % special oil tax of earnings before taxes	71 564	63 617
Tax effect related to issue of new shares booked to equity	(20 681)	
Adjustment of previous period	(308)	
Tax effect of uplift current year and unused uplift	9 530	
Tax effect of financial items without special oil tax (50%)	42	41
Effect of permanent differences (78%)	7 880	(14 253)
This years tax income/tax expense (-)	**108 103**	**85 030**
Specification of basis for deferred taxes		
Property, plant and equipment onshore	395	728
Capitalized drilling expenses/production license	11 922	3 323
Pension liabilities	(3 255)	(1 490)
Inventory	1 391	3 392
Provision after generally accepted accounting principles	(25 860)	(9 538)
Net temporary differences corporate income tax (28%)	**(15 407)**	**(3 585)**
Unused uplift	(14 294)	
Net temporary differences special oil tax (50%)	**(29 702)**	**(3 585)**
28% corporate income tax	(4 314)	(1 004)
50% special oil tax	(14 851)	(1 793)
Deferred tax liabilities/(assets) in balance sheet 31.12	**(19 165)**	**(2 796)**

As stated in Note 3, the license entered in to a new lease agreement for the FPSO Varg in 2006. The revised agreement has ensured the license available production capacity until July 2010. The remaining lifespan of the Varg Field thus exceeds three years, and all investments in 2006 have been capitalized for tax purposes.

Deferred tax assets are capitalized in its entirety due to the Company's expected future earnings and current regulations in the Petroleum Tax Act. These stipulate that the tax value of deficits may be paid out if the company should cease to exist.

Calculated tax receivable in consequence of deficit related to exploration activities are entered as current receivables in the balance sheet.

NOTE 11 PENSIONS

The Company's pension scheme covers a total of 26 employees. The pension scheme gives the right to defined future payments, which are mainly dependent on the number of years of earning, salary level at time of retirement, and the amount of payment from the National Insurance Office. The obligations are covered through an insurance company. The pension scheme comprises higher benefits than what is required in a mandatory occupational pension scheme.

	2006	2005
Present value of earned service this period	4 943	2 334
Interest cost	108	-
Return on pension plan assets	(159)	(30)
Plan deviations/estimate changes expensed	2	(16)
Administration costs	99	51
Payroll tax	730	330
Net pension costs	**5 722**	**2 670**
Earned pension obligations at 31.12	4 591	1 580
Estimated effect of future salary increase	1 982	530
Estimated pension obligations at 31.12	**6 572**	**2 110**
Pension plan assets (market value) at 31.12	(4 834)	(1 012)
Unrecognized effects of estimate deviations	899	208
Payroll tax	618	184
Net benefit obligations	**3 255**	**1 490**
Principal assumptions:		
Discount rate	4.55%	5.0%
Expected compensation increase	4.50%	3.0%
Adjustment of current pension	1.60%	3.0%
Adjustment of government contributions	4.25%	3.0%
Expected return on pension plan assets	5.40%	6.0%
Expected yearly voluntary terminations before 40 years	2.0%	2.0%
Expected yearly voluntary terminations after 40 years	0.0%	0.0%

The actuarial assumptions are based on assumptions of demographical factors normally used within the insurance industry.

The pension scheme is placed in Vital, who has a long-term positioning of the portfolio. Vital seeks to achieve the highest possible returns by composing an investment portfolio yielding the maximum risk-adjusted rate of return. Actual return on pension funds in 2005 was 7% as compared to the 6% estimate.

NOTE 12 OTHER RECEIVABLES

Specification of other receivables	2006	2005
Share of prepaid seismic	-	6 600
Other prepaid expenses, rig payment included	63 814	1 210
VAT receivable	2 633	1 265
Other receivables, incl. receivables from operator licenses	19 940	1 407
Total other receivables	**86 387**	**10 482**

NOTE 13 OTHER CURRENT LIABILITIES

Specification of other current liabilities	2006	2005
Incurred liabilities to Talisman related to 40% license interest in PL 316, ref. Note 18	11 612	22 959
Current liabilities related to overcall/undercall from licenses	13 859	8 767
Share other current liabilities from licenses	20 387	10 699
Other current liabilities	13 006	3 460
Total other current liabilities	**58 864**	**45 885**

NOTE 14 RESTRICTED BANK DEPOSIT, BANK OVERDRAFT

Taxes withheld from employees

The taxes withheld from employees are deposited in a separate bank account. Balance per 31.12.2006 was 2,451, whereas balance per 31.12.2005 was 1,219.

Bank overdraft, drawing facility

Per 31.12.2006 the Company has an unused drawing facility in the amount of 150,000. As of 31.12.2005 the Company had a total guarantee and overdraft limit amounting to 100,000, of which 15,271 had been used. The unused amount was 84,729.

Assets pledged as security

As of 31.12 2006 the Company has not pledged assets as security. As of 31.12.2005 the company had mortgaged the inventory, machinery and plant, and charge over receivables as security for the used part of the guarantee and drawing facility.

Booked value of mortgaged property as of 31.12.2005 was as follows:	2005
Inventory	4 764
Machinery and plant	46 935

NOTE 15 EQUITY

Changes in equity for the year	Share capital	Share premium	Other paid-in equity	Total
Equity at 01.01.2006	3 113	167 589		170 702
Capital increase June - bonus shares to employees	2	479		480
Capital increase - private placement October 2006	2 000	598 000		600 000
Capital increase - retail offering / employee offering	187	54 784	1 248	56 220
Share issue costs booked to equity		(26 514)		(26 514)
Tax effect of share issue costs booked to equity		20 681		20 681
Profit / loss at 31.12.2006		(33 777)	(1 248)	(35 025)
Equity at 31.12.2006	**5 302**	**781 241**		**786 544**

The share capital is NOK 5,302,130 fully paid in and distributed across 26,510,650 shares, each at NOK 0.20.

Main shareholders at 31.12: Name	No. of shares 31.12.06	% share
Credit Suisse Securities	3 045 537	11.49%
Kørven AS	1 257 182	4.74%
H.L.Management And Consultants (1986) Ltd.	968 000	3.65%
Sjækerhatten AS	756 040	2.85%
Vilje 2M AS	754 830	2.85%
Oleum AS	753 000	2.84%
Bear Stearns Securities Corp.	734 025	2.77%
Sparebanken Midt-Norge	709 068	2.67%
Morgan Stanley & Co. Inc.	692 980	2.61%
Vinn Invest AS	687 215	2.59%
Verdipapirfond Odin Norge	684 600	2.58%
Kjeldsberg Eiendom AS	591 635	2.23%
Luxembourg Funds Ser Aamlux (Sicav)	590 000	2.23%
Månemelk AS	553 654	2.09%
Credit Agricole Investor Services	535 050	2.02%
Bank Of New York, Brussels Branch	527 913	1.99%
The Northern Trust Co.	500 000	1.89%
Taubåtkompaniet AS	472 635	1.78%
Trønderenergi AS	445 000	1.68%
Hektor Bonum AS	443 635	1.67%
Uniqum AS	443 635	1.67%
Koteng, Ivar Johannes	443 635	1.67%
Others	9 921 381	37.42%
Total	**26 510 650**	**100.00%**

NOTE 16 RELATED PARTIES

The Company's owners, management and Board, as well as parties related to these in accordance with Public Limited Companies Act § 1-5 are considered related parties to Pertra ASA. No transactions involving closely related parties of significance have been executed beyond what is stated in Note 5.

As of 31.12.2006 there are no shareholders' agreements.

NOTE 17 OTHER FINANCIAL INVESTMENTS

Other financial investments in the amount of 25,563 apply to a perpetual transaction of subordinated debt placed with Sparebanken Midt-Norge. Nominal value is 25,000.

NOTE 18 LIABILITIES AND LEASE AGREEMENTS

Plug and abandonment liabilities

Pertra has undertaken a share of the plug and abandonment liabilities for the Varg field. There are elements of uncertainty related to how long production can be sustained; it is thus uncertain when these liabilities will be settled.

The Company's share of the total liabilities is estimated at 26,300. As of 31.12.2006 18,148 has been accrued, estimated at nominal value according to the production unit method.

Other liabilities

Farm-in agreement PL 316
Pertra has purchased a 10% license interest in PL 316 from Paladin (now Talisman). As compensation Pertra is to carry the costs for Talisman's remaining 40% share in the production license, limited upwards to USD 35,0 mill. The compensation is entered in the account as it occures, and is classified in the appropriate item in accordance with the Company's accounting principles described above. The remaining share of the liability as of 31.12.06 amounted to USD 15,3 mill.

There is uncertainty related to when the liability will be settled. On 9 January 2007 the partnership submitted a PDO, and in accordance with estimated progress the liability is expected to be settled during 2008.

Lease agreement Varg FPSO
Note 3 refers to the lease of the Varg FPSO. Based on estimated production, Pertra's share of the annual lease is estimated at USD 4 mill.

Rig contracts
Through a rig consortium set up in cooperation with six other oil companies, Pertra has secured access to the drilling rig Bredford Dolphin. Pertra is obliged to drill two wells and has the opportunity and duty to drill additional two if no delays or unforeseen events occur. Pertra's obligation is estimated at USD 60.9 mill. for the 2007-2010 period, but the final amount charged in the account will depend on license interests in the licenses where the rig will be employed.

In addition to the rig contract mentioned above Pertra, through license participation, is committed to participate in the drilling of two exploration wells in 2007, whereof one as operator. Net obligation is estimated at NOK 119.8 mill.

Reserves

Varg
The Company's estimate of remaining proved reserves (P90) for the Varg Field has been calculated in accordance with guidelines issued by Oslo Stock Exchange and constitutes as of 31.12.2006 0.5 mill. barrels (0.08 mill. Sm^3) for the Company's 5% share and 10 mill. barrels (1.6 mill. Sm^3) for the field in its entirety.

Pertra's share of the remaining proved and probable reserves (P50) from the Varg Field has now been estimated at 1.0 mill. barrels (0.2 mill. Sm^3). There is an element of uncertainty pertaining to how long production may be sustained, but it is estimated that production will continue at least until the summer of 2010.

The license period expires 1 April 2011.

Yme

A Plan for Development and Operation (PDO) for the Yme Field has been submitted. Pertra's share of proved reserves has been estimated at 4.5 mill. barrels (0.7 mill. Sm3), and proved and probable reserves have been estimated at 6.0 mill. barrels (1.0 Sm^3). Production start-up is planned for 2009, and current estimated price and production profiles indicate that production may be sustained until minimum 2017.

The license perid expires 18 June 2010, but an extension is expected in connection with PDO approval.

NOTE 19 SEGMENTS

In 2006 and 2005, the Company's activities have in their entirety been conducted within one segment only, defined as exploration and production of petroleum in Norway. For the time being is has not been deemed necessary to split the Company's activities into other segments.

NOTE 20 FINANCIAL MARKET RISK

Pertra is exposed to financial risk where oil prices, currency, and interest rates are concerned. The Company's exposure to risk and potential need for financial instruments is continuously being monitored and subjected to assessment.

Interest rate risk

Pertra is exposed to interest rate risk, but subsequent to the capital increases related to the stock exchange listing Pertra carries no interest-bearing liabilities. Liquid assets are placed so as to ensure a relatively limited interest rate risk. The average modified duration pertaining to the company's liquid assets shall, in accordance with guidelines issued by Pertra, not exceed one year.

Currency risk

Directly and indirectly, foreign exchange rate fluctuatioons pose a financial risk to the company. The company's petroleum revenue is in US Dollars (USD), whereas the main costs incurred in 2006 have been in Norwegian Kroner (NOK). The Company's means of payment are in both USD and NOK. When converted, a decrease in USD value will involve a lower amount in NOK. With reference to the company's development and exploration plans, Pertra anticipates considerable dollar-based disbursements in 2007 and 2008. With the purpose of reducing the foreign exchange exposure inherent in these plans, the company aims to partially and gradually hedge currency risk related to USD disbursements.

Oil price risk

The company's revenues consist mainly of revenues from the sale of petroleum. The company is consequently exposed to risk related to oil price changes.

NOTE 21 HEALTH, SECURITY AND ENVIRONMENT

Pertra is not operator for oil fields in production. Procedures for the safe implementation of activities, causing no injuries or adverse affetcs on people's health or the environment, have nevertheless been established.

The company has taken over a share of the plug and abandonment liabilities for the Varg Field, cf. Note 18. In addition, the company covers a part of the running environmental expenses for the various licenses where the company has owner's shares.

Pertra has on previous occasions received good feedback with regard to its HSE work after audits carried out by the Petroleum Safety Authority Norway. No audits have been conducted in 2006.

Deloitte.

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of of Pertra ASA

AUDITOR'S REPORT FOR 2006

We have audited the annual financial statements of the of Pertra ASA as of 31 December 2006, showing a loss of NOK 35.025.000. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway have been applied to produce the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company as of December 31, 2006, and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting practice in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the coverage of the loss, is consistent with the financial statements and complies with the law and regulations.

Trondheim, 23 March 2007
Deloitte AS

Karl O. Sanderød
State Authorised Public Accountant (Norway)

Audit. Tax & Legal. Consulting. Financial Advisory.

Member of
Deloitte Touche Tohmatsu

Org.nr.: 980 211 282

Words and Phrases

HSE	Health, Safety, and Environment
PDO	Plan for Development and Operation, submitted to the authorities for approval
APA	Awards in Predefined Areas (“TFO” in Norwegian), an annual licensing round in mature areas on the Norwegian Shelf.
NPD	Norwegian Petroleum Directorate
PSA	Petroleum Safety Authority Norway
MPE	Ministry of Petroleum and Energy
SPE	Society of Petroleum Engineers
CIF	Cost Insurance Freight
G&G	Geology and Geophysics
2D seismic	Powerful echo sounders that receive sound reflected from the underground along straight lines
3D seismic	As 2D seismic, but here the sound is captured in a net of receivers, enabling the construction of a three-dimensional picture of the underground. Smaller oil traps can more often than not be mapped only with the use of 3D seismic. All Pertra’s prospects have been mapped using 3D seismic.
SBL	SeaBed Logging, or electromagnetic surveying. An electromagnetic field is set up on the seabed or in the ocean, measuring electric resistance in the underground. Under favorable conditions such measuring will detect whether there are hydrocarbons located on various depths. The method is being used as one of several elements in probability studies conducted prior to drilling operations.
AMI	Area of Mutual Interest, a formal collaboration on license applications
Prospect	A defined volume that has been mapped where it is probable that hydrocarbons are present
Reserves	Proven petroleum that with certainty will be produced, in accordance with the SPE standard
Resources	Petroleum that is proven, but that may not be produced, as well as calculations of petroleum in mapped prospects not yet drilled. Classified according to NPD’s definitions.
P10. P50. P90	Respectively 10%, 50%, and 90% probability
1 Sm^3	One standard cubic meter = 6.293 barrels of oil 1 Sm^3 oil corresponds to 1000 Sm^3 gas (one oil equivalent; o.e.)
1 barrel	One tierce, corresponding to 1Ð barrel = 42 gallons ~ 159 liters

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