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## **Interim Report**

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**Q2 2006**

**Pertra ASA**  
Trondheim, Norway

17 August 2006

## Highlights Q2 2006

- NOK 32.2 million has been invested in seismic data, and studies aimed at identifying the most interesting prospects have been performed in the licenses and in open areas. In addition, a considerable amount of work assessing prospectivity in acreage announced in APA 2006 has been undertaken; Pertra cooperates with other oil companies in preparing joint applications, and additional seismic data have been acquired. The deadline for APA 2006 is in the end of September, and the awards are expected to be announced in December. Pertra has incurred considerable exploration costs in Q2 2006, in a total amount of NOK 68.0 million.
- Based on ongoing interpretations, the total risked resources in Pertra's current portfolio have been adjusted upward from 190 million barrels at the turn of the year to 230 million barrels at present.
- The evaluation of a development of Frøy proceeds according to plan with the aim of submitting a PDO in 2007.
- In Q2 average daily production amounted to 525 barrels, as compared to 965 barrels in Q1. The decrease in production is due to problems with certain production wells on the Varg Field, and an extensive workover program has consequently been initiated. Talisman is drilling a new production well which is expected to start producing in mid-September. The partnership in PL 038 has come to an agreement with Petrojarl ASA regarding a revision of the termination clauses as well as the establishment of a minimum rate for the lease of production services on the Varg Field, thus securing production until the summer of 2010.
- Pertra has entered into a frame agreement with DPT regarding delivery of administrative drilling services for Pertra's exploration wells the next three years. The delivery comprises well planning, preparation of documentation, and managing drilling activities.
- The Board in Pertra ASA has resolved to apply for IPO on Oslo Børs during the fall of 2006. In this connection Pareto Securities has been engaged to act as main facilitator. In addition, First Securities and Sparebanken Midt-Norge have been engaged as co-facilitators.

## License Portfolio

Pertra has license interests in a total of ten licenses, and shares vary from 5 % to 70 %. Pertra is the operator for a total of four licenses. There have been no alterations to the company's license shares since the previous quarterly reporting.

## Key Figures (NGAAP)

All figures in NOK million	Q2 2006	Q1 2006
Operating revenues	<b>18.2</b>	41.1
Exploration costs	<b>68.0</b>	33.5
Profit/(loss) before depreciations and amortization for plugging and abandonment (EBITDA)	<b>(62.1)</b>	(6.4)
Operating loss	<b>(65,0)</b>	(21.4)
Income/(loss) before taxes	<b>(69.6)</b>	(22.2)
Net income/(loss) after taxes	<b>(16.6)</b>	(11.9)
Income/(loss) after taxes per share	<b>(1.06)</b>	(0.77)
Investments	<b>2.4</b>	0.6
Oil production (barrels)	<b>47 868</b>	86 832

In Q2 Pertra generated operating revenues in the amount of NOK 18.2 million, and the loss before taxes was NOK -69.6 million. The negative result in the first six months of 2006 is in accordance with the company's plans and results from costs related to investments in seismic data, exploration and field development studies of Frøy and Yme. Exploration costs have increased by NOK 34.5 million from Q1 to Q2. Pertra still covers 50 % of the costs in PL 316 (Yme), limited upward to USD 35 million. These amounts are expensed. After Q2 USD 20.4 million remain of the total liability.

## Petroleum Resources and Reserves

Due to new data having been acquired and detailed interpretation work undertaken by us and our partners, Pertra has revised the company's total risked resources (Risked Prospective Resources). These are divided into three categories: reserves, contingent resources, and prospective resources. The recoverable volumes from Varg and Yme are classified as reserves, whereas the recoverable volumes proven in Frøy and in PL 332 are classified as contingent resources, as the development solution for Frøy is still in the process of being evaluated. The expected value of Pertra's share of these reserves and contingent resources (P50) is 40 million barrels, of which reserves constitute 5.9 million barrels. The total risked prospective resources in Pertra's portfolio amount to a total of 230 million barrels (reserves, contingent resources, and prospective resources). This is 40 million barrels more than what was estimated at the turn of the year. The reserve and resource estimate has

been verified by an independent third party, AGR-RES, who has concluded that the volume figures appear as a result of recognized industry practice.

## **Production**

The company's production revenue stems entirely from our 5 % license share in PL 038 – the Varg Field. In Q2 production amounted to 47.868 barrels, as compared to 86.832 barrels in Q1. The drop in production is caused by problems with certain production wells, and an extensive workover program has consequently been initiated. The operator Talisman is currently drilling a new production well, which is expected to start producing in mid-September. Total recoverable reserves from the field remain basically unchanged.

Varg crude oil has been sold at an average price of USD 70.95 per barrel, and 5,627 barrels less than what was produced during the period. The company had a margin on sold quantity before depreciations in the amount of NOK 6.9 million from Varg in Q2.

The production on Varg is expected to continue until 2011, dependent upon oil prices and production rates. The partnership in PL 038 has come to an agreement with Petrojarl ASA regarding a revision of the termination clauses as well as the establishment of a minimum rate for the lease of production services on the Varg Field, which may secure production until the summer of 2010. A day rate of USD 220,000, effective from 1 April 2006, is now in the process of being established. If production from the field exceeds approximately 21,000 barrels/day, a tariff of USD 6.30/barrel plus USD 90,000 sets in. Petrojarl's term of notice is extended from three to six months, and the company may first terminate the contract so as to make it effective from July 2010. Negotiations regarding a final agreement have not yet been completed.

## **Potential Developments**

Pertra is currently engaged in work aimed at a potential development of the Frøy Field in PL 364, where we are operator. Work involving various development and operation concepts has been initiated, and a decision to continue is planned to be made in December 2006. A Plan for Development and Operation (PDO) is to be expected in 2007.

In PL 316, where Pertra is a 10 % partner, the Yme Field is being evaluated with reference to a re-opening. A PDO is expected submitted by the end of 2006.

## **Exploration**

Pertra shall create value by discovering and developing resources that are either not yet proven or in production. The external conditions for an exploration-focused growth strategy on the Norwegian Shelf are very good. Pertra is investing considerable efforts in identifying interesting prospects that we will apply for in the annual licensing rounds, APAs.

Pertra continues to put down maximum effort in our operator licenses (PL 380, PL 337, and PL 321), and will put forward formal motions to drill several prospects in these licenses this year as well as next year.

Pursuant to the license's schedule, Pertra has submitted a proposal to drill a prospect in PL 337. Pertra's plans involve drilling the prospect using "Mærsk Giant" in the summer of 2007.

Whether exploration wells are to be drilled in PL 380, operated by Pertra, and in PL 349, operated by Marathon, are to be determined by the end of 2006. If a decision to drill is not made by December this year, these licenses will be relinquished.

In PL 321 we have completed the acquisition of 800 km<sup>2</sup> 3D seismic. This acquisition was performed by PGS and was concluded by the seismic vessel "Ramform Explorer" in August this year. The processed data are expected to be ready at year-end. These data are pivotal with regard to estimating discovery probability in the mapped prospects in the license. A study assessing the prospective use of electromagnetic methods has concluded that the method is not applicable in this case.

In PL 383, operated by DNO and with Pertra as a 50 % partner, electromagnetic data were acquired in July over three prospects to verify the possible presence of hydrocarbons. The study of these data will impact the decision whether to drill.

## **Investments**

Investments in Q2 amounted to NOK 2.4 million, and total depreciations were NOK 2.1 million. The purchase amount of the share in PL 316 (Yme, etc.) has not been booked as an investment, but is being expensed.

## **Cash Flow and Capital Structure**

Cash flows from operations in Q2 amounted to NOK -133.4 million. The company's liquid assets as of 30.06.2006 constituted NOK 35.4 million.

Total assets as of 30.06.2006 amounted to NOK 291.7 million, and interest-bearing liabilities were NOK 80.0 million. As of Q2 the equity ratio was 49.0 %.

## **The Share**

On 6 March this year the Board of Pertra ASA approved an incentive arrangement for employees in Pertra, an arrangement whereby the Board performs a rough calculation of Pertra's performance in the preceding year. Following such assessment the Board will determine whether the employees are to be awarded bonus shares. Shares and bonus for one year shall at the maximum not exceed 40 % of the basic salary.

Based on proxy issued by the Extraordinary General Meeting held 24.02.2006, the Board approved to issue 8,007 shares in recognition of milestones achieved in 2005. All those employed in 2005 and who still work in the company are eligible and will receive bonus shares. 18 persons were qualified for allotment. A 12-month lock-up period applies to these shares.

There are no share options for employees or members of the Board.

In Q2 the share has been traded at between NOK 80 and 90. There is low liquidity in the share.

### **Events after 30.06.2006**

As planned, the Board of Directors in Pertra ASA has agreed to initiate work aimed at applying for IPO during Q4 2006. In connection with this a private placement in the amount of minimum NOK 600 million is being planned for September/October, and a public offering in the amount of NOK 50 million is scheduled for October.

The company is facing considerable development tasks on the Yme Field and the Frøy Field and consequently needs to strengthen the equity in the company. Strengthened equity, in addition to debt capital, will enable Pertra to fully utilize the position the company has gained in licenses with proven discoveries and implement an ambitious exploration program.

The IPO will also result in increased liquidity in the share and facilitate the company's prospects of further growth.

As of 1 August Pertra has entered into a loan agreement with Sparebanken Midt-Norge, providing the company with a short-term cash credit of NOK 50 million. This is in addition to the previous agreement, entered into in Q1, regarding a drawing facility of NOK 130 million.

### **Outlook**

The company's prospects the next two years are to a significant degree related to the development of the Yme Field (PL 316) and the Frøy Field (PL 364). Work aimed at completing a Plan for Development and Operation (PDO) for Yme and Frøy is ongoing. A successful development process may result in production from these two fields in 2009/2010 and beyond.

It is Pertra's ambition to participate in six to ten exploration wells by the end of 2008. No exploration wells have been planned for the company's operator licenses in 2006. For the time being, two exploration wells have been planned for 2007. Pertra has secured rig capacity for the exploration program for a period up to and including 2009, and is currently engaged in work aimed at securing rig capacity for anticipated drilling activities from that point forward.

Pertra has submitted a proposal to drill a prospect in PL 337. If this proposal is endorsed by the partners, drilling will take place in the summer of 2007.

The Government has announced the APA (Awards in Predefined Areas) 2006, with a total of 192 blocks. Pertra has identified several interesting prospects in the announced acreage, both in the Norwegian Sea and in the North Sea, and we are currently cooperating with other companies in evaluating these. Pertra will submit applications together with companies that share our goals and work form. The company will participate in applications both as operator and partner. The awards are expected to be announced in December this year. Due to a significant increase in the number of oil companies in Norway during the last year, the competition for awards has increased considerably.

The Government has implemented incentives for the relinquishment of fallow acreage. If the intended relinquishment takes place, this will have a positive impact on all participants' opportunities on the Norwegian Shelf in the years to come.

Pertra's production is expected to amount to approximately 1000 barrels per day for the next six months. It is expected that production on Varg will decline gradually in the years to come, but work aimed at identifying additional resources in the license is ongoing.

Trondheim, 17 August 2006.

The Board of Directors of Pertra ASA

## Q2 2006 INCOME STATEMENT, BALANCE SHEET, AND CASH FLOW STATEMENT

### Income Statement

	Pr. 30.06. 2006		Q2	Q1	Q2	31.12.
	2006	2005	2006	2006	2005	2005
(All figures in NOK 1000)						
Petroleum revenues	59,327	13,901	18,154	41,172	13,901	93,601
Other operating revenues	-11			-11		884
<b>TOTAL OPERATING REVENUES</b>	<b>59,315</b>	<b>13,901</b>	<b>18,154</b>	<b>41,161</b>	<b>13,901</b>	<b>94,485</b>
Exploration costs	101,567	11,469	68,047	33,520	11,469	166,298
Change in inventories	1,313	2,458	-1,921	3,234	2,458	-1,371
Production costs	24,529	3,147	13,904	10,624	3,147	27,703
Payroll and payroll-related expenses	147	1,097	18	130	1,097	582
Depreciation and amortisation expenses	11,968	1,546	2,097	9,871	1,546	19,941
Provisions for plugging and abandonment liabilities	5,877	535	799	5,079	535	10,104
Other operating expenses	297	1,230	230	67	1,230	188
<b>TOTAL OPERATING EXPENSES</b>	<b>145,698</b>	<b>21,483</b>	<b>83,173</b>	<b>62,525</b>	<b>21,483</b>	<b>223,445</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>-86,383</b>	<b>-7,583</b>	<b>-65,019</b>	<b>-21,364</b>	<b>-7,583</b>	<b>-128,960</b>
Interest received	464	176	146	318	176	1,033
Other financial income	524	616	-164	689	616	3,767
Interest paid	1,420	1	1,410	9	1	1,240
Other financial expenses	5,058	24	3,215	1,844	24	1,834
<b>NET FINANCIAL ITEMS</b>	<b>-5,489</b>	<b>766</b>	<b>-4,643</b>	<b>-846</b>	<b>766</b>	<b>1,726</b>
<b>INCOME /(LOSS) BEFORE TAXES</b>	<b>-91,872</b>	<b>-6,817</b>	<b>-69,662</b>	<b>-22,210</b>	<b>-6,817</b>	<b>-127,233</b>
Taxes (+)/taxable income (-) on ordinary income/(loss)	-63,293	-1,315	-53,018	-10,276	-1,315	-85,030
<b>NET INCOME /(LOSS)</b>	<b>-28,578</b>	<b>-5,502</b>	<b>-16,644</b>	<b>-11,934</b>	<b>-5,502</b>	<b>-42,203</b>



## Balance Sheet

	Q2		Q1	31.12.
	2006	2005	2006	2005
(All figures in NOK 1000)				
<b>ASSETS</b>				
Deferred tax	7,986	1,315	8,976	2,796
Property, plant and equipment	37,977	52,377	37,647	46,935
Calculated tax receivable	58,104		4,096	
Long-term prepayment	44,196		43,875	
<b>TOTAL FIXED ASSETS</b>	<b>148,263</b>	<b>53,692</b>	<b>94,594</b>	<b>49,732</b>
Inventories	3,451	851	1,530	4,764
Accounts receivables	10,062	13,900	9,570	9,692
Other receivables	12,234	22,919	12,198	10,482
Calculated tax receivable	82,234		82,234	82,234
Cash and cash equivalents	35,448	59,351	31,413	106,634
<b>TOTAL CURRENT ASSETS</b>	<b>143,428</b>	<b>97,022</b>	<b>136,945</b>	<b>213,805</b>
<b>TOTAL ASSETS</b>	<b>291,691</b>	<b>150,714</b>	<b>231,539</b>	<b>263,537</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital	3,115	2,250	3,113	3,113
Share premium reserve	139,489	118,248	155,655	167,589
<b>TOTAL EQUITY</b>	<b>142,604</b>	<b>120,498</b>	<b>158,768</b>	<b>170,702</b>
Deferred tax				
Pension liabilities	924		39	1,490
Provisions for plug- and abandonment obligations	15,981	535	15,183	10,104
<b>TOTAL PROVISIONS</b>	<b>16,906</b>	<b>535</b>	<b>15,222</b>	<b>11,594</b>
Short-term loan	80,000		20,000	
Bank overdraft				15,271
Accounts payable	6,621	13,454	6,062	17,794
Public deductions and taxes	1,821	503	1,044	2,291
Other current liabilities	43,739	15,723	30,443	45,885
<b>TOTAL CURRENT LIABILITIES</b>	<b>132,181</b>	<b>29,680</b>	<b>57,549</b>	<b>81,241</b>
<b>TOTAL LIABILITIES</b>	<b>149,087</b>	<b>30,215</b>	<b>72,771</b>	<b>92,835</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>291,691</b>	<b>150,714</b>	<b>231,539</b>	<b>263,537</b>

## Cash Flow Statement

	Pr. 30.06. 2006		31.12.
(All figures in NOK 1000)	2006	2005	2005
<b>Cash flow from operating activities</b>			
Income /(loss) before taxes	-91,872	-6,817	-127,233
Taxes paid			
Depreciation and amortization expenses	11,968	1,546	19,941
Changes in plugging and abandonment liabilities	5,877	535	10,104
Discount shares to employees			857
Changes in inventories, accounts payable and receivable	-10,230	-1,297	3,338
Changes in net current capital and in other current balance sheet items	-49,130	-6,693	39,185
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-133,386</b>	<b>-12,725</b>	<b>-53,809</b>
<b>Cash flow from investing activities</b>			
Acquisition of investment in and development of oil and gas fields	-1,656	-48,797	-60,866
Acquisition of investment in software, inventory etc.	-1,353	-5,127	-6,011
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-3,009</b>	<b>-53,924</b>	<b>-66,877</b>
<b>Cash flow from financing activities</b>			
Paid-in share capital	480	126,000	212,048
Short-term loan	80,000		
Bank overdraft	-15,271		15,271
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>65,210</b>	<b>126,000</b>	<b>227,319</b>
<b>Net change in cash and cash equivalents</b>	<b>-71,186</b>	<b>59,351</b>	<b>106,634</b>
Cash and cash equivalents at start of period	106,634		
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>35,448</b>	<b>59,351</b>	<b>106,634</b>
Specification of cash and cash equivalents at end of period			
<b>Bank deposits, etc.</b>	<b>35,448</b>	<b>59,351</b>	<b>106,634</b>

## Accounting Principles

The Interim Report has been prepared in accordance with the Norwegian standard for interim reporting. The accounting principles are described in the 2005 Annual Report.

The profit /(loss) items for Q2 2005 related to the Sales and Purchase Agreement with Talisman comprise only the month of June 2005. This is due to the fact that the Sales and Purchase Agreement with Talisman, stipulating a takeover date of 1 January 2005, was not implemented until 1 June 2005.

## Notes to Q2 2006 Financial Statements

(All figures in NOK 1000)				
<b>Note 1 Property, Plant, and Equipment</b>				
	<b>Production license oil and gas fields</b>	<b>Capitalized drilling and development expenses</b>	<b>Equipment, software, etc.</b>	<b>Total</b>
Procurement cost 01.01.2006	45,002	15,864	6,011	66,877
Investments		1,656	1,353	3,009
Retirements				
Procurement cost 30.06.2006	45,002	17,520	7,364	69,886
Accumulated depreciations 30.06.2006	20,917	8,850	2,142	31,909
<b>Capitalized value 30.06.2006</b>	<b>24,085</b>	<b>8,670</b>	<b>5,222</b>	<b>37,977</b>
Depreciations this period	7,205	3,680	1,083	11,968
Production license and capitalized drilling and development costs 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.				
<b>Note 2 Taxes</b>				
<b>Taxes paid for the period appear as follows:</b>				<b>30/06/2006</b>
Taxable income due to exploration-related losses				-58,104
Change deferred tax liabilities				-5,189
<b>Total taxes</b>				<b>-63,293</b>
A complete calculation of tax has been performed in accordance with the same principle as described in the 2005 Annual Report. Calculated taxes receivable resulting from exploration activities in 2006 have been entered as a long-term item in the Balance Sheet. This is expected to be paid out toward the end of 2007.				
<b>Note 3 Equity</b>				
	<b>Share capital</b>	<b>Share premium reserve</b>	<b>Total</b>	
<b>Changes in equity for the year</b>				
Equity at 01.01.2006	3,113	167,589		<b>170,702</b>
Capital increase June - bonus shares to employees	2	479		<b>480</b>
Income /(loss) at 30.06.2006		-28,578		<b>-28,578</b>
<b>Equity at 30.06.2006</b>	<b>3,115</b>	<b>139,489</b>		<b>142,604</b>
On 24.02.2006 the Extraordinary General Meeting approved to split the share, changing the nominal value from NOK 1.00 to NOK 0.20 per share. At the same time the company's B shares were converted to A shares. The capital increase implemented in June was formally registered 31.07.2006. The total number of shares is 15,573,657. The share capital is NOK 3,114,731.40. All shares carry the same voting rights.				
<b>Note 4 Long-term Prepayment</b>				
Long-term prepayment applies to prepayment of two rig contracts for the drilling of exploration wells in the second half of 2007.				