

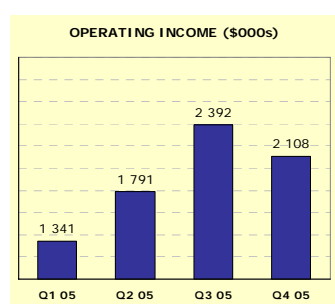
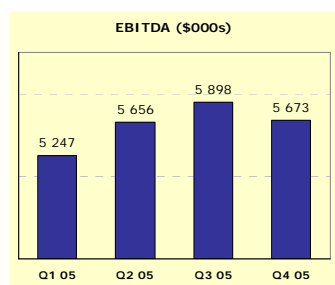
Fourth Quarter 2005 Report



Photo of SS-11 Atlantic Zephyr, semi-submersible production unit, offshore Brazil

February 28, 2006

Fourth Quarter Highlights



- EBITDA was \$5.7 million in the fourth quarter compared to \$5.9 million in the third quarter.
- Operating profit was \$2.1 million in the fourth quarter compared to \$2.4 million in the third quarter (restated*).
- The Brazilian Exploration and Production division (Brazil E&P) generated EBITDA of \$3.3 million in the fourth quarter, a 26% decrease from \$4.5 million the previous quarter.
 - Total oil production from the Coral field in Brazil totaled 563,827 barrels, down 10% from the third quarter. The reduced production was mainly due to rework and down time on the Coral well #3. Oil produced in Brazil sold at an average price of \$56 per barrel, down from \$61 per barrel in the previous quarter.
- The US operations generated EBITDA of \$3.9 million in the fourth quarter, up 73% from the previous quarter.
 - The US Exploration & Production division (US E&P) generated EBITDA of \$2.4 million in the fourth quarter, up 69% from the third quarter. Total gas production increased by 1% to 303,732 Mcf (54,237 boe) with an average price of \$9.23 per MMBtu for the quarter, up from \$6.74 per MMBtu from the previous quarter.
 - The Company drilled 9 onshore gas wells in the US in the quarter and as of year end, had 15 new wells online. In total, 24 wells were completed during the year and well number 25 was started on in late December.
 - The US Gathering & Transmission division (US G&T) division generated EBITDA of \$0.7 million, which was up 80% from the previous quarter due to increased operational efficiency, higher margins from new delivery points and reduced dependency of rented compression. Throughput for the quarter was marginally down, mainly due to consumption of residential gas which reduces total marketable gas volumes in the winter. Transported volume in the quarter totaled 1,327,528 Mcf (237,060 boe)
 - The Marketing & Pipeline management division contributed with EBITDA of \$0.8 million, up 80% from the previous quarter due to increased business volume. However, margins for this division were slightly down.

Key events after closing of the fourth quarter

- IBAMA environmental licence approved and development drilling on the Manati gas field in Brazil will commence.
- The Company entered into a final agreement with Companhia Brasileira de Petróleo Ipiranga to acquire a 20% interest in the Sardinha Field.
- Purchased remaining 50% of Quest Energy, Inc., a geological and geophysical service company located in Buffalo, New York. The Company now has 4 geoscientists and a large inventory of seismic, well logs and other technical information of the entire Appalachian basin.
- Norse Energy Corp. ASA raised NOK 125 million in a private placement of equity.

**Amortization figures for Q1, Q2 and Q3 2005 have been restated as the fair values recognized in the merger between Northern Oil and NaturGass in February this year have been adjusted per year end in accordance with IFRS.*

Oil Production

On a 100% basis, production from the Coral field was 563,827 barrels in the fourth quarter, corresponding to 6,129 barrels per day. The Company's share (through its Brazilian subsidiary) was 155,052 barrels or 1,685 bpd. Oil produced in the fourth quarter was sold at an average price of \$56 per barrel. The 10% decline in production from the third quarter was due to rework and down time on Coral #3. The oil sales agreement with Petrobras has been extended for three more years, up to November 2008, or up to the end of Coral's production, whichever expires first. The oil price agreed upon is linked to Brent Blend.

Gas Production

Total production of natural gas in the US in the fourth quarter was 303,732 Mcf, corresponding to an average of 3,300 Mcf per day (590 BOEpd). The gas produced was sold at an average price of \$9.23 per MMBtu, after deduction for transportation charges. The Company experienced some well shutdowns in the Moon area during the quarter due to freezing. As of year end, 15 out of the 24 wells drilled in 2005 were online. As of today, 20 of the 24 wells are online.

Oil and Gas Hedging

Oil

Norse Energy Corp. has the following oil options in place:

- 2 put options at \$50 per barrel for a total volume of 1,000 barrels per day of which:
 - 1 put option for 500 barrels per day at a strike price of \$50 for the period January 31, 2006 through January 31, 2009.
 - 1 put option for 500 barrels per day at a strike price of \$50 for the period January 31, 2006 through December 2008.

Gas

In a hedging transaction, the Company has sold forward 30,000 MMBtu/month for the period November 1, 2008 through June 30, 2009 and 20,000 MMBtu/month from July 1, 2009 through December 31, 2010 at a price of \$8.85 per MMBtu. In addition to the hedged price an additional margin (basis) of approximately \$0.20 – \$0.40 per MMBtu is expected. This hedging contract is in addition to:

- 2,000 Mcf/day for the period October 1, 2005 to October 1, 2006, at an average price of \$10.48 per MMBtu.
- 1,000 Mcf/day for the period October 1, 2006 to October 1, 2010, at an average price of \$8.16 per MMBtu.
- 1,300 Mcf/day (fixed at \$5.016 per MMBtu) that expires on October 31, 2006 and subsequent net 1,300 Mcf/day from November 2006 to October 2008 (fixed at \$6.35 per MMBtu).

The following table indicates the forward prices and volumes:

Fixed Prices and Net Volume per MMBtu/day ⁽¹⁾

	Q1		Q2		Q3		Q4	
	Prices	Volume	Prices	Volume	Prices	Volume	Prices	Volume
2006	\$9.20	3,300	\$7.59	3,278	\$7.56	3,257	\$7.47	2,278
2007	\$8.01	2,300	\$7.24	2,289	\$7.23	2,278	\$7.40	2,278
2008	\$7.66	2,300	\$6.98	2,289	\$6.99	2,278	\$8.04	2,068
2009	\$8.84	2,000	\$8.14	1,978	\$8.03	1,630	\$8.26	1,630
2010	\$8.58	1,667	\$7.76	1,648	\$7.77	1,630	\$8.02	1,630

⁽¹⁾ Includes minorities estimated to be between 15%-20% on average.

Gathering and Transmission

The gas throughput in the Company's pipelines in the US was 1,327,538 Mcf (237,060 BOE) for the fourth quarter, slightly down from the previous quarter. This throughput does not include gas transported to the Jamestown BPU power plant under the "take and pay" pipeline capacity contract with the plant.

The first and the fourth quarters typically have lower throughput than the other quarters as a result of higher demand locally for gas used for residential heating. During the quarter, two refurbished compressors were purchased, delivered and installed. Four new compressors have also been ordered, scheduled for delivery during the second quarter of 2006. With these six new units in place, the Company will own all its compressors on the pipeline system. Furthermore, two smaller electric compressors have been purchased in the first quarter to optimize compression and gas deliveries on the pipeline system.

Marketing

The energy marketing and pipeline management company, Mid American Natural Resources, Inc., experienced a record fourth quarter. Revenues for the fourth quarter were \$50.3 million up from \$35.0 million in the third quarter. EBITDA contribution was \$0.8 million for the quarter compared to \$0.5 million for the third quarter, an 80% increase.

Investments and New Projects

Brazil

The Manati environmental license was issued in late February 2006 by IBAMA (the Brazilian environmental agency). The Company will now commence drilling the anticipated 7 development wells in the Manati gas field. The wells will be tied to the offshore platform purchased by the partners that will be installed on the Manati field. This platform will not have any permanent workers and all gas and associated products produced will be transported by the 124 km pipeline onshore to the Sao Francisco gas processing plant, where liquids and gas will be separated and sold to Petrobras.

The BCAM 40 prospect (where Manati is a part) has been separated into two different environmental licenses. As previously stated, the IBAMA licence for the Manati gas field has been issued and the development of this field will commence immediately. In addition, the Company is pursuing the environmental licence for the remaining exploration prospects in the BCAM 40 licence. One of the five exploration prospects of this second licence has been included in the Manati licence and as such can be drilled within a different timeframe. Of the remaining four BCAM 40 prospects, the Company anticipates drilling two to three wells within the six month drilling period granted subsequent to IBAMA approval.

During the second half of 2006, the Company expects to participate with 18.33% in drilling three exploratory wells in two offshore exploration licenses held. The plan is to drill two wells in BCAL 5 and one well in BCAL 6. The Consortium is awaiting IBAMA licence to start the drilling.

The reserves in the BCAM 40 license and the BCAL 5 and BCAL 6 licenses could be substantial with a resource potential estimated at 187 MMBOE.

In February 2006, the Company entered into a final agreement with Companhia Brasileira de Petróleo Ipiranga to purchase a 20% interest in the Sardinha field, located offshore in the Camamu/Almada Basin, Brazil. The other partners are Petrobras (40%) and El Paso (40%) as the operator. The field is located 50 km south of the Manati gas field in 20 meters water and approximately 5 km offshore. The operator estimates that about 160 Bcf of gas can be recovered. The partners are currently studying several alternatives for field development – one of which is a tie-back to the Manati infrastructure of 2 – 3 subsea wells. However, prior to starting development, an IBAMA environmental license process similar to the one for the Manati field is expected.

Reserves - Brazil

The Company has requested independent engineering firm Gaffney & Cline to update their reserve report as indicated in the table below:

Gaffney & Cline NEC Brazil Reserves

Million Barrels of Oil Equivalent, February 2006

	1P	2P	3P
Coral	9.57	13.28	16.92
Estrela-do-Mar	7.26	10.00	12.85
Cavalo Marinho	9.68	15.65	23.14

- The last reports for Estrela-do-Mar (EDM) and Cavalo Marinho (CM) were issued in 2001. The new report reflects a reduction in reserves for CM.
- In their report, Gaffney & Cline have assumed development of EDM as a 2 well sub sea satellite with a tie back to Coral.

The development of EDM will positively impact the life and reserves of Coral, which could lead to the drilling of a 4th Coral well. The Company is currently evaluating the latter (not included in the reserves table above) as well as various other forms of enhanced recovery.

USA

The Company drilled 24 successful wells in 2005 and started the drilling of well #25 at the end of December. Well #25 was an exploratory well in a new prospect, the Pageville prospect, and unfortunately, it proved dry in 2006. The Company believes it still has several promising drilling locations within this prospect. As of December 31, 2005, the Company had 15 of its 2005 drilled wells online. The 2005 drilling program has proven to be a success with average production above budget. The Company anticipates having all 24 wells online during the first quarter of 2006, in addition to several wells drilled in 2004 in the central New York “Moon” area. The Moon wells drilled in 2004 and 2005 are currently not producing due to lack of pipeline connection but should be online in early 2006, and will be connected to a new delivery point established with a regional utility company in this area. The central New York drilling program was curtailed in 2005 due to new energy legislation. The Company expects this situation to be remedied in 2006 and anticipates that the new legislation will have little or no impact on its 2006 scheduled activity.

The Company's acquisition in February 2006 of the remaining shares in Quest Energy (making it a 100% owner of Quest) represents a significant increase in its focus on building technical expertise to be able to expand the Appalachian operations. Quest has 4 geoscientists, including the prior 50% owner, who will become the new geosciences executive. This acquisition includes a large inventory of seismic, well logs and other technical information as well as aeromagnetics of the entire Appalachian basin. The Company plans to establish a new E&P division office in Buffalo, NY, including engineers and land personnel during 2006.

The acquisition of Mid American Natural Resources, Inc. has proven to be successful, both from a financial and human resources standpoint. The Company anticipates solid contributions from the Marketing and Pipeline division in 2006 and beyond.

Liquidity

The Company has sold NOK 48 million of its own bonds. Proceeds will be used to finance investment activities.

Corporate Matters

The Company issued 32 million new shares after closing of the stock exchange on January 25, 2006 in a private placement at a subscription price of NOK 3.90, with a par value of NOK 0.88 per share, representing approximately 9.8% of the registered share capital.

The placement, directed towards professional and institutional investors, was oversubscribed. The placement was conducted by the Board on the basis of the authority granted to the Board at the Annual General Meeting in 2005. Proceeds of NOK 125 million will be used to finance the Company's investment program. Pursuant to this private placement, the Company's shares outstanding are 352,664,530.

Outlook

The Company anticipates an increased level of business activity and a productive 2006. Manati production is anticipated to start in the third quarter of 2006 and 4 to 6 exploration wells are expected to be drilled offshore Brazil at the same time. Manati should contribute significantly to EBITDA as it comes online. In addition, the Company is working on broadening the management team in Brazil to continue execution of its business plan to develop the large reserves in the Santos Basin.

The US G&T division is working on projects that should result in the same steady annual increases in throughput as recorded in previous years. In the US, a 60 well drilling program, the largest ever undertaken by the Company, including the drilling of the Company's first horizontal well, should make this a very exciting year.

Oslo, February 27, 2006

The Board of Directors

Profit and loss statement

<i>(Dollars in thousands)</i>	12 months				
	Q1 2005 ⁽¹⁾	Q2 2005 ⁽²⁾	Q3 2005 ⁽²⁾	Q4 2005	2005 ⁽¹⁾
Total revenues	10 696	10 836	47 222	60 806	129 560
Trading purchase of oil and natural gas	-	-	(33 822)	(48 466)	(82 288)
Production expenses	(4 029)	(3 561)	(4 185)	(4 597)	(16 372)
Sales, administrative & general expenses	(1 386)	(1 574)	(2 885)	(2 083)	(7 928)
Exploration costs	(34)	(45)	(430)	13	(497)
EBITDA	5 247	5 656	5 898	5 673	22 474
Depletion and depreciation	(3 906)	(3 865)	(3 506)	(3 565)	(14 842)
Operating income (EBIT)	1 341	1 791	2 392	2 108	7 632
Interest costs	(1 439)	(1 304)	(1 615)	(1 619)	(5 977)
Other financial items (net)	1 365	286	808	1 028	3 487
Results from continued operations	1 267	773	1 585	1 517	5 142
Taxes	(426)	(1 317)	149	(1 258)	(2 854)
Net profit before minority interests	841	(544)	1 734	259	2 289
Minority interests	(95)	(32)	(99)	(57)	(282)
Net profit after minority interests	746	(576)	1 635	203	2 007
<i>Earnings per share (\$)</i>	<i>0,00</i>	<i>0,00</i>	<i>0,00</i>	<i>0,00</i>	<i>0,01</i>
<i>Diluted earnings per share (\$)</i>	<i>0,00</i>	<i>0,00</i>	<i>0,00</i>	<i>0,00</i>	<i>0,01</i>

Balance sheet ⁽¹⁾

<i>(Dollars in thousands)</i>	As of			
	March 30 2005	June 30 2005	Sep 30 2005	Dec 31 2005
Property and equipment	142 750	145 526	144 950	142 550
Intangible assets	-	6 319	8 990	6 541
Other current assets	10 545	74 111	37 792	52 345
Inventory	983	1 398	1 077	1 988
Cash and cash equivalents	8 752	12 465	28 032	31 119
Total Assets	163 030	239 819	220 841	234 542
Equity	50 341	99 993	101 259	96 531
Minority interests	1 770	1 799	1 893	1 575
Other long term liabilities	1 202	1 202	1 202	6 673
Deferred tax from acquisition	23 488	23 281	22 966	17 062
Long term debt	47 209	71 959	51 778	57 389
Short term debt	24 103	7 318	8 612	10 734
Other current liabilities	14 917	34 267	33 131	44 579
Total liabilities and equity	163 030	239 819	220 841	234 542

⁽¹⁾ Pro forma consolidated figures, as if Northern Oil and NaturGass had been consolidated for the full period.

⁽²⁾ Depreciation figures have been restated due to adjusted purchase price analysis.

Segment information

Production figures

	Q1 2005	Q2 2005	Q3 2005	Q4 2005	12 mos. 2005
Brazil E&P					
Oil Production, barrels (100%)	715 978	711 042	628 221	563 827	2 619 068
Oil Price, \$/bbl	\$ 46,40	\$ 50,99	\$ 60,85	\$ 56,08	\$ 52,56
USA E&P					
Production natural gas, Mcf	276 636	257 785	300 741	303 732	1 138 894
Gas Prices, \$/Mcf	\$ 5,64	\$ 6,22	\$ 6,74	\$ 9,23	\$ 6,21
USA G&T					
Throughput	1 172 148	1 200 540	1 336 511	1 327 538	5 036 737

Segment information per quarter ⁽¹⁾

<i>(Dollars in thousands)</i>	Q1 2005	Q2 2005	Q3 2005	Q4 2005	12 mos. 2005
Brazil E&P					
Oil revenues	8 443	8 548	9 313	6 969	33 273
EBITDA	4 491	5 259	4 537	3 344	17 631
EBIT (Operating profit)	1 351	1 415	1 414	1 292	5 473
USA E&P					
Natural gas revenues	1 579	1 611	2 027	2 880	8 097
EBITDA	1 157	1 140	1 393	2 352	6 042
EBIT (Operating profit)	789	842	952	1 649	4 232
USA G&T					
Income from gathering & transmission	736	784	1 114	1 273	3 907
EBITDA	214	255	393	707	1 569
EBIT (Operating profit)	18	73	188	484	763
USA Marketing and Pipeline					
Oil & natural gas revenues, net of royalties			35 022	50 290	85 312
EBITDA			465	837	1 302
EBIT (Operating profit)			462	832	1 294

⁽¹⁾ Sum of segments excludes corporate overhead and intercompany eliminations.

Statement of cash flows

Pro forma basis

<i>(Dollars in thousands)</i>	Q4 2005	Jan-Sep 2005	12 mos.2005
Cash flows from operating activities			
Net profit/ (loss) for the period	202	1 805	2 007
Minority interests	(276)	226	(50)
Profit/(loss) from operations held for sale	-	-	-
Write down investments	-	-	-
Profit/(loss) from operating activities	(74)	2 031	1 957
Adjustments to reconcile the loss with net cash from operating activities			
Depreciation and depletion	3 566	11 277	14 843
Change in accounts receivable and other short-term receivables	(14 553)	(18 010)	(32 563)
Change in inventory	(911)	70	(841)
Change in accounts payable and other current liabilities	10 003	(4 473)	5 530
Change in other accruals and currency effects	1 448	3 556	5 004
Net cash flow from operating activities	(521)	(5 549)	(6 070)
Cash flows from investing activities			
Payment for purchase of Mid American, net of cash acquired	-	(1 021)	(1 021)
Investments in fixed assets	(4 660)	(7 403)	(12 063)
Field investments	(135)	(400)	(535)
Net cash flow from investing activities	(4 795)	(8 824)	(13 619)
Cash flow from financing activities			
Proceeds from issuance of shares	-	44 124	44 124
Proceeds from loans obtained	10 326	31 866	42 192
Debt issue costs	-	(769)	(769)
Repayment of loan	(1 923)	(39 165)	(41 088)
Net cash flow from financing activities	8 402	36 056	44 458
Change in cash and cash equivalents during the period	3 086	21 683	24 769
Cash and cash equivalents at the beginning of the period	28 033	6 350	6 350
Cash and cash equivalents at the end of the period	31 119	28 033	31 119

Additional consolidated figures

Income statement

<i>(Dollars in thousands)</i>	Full year 2005 ⁽¹⁾	Full year 2004 ⁽²⁾
Total revenues	124 306	-
Trading purchase of oil and natural gas	(82 288)	28 496
Production expenses	(14 140)	(14 498)
Sales, administrative and general expenses	(7 542)	(8 247)
Exploration costs	(496)	(516)
EBITDA	19 840	5 235
Depletion and depreciation ⁽³⁾	(12 627)	(8 100)
Operating income (EBIT)	7 213	(2 865)
Interest costs	(5 817)	(5 495)
Other financial items (net)	3 395	736
Results from continued operations	4 792	(7 624)
Deferred taxes	226	648
Payable taxes	(2 786)	(1 062)
Net profit before minority interests	2 231	(8 038)
Minority interest	(282)	-
Net profit after minority interests	1 949	(8 038)
<i>Earnings per share (\$)</i>	<i>0,01</i>	<i>(0,03)</i>
<i>Diluted earnings per share (\$)</i>	<i>0,01</i>	<i>(0,03)</i>

Balance Sheet

<i>(Dollars in thousands)</i>	As of	
	Dec 31 2005 ⁽¹⁾	Dec 31 2004 ⁽²⁾
Property and equipment	142 492	141 426
Intangible assets	6 541	-
Other current assets	52 345	7 547
Inventory	1 988	1 147
Cash and cash equivalents	31 119	6 350
Total Assets	234 484	156 470
Equity	96 473	43 029
Minority interests	1 575	1 625
Other long term liabilities	6 673	1 202
Deferred tax from acquisition	17 062	22 540
Long term debt	57 389	48 471
Short term debt	10 734	19 317
Other current liabilities	44 579	20 286
Total liabilities and equity	234 484	156 470

Equity reconciliation for the period Jan to Dec 2005

<i>(Dollars in thousands)</i>	
Opening balance (Naturgass 1.1 2005, prior to merger)	10 091
Share issue (merger)	37 533
Result for the period	1 949
Share issues/sales of treasury shares	48 931
Other comprehensive income	(2 031)
Closing balance	96 473

⁽¹⁾ Consolidated figures for Northern Oil (Feb 25 to Dec 31, 2005) and NaturGass (Jan 1 to Dec 31, 2005)

⁽²⁾ Pro forma consolidated figures, as if Northern Oil and NaturGass had been consolidated for the full period.

⁽³⁾ Amortization figures for Q1, Q2 and Q3 2005 have been restated as the fair values recognized in the merger between Northern Oil and NaturGass in February 2005 have been adjusted per year end in accordance with IFRS.