Third Quarter 2006 Report

São Francisco gas processing plant, Brazil

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Third Quarter Highlights

Norse Energy Corp. ASA (Norse Energy) continued its course to further develop its oil and gas assets in the northeastern US and offshore Brazil. The most significant operating event of the quarter was the completion of the first two gas wells of the Manati field offshore Brazil which revealed reserves much greater than anticipated. Oil production from the Coral field continued to be weak mostly due to the lack of production from the # 3 well. In the US the company recorded record gas production and pipeline throughput level.

- EBITDA totaled $4.6 million in the third quarter of 2006 compared to $5.9 million in the same period of 2005.

- EBIT totaled $1.5 million in the third quarter of 2006 compared to $3.3 million in the same period of 2005.

- The Brazilian Exploration & Production division generated EBITDA of $2.5 million in the third quarter of 2006, from $4.5 million during the third quarter of 2005.

- Total oil production from the Coral field in Brazil was 380,280 barrels in the third quarter of 2006, down by 35% compared to the third quarter of 2005. Norse Energy's share of the Coral production was 27.5% for the month of July, increasing to 35% on August 1, 2006. The Coral #3 well continued its rework problems and produced only 19,380 barrels during the quarter.

- The US operations generated EBITDA of $4.1 million in the third quarter of 2006 up from $2.3 million in the third quarter of 2005.

- EBITDA for the US Exploration & Production division increased to $1.6 million in the third quarter of 2006, compared to $1.4 million in the third quarter last year. Total gas sales increased 26% to 379,737 MMBTU during the third quarter of 2006 compared to the same period last year. The average price increased to $7.23 per MMBTU in the third quarter of 2006 from $6.74 per MMBTU in the third quarter of 2005.

- EBITDA for the US Gathering & Transmission division increased 33% in the third quarter of 2006 to $0.52 million compared to $0.39 million in the third quarter last year. The total transported volume for the third quarter 2006 totaled 1,797,581 MMBTU, a new record high.

- EBITDA for the Energy Marketing division was $2.0 million for the third quarter of 2006 of which unrealized gain on hedging represented $1.6 million.

Third quarter operational highlights

Brazil

- Flow tests from the first two Manati wells drilled during the second quarter of 2006 indicate production capabilities of 3 million m^3/day for the two wells.
- Spudded a third Manati well in late September.
- Received environmental licenses needed to finalize the construction of the Manati onshore and offshore pipeline, except for one of the environmental sensitive onshore to offshore segments, which was received in the fourth quarter of 2006.
- Received final approval from the ANP (Brazilian Petroleum Agency) to transfer 7.5% interest in the Coral, Estrela-do-Mar and Cavalo Marinho fields, purchased from Starfish Oil & Gas S.A. The value of the production received by Starfish since March 2006 when the deal was struck was credited to the company in the financial settlement made following the ANP approval.
- Bad weather and mechanical problems resulted in meager production from the Coral #3 well.
- Manati offshore platform was installed, the gas processing plant was completed and the onshore and offshore pipeline approached completion.
- Continued strengthening the organization in Brazil.

US

- 16 wells drilled during the quarter, a new record high for the company.
- 100% completion rate for all development wells drilled during the quarter, one of two exploratory wells drilled during the quarter was plugged.
- Gathering & Transmission (G&T) division achieved its highest daily throughput and gathering income since the purchase of the pipeline system in 1999.
- Final installation of most of the new and refurbished compressors purchased by the company.
- Provided 100% gas flow for all pipeline customers, except for a small number affected by an unusual 30-day shut-in beyond our control, while maintaining optimal line pressures.
- Marketing division executed strategies to increase profits by shifting its focus to more wholesale marketing.
- Continued to add staff in US, primarily in the operating and technical areas.

Norway

- Closed $50 million 6.5% Senior Unsecured Bond with attached warrants.

Key events after the close of the third quarter

- Completed drilling the third Manati development well which, like the previous two wells, indicates more pay sections than anticipated. The well logs show a gross pay of 266 meters which is 50 meters more than estimated and further discovered gas in two additional zones above the main reservoir. Net pay is considered around 72% of the gross pay.
- Received final regulatory approval for connecting new US gas supplies to a major New York State utility provider (NYSEG). This new connection point will open gas flow from new and older wells.
- Received final approval from ANP for the 20% interest acquired in the Sardinha field from Ipiranga.

Oil Production

Total gross oil production from the Coral field was 380,280 barrels during the third quarter of 2006, corresponding to 4,133 barrels per day. The company's share was 121,996 barrels or 1,326 barrels per day. Oil produced was sold at an average price of $69.42 per barrel, with a volume sold of 134,599 barrels (Norse Energy's share). The decline in production was due to the Coral #3 well which remained out of production during most of the quarter – 80 of 92 days.

Gas Production

Total volume of natural gas produced from the US wells during the third quarter of 2006 was 379,737 MMBTU, corresponding to an average of 4,128 MMBTU per day. This represents an increase of 6% over the second quarter. The gas was sold at an average price of $7.23 per MMBTU, after deduction for transportation charges, a decrease of 1% from the second quarter of 2006.

Divisional Report - Brazil

Block BS-3

Oil production in the Coral field averaged 4,133 barrels per day, down from average production of 5,704 barrels per day in the second quarter (100% base). The Coral #3 well produced for only 12 days in the quarter affected by a series of unforeseeable events: (1) an increasing water cut leading to a need for zone isolation with cement that (2) unintentionally left too much cement in the production column (needs to be drilled out) and (3) an accident which occurred due to bad weather resulting in the production riser breaking. At the end of the quarter drilling through the cement resulted in the drilling equipment getting stuck. Fishing operations to recover the equipment were underway as the fourth quarter began. Should well # 3 be successfully repaired, water injection will be implemented in mid-2007.

The Coral #4 and #5 wells produced during all days of the period in spite of a gradual increase of water cut in the #5 well. However, we experienced some reduced production in well #4 due to some asphaltenes deposition. No interventions occurred in these two wells. The operator is analyzing implementation of gas lift procedures during late 2007 for these two wells.

As for the development of the Cavalo Marinho field, ANP has postponed approving the development plan by requesting the consortium partners to include testing of the large (but low permeability) B1 reservoirs, and find a solution to avoid gas flaring. The consortium is consequently evaluating plans that include gas-to-shore possibilities, and evaluation of the tight B1 reservoirs. This includes use of a FPSO (Floating Production Storage and Off-loading vessel) as a new field centre tying back also other fields in the area (fields where the company as yet is not a partner). The company considers these proposals as a positive step forward, not only in the further development of the resources in the Cavalo Marinho field, but potentially also for a larger area-wide development. Petrobras and the company continue to evaluate Estrela-do-Mar development plans.

Block B-CAM 40

This block includes the Manati gas field and more than 530 square kilometers under exploration, covering shallow and deepwater areas. The consortium has identified and approved the drilling of a minimum of three exploration wells in this license, all of which have a drilling rig commitment from the operator. This license also includes another oil and gas discovery by well 1-BAS-131, just south of Manati, extending into the license south of ours in which we currently do not have any ownership. The 1-BAS-131 discovery is still under evaluation as part of a potential larger development scheme for the larger area.

Manati Project

Manati field development is running firmly toward conclusion with the start of gas production and associated condensate as soon as we receive the two remaining licenses, one from the State of Bahia to operate the onshore pipeline and one from IBAMA (the Brazilian environmental agency) for approval to operate the offshore pipeline. The Manati #1 and # 2 wells were successfully completed with net pays of 327 and 197 meters, respectively, in Sergi Formation reservoirs and test results showing each well flowed more than 900,000 m3/day, with well head pressures around 1900 psi. Initial production capability from these two wells is estimated at 3 million m^3/day. Well #3, concluded after the end of the quarter, is located down dip in the structure and encountered the main reservoirs 50 meters above the forecasted depth. A new set of maps of the structure is currently underway to guide year-end reserve revisions for the field. In response to an ANP request, the operator has submitted to the partners a working program to evaluate the shallow gas discoveries in the natural gas-bearing Rio de Contas RDC 30 reservoirs.

A revision of the reserves performed by Gaffney Cline and Associates based on the first two development wells indicate an 88% increase in proved reserves (1P), from 41.5 MMBOE in the last revision conducted in 2005 to 78 MMBOE at present.

With respect to the construction of the Manati facilities, the gas plant is completed, pipeline construction had its last section under conclusion by the end of the quarter and tests with gas are underway. The production platform pull-ins are being concluded and an operating license is anticipated soon after conclusion of pending activities and inspection by local authorities.

B-CAM 40 exploration block

The consortium is awaiting the IBAMA environmental approval required to drill, at least, the three exploration wells approved by the partnership. There are potentially additional structures to be drilled if any of these three wells are a success and if time allows. The consortium has drilling rigs available through the operator's drilling pool, both to drill the shallower wells and, at minimum, one of the deep water wells. The consortium expects to receive the IBAMA license during the first part of 2007; however we have no impact on the IBAMA time schedule.

BM-CAL 5 and 6 Blocks

The IBAMA environmental license is the only outstanding issue to proceeding with the three deep water wells projected on these two licenses. The consortium expects to receive the IBAMA license during 2007; however, again, we have no impact on the IBAMA time schedule. The drilling rig(s) is committed and available through the operator's drilling rig pool.

Sardinha Field (located between Manati and the BM-Cal 5 and 6)

A revision and certification of the reserves in the Sardinha field was begun by Gaffney Cline and Associates. After the end of the third quarter, the field operator presented a proposal to start field development of the gas zone only. This plan could potentially include the 1-BAS-131 discovery, which partly belongs to the BCAM-40 block.

Onshore Reconcavo Basin Blocks (BT-REC-T-106 and 165)

Blocks BT-REC 106 and 165, in which Norse Energy has a 30% share, are in the first exploration period projected to end in September 2007. The work plan and budget presented by the operator forecasts the drilling of one exploration well in block BT-REC-T-165 during mid-2007.

Divisional Report - US

Exploration & Production (E&P)

Norse Energy's oil and gas exploration and production activities in the US are concentrated in central and western New York and western Pennsylvania in the Appalachian Basin, here referred to as the Jamestown and Moon areas.

Jamestown Area

The Jamestown division drilled 13 wells during the quarter, bringing the total number of wells drilled in this area during 2006 to 31 by end of the third quarter. This division is on track for its budgeted 40 wells in 2006.

The two exploratory wells drilled in western Pennsylvania during the second quarter were tested and evaluated and one well was plugged and abandoned, the second continues to be evaluated. Additional seismic is planned for this area.

Moon Area

The 2006 drilling program was finally kicked off during the third quarter with the use of one rig after significant delays due to drilling contractor availability. Three wells had been successfully completed by the end of the quarter. However, do to limited pipeline infrastructure in the area none of the wells produced any gas in the quarter. The second rig arrived in the fourth quarter and as of the date of this report we have successfully drilled 12 wells in the area. With our new connection point into NYSEG finally approved, we anticipate to flow new gas towards the end of this year. The division is on track for its budgeted 20 wells in 2006.

E&P Production

Production is at an all-time high, but due to the delay of the Moon area drilling start up and delays in receiving all necessary approvals for establishing our new delivery point, production volumes at this point in time are below company estimates. Third quarter gross natural gas production totaled 4,128 MMBTU per day.

Drilling Rig Availability and Drilling Cost

Rising contractor costs due to scarcity of equipment and trained personnel continue to negatively impact exploration efforts in our area as in the rest of the US. The company is confident its longevity and reputation in the Appalachian Basin will help secure the services it needs to keep its programs on target. In order to secure rig capacity, Norse Energy acquired a 33% interest in a newly built Appalachian-based drilling unit upon which we have first-call rights. The rig will start drilling for us as soon as the rig is staffed.

Gathering & Transmission

Natural gas volumes delivered though the Norse Pipeline system continued to increase, reaching an all-time high of 20,000 MMBTU per day during the third quarter. The four new natural gas-fired compressors, along with two refurbished gas units and an electric compressor, installed during the first half of the year have reduced fuel consumption to the lowest levels seen on the system since its purchase in 1999. This will also help reduce costs by utilizing lower priced electricity. New gas gathering contracts have been negotiated with all producers on the Norse Pipeline system allowing for a simpler and more transparent cost structure at all delivery points.

Energy Marketing

Revenues during the third quarter were up from the second quarter by 8% to $37.4 million with an estimated volume of 5.3 million MMBTU's marketed. Competitively priced Canadian gas, higher than normal storage volumes and dropping cash prices due to lack of demand will continue to squeeze profit margin unless colder winter weather reverses this trend. The company is concentrating on additional wholesale customers to improve profit margins.

Financial activity

The company qualified for attractive Real (Brazilian currency) debt financing issued by the Brazilian governmental agency BNDES. The total BNDES loan is Brazilian Real 67 million ($31 million). This loan will partially replace current bridge loans of $33 million. The proceeds from the bridge loans have been used for the Manati capital expenditure program. It is within the company's strategy to fund part of the Manati investment program in local currency as the take and pay contract is denominated in local currency.

The Company's increased interest bearing debt in the quarter derives mainly from the $50 million bond issue completed in the beginning of July and the above described bridge financing.

- At the end of the quarter the equity ratio was 36.6 % compared to 40% at the end of the second quarter of 2006.
- As of the end of the quarter the share price was NOK 3.78, virtually unchanged from end of the second quarter of 2006.

Outlook

The Company maintains a positive outlook as each region continues to execute the corporate business plan. Our corporate strategy has been defined to focus on onshore operations in the prolific US Appalachian Basin, as well as offshore Brazil, primarily in the southern Santos Basin, around the Coral, Cavalo Marinho and Estrela-do-Mar fields and in the Camamu Basin containing the Manati and Sardinha fields. The prospects for gas production from the Manati field are promising. Norse Energy is eagerly awaiting the imminent startup of the large exploration program offshore Brazil. The operator has secured rig capacity for the B-CAM 40 exploration program, both for the shallow and deep water drilling. However, we reiterate that the planned execution and timing is subject to stringent regulatory environmental approvals. The Company has an ongoing review of its reserves and resource base. Given this, the Company's year end reserves report may be affected by the outcome of Coral #3. In the US, the divisions should continue their improved performance as we close our most active year ever.

The Board of Directors

Oslo, November 20, 2006

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Profit and Loss Statements

(Dollars in thousands)	2006 Q3	2006 Q2	2006 Q1	2005 Q3	2006 9 months	2005 * 9 months	2005 * 12 months
Total revenues	48 245	45 929	48 653	47 223	142 827	68 925	129 560
Trading purchase of oil and natural gas	(34 012)	(33 392)	(36 141)	(33 822)	(103 545)	(33 822)	(82 288)
Production expenses	(5 126)	(5 325)	(4 106)	(4 185)	(14 557)	(11 775)	(16 372)
Sales, administrative and general expenses	(4 070)	(2 371)	(2 565)	(2 885)	(9 006)	(6 015)	(7 928)
Exploration costs	(410)	(45)	(481)	(430)	(936)	(510)	(497)
Earnings before interest, depreciation and amortization	**4 628**	**4 795**	**5 360**	**5 901**	**14 783**	**16 803**	**22 475**
Depreciation and amortization	(3 110)	(3 322)	(3 216)	(2 617)	(9 648)	(8 565)	(14 842)
Operating income	**1 517**	**1 474**	**2 144**	**3 284**	**5 135**	**8 238**	**7 633**
Net interest costs	(1 919)	(1 239)	(1 109)	(1 615)	(4 267)	(4 358)	(5 248)
Other financial items	883	128	340	808	1 351	2 460	2 758
Results from continued operations	**481**	**363**	**1 375**	**2 477**	**2 219**	**6 340**	**5 143**
Taxes	181	(48)	(1 168)	350	(1 035)	(848)	(2 854)
Net profit (loss) before minority interest	**662**	**315**	**207**	**2 827**	**1 184**	**5 492**	**2 289**
Minority interests' portion of results	-	-	(56)	(99)	(56)	(226)	(282)
Net profit (loss) after minority interest	**662**	**315**	**151**	**2 728**	**1 128**	**5 266**	**2 007**
Earnings per share ($)	*0,00*	*0,00*	*0,00*	*0,01*	*0,00*	*0,02*	*0,01*
Diluted earnings per share ($)	*0,00*	*0,00*	*0,00*	*0,01*	*0,00*	*0,02*	*0,01*

Balance Sheets

(Dollars in thousands)	09/30/06	06/30/06	03/31/06	09/30/05		* 12/31/05
Property and equipment	247 380	217 309	203 880	144 950		142 549
Intangible assets	5 879	5 879	6 347	8 990		6 347
Other assets	46 889	36 045	41 559	37 792		44 271
Inventory	2 618	2 537	2 562	1 077		1 988
Cash and cash equivalents	37 232	25 972	31 802	28 033		39 387
Total Assets	**339 998**	**287 743**	**286 150**	**220 841**		**234 542**
Equity	126 795	115 519	116 638	101 259		96 531
Minority interests	-	-	1 631	1 893		1 575
Other long term liabilities	2 679	7 890	6 677	-		6 673
Deferred tax	18 640	17 199	17 356	22 966		17 062
Long term debt	103 982	80 144	78 491	51 778		57 389
Short term debt	51 897	32 996	32 427	8 612		10 734
Other current liabilities	36 005	33 995	32 930	34 333		44 578
Total liabilities and equity	**339 998**	**287 743**	**286 150**	**220 841**		**234 542**

Equity reconciliation (Dollars in thousands)	
Opening balance, January 1	**96 531**
Share issue	17 888
Acquisition minority	(652)
Result for the period	1 128
Convertible bond equity element	9 130
Other comprehensive income	2 770
Closing balance, September 30	**126 795**

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

Segment information

Production figures

	2006			2005			2006
	Q3	Q2	Q1	Q4	Q3	Q2	9 months
Brazil E&P							
Oil production, barrels (100%)	380 280	519 055	489 232	563 827	628 221	711 042	1 388 567
Oil price, $/bbl (before royalty and tax)	$ 69,42	$ 67,69	$ 61,00	$ 56,08	$ 60,85	$ 50,99	$ 65,90
USA E&P							
Production natural gas, MMBTU	379 737	358 211	317 924	303 732	300 741	257 785	1 055 872
Gas price, $/MMBtu	$ 7,23	$ 7,33	$ 8,87	$ 9,41	$ 6,74	$ 6,22	$ 7,76
USA G&T							
Throughput (MMBTU)	1 797 581	1 573 527	1 272 927	1 327 538	1 336 511	1 200 540	4 644 035

Gross revenue, EBITDA and EBIT (1)

	2006			2005			2006
	Q3	Q2	Q1	Q4	Q3	Q2	9 months
Brazil E&P							
Oil revenues (net of royalties and tax)	7 830	8 286	6 793	6 969	9 313	8 548	22 909
EBITDA	2 529	3 332	2 763	3 344	4 537	5 259	8 624
EBIT (Operating profit)	142	729	311	1 292	1 414	1 415	1 182
USA E&P							
Natural gas revenues	2 792	2 701	2 879	2 880	2 027	1 611	8 372
EBITDA	1 563	1 970	1 756	2 352	1 393	1 140	5 289
EBIT (Operating profit)	1 076	1 482	1 274	1 649	952	842	3 832
USA G&T							
Income from gathering and transmission	1 183	1 036	983	1 273	1 114	784	3 202
EBITDA	519	406	431	707	393	255	1 356
EBIT (Operating profit)	272	182	197	484	188	73	651
USA Energy Marketing							
Oil and natural gas trading	38 478	34 745	38 220	50 290	35 022		111 443
EBITDA	1 970	47	1 489	837	465		3 506
EBIT (Operating profit)	1 965	42	1 484	832	462		3 491

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

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Cash Flow Statements

(Dollars in thousands)	2006 Q3	2006 Q2	2005 Q3	2006 9 months	2005 * 9 months	2005 12 months
Cash flows from operating activities						
Net profit for the period	662	316	2 827	1 128	5 492	2 813
Employee options accrual	283	205	-	488	-	-
Depreciation and amortization	3 110	3 322	2 617	9 648	8 565	12 627
Change in trade debtors and other short-term assets	(4 896)	3 953	(15 834)	4 292	(30 245)	(21 312)
Change in inventory	1 179	25	321	630	70	(1 005)
Change in trade accounts payable	4 655	(578)	(72)	(6 102)	12 564	2 390
Change in other current liabilities	(5 856)	(1 339)	(256)	(7 864)	(272)	(1 801)
Net cash flows from operating activities	**(863)**	**5 904**	**(10 397)**	**2 220**	**(3 826)**	**(6 288)**
Cash flows from investing activities						
Acquisition of minority	-	(1 945)	-	(426)	-	-
Oil put options	-		-	(1 399)	-	(1 863)
Investment in property, plant and equipment	(35 181)	(15 073)	(4 630)	(114 263)	(9 003)	(12 598)
Net cash flows from investing activities	**(35 181)**	**(17 018)**	**(4 630)**	**(116 088)**	**(9 003)**	**(14 461)**
Cash flows from financing activities						
Proceeds from issuance of shares	-		21 661	18 748	42 580	24 780
Share issue cost	-		-	(860)	-	(2 275)
Sale of treasury shares	-		-	-	-	20 530
Proceeds from loans obtained	49 934	13 096	31 866	105 710	35 866	42 316
Repayment of loans	(9 683)	(7 811)	(22 163)	(18 598)	(43 165)	(32 082)
Equity from convertible loan	9 130		-	9 130	-	-
Other long term debt	(2 077)		(769)	(2 417)	(769)	(661)
Net cash flows from financing activities	**47 304**	**5 285**	**30 595**	**111 713**	**34 512**	**52 608**
Cash and cash equivalents in companies acquired, net	-		-	-	-	7 253
Change in cash and cash equivalents during period	**11 260**	**(5 829)**	**15 568**	**(2 155)**	**21 683**	**39 112**
Cash and cash equivalents at beginning of period	25 972	31 801	12 465	39 387	6 350	275
Cash and cash equivalents at end of period	**37 232**	**25 972**	**28 033**	**37 232**	**28 033**	**39 387**

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

Audited financial statements

Consolidated Income statement for 2005

(Dollars in thousands)	Full year 2005
Total revenues	124 306
Trading purchase of oil and natural gas	(82 288)
Production expenses	(14 140)
Sales, administrative and general expenses	(7 541)
Exploration costs	(497)
EBITDA	**19 840**
Depletion and depreciation	(12 627)
Operating income (EBIT)	**7 213**
Interest costs (net)	(5 098)
Other financial items (net)	2 676
Results from continued operations	**4 791**
Taxes	(2 560)
Net profit before minority interests	**2 231**
Minority interest	(282)
Net profit after minority interests	**1 949**
Earnings per share ($)	*0,01*
Diluted earnings per share ($)	*0,01*

Consolidated Balance sheet as of December 31, 2005

(Dollars in thousands)	As of Dec 31 2005
Property and equipment	142 765
Intangible assets	6 347
Oil put options	1 561
Other long term assets	863
Accounts receivable and other short term assets	42 394
Inventory	1 988
Cash and cash equivalents	39 387
Total Assets	**235 305**
Paid-in equity	102 607
Other equity	(6 134)
Minority interests	1 575
Other long term liablities	6 673
Deferred tax from acquisiton	17 062
Long term debt	57 795
Short term debt	10 973
Accounts payable and other current liabilities	44 754
Total liabilities and equity	**235 305**