

BUY – Target: NOK 35
High Risk

Bridge Energy

Natural gas at deep discount

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Please note that Pareto Securities AS acts as financial advisor to Bridge Energy ASA

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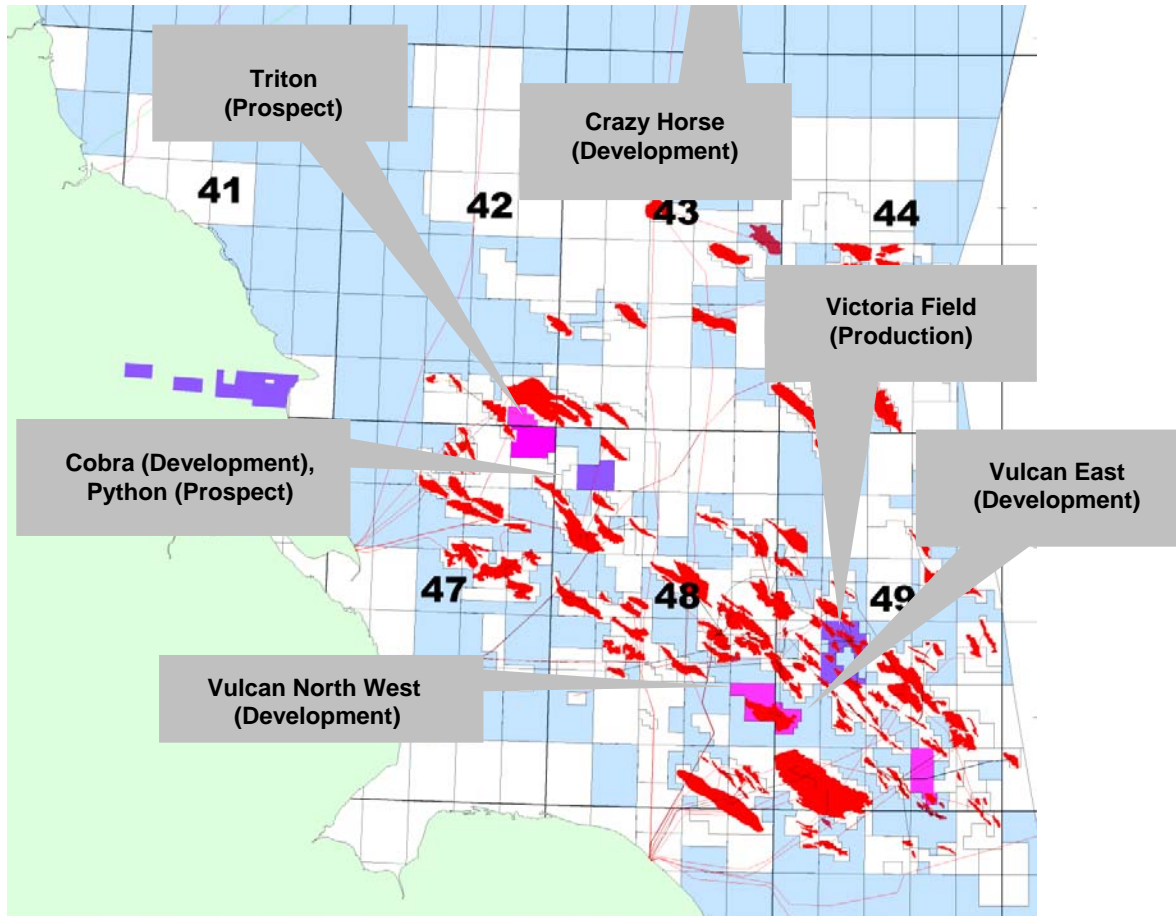
Summary

Bridge Energy will see a significant growth in UK natural gas production in the coming years with additional upside potential from high impact oil exploration in Norway. With exposure to strengthening UK gas prices and lowest pricing in the peer group, we believe Bridge represents an attractive investment opportunity. We initiate coverage with a BUY recommendation, TP NOK 35/share

- ▶ Considerable reserve and resource base fuels production growth
 - 23 mill boe 2P reserves + 29 mill boe in discoveries
 - Production to grow from 1,600 to 13,700 boe/day (2010-2014)
- ▶ UK gas prices expected to strengthen further
 - UK gas price has surged some 50% over the last three months to USD 6.4/mcf at present
- ▶ Attractive oil focused NCS exploration portfolio
 - 5 exploration wells with a risked value of NOK 7/share to be drilled in 2011
- ▶ Coverage initiated with BUY, TP NOK 35
 - P/Core NAV 0.36x vs. peer group median at 0.89x
 - EV/boe of USD 4.4 or only USD 1.6 adjusted for value of tax loss

UK focus in the Southern gas basin of the North Sea

Bridge Energy's UK assets in the Southern gas basin

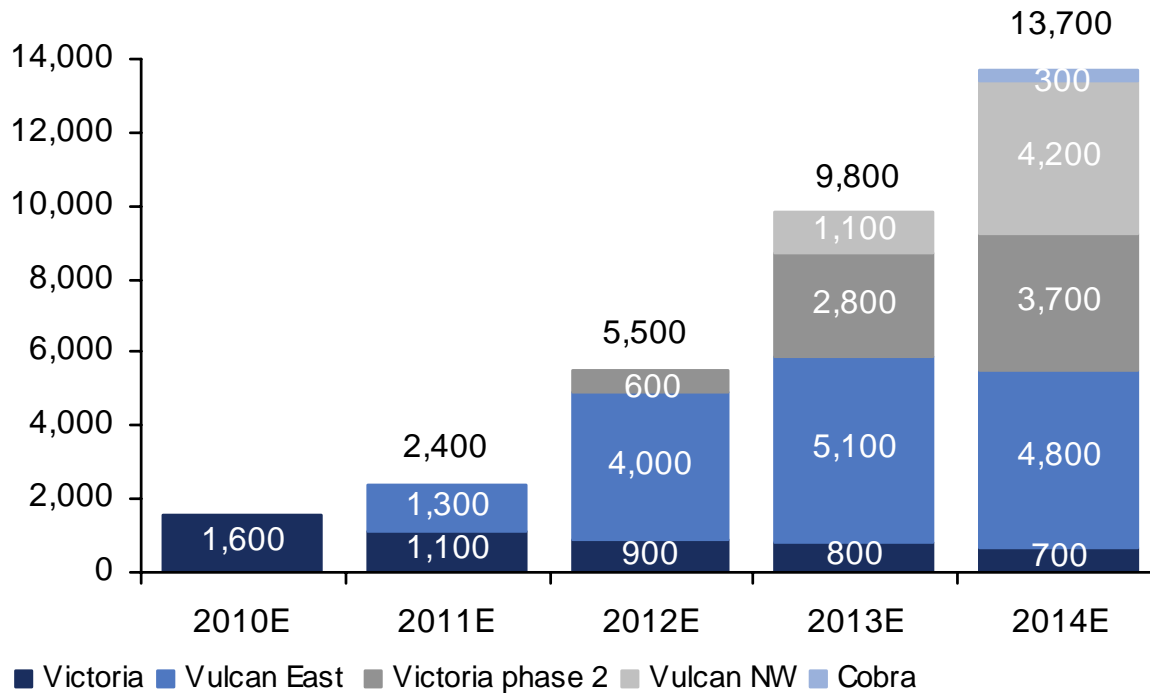


- ▶ UK portfolio focused on production assets
- ▶ Working interests ranging between 75% and 100% in Victoria and Vulcan provides Bridge control over its production growth
- ▶ Net 22.5 mmbcfe exploration upside in the Triton prospect that is scheduled to be drilled in the second quarter of 2011

Significant ramp-up in UK production over the next four years

UK production profile from 2010E to 2014E

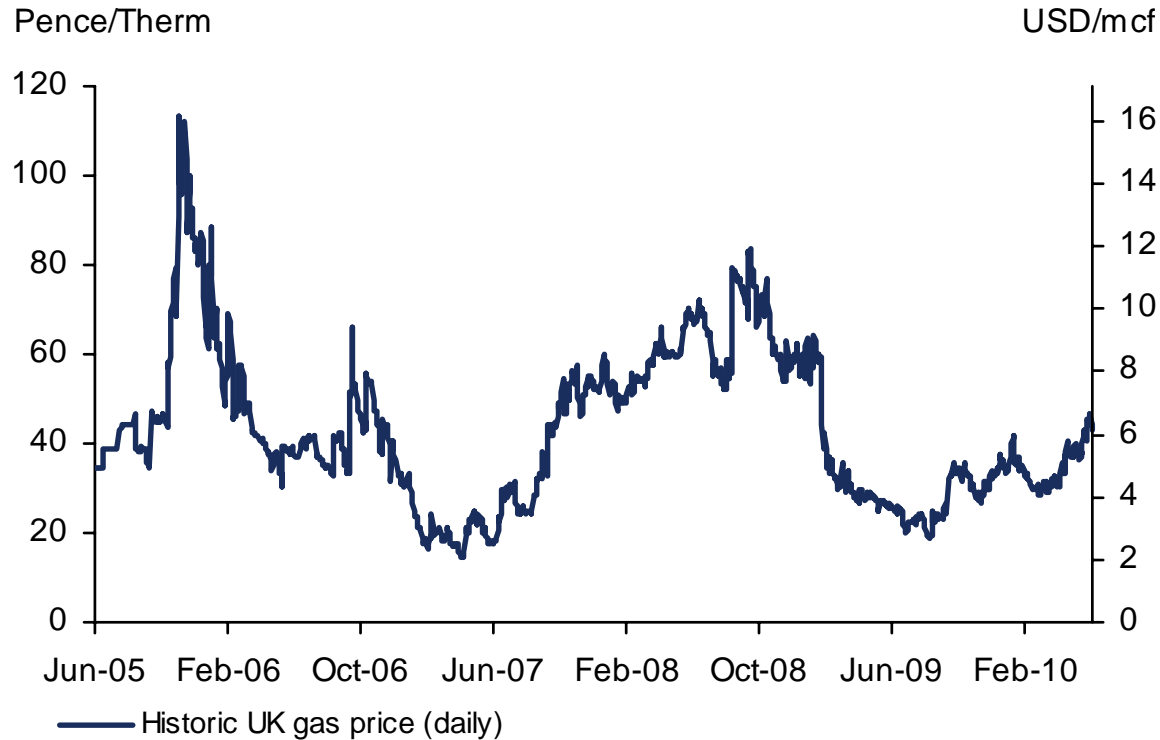
boe/day



- ▶ One new project coming on stream each year from 2011 to 2014
- ▶ Total production to estimated to reach ~13,700boe/day by 2014, from 2010 levels of ~1,600 boe/day
- ▶ Cash flow from production to contribute to financing further exploration and development activities

UK gas price up some 25% since March

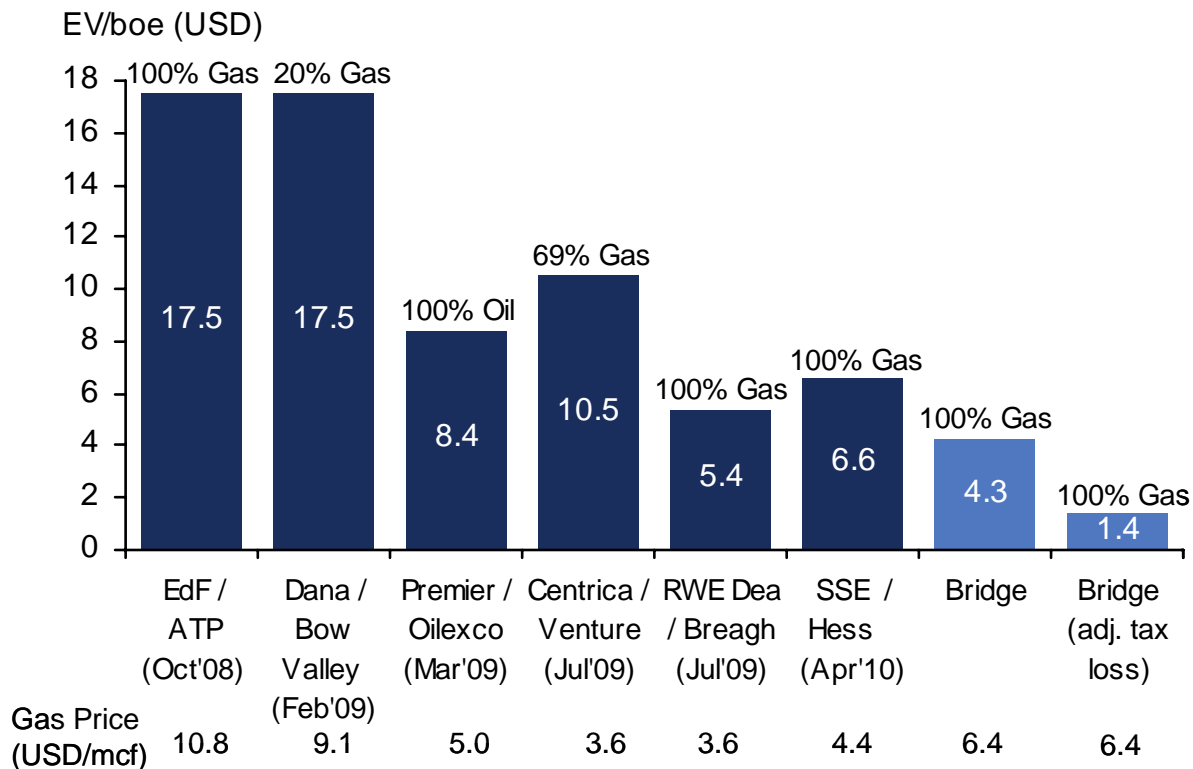
UK gas price, 1 month forward



- ▶ Current UK gas price at USD 6.4/mcf
 - Up from USD 4.2/mcf in March'10
- ▶ 2012 forward at USD 8.5/mcf
 - In line with our long term UK gas price assumption

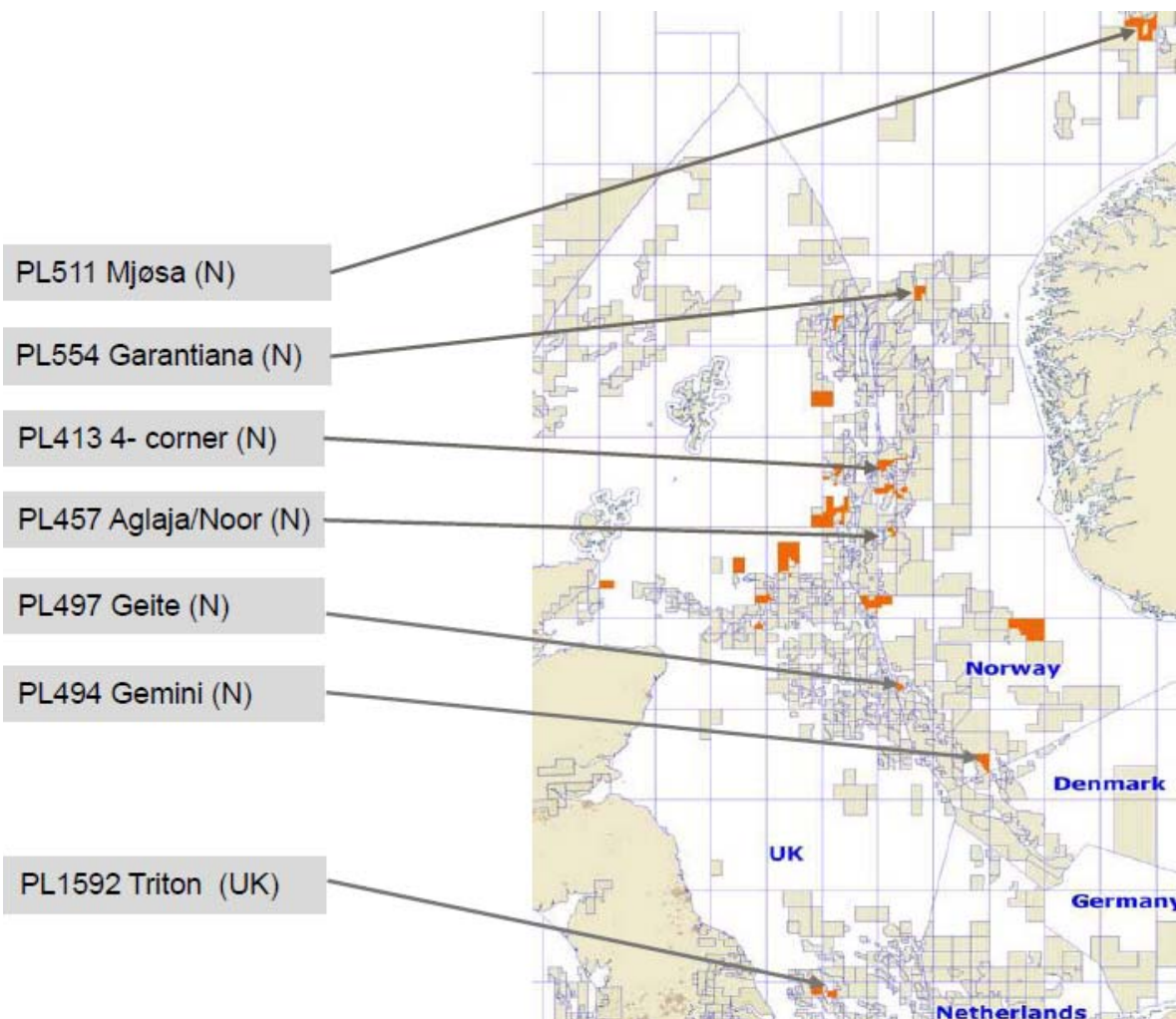
Low valuation per boe of 2P reserves

Past UK M&A transactions



Exploration focus in mature areas of the North Sea

Key asses on the NCS



- ▶ Highlighted prospects carries net unrisked value potential of 246 mmboe
- ▶ Next firm well expected be drilled is the UK Triton prospect in Q2'11

Risked Valuation of Bridge Energy

Risked Net Asset Value

PRODUCING ASSETS	mmboe	Unrisked Value				Risking Probability	Risked Value			
		NOKm	USDm	USD/boe	NOK/Share		NOKm	USDm	USD/boe	NOK/Share
Victoria (75%)	10.0	423	66	6.6	8.1	100%	423	66	6.6	8.1
TOTAL PRODUCING	10.0	423	66	6.6	8.1	100%	423	66	6.6	8.1
DISCOVERIES										
Commercial										
Vulcan East (100%)	14.3	572	89	6.2	10.9	80%	457	71	5.0	8.7
Vulcan NW (100 %)	24.2	1,192	185	7.6	22.7	60%	715	111	4.6	13.6
Draupne Extension	4.0	129	20	5.0	2.5	60%	77	12	3.0	1.5
Total commercial discoveries	42.5	1,892	293	6.9	36.1	66%	1,250	194	4.6	23.8
Uncertain commerciality										
Cobra (25%)	1.2	31	5	4.2	0.6	50%	16	2	2.1	0.3
Storskrynten (10%) - PL 337	1.2	23	4	3.0	0.4	50%	12	2	1.5	0.2
Jetta (10%) - PL 027	0.6	11	2	3.0	0.2	50%	6	1	1.5	0.1
Total uncertain discoveries	2.9	65	10	3.5	1.2	50%	33	5	1.7	0.6
TOTAL DISCOVERIES	45.4	1,958	304	6.7	37.3	66%	1,283	199	4.4	24.4
EXPLORATION (2011)										
Triton (75%) - P 1592	22.5	394	61	2.7	7.5	15%	59	9	2.7	1.1
Geite (30%) - PL 497	62.9	1,102	171	2.7	21.0	15%	165	26	2.7	3.1
Garantiana (60%) - PL 554	27.3	479	74	2.7	9.1	15%	72	11	2.7	1.4
Mjøsa (20%) - PL 511	16.3	286	44	2.7	5.5	15%	43	7	2.7	0.8
Mon/4-corners (25%) - PL 413	9.9	174	27	2.7	3.3	15%	26	4	2.7	0.5
TOTAL EXPLORATION	139	2,436	378	2.7	46.4	15%	365	57	2.7	7.0
OTHER ASSETS										
Cash 31.12.2009		129	20		2.5		129	20		2.5
IB Debt 31.12.2009		(258)	(40)		(4.9)		(258)	(40)		(4.9)
March 2010 & IPO equity issues		331	51		6.3		331	51		6.3
Value of tax loss		432	67		8.2		432	67		8.2
OTHER ASSETS		634	98		12.1		634	98		12.1
NET ASSET VALUE		5,451	845		103.9		2,705	419		51.5
						Core NAV	2,307	358		44.0

Peer group valuation

E&P valuation sheet	Share	Net Cash*	Discoveries				Net Asset Value		Price / NAV		EV / GAV		Target	
Value per share (NOK)	price	& other assets	Producing assets	Commercial	Uncertain	Exploration	Core NAV	Full NAV	Core NAV	Full NAV	Core GAV	Full GAV	Recommendation	Price (NOK)
Bridge Energy (BRIDGE)														
Unrisked		12	8	36	1	46								
Probability		100%	100%	66%	50%	15%								
Risked	16.0	12	8	24	1	7	44	52	0.36	0.31	0.12	0.10	BUY	35
Det norske (DETNOR)														
Unrisked		19	1	27	20	80								
Probability		100%	100%	56%	47%	15%								
Risked	25.6	19	1	15	9	12	35	56	0.73	0.45	0.39	0.17	BUY	50
DNO International (DNO)														
Unrisked		(1.4)	10.1	4.4	1.1	4.2								
Probability		100%	83%	50%	43%	15%								
Risked	7.9	(1.4)	8.3	2.2	0.5	0.6	9	10	0.86	0.77	0.88	0.79	BUY	9.0
Noreco (NOR)														
Unrisked		(12)	21	8	29	47								
Probability		100%	100%	80%	46%	15%								
Risked	13.8	(12)	21	6	13	7	15	35	0.92	0.39	0.96	0.54	BUY	30
Norse Energy (NEC)														
Unrisked		0.5	1.0	2.7	7.2	-								
Probability		100%	100%	70%	40%	0%								
Risked	3.0	0.5	1.0	1.9	2.9	-	3.5	6.3	0.86	0.47	0.83	0.42	BUY	6.0
North Energy (NORTH)														
Unrisked		21	-	-	7	178								
Probability		100%	-	-	60%	13%								
Risked	19.0	21	-	-	4	24	21	49	0.92	0.39	N/A	-0.06	BUY	39
Panoro Energy (PEN)														
Unrisked		(1.8)	9.3	14.0	26.5	25.2								
Probability		100%	98%	54%	32%	15%								
Risked	7.0	(1.8)	9.1	7.6	8.5	3.8	15	27	0.47	0.26	0.52	0.30	BUY	20
PA Resources (PAR)														
Unrisked		(2.6)	5.0	0.8	14.1	2.6								
Probability		100%	100%	80%	36%	15%								
Risked	4.5	(2.6)	5.0	0.7	5.1	0.4	3.1	8.7	1.44	0.52	1.24	0.63	BUY	6.0
Questerre (QEC)														
Unrisked		5	2	-	131	9								
Probability		100%	100%	0%	40%	11%								
Risked	22.1	5	2	-	53	1	6	60	3.50	0.37	10.21	0.31	BUY	60
Rocksource (RGT)														
Unrisked		0.5	0.2	0.6	6.2	40.7								
Probability		100%	100%	50%	31%	15%								
Risked	2.7	0.5	0.2	0.3	1.9	6.1	0.9	8.9	2.85	0.30	4.87	0.26	BUY	5.5
Median									0.89	0.39	0.88	0.31		

- ▶ Bridge
 - P/Core NAV 0.36x
 - P/NAV 0.31x
- ▶ Median of E&P peers
 - P/Core NAV 0.87x
 - P/NAV 0.38x

*Net Cash at 2009YE, (I) Calculated at WACC 10% (8% in Norway)
 Long term oil price assumption USD 80/bbl from 2013 and onwards
 (USD 75/bbl assumed for 2010 and USD 90/bbl for 2011/2012)
 Core NAV calculated as net cash + producing assets + commercial disc.
 Risked exploration value includes prospects to be drilled in 2010 and 2011

Key Figures

P&L Bridge Energy		2010E	2011E	2012E	2013E	2014E
Operating revenues	NOKm	126	224	591	1,102	1,549
EBITDAX	"	34	135	428	840	1,194
Exploration Expenses	"	(150)	(242)	(314)	(314)	(314)
EBITDA	"	(116)	(107)	114	526	880
EBIT		(319)	(277)	(214)	(49)	235
Net Financials	"	(8)	(12)	(13)	(26)	(56)
Taxes	"	46	117	189	245	245
Net profit	"	(210)	(100)	18	170	150
Net profit, adjusted	"	(177)	(47)	87	239	219
CAPITALIZATION						
No. of shares	1000	52,486	52,486	52,486	52,486	52,486
Share price	NOK	16.0	16.0	16.0	16.0	16.0
Market cap.	NOKm	840	840	840	840	840
Net interest bearing debt	"	(34)	(136)	131	263	557
Enterprise value	"	805	704	971	1,103	1,397
VALUATION						
P/E		-	-	-	4.9	5.6
P/E adjusted		-	-	9.6	3.5	3.8
CASH FLOW						
Operating cash flow	NOKm	(16)	95	308	678	772
Net cash investing activities	"	(213)	(362)	(440)	(973)	(213)
Net cash financing activities	"	327	-	200	300	(500)
KEY FIGURES						
Production	boe/day	1,620	2,410	5,570	9,760	13,690
Oil Price Brent	USD/bbl	75.0	90.0	90.0	90.0	90.0
UK gas price	USD/mcf	6.00	7.00	8.00	8.50	8.50
NOK/USD		6.24	6.45	6.45	6.45	6.45
P&L PER BOE						
Realised petroleum price	USD/boe	34.2	39.5	45.1	48.0	48.1
Operating Costs	"	(25.0)	(15.7)	(12.5)	(11.4)	(11.0)
EBITDAX	"	9.2	23.9	32.6	36.6	37.1
Exploration expenses	"	(40.7)	(42.6)	(24.0)	(13.7)	(9.8)
EBITDA	"	(31.4)	(18.8)	8.7	22.9	27.3
Depreciation	"	(55.0)	(30.0)	(25.0)	(25.0)	(20.0)
EBIT	"	(86.4)	(48.8)	(16.3)	(2.1)	7.3
Cash Back on exploration	"	31.7	33.3	18.7	10.7	7.6
EBIT with net expl. costs	"	(54.7)	(15.5)	2.4	8.6	14.9

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