

Ginger Oil AB

Six month report January – June 30, 2005

Most important items

- Positive operating cash flow reached
- Bank line of credit obtained
- Increased share in Arkansas
- Discovery in Arkansas Cleveland #1
- Payout reached in Bodenger #2
- Payout reached in Broyles #1
- Little Village has been sold, Ginger retains 6% carry
- Six wells are expected to be drilled before year end
 - 3 wells in Arkansas, September - October
 - Little Village, October – November
 - 2 wells in Iberia, September - December

Cash Flow

The company's operating cash flow for the first six months is positive. This fact is due to increased income coming from several new wells placed on stream and at the same time holding our expenses essentially to last year's level.

Coppermark Bank of Oklahoma has approved a line of credit to Ginger of \$5,000,000. The interest on drawn capital is at market rates. Ginger has drawn a total of \$100,000 as of this date on the bank loan. The loan is in place to take advantage of additional investments in oil and gas acquisitions or drilling, as opportunities are presented to us.

Current Projects

Arkansas

One prospect was drilled and successfully completed during the period. Since last year, three have been successfully completed as oil wells, and all are producing. Three more are expected to be drilled beginning in September. One of these wells is an acceleration well while two are exploratory. Ginger has increased its interest in several planned future operations to 25% in the next 3-D seismic acquisition and to 50% in a 2-D seismic prospect.

The second 3-d seismic acquisition has been permitted and will probably be completed during the spring of 2006.

A third shoot is planned for 2006; a fourth shoot will probably be scrapped in favour of a simpler and cheaper 2-d seismic investigation and may start by year-end.

South Barataria Field, Jefferson Parish, Louisiana

Our ownership in Alpine et al, Bodenger 2 – 2d has been increased from a working interest of 4.01% to 6.68% as a result of prospect payout. Net revenue interest has increased to 4.86% The shallower gas zone is currently producing and when depleted an additional oil zone will be produced.

North Chesterfield Field, Lavaca County, Texas

Ownership in Walter Oil & Gas, Broyles #1 has increased from a royalty of 0.33% to a working interest of 1.98% and a net revenue interest of 1.86% as a result of prospect payout.

Little Village Prospect, Jefferson Parish, Louisiana

Ginger has sold this prospect and will be carried for a 6.25% working interest in a projected 13,100', high gas potential well. It is projected to spud in October/November 2005.

Kings Ridge Prospect, Lafourche Parish, Louisiana

Marketing is ongoing. We expect to retain a carried working interest of approximately 5% and a net revenue of 3.75% when this prospect is sold.

Eastern Ohio (Appalachian Basin)

Several investigations using state of the art technology has been performed and with promising results. The land situation is being reviewed and it can be expected that leases will be taken before year end.

Six wells to be drilled before year end

Arkansas. One acceleration well in Arkansas offsetting Searcy #1 will be drilled in September 2005 and projected rates should be about 150 bopd. Ginger has a 14.75% working interest and a 10.3% net revenue interest.

Another exploration well will be drilled in Arkansas, targeting the Smackover formation. If successful, the well should produce at a projected rate of 150 bopd. Ginger has 14.75 % working interest and 10.3% net revenue interest.

Another exploration well in Arkansas will be drilled to the shallower, Cretaceous formation and, if successful, a rate of 50 bopd can be expected. Ginger has 14.75% working interest and 10.3 % net revenue interest.

Little Village. A well in Little Village, Jefferson Parish Louisiana, will be drilled in October and if successful, a rate of 5,000 mcfpd can be expected. Ginger will have no cost for the drilling and completion and will have 2.25% net revenue interest before payout and 4.5% after payout.

Iberia. Two high potential gas wells will be drilled in Iberia Parish, Louisiana this fall without cost to Ginger. Currently we have 8.44% net revenue interest before payout and 13.5% after payout on the first well and 13.5% net revenue interest after payout on the second well. Rates similar to that of Little Village can be expected if successful.

Future Projects

Ginger is actively looking for projects not only in US but also in other countries. We see Eastern Europe as a particularly promising region where we can utilize our expertise to

extract hydrocarbons. We are currently negotiating a farm-in of a concession in Hungary where the potential reserves are 90 million barrels of oil.

Production

| | Bopd | Cfgpd | Ginger's net revenue interest % | Ginger's net boeq |
|---------------------------------------|------------|------------------|------------------------------------|----------------------|
| • <i>Riddle, Ringer #1</i> | | 50,000 | 9.375 | 0.8 |
| • <i>Vamos, Fleming Plantation #1</i> | 110 | | 4.14(8.28 APO*) | 4.6 |
| • <i>ZTI, Fleming Plantation #1</i> | 100 | | 4.14(8.28 APO*) | 4.1 |
| • <i>ZTI, Main Pass 57</i> | 60 | 400,000 | 3.00(Royalty) | 3.8 |
| • <i>Walter, Broyles#1</i> | 50 | 300,000 | 1.86 | 1.7 |
| • <i>Alpine, Bodenger #2</i> | 40 | 2,500,000 | 4.86 | 22.2 |
| • <i>Wiser Brown, Searcy #1</i> | 150 | | 10.30 | 15.5 |
| • <i>Wiser Brown, Montague #1</i> | 45 | | 10.30 | 4.6 |
| • <i>Wiser Brown, Cleveland #1</i> | 50 | | 10.30 | 5.1 |
| Total | 605 | 3,250,000 | | 62.4 |

* = after well payout