

# *Ginger Oil AB*

---

## Year End Report Dec 31, 2005

### Most important for the year

- **Current inventory of eleven producing wells and three more wells completing**
- **Four wells drilled in Arkansas**
- **Ohio project shows promising seismic results**
- **Exploratory well drilled in Iberia Dome and will be production tested**
- **Significant improvement in financial results versus 2004**
- **Emission of stock in November 2005**

### Ginger shares

At the annual meeting 2005 the board received authorization to emit 2,500,000 additional B-shares. The board decided to offer existing shareholders to buy 2,141,788 new B-shares at 6.50 SEK/share. The emission received great interest and was 370% oversubscribed. After the emission the share capital is 1,285,072.90 SEK. There are 11,350,729 B-shares and 1,500,000 A-shares with a nominal value of .10 SEK each. The 6.00 SEK/share options that are to be exercised Oct 1- Dec 31, 2006 have been recalculated to 4.55 SEK/share due to the recent emission.

The stock was listed December 15, 2003 on the Gothenburg's OTC-list that is a part of Nordic OTC's trading system. The trades are reported daily in Swedish newspapers. So far this year (2/6/06) 721,359 B-shares have been traded. The trading price has varied between 12.80 SEK (1/3/06 and 21.40 SEK (1/18/06). The latest trade was Feb 6 at 18.30 SEK. The trading is reported in real time at the NORDIC OTC's web page ([www.ngm.se](http://www.ngm.se) where number of shares and order depth can be seen).

### Investments

During the last year Ginger Oil Company has invested in the following projects:

- **Project "Arkansas" previously "Domino"**. Gingers working interest is 14.75%. This project is still the largest investment and represents a good growth potential for Ginger. Through the use of new techniques in an old producing trend, possibilities for significant new discoveries have been created. Seven wells have been drilled and six of the wells encountered hydrocarbon. Four of the wells are currently producing and two are being completed. The wells are currently producing 270 bopd. If the two completion attempts are successful and when pumps are installed on two existing wells, then current production could be doubled. Also, significant new exploration investments will be made in the area during 2006. New 3-D seismic shoots have been planned. Ginger's additional investment in Arkansas during 2006 is estimated at \$1,500,000.
- **Project "Ohio"** – has similarities to "Arkansas". Both projects are situated in areas where large reserves of oil have already been extracted and additional reserves can be found through new technology. The United States Geological Survey has estimated that there are significant amounts of recoverable reserves left in this basin. Ginger has an office in Columbus, Ohio and the work is progressing according to plan. Several seismic lines have been shot and analysed and show promising results. Leasing has been initiated. Ginger expects to invest an additional \$400,000 in the Ohio project during 2006. The first well could be drilled in late 2006.
- **Project "Little Village"** is situated in south Louisiana. The operator, Century Offshore, expects to spud the first well during the 2<sup>nd</sup> quarter 2006. Ginger has a carried working interest of about 5%.

- **Project "Kings Ridge"** is situated in south Louisiana. Ginger has about 4% carried working interest in this well. The operator, Couldron, is currently trying to locate a drilling rig. We expect this well to be drilled during 2006.
- **Project "Iberia Dome"**. The first well has been drilled by the Korean company SK E&P. Ginger has 18% working interest (11.25% before and an additional 6.75% after payout). Indications of hydrocarbons have been seen in logs and formation tests. As soon as a completion rig has been located the well will be tested for completion. Well number two may be drilled after analysis of production performance in number one.

## **Discoveries**

During the year the following discoveries have been made:

Project "Arkansas", Cleveland #1 was drilled and is currently producing 40 bopd and is expected to produce 150 bopd when pump is installed. Bonner #1 is producing 80 bopd and is also expected to produce 150 bopd with pump. Searcy #2, acceleration well is currently being completed. Ledbetter #1 is also being completed. Ginger's working interest in these wells is 14.75% except in Ledbetter #1 where we have 24.1%. Gingers oil and gas income currently exceeds \$100,000/ month after operating expenses and is expected to increase during 2006.