2010 Annual Report

bridge energy

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Directors' report for 2010

Bridge Energy
Bridge Energy is an independent oil company with the vision to sustain a high growth exploration and production business within North West Europe.

Sustainable through internal resourcing and funding of the ongoing value creation plan

Exploration to deliver consistent resource growth through the drill bit

Production and cash flow growth through development and acquisition.

North West Europe is where significant opportunity exists and we have the capability to deliver

Bridge Energy ASA was incorporated as Bridge Energy Holding AS on 19 February 2010 in preparation for a business combination of the two companies Silverstone Energy Ltd. and Bridge Energy Norge AS. The combination took place 26 March 2010 when Bridge Energy Holding ASA acquired all the shares of Bridge Energy Norge and Silverstone Energy against a consideration in new shares in Bridge Energy ASA.

The two companies had complementary assets and competencies and the merger resulted in an attractive combination of producing assets and undeveloped gas discoveries in the UK with high impact exploration opportunities in Norway. In March 2010, Bridge Energy completed a private placing to Norwegian and international institutional and industrial investors, raising NOK 324.5 million through the issue of 16,225,000 new shares at NOK 20 per share.

On 21 May 2010, Bridge Energy listed on Oslo Axess under the ticker "BRIDGE".

The company has activities in Norway and in the UK and has offices in Oslo and Aberdeen.

Key developments 2010

Production
The Victoria field reservoir and well performance was excellent throughout 2010. Operational uptime from the host facility was greater than 95 % excluding a planned shutdown which was completed in April 2010. The well production potential was maintained at around 9 mmcf/d through the year. The reservoir performance is according to expectations with no proppant or water production from the well. These results are important since they confirm the long term integrity of the fracture stimulation and a similar stimulation technique is planned for future development wells.

The Victoria field was shut in from 4 August 2010 to 30 October 2010 due to damage sustained to the field sub-sea control umbilical. Sub-sea inspection confirmed that the damage was limited to the umbilical system only, and no other equipment was damaged. The inspection also confirmed the likely cause of the damage was unauthorised fishing activity over the wellhead area. The umbilical was repaired by replacing the damaged section with a new length, testing the repairs and then re-commissioning the field control systems.

The repairs were conducted on time and within budget and confirm the Company's competence and efficiency in performing complex offshore operations. The Victoria repair costs amounted to NOK 24 million, almost all of the cost was recovered from insurance.

Despite the 87 days production outage for the umbilical repair, the field produced an average of 6.8 mmcf/d for the year, and had produced a cumulative total of 6.6 bcf by 31 December 2010.

The UK gas price nearly doubled during 2010 increasing from around 30 pence per therm at the beginning of the year to almost 60 pence per therm at year end.

Field development

The portfolio of discoveries to be developed in the Southern North Sea includes Victoria Phase II, Vulcan East and Vulcan North West.

Victoria Phase II

Engineering work on the Victoria Phase II development well was accelerated into 2010. All of the required reservoir studies were completed together with the well design and project definition. Ongoing discussions with the Viking host platform owners have confirmed that the required processing capacity will be available for the new well, details on timing and export and processing terms remain under discussion.

Victoria II comprises a single sub-sea well with a short 70 metre sub-sea tie in into an existing subsea skid at the Victoria Phase I wellhead. All of the long lead items for the well, including the subsea tree and wellhead equipment, are immediately available. The construction scope and funding requirements are considerably less than the Vulcan East project, and it was decided to schedule this project in advance of Vulcan East. Subject to commercial terms being agreed with the host, the project is ready to execute.

Vulcan East

Excellent progress was made on the engineering and planning of the Vulcan East project in 2010. All the viable development options were reviewed and compared, and a low cost sub-sea tie in option at LOGGS was selected for definition. The project engineering contract and the well engineering contract was awarded, and the pipeline routing survey and host platform engineering studies were completed. In addition, the key commercial terms for the export of Vulcan East production over LOGGS/TGT were negotiated.

Because of competing activity from LOGGS Owners equity projects and other tie in projects, Vulcan East was not able to secure construction beds in the planned LOGGS 2011 shutdown without extending the shutdown of the entire LOGGS/VTS production system. The Vulcan East project could not bear the compensation costs for such a large outage, so the project was re-scheduled. The project has been rescheduled such that the critical tie in works may be completed within a planned LOGGS shutdown in 2012.

Exploration
Bridge Energy participated in two non-operated exploration wells during the first half of 2010;

NCS PL316DS Aubrey was drilled by Talisman Energy Norge AS to a depth of 2,810 metres sub-sea and was completed in the Bryne Formation of Middle Jurassic age. The well identified reservoir of good quality, but the sands were water wet.

NCS PL337 Storkollen was drilled by Det norske oljeselskap ASA to a depth of 3,035 metres sub-sea and was completed in Triassic rocks (Skagerrak Formation). The well proved very good reservoir development, but the sands were not hydrocarbon-bearing.

Both wells were drilled safely, on schedule and within their approved budgets.

The exploration wells to date have been obtained through farm-in while the company has continued to mature the targets obtained through applications and licence awards. At this time 7 targets are included in the near term drilling programme 2011-2013 (Bridge Energy working interest in %):

• NCS PL457	20%	Non-operated	Multiple targets including Draupne and Apollo extensions
• NCS PL554	20%	Non-operated	Garantiana
• NCS PL511	7.5%	Non-operated	Mjøsa
• NCS PL497	30%	Non-operated	Geite
• UKCS P1592	75%	Operated	Triton
• NCS PL554B	20%	Non-operated	Angulata
• NCS PL494	30%	Non-operated	Hercules

The Company continues to develop and refine the portfolio of exploration licences. In the UK 26th exploration round, the Company applied for a total of six licences and have this far been awarded the three containing the most attractive prospects identified. The remaining three applications, all of which are located in the Southern North Sea, are still pending the outcome of a detailed environmental assessment by Department of Energy and Climate Change (DECC).

In the Norwegian APA 2009 Bridge Energy was awarded four new licences in the North Sea, including one operatorship. In APA 2010 the Company received two licences, one as operator.

In line with Company strategy to focus our resources on material prospects and high-grade the portfolio, a total of 13 licences in the UK and Norway were relinquished as the acreage was not deemed sufficiently attractive to warrant further work commitments.

Decommissioning
In December 2009 Silverstone signed a Memorandum of Understanding (MOU) with its joint venture partner Mitsubishi regarding the abandonment of the Tristan NW field. Justification for the Cessation of Production, and the Field Decommissioning Plans were prepared and agreed with the relevant regulatory authorities in Q2 2010. The abandonment operations began on 5 August 2010, and completed on 2 November 2010. The work involved the plugging and abandonment of the Tristan NW well, the removal of the Tristan NW subsea wellhead and removal of sections of the 6" production pipeline and 4" controls umbilical. The original Tristan NW discovery well, which was drilled in 1987, was also plugged and abandoned.

Despite some unique challenges, all of the work was completed safely and without incidents. Prolonged unseasonal adverse weather resulted in the rig operations incurring around 26 days of non productive waiting-on-weather time during the rig move and demobilisation phases. Excluding the weather related downtime, the planning and execution of these complex work scopes was highly successful, resulting in minimal non-productive rig time.

The Bridge Energy share of the total costs of the project was NOK 35 million. After conclusion of the physical abandonment of the field and after receiving clearances and approval from the DECC, the outstanding debt due to Mitsubishi will be discharged and Bridge Energy will have no ongoing obligations to Mitsubishi.

Financial Results

Bridge Energy has historically applied the full cost method in accounting for exploration and evaluation assets, whereas from and including 2010 the successful efforts method is applied. 2009 comparables have been reworked to reflect this change. In addition, the Group has changed presentation currency from GBP to NOK.

Production from Bridge Energy's Victoria field for the year averaged 1,126 barrels of oil equivalents per day for 2010, down from 1,581 barrels in 2009. Physical gas sales revenues totalled NOK 103.5 million in 2010 (2009: NOK 175.5 million). The 2010 revenues were negatively impacted by the 3 month Victoria field outage. The average realised gas price excluding hedges was 41 pence per therm in 2010, up from 32 pence per therm in 2009, leading to an operating loss of NOK 156.5 million for the year (NOK 62.8 million in 2009). There was a realised gain of NOK 5.8 million from commodity hedging in 2010 (NOK 62.5 million realised gain in 2009). The parent company had no revenues in 2010.

Operating loss in 2010 was NOK 156.5 million (compared with an operating loss of NOK 62.8 million last year). The loss is mainly due to three months lost production from the Victoria field, exploration expenses of NOK 93.9 million, DD&A and impairment of NOK 61.8 million and change in fair value of derivative financial instruments of NOK 24.6 million. The parent company had an operating loss of NOK 6.8 million, mainly due to G&A expenses.

Cash flow

The cash flow from operating activities in 2010 was NOK -91.3 million (2009: NOK 136.9 million). The net loss before tax of NOK 170.9 million in 2010 was offset by non-cash entries of NOK 116.7 million (mainly change in fair value of derivative financial instruments of NOK 24.6 million, DD&A and impairment of NOK 61.8 million, net financial expenses of NOK 10.8 million). Working capital decreased in 2010 by NOK 144.9 million, mainly due to payments of current liabilities related to the Aubrey well and the payment of an amount due to Storm Venture International Inc., Bridge Energy UK's former parent company. The tax refund for Norwegian exploration expenses in 2009 was received in December 2010 and amounted to NOK 101.7 million. Net cash flow used in investing activities in 2010 was NOK -1.8 million (2009: NOK -65.3 million) and long-term debt increased by NOK 16.0 million in 2010. The parent company had a net cash flow from operations of NOK -12.9 million, mainly due to a decrease in working capital.

Balance sheet

Interest-bearing debt amounted to NOK 221.9 million at the end of 2010, compared with NOK 106.5 million the year before. The increase is mainly due to the inclusion of the interest-bearing debt derived from the acquisition of Bridge Energy Norge AS. Total bank deposits amounted to NOK 238.3 million at the end of 2010 compared to NOK 5.6 million in 2009. The parent company had issued interest-bearing debt to subsidiaries of NOK 174.9 million and has a cash balance of NOK 129.4 million.

The Company strengthened its financial position in 2010 through new equity of NOK 1,032.9 million in total. At the end of 2010, the group's equity was NOK 880.0 million and the equity ratio is 69% (2009: NOK 527.9 million and 72%), while the parent company's equity was NOK 1,044.2 the equity ratio is 100%. Distributable reserves in Bridge Energy ASA were NOK 11.4 million.

The Company's current liquidity in the form of cash at hand, existing debt facilities and operational cash flow supports all current project commitments. Additional capital needed to support the ambitious growth plan of the Company will be carefully considered with a view to maximising shareholder value.

The balance sheet value of goodwill in the group as of 31 December 2010 totalled NOK 79.8 million. Goodwill is derived from the acquisition of Bridge Energy Norge AS. Goodwill impairment is tested for annually or more frequently if events or other changes in circumstances indicate that the value may be significantly impaired. The Group has prepared an impairment test on goodwill and licence acquisition cost per 31 December 2010. Assets are impaired when recoverable amount per cash generating unit (CGU) is less than carrying value. As a result of the impairment testing, impairment of NOK 15.9 million was been recorded in 2010. The impairment is related to the CGUs on the Norwegian Continental Shelf Segment PL027D/PL504 and PL 337. Please see note 20 for further details.

Financial risk
Bridge Energy has identified the major risks associated with the nature of the Company's business and the appropriate measures to manage those risks have been determined. This includes the establishment and maintenance of the Company's internal control system which is designed to identify, evaluate and manage the financial risks faced by the Company.

The Company is exposed to financial risks and other types of risks related to operations of the assets. The future income from the production of petroleum is dependent on the Company's ability to find or acquire, and develop reserves and resources. Opportunities for access to new production licences are determined by new licensing rounds and competitive conditions. The level of cost involved is dependent on factors like infrastructural, environmental and geological conditions, the cost of external exploration services like drilling, and costs of developing reserves into production. The Company has secured two rig slots to drill exploration wells, the first in 2012 and the second in 2013. The use of these rig slots depend on timely definition of drilling targets and corresponding licence group approvals.

The financial risks related to oil and gas price fluctuations, currency fluctuations, interest rate fluctuations, financing and liquidity represent the significant risks to the Company. The Company actively uses gas price hedges to reduce risks associated with gas price fluctuations. The company also face credit risk, arising from its sales of gas. This risk is regarded as moderate at the current level of revenues, but still closely monitored. Significant exploration and development costs put great demands on the Company's ability to manage liquidity and financing risks. For further information about the financial risk management objectives and policies see the notes to the accounts.

Health, Safety, Security and Environment
Core to the culture within Bridge Energy is the prevention of any incident or accidents to our employees or partners working with us and to conduct our business in a way which will not damage the environment. Our Business Management System plays a vital role in equipping our employees with the necessary framework to conduct our operations in a safe and environmentally friendly manner.

There was around 3 months of operated sub-sea and rig activity through 2010 in the UK Southern North Sea sector. All of the work was completed safely without any significant incidents or accidents and without harm to the environment.

Good progress was made on integrating the UK and Norway Health Safety and Environment Management Systems and Business Management Systems through 2010 and the integration will be completed in 2011. In the UK, the Company's Environmental Management Systems were audited by Lloyds Register in Q4 2010 with no significant findings.

Throughout the year management HSEQ meetings were held to review ongoing operations and business critical activities with the results of these meeting communicated throughout the organisation and included within the overall company risk register. The HSE plans set for 2010 were successfully accomplished with plans for 2011 now in place.

Bridge Energy operates within all statutory requirements for oil and gas operations. There have not been any breaches of these requirements within 2010 in licences operated by or participated in by Bridge Energy.

People & organisation
Bridge Energy has an experienced and highly qualified staff. As at 31 December 2010 Bridge Energy had 28 employees, of which women constituted 21 percent. The complex tasks of an oil and gas company require multidisciplinary team work and close co-operation to realise the organisation's potential. The group is focusing on targeted recruitment in order to increase the number of women in male-dominated positions and disciplines. Remuneration is related to job content and qualifications, which ensures that men and women with corresponding positions and equal experience, who produce equally good results, will receive the same pay. Senior management remuneration is detailed in the notes to the accounts. The Company strives to have an open, healthy and inspiring environment which promotes diversity. Bridge Energy has a policy of equal opportunity between women and men, with no discrimination regarding remuneration, advancement opportunities and recruiting. During 2010 employee absence due to sickness in Bridge Energy remained very low at 1.0%.

Shares outstanding
In conjunction with the business combination, the Company raised NOK 324.5 million in a private placement by issuing 16,225,000 shares, bringing the total number of shares in the Company to 52,195,000. The Company was listed on the Oslo Axess list of the Oslo Stock Exchange on the 21 May 2010. Prior to the listing, an IPO was completed with the issue of an additional 291,146 shares, resulting in a total number of 52,486,146 shares in the Company, each with a nominal value of NOK 1. This was also the number of shares outstanding at year-end.

Research & development
Bridge Energy's R&D activities have been focused on tools and methods for exploration, primarily through co-operation with universities and participation in R&D consortia, supplemented with some in-house activities. The Company has participated in projects at the Norwegian University of Science and Technology (NTNU), University of Oslo (UiO) and a joint industry forum ("Force"). In-house activities have been related to efficient use of 3D seismic data.

Outlook
The Board of Directors believe that the outlook for our industry remains positive and demand for energy in the markets we serve will support the business going forward.

The organic growth potential for the company is significant. Bridge Energy's position in gas reserves and resources provides a robust foundation of value which will be released through the development of Victoria phase II, Vulcan East and Vulcan North West.

Based on current levels of participation in the above developments the Company's production can be increased from 1,500 boe/d to c. 14,000 boe/d in 2014. This represents a ninefold increase in production and resulting cash flow.

The exploration portfolio of the Company contains risked prospective resources representing a potential threefold increase in reserves and resources.

Layered on top of this organic growth potential we will actively pursue acquisitions and other transactional growth options which offer long term value for shareholders and support our stated strategy.

We will seek to optimize our portfolio from time to time through the introduction of partners and farming down our interests where appropriate.

The forward-looking statements in this section and the rest of the Director's report reflect current views about future events and are, by their nature, subject to significant risks and uncertainties.

Events after balance sheet date

Licence awards
As a result of the NCS 21st Licensing round announced on 18 January 2011, Bridge Energy was awarded two interests in North Sea licences, 30% in PL494B and 60% in PL554B (operatorship). Both awards add acreage to currently held licences and will secure additional resources in these areas.

Farm-down
On February 2011, Bridge Energy entered into a sales and purchase agreement with Total E&P Norge AS to farm down 40% in PL554/554B. After the transaction, Bridge Energy Norge AS holds a 20% interest in PL554 and PL554B. The agreement assumes the transfer of operatorship to Total E&P Norge AS. Completion of the transaction is subject to consent by the Authorities.

Tax change UK
The rate of Supplementary Charge was increased on 24 March 2011 from 20% to 32%. The effect of this is to increase the marginal tax rate for non PRT paying fields to 62% (previously 50%) and to 81% (previously 75%) for PRT paying fields for profits accruing from 24 March 2011. Legislation is to be introduced in UK Finance Bill 2012 to restrict tax relief for decommissioning expenditures to the 20% supplementary charge rate.

There is no immediate cash flow impact on Bridge as we are not currently paying taxes and have considerable shelter in the form of historic losses ("tax pool"). Bridge does not anticipate paying tax in the UK in the near term due to its tax pool and the anticipated level of investment.

Going forward it is difficult to estimate the impact of the additional charge on the company as its portfolio is dominated by gas developments and the Treasury has indicated there may be beneficial amendments made to the field allowances available to gas fields. There may also be compensating allowances applied to reflect relatively lower product prices.

Going concern statement

It is the board's opinion that the Company has sufficient liquidity in the form of cash at hand, existing bank facilities and operating cash flow to meet its current liquidity requirements. As required by section 3-3 a) of the Norwegian Accounting Act, the board confirms that in its view the going concern assumption is fulfilled. The accounts for 2010 have been prepared on that basis.

The board believes that accounts give an accurate picture of the Company's assets, liabilities, financial position and financial performance.

Allocation of net income

The net income for the financial year 2010 for the parent company Bridge Energy ASA was NOK 1.5 million and was allocated to retained earnings.

Nesbru, 29 March 2011

The Board of Directors, Bridge Energy ASA

William McCall
Chairman

Cecilie Amdahl
Board member

Matthew Joseph Brister
Board member

Astrid Koppernæs
Board member

Simon Munro
Board member

Einar H. Bandlien
CEO

Corporate Governance report 2010

Implementation and code of practice
Bridge Energy ASA (the "Company") is a public limited liability company organised in accordance with Norwegian law. The Company has adopted the Norwegian Code of Practice for Corporate Governance of 21 October 2010 (the "Code"). As of the date of this annual report, the Company is in compliance with the Code, except for in relation on the following matters:

- Deviation from section 6 "General Meetings": Not all members of the Board of Directors (the "Board") and the Nomination Committee will normally attend the General Meeting; and the Chairman of the Board will also be chairman for the General Meeting; and
- Deviation from section 7 "Nomination committee": the chairman of the Nomination Committee has not been elected by the General Meeting.

The deviations from section 6 regarding the General Meeting are primarily considered as practical adjustments for the Company. The deviation from section 7, the chairman of the nomination committee has been elected by the three members of the Nomination Committee and informed the General Meeting of such election.

The Board considers good corporate governance to be an important foundation for long term value creation, for building trust between the Company and its shareholders and maintaining shareholder value. The Board has prepared and adopted ethical guidelines for the Company, which ensures a high ethical standard in the Company's conduct of business and its relations with customers, suppliers and employees.

Bridge Energy's Corporate Governance policy as updated and resolved by the Board of Directors on 9 February 2011 is available on the Company's website, www.bridge-energy.com

Business
The Company's business activities are exploration, development and production of oil and gas, which are in accordance with the business activities defined in the Company´s articles of association.

The Company's vision is to be a leading independent energy company whose activities are focused on the North Sea. The Company provides value creation for all its shareholders by building an optimised portfolio of exploration, development and production assets. To achieve its vision, the Company is actively participating in exploration licensing rounds and acquisition activity. Further information about the Company's articles of association, licences and business activities is available on the Company's website, *www.bridge-energy.com*.

Equity and dividends
The Company's considers its equity to be at a level appropriate to the Company's objectives, strategies and risk profile.

The Company has not previously paid any dividends, and it does not expect to pay dividends to its shareholders. However, the Company aims to, over time, give its shareholders a competitive return on capital relative to the underlying risk.

Any proposal by the Board concerning dividend payments is subject to the approval of the Company's shareholders at the General Meeting. Based on this, the Company is of the opinion that its policy concerning dividends is predictable and corresponds with its objectives, strategies and risk profile.

The Board currently has an authorisation to increase the share capital through an issuance of new shares for the purposes of fulfilling the share option scheme for the Company's employees, which is valid until the earliest of the Annual General Meeting in 2011 and 1 June 2011 and an authorisation to buy own shares at market terms valid until the earliest of the Annual General Meeting in 2011 and 30 June 2011.

The Board will protect and preserve the shareholder's interest when applying these authorisations.

Equal treatment of shareholders

The Company's business is based on the fundamental principle that all shareholders are subject to equal treatment. The Company has one class of shares only. All shares have equal voting rights, organisational rights and economical rights. Each share represents one vote at the Company's General Meeting.

Transactions with close associates

In 2010, there have been no significant transactions with closely related parties.

If the Company should enter into a transaction in which a member of the Board or leading employee of the Company or close associates of such persons have a direct or indirect vested interest, the member of the Board or leading employee concerned is obligated to notify the Board immediately.

If a transaction, which is not immaterial, is entered into between the Company and a shareholder, a shareholder´s parent company, member of the Board, member of the executive management or close associates of any such parties, the Board will, where deemed necessary, seek to arrange an independent third party valuation. The same applies for transactions between companies in the same group where any of the companies involved have minority shareholders.

The Company´s transactions in its own shares will be carried out either through the stock exchange or, if carried out any other way, at prevailing stock exchange prices.

Freely negotiable shares

The shares of the Company are not subject to any transfer restrictions and no such restrictions are provided for in the articles of association.

General Meetings

The General Meetings of the Company exercises the highest authority of the Company. The Company endeavours to ensure that the General Meetings are an effective forum for communication between the Board and the shareholders. The Company therefore encourages all its shareholders to exercise their rights either by participating in the Company's General Meetings or by proxy.

The Annual General Meeting is normally held in April or May every year. The notice for the General Meetings is sent to all shareholders no later than 21 days prior to the meeting. The notice includes a reference to the Company's website where the notice for the General Meeting and other supporting documents required to allow shareholders to form a view on all matters to be considered at the meeting are made available. As the supporting documents are made accessible for the shareholders on the Company's website, the documents will not be enclosed to the calling notice sent to the shareholders, which is in compliance with section 8 of the Company's Articles of Association.

The notice will include a proxy form which will give those shareholders who are not able to attend the General Meeting, the opportunity to vote. The procedures for such voting will be included in the notice, together with nomination of a person who will be able to vote on behalf of the shareholders as their proxy and a form which allows for the shareholders to vote separately on each proposal, including on each candidate nominated for election to the Company´s nomination committee and Board of Directors.

The deadline for the shareholders giving notice of their intention to attend the General Meeting is set as close as practically possible prior to the date of the General Meeting. The minutes from the General Meetings are published on the Company's website, www.bridge-energy.com.

The Board, the CEO, a representative of the nomination committee and the Company's auditor strive to be present at the General Meeting. The Chairman of the Board will chair the General Meetings. In 2010, 3 Extraordinary General Meetings were held.

Nomination Committee
In accordance with the Articles of Association, the Company has established a Nomination Committee consisting of three members who are elected by the General Meeting, whereof two members are independent of the Board. The members of the Nomination Committee are elected for two years at a time. The Nomination Committee seeks a composition which ensures the shareholders' interests in general.

The Nomination Committee is responsible for recommending candidates for election to the Board and the Nomination Committee, and to review the remuneration and performance of the Board. The recommendations of the Nomination Committee shall be justified.

The current members of the Nomination Committee are Per Øystein Grimstad, Lynn Calder, and Roy Smitshoek. Per Øystein Grimstad is chairman of the Nomination Committee elected by the members of the Nomination Committee.

The Nomination Committee was elected by the General Meeting held on the 17 November 2010. No meetings were held in 2010.

The Board of Directors - composition and independence
The Board is composed in accordance with the Public Limited Liability Act and currently consist of 5 members, including the Chairman of the Board.

The Board members were elected by General Meeting held 26 March 2010. The Board members are elected for two years at a time.

More information of each Board member is available on the Company's website, *www.bridge-energy.com*. The Board members contributes with experience, competence and capacity which benefit the Company.

In the Company's opinion 4 out of the 5 members of the Board are independent of the Company's main shareholders. Board member, Simon Munro, is a Director of Lime Rock Partners, the Company's second largest shareholder. Furthermore, 4 out of the 5 members of the Board are considered independent of the Company's executive management and material business contacts. Board member, Matthew Brister, served as CEO of Silverstone Energy Ltd. (now: Bridge Energy UK Ltd.) up until 26 March 2010 when the combination with Bridge Energy Norge AS took place.

None of the Company´s management are members of the Board.

Sub- committees of the Board: Remuneration Committee and Audit Committee
The Company has a Remuneration Committee appointed by the Board. The Remuneration Committee consists of three members and administers the Company's bonus incentive program and provides general compensation related advice to the Board. The members of the Remuneration Committee are William McCall, Matthew Brister and Astrid Koppernæs.

The Company has an Audit Committee which holds independent controls with respect to the Company's financial reporting and systems for control. The members of the Audit Committee are Cecilie Amdahl and Simon Munro.

The work of the board of directors
In 2010, a total of 5 Board Meetings were held and recorded. The attendance of Board members was complete in almost all meetings. In addition, 7 Board resolutions were recorded based on electronic mail and telephone communications.

The Board has the general and overall responsibility with regard to the administration of the Company and the monitoring of the management and the administration in general. The Board's primary responsibility is to participate in the development and approval of the Company's strategy, to perform necessary monitoring functions and to act as an advisory body for the management.

The Board is also responsible for ensuring that the Company is in compliance with the Company's values and ethical guidelines, including that the shareholders are given correct financial and other material information in a timely manner according to the relevant legislation.

A clear division of work has been established between the Board and the management through instructions to the Board and to the CEO where the internal distribution of responsibilities and duties are clearly defined.

Through regular meetings with the management, the Board is well informed about the operational and financial development and results of the Company.

Risk management and internal control
The Company is of the opinion that it has a sound internal control and systems for risk management that are appropriate in relation to the extent and the nature of the Company's activities.

The Company has implemented a management system covering all aspects of the Company's activities. Risk management is an integral part of this, as it relates to all company activities. The system is hierarchal, with the Management Manual as the primary document. The next two levels contain process charts and procedures, and the fourth level consists of supporting documents like guidelines and standards. Processes and procedures cover all aspects of Company activities, including specific risk management and risk response procedures. The management system with all its elements are available to the Company's staff through a web-based interface, and actively used in daily operation.

The Company's internal policies and procedures ensure a solid basis for internal control and reporting of the Company's business. This internal control and risk management contribute to a qualified reporting which benefits both the Company and the long-term interests of the shareholders.

The Company's management conducts day-to-day follow-up of financial management and reporting. The Audit committee assesses the integrity of the Company's accounts, and prepares for the Board items related to financial review and control and external audit of accounts.

The Board carries out an annual review of the Company's most important areas of exposure to risk and the internal control arrangements.

Deviations are systematically followed up and corrective measures are implemented.

Remuneration of the Board of Directors
The Board Members will receive a yearly remuneration based on recommendation by the Nomination Committee which will be approved by the Annual General Meeting.

The remuneration is based on the Board's responsibilities, expertise, time invested and the complexity of the enterprise and is not linked to the Company's performance. The remuneration of the Board is disclosed in the notes to the financial statements. None of the Board members have had any additional assignment for the company. Furthermore, they do not participate in any incentive or share option programme.

Remuneration of executive personnel
The Remuneration Committee reviews and advises on proposals made by the CEO with regard to the remuneration payable to executive personnel, and presents it to the Board. The remuneration payable to executive personnel is determined on the basis of competence, experience and achieved results. The Board prepares guidelines concerning remuneration and presents these for the General Meeting in accordance with the Norwegian Public Limited Companies Act §6-16 a.

An incentive scheme for the executive personnel and other employees, under which options exercisable into ordinary shares in the Company are granted, was approved by the shareholders in an Extraordinary General Meeting held 26 March 2010.

The Board decides the salary and other compensation to the CEO in a meeting.

The remuneration and other compensation to the CEO and other executive employees are disclosed in the notes to the financial statements.

Information and communications
The Company reports financial, commercial and other material information to the shareholders and investors on

a regular basis. All information is based on openness and takes into account the requirement of equal treatment of all shareholders.

The Company assigns considerable importance to public disclosure of material information in a timely and clear manner. Such information, including quarterly and annual reports, is published through Oslo Stock Exchange information service and the Company's website, www.brigde-energy.com.

The financial calendar for each year with dates of important events is published as described above.

The Company has implemented procedures which ensure safe handling of inside information. Consequently a list of all persons who have been given access to information classified as inside information is established and maintained by the Company.

The Company has clear guidelines for communication with the shareholders outside the General Meeting.

Take-overs
In the event of take-over the Company will endeavour to protect the shareholders' values and interest, and that business activities are not disrupted unnecessarily. The Board will focus and use it best effort to ensure equal treatment of the shareholders. The Board will do its utmost to ensure that sufficient and relevant information concerning all events that affect the interest of the shareholders is made available.

The Board will not, without specific reasons, attempt to prevent or exacerbate anyone's attempt to submit a takeover bid for the Company's shares or individual business areas.

In the event of a take-over bid the Board will issue a statement regarding the bid and a recommendation as to whether or not the shareholders should accept the bid.

Auditor
The auditor is present during at least one Board meeting where no executive employees are present and at all Board meetings that deal with the annual accounts. The auditor also present to the audit committee, a review of the Company's accounting principles, risk areas, internal control procedures, including identified weaknesses and proposals for improvement.

The auditor is present at the General Meeting where the annual accounts are on the agenda and has regular meetings with the Audit Committee.

The auditor is only used for limited financial services which could not affect the independence and objectivity of the auditor.

Statements of Comprehensive income

IFRS, in NOK '000	Note	Group 1 Jan - 31 Dec 2010	Group 1 Jan - 31 Dec 2009	Parent *) 19 Feb - 31 Dec 2010
Revenue	8	**103 504**	**175 500**	**-**
Operating expenses				
Production expenses	9	22 147	36 220	-
Exploration expenses	10	93 865	10 678	-
Depreciation, amortisation and impairment	20, 21, 31	61 803	197 110	-
Licence disposal	11	-3 374	-	-
Decommissioning expenses	25	26 136	-21 424	-
Change in fair value of derivative financial instruments	19	24 607	4 608	-
Other operating expenses	14	34 774	11 138	6 762
Total operating expenses		259 958	238 330	6 762
Operating income (loss)		**-156 454**	**-62 830**	**-6 762**
Net financial expenses (income)	16	14 446	16 374	-8 295
Income (loss) before tax		-170 900	-79 205	1 532
Tax expense (income)	17	-64 085	32 572	-
Net income (loss) for the period		**-106 815**	**-111 777**	**1 532**
Attributable to the equity holders of the parent		-106 815	-111 777	1 532
Earnings per share Bridge Energy ASA:				
Earnings per share (basic)	18	-2.32	-3.88	0.04
Earnings per share (diluted)	18	-2.32	-3.88	0.04
No. of shares issued	18	52 486 146	28 776 000	52 486 146
Average no. of shares	18	46 066 501	28 776 000	38 971 049
Other comprehensive income				
Exchange differences on translation of foreign operations	4	-11 841	-48 579	-
Change in fair value of available-for-sale financial assets		-	-333	-
Tax effect		-	-	-
Total other comprehensive income (loss)		-11 841	-48 913	-
Total comprehensive income (loss) for the period, net of tax		-118 656	-160 690	1 532
Attributable to the equity holders of the parent		-118 656	-160 690	1 532

*) Bridge Energy ASA was incorporated in 2010 (see note 5 to the Financial Statements), hence the presentation of 2009 comparatives for Bridge Energy ASA is not applicable.

Statements of Financial position

IFRS, in NOK '000	Note	Group 31 Dec 2010	Group 31 Dec 2009	Group*) 1 Jan 2009	Parent 31 Dec 2010
Non-current assets					
Intangible assets	20	381 147	176 520	220 031	-
Deferred tax assets	17	-	-	33 632	-
Property, plant and equipment	21	470 363	439 716	686 679	-
Other financial assets	19	611	354	729	-
Investment in subsidiaries	6				739 058
Total non-current assets		852 121	616 590	941 071	739 058
Current assets					
Trade debtors	19	23 719	10 165	22 631	-
Intercompany receivables	30				176 706
Other short-term receivables	22	15 072	8 478	23 693	30
Tax refund, current	17	139 310	-	-	-
Derivative financial instruments	19	-	12 354	18 177	-
Cash and cash equivalents, non-restricted	23	217 963	5 600	25 890	129 409
Cash and cash equivalents, restricted	23	20 384	-	-	-
Assets held for sale	11	-	76 921	-	-
Total current assets		416 448	113 518	90 391	306 145
TOTAL ASSETS		**1 268 570**	**730 108**	**1 031 461**	**1 045 202**

*) Bridge Energy has historically applied the full cost method in accounting for exploration costs, whereas from 2010 the successful efforts method is applied. In accordance with IFRS, the comparative columns have been reworked from 1 January 2009 on basis of the successful efforts method. The effects of the transition from applying the full cost to applying the successful efforts method are reconciled separately in note 31.

Statements of Financial position – continued

IFRS, in NOK '000	Note	Group 31 Dec 2010	Group 31 Dec 2009	Group 1 Jan 2009	Parent 31 Dec 2010
Paid-in capital					
Share capital	24	52 486	101 024	109 742	52 486
Share premium reserve		980 321	794 805	863 392	980 321
Additional paid-in capital		9 832	108 683	111 027	9 832
Retained earnings		-162 690	-476 639	-402 391	1 532
Total equity		**879 950**	**527 873**	**681 771**	**1 044 172**
Non-current liabilities					
Deferred tax	17	59 652	-	-	-
Provision for decommissioning	25	36 429	29 274	73 448	-
Other provisions	5, 26	17 302	894	1 599	-
Interest-bearing debt	27	81 249	61 492	91 089	-
Total non-current liabilities		194 632	91 661	166 136	-
Current liabilities					
Trade payables	19	14 721	5 516	22 125	30
Intercompany payables					807
Derivative financial instruments	19	11 839	-	-	-
Other taxes and social security costs	19	4 155	2 376	638	193
Other current liabilities	28	163 272	102 683	160 792	-
Total current liabilities		193 987	110 574	183 554	1 031
Total liabilities		**388 620**	**202 235**	**349 691**	**1 031**
TOTAL EQUITY AND LIABILITIES		**1 268 570**	**730 108**	**1 031 461**	**1 045 202**

Nesbru, 29 March 2011

The Board of Directors, Bridge Energy ASA

William McCall
Chairman

Cecilie Amdahl
Board member

Matthew Joseph Brister
Board member

Astrid Koppernæs
Board member

Simon Munro
Board member

Einar H. Bandlien
CEO

Consolidated Statements of Changes in Equity Bridge Energy Group

In NOK '000	Note	Share capital	Share premium reserve	Other paid-in capital	Retained earnings	Available-for-sale reserve	Translation differences	Total
Equity at 1 January 2009		**109 742**	**863 392**	**111 989**	**-402 391**	**-961**	**-**	**681 771**
Paid-in capital		-	-	-	-	-	-	-
Employee share based payments	13	-	-	6 792	-	-	-	6 792
Total comprehensive income (loss)		-	-	-	-111 777	-333	-48 579	-160 690
Equity at 31 December 2009		**109 742**	**863 392**	**118 781**	**-514 168**	**-1 295**	**-48 579**	**527 873**
Equity at 1 January 2010		**109 742**	**863 392**	**118 781**	**-514 168**	**-1 295**	**-48 579**	**527 873**
Issue of share capital, net of transaction costs	24	52 586	980 321	-	-	-	-	1 032 907
Reallocation/adjustment of equity reverse acquisition *)	5	-109 842	-863 392	-118 781	519 885	123	-	-572 007
Employee share based payments	13	-	-	9 832	-	-	-	9 832
Total comprehensive income (loss)		-	-	-	-107 986	1 172	-11 841	-118 655
Equity at 31 December 2010		**52 486**	**980 321**	**9 832**	**-102 268**	**-**	**-60 421**	**879 950**

*) The reallocation is related to the reverse acquisition of Bridge Energy Norge AS, see note 5 for further details.

Statement of Changes in Equity Bridge Energy ASA

In NOK '000	Note	Share capital	Share premium reserve	Other paid-in capital	Retained earnings	Total
Equity at 1 January 2010		**-**	**-**	**-**	**-**	**-**
Issue of share capital, net of transaction costs	24	52 586	980 321	-	-	1 032 907
Repayment of paid-in capital	5	-100	-	-	-	-100
Employee share based payments	13	-	-	9 832	-	9 832
Total comprehensive income (loss)		-	-	-	1 532	1 532
Equity at 31 December 2010		**52 486**	**980 321**	**9 832**	**1 532**	**1 044 172**

Statements of Cash flows

In NOK '000	Note	Group 1 Jan - 31 Dec 2010	Group 1 Jan - 31 Dec 2009	Parent 19 Feb - 31 Dec 2010
Operating activities				
Net income (loss) before tax		-170 900	-79 205	1 532
Non-cash adjustment to reconcile profit before tax to net cash flows:				
Depreciation, amortisation and impairment	21	61 803	197 110	-
Decommissioning provision	25	-	-21 424	-
Change in fair value of derivative financial instruments	19	24 607	4 608	-
Expensed dry wells, capitalised previous periods	21	4 878	10 678	-
Employee share based payments	13	9 832	6 792	-
(Gains)/losses on foreign currency transactions and balances		2 364	-255	-
(Gains)/losses on sales of assets and other items		2 491	-	-
Financial income	16	-5 912	-167	-8 291
Financial expenses	16	16 664	16 776	-
Working capital adjustments:				
Change in trade and other short-term receivables	22	-13 206	24 131	-200
Change in trade and other payables	28	-131 659	-1 388	-9 237
Interest received		5 599	167	3 330
Interest paid		-10 922	-15 306	-
Corporation tax paid / (repaid)		-65	10	-
Tax refund of exploration expenses	17	101 662	-	-
Effects of changes in exchange rates/impact on equity		11 511	-5 605	-
Net cash flow from/ (used in) operating activities		**-91 252**	**136 923**	**-12 866**
Purchase of intangible assets	20	-20 957	-64 362	-
Purchase of property, plant & equipment	21	-6 643	-922	-
Acquisition of Bridge Energy Norge AS, cash acquired	5	25 783	-	-
Net cash used in investing activities		**-1 817**	**-65 284**	**-**
Financing activities				
Proceeds from equity issues	24	312 164	-	312 164
Loan arrangement fees paid		-2 200	-699	-
Repayment of borrowings	27	-103 458	-89 173	-
Proceeds from borrowings	27	119 458	-	-169 890
Net cash flow from/(used in) financing activities		**325 964**	**-89 872**	**142 274**
Net changes in cash and cash equivalents		**232 896**	**-18 233**	**129 408**
Cash and cash equivalents at beginning of period	23	5 600	25 890	-
Net foreign exchange difference		-147	-2 057	-
Cash and cash equivalents at end of period	23	**238 348**	**5 600**	**129 408**
Of which restricted cash at end of period	23	20 384	-	-

Notes to the Financial statements

Note 1 | General information

Bridge Energy ASA is a public limited liability company incorporated and domiciled in Norway. The address of the registered office is Nesbruveien 75, P.O. Box 279, 1379 Nesbru, Norway. The Company is listed on Oslo Axess (OAX: BRIDGE). The nature of the Company's operations and its principal activities is the ownership of shares in the subsidiaries Bridge Energy UK Ltd. and Bridge Energy Norge AS. The principal activities of the subsidiaries are exploration, development and production of oil and gas resources on the Norwegian and UK Continental shelves through unincorporated joint ventures.

The Annual Financial statements of Bridge Energy ASA were approved by the Board of Directors on 29 March 2011.

Note 2 | Summary of significant accouting policies

Basis of preparation
The accounting policies applied in the Consolidated Financial statements of Bridge Energy ASA ("the Company" or "Parent") including its subsidiaries Bridge Energy UK Ltd. and Bridge Energy Norge AS ("the Group") are in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Financial statements are prepared on the historical cost basis, except derivative financial instruments, financial assets and liabilities that are measured at fair value.

The Notes to the Financial statements are an integral part of the Financial statements.

The principal accounting policies applied in the preparation of these Financial statements are consistent with the accounting principles presented in the Annual Financial statements of Bridge Energy UK Ltd. (former Silverstone Energy UK Ltd.) for 2009, with some modifications and additions. For accounting purposes the Business Combination on 26 March 2010 is accounted for under IFRS 3 as a reverse acquisition, in which Bridge Energy UK Ltd. is the acquiring entity for accounting purposes. As Bridge Energy Norge is the acquiree for accounting purposes, the Consolidated Financial statements prepared following the reverse acquisition reflect the fair values of the assets, liabilities and contingent liabilities of Bridge Energy Norge, and not those of Bridge Energy UK. Hence, the comparatives for 2009 include Bridge Energy UK only.

The Company has adopted the new revised standard for Business combinations IFRS 3 and the consequential amendments to IAS 27 "Consolidated and separate financial statements", IAS 28 "Investments in associates" and IAS 31 "Interests in joint ventures". These amendments were mandatory for the first time for the financial year beginning 1 January 2010 and are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The Financial statements are presented in Norwegian Kroner (NOK) and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

As the Financial statements of the Parent company Bridge Energy ASA are prepared on basis of the same accounting principles as the Consolidated Financial statements, the Bridge Energy ASA Financial statements are disclosed within the tables presenting the Consolidated Financial statements for the Group, but shown separately in columns or sections of the Financial statements and the Notes to the Financial statements. Bridge Energy ASA was incorporated in 2010, hence presentation of 2009 comparatives for the Parent company is not applicable.

The principal accounting policies applied in the preparation of these Financial statements are set out below.

Basis of consolidation
The Consolidated Financial statements incorporate the Financial statements of the parent company Bridge Energy ASA and entities controlled by Bridge Energy ASA (its subsidiaries) at 31 December 2010. Control is achieved where Bridge Energy ASA has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The income and expenses of subsidiaries acquired or disposed of during the year are included in the Consolidated statement of Comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. The

Financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in the Group Financial statements.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

The purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. These provisional estimates are finalised within 12 months of the acquisition date with adjustments being recorded against goodwill. In the valuation process, each discovery and exploration licence is subject to separate valuation and adjustment for risk. The difference between the book value and the fair value is identifiable by licences. Other potential reserves, resources and rights, for which fair values cannot be reliably determined, are not recognised.

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is also arising as a technical effect of the deferred taxes, as an offsetting entry.

If the fair value attributable to the Company's share of the identifiable net assets exceeds the fair value of the consideration, the Group reassesses whether it has correctly identified and measured the assets acquired and liabilities assumed. Any additional assets or liabilities that are identified in that review are recognised. If that excess over fair value of the consideration remains after reassessment, the Company recognises the resulting gain in the Statement of Comprehensive income on the acquisition date.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. A portion of the excess value is also allocated to deferred taxes, as a provision for deferred tax arising from the difference between the acquisition cost and the acquired depreciation base for tax purposes.

Transaction costs related to business combinations are expensed. Transaction costs include costs related to the transaction, such as corporate advisors' fees, legal fees, due diligence fees, stamp duties, and accounting services.

Acquisitions made by the Group which do not qualify as a business combination under IFRS 3 "Business Combinations", are accounted for as asset acquisitions.

In order to meet the criteria for a business combination, the acquired asset or group of assets must constitute a business (a business consists of inputs and processes applied to those inputs that have the ability to create outputs). Whether an acquisition meets this definition of a business combination must be assessed on a case by case basis.

If licences are traded on after-tax basis, the acquirer cannot claim tax deductions for the acquisition costs through future depreciation. Deferred tax is recognised on the basis of the difference between the acquisition cost and the tax value of the assets acquired. The offsetting entry to this deferred tax adjustment is goodwill.

Interest in jointly controlled assets

Certain of the Group's activities, particularly exploration and production, are conducted through unincorporated joint ventures where the ventures have a direct ownership interest in and jointly control the assets of the venture. The Group recognises, on a line by line basis, its share of the assets, liabilities and expenses of these jointly controlled assets, along with the Group's income from the sale of its share of the output and liabilities and expenses incurred in relation to the venture.

Licences are funded through cash calls from the operator to the licence partners. The net of total cash called and total payments made by the licence, the over-/under call, is recognised in the statement of financial position as other short-term receivables or other current liabilities respectively.

Presentation currency
The Annual Financial Statements are presented in Norwegian Kroner (NOK), which is the functional currency of the parent company Bridge Energy ASA and Bridge Energy Norge. The functional currency of Bridge Energy UK is Pound Sterling (GBP) and the Financial Statements of Bridge Energy UK have historically been presented in GBP.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the difference in exchange rates between the transaction date and the settlement date are recognised in the income statement as financial items. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the retranslation of monetary items are included in the income statement for the period.

For the purpose of presenting Consolidated Financial statements, the assets and liabilities of the Group's foreign operations are expressed in NOK using exchange rates prevailing at the end of the reporting period. Income and expense items are translated by using an approximate to the average monthly exchange rates, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. The exchange differences arising on the translation are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue recognition
Revenue from sale of oil and gas is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically transferred into a vessel, pipeline or other delivery mechanism.

Revenue is measured at the fair value received, excluding discounts, rebates, and sales taxes and similar levies.

Production expenses
Production expenses are direct cost of sales which include royalties, transportation tariffs and field operating costs. These are recognised as incurred. Production expenses are classified as operating expenses.

Exploration and developments costs for oil and gas properties
The Group has applied the "Successful Efforts" method to account for exploration costs. Under the successful effort method, all exploration costs (including seismic acquisition and seismic studies, etc.), with the exception of costs regarding acquisition of licences and drilling of exploration wells, are charged to expense as incurred. Salary and operating expenses are allocated and reclassified to exploration expenses based on reported hours attributable to exploration.

Drilling costs of exploration wells are temporarily capitalised pending the determination of oil and gas reserves. If reserves are not found, or if discoveries are assessed not to be commercially recoverable, the drilling costs of exploration wells are expensed.

The costs of acquiring licenses are capitalised as intangible assets and subsequently assessed for impairment at the end of each reporting period.

For accounting purposes, a field enters into the development phase when the licence enters the commercial phase by having a plan for development and operation. All the previously capitalised exploration costs are then reclassified from intangible to tangible assets.

Development expenditure for the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of the development wells are capitalised as producing oil and gas properties and depreciated using the unit-of-production method based on proved and probable developed and undeveloped reserves expected to be recovered from the area during the concession or contract period. The future development expenditures necessary to bring those reserves into production are included in the basis for depreciation, based on estimates prepared by the management. Capitalised acquisition cost of proved and probable properties is depreciated using the unit-of-production method based on proved and probable reserves. Any changes in the reserves affecting unit-of-production calculations are dealt with prospectively.

Operating segments
The Group's operating activities have historically been within the single operating segment, defined as "Oil and gas exploration, development and production on the UK Continental shelf". By the acquisition of Bridge Energy Norge AS, the Group has added the Norwegian Continental shelf to the geographical areas under which it operates. After the acquisition, the organisation is structured according to geographical areas and discrete financial information is available about the two geographical areas. The operating results of each of the areas are reviewed by the Group's senior management to assess performance and to make decisions about allocations of resources.

On basis of the above, "Oil and gas exploration, development and production on the UK Continental shelf" and "Oil and gas exploration, development and production on the Norwegian Continental shelf" are considered separate reportable operating segments. The Company's management reporting and controlling systems are on basis of the same accounting policies as described in this summary of significant accounting policies under IFRS.

Information about the business activities and operating segments which are not reportable are combined and disclosed in a separate category for "all other segments".

Earnings per share
The earnings per share are calculated on the net income (loss) for the year divided by the weighted average number of shares issued. Shares issued during the year are weighted according to the period of time issued. The diluted earnings per share is calculated on the net income for the year divided by the weighted average of shares issued in the period, adjusted for the dilutive shares resulting from share option schemes. All the potential dilutive shares of share option schemes that are "in the money" are included in the calculation.

Balance sheet classifications
Current assets and current liabilities include items due less than one year from the balance sheet date, as well as items related to the operating cycle. The current portion of long-term debt is included under current liabilities. Current liabilities are measured at nominal amount.

Intangible assets
Intangible assets including licence rights with a finite useful life are amortised using the unit of production method and are assessed for impairment annually or whenever there is an indication that the intangible asset may be impaired.

Intangible assets with an indefinite useful life are not amortised but are subject to impairment testing at each reporting date.

When incidents or changes indicate that the carrying value of the asset is considerably higher than the recoverable amount, an impairment loss is recognised in the Statement of Comprehensive income. Net recoverable amount is the higher of either fair value less expected cost to sell, and value in use. Value in use is the present value of future cash flows generated by the asset.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. An oil and gas field is considered one cash generating unit; all other assets are assessed separately.

Property, plant and equipment
Property, plant and equipment, other than oil and gas assets, are stated at cost less accumulated depreciation and any provision for impairment. Direct maintenance costs are expensed as incurred, whereas improvements and upgrading are assigned to the acquisition cost and depreciated along with the asset.

The cost of other property, plant and equipment is depreciated on a straight line basis over the assets expected useful life. The residual values, the useful life estimates and the method of depreciation of the assets are reviewed at the end of each financial year and adjusted prospectively, if appropriate. Furniture, fittings and office equipment are depreciated over a period of 3-5 years. When assets are sold, disposed of or replaced, any losses or gains from the removal are recognised in the income statement. Losses or gains are the residual value of the cost price, less accumulated depreciation and any residual value. Property, plant and equipment are subject to impairment testing at each reporting date if there are any indications of impairment. If an impairment test demonstrates that the carrying amount of the asset exceeds the recoverable amount, an impairment loss is recognised in the Statement of Comprehensive income.

Decommissioning

Where a material liability for the removal of production facilities and site restoration at the end of the productive life of a field exists, and a reliable estimate of that liability can be made, a provision for decommissioning is recognised. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. A non-current asset of an amount equivalent to the provision is also created and subsequently depreciated as part of the asset.

Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated fixed asset. Where the related fixed asset has been fully depreciated, the corresponding adjustment is taken to the income statement.

The unwinding of the discount on the decommissioning provision is included within finance costs.

Farm-in agreements

A farm-in/farm-out agreement involves a situation where a licence owner transfers all or a portion of its working interest to another party and the buyer commits to carry a portion of seller's exploration, and/or development costs in return. As a buyer, the Company is recognising the exploration, drilling and development costs as incurred, in accordance with the "Successful efforts method". There are no accruals for future expenditures in farm in/out agreements in the exploration phase.

Asset swap agreements

An asset swap agreement involves a situation where the owner of an asset transfers all or a portion to another party, settled against a consideration in an asset transferred from the other party. Swaps are measured at fair value at the time of transaction, to the extent that fair value can be measured reliably. Gain or loss is recorded in the Statement of Comprehensive income.

Lease agreements

Lease agreements are classified as finance or operating leases in accordance with the contents of the appropriate agreements. Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as financial leases, and the assets or obligations are recorded in the Statement of Financial position. Other types of lease are classified as operating leases. Rentals payable under operating leases are charged to the Statement of Comprehensive income on a straight-line basis over the term of the relevant lease.

Financial assets

The Group's financial assets include cash and short-term deposits, loans and receivables and available-for-sale financial assets, and derivative financial instruments. The classification depends on the nature and purpose for which the financial assets were acquired. The Group determines the classification of its financial asset at initial recognition.

All financial assets are recognised initially at fair value plus directly attributable transaction costs. Any subsequent reductions in fair value are recognised through the Statement of Comprehensive income.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Available-for-sale financial assets

Investments classified as available-for-sale are measured at fair value. Adjustment to fair value are recognised through other comprehensive income until the investment is sold or impaired at which time the cumulative gain or loss is reclassified to the Statement of Comprehensive income.

Investment in subsidiaries
The investment in subsidiaries is carried in the Statement of Financial position at cost in the parent company financial statements. If expected discounted future cash flow from the investment is lower than the carrying value of the investment, an impairment charge is recorded and a new cost basis of the investment is established.

Derivative financial instruments
Derivative financial instruments are financial assets with fixed or determinable payments that are quoted in an active market. These are classified as current assets.

The Group uses derivative financial instruments such as forward contracts to hedge its gas price risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on gas hedges are recognised in the Statement of Comprehensive income in operating expenses.

The Group does not apply hedge accounting.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, and other short-term receivables in the Statement of Financial position.

Receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

At the first time recognition in the Statement of Financial position, trade and short-term receivables are recorded at their anticipated realisable value. At subsequent recognitions, the receivables are recorded at anticipated recoverable value. An allowance for impairment of receivables is made when there is objective evidence that the Group will not be able to collect the full value according to the original terms of the receivables.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand bank deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Amounts are stated net of bank overdraft facilities where the right of offset exists.

Assets held-for-sale
Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and the fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Interest-bearing debt
Interest-bearing debt is initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, the Group is using the effective interest method of calculating the amortised cost of interest-bearing debt and of allocating interest expenses over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future debt (including all fees payable that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Any difference between proceeds, net of transaction costs and the redemption value is recognised in the Statement of Comprehensive income over the period of the interest-bearing debt. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Financial liabilities
Financial liabilities including trade payables are initially measured at fair value, net of transaction costs and subsequently measured. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

De-recognition of financial liabilities
The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Taxes
The tax expense represents the sum of the taxes currently payable and deferred tax.

Taxes payable are provided at amounts expected to be paid (or recovered), adjusted for any changes from previous years, using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

By the acquisition of Bridge Energy Norge AS, the Group is subject to the Norwegian oil taxation regime for the operations on the Norwegian Continental shelf. Under this regime oil companies which are not in a tax paying position may claim a 78 % refund of their exploration costs, limited to the taxable loss for the current year. The tax refund is unconditional in terms of contingent operation of the companies concerned. The refund is paid out in December in the following year. The portion of the tax receivable which is due to be received within one year from the balance sheet date is classified as a current asset.

Deferred taxes are calculated on all taxable temporary differences at the balance sheet date between the tax written-down value of assets and liabilities and their net book value for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also included in equity.

Both positive and negative temporary differences are balanced out within the same period. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilised. As deferred tax assets relating to the petroleum activity on the Norwegian Continental shelf are unconditional in terms of contingent operation of the Group, the deferred tax assets that come under this category of activity are recognised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Share capital
The ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options have been charged directly to other paid-in capital.

Share-based payments
Equity-settled share-based payments are initially measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The fair value is determined by using generally accepted valuation techniques, such as the Black-Scholes model.

Cancellations or settlements of equity settled share-based payments are treated as an acceleration of vesting and as a result any amounts that otherwise would have been recognised for services received over the remainder of the vesting period are recognised immediately in the income statement.

When options are exercised the payments from employees are recognised as an increase in the Company's share capital and share premium reserve.

Pensions
Pension contributions are charged to the income statement as operating expense in the period to which the contributions relate. The pension plans are defined contribution plans. Once the contributions have been paid, there are no further payment obligations. Social security tax in Norway and employer's National insurance contribution in the UK on future pension payments is accrued at nominal value.

Related parties
All transactions, agreement and business with related parties are made at ordinary market terms, based on estimated market value.

Provisions
A provision is recognised when the Group has a present obligation and this obligation is probable (more likely than not) and a reliable estimate of the commitment can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Events subsequent to the balance sheet date
New information about the Group's position on the balance sheet date is adjusted for in the Annual financial statements. Events after the balance sheet date which do not affect the Group's position on the balance sheet date, but which will affect the position in the future, are disclosed in the notes if considered material.

Cash flow statement
The cash flow statement is prepared using the indirect method.

Changes in accounting policies and disclosures

A. The following new standards and amendments to standards for the first time for the financial year beginning 1 January 2010:
IFRS 3 (revised), "Business combinations", and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. In accordance with IFRS 3 (revised), the Group expensed NOK 1.4 million in transaction costs at the business combination with Bridge Energy Norge.

B. The following new and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010 are currently not relevant to the Group:
At the date of the Financial statements, the following applicable new standards and interpretations and amendments to existing standards and interpretations were mandatory but currently not relevant to the Group, though they may affect the accounting for future transactions and events:

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period.

IFRIC 17 "Distribution of non-cash assets to owners", effective on or after 1 July 2009.

IFRIC 18 "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009.

IFRIC 9, "Reassessment of embedded derivatives" and IAS 39, "Financial instruments: Recognition and measurement", effective 1 July 2009.

IFRIC 16, "Hedges of a net investment in a foreign operation", effective 1 July 2009.

IAS 1 (amendment) "Presentation of financial statements".

IAS 36 (amendment) "Impairment of assets", effective 1 January 2010.

IFRS 2 (amendments) "Group cash-settled share-based payment transactions", effective from 1 January 2010.

IFRS 5 (amendment) "Non-current assets held for sale and discontinued operations".

C. The impact of new standards and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted
At the date of the Financial statements, the following applicable new standards and interpretations and amendments to existing standards and interpretations were issued but not yet effective:

Amendments to IFRS 7 Financial Instruments – Disclosures:
The amendment relates to disclosure requirements for financial assets that are derecognised in their entirety, but where the entity has a continuing involvement. The Group expects to implement the amended IFRS 7 as of 1 January 2012.

Revised IAS 24 (revised) "Related party disclosures"
The revised IAS 24 "Related party disclosures" was issued in November 209 and supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. It is not expected to have any impact on the Group's Financial statements.

Amendment to IAS 32 "Classification of rights issues"
The amendment to IAS 32 "Classification of rights issues" was issued in October 2009 and applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. It is not expected to have any impact on the Group's Financial statements.

IFRIC 19, "Extinguishing financial liabilities with equity instruments"
IFRIC 19 was effective from 1 July 2010 and it is not expected to have any impact on the Group's Financial statements.

Amendments to IFRIC 14 "Prepayments of a minimum funding requirement"
The amendments to IFRIC 14 correct an unintended consequence of IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction". It is not expected to have any impact on the Group's Financial statements.

Annual improvements project 2010
The improvement project is an annual project that provides a mechanism for making necessary but non-urgent amendments. The improvements are effective for annual periods beginning on 1 July 2010 or later, but the improvements are not yet approved by the EU. It is not expected to have any impact on the Group's Financial statements.

Note 3 | Estimation uncertainty

The preparation of the Group's Financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The estimations and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis considering the current and expected future market conditions.

In the process of applying the Group's accounting policies described in note 2, management has made the following judgments which have the most significant effect on the amounts recognised in the Consolidated Financial statements:

Recoverability of exploration and evaluation assets
Judgments related to capitalised acquired licence rights and exploration drilling expenses (disclosed in note 20) and the assessment of whether such costs are subject to write-offs may have material effect on the operating income for the period. Circumstances may suggest that the carrying amount may exceed the recoverable value of the asset, and such assessment of circumstances involves judgment as to likely future commerciality of the asset and also when such commerciality should be determined.

Goodwill
By the business combination between Bridge Energy ASA, Bridge Energy UK Ltd. and Bridge Energy Norge AS, goodwill was arising as a residual that could not be allocated to identifiable assets and liabilities of Bridge Energy Norge AS (see allocation of fair value of Bridge Energy Norge in note 5). Goodwill, discoveries and licences in the Group are subsequently assessed for impairment annually or whenever there is an indication that the assets may be impaired. Any impairment is recorded through the income statement.

Reserves
Proven plus probable entitlement reserves (“commercial reserves”) are a key determinant in assessing whether the carrying value of any of the Group’s development and production assets have been impaired. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future oil and gas prices. The Group engages an independent expert in order to perform an independent assessment of reserves (see note 34, Oil and gas reserves).

Production assets within property, plant and equipment are depreciated on a unit of production basis at a rate calculated by reference to proven plus probable reserves (see depreciation charge for the period in note 21, Property, plant & equipment). Changes in reserves will consequently influence future depreciation rate of production assets.

Development costs
Development costs are capitalised in accordance with the accounting policy in note 2. Initial capitalisation of costs (note 21, Property, plant & equipment) is based on management’s judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Decommissioning
The Group currently has decommissioning obligations in respect of the Victoria gas field, Vulcan East and Cobra. In determining the estimated fair value of the provision for decommissioning, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove installations from the site and the expected timing of those costs. Further details are disclosed in note 25, Decommissioning.

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

The Norwegian subsidiary Bridge Energy Norge AS is subject to the Norwegian oil taxation regime which involves an allocation of indirect costs to exploration expenses as items allowable for tax deductions and subsequent tax refunds. The allocation and the calculated tax receivable is based on judgments and understanding by the Group regarding items allowable for tax deduction, and the view may differ from the Norwegian Authorities’ practice in the final settlement of the tax refund.
Bridge Energy UK has tax losses carry forwards that may be utilised in the future. The losses relate to subsidiaries that have a history of losses.

Further details on taxes are disclosed in note 17, Tax.

Share-based payments
The fair value of equity-settled share-based payments to the employees is determined by using generally accepted valuation techniques. The valuation is subject to estimation uncertainty, as the model is utilising estimates and assumptions like expected life of the share option and volatility. The assumptions and model used for estimating fair value of share-based payment transactions are disclosed in note 13, Share based payments.

Note 4 | Financial risk and capital management

Financial risk factors

Exploration and production of oil and gas involve a high degree of risk. In addition to general operational risk factors in the market pertaining to this business like uncertainty related to estimated oil and gas reserves and operational risk related to oil and gas exploration and production, the Group is exposed to various types of financial risks through the use of various types of financial instruments. The extent of risk associated with financial instruments is classified as market risk, credit risk and liquidity risk, as well as risk pertaining to the capital structure of the Group. The Group's senior management has analysed the Group's sensitivity to the identified risk and oversees the management of these risks.

Market risk

The financial risk relating to markets is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The main general risk factors pertaining to this business are volatility of oil and gas prices and volatility in exchange rates and interest rates.

Price risk

The Group's main exposure to price risk is with regard to incoming cash flow and the volatility of the gas price. To reduce the risk of gas price fluctuations, the Group actively hedges gas prices for a portion of its future estimated production.

The Group's cash flow is also sensitive to the volatility in the price of goods and services affecting the liabilities which arise directly from the operations. This sensitivity in the cost structure of the Group arising from volatility in prices is monitored by management. Fixed price contracts and hedging of significant items in the balance sheet or cash flows are regarded appropriate should significant risk be identified in relation to single operational activities.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's operational and financial activities are primarily in GBP and NOK. The cash outflows from operations in 2010 were relatively well balanced with the sources of cash (financing and revenues from sales).

The Group has not material monetary assets and liabilities in other currencies than the functional currencies and the Group's exposure to foreign currency changes at 31 December 2010 was not material. At the Group's current structure of cash flows, except for one material future payment obligation which is partially denominated in USD (rig consortium, note 26) and occasional cash calls in USD, the Group is not significantly exposed to foreign currency risk and currently remains un-hedged. The Group's current cash balance is primarily held in NOK.

The future development costs of gas reserves in the UK will primarily be in GBP. The management is monitoring the cash positions in the respective currencies and will hedge by using forward currency contracts or swap agreements when significant risk is present.

Due to the translation of the subsidiary Bridge Energy UK (GBP as the functional currency) into NOK (the presentation currency), the Consolidated Statement of Comprehensive income is affected by variations in the GBP/NOK exchange rate. The effect on the Total Comprehensive income from the translation of the Financial statements of Bridge Energy UK from GBP to NOK is reported separately as exchange differences on translation of foreign operations under Other comprehensive income. In 2010, the exchange rate differences on the translation of Bridge Energy UK amounted to NOK -11.8 million (2009: NOK -48.6 million).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.The Group's exposure to the risk of changes in market interest rates relate primarily to the Company's debt obligations in NOK and GBP (short-term and long-term) held at floating interest rates, the cash deposits from the equity issues (in NOK) at floating interest rates, and the cash held at banks as part of the Group's normal business activities. The Group has assessed the risk of remaining un-hedged to fluctuating interest rates and, at the current levels of borrowings and cash positions the Group is viewing the interest rate risk as not material. Further information about the Group's loan agreements is disclosed in note 27, Interest-bearing debt.

Based on the loan balance at 31 December 2010, an increase in interest rates of +/- 100 basis points will result in a reduction in the Group's net income (loss) before tax of NOK 2.2 million (2009: NOK 2.0 million). There is only immaterial impact on the Group's equity .

Credit risk
Credit risk is arising from credit exposure of financial counterparties and their ability to meet their payment obligations.

The Group is exposed to the risk of licence partners and other financial counterparties not being able to fulfil their liabilities. This exposure to credit risk is monitored on an ongoing basis. The most significant risk to the Group is the credit risk arising from gas sales revenues being associated primarily with a single customer. This customer is associated with a large merchant bank and has been subject to a financial evaluation by the Group. The customer has proven good records as business counterparty and the credit risk is considered as low.

The Group is also exposed to credit risk pertaining to the large tax receivable from the Norwegian Government (the tax refund is described in note 17). The risk exposure related to the tax refund is regarded as insignificant.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk and capital management
Liquidity risk relates to the need to maintain sufficient cash and cash equivalents and undrawn borrowing facilities for the Group to continue to meet its cash and funding requirement as they fall due, with regard to volume and currency structure.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. By managing capital efficiently, the Group will be able to continue as a going concern while maximising the return to shareholders. It is believed that this can best be achieved by investing in the existing asset portfolio and through the acquisition of new opportunities as they arise, rather than to provide shareholder return through dividends.

The Group has materially higher exploration and development costs than operating revenue, and is therefore continuously focusing on reducing liquidity risk and securing capital at the lowest possible cost of finance. The Group is evaluating funding opportunities and is seeking to optimise the return on investment by appropriate access to the debt markets at attractive cost levels and to aim for the optimal mix of equity and debt capital. The debt leverage ratio and total indebtedness is monitored closely. In project appraisals, the appropriate funding is considered a key element. In order to reduce liquidity risk, payments to suppliers take place only after goods and or services have been delivered and material contracts are only awarded after a tender process where supplier creditworthiness has been evaluated. Special contractual arrangements have been put in place to govern and control the disbursement of funds by the intermediary where contractors have been engaged.

The Group has two borrowing facilities. Bridge Energy UK has a GBP 30 million borrowing base agreement with the Royal Bank of Scotland with a maturity date in 2015. Bridge Energy Norway has a NOK 330 million multi-currency long-term loan facility with the Bank of Scotland with maturity in 2012. Under the loan agreement with Bank of Scotland the Group is committed to annual repayments on the loan balance at the time of the cash receipt of the tax refund from the Norwegian Government in December. Details of the two loan facilities are outlined in note 27.

In order to achieve an efficient capital structure the Group may refinance debt, issue new shares or debt instruments, dispose of assets or repay capital to share holders.

Note 5 | Company structure and Business Combination

On 19 February 2010, Bridge Energy ASA was incorporated as Bridge Energy Holding AS. The Company was established according to a Business Combination agreement entered into on 2 March 2010 between the Company and the shareholders of Bridge Energy UK Ltd. (former Silverstone Ltd.) and the shareholders of Bridge Energy Norge AS respectively, pursuant to which Bridge Energy Holding AS on 26 March 2010 acquired all the shares of Bridge Energy Norge and Bridge Energy UK against consideration in 35,970,000 new shares in Bridge Energy ASA. At this date Bridge Energy Holding AS was converted to a public limited liability company and the name was changed to Bridge Energy ASA.

For accounting purposes, Bridge Energy UK was considered as the acquiring party and the transaction date of the Combination was 31 March 2010. In legal terms, the Business Combination was effected by the shareholders of Bridge Energy UK and Bridge Energy Norge receiving shares in the new company Bridge Energy ASA based on a conversion rate of 4:1 between the companies, in Bridge Energy UK's favour. The total consideration for Bridge Energy Norge was shares issued at a fair value amounting to NOK 146.3 million. The value was determined by the price offered in the private placement of equity at 26 March 2010. The total consideration transferred of the Business Combination was allocated to the assets as set out in the table below. The excess value on the acquisition date that could not be allocated to identifiable assets or liabilities of Bridge Energy Norge was recorded in the balance sheet as goodwill. Goodwill is not amortised but is subject to impairment testing.

Transaction costs related to the Business Combination were amounting to NOK 9.8 million and are expensed as other operating expenses.

Since the acquisition date, the acquiree Bridge Energy Norge has contributed NOK 0 to the Group's revenues and NOK 105.2 million to the Group's net loss before tax. If the acquisition had been effected on 1 January 2010, the Group's revenues would have been unaffected however the Group's net loss before tax for 2010 would have been NOK 302.9 million

Fair value of the identifiable assets and liabilities of Bridge Energy Norge AS at the date of acquisition:

In NOK '000	Book value 31 Mar	Excess value	Fair value recognised
Intangible assets	66 936	75 017	141 953
Property, plant and equipment	1 244	-	1 244
Trade and other short-term receivables	8 400	-	8 400
Tax refund	193 735	-	193 735
Cash and cash equivalents	25 783	-	25 783
Total assets	**296 098**	**75 017**	**371 115**
Deferred taxes	31 419	45 018	76 437
Provisions	1 186	-	1 186
Interest-bearing loans	100 192	-	100 192
Other current liabilities	97 325	-	97 325
Unfavourable rig lease		17 302	17 302
Trade and other payables	12 135	-	12 135
Total liabilities	**242 257**	**62 320**	**304 577**
Total identifiable net assets	53 841	12 697	66 538
Goodwill arising on acquisition			79 782
Purchase consideration of shares			**146 320**

The fair value of the intangible assets in Bridge Energy Norge at 31 March 2010 was estimated at NOK 142 million. This was the estimated market value of all the discoveries and exploration assets held by Bridge Energy Norge, as worked out in the valuation process which provided the basis of the Combination Agreement. The difference between the book value and the fair value was amounting to NOK 75 million and is identifiable by licences. The goodwill is not deductible for tax purposes.

In 2008, as a member of a consortium, Bridge Energy Norge entered into an operating lease agreement with Dolphin AS for the rent of two rig slots in 2012 and 2013. The allocation of excess value was taking into consideration that, since 2008, market rates for rig leases have declined. Therefore a negative value of NOK 17.3 million was allocated to the unfavourable lease agreement.

Deferred taxes are resulting from the allocation of purchase price to oil and gas assets and liabilities on the Norwegian continental shelf. Bridge Energy Norge operates under the Norwegian tax regime, of which the marginal tax rate of 78 % is applicable for the calculation of deferred taxes. NOK 45.0 million of the excess value was allocated to deferred taxes, which is a provision for the deferred tax corresponding to the difference between the acquisition cost and the acquired depreciation base for tax purposes.

The excess value that could not be allocated to identifiable asset or liabilities of Bridge Energy Norge (the residual) was allocated to goodwill. Goodwill is also arising as a technical effect of the deferred taxes, as an offsetting entry. In the provisional allocation of excess value, goodwill was calculated at NOK 79.8 million.

At the balance sheet date 31 December 2010, the excess values identified in allocation of fair value of the assets acquired at the Norwegian continental shelf were assessed for impairment. The assessment of fair value of the excess values and goodwill did not result in impairment charges.

The Group did however record NOK 15.9 million in impairment of previously capitalised exploration costs in 2010 (note 20).

Analysis of cash flows on acquisition
The net cash acquired with the subsidiary, included in cash flows from investing activities, was NOK 25.8 million. Of this amount, restricted cash was amounting to NOK 24 million.

Note 6 | Subsidiaries

The following subsidiaries are included in the Consolidated Financial statements at 31 December 2010:

In NOK '000 Name of company	Domicile	Carrying amount	Ownership/ voting share	Equity	Total comrehensive income (loss)
Bridge Energy UK Ltd.	Scotland	587 319	100 %	463 213	-69 202
Bridge Energy Norge AS	Norway	151 739	100 %	19 143	-41 160
Total		**739 058**			
Subsidiaries of Bridge Energy UK Ltd.:					
Bridge Energy SNS Ltd.	Scotland		100 %		
Bridge Energy CNS Ltd.	Scotland		100 %		
Bridge Energy Oil & Gas Ltd.	Scotland		100 %		
Bridge Energy Exploration Ltd.	Scotland		100 %		
Granby (Tristan) Ltd.	England		100 %		
Bridge Energy Enterprises Ltd.	England		100 %		
Bridge Energy Enterprises (North Sea) Ltd.	England		100 %		
Team Oil Developments Ltd.	England		100 %		

Note 7 | Segment information

The oil and gas exploration, development and production activities in the Group are structured in two geographical areas: the UK Continental shelf and the Norwegian Continental shelf. These are considered separately reportable operating segments and are followed up individually by the Group's management. Transactions between segments are based on estimated market value. Information about the business activities and operating segments which are not reportable are combined and disclosed in a separate category for "Other/Eliminations". In 2009, the Group was operating on the UK Continental shelf only.

Geographical distribution, 1 Jan – 31 Dec 2010:

In NOK '000	UK	Norway	Other/elim.	Group
Revenue *)	103 504	-	-	103 504
Operating income (loss)	-44 212	-95 655	-16 588	-156 454
Net financial expenses (income)				14 446
Income (loss) before tax				**-170 900**
Tax expense (income)				-64 085
Net income (loss) 1 Jan - 31 Dec 2010				**-106 815**
Cash flow from operating activities	-13 966	-64 419	-12 866	-91 252
Cash flow from investing activities	-24 311	22 494	-	-1 817
Cash flow from financing activities	75 890	107 800	142 274	325 964
Net changes in cash and cash equivalents	**37 613**	**65 875**	**129 408**	**232 896**
Assets at 31 Dec 2010	716 901	268 538	283 130	**1 268 570**
Liabilities at 31 Dec 2010	253 688	249 395	-114 462	**388 620**

*) There are no material sales between the companies in the Group.

Note 8 | Revenues

In NOK '000	Group 1 Jan - 31 Dec 2010	Group 1 Jan - 31 Dec 2009	Parent 19 Feb - 31 Dec 2010
Sales of gas and NGL *)	97 736	113 003	-
Revenues from gas price hedging	5 768	62 497	-
Total revenue	**103 504**	**175 500**	**-**

*) In 2010, 98 % of the sales of gas and NGL were generated from one customer in the UK (2009: 100 %).

Note 9 | Production expenses

In NOK '000	Group 1 Jan - 31 Dec 2010	Group 1 Jan - 31 Dec 2009	Parent 19 Feb - 31 Dec 2010
Direct production expenses	6 538	10 217	-
Duties, tariffs, royalties	15 609	26 003	-
Total production expenses	**22 147**	**36 220**	**-**

Note 10 | Exploration expenses

In NOK '000	Group 1 Jan - 31 Dec 2010	Group 1 Jan - 31 Dec 2009	Parent 19 Feb - 31 Dec 2010
Exploration wells, seismic, field studies and other exploration expenses	88 988	10 678	-
Exploration costs capitalised in previous years carried to cost	4 878	-	-
Total exploration expenses	**93 865**	**10 678**	**-**

Note 11 | Asset held for sale

On 30 June 2010, Bridge Energy UK Ltd. entered into an agreement with BP to exchange BP's 25% equity interests in the producing Victoria gas field and the Vulcan East near term gas field development for Bridge Energy UK's 50% interest in the Vanquish discovery. The swap was measured at fair value at the time of the transaction. The gain recognised in the Statement of Comprehensive income amounted to NOK 3.4 million.

Note 12 | Remunerations

In NOK '000	Group 1 Jan - 31 Dec 2010	Group 1 Jan - 31 Dec 2009	Parent[2] 19 Feb - 31 Dec 2010
Specification of payroll and payroll related costs:			
Salaries	27 937	10 413	0
Social security tax	4 020	1 255	117
Pension costs [3]	2 599	0	0
Share-based payments [4]	9 832	6 792	0
Other benefits	393	0	0
Directors' fees [5]	830	0	830
Total payroll expenses [1]	**45 611**	**18 460**	**947**

1) In the Statement of Comprehensive income, total payroll expenses are allocated to production, exploration and other operating expenses based on timewriting. The specification in the table above is on basis of the gross payroll expenses, before allocations.
2) Bridge Energy ASA: During the financial year 2010, the Executive officers of Bridge Energy ASA have been employed in Bridge Energy Norge AS and Bridge Energy UK Ltd, hence there are no salaries, share-based payments and other employee benefits associated with Bridge Energy ASA.
3) Bridge Energy Norge is subject to the law about mandatory membership in the Norwegian Pension Scheme.
4) Share-based payments are detailed in note 13.
5) Directors' fees are detailed in note 30 over related parties.

Average no. of man-years:

Company	2010	2009
Bridge Energy UK	10.1	10.8
Bridge Energy Norge	16.3	-
Bridge Energy ASA	-	-
Total	26.4	10.8

Remuneration to Executive officers in 2010:

In NOK '000	Salaries	Pension costs	Other remuneration	Share option costs
Einar H. Bandlien, Chief Executive Officer *)	1 997	389	28	1 424
Eystein Westgaard, Chief Financial Officer *)	1 515	297	19	837
Tom Reynolds, Commercial Director	1 424	178	19	837
Jim Brunton, Managing Director Bridge Energy UK	1 424	178	19	837
Alfred Kjemperud, Managing Director Bridge Energy Norge *)	1 719	337	19	837

*) The remuneration for all the Executive officers is for the calendar year 2010, hence including remuneration paid to the officers in Bridge Energy Norge in the period in 2010 prior to the combination with Bridge Energy UK.

Remuneration to Executive officers in 2009:

In NOK '000	Salaries	Bonus	Other remuneration	Share option costs
Matt Brister, Chief Excecutive Officer	-	-	588	-
Tom Reynolds, Managing Director	1 216	98	20	44
Jim Brunton, Finance Director	1 216	98	20	1 883

In 2009 none of the Executive officers participated in pension schemes.

The Executive officers participate in pension and insurance schemes. In the event whereby the Group chooses to end the employment contract with Einar H. Bandlien (CEO) or Alfred Kjemperud (MD, Bridge Energy Norge), they are entitled to a salary payment of 12 months reduced by any other salary received in the same 12 month period. There are no other severance pay agreements with Executive officers. The notice period for the Executive officers is from 3 to 6 months.

The decision making process for remuneration policies of the Executive officers is in accordance with §5-6, 6-14, 6-16a of the Norwegian Public Limited Liability Companies Act. The Board of Directors of Bridge Energy ASA has prepared guidelines related to the determination of salary and other benefits for the CEO and other Executive officers.

Board of Directors' Statement on Remuneration to the CEO and the Executive officers
In accordance with §6-16a of the Norwegian Public Limited Liability Companies Act, the Board of Directors of Bridge Energy ASA (the "Company") has prepared a statement related to the determination of salary and other benefits for the CEO and other Executive officers. The guidelines set out below for the CEO and other Executive officers' salary and other benefits, for the coming fiscal year, will be presented to the shareholders for their advisory vote at the Annual General Meeting 28 April 2011.

"The company's remuneration policy is to provide remuneration packages which ensure that employees are fairly and responsibly rewarded for their contributions. The aim is to provide remuneration packages which are sufficiently competitive to attract, retain and motivate highly qualified international managers to achieve the Group's objectives and thereby enhance shareholder value. Further, the key component of the remuneration structure is the equity component which ensures that the interests of executives are aligned with those of shareholders and to ensure that where significant

value is created for shareholders that executives are appropriately rewarded. The Remuneration Committee takes account of the level of remuneration paid to all employees for comparable positions in similar companies within the oil industry both in Norway and internationally, as well as pay and conditions throughout the remainder of the Group.

The current remuneration package for the CEO and other Executive officers consist of a base salary and other benefits. Other benefits include a pension plan, life, accident and sickness insurance in accordance with market practice in the oil industry. The pension plan for the CEO and Executive officers is a defined contribution arrangement with Company contributions ranging from 15% to 20% of base salary.

The Company has yet to establish an annual bonus plan, but management and the Remuneration Committee has committed to implement such a scheme which will form part of the management incentive structure.
The Company has a share option programme covering all employees. This programme has the following key objectives; to align employee interests with that of shareholders through the growth in the value of the Company shares; to support employees in participating in the value they create for shareholders and to attract and retain the level of managers required by the Company. The Board will continue to review the option scheme to ensure that it continues to support these objectives.

The main principles in the share option plan are: 1) Options for shares available for award should be less than 10% of the number of shares outstanding. 2) The strike price shall be set with reference to the fair market value prevailing at the time of the grant. 3) Provided that the participant remains in continuous employment with the company during the vesting period, 1/3 of the options will vest respectively 1, 2 and 3 years after the date of grant.

Remuneration of the CEO and other Executive officers will be evaluated regularly by the Remuneration Committee and the Board of Directors to ensure that salaries and other benefits are kept, at all times, within the above guidelines and principles.“

Note 13 | Share-based payments

As an effect of the business acquisition, the existing equity-settled share-based payment agreements between the two subsidiaries and certain employees prior to the acquisition were cancelled. Following the Combination agreement, new share-based agreements between the Company and the employees were established.

The share options are settled through equity transactions. At 31 December 2010, 28 employees were included in the share option scheme. The participants are entitled to subscribe to a total number of 3,110,000 shares in the Company. The exercise price of the shares granted is NOK 20. To be a part of the option plan one has to be an employee of the company. The option rights are terminated if the employee resigns from his/her position.

The share options vest yearly in three tranches, starting one year from the grant date, hence no options are exercisable per 31 December 2010. Details of the share option scheme awards (all outstanding) are as follows:

No. of Share options granted	Class	Expiry date	Exercise price	Expected exercise date	Volatility	Vesting date
1 036 667	A-shares	20.04.2014	20	20.04.2012	60 %	20.04.2011
1 036 667	A-shares	20.04.2015	20	20.04.2013	60 %	20.04.2012
1 036 667	A-shares	20.04.2016	20	20.04.2014	60 %	20.04.2013
3 110 000						

The estimated fair value of the granted share options is reached on basis of “the Black-Scholes option pricing model”. The model applied is utilising a risk free discount rate and is also taking into account the terms and conditions upon which the options are granted as well as the performance conditions that are required to be satisfied before vesting. The weighted average remaining contractual life per 31 December 2010 is 3.2 years. The total share option costs in 2010 were amounting to NOK 9.8 million.

The total fair value of each grant is expensed over the corresponding vesting period. For the options, all quoted in NOK, the risk free discount rate at the grant date is set as the yield on bonds and certificates of a Government bond with a remaining term equal to the expected term on the option being valued. Other key inputs in the model are factors like market price at the date of the awards (equal to exercise price), the detailed rules of the scheme, and the other objective data relating to the awards. In addition, assumptions are made with respect to the expected volatility of the Company's share price.

For measure of volatility, as the Group is listed on Oslo Axess, share price data from comparable companies listed on the Oslo Stock Exchange were used.

Dividends have not been taken into account when measuring the fair value of option grants.

The Group is liable for a 14.1% social security tax in Norway and a 12.4% Employer's National insurance contribution in the UK on the gain from the option program. These liabilities are accrued until the option is exercised. However, as the share options were out of the money at 31 December 2010, no such accruals were made at the balance sheet date.

The life of an option depends on the trigger levels at which employees decide to exercise before the option expires and the extent to which option holders withdraw from the schemes due to staff turnover or mortality. Due to the small number of members included in the Group's schemes and the arrangement's short period of existence, the results of any historic analysis are not representative nor representing an appropriate profile to extrapolate into the future. It is assumed in the calculation that all the option holders will exercise their share options on average one year after vesting.

In 2009, Bridge Energy UK employees participated in the equity share option scheme of Storm Ventures International Inc., the former parent company. An expense of NOK 6.8 million was recognised in the 2009 Financial statements. All the share options outstanding at 31 December 2009 were cancelled in April 2010 in conjunction with the combination with Bridge Energy Norge.

Note 14 | Other operating expenses

In NOK '000	Group 1 Jan - 31 Dec 2010	Group 1 Jan - 31 Dec 2009	Parent 19 Feb - 31 Dec 2010
Audit, consultants, lawyers and hired personnel	23 414	5 324	2 140
Other operating expenses	11 359	5 814	4 622
Total other operating expenses	**34 774**	**11 138**	**6 762**

Other operating expenses in the table above are net of the share allocated to Production and Exploration expenses. The portion of other operating expenses allocated to Production and Exploration expenses is on basis of time spent.
For details on auditor's remuneration, see note 15.

Note 15 | Auditor's remuneration

In NOK '000	Group 1 Jan - 31 Dec 2010	Group 1 Jan - 31 Dec 2009	Parent 19 Feb - 31 Dec 2010
Auditor's fee	1 215	1 079	80
Other assurance services	252	-	252
Tax advisory services	177	157	122
Other advisory services	228	-	216
Attesting services	129		129
Total fees	**2 000**	**1 235**	**799**

All amounts are exclusive of VAT. In 2010 Bridge Energy ASA and the subsidiaries were audited by Ernst & Young. In 2009 Silverstone Energy Ltd. and the subsidiaries (subsequently Bridge Energy UK) were audited by PwC.

Note 16 | Financial items

In NOK '000	Group 1 Jan - 31 Dec 2010	Group 1 Jan - 31 Dec 2009	Parent 19 Feb - 31 Dec 2010
Intercompany interest income			4 961
Interest income	5 799	-	3 330
Other financial income	76	167	-
Total financial income	5 875	167	8 291
Interest expense	13 933	16 776	-
Accretion costs	1 793	-	-
Other financial expenses	915	-	1
Total financial expenses	16 641	16 776	1
Foreign exchange gains	3 035	9 246	6
Foreign exchange losses	6 716	9 011	2
Net financial expenses (income)	**14 446**	**16 374**	**-8 295**

Note 17 | Tax

In NOK '000	Group 1 Jan - 31 Dec 2010	Group 1 Jan - 31 Dec 2009	Parent 19 Feb - 31 Dec 2010
Tax expense (income) for the period			
Tax refund on exploration expenses NCS	-47 679	-	-
Tax payable / (refunded) for the period	-64	-	-
Changes in deferred tax	-16 399	32 582	-
Adjustment to prior periods	57	-10	-
Tax expense (income) for the period	**-64 085**	**32 572**	**-**
Of which tax expense (income) Norway	-64 021	-	-
Of which tax expense (income) UK	-64	32 572	-
Reconciliation of tax expense			
Income (loss) before tax	-170 900	-79 205	1 532
Company tax	-58 272	19 549	429
Special petroleum tax	-64 507	13 033	-
Tax effect of permanent differences	1 672		-4 899
Increased deferred tax asset, not recognised	57 030		4 470
Adjustment to prior years	-7	-10	-
Tax expense (income) for the period	**-64 085**	**32 572**	**-**
Specification of the basis for deferred tax			
Fixed assets	562 729	400 151	-
Capitalised exploration and licence rights	114 055	-	-
Accruals	-146 684	-98 540	-
Net tax loss carried forward	-1 247 434	-974 955	-15 965
Net temporary differences - company tax rate	-717 334	-673 344	-15 965
Net differences, onshore	-2 869	-	-
Net tax loss carried forward, onshore	45 919	-	15 965
Net temporary differences - special petroleum tax rate	-674 284	-673 344	-
Deferred tax asset - company tax rate	-215 907	-202 003	-4 470
Deferred tax asset - special petroleum tax rate	-111 341	-134 669	-
Total deferred tax (tax asset)	**-327 248**	**-336 672**	**-4 470**
Of which deferred tax (tax asset) Norway	**49 088**	**-**	**-4 470**
Of which deferred tax (tax asset) UK	**-376 336**	**-336 672**	**-**
Of which is recognised in the balance sheet	**59 652**	**-**	**-**
Of which is not recognised in the balance sheet	**-386 900**	**-336 672**	**-4 470**

Tax refund on the Norwegian Continental Shelf

Oil companies operating on the Norwegian Continental shelf are subject to an additional 50 % special petroleum tax in addition to the normal 28 % corporation tax. Companies which are not in a tax paying position can claim a 78 % tax refund of their exploration costs on the Norwegian Continental shelf, limited to the taxable losses for the year. The refund is payable in the following year, normally in the month of December.

The calculated 2010 tax refund due to be received in 2011 is amounting to NOK 139.3 million. In December 2010, the Group received NOK 101.7 million related to the 2009 refund of exploration costs.

The tax refund is classified in the income statement as a current asset. The refund is pledged with the Bank of Scotland as security for the loan facility of Bridge Energy Norge AS and is payable to the Bank of Scotland as an instalment on the outstanding loan balance.

In case the Group closes down the activity on the Norwegian Continental Shelf, any unused tax losses carried forward related to the Norwegian Continental shelf will be refunded to the Group in cash, including interest on the balance. There is no time limit associated with the right to carry forward tax losses in Norway.

Onshore tax losses carried forward Norway
At 31 December 2010, accumulated tax loss carried forward in Norway were amounting to NOK 61.9 million, of which Bridge Energy ASA had an accumulated tax loss carried forward of NOK 16.0 million. The unused tax loss can be carried forward indefinitely under the Norwegian tax rules.

Tax losses carried forward in the UK
At 31 December 2010, Bridge Energy UK had accumulated tax losses carried forward of NOK 1,186 million (2009: NOK 975 million). In addition, tax written-down values and other tax allowances of NOK 572 million were available to offset future taxable gains (2009: NOK 643 million). The tax losses in the UK can be carried forward indefinitely.

Note 18 | Earnings per share

Earnings per share (basic)
The calculation of basic earnings per share is based on the net income attributable to ordinary shareholders of the parent company and a weighted average number of ordinary shares outstanding during the years ending 31 December 2010 and 2009 respectively.

The calculation is as follows:

	Group 1 Jan - 31 Dec 2010	Group 1 Jan - 31 Dec 2009	Parent 19 Feb - 31 Dec 2010
Net income attributable to equity holders of the parent company (in NOK '000)	-106 815	-111 777	1 532
Weighted average number of ordinary shares outstanding:			
Ordinary shares issued *)	28 776 000	28 776 000	-
Effect of shares issued at Combination	5 420 137		27 100 685
Effect of shares issued 12 April 2010	11 690 890		11 690 890
Effect of shares issued 20 May 2010	179 474		179 474
Weighted average number of ordinary shares at 31 December	**46 066 501**	**28 776 000**	**38 971 049**
Earnings per share for income attributable to equity holders of the company - basic and diluted (NOK)	**(2.32)**	**(3.88)**	**0.04**

*) Due to the combination agreement, the 2009 comparable weighted average number of shares has been set as the total of number of ordinary shares outstanding in Bridge Energy ASA at the date of combination, multiplied by the ratio at which Bridge Energy UK's shareholders received ordinary shares in Bridge Energy ASA for each ordinary share in Bridge Energy UK.

Diluted Earnings per share
The Group's share-based payment programme described in Note 13 may have a dilutive effect on the earnings per share in the future. At 31 December 2010 the share options are "out of money" and hence the calculated diluted earnings per share for 2010 are equal to the basic earnings per share.

Note 19 | Financial instruments

Set out below is a comparison by category of carrying amounts, and fair values of all the Company's financial assets and liabilities as at 31 December.

Bridge Energy Group:

In NOK '000	31 Dec 2010 Book value	31 Dec 2009 Book value	31 Dec 2010 Fair value	31 Dec 2009 Fair value
Financial assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	-	**12 354**	**-**	**12 354**
Available-for-sale financial assets				
Other financial assets	611	354	611	354
Total financial assets at fair value	**611**	**12 708**	**611**	**12 708**
Loans and receivables				
Trade debtors	23 719	10 165	23 719	10 165
Other short-term receivables	15 072	8 478	15 072	8 478
Tax refund, current	139 310	-	139 310	-
Total loans and receivables	**178 101**	**18 643**	**178 101**	**18 643**
Cash and cash equivalents, non-restricted	**217 963**	**5 600**	**217 963**	**5 600**
Cash and cash equivalents, restricted *)	**20 384**	**-**	**20 384**	**-**
Total financial assets	**417 059**	**36 951**	**417 059**	**36 951**
Of which current	416 448	36 597	416 448	36 597
Of which non-current	611	354	611	354

*) Included in restricted cash is the tax withholding balance and cash collaterals to provide security for decommissioning liabilities on Victoria and Vulcan East developments. Bank deposits are subject to floating interest rates, and the depository interest rate fluctuate s during the year. The cash equivalents are equal to their nominal value. Cash and cash equivalents are denominated in NOK and GBP.

In NOK '000	31 Dec 2010 Book value	31 Dec 2009 Book value	31 Dec 2010 Fair value	31 Dec 2009 Fair value
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	11 839	-	11 839	-
Other financial liabilities at amortised cost				
Interest-bearing debt				
Non-current portion	81 249	61 492	81 249	61 492
Current portion	140 617	44 992	140 617	44 992
Trade payables	14 721	5 516	14 721	5 516
Other current liabilities				
Other taxes and social security costs	4 155	2 376	4 155	2 376
Other current liabilities (excluding interest-bearing debt)	22 655	57 691	22 655	57 691
Total other financial liabilities at amortised cost	**263 397**	**172 066**	**263 397**	**172 066**
Total financial liabilities	**275 237**	**172 066**	**275 237**	**172 066**
Of which current	193 987	110 574	193 987	110 574
Of which non-current	81 249	61 492	81 249	61 492

The tax refund classified as a financial asset is interest-bearing. The interest-bearing debt is debt held at a floating interest rate, carried at amortised cost using the effective interest rate method. Hence, the carrying amounts of these financial instruments approximate their estimated fair value.

The remaining financial assets and liabilities disclosed in the table above are classified as current as these instruments have short term to maturity. Hence, the carrying amounts approximate their estimated fair value.

In 2010, NOK 24.6 million in loss was recognised in the income statement as change in fair value of derivative financial instruments. At 31 December 2010, the Group carried NOK 11.8 million of financial instruments in current liabilities, measured at level 2 in the fair value measurement hierarchy applying to derivative financial instruments. The Group had no derivative financial instruments in financial assets.

At 31 December 2009, the company had derivative financial instruments of NOK 12.4 million, measured at level 2 in the fair value measurement hierarchy. The Group had no financial liabilities measured at fair value.

Bridge Energy ASA:

In NOK '000	31 Dec 2010 Book value	31 Dec 2010 Fair value
Financial assets		
Total financial assets at fair value	**-**	**-**
Loans and receivables		
Trade debtors	-	-
Other short-term receivables	30	30
Intercompany receivables	1 854	1 854
Intercompany loan	174 852	174 852
Total loans and receivables	**176 736**	**176 736**
Cash and cash equivalents, non-restricted	**129 409**	**129 409**
Total financial assets	**306 145**	**306 145**
Of which current	306 145	306 145
Of which non-current	-	-

In NOK '000	31 Dec 2010 Book value	31 Dec 2010 Fair value
Financial liabilities		
Other financial liabilities at amortised cost		
Trade payables	30	30
Other current liabilities		
Other taxes and social security costs	193	193
Intercompany payables	807	807
Total other financial liabilities at amortised cost	**1 031**	**1 031**
Total financial liabilities	**1 031**	**1 031**
Of which current	1 031	1 031
Of which non-current	-	-

Note 20 | Intangible assets

Bridge Energy Group:

In NOK '000	Goodwill	Capitalised exploration costs and licence rights *)	Total
Intangible assets			
Acquisition cost at 1 Jan 2009	-	220 031	**220 031**
Additions	-	50 796	**50 796**
Expensed capitalised wells previous periods	-	-	**-**
Currency translation	-	-17 479	**-17 479**
Disposals, reclassifications	-	-76 828	**-76 828**
Acquisition cost at 31 Dec 2009	**-**	176 520	**176 520**
Accumulated impairment	-	-	-
Net book value at 31 Dec 2009	-	**176 520**	**176 520**

In NOK '000	Goodwill	Capitalised exploration costs and licence rights *)	Total
Intangible assets			
Acquisition cost at 1 Jan 2010	-	176 520	**176 520**
Additions	-	19 262	**19 262**
Additions by the combination with Bridge Energy Norge	79 782	141 953	**221 735**
Expensed capitalised wells previous periods	-	-4 878	**-4 878**
Currency translation	-	-4 718	**-4 718**
Disposals, reclassifications	-	-10 900	**-10 900**
Acquisition cost at 31 Dec 2010	79 782	317 239	**397 021**
Accumulated impairment	-	15 874	**15 874**
Net book value at 31 Dec 2010	**79 782**	**301 365**	**381 147**
Impairment charge for the year	-	15 874	**15 874**
Depreciation plan:	Impairment tested	Impairment tested	

*) Capitalised exploration costs and licence rights are not depreciated until production.

Additions by the combination with Bridge Energy Norge
Capitalised exploration costs and licence rights include assets acquired through the business combination with Bridge Energy Norge.

Impairment of Intangible assets
The Group has prepared an impairment test on goodwill and license acquisition cost per 31 December 2010. Assets are impaired when recoverable amount per cash generating unit (CGU) is less than carrying value.

The goodwill relates to acquisition of Bridge Energy Norge AS on 26 March 2010, and includes a technical goodwill, which was the offsetting entry of deferred tax on excess value related to the business combination.

Each license on the Norwegian Continental shelf is considered to be a separate CGU.
Licences still in the exploration phase are valued based on sales value considerations. As per 31 December 2010, the Group has updated all its risked net volumes.

As a part of the business combination the goodwill and license acquisition cost is allocated to the following licenses:

In NOK '000 PL / CGU	Goodwill	Technical Goodwill	Licences	Total	Impairment	Book value 31 Dec 2010
PL 027D/504	-		24 067	24 067	-10 057	14 011
PL 457	-	27 300	35 677	62 977	-	62 977
PL 337	-		38 232	38 232	-5 818	32 414
PL 497/PL497B	-	9 844	13 033	22 877	-	22 877
PL 554	-	20 085	27 681	47 766	-	47 766
PL 511	-	2 592	3 318	5 910	-	5 910
NCS	34 764	-14 803	-1 676	18 285	-	18 285
Total	**34 764**	**45 018**	**140 332**	**220 114**	**-15 874**	**204 239**

Excluding the technical goodwill, the residual value of NOK 34.8 million was allocated to goodwill. The goodwill represents Bridge Energy's ability to optimise existing license portfolio and add new resources on NCS, which is deemed to be a separate cash generating unit.

The recoverable amounts of the cash flow generating units to which goodwill is allocated are determined based on a fair value less cost to sell - model for exploration licenses. Assets will be impaired if recoverable amount is less than carrying value. The basis for the impairment test is the recorded asset on a CGU level, less associated deferred tax (net calculation).

In the fair value less cost to sell calculation some key assumptions have been used. For exploration licences, the recoverable amount is defined as fair value less costs to sell. For discoveries where commerciality is still under evaluation, fair value is calculated by multiplying resources with a value per barrel of oil equivalent, currently 5 USD/boe, and a commercial risk factor. The commercial risk factor is a probability factor for the project to be realised. The risk factors applied to the different CGUs vary from 10% to 54% and represent management's best estimate of factor influencing this risk like e.g. probability of commerciality and possible appraisal risk. For prospective resources, fair value is calculated by multiplying risked resources with a value per barrel of oil equivalent. Management estimates the average value of all risked resources to be 1 USD/boe. The values per barrel used are in line with equity analysts' estimates. The NOK/USD assumption used is 6.0. Resources are in accordance with values in the Company's Annual Statement of Reserves 2010, verified by an independent expert.

Uncertainty of estimates
The calculations recognised in the Financial statements are mainly based on management's judgments and best estimates, and new information may change this. A 10% lower estimate of resources or value due to fluctuations in oil price and/or production cost would increase the impairment by NOK 4.6 million.

Result of impairment testing
As a result of the impairment testing, impairment of NOK 15.9 million has been recorded in 2010. The impairment relates to the licences PL027D/PL504 and PL 337. A part of the licence area in PL337 has been relinquished in 2010.

The calculations recognised in the Financial statements are mainly based on management's judgments and best estimate, and new information may change these estimates.

Note 21 | Property, plant and equipment

Bridge Energy Group:

In NOK '000	Development & Production assets	Furniture, fittings and office equipment	Other Plant & equipment	Total
Property, plant and equipment				
Acquisition cost at 1 Jan 2009	655 851	1 781	29 047	**686 679**
Additions	18 746	922	-	**19 668**
Currency translation	-52 100	-142	-2 307	**-54 549**
Disposals, reclassifications	-	-	-	**-**
Acquisition cost at 31 Dec 2009	622 497	2 562	26 740	**651 799**
Accumulated depreciation	210 741	1 342	-	**212 083**
Net book value at 31 Dec 2009	**411 755**	**1 221**	**26 740**	**439 716**
Depreciation charge for the period	196 610	500	-	**197 110**
Impairment charge for the period	-	-	-	**-**
Total depreciation and impairment charge for the period	196 610	500	-	**197 110**

In NOK '000	Development & Production assets	Furniture, fittings and office equipment	Other Plant & equipment	Total
Property, plant and equipment				
Acquisition cost at 1 Jan 2010	622 925	2 571	26 740	**652 237**
Additions	83 852	33	544	**84 429**
Additions from the combination with Bridge Energy Norge	-	1 244	-	**1 244**
Currency translation	-16 648	-69	-715	**-17 432**
Disposals, reclassifications	1 569	-	-	**1 569**
Acquisition cost at 31 Dec 2010	691 698	3 780	26 569	**722 047**
Accumulated depreciation	249 243	2 440	-	**251 683**
Net book value at 31 Dec 2010	**442 455**	**1 339**	**26 569**	**470 363**
Depreciation charge for the period	44 767	1 162	-	**45 929**
Impairment charge for the period	-	-	-	**-**
Total depreciation and impairment charge for the period	44 767	1 162	-	**45 929**
Depreciation plan:	Unit of production	Linear, 3-5 years	Linear, 3-5 years	

Note 22 | Other short-term receivables

In NOK '000	Group 31 Dec 2010	Group 31 Dec 2009	Parent 31 Dec 2010
Prepayments and accrued income *)	6 777	7 211	30
Working capital joint ventures	7 121	1 267	-
Other short-term receivables	1 174	-	-
Total other short-term receivable	**15 072**	**8 478**	**30**

*) Included in prepayments and accrued income at 31 December 2010 were a receivable balance of NOK 2.6 million related to insurance claims for the repair operation at the Victoria field that commenced on 24 October 2010.

Note 23 | Cash and cash equivalents

In NOK '000	Group 31 Dec 2010	Group 31 Dec 2009	Parent 31 Dec 2010
Cash at bank, non-restricted	217 963	5 600	129 409
Cash at bank, restricted *)	20 384	-	-
Total	**238 348**	**5 600**	**129 409**

*) Included in restricted cash is the tax withholding balance and cash collaterals to provide security for decommissioning liabilities on Victoria and Vulcan East developments.

Note 24 | Share capital and shareholder information

There is one class of shares in Bridge Energy ASA and all shares carry one vote at the Shareholder meetings. All the shareholders of the Company have equal rights, including the right to dividends and voting rights. There are no restrictions on the transfer of shares.

At 26 April 2010, the Group implemented a share option plan. The Board has currently an authorisation to increase the share capital by up to NOK 6 million by issuing up to 6 million shares at the face value of NOK 1 to fulfil the share option scheme (note 13) for the Company's employees. This authorisation from the General meeting is valid until 1 June 2011.

Share capital in Bridge Energy ASA at 31 December 2010:

Shares issued in 2010:	No. of shares	Face value	Book value
Shares issued at Combination with Bridge Energy Norge 26 March 2010	35 970 000	NOK 1	35 970 000
Shares issued at Private placement 29 April 2010	16 225 000	NOK 1	16 225 000
Shares issued at Initial Public Offering 11 May 2010	291 146	NOK 1	291 146
Total no. of shares issued at 31 December 2010			**52 486 146**

The equity issued in 2010 is recorded net of NOK 17.5 million in transaction costs.

The Company's largest shareholders at 31 December 2010:

Name	Country	No. of shares	Percentage of total shares
STATE STREET BANK AND TRUST CO.	UNITED STATES	14 803 684	28,2 %
LIME ROCK PARTNERS III	UNITED STATES	9 060 880	17,3 %
SOCIETE GENERALE BANK & TRUST LUX.	NORWAY	5 408 235	10,3 %
JPMORGAN CHASE BANK	UNITED KINGDOM	4 450 071	8,5 %
RBC DEXIA INVESTOR SERVICES TRUST	UNITED KINGDOM	2 296 212	4,4 %
JPMORGAN CLEARING CORP.	UNITED STATES	1 685 362	3,2 %
MORGAN STANLEY & CO INC. NEW YORK	UNITED STATES	1 273 000	2,4 %
BANK OF NEW YORK MELLON SA/NV	BELGIUM	1 000 000	1,9 %
CIBC WORLD MARKETS INC.	CANADA	989 287	1,9 %
JP MORGAN CLEARING CORP.	UNITED STATES	833 038	1,6 %
SIX SIS AG	SWITZERLAND	744 279	1,4 %
FIRST SECURITIES AS	NORWAY	736 600	1,4 %
DEUTSCHE BANK AG LONDON	UNITED KINGDOM	701 402	1,3 %
KLP AKSJE NORGE VPF	NORWAY	674 954	1,3 %
KOMMUNAL LANDSPENSJONSKASSE	NORWAY	599 500	1,1 %
UBS AG, LONDON BRANCH	UNITED KINGDOM	528 322	1,0 %
SHB STOCKHOLM CLIENTS ACCOUNT	NORWAY	510 247	1,0 %
MORGAN STANLEY & CO INTERNAT. PLC	UNITED KINGDOM	391 660	0,7 %
DNB NOR SMB	NORWAY	336 300	0,6 %
LANDKREDITT NORGE	NORWAY	314 500	0,6 %
OTHER		5 148 613	9,8 %
Total no. of shares issued		**52 486 146**	**100,0%**

Shares and options held by Senior employees and Directors at 31 December 2010:

Name	Position	Shares *)	Share options	Total Shares/Options
Einar H. Bandlien	Chief Executive Officer	68 233	425 000	493 233
Tom Reynolds	Commercial Director	10 619	250 000	260 619
Eystein Westgaard	Chief Financial Officer	2 000	250 000	252 000
Alfred Kjemperud	Managing Director, Bridge Energy Norge AS	68 233	250 000	318 233
Jim Brunton	Managing Director, Bridge Energy UK Ltd.	31 507	250 000	281 507
Matt Brister	Board member	1 197 963	-	1 197 963
Roy Smitshoek	Deputy Board member	41 320	-	41 320
Total no. of shares		**1 419 875**	**1 425 000**	**2 844 875**

*) Shares held by the person or close associates.

Note 25 | Decommissioning

In NOK '000	Decommissioning
At 1 Jan 2009	73 448
Movement in provision - Statement of Financial position	-9 364
Movement in provision - Statement of Comprehensive income	-21 424
Accretion costs	735
Currency translation	-4 805
Total accrual recognised per 31 Dec 2009	**38 591**
Of which non-current	9 317
Of which current	29 274

In NOK '000	Decommissioning
Provisions for decommissiong at 1 Jan 2010	38 591
Expensed cost accrued for Tristan decommissioning	-9 068
Movement in provision - Statement of Financial position	-
Movement in provision - Statement of Comprehensive income	7 427
Additional provision expensed (other current liabilities)	1 224
Accretion costs	1 732
Currency translation	-1 029
Total book value at 31 Dec 2010	**37 653**
Of which non-current	36 429
Of which current	1 224

Decommissioning costs are estimated to be incurred in 2026 (Victoria) and 2028 (Vulcan East). The provision has been based upon existing technology, current legislation requirements and discounted using a rate of 5 %. The estimated decommissioning costs and the pre-tax discount rate applied take into account the effects of inflation and the risks and uncertainties concerning amounts to be settled in the future.

On 2 November 2010, the decommissioning of the Tristan North West field was completed with the demobilisation of the Ensco 92 rig. The final cost for the decommissioning of Tristan North West was NOK 110 million, whilst Bridge Energy's share of net costs was NOK 35 million. Of this total cost expensed in 2010, NOK 9.3 million was accrued for in the provision for decommissioning at 31 December 2009. The cost of decommissioning was higher than previously estimated mainly due to longer rig time waiting on weather.

Note 26 | Other provisions, commitments and contingent liabilities

Rig consortium
In 2008, Bridge Energy Norge joined a rig consortium of eight companies and entered into an agreement with Dolphin AS to rent two rig slots of the drilling rig Borgland Dolphin, the first in 2012 and the second in 2013. Bridge Energy Norge has committed to 115 days of the consortium's total agreement of approximately 4 years from early 2010. Being dependent on Bridge Energy's equity share in the licences using the rig, minimum commitment cannot be determined with certainty. The Company's gross commitment is USD 58 million. This total commitment will be reduced according to the share paid by other licence partners in the licences using the rig.

Bridge Energy Norge has issued a counter guarantee in favour of Bank of Scotland relating to a letter of credit given from the bank to Dolphin AS in respect of the rig contract. The amount is USD 12.5 million, and the letter of credit is applied to the subsidiary's obligations under the rig contract.

At the Business Combination in March (note 5), a negative value of NOK 17.3 million was allocated to this rig lease agreement, due to the decline in market rates for rig leases between 2008 and 2010. In the Statement of Financial position, NOK 17.3 million is recorded as a provision resulting from this fair valuation of the rig lease in the calculation of excess values at the transaction date.

Operating leases
Operating lease payments of NOK 9.9 million represent the future minimum lease payments under the non-cancellable 10 year operating lease for office property in the UK. The remaining rent period is 8 years, and the lease is renewable at the end of the lease period, at market rates. Both parties to the lease have the right to terminate after 5 years.

Note 27 | Interest-bearing debt

In NOK '000	31 Dec 2010	31 Dec 2009
Total long-term interest-bearing debt		
Nominal value	80 034	61 492
Net book value	81 249	61 492
Total current interest-bearing debt		
Nominal value	143 604	44 992
Net book value	140 617	44 992

NOK 330 million Loan Facility with Bank of Scotland:
Bridge Energy Norge has a NOK 330 million Loan Facility agreement with the Bank of Scotland with final repayment at year-end 2012 and latest drawdown at year-end 2011. The loan is a multi-currency facility. The interest rate is set at 1, 3 or 6 month NIBOR +2.5 % respectively, according to the rollover period of the tranche. At 31 December 2010 the carrying amount of the loan was NOK 120 million. The loan is secured with the tax refund of 78 % of the company's tax deductable exploration expenses. Accrued tax refund also determines the maximum amount available for drawdown, less a margin defined in the loan agreement. Annual tax refunds are used as repayments, therefore the outstanding loan balance at 31 December 2010 will be repaid in full in December 2011. Expected interest payable in 2011 is amounting to NOK 3 million. Based on contractual terms of this loan, the fair value is estimated to be equal to the book value at 31 December 2010.

GBP 30 million Loan Facility with The Royal Bank of Scotland:
On 12 June 2008, Bridge Energy UK signed a GBP 30 million Borrowing Base Agreement with the Royal Bank of Scotland. Under the agreement the "Borrowing Base" amount is determined by a valuation of the Group's cash flow from the Victoria field. At 31 December 2010, Bridge Energy UK had drawn down NOK 103.4 million against the loan whilst the maximum borrowing base at this date was NOK 122.5 million. At 31 December 2009, Bridge Energy UK had drawn NOK 106.5 million against the loan, representing the maximum Borrowing Base at that date.

The Loan Agreement specifies maximum outstanding loan amounts for each six monthly period through to the maturity date of the agreement which is 30 June 2015. The maximum outstanding loan amounts are based on the expected production and depletion of reserves of the field and to changes in reserves estimates and gas prices which are based on periodic redeterminations. Based on the latest redetermination on 30 June 2010, no payment of the loan facility was payable during 2010. The redetermination which was to be done 31 December 2010 was deferred until 31 March 2011. This was with the full agreement of the lender. Under the terms of the loan agreement, further redeterminations will take place on 30 June 2011 and 31 December 2011 and the future loan repayments may increase or decrease on the outcome of these redeterminations. Based on the redetermination applicable on 31 December 2010, NOK 46.4 million of the loan facility, including expected interest (undiscounted), are payable during 2011 and NOK 30.9 million are payable during 2012. However, these repayments are expected to be reduced after the 31 March 2011 redetermination.

Security is by means of a floating charge over all the assets of Bridge Energy (SNS) Ltd. and a charge over the shares in Bridge Energy (SNS) Ltd.

In 2010, the loan attracted interest at respectively 1, 2, 3 or 6 month LIBOR plus a margin of 1.5 % according to the rollover period of the tranche. The margin has increased to 3.5 % from 1 January 2011.

Note 28 | Other current liabilities

In NOK '000	Group 31 Dec 2010	Group 31 Dec 2009	Parent 31 Dec 2010
Payroll and other liabilities to employees	2 467	-	-
VAT Payable	3 849	-	-
Working capital licences	2 874	-	-
Joint venture payables	-	196	-
Amounts due to related parties *)	-	38 833	-
Provision for decommissioning, current portion	1 224	9 317	-
Interest-bearing debt, current portion	140 617	44 992	-
Other current liabilities	12 241	9 345	-
Total other current liabilities	**163 272**	**102 683**	**-**

*) Information about related parties is detailed in note 30.

Note 29 | Farm-outs

At 30 June 2010, Bridge Energy Norge AS entered into a farm-out agreement with VNG Norge AS in PL 511. VNG Norge AS acquired a 12.5 % share in the licence, reducing the Bridge Energy Norge interest in the licence from 20 % to 7.5 %. As part of the settlement, VNG Norge committed to carry Bridge Energy's share of dry well costs in the licence.

Note 30 | Related parties

Group companies, directors, key employees, or other parties which are directly or indirectly able to control or exercise significant influence over the other party in the decision making process are defined as related parties. Included in the definition of related parties are also parties under common control or other common significant influence.

In 2010 there were no material transactions between Bridge Energy and related parties other than Group companies, directors of Bridge Energy ASA and key employees. All transactions between Bridge Energy and related parties were made at ordinary market terms, based on the estimated market value.

Following the Business Combination on 26 March 2010, there is intercompany invoicing between the companies in the Group for management and other consultancy services delivered. Other costs incurred on behalf of the other companies in the Group are also recharged. The intercompany charges are based on intercompany agreements. The charges for services delivered are on basis of time spent and are charged at hourly rates reflecting the market value (principle of arm's length).

Bridge Energy ASA has no employees and is subsequently charged by Bridge Energy Norge AS and Bridge Energy UK Ltd. for management services on basis of time writing at estimated market rates, as well as for costs incurred. All the intercompany transactions are eliminated at Group level.

Bridge Energy ASA is financing part of operations in Bridge Energy UK and Bridge Energy Norge through intercompany loans in NOK. The loans are issued on basis of intercompany loan agreements at market terms. The intercompany loans are eliminated at Group level.

Intercompany loan balances at 31 December 2010:

In NOK '000	
Company	Parent
Bridge Energy UK	77 524
Bridge Energy Norge	97 327
Total intercompany loans	**174 851**

The fees paid to the Board of Directors of Bridge Energy ASA in 2010 and 2009 are detailed in the table below. The fees to the members of the Board of Directors are paid on a quarterly basis, set at the Annual General Meeting. Except for services following their duties as Board members, none of the directors have entered into any agreements to provide services to the Group. In addition to the above, the directors are reimbursed for travel expenses and other expenses in connection with company related activities. The Board of Directors is not part of the Group's share-based payment programme.

Remuneration to key personnel is detailed in note 12.

Prior to the Combination agreement between Bridge Energy ASA, Bridge Energy UK Ltd. and Bridge Energy Norge AS, Storm Venture International Inc. owned 100 % of the issued shares in Bridge Energy UK. Storm Venture International recharged consulting and personnel costs incurred on behalf of the companies in the Group. At 31 December 2009, NOK 38.8 million was payable to Storm Venture International.

Directors' fees in 2010:

In NOK '000		
Name	Role	Salaries
William McCall	Chairman	230
Cecilie Amdahl	Board member	150
Matthew Joseph Brister	Board member	150
Astrid Koppernæs	Board member	150
Simon Munro	Board member	150
Total fees to Board of Directors		**830**

In 2009, the Group paid no Directors' fees. The Board members in 2009 were paid by salary payments from their employer (see note 12, Remunerations).

Note 31 | Reconciliation of income statements and balance sheets Bridge Energy UK

Bridge Energy UK has historically applied the full cost method in accounting for exploration assets, whereas from 2010 the successful efforts method is applied. The effects of the change in accounting principles applied (as described in note 5) in the preparation of the Financial statements of Bridge Energy UK Ltd. are analysed in the tables set out below. The pre-exploration expenditure previously capitalised under the full cost method has been expensed in the period they were determined unsuccessful.

In addition, the Group has changed presentation currency from GBP to NOK. This is considered to be a change in accounting principle. The change in accounting policy has been recorded retrospectively hence a loss of NOK 48.6 million is recorded in other comprehensive income as exchange differences on translation of foreign operations.
The Business Combination was effective from March 2010, hence a loss was recorded in Other Comprehensive income amounting to NOK 17.2 million for the first quarter of 2010. A retrospective application of the accounting policy for the periods prior to 1 January 2009 is considered to be impracticable.

In NOK '000	31 Dec 2009 Full cost	31 Dec 2009 Adj.	31 Dec 2009 Successful efforts	1 Jan 2009 Successful efforts
Non-current assets				
Intangible assets	192 312	-15 792	176 520	220 031
Deferred tax assets	-	-	-	33 632
Property, plant and equipment	583 309	-143 594	439 716	686 679
Available-for-sale-financial assets	354	-	354	729
Total non-current assets	775 976	-159 386	616 590	941 071
Current assets				
Trade debtors	10 165	-	10 165	22 631
Other short-term receivables	8 478	-	8 478	23 693
Derivative financial instruments	12 354	-	12 354	18 177
Cash and cash equivalents, non-restricted	5 600	-	5 600	25 890
Assets held for sale	76 921	-	76 921	-
Total current assets	113 518	-	113 518	90 391
TOTAL ASSETS	**889 494**	**-159 386**	**730 108**	**1 031 461**

In NOK '000	31 Dec 2009 Full cost	31 Dec 2009 Adj.	31 Dec 2009 Successful efforts	1 Jan 2009 Successful efforts
Paid-in capital				
Share capital	101 024	-	101 024	109 742
Share premium reserve	794 805	-	794 805	863 392
Additional paid-in capital	99 822	8 860	108 683	111 027
Retained earnings	-308 393	-168 246	-476 639	-402 391
Total equity	**687 259**	**-159 386**	**527 873**	**681 771**
Non-current liabilities				
Provision for decommissioning	29 274	-	29 274	73 448
Other provisions	894	-	894	1 599
Interest-bearing debt	61 492	-	61 492	91 089
Total non-current liabiliities	91 661	-	91 661	166 136
Current liabilities				
Trade payables	5 516	-	5 516	22 125
Other taxes and social security costs	2 376	-	2 376	638
Other current liabilities	102 683	-	102 683	160 792
Total current liabilities	110 574	-	110 574	183 554
Total liabilities	**202 235**	**-**	**202 235**	**349 691**
TOTAL EQUITY AND LIABILITIES	**889 494**	**-159 386**	**730 108**	**1 031 461**

In NOK '000	2009 Full cost	2009 Adj.	2009 Successful efforts
Revenue	**175 500**	**-**	**175 500**
Operating expenses			
Production expenses	36 220	-	36 220
Exploration expenses	5 118	5 559	10 678
Depletion, depreciation and amortisation	230 829	-33 719	197 110
Decommissioning provision	-21 424	-	-21 424
Change in fair value of derivative financial instruments	4 608	-	4 608
Other operating expenses	10 884	255	11 138
Total operating expenses	266 235	-27 905	238 330
Operating income (loss)	**-90 735**	**27 905**	**-62 830**
Net financial items	16 610	-235	16 374
Income (loss) before tax	-107 345	28 140	-79 205
Income tax	32 572	-	32 572
Net income (loss) for the period	**-139 917**	**28 140**	**-111 777**
Other comprehensive income			
Exchange differences on translation of foreign operations	-63 269	14 690	-48 579
Change in fair value of available-for-sale financial assets	-333	-	-333
Income tax on income and expenses recognised directly in equity	-	-	-
Other comprehensive income	-63 603	14 690	-48 913
Total comprehensive income (loss) for the period, net of tax	**-203 520**	**42 830**	**-160 690**

Note 32 | Events after balance sheet date

As a result of the NCS 21st Licencing round announced on 18 January 2011, Bridge Energy was awarded two interests in North Sea licences, 30 % in PL494B and 60 % in PL554B (operatorship). Both awards add acreage to currently held licences and will secure additional resources in these areas.

On February 2011, Bridge Energy entered into a sales and purchase agreement with Total E&P Norge AS to farm down 40 % in PL554/554B. After the transaction, Bridge Energy Norge AS holds a 20 % interest in PL554 and PL554B. The agreement assumes the transfer of operatorship to Total E&P Norge AS. Completion of the transaction is subject to consent by the licence partners, The Ministry of Petroleum and Energy and the Ministry of Finance.

Note 33 | Licence portfolio

Licences on the UK Continental shelf at 31 December 2010:

Licence	Ownership	Operator	Note
P033 49/17 Vantage	100%	Bridge Energy SNS Ltd.	
P033 49/17 Victoria	100%	Bridge Energy SNS Ltd.	
P039 49/21 Vulcan East	100%	Bridge Energy SNS Ltd.	
P1243 48 1b/2c cobra	25%	Encore Peteroleum Ltd.	
P1284	12.5%	Fairfield Acer Ltd.	
P130 48/20b, 48/25b	100%	Bridge Energy SNS Ltd.	
P1557 - 9/7, 12b	50%	Bridge Energy CNS Ltd.	Relinquished in 2011
P1592 Triton	75%	Bridge Energy CNS Ltd.	
P1647; 9/21, 9/26, 9/27b	25%	Valiant Exploration Ltd.	Relinquished in 2011
P1650 14/13	34%	Bridge Energy CNS Ltd.	Relinquished in 2011
P1651 - 15/21e, 14/25b	40%	Petro-Cananda UK Ltd.	Relinquished in 2011
P1652 - 15/7, 15/12a	50%	Bridge Energy CNS Ltd.	Relinquished in 2011
P1653 - 15/8	50%	Bridge Energy CNS Ltd.	Relinquished in 2011
P1654 - 15/18c	50%	Bridge Energy CNS Ltd.	Relinquished in 2011
P1674 - 48/1d	25%	Encore Petroleum Ltd.	Relinquished in 2011
P1683 - 2/20, 3/16	50%	Bridge Energy CNS Ltd.	Relinquished in 2011
P1686 - 8/30b	50%	Bridge Energy CNS Ltd.	Relinquished in 2011
P1714 - 49/29c	100%	Bridge Energy CNS Ltd.	Relinquished in 2011
P201 211/22a Kerloch	10%	Dana Petroleum (E&P) Ltd.	
P979 Mermaid	20%	Nautical Petroleum Plc.	
PEDL071 Burton Agnes	10%	Egdon Resources U.K. Ltd.	
P1767 14/9, 14 and 15	70%	Bridge Energy CNS Ltd.	Provisionally awarded, UKCS 26th round
P1791 21/30e	40%	Bridge Energy CNS Ltd.	Provisionally awarded, UKCS 26th round
P1764 9/9d, 9/14 and 9/15d	30%	MPX Energy Ltd.	Provisionally awarded, UKCS 26th round

Licences on the Norwegian Continental shelf at 31 December 2010:

Licence	Ownership	Operator	Note
PL 027 D	10%	Det norske oljeselskap ASA	
PL 337	10%	Det norske oljeselskap ASA	
PL 413	25%	Lundin Norway AS	
PL 457	25%	Wintershall Norge ASA	
PL 494	30%	Dana Petroleum Norway AS	
PL 494 B	30%	Dana Petroleum Norway AS	APA 2010, awarded 4 February 2011
PL 497	30%	Det norske oljeselskap ASA	
PL 497 B	30%	Det norske oljeselskap ASA	
PL 504	8.5%	Det norske oljeselskap ASA	
PL 504 BS	8.5%	Det norske oljeselskap ASA	
PL 511	7.5%	Wintershall Norge ASA	
PL 548 S	40%	Det norske oljeselskap ASA	
PL 554	60%	Bridge Energy Norge AS	Farmed-down to 20% in 2011
PL 554 B	60%	Bridge Energy Norge AS	APA 2010, awarded 4 February 2011. Farmed-down to 20% in 2011

Note 34 | Oil and gas reserves and resources (unaudited)

Bridge Energy ASA has production licences in UK and Norway through its subsidiaries Bridge Energy UK Ltd and Bridge Energy Norge AS. The total 2P/P50 reserves attributed to Bridge Energy in these licences are 21 million barrels of oil equivalents (mmboe). The P50 contingent reserves are 30 mmboe as of 31 December 2010. Risked prospective resources are 213 mmboe (a farm-down of interests in NCS PL554 pending government approval, will reduce this to 134 mmboe).

According to the development consent for the Victoria field the licence period could be extended through continuing production. Hence, the licence period is expected to last as long as production lasts.

An independent audit of all Bridge Energy's reserves and resources as of 1st January 2011 was carried out by professionals from AGR Petroleum Services. The reserves and resources were classified according to the Petroleum Resource Management System sponsored by SPE/AAPG/WPC/SPEE from 2007 (SPE PRMS). This system complies with the Oslo Stock Exchange disclosure requirements, circular no. 9/2009. For further details, see the separately issued Annual Statement of Reserves 2010.

Responsibility statement 2010

Statement Pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that, to the best of our knowledge, the Annual Financial Statements for the period 1 January to 31 December 2010 have been prepared in accordance with applicable reporting principles for financial reporting IASB as adopted by the EU and in effect at 31 December 2010. The annual financial statements for the Company have been prepared on the basis that the conditions for continued operations as a going concern are present. The financial statements represent a true and fair view of the Company's assets, liabilities, financial position, and overall result at 31 December 2010.

To the best of our knowledge, the Annual financial report gives a true and fair:

- overview of important events that occurred during the accounting year and their impact on the Annual Financial statements
- description of the principal risks and uncertainties facing the Company for the next accounting period, and a
- description of major transactions with related parties.

Nesbru, 29 March 2011

The Board of Directors, Bridge Energy ASA

William McCall Chairman	Cecilie Amdahl Board member	Matthew Joseph Brister Board member
Astrid Koppernæs Board member	Simon Munro Board member	Einar H. Bandlien CEO

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemiasgate. 6, NO-0154 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf.: +47 24 00 24 00
Fax: +47 24 00 24 01
www.ey.no

Medlemmer av Den norske Revisorforening

To the Annual Shareholders' Meeting of Bridge Energy ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Bridge Energy ASA, comprising the financial statements for the Parent Company and the Group. The financial statements for the Parent Company and the Group comprise the statement of financial position as at 31 December 2010, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and CEO's responsibility for the financial statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion

In our opinion, the financial statements of Bridge Energy ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent

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Company and the Group as of 31 December 2010 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the international standard on assurance engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and CEO have fulfilled their duty to properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 30 March 2011
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Per Øyvind Borge-Hansen

Per Øyvind Borge-Hansen
State Authorised Public Accountant (Norway)

Contact

Bridge Energy ASA
Bridge Energy Norge AS

Visiting address:	Nesbruveien 75, 1394 Nesbru, Norway
Postal address:	P.O. Box 279, 1379 Nesbru, Norway
Telephone:	+47 66 77 96 30
Telefax:	+47 66 77 96 39
Web:	www.bridge-energy.com

Bridge Energy Ltd. UK

Address:	3 Queens Gardens , Aberdeen, AB15 4YD, Scotland, UK
Telephone:	+ 44 (0)1224 659120
Telefax:	+ 44 (0)1224 659130
Web:	www.bridge-energy.com

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