1st quarter

2012

Petrolia ASA has three business segments:
Oil & Gas, Drilling & Well Technology and
OilService

PETROLIA ASA (PDR) first quarter 2012 preliminary result

Summary of main events

- EBITDA was USD 6.4 million in Q1 2012 and Total Comprehensive income was USD 0.2 million in Q1 2012.
- Revenue was USD 19.6 million in Q1 2012.
- Shareholder's Equity per 31.03.2011 was USD 0.32 per share.
- IOT Group had USD 18.5 million in revenues and EBITDA of USD 8.4 million. The OilService market is booming.
- Drilling & Well Technology acquired two land rigs for USD 11.0 mill paid for through an equity increase (the Rig merger). The drilling rig is operational and is expected to be on contract shortly. The work-over rig is being marketed and will not be made operational before a letter of intent is signed. Both rigs are managed by TM Drill, a Romanian Drilling contractor, 19.66% owned by Petrolia. TM Drill is expanding their activities in Europe and Asia.
- 6 February the Ministry of Petroleum and Energy approved Petrolia Norway AS, a subsidiary of Petrolia ASA, as a licensee on the Norwegian Continental Shelf.
- 8 February Petrolia Tool Pool AS, part of Petrolia's OilService entered into an agreement of acquiring 85% of Catch Fishing Services, a leading provider of well fishing, remedial and whipstock services for the oil and gas industry.
- 23 March the Ministry of Petroleum and Energy has approved the transfer of 10% of PL 356 from Det norske oljeselskap ASA to Petrolia Norway AS, a subsidiary of Petrolia ASA.
- 30 March the new share capital of NOK 12 083 138.52 (302 078 463 shares at NOK 0.04 each) was registered at the Norwegian Register of Business Enterprises thereby completing the Rig merger.

Financial information

Profit and loss for 2012 compared to 2011

Activity has primarily been in the OilService division. In the Oil & Gas division, the acquisition of the first licence has been approved by the authorities. In the Drilling & Well Technology division the Rig merger has been completed. The drilling rig is operational and is expected to go on contract in Q2. The work-over rig is being marketed and will be completed once a job is secured.

Book value of the rental drilling equipment as of 31 March 2012 was USD 78.0 million.

Total revenue was USD 19.6 million compared to USD 20.7 million in 2011.

EBITDA was USD 6.4 million compared to USD 8.2 million in 2011.

Operating expenses was USD 13.2 million compared to USD 12.5 in 2011.

Operating loss was USD 2.1 million including USD 8.5 million in depreciation. Operating loss in 2011 was USD 5.7 million including USD 9.7 million in depreciation and USD 4.1 million in impairment.

Result from Joint Venture was USD 0.0 million compared to USD 10.1 million in 2011. Result from associated company was USD -0.6 million compared to USD -0.0 million in 2011.

Net financial result was USD 7.2 million compared to USD -8.0 million in 2011. The net result after-tax was USD 3.0 million compared to USD 17.9 in 2011.

The USD/NOK exchange rate has changed from 5.51 as of 31 March 2011 to 5.69 as of 31 March 2012.

Cash flow

Cash flow from operations was USD 1.7 million in 2012 compared to USD -3.0 million in 2011. Cash flow from investments in 2012 was USD -6.5 million compared to USD 116.2 million in 2011. Cash flow from financing activities in 2012 was USD -2.4 million compared to USD -5.0 million in 2011.

Free cash as of 31 March 2012 was USD 11.2 million compared to USD 118.3 million as of 31 March 2011.

Statement of financial position

As of 31 March 2011, total assets amounted to USD 223.3 million. Investment in drilling equipment had a book value of USD 78.0 million, investment in land rigs had a book value of USD 11.0 million, investment in listed shares had a book value of USD 20.1 million and total cash was USD 25.6 million.

As per 31 March 2012, net interest bearing bond loans amounted to USD 36.0 million and is recognised as a short term liability as it is due for payment in June 2012. In addition there is a financial leasing facility for rental equipment in the amount of USD 14.2 million.

Total equity was USD 97.3 million as per 31 March 2012, including a minority interest of USD 2.7 million. Book value of equity per share was USD 0.32 as per 31 March 2012, including minority interest of USD 0.01 per share.

Share information

As of 31 March 2012, the total number of shares outstanding in Petrolia ASA equalled 302 078 463, each with a par value of NOK 0.04. The company has no outstanding or authorized stock options, warrants or convertible debt. As of 31 March 2012, the company held 525 003 (0.17 per cent) treasury shares.

An Extraordinary General Meeting 30 December 2011 resolved a Rig Merger whereby 135 000 000 new shares would be issued. The transaction was completed 30 March 2012 when the new share capital was recorded at www.brreg.no.

The same Extraordinary General Meeting also resolved a Cyprus Merger whereby the company becomes a Cypriot company. This transaction is expected to be completed in the summer of 2012.

The market and outlook

Supported by the current high oil price level, the oil companies are increasing their E&P investments, with a record number of rigs coming into the market in 2012 and beyond. Consequently, the Board of Directors of Petrolia ASA expects an increased activity level for the OilService division going forward.

At the same time, the company has implemented several measures for improving the operations in the OilService division and expects to see results from the on-going restructuring in the coming quarters.

Related party transactions

Petrolia ASA entered on 22 September 2011 into a letter of intent to acquire (i) two land rigs with associated equipment and (ii) an equipment package from Independent Oil & Resources ASA, the main shareholder in Petrolia ASA, for NOK 74 million. The transaction was completed on 30 March 2012 by issuing 135 million new shares in Petrolia ASA to Independent Oil & Resources ASA at NOK 0.55 per share.

About the company

Oil & Gas division:

Petrolia Norway AS has been incorporated as an oil company focusing on the Norwegian Continental Shelf (NCS). The company became prequalified as licence owner in the NCS on 6 February 2012. The transaction for 10% of licence PL 356 Ulvetanna, purchased from Det norske oljeselskap was approved by the authorities 24 March 2012.

OilService division:

Independent Oil Tools AS (IOT), a 100% owned subsidiary of Petrolia ASA provides oil services worldwide. Rental of test tubing, drill pipe and associated handling and auxiliary equipment and casing/tubular running services are the main services provided.

Drilling and Well Technology division:

Venture Drilling AS is now a 100% subsidiary and is now working on renting out or selling off remaining equipment in addition to financial investments activities within the company.

Key risks and uncertainty

Petrolia ASA has a bond loan with a remaining balance of NOK 344.5 million which is due on 20 June 2012. New long term financing has not been obtained yet.

The activities and assets of the group are primarily in USD. There is thus a currency risk regarding the USD/NOK exchange rate.

The Estate of PetroMENA ASA (51 % owned by Petrolia) is, through a writ of summons ("stevning"), seeking to invalidate an equipment purchase on 13 November 2008 whereby Petrolia Services AS purchased drilling equipment for USD 34.7 million from PetroMENA ASA. Petrolia dismisses the claim.

The court case is postponed until end 2012.

Petrolia ASA received on 2 November 2011, the decision from the Office of the City Recorder in Oslo (Oslo Byfogdembete) in the case where Petrojack ASA, its bankruptcy estate claimed up to NOK 32.9 million related to Petrolia Services AS' (Petrolia ASA's 100% owned subsidiary) purchase of certain drilling equipment from Petrojack ASA in 2009. The bankruptcy estate asserted to have a claw back claim related to the transferred equipment. Petrolia ASA dismissed the reasons for the claim, ref Stock Exchange notice dated 10 March 2011. The Office of the City Recorder in Oslo has ruled in favour of Petrojack ASA, its bankruptcy estate for NOK 18 million, approximately half of their claim. Petrolia has appealed and the case is expected to continue in Q4 2013.

Petrolia Services AS has filed a claim of USD 8.5 million against the Estate of PetroMENA ASA. There is an uncertainty regarding any dividends so no dividend is included in the accounts.

Board of Directors, Petrolia ASA, 23 May 2012

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Consolidated Statement of Comprehensive Income

All figures in USD (1000)

	Q1 2012	YTD 2012	Q1 2011	YTD 2011
Operating revenues	19 571	19 571	20 668	20 668
Operating expenses	13 208	13 208	12 460	12 460
Operating profit before depreciation (EBITDA)	6 363	6 363	8 208	8 208
Depreciation	8 508	8 508	9 749	9 749
Impairment	0	0	4 115	4 115
Operating profit (loss-)	-2 145	-2 145	-5 656	-5 656
Result from joint venture	0	0	10 106	10 106
Result from associated companies	-584	-584	-1	-1
Net financial income/expenses(-)	7 173	7 173	-7 967	-7 967
Profit before income tax	4 444	4 444	-3 518	-3 518
Tax	1 467	1 467	-21 379	-21 379
Profit for the year	**2 977**	**2 977**	**17 861**	**17 861**
Other comprehensive income				
Currency translation differences	**-2 794**	**-2 794**	**-798**	**-798**
Total other comprehensive income	**-2 794**	**-2 794**	**-798**	**-798**
Total comprehensive income for the year	**183**	**183**	**17 063**	**17 063**
Number of shares	302 078 463	302 078 463	101 259 675	101 259 265
Earnings per share, basic	**0.01**	**0.01**	**0.18**	**0.18**

Condensed Consolidated Statement of Financial Position		
All figures in USD (1000)		
Assets	**31.03.2012**	**Audited 31.12.2011**
Deferred tax assets	20 297	20 297
Land rigs	11 024	0
Drilling equipment and other equipment	77 990	79 388
Land and buildings	2 210	2 281
Investments in associates	5 142	5 727
Other financial fixed assets	1 212	1 202
Restricted cash	8 677	8 517
Total non-current assets	126 552	117 412
Inventory	1 290	987
Tax receivables	2 940	1 830
Accounts receivable	40 239	27 251
Other current assets	15 171	11 619
Financial asset at fair value through P&L	20 126	15 779
Other liquid assets	15	15
Free cash	11 203	18 920
Restricted cash	5 757	5 397
Total current assets	96 741	81 797
Total assets	**223 293**	**199 209**
Equity and liabilities	**31.03.2012**	**31.12.2011**
Share capital	2 175	1 226
Treasury shares	- 2 153	-2 153
Share premium fund	12 093	0
Other equity	82 518	82 410
Majority interest	94 633	81 483
Minority interest	2 689	2 615
Total equity	97 322	84 098
Bond loan	0	0
Retirement benefit obligations	262	267
Deferred tax liability	20 297	20 297
Other long-term liabilities	4 247	7 485
Total non-current liabilities	24 806	28 049
Short-term portion of non-current liabilities	46 114	43 208
Accounts payable	31 485	24 099
Provisions	3 948	3 948
Other current liabilities	19 618	15 807
Total current liabilities	101 165	87 062
Total liabilities	125 971	115 111
Total equity and liabilities	**223 293**	**199 209**
Book equity per share (end of period shares)	0.32	0.83
Equity ratio	42 %	41 %

The Rig Merger was completed effective from 30 March 2012 when the change was recorded at www.brreg.no. A total of 135 million shares were issued at a price of NOK 0.55 pr share (0.04 in capital and 0.51 in premium). The total of NOK 74.25 million was consideration for two land rigs and some drilling equipment. Details are available from the documentation issued for the EGM 30 December 2012, http://petrolia.no/?page=4&show=85

Total cash is USD 25.6 million. Restricted cash includes USD 5.6 million on a Bond Loan interest security account, USD 3.0 million in escrow connected to the sale of the shares of Deepwater Driller Ltd, USD 2.2 million in escrow connected to sale of disputed equipment and USD 3.5 million as security for the Petrojack claw-back case.

Condensed Consolidated Statement of changes in Equity		
All figures in USD (1000)		
	YTD 2012	YTD 2011
Equity period start 01.01	84 098	95 248
Total equity from shareholders in the period	13 041	0
Total comprehensive income/loss (-) for the period	183	17 063
Total change of equity in the period	13 224	17 063
Equity at period end 31.03	**97 322**	**112 311**

Condensed Consolidated Cash Flow Statement				
All figures in USD (1000)				
	Q1 2012	YTD 2012	Q1 2011	YTD 2011
Net cash flow from operating activities	1 740	1 740	-3 024	-3 024
Net cash flow from investing activities	-6 525	-6 525	116 151	116 151
Net cash flow from financing activities	-2 412	-2 412	-5 038	-5 038
Net change in cash and cash equivalents	-7 197	-7 197	108 089	108 089
Cash and cash equivalents at beginning of period	32 834	32 834	45 749	45 749
Exchange gain/loss (-)on cash and cash equivalents				
Cash and cash equivalents at period end	**25 637**	**25 637**	**153 838**	**153 838**

Investment activities in Q1 2012 are: equipment investments of USD 5.1 million, investment in Catch Fishing Services BV of USD 3.1 million and divestment in other shares of USD 1.7 million.

Notes to the unaudited condensed consolidated figures:

Note 1 Applied accounting principles

This first quarter report is prepared according to the International Financial Reporting Standards (IFRS as adopted by the EU) and the appurtenant standard for quarterly reporting (IAS 34). The quarterly accounts are based on the current IFRS standards and interpretations and were approved by the Board 23 May 2012 at 13:00 hours.

This first quarter report is prepared according to the same principles as the most recent annual financial statements, but does not include all the information and disclosures required in the annual financial statements. Consequently, this report should be read in conjunction with the latest annual report for the Company (2011). Changes in standards and interpretations may result in other figures.

The same accounting principles and methods for calculation which were applied in the latest annual report (2011) have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2011 available at the Company's homepage www.petrolia.no.

The consolidated accounts are based on historical cost, with the exception of items required to be reported at fair value.

Note 2 Tangible fixed assets

The table below outlines the development of tangible fixed assets as of 31 March 2012:

All figures in USD (1000)	Drilling- and other equipment	Land rigs	Land and buildings	Total
Balance at 1 Jan 2012	79 388	0	2 281	81 669
Acquisition cost:				
Acquisition cost at 1 Jan 201	262 356	0	2 979	265 335
Purchased tangibles in 2012	5 304	0	0	5 304
Rigs merger	1 993	11 024	0	13 017
Disposal in 2012	-217	0	0	-217
Acquisition cost at 31 March 2012	269 436	11 024	2 979	283 439
Depreciation/impairment:				
Balance depreciation at 1 January 2012	170 692	0	697	171 389
Balance impairment at 1 January 2012	12 276	0	0	12 276
Depreciation in 2012	8 457	0	16	8 473
Impairment in 2012	0	0	0	0
Disposal of depreciation in 2012	217	0	0	217
Disposal of impairment in 2012	0	0	0	0
Balance at 31 March 2012	191 642	0	713	192 355
Translation differences	196	0	-55	141
Carrying amount: **Balance at 31 March 2012** **Residual value**	77 990	11 024	2 210	91 224

Note 3 Investments in associates

All figures in USD (1000) **Investments in associates**	**Petroresources Ltd**	**TM Drill**	**Sum**
Shareholding	46.43%	19.66%	
Business address	Limassol,Cyprus	Ernei, Romania	
Balance 1 January 2011	1 785	3 941	5 727
Investments	0	0	0
Share of result	-3	-582	-585
Balance at 31 March 2012	**1 783**	**3 359**	**5 142**

Note 4 Segment Information

Petrolia Norway AS became prequalified for the Norwegian Continental Shelf on 6 February 2012. On 16 August 10% of the license PL 356 Ulvetanna was purchased from Det norske oljeselskap ASA (Detnor). This transaction was approved by the authorities 24 March 2012.

Petrolia ASA announced on 3 October a possible merger of the oil department of Independent Oilfield Rentals Ltd (IOR). IOR has production and exploration license interests both in the Middle East and in North Africa (MENA). The estimated merger value is between USD 10 -50 million, depending on the future political and operational situation in the MENA area. It is expected that the agreement will be completed in second half of 2012 after the Registered Head Office of Petrolia is moved to Cyprus.

Rig merger has been completed. The drilling rig is operational and is expected to go on contract in Q2. The work-over rig is being marketed and will be completed once a job is secured.

Note 5 Legal disputes

The claw-back claims from the estates of PetroMENA ASA remain open and the court case is postponed to the end of 2012.

Petrolia ASA received on 2 November 2011, the decision from the Office of the City Recorder in Oslo (Oslo Byfogdembete) in the case where Petrojack ASA, its bankruptcy estate claimed up to NOK 32.9 million related to Petrolia Services AS' purchase of certain drilling equipment from Petrojack ASA in 2009. Petrolia ASA dismissed the reasons for the claim, ref Stock Exchange notice dated 10 March 2011. The Office of the City Recorder in Oslo has ruled in favour of Petrojack ASA, its bankruptcy estate for NOK 18 million, approximately half of their claim. Petrolia has appealed and the case is expected to continue in Q4 2013.

Total contingent liability is NOK 278 million and Petrolia reject the claims.

Note 6 Business combination

8 February 2012 85% of Catch Fishing Services BV was acquired. The transaction also included a loan. Total consideration was USD 3.1 million and did not result in any goodwill. The company strengthen the services offered in the OilService division.

Catch had revenues of USD 0.3 million and EBITDA of USD 0.1 million in Q1 2012. Total assets was USD 1.8 million and total equity was USD - 2.4 million.

Note 7 Events after the balance sheet date

Petrolia ASA sold its NOK 139.5 of the bond loan at par + accrued interest.

Petrolia Norway AS (a 100% subsidiary of Petrolia ASA) has on 18 May 2012 entered into an agreement to purchase Front Exploration AS's 30% share of production licences PL 506S, PL 506BS, PL 506CS and PL 506DS. The transaction is pending approval from the authorities. Drilling is expected in the first quarter of 2013. This transaction conforms to Petrolia Norway's strategy of maximising field potential through innovative exploration and increased oil recovery technology from mature areas on the Norwegian Continental Shelf, leveraging on the extensive industry experience of the Petrolia Norway team.