PETROLIA

Q3 2012

PETROLIA E&P Holdings SE (PDR) third quarter 2012 preliminary result

Summary of main events per 30 September 2012

- Revenue was USD 25.7 million in Q3 and USD 70.0 million the first nine months of 2012.
- EBITDA was USD 0.5 million in Q3 (of which Oil and Gas was USD -8.5 million) and USD 10.1 million the first nine months of 2012 (of which Oil and Gas was USD -12.5 million).
- Total Shareholder's Equity per 30.09.2012 was USD 91.8 million (USD 3.37 per new share after the Cyprus merger).
- 13 August 2012, the company announced the results from the drilling of the exploration well at the Ulvetanna prospect. Even as the main reservoir, the Tor formation, contained no hydrocarbons, there are several prospects with considerable potential in this license. The PL 356 partnership will now evaluate the Ulvetanna results and thereafter decide on future exploration within the license. Petrolia Norway AS owns 10% of PL 356.
- 7 September 2012 Petrolia Norway AS' purchase of 30% in the four licenses PL 506S, PL 506BS, PL 506CS and PL 506DS was approved by the authorities.
- 11 September 2012 the first buy back (NOK 23 million) of the company's bond loan was made.

Financial information

Profit and loss for the first nine months of 2012 compared to first nine months of 2011

Total revenue was USD 70.0 million compared to USD 63.4 million in 2011. Revenues are primarily from the OilService segment.

EBITDA was USD 10.1 million compared to USD 24.7 million in 2011. The OilServices segment had an EBITDA of USD 25.8 million and the Oil and Gas segment had an EBITDA of USD -12.5 million.

Operating expenses was USD 60.0 million compared to USD 38.7 in 2011.

Operating loss was USD 13.8 million (Oil and Gas operating loss was USD 12.7 million) including USD 23.8 million in depreciation. Operating loss in 2011 was USD 9.7 million including USD 30.3 million in depreciation and USD 4.1 million in impairment. Depreciation of rental equipment is linearly over 5 years although actual economic life is 7-12 years.

Net financial result was USD -1.8 million compared to USD -14.3 million in 2011. The net result after-tax was USD -10.5 million compared to USD 8.2 in 2011.

Result after tax was USD -6.6 million compared to USD 7.4 million in 2011. The Oil and Gas segment had a loss of 4.1 million and the OilService segment had a profit of 0.2 million.

The USD/NOK exchange rate has changed from 5.84 as of 30 September 2011 to 5.70 as of 30 September 2012.

Profit and loss for the third quarter of 2012 compared to the third quarter of 2011

Total revenue was USD 25.7 million compared to USD 20.1 million in 2011.

EBITDA was USD 0.5 million compared to USD 10.0 million in 2011. The OilServices segment had an EBITDA of USD 9.7 million and the Oil and Gas segment had an EBITDA of USD -8.5 million.

Operating expenses was USD 25.2 million compared to USD 10.1 in 2011.

Operating loss was USD 6.6 million (Oil and Gas operating loss was USD 8.6 million) including USD 7.1 million in depreciation. Operating loss in 2011 was USD 0.3 million including USD 10.3 million in depreciation.

Net financial result was USD 3.9 million compared to USD -0.5 million in 2011. The net result after-tax was USD 3.9 million compared to USD -0.8 in 2011.

Cash flow

Cash flow from operations was USD 4.8 million in 2012 compared to USD -20.2 million in 2011. Cash flow from investments in 2012 was USD -8.8 million compared to USD 81.7 million in 2011. Cash flow from financing activities in 2012 was USD -4.3 million compared to USD -45.2 million in 2011. Free cash as of 30 September 2012 was USD 10.1 million compared to USD 48.3 million as of 30 September 2011.

Statement of financial position

As of 30 September 2012, total assets amounted to USD 223.0 million. Investment in rental equipment had a book value of USD 64.9 million, investment in land rigs had a book value of USD 14.2 million, investment in listed shares had a book value of USD 13.4 million and total cash was USD 24.6 million.

Rental equipment is depreciated over five years and a significant part of the equipment is fully depreciated. Acquisition cost is USD 270.2 million compared to book value of USD 64.9 million.

As per 30 September 2012, net interest bearing bond loans amounted to USD 56.4 million. In addition there is a financial leasing facility for rental equipment in the amount of USD 11.3 million.

Total equity was USD 91.8 million as per 30 September 2012, including a minority interest of USD 3.0 million. Book value of equity per share was USD 0.30 as per 30 September 2012, including minority interest of USD 0.01 per share.

Share information

As of 30 September 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 30 June 2012, the company held 525 003 (0.17 per cent) treasury shares. The Cross-Border merger was completed 26 October 2012. The merger effectively included a reversed split whereby 11.10547 old shares became 1 new share. The share capital as of 26 October 2012 is 27 235 867 shares each with par value USD 1.

Detailed information about the merger can be found in the Information Memorandum that was made: http://petrolia.eu/publish_files/2012-10-25_IM_Cyprus_Merger.pdf.

The company name following the merger is Petrolia E&P Holdings SE, but it is expected that the EGM 23 November 2012 will resolve to simplify the name to Petrolia SE.

The market and outlook

Petrolia Norway AS has since the incorporation in June 2011 acquired a 10 % interest in PL 356 and a 30% interest in PL506S, PL506BS, PL506CS and PL506DS and actively supports IOR (Increased Oil Recovery) initiatives. The company was approved as a NCS (Norwegian Continental Shelf) license holder in February 2012 and drilled its first well in Q3 2012. Leveraging on the sound geological and engineering expertise of the Petrolia Norway team, the company is actively participating in upcoming APA (awards in predefined area) rounds and pursue farm-in opportunities.

The current board and management of Petrolia has over the latest year performed a complete turnaround of the company, with focus on strengthening the balance, improve the operations of the IOT Group and to create a new E&P company, Petrolia Norway, with focus on the NCS.

With the amendment of the NOK 344,5 million bond, including the maturity extension to 19 June 2015, the company is on track to secure a solid financing for the future growth strategy.

The restructuring of the IOT Group is continuing to deliver improved operations, growth and a positive EBITDA contribution. 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 expects an increased activity level for the OilService division going forward. In the IOT Group the revenues for 2012 are expected at USD 80 – 90 million with an EBITDA of USD 30 – 40 million.

Related party transactions

All shares (13.9%) in Rocksource ASA were sold 19 September 2012 to Larsen Oil & Gas AS at prevailing market price.

About the company

Oil & Gas division:

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

18 May 2012 30% of four new licenses (PL 506S, PL 506BS, PL 506CS and PL 506DS) was purchased from Front Exploration AS. This transaction was approved by the authorities 7 September 2012.

Through Petroresources Ltd the division has economic interests in licenses in Africa and the Middle East and through the announced possible merger with the oil division of Independent Oilfield Rentals Ltd the portfolio will increase and also include production.

OilService division:

The IOT Group provides world-wide drilling rental services and various oil services.

Drilling and Well Technology division:

The new land drilling rig is on an 18 well contract and has proven to be efficient in line with expectations.

The work-over land rig is being marketed and will be mobilised once a LOI is signed. Both rigs are managed by TM Drill, a Romanian Drilling contractor, 19.66% owned by Petrolia.

Key risks and uncertainty

The activities and assets of the group are primarily in USD and the Bond Loan is in NOK. 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 Oil Tools Supplier (formerly Petrolia Services AS) purchased drilling equipment for USD 34.7 million from PetroMENA ASA. Petrolia dismisses the claim. The court case is postponed until 3 December 2012. Oil Tools Supplier 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

The board of PetroMENA has filed a claim of NOK 7.4 billion against a bank for various breaches of law and governance.

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 Oil Tools Supplier 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.

16 May 2012, the Company announced the sale of NOK 139,5 million of its own bond, ISIN number NO 0010440258. Due to a challenging economic environment for reselling the bonds, in addition to the process of relocating the registered head quarter to Cyprus through a merger, Petrolia has granted the buyer a short term waiver of the residual settlement. Petrolia holds collateral on the bonds and expects the full proceeds for the sale to be paid within a reasonable time. However, Petrolia has informed the buyer it´s intention to redeem the bonds, with interest and coverage of liabilities, if an applicable solution is not made.

Board of Directors, Petrolia E&P Holdings SE, 22 November 2012

Financial report third quarter 2012 – preliminary

Consolidated Statement of Comprehensive Income				
All figures in USD (1000)				
	Q3 2012	YTD 2012	Q3 2011	YTD 2011
Operating revenues	25 674	69 969	20 098	63 358
Operating expenses	25 155	59 912	10 129	38 691
Operating profit before depreciation (EBITDA)	520	10 058	9 968	24 667
Depreciation	7 088	23 807	10 274	30 272
Impairment	0	0	0	4 115
Operating profit (loss-)	-6 568	-13 750	-306	-9 721
Result from joint venture	0	0	0	10 106
Result from associated companies	-4	-722	-4	-9
Net financial income/expenses(-)	3 941	-1 849	-462	-14 326
Profit before income tax	-2 632	-16 321	-771	-13 949
Tax	-6 483	-9 718	0	-21 379
Profit for the year	**3 851**	**-6 603**	**-771**	**7 430**
Other comprehensive income				
Currency translation differences	**1 852**	**1 237**	**-7 813**	**-16 754**
Total other comprehensive income	**1 852**	**1 237**	**-7 813**	**-16 754**
Total comprehensive income for the year	**5 703**	**-5 366**	**-8 584**	**-9 325**
Number of shares	302 078 463	302 078 463	151 889 512	151 889 512
Earnings per share, basic	**0.01**	**-0.02**	**-0.01**	**0.05**

Condensed Consolidated Statement of Financial Position		
All figures in USD (1000)		
Assets	**30.09.2012**	**Audited 31.12.2011**
Deferred tax assets	20 297	20 297
Exploration costs and licences	2 758	0
Land rigs	14 156	0
Drilling equipment and other equipment	64 862	79 388
Land and buildings	2 031	2 281
Investments in associates	5 505	5 727
Other financial fixed assets	2 001	1 202
Restricted cash	14 383	8 517
Total non-current assets	125 993	117 412
Inventory	1 780	987
Tax receivables	11 878	1 830
Accounts receivable	34 283	27 251
Other current assets	25 488	11 619
Financial asset at fair value through P&L	13 375	15 779
Other liquid assets	15	15
Free cash	10 112	18 920
Restricted cash	60	5 397
Total current assets	96 992	81 797
Total assets	**222 984**	**199 209**
Equity and liabilities	**30.09.2012**	**31.12.2011**
Share capital	2 175	1 226
Treasury shares	- 2 153	-2 153
Share premium fund	12 093	0
Other equity	76 638	82 410
Majority interest	88 753	81 483
Minority interest	3 020	2 615
Total equity	91 773	84 098
Bond loan	56 408	0
Retirement benefit obligations	262	267
Deferred tax liability	20 297	20 297
Other long-term liabilities	3 551	7 485
Total non-current liabilities	80 518	28 049
Short-term portion of non-current liabilities	7 833	43 208
Accounts payable	21 332	24 099
Provisions	3 948	3 948
Other current liabilities	17 580	15 807
Total current liabilities	50 693	87 062
Total liabilities	131 211	115 111
Total equity and liabilities	**222 984**	**199 209**
Book equity per share (end of period shares)	0.30	0.83
Book equity per share (after Cyprus merger)	3.37	
Equity ratio	40 %	41 %

Total cash is USD 24.6 million. Restricted cash includes USD 5.7 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	-5 367	-741
Total change of equity in the period	7 674	-741
Equity at period end 30.09	**91 772**	**94 507**

Condensed Consolidated Cash Flow Statement				
All figures in USD (1000)				
	Q3 2012	**YTD 2012**	**Q3 2011**	**YTD 2011**
Net cash flow from operating activities	-3 050	4 797	-20 434	-20 241
Net cash flow from investing activities	1 411	-8 785	-12 209	81 669
Net cash flow from financing activities	3 088	-4 291	-9 712	-45 159
Net change in cash and cash equivalents	1 449	-8 279	-42 355	16 269
Cash and cash equivalents at beginning of period	23 106	32 834	104 373	45 749
Exchange gain/loss (-)on cash and cash equivalents				
Cash and cash equivalents at period end	**24 555**	**24 555**	**62 018**	**62 018**

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. Financing activities in Q1 2012 are leasing payments of USD 2.4 million

Investment activities in Q2 2012 are: equipment investments of USD 3.0 million and net investments in shares of USD 0.7 million. Financing activities in Q2 2012 are payment of bond interests and fee of USD 4.0 million, leasing payments of USD 2.3 million and proceeds from bond sale of USD 1.4 million.

Investment activities in Q3 2012 are: equipment investments of USD 6.5 million (of which USD 1.3 million was new leasing) and net divestment in shares of USD 6.6 million. Financing activities in Q3 2012 include buy back of Borrower's Bonds by USD 4.0 million, leasing payments of USD 2.4 million, a new credit facility of USD 3.6 million and receipts regarding previous sale of Borrower's Bond of USD 6.0 million.

Notes to the unaudited condensed consolidated figures:

Note 1 Applied accounting principles

This third 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 22 November 2012 at 11:40 hours.

This third 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 Fixed assets

The table below outlines the development of fixed assets as of 30 September 2012:

All figures in USD (1000)	Drilling- and other equipment	Land rigs	Land and buildings	Exploration costs and licences	Total
Balance at 1 Jan 2012	79 388	0	2 281	0	81 669
Acquisition cost:					
Acquisition cost at 1 Jan 2012	262 356	0	2 979	0	265 335
Purchased tangibles in 2012	9 088	3 132	10	2 758	14 988
Rigs merger	1 993	11 024	0	0	13 017
Disposal in 2012	-404	0	0	0	-404
Acquisition cost at 30 September 2012	273 033	14 156	2 989	2 758	292 936
Depreciation/impairment:					
Balance depreciation at 1 January 2012	170 692	0	697	0	171 389
Balance impairment at 1 January 2012	12 276	0	0	0	12 276
Depreciation in 2012	23 051	0	26	0	23 077
Impairment in 2012	0	0	0	0	0
Disposal of depreciation in 2012	217	0	0	0	217
Disposal of impairment in 2012	0	0	0	0	0
Balance at 30 September 2012	206 236	0	723	0	206 959
Translation differences	-1 935	0	-234	0	-2 169
Carrying amount: **Balance at 30 September 2012** **Residual value**	64 862	14 156	2 758	2 031	83 808

Note 3 Investments in associates

All figures in USD (1000) **Investments in associates**	**Petroresources Ltd**	**TM Drill**	**Sum**
Shareholding	46.68%	19.66%	
Business address	Limassol,Cyprus	Ernei, Romania	
Balance 1 January 2011	1 785	3 941	5 727
Investments	499	0	499
Share of result	-13	-709	-722
Balance at 30 September 2012	**2 272**	**3 233**	**5 504**

Note 4 Segment Information

All figures in USD (1000)	**Oil & Gas**	**Drilling & Well Technology**	**OilService**	**Other**	**Total**
Revenue	537		69 432		69 969
EBITDA	-12 472		25 754	-3 224	10 058
Tax	9 717				9 718
Result	-4 085	-214	206	-2 510	-6 603
Rental equipment, land rigs, licences	2 758	14 156	64 862		81 776
Property			2 031		2 031

Petrolia Norway AS became prequalified for the Norwegian Continental Shelf on 6 February 2012. On 16 August 2011 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. 18 May 2012 30% of four new licenses (PL 506S, PL 506BS, PL 506CS and PL 506DS) was purchased from Front Exploration AS. This transaction was approved 7 September 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 new land drilling rig is on an 18 well contract and has proven to be efficient in line with expectations. The work-over land rig is being marketed and will be mobilised once a LOI is signed. Both rigs are managed by TM Drill, a Romanian Drilling contractor, 19.66% owned by Petrolia.

Note 5 Legal disputes

The claw-back claims from the estates of PetroMENA ASA remain open and the court case is scheduled to start 3 December 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 Oil Tools Supplier 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 1.0 million and EBITDA of USD 0.2 million per Q3 2012. Total assets was USD 1.4 million and total equity was USD - 2.3 million.

Note 7 Events after the balance sheet date

26 October 2012 the Cross-Border merger was completed and the company now has its head office in Limassol, Cyprus.

The new company was listed from 29 October 2012 as a continuation of the previous listing and with the same ticker (PDR). The merger effectively included a reverse split whereby 11 (11.10547) old shares became 1 new share.