

2nd quarter &

1st half year

2011



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

PETROLIA ASA (PDR) second quarter and half year 2011 preliminary result

Summary of main events

- Total Comprehensive income was USD -17.8 million in Q2 2011 and USD -0.7 million for half year 2011
- Revenue was USD 22.6 million in Q2 2011 and USD 43.3 million for half year 2011
- Operating profit before depreciation and impairment was USD 6.5 million in Q2 and USD 14.7 million for half year 2011
- Shareholder's Equity per 30.06.2011 was USD 0.93 per share
- The Bond Loan was repaid with the scheduled NOK 100 million and an additional NOK 25.5 million bringing the remaining balance down to NOK 374.5 million (due 20 June 2012).
- The Board decided to use its proxy to increase the equity with 50 629 837 new shares (50%) and shareholders at the end of 27 June 2011 received subscription rights.
- Petrolia Norway AS was incorporated 3 June 2011

Financial information

Profit and loss for the first half year of 2011 compared to first half year of 2010

Activity has been in the Oilfield services division.

Book value of the rental drilling equipment as of 30 June 2011 was USD 85.8 million.

Total revenue was USD 43.3 million compared to USD 37.0 million in 2010.

Operating profit before depreciation was USD 14.7 million compared to USD 11.9 million in 2010.

Operating expenses was USD 28.6 million compared to USD 25.0 in 2010.

Operating loss was USD 9.4 million including USD 20.0 million in depreciation and USD 4.1 million in impairment. Operating loss in 2010 was USD 8.5 million, including USD 20.4 million in depreciation.

Result from Joint Venture was USD 10.1 million compared to USD 29.9 million in 2010. Result from associated company was USD -0.0 million compared to USD -3.4 million in 2010.

Net financial result was USD -13.9 compared to USD -9.4 in 2010. The net result after-tax was USD 8.2 million compared to USD 8.6 in 2010.

Tax assets of USD 21.4 million, which was not recognised as assets as of 31.12.2010, has been recognised as assets and resulted in tax revenues of USD 21.4 million.

The USD/NOK exchange rate has changed from 5.86 as of 31 December 2010 to 5.39 as of 30 June 2011.

Profit and loss for Q2 2011 compared to Q2 2010

Total revenue was USD 22.6 million compared to USD 19.9 million in 2010.

Operating profit before depreciation was USD 6.5 million compared to USD 6.4 million in 2010.

Operating expenses was USD 16.1 million compared to USD 13.4 in 2010.

Operating loss was USD 3.8 million including USD 10.2 million in depreciation. Operating loss in 2010 was USD 2.8 million, including USD 9.2 million in depreciation.

Result from Joint Venture was USD 0.0 million compared to USD 20.4 million in 2010. Result from associated company was USD -0.0 million compared to USD -3.7 million in 2010.

Net financial result was USD -5.9 compared to USD -3.2 in 2010. The net result after-tax was USD -9.7 million compared to USD 10.9 in 2010.



Cash flow

The cash flow in the first half year of 2011 is dominated by investing activities, primarily the sale of the shares in Deepwater Driller Ltd and the effect of purchasing the remaining 50% of the shares of Venture Drilling AS.

Cash flow from operations was USD 0.2 million in 2011 compared to USD 9.5 million in 2010. Cash flow from investments in 2011 was USD 93.9 million compared to USD -6.0 million in 2010. Cash flow from financing activities in 2011 was USD -35.4 million compared to USD -5.8 million in 2010.

Free cash as of 30 June 2011 was USD 68.6 million compared to USD 12.6 million as of 30 June 2010.

Statement of financial position

As of 30 June 2011, total assets amounted to USD 254.1 million. Investment in drilling equipment had a book value of USD 85.8 million and total cash was USD 104.4 million.

As per 30 June 2011, net interest bearing bond loans amounted to USD 69.5 million 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 20.6 million.

Total equity was USD 94.5 million as per 30 June 2011, including a minority interest of USD 2.7 million. Book value of equity per share was USD 0.93 as per 30 June 2011, including minority interest of USD 0.03 per share.

Share information

As of 30 June 2011, the total number of shares outstanding in Petrolia ASA equalled 101.259.675, 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 2011, the company held 525 003 (0.52 per cent) treasury shares.

A Rights Issue of 50 629 837 new shares was fully subscribed and completed on 23 August 2011. Once the new share capital is recorded at www.brreg.no the new number of shares will be 151 889 512.

The market and outlook

The Board of Directors remains cautious towards the general market outlook as the general financial uncertainty still remains higher than normal.

There are positive signs of improvement in the global market conditions. Still, as we have not seen the effect for the contractors, we see challenges in the pricing and duration of contracts.

In line with the mandate from the general meeting in June 2011, the process of relocating the registered head-office from Norway to Cyprus is on-going.

Related party transactions

There have been no significant related party transactions.



About the company

Oil & Gas division:

Petrolia Norway AS has been incorporated as an oil company focusing on the Norwegian Continental Shelf.

Petrolia has increased its shareholding in **Petroresources Ltd.** to 43.78% and participated two smaller equity increases.

Oilfield Service division:

Petrolia Services AS, a 100 per cent owned subsidiary of Petrolia ASA provides oilfield 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. The drillship has been redelivered to its owners and the company is marketing its remaining drilling equipment and seeking new opportunities. Since the level of activity in the company was insignificant at the transaction date, the purchase has been recorded as a purchase of assets and liabilities and not as a business combination. The transaction did not result in any goodwill.

All shares in **Deepwater Driller Ltd** have been sold for a total cash consideration of USD 34.5 million. USD 3.0 million is placed in escrow (restricted cash).

Deepwater Driller Ltd and Larsen Oil & Gas Ltd. were until recently involved in arbitration proceedings before The London Court of International Arbitration for the termination of the technical and operational agreement. The parties settled the matter in May 2011 before the proceedings started.

Through a shareholders agreement the original shareholders of Deepwater Driller Ltd (Petrolia Invest AS had 30%) would have to hold the company harmless and cover any cost connected to the dispute. Petrolia, as a minority shareholder, objected to the termination since it found no legal basis for a termination and accrued USD 1.5 million in 2010. Payment of USD 1.65 million has been made in May 2011.

Key risks and uncertainty

Petrolia ASA has a bond loan with a remaining balance of NOK 374.5 million which is due on 20 June 2012. The activities and assets of the group are primarily in USD, including significant cash deposits. There is thus a significant 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 13th November 2008 whereby Petrolia Services AS purchased drilling equipment for USD 34.7 million from PetroMENA ASA. Petrolia dismisses the claim.

The Estate of Petrojack ASA (40% owned by Petrolia) is, through a writ of summons ("stevning"), seeking to invalidate an equipment purchase on 31 July 2009 whereby Petrolia Services AS purchased drilling equipment for USD 5.3 million from Petrojack ASA. Petrolia dismisses the claim.

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.



Responsibility Statement


We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2011 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the company's and group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Board of Directors, Petrolia ASA, 25 August 2011



Berge Gerdt Larsen
Chairman of the Board

Chairman of the Board



Stur Skarås
Board Member

Board Member



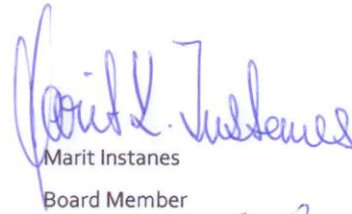
Erik Frydenø
Board Member

Board Member



Unni F. Tefre
Board Member

Board Member



Marit Instanes
Board Member

Board Member



Kjeth Forland
Managing Director

Managing Director

Managing Director



Financial report second quarter and half year 2011 – preliminary

Consolidated Statement of Comprehensive Income				
All figures in USD (1000)				
	Q2 2011	YTD 2011	Q2 2010	YTD 2010
Operating revenues	22 592	43 260	19 871	36 958
Operating expenses	16 101	28 561	13 440	25 034
Operating profit before depreciation	6 491	14 699	6 431	11 924
Depreciation	10 249	19 998	9 224	20 425
Impairment	0	4 115	0	0
Operating profit (loss-)	-3 759	-9 415	-2 793	-8 501
Result from joint venture	0	10 106	20 356	29 878
Result from associated companies	-4	-5	-3 656	-3 400
Net financial income/expenses(-)	-5 897	-13 864	-3 158	-9 368
Profit before income tax	-9 660	-13 178	10 749	8 609
Tax	0	-21 379	-107	-39
Profit for the year	-9 660	8 201	10 856	8 648
Other comprehensive income				
Currency translation differences	-8 144	-8 942	-1 747	-1 589
Total other comprehensive income	-8 144	-8 942	-1 747	-1 589
Total comprehensive income for the year	-17 804	-741	9 109	7 059
Number of shares	101 259 675	101 259 675	101 259 675	101 259 265
Earnings per share, basic	-0.10	0.08	0.11	0.09

Condensed Consolidated Statement of Financial Position

All figures in USD (1000)

Assets	30.06.2011	Audited 31.12.2010
Drilling equipment and other equipment	85 832	86 761
Land and buildings	1 776	2 245
Investments in joint venture	0	65 658
Investments in associates	6 032	2 674
Non-current assets held for sale	0	34 500
Other financial fixed assets	6 027	6
Total non-current assets	99 667	191 844
Inventory	1 169	1 121
Trade- and other current receivables	43 235	22 949
Financial asset at fair value through p&l	5 658	0
Other liquid assets	15	16
Free cash	68 591	16 053
Restricted cash	35 783	29 696
Total current assets	154 451	69 835
Total assets	254 118	261 679
Equity and liabilities	30.06.2011	31.12.2010
Share capital	749	93 568
Treasury shares	-4	-2 153
Share premium fund	45 232	45 232
Other equity	45 787	-44 253
Majority interest	91 763	92 394
Minority interest	2 744	2 854
Total equity	94 507	95 248
Bond loan	0	68 391
Retirement benefit obligations	295	307
Other long-term liabilities	9 783	15 582
Total non-current liabilities	10 078	84 208
Short-term portion of non-current liabilities	80 321	27 915
Accounts payable	19 714	16 545
Payable tax	3 025	-293
Other current liabilities	46 474	37 984
Total current liabilities	149 534	82 151
Total liabilities	159 612	166 431
Total equity and liabilities	254 118	261 679
Book equity per share (end of period shares)	0.93	0.94
Equity ratio	36 %	35 %

Par value of the shares has been reduced from NOK 5.00 to NOK 0.04 effective from 5 March 2011 when the change was recorded at www.brreg.no. The transaction does not affect total equity. Share capital and treasury shares are reduced while other equity increases.

Included in Restricted cash and in Other current liabilities is USD 21.2 million regarding the guarantee to Pemex regarding SS Petrolia. Once the guarantee is terminated, this cash will be release in favour of PetroMena Ltd (Cyprus). Also included in Restricted cash is USD 9.2 million on a Bond Loan interest security account.

Condensed Consolidated Statement of changes in Equity

All figures in USD (1000)

	YTD 2011	YTD 2010
Equity period start 01.01	95 248	179 040
Total comprehensive income/loss (-) for the period	-741	-2 050
Total change of equity in the period	-741	-2 050
Equity at period end 30.06	94 507	176 990

Condensed Consolidated Cash Flow Statement

All figures in USD (1000)

	Q2 2011	YTD 2011	Q2 2010	YTD 2010
Net cash flow from operating activities	3 217	193	8 426	9 496
Net cash flow from investing activities	-22 273	93 878	-3 595	-6 002
Net cash flow from financing activities	-30 409	-35 447	-4 281	-5 834
Net change in cash and cash equivalents	-49 465	58 624	550	-2 340
Cash and cash equivalents at beginning of period	153 838	45 749	46 608	49 616
Exchange gain/loss (-) on cash and cash equivalents			995	877
Cash and cash equivalents at period end	104 373	104 373	48 153	48 153

The investment activities include several large transactions in Q1 2011.

Net effect from Venture Drilling AS transactions is USD 86.8 million and include received dividend of USD 31 million, share purchase of USD -34 million and consolidating cash of USD 89.8 million into the group accounts.

All shares in Deepwater Driller Ltd have been sold and USD 34.5 million has been received.

Other investment activities in Q1 2011 are: equipment investments of USD 2.5 million, receipts from equipment sales of USD 2.0 million, investment in associates of USD 0.6 million and investment in other shares of USD 4.0 million.

In Q2 investment activities include USD 10.9 million in purchase of rental equipment, USD 2.7 million investment in associates and USD 8.7 million in other shares.

In Q2 financing activities include USD 2.2 million in leasing instalments, USD 3.0 million in bond interests, USD 21.1 million in scheduled bond repayment and USD 4.1 million in additional bond repayment.

Notes to the unaudited condensed consolidated figures:

Note 1 Applied accounting principles

This second 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 was approved by the Board 25 August 2011 at 18:00 hours.

This second 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 (2010). 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 (2010) have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2010 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 30 June 2011:

	Drilling- and other equipment	Land and buildings	Total
All figures in USD (1000)			
Balance at 1 Jan 2011	86 761	2 245	89 006
Acquisition cost:			
Acquisition cost at 1 Jan 2011	233 787	2 464	236 251
Purchased tangibles in Q1 and Q2 2011	13 399	0	13 399
Consolidation Venture Drilling AS	14 202	0	14 202
Disposal in Q1 and Q2 2011	-18 192	0	-18 192
Acquisition cost at 30 June 2011	243 196	2 464	245 660
Depreciation/impairment:			
Balance at 1 January 2011	147 026	220	147 246
Depreciation in Q1 and Q2 2011	19 998	372	20 370
Impairment in Q1 and Q2 2011	4 115	0	4 115
Consolidating Venture Drilling AS	1 978	0	1 978
Disposal of depreciation in Q1 and Q2 2011	-6 278	0	-6 278
Disposal of impairment in Q1 and Q2 2011	-5 103	0	-5 103
Balance at 30 June 2011	161 736	592	162 328
Translation differences	4 371	-96	4 275
Carrying amount:			
Balance at 30 June 2011	85 831	1 776	87 607
Residual value			

Note 3 Investments in associates

All figures in USD (1000)	Petroresources Ltd
Investments in associates	
Shareholding	43.78%
Business address	Limassol, Cyprus
Balance 1 January 2011	2 674
Investments	3 364
Share of result	-5
Balance at 30 June 2011	6 032

Petroresources Ltd. has economic interests in a well in North Africa that was spudded in August 2011.

Note 4 Segment Information

The oil & gas segment has started a process to be prequalified for the Norwegian Continental Shelf and expects to be prequalified by the end of 2011. In addition an agreement has been made with Det norske oljeselskap ASA (Detnor) to acquire 10% of the license PL 356 Ulvetanna. The agreement is subject to Petrolia Norway AS (997 015 231) being prequalified by the authorities.

Activities driving the financial statements remain primarily in the oilfield services segment while the two other segments are updating their strategies and seeking opportunities.

Note 5 Legal disputes

The claw-back claims from the estates of PetroMENA ASA and Petrojack ASA remain open. Total contingent liability is NOK 278 million and Petrolia reject the claims.

Note 6 Events after the balance sheet date

Petrolia Norway AS announced that an agreement had been made with Det norske oljeselskap ASA (Detnor) to acquire 10% of the license PL 356 Ulvetanna. The agreement is subject to Petrolia Norway AS being prequalified by the authorities.

The prospectus was approved by the authorities and the Rights Issue was fully subscribed and completed on 23 August 2011. Gross proceeds are NOK 25.3 million. The board resolved to allocate the net proceeds to support Petrolia Norway AS.

Petroresources Ltd. has economic interests in a well in North Africa that was spudded in August 2011.