

3rd quarter

2011



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

PETROLIA ASA (PDR) third quarter 2011 preliminary result

Summary of main events

- Total Comprehensive income was USD -8.6 million in Q3 2011 and USD -9.3 million per Q3 2011
- Revenue was USD 20.1 million in Q3 2011 and USD 63.4 million per Q3 2011
- Operating profit before depreciation and impairment was USD 10.0 million in Q3 and USD 24.7 million per Q3 2011
- Shareholder's Equity per 30.09.2011 was USD 0.59 per share
- On 2 September Petrolia repurchased Bond Loan in an amount of NOK 30 million (at 89 % + accrued interest) bringing the remaining balance down to NOK 344.5 million (due 20 June 2012).
- The Board of Directors resolved on 2 September to issue 15 188 951 new shares in a private placement towards employees and members of the board. Subscription price was set to NOK 0.50, the same price as in the Rights Issue.
- Petrolia ASA entered on 22 September 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 will be financed by issuing 135 million new shares in Petrolia ASA to Independent Oil & Resources ASA at NOK 0.55 per share and is subject to the approval of the company's extraordinary general meeting.

Financial information

Profit and loss for the first three quarters of 2011 compared to first three quarters of 2010

Activity has been in the Oilfield services division.

Book value of the rental drilling equipment as of 30 September 2011 was USD 80.5 million.

Total revenue was USD 63.4 million compared to USD 56.0 million in 2010.

Operating profit before depreciation was USD 24.7 million compared to USD 20.8 million in 2010.

Operating expenses was USD 38.7 million compared to USD 35.2 in 2010.

Operating loss was USD 9.7 million including USD 30.3 million in depreciation and USD 4.1 million in impairment. Operating loss in 2010 was USD 8.6 million, including USD 29.4 million in depreciation.

Result from Joint Venture was USD 10.1 million compared to USD 24.7 million in 2010. Result from associated company was USD -0.0 million compared to USD -4.0 million in 2010.

Net financial result was USD -14.3 compared to USD -9.8 in 2010. The net result after-tax was USD 7.4 million compared to USD 2.1 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 allowance of USD 21.4 million.

The USD/NOK exchange rate has changed from 5.86 as of 31 December 2010 to 5.84 as of 30 September 2011.

Profit and loss for Q3 2011 compared to Q3 2010

Total revenue was USD 20.1 million compared to USD 19.0 million in 2010.

Operating profit before depreciation was USD 10.0 million compared to USD 8.8 million in 2010.

Operating expenses was USD 10.1 million compared to USD 10.2 in 2010.

Operating loss was USD 0.3 million including USD 10.3 million in depreciation. Operating loss in 2010 was USD 0.1 million, including USD 9.0 million in depreciation.



Result from Joint Venture was USD 0.0 million compared to USD -5.2 million in 2010. Result from associated company was USD -0.0 million compared to USD -0.6 million in 2010.

Net financial result was USD -0.5 compared to USD -0.5 in 2010. The net result after-tax was USD -0.8 million compared to USD -6.6 in 2010.

Cash flow

The cash flow in the first three quarters of 2011 is dominated by investing activities in Q1, 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. In addition the Pemex guarantee for SS Petrolia was terminated in Q3 resulting in a USD 21.2 million reduction of both restricted cash and current liabilities.

Cash flow from operations was USD -20.2 million in 2011 compared to USD 15.2 million in 2010. Cash flow from investments in 2011 was USD 81.7 million compared to USD -7.2 million in 2010. Cash flow from financing activities in 2011 was USD -45.2 million compared to USD -14.9 million in 2010.

Free cash as of 30 September 2011 was USD 48.3 million compared to USD 8.0 million as of 30 September 2010.

Statement of financial position

As of 30 September 2011, total assets amounted to USD 213.4 million. Investment in drilling equipment had a book value of USD 80.5 million and total cash was USD 62.0 million.

As per 30 September 2011, net interest bearing bond loans amounted to USD 59.0 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 18.6 million.

Total equity was USD 90.1 million as per 30 September 2011, including a minority interest of USD 2.8 million. Book value of equity per share was USD 0.59 as per 30 September 2011, including minority interest of USD 0.02 per share.

Share information

As of 30 September 2011, the total number of shares outstanding in Petrolia ASA equalled 151 889 512, 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 September 2011, the company held 525 003 (0.35 per cent) treasury shares.

A private placement towards employees of 15 188 951 new shares was fully subscribed and completed on 2 September 2011. The new share capital was recorded at www.brreg.no on 19 October 2011 and after this the new number of shares is 167 078 463.

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 yet seen the effect on 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

Petrolia ASA entered on 22 September 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 will be financed by issuing 135 million new shares in Petrolia ASA to Independent Oil & Resources ASA at NOK 0.55 per share and is subject to the approval of the company's extraordinary general meeting.

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 are currently in a process being prequalified as licence owner in the NCS

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 and is now working on renting out or selling off out 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. On 21 November, Petrolia ASA bought back NOK 139 500 000 of outstanding bond at 95% + accrued interest. Following the completion of the buyback NOK 344.5 million of Bonds remain outstanding (of which Petrolia ASA owns 139 500 000).

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 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, and will most likely start during fall 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 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 November 2011



Financial report third quarter 2011 – preliminary

Consolidated Statement of Comprehensive Income				
All figures in USD (1000)				
	Q3 2011	YTD 2011	Q3 2010	YTD 2010
Operating revenues	20 098	63 358	19 047	56 005
Operating expenses	10 129	38 691	10 214	35 248
Operating profit before depreciation	9 968	24 667	8 833	20 757
Depreciation	10 274	30 272	8 968	29 393
Impairment	0	4 115	0	0
Operating profit (loss-)	-306	-9 721	-134	-8 635
Result from joint venture	0	10 106	-5 190	24 688
Result from associated companies	-4	-9	-592	-3 992
Net financial income/expenses(-)	-462	-14 326	-452	-9 820
Profit before income tax	-771	-13 949	-6 368	2 241
Tax	0	-21 379	215	176
Profit for the year	-771	7 430	-6 583	2 065
Other comprehensive income				
Currency translation differences	-7 813	-16 754	1 513	-76
Total other comprehensive income	7 813	-16 754	1 513	-76
Total comprehensive income for the year	-8 584	-9 325	-5 070	1 989
Number of shares	151 889 512	151 889 512	101 259 675	101 259 265
Earnings per share, basic	-0.01	0.05	-0.07	0.02

Condensed Consolidated Statement of Financial Position

All figures in USD (1000)

Assets	30.09.2011	Audited 31.12.2010
Drilling equipment and other equipment	80 485	86 761
Land and buildings	1 778	2 245
Investments in joint venture	0	65 658
Investments in associates	6 028	2 674
Non-current assets held for sale	0	34 500
Other financial fixed assets	7 851	6
Total non-current assets	96 142	191 844
Inventory	1 061	1 121
Trade- and other current receivables	45 636	22 949
Financial asset at fair value through p&l	8 486	0
Other liquid assets	15	16
Free cash	48 272	16 053
Restricted cash	13 746	29 696
Total current assets	117 216	69 835
Total assets	213 359	261 679
Equity and liabilities	30.09.2011	31.12.2010
Share capital	1 118	93 568
Treasury shares	-4	-2 153
Share premium fund	49 033	45 232
Other equity	37 178	-44 253
Majority interest	87 325	92 394
Minority interest	2 769	2 854
Total equity	90 094	95 248
Bond loan	0	68 391
Retirement benefit obligations	277	307
Other long-term liabilities	9 604	15 582
Total non-current liabilities	9 881	84 208
Short-term portion of non-current liabilities	67 973	27 915
Accounts payable	18 062	16 545
Payable tax	3 120	-293
Other current liabilities	24 229	37 984
Total current liabilities	113 384	82 151
Total liabilities	123 265	166 431
Total equity and liabilities	213 358	261 679
Book equity per share (end of period shares)	0.59	0.94
Equity ratio	41 %	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.

Total cash is USD 62.0 million. Restricted cash includes USD 8.5 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 and USD 2.2 million in escrow connected to sale of disputed equipment. Restricted cash and Other current liabilities are reduced with USD 21.2 million regarding the guarantee to Pemex regarding SS Petrolia. Now that the guarantee is terminated, this cash has been released in favour of PetroMena Ltd (Cyprus).

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 equity from shareholders in the period	4 171	0
Total comprehensive income/loss (-) for the period	-9 325	1 989
Total change of equity in the period	-5 154	1 989
Equity at period end 30.09	90 094	181 029

Condensed Consolidated Cash Flow Statement

All figures in USD (1000)

	Q3 2011	YTD 2011	Q3 2010	YTD 2010
Net cash flow from operating activities	-20 434	-20 241	5 673	15 169
Net cash flow from investing activities	-12 209	81 669	-1 164	-7 166
Net cash flow from financing activities	-9 712	-45 159	-9 053	-14 887
Net change in cash and cash equivalents	-42 355	16 269	-4 544	-6 884
Cash and cash equivalents at beginning of period	104 373	45 749	48 153	49 616
Exchange gain/loss (-) on cash and cash equivalents			-399	478
Cash and cash equivalents at period end	62 018	62 018	43 210	43 210

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 investments 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.

In Q3 investment activities include USD 7.7 million in purchase of rental equipment and USD 4.7 million in investments other shares.

In Q3 financing activities include USD 2.0 in leasing instalments, USD 2.1 million in bond interests and USD 5.6 million in bond repayment.



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 was approved by the Board 23 November 2011 at 16:00 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 (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 September 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, Q2 and Q3 2011	21 082	11	21 093
Consolidation Venture Drilling AS	14 202	0	14 202
Disposal in Q1, Q2 and Q3 2011	-18 192	0	-18 192
Acquisition cost at 30 September 2011	250 879	2 475	253 354
Depreciation/impairment:			
Balance at 1 January 2011	147 026	220	147 246
Depreciation in Q1, Q2 and Q3 2011	30 272	381	30 653
Impairment in Q1, Q2 and Q3 2011	4 115	0	4 115
Consolidating Venture Drilling AS	1 978	0	1 978
Disposal of depreciation in Q1, Q2 and Q3 2011	-6 278	0	-6 278
Disposal of impairment in Q1, Q2 and Q3 2011	-5 103	0	-5 103
Balance at 30 September 2011	172 010	601	172 611
Translation differences	1 615	-96	1 519
Carrying amount:			
Balance at 30 September 2011	80 484	1 778	82 263
Residual value			

Note 3 Investments in associates

All figures in USD (1000) Investments in associates	Petroresources Ltd
Shareholding	43.78%
Business address	Limassol, Cyprus
Balance 1 January 2011	2 674
Investments	3 364
Share of result	-9
Balance at 30 September 2011	6 028

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 are in a process to be prequalified for the Norwegian Continental Shelf and expects to be prequalified by the end of 2011. In addition an agreement was made on the 16th of August 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 remain open and the court case is postponed, and will most likely start during fall 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.

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

Note 6 Events after the balance sheet date

Petrolia ASA announced on 3 October a possible merger of the oil department of Independent Oilfield Rentals (IOR) Ltd. The Independent oil department has both production and exploration license interests in the Middle East and North Africa (MENA). The estimated merger value of Independent's oil department is between USD 10 -50 mill, depending on the future political and operational situation in the MENA area.

Value of a share of an exploration well presently being drilled in North Africa, is not included. The effective date is planned for 1 January 2012 after the Registered Head Office of Petrolia is moved to Cyprus.

The company have ben financial involved in an exploration well in North Africa trough Petroresources ltd. Hydrocarbons where detected and further analysis needed to evaluate if the well possible can be commercial in the future.

Petrolia ASA announced on 7 November an initiative for an industrial sale, restructuring or merger of DNO International ASA in order to maximize shareholder value and offers to purchase up to 33.33% of the outstanding shares in DNO for NOK 10 per share with a consideration of shares in Petrolia ASA.

On 21 November, Petrolia ASA bought back NOK 139 500 000 of outstanding bond at 95% + accrued interest. Following the completion of the buyback NOK 344.5 million of Bonds remain outstanding (of which Petrolia ASA owns 139 500 000).