

4th quarter

2011



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

PETROLIA ASA (PDR) fourth quarter 2011 preliminary result

Summary of main events

- Total Comprehensive income was USD -5.7 million in Q4 2011 and USD -15.1 million per Q4 2011
- Revenue was USD 20.5 million in Q4 2011 and USD 83.9 million per Q4 2011
- Operating profit before depreciation and impairment was USD 3.8 million in Q4 and USD 28.5 million per Q4 2011
- Shareholder's Equity per 31.12.2011 was USD 0.51 per share.
- On 3 October the Board of Directors of Independent Oilfield Rentals has formally approved to start merger negotiations of their oil department with Petrolia ASA. The Independent oil department has both production and exploration license interests in the Middle East and North Africa (MENA). It is expected that the agreement will be completed in first half of 2012.
- Petrolia ASA received 02 November 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 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 ASA has filed an appeal.
- On 21 November Petrolia repurchased Bond Loan in an amount of NOK 139.5 million (at 95 % + accrued interest) bringing the remaining balance down to NOK 344.5 million (of which Petrolia ASA owns 139.5 million) (due 20 June 2012).
- On 30 November the Boards of Directors of Petrolia ASA and Petrolia E&P Holdings PLC have approved the merger plan for the proposed cross-border merger between the companies, with Petrolia E&P Holdings PLC as the surviving company.
- On the 30 December the extraordinary general meeting approved to re-domicile to Cyprus through a cross-border merger and the rig merger between Petrolia Rigs II AS and IO&R AS. It is expected that the merger to be completed in Q1 2012
- Reference is made to the stock exchange notice of 5 September 2011 regarding the resolution to issue 15 188 951 new shares in Petrolia ASA. The issue was fully subscribed and 15 188 951 new shares were allocated by the board of directors on 8 September 2011. Petrolia ASA's new share capital is NOK 6 683 138, 52.

Financial information

Profit and loss for 2011 compared to 2010

Activity has been in the Oilfield services division.

Book value of the rental drilling equipment as of 31 December 2011 was USD 79.4 million.

Total revenue was USD 83.9 million compared to USD 75.5 million in 2010.

Operating profit before depreciation was USD 28.5 million compared to USD -34.0 million in 2010.

Operating expenses was USD 55.4 million compared to USD 109.6 in 2010.

Operating loss was USD 16.5 million including USD 40.9 million in depreciation and USD 4.1 million in impairment. Operating loss in 2010 was USD 80.9 million including USD 42.1 million in depreciation and USD 4.8 million in impairment.

Result from Joint Venture was USD -0.7 million compared to USD 16.1 million in 2010. Result from associated company was USD -6.8 million compared to USD -10.9 million in 2010.

Net financial result was USD -16.0 compared to USD -11.6 in 2010. The net result after-tax was USD -15.1 million compared to USD -87.3 in 2010.



Tax assets of USD 24.9 million, which was not recognised as assets as of 31.12.2010, has been recognised as assets and resulted in tax allowance of USD 24.9 million.

The USD/NOK exchange rate has changed from 5.86 as of 31 December 2010 to 5.99 as of 31 December 2011.

Profit and loss for Q4 2011 compared to Q4 2010

Total revenue was USD 20.5 million compared to USD 19.5 million in 2010.

Operating profit before depreciation was USD 3.8 million compared to USD -54.8 million in 2010.

Operating expenses was USD 16.7 million compared to USD 74.3 in 2010.

Operating loss was USD 6.8 million including USD 10.6 million in depreciation. Operating loss in 2010 was USD 72.3 million including USD 12.7 million in depreciation and USD 4.8 million in impairment.

Result from Joint Venture was USD -10.8 million compared to USD -8.6 million in 2010. Result from associated company was USD -6.8 million compared to USD -7.0 million in 2010.

Net financial result was USD -1.7 compared to USD -1.7 in 2010. The net result after-tax was USD -22.5 million compared to USD -89.4 in 2010.

Cash flow

The cash flow in 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. A large part of the released cash has been used to repay and purchase Bonds and thus reducing the balance of the Bond Loan. 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 -21.0 million in 2011 compared to USD 3.3 million in 2010. Excluding the Pemex guarantee cash flow from operations was thus zero in 2011. Cash flow from investments in 2011 was USD 75.2 million compared to USD 15.1 million in 2010. Cash flow from financing activities in 2011 was USD -67.1 million compared to USD 22.3 million in 2010.

Free cash as of 31 December 2011 was USD 18.9 million compared to USD 16.1 million as of 31 December 2010.

Statement of financial position

As of 31 December 2011, total assets amounted to USD 178.7 million. Investment in drilling equipment had a book value of USD 79.4 million, investment in listed shares had a book value of USD 15.8 million and total cash was USD 32.8 million.

As per 31 December 2011, net interest bearing bond loans amounted to USD 34.2 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 16.5 million.

Total equity was USD 85.7 million as per 31 December 2011, including a minority interest of USD 2.6 million. Book value of equity per share was USD 0.51 as per 31 December 2011, including minority interest of USD 0.02 per share.

Share information

As of 31 December 2011, the total number of shares outstanding in Petrolia ASA equalled 167 078 463, 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 December 2011, the company held 525 003 (0.31 per cent) treasury shares.

An Extraordinary General Meeting 30 December 2011 resolved a Rig Merger whereby 135 000 000 new shares will be issued. Total number of shares if the transaction is completed will be 302 078 463. The transaction is expected to be completed in March 2012.

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 oil service industry going forward.

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

Petrolia ASA had USD 85.7 million in equity as of 31 December 2011, with significant holdings of cash and financial assets. The company has entered into a process of refinancing the company, with the aim of leveraging the assets on the balance sheet prior to the bond instalment July 2012.

In line with the resolution from the general meeting in December 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 was subject to the approval of the company's extraordinary general meeting. The transaction was approved by 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 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 is now being reviewed by the authorities and approval is expected in March

Oilfield Service division:

Independent Oil Tools AS (IOT), 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 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, 28 February 2012



Financial report fourth quarter 2011 – preliminary

Consolidated Statement of Comprehensive Income				
All figures in USD (1000)				
	Q4 2011	YTD 2011	Q4 2010	YTD 2010
Operating revenues	20 504	83 862	19 536	75 541
Operating expenses	16 665	55 356	74 327	109 575
Operating profit before depreciation	3 839	28 505	-54 791	-34 034
Depreciation	10 589	40 862	12 689	42 081
Impairment	0	4 115	4 796	4 796
Operating profit (loss-)	-6 751	-16 471	-72 276	-80 911
Result from joint venture	-10 764	-658	-8 599	16 089
Result from associated companies	-6 793	-6 802	-6 954	-10 946
Net financial income/expenses(-)	-1 660	-15 985	-1 749	-11 569
Profit before income tax	-25 968	-39 917	-89 578	-87 337
Tax	-3 475	-24 854	-176	0
Profit for the year	-22 493	-15 063	-89 402	-87 337
Other comprehensive income				
Currency translation differences	16 801	46	3 622	3 546
Total other comprehensive income	16 801	46	3 622	3 546
Total comprehensive income for the year	-5 692	-15 017	-85 780	-83 791
Number of shares	167 078 463	167 078 463	101 259 675	101 259 265
Earnings per share, basic	-0.13	-0.09	-0.88	-0.86

Condensed Consolidated Statement of Financial Position

All figures in USD (1000)

Assets	31.12.2011	Audited 31.12.2010
Drilling equipment and other equipment	79 388	86 761
Land and buildings	2 281	2 245
Investments in joint venture	0	65 658
Investments in associates	1 786	2 674
Non-current assets held for sale	0	34 500
Other financial fixed assets	6 743	6
Total non-current assets	90 198	191 844
Inventory	987	1 121
Trade- and other current receivables	38 870	22 949
Financial asset at fair value through P&L	15 779	0
Other liquid assets	15	16
Free cash	18 920	16 053
Restricted cash	13 914	29 696
Total current assets	88 484	69 835
Total assets	178 682	261 679
Equity and liabilities	31.12.2011	31.12.2010
Share capital	1 226	93 568
Treasury shares	-4	-2 153
Share premium fund	51 888	45 232
Other equity	29 973	-44 253
Majority interest	83 083	92 394
Minority interest	2 615	2 854
Total equity	85 698	95 248
Bond loan	0	68 391
Retirement benefit obligations	267	307
Other long-term liabilities	7 485	15 582
Total non-current liabilities	7 752	84 208
Short-term portion of non-current liabilities	43 208	27 915
Accounts payable	24 099	16 545
Payable tax	-1 830	-293
Other current liabilities	19 755	37 984
Total current liabilities	85 232	82 151
Total liabilities	92 984	166 431
Total equity and liabilities	178 682	261 679
Book equity per share (end of period shares)	0.51	0.94
Equity ratio	46 %	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 32.8 million. Restricted cash includes USD 5.3 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 3.3 million as security for the Petrojack claw-back case. 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	5 467	0
Total comprehensive income/loss (-) for the period	-15 017	-83 791
Total change of equity in the period	-9 550	-83 791
Equity at period end 31.12	85 698	95 249

Condensed Consolidated Cash Flow Statement

All figures in USD (1000)

	Q4 2011	YTD 2011	Q4 2010	YTD 2010
Net cash flow from operating activities	-758	-20 999	-11 826	3 343
Net cash flow from investing activities	-6 506	75 163	22 255	15 089
Net cash flow from financing activities	-21 920	-67 079	-7 412	-22 299
Net change in cash and cash equivalents	-29 185	-12 915	3 017	-3 867
Cash and cash equivalents at beginning of period	62 018	45 749	43 210	49 616
Exchange gain/loss (-) on cash and cash equivalents			-478	
Cash and cash equivalents at period end	32 834	32 834	45 749	45 749

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.

In Q4 investment activities include USD 0.4 million in purchase of rental equipment and USD 5.7 million in investments other shares.

In Q4 financing activities include USD 2.1 in leasing instalments, USD 1.4 million in bond interests, USD 23.8 million in bond purchase and USD 5.5 million in paid in equity.

Notes to the unaudited condensed consolidated figures:

Note 1 Applied accounting principles

This fourth 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 28 February 2012 at 16:00 hours.

This fourth 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 31 December 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 2011	32 718	514	33 232
Consolidation Venture Drilling AS	14 202	0	14 202
Disposal in 2011	-18 351	0	-18 351
Acquisition cost at 31 December 2011	262 356	2 978	265 334
Depreciation/impairment:			
Balance at 1 January 2011	147 026	220	147 246
Depreciation in 2011	40 481	381	40 862
Impairment in 2011	4 115	0	4 115
Consolidating Venture Drilling AS	1 978	0	1 978
Disposal of depreciation in 2011	-6 278	0	-6 278
Disposal of impairment in 2011	-5 103	0	-5 103
Balance at 31 December 2011	182 219	601	182 820
Translation differences	-749	-96	-845
Carrying amount:			
Balance at 31 December 2011	79 388	2 281	81 669
Residual value			

Note 3 Investments in associates

All figures in USD (1000) Investments in associates	Petroresources Ltd
Shareholding	46.43%
Business address	Limassol, Cyprus
Balance 1 January 2011	2 674
Investments	5 914
Share of result	-6 802
Balance at 31 December 2011	1 785

Petroresources has in Q4 made impairments of USD 21 million primarily connected to its economic interest in E&P assets in Africa.

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 is now being reviewed by the authorities and approval is expected in March.

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. It is expected that the agreement will be completed in first half of 2012 after the Registered Head Office of Petrolia is moved to Cyprus.

The company has been financial involved in an exploration well in North Africa through Petroresources Ltd. Hydrocarbons were detected and further analysis needed to evaluate if the well possible can be commercial in the future.

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 Norway AS became prequalified for the Norwegian Continental Shelf on 6 February 2012.

Petrolia Tool Pool AS, a 100 per cent owned subsidiary of Petrolia ASA, entered on 8 February 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. The transaction will strengthen the oilfield services offering and increase the utilization of the group's equipment. The transaction has a limited impact on Petrolia ASA's balance sheet.

