PETROLIA DRILLING

2nd quarter &

1st half year

2010

Petrolia Drilling ASA owns, charters and invests in drilling vessels for offshore oil and gas drilling. It is also involved in worldwide oilfield services related to rental of oilfield equipment, tubular running services and other related services. Through its affiliates, among others PetroResources Ltd on Cyprus, PDR invest in oil & gas and other mineral resources.

PETROLIA DRILLING ASA second quarter and half year 2010 preliminary result

Summary of main events

- Net result after tax for the 1st half of 2010 : USD 8.6 million
  For the 2nd quarter 2010 : USD 10.9 million
- Revenue and operating profit before depreciation for Oilfield Service division for the 1st half year was USD 37.0 million and USD 14.1 million, respectively, equivalent to the same period last year.
- Operating result before depreciation of Venture Drilling AS (50 percent owned) for the first half 2010 was USD 93.6 million. Net Result after tax USD 64.4 million. From end April the rig is stacked in Ghana awaiting outcome of the result of the bareboat termination dispute with the Russian owner.
- Book Equity per 30.06.2010 USD 1.84 per share. (Shares 10 to 1 reverse split in the Annual General Meeting 28 June 2010).
- A new Board of Directors was elected at the Annual General Meeting 28 June 2010.
- A team of new key employees hired from 1 October 2010 for the Drilling and Well Division, and the Oilfield Service Division.

Financial information

<u>Profit and loss for the first half year of 2010</u>

Petrolia Services is an International Oilfield Service Company offering rental equipment and related services for the oil and gas industry. Book value of the rental drilling equipment as of 30 June 2009 is USD 97.6 million.

Total revenues for the first half of 2010 were USD 37.0 million whereof USD 36.8 million came from Petrolia Services (100 percent owned subsidiary). For the first half of 2009, total revenues equalled USD 32.2 million.

Operating profit before depreciation for the first half of 2010 was USD 11.9 million compared to USD 16.8 million for the first half of 2009.

Total operating expenses equalled USD 25.0 million in the first half of 2010 whereof USD 22.6 million relates to Petrolia Services. The rest of the operating expenses relates to business administration under the contracts with LOG and various other operative and administrative expenses.

Operating profit for the first half of 2010 equalled USD - 8.5 million including USD 20.4 million in depreciation of equipment mainly related to Petrolia Services. Operating profit for the first half of 2009 equalled USD 0.3 million, including USD 16.4 million in depreciations.

Petrolia Drilling ASA is a 50 percent owner of the joint venture company, Venture Drilling AS. Operating profit before depreciation for Venture Drilling was USD 93.6 million for the first half year 2010. Net result after tax was USD 64.4 million. From April 2010 the drillship "Deep Venture" is stacked in Ghana and is marketed for new assignments. Venture Drilling is continuing seeking solutions towards the owner of the Russian bareboat company, ArticMorNefteGasRazvedka, both through negotiations as well as through arbitration.

The net result after-tax for the first half of 2010 was USD 8.6 million. Venture Drilling contributes with a positive result after tax of USD 29.9 million. Result from associated company is USD – 3.4 million. Net financial items of USD -9.4 million include interest on bond loans with USD 4.9. Unrealised currency gain on bond loans nominated in NOK is also included in net financial items. The USD/NOK exchange rate has changed from 5.77 as of 1 January 2010 to 6.47 as of 30 June 2010. The net after-tax result for the first half year 2009 was USD 8.9 million

Profit and loss for the second quarter 2010

Total revenues were USD 19.9 million for the second quarter 2010, whereof USD 19.7 million came from Petrolia Services. Total revenues for the second quarter 2009 equalled USD 16.2 million.

Operating profit before depreciation was USD 6.4 million for the second quarter 2010 compared to USD 10.6 million in 2009.

Total operating expenses equalled USD 13.4 million for the second quarter 2010 whereof USD 12.1 million relates to Petrolia Services. Other operating expenses comprise management services under the contracts with LOG and various other operative and administrative expenses.

Operating profit equalled USD – 2.8 million for the second quarter 2010, including USD 9.2 million in depreciation of equipment mainly related to Petrolia Services. Operating profit equalled USD 1.7 million for the second quarter 2009, including USD 9.0 million of depreciations.

The net result after-tax was USD 10.9 million for the second quarter 2010. Venture Drilling contributes with a positive result after tax of USD 20.4 million. Result from associated company is USD – 3.7 million. Net financial items of USD -3.2 million include interest on bond loans with USD 2.4 million. Unrealised currency gain on bond loans nominated in NOK, of USD 6.6 million, is also included in net financial items. The USD has increased from NOK 5.96 as of 1 April 2010 to 6.47 as of 30 June 2010. The net result after-tax for the second quarter 2009 was USD 2.3 million.

Cash flow

Cash flow from operations equalled USD 9.5 million in the first half year of 2010, compared to USD 2.1 million in the first half year of 2009. Cash flow from investments YTD 2010 was USD - 6.0 million mainly related to investment in drilling equipment in Petrolia Services. Cash flow from financing activities YTD 2010 was USD - 5.8 million, mainly related to interest paid on bond loans. Cash flow from financing activities YTD 2009 was USD – 27.8 million. Cash position as of 30 June 2010 was USD 48.2 million compared to USD 78.3 million YTD 2009. Of the cash, USD 21.2 million is tied to the SS Petrolia performance bond held on behalf of the estate of PetroMENA ASA by Petrolia Rigs AS. The performance bond is expected to be released in favour of the PetroMENA ASA estate before year end 2010.

Statement of financial position

As of 30 June 2010, total assets amounted to USD 368.5 million. Investment in drilling equipment has a book value of USD 97.6 million and the investment in joint venture has a book value of USD 109.9 million.

As per 30 June 2010, net interest bearing bond loans amounted to USD 76.1 million. In addition there is a financial leasing facility for rental equipment in Petrolia Service AS division in the amount of USD 32.2 million, reduced from USD 36.8 million as of 31 December 2009.

Total equity equalled USD 186.1 million as per 30 June 2010, including a minority interest of USD 2.5 million. Year end 2009, the total equity equalled USD 179.0 million. Book value of equity per share equalled USD 1.84 as per 30 June 2010, including minority interest of USD 0.03 per share. Book equity per share equalled USD 1.80 per year end 2009, including a minority interest of 0.03.

Share information

As of 30 June 2010, the total number of shares outstanding in Petrolia Drilling equalled 101.259.675, each with a par value of NOK 5. Petrolia Drilling has no outstanding or authorized stock options, warrants or convertible debt. As of 30 June 2010, Petrolia Drilling held 525 003 (0.52 percent) treasury shares.

The following resolution was passed in the Annual General Meeting on 28 June 2010:

"A reverse split of the company's shares is to be performed so that 10 shares at NOK 0,50 are combined to 1 share at NOK 5, and the composition of the share capital of the company shall be changed from 1 012 596 750 shares at NOK 0,50 to 101 259 675 shares at NOK 5.

The reverse split shall be completed so that 29 June 2010 shall be the last day of trading before the reverse split."

The Annual General Meeting elected following Board of Directors:

Berge Gerdt Larsen, Chairman
Erik J. Frydenbø, Deputy Chairman
Marit Instanes, Board Member
Sjur Storaas, Board Member
Unni F. Tefre, Board Member.

The Board of Directors have decided to appoint Marit Instanes and Erik J. Frydenbø as member of the Audit committee.

The Board and Larsen Oil & Gas AS have ordered a special audit of 2009 and 2010 accounts up to 28 June 2010 when a new Board was elected at the Ordinary General Meeting.
Subject to result of the special audit required by the Board for 2009 and 2010 accounts, The Board confirm the financial statements for the period 1 January to 30 June 2010 with reservations.

The market and outlook

The global economic outlook is currently more positive than a few months ago. The Board of Directors is somewhat cautious towards the general market outlook as the general uncertainty still remains higher than normal.

Oil companies have delayed tender processes for quite some time, but we now see that they are starting tender processes again. Especially Oceania, the US and South America have had these processes delayed awaiting the consequences of the blowout in the Gulf of Mexico.

The market for offshore drilling units is mainly driven by oil companies' inclination to invest in exploration, development and production of oil and gas. The willingness to make such investments is in turn influenced by the oil companies current revenues, current reserve replacement ratios, acreage available for exploration and development, expected petroleum prices, combined with available financing for such exploration and production projects. We also expect the market to see new regulation for exploration, development and production of oil and gas as a result of the blowout in the Gulf of Mexico.

The financial crisis in 2008/2009 is still not over, but the Board is seeing signs of improvement in the financial market as well. Even though financing is tighter then before, the Board is positive to the market prospects.

PetroMENA ASA:

PetroMENA ASA (51,5 percent owned) has been deconsolidated from the books effective 21 December 2009. Due to the bankruptcy of Petrojack ASA on 8 March 2010, this company has also been deconsolidated from 1st quarter 2010.The result from PetroMENA ASA and Petrojack ASA is presented as profit from discontinued operations. This comprises the total of the post-tax profit (loss) of the discontinued operations. Comparative figures for the result in 2009 have been recalculated and are presented in the financial report.

Petrolia Drilling will continue its quest for compensation for the destruction of values related to PetroMENA ASA. PetroMENA ASA had one five years and two ten years drilling contracts for three ultra deepwater rigs with a gross value of more then USD three billion. The three rigs, PetroRig 1, 2 and 3, have been sold under distress for USD 460, 490 and 560 million, respectively. All three rigs have obtained contracts from the same oil companies as PetroMENA had contracts for.

Unless the legal cost of the chapter eleven court case in New York in USA are excessive, the bond for PetroRig 1 and 2 in amount of NOK 2.000.000 a simple estimate will show full recovery of 100 percent plus 7 percent incentive plus all interest and penalty interest. All unsecured creditors apart from Larsen Oil & Gas Ltd. (LOG Ltd.), the Drilling Management Contractor should also receive 100 percent recovery. LOG Ltd. will have accepted conversion of equity.

On the 26/27 of March 2009 Seadrill purchased 80per cent of the bond at the price of 70 percent of par value. The bond was declared in default on the 4 April 2009. One of the sellers of the two million bond, was Deutsche Bank, 34 percent owner. Deutsche Bank was also PetroMENA ASA's financial advisor for the restructuring of the bond as well as one of the potential lenders of USD 100 million in additional loan. Deutsche Bank has refused to provide all e-mails and other documentation relevant to these transactions and will only deal with the Liquidator of the Estate, Knut Ro.

After the 4 April 2009 two US consultants was appointed to board members of the three rig owning companies, PetroRig 1, 2 and 3 of Singapore. USD 100 thousand was paid to the US law firm. In the morning of 17 May 2009 the board of the rig owning companies filed for chapter eleven in New York. The bond agreements between the rig owning companies and Norsk Tillitsmann ASA (NTM), trustee of the bondholders, are according to the Norwegian law. NTM are refusing to provide the names of the bondholders to PetroMENA ASA.

The Chairman of PetroMENA ASA under liquidation, the lawyer Erik J. Frydenbø, is also board member of Petrolia Drilling ASA. All shareholders of PetroMENA ASA are awaiting the Liquidator's report on this matter.

Related party transactions

Petrolia Drilling ASA had a Business Administration Agreement with Larsen Oil & Gas AS, controlled by Mr. Berge Gerdt Larsen, the chairman of the Board. The agreement was terminated at the end of July 2010. The Business Administration fee has been NOK 3 million from year 2000. A settlement to cover cost not covered in the Business Administration fee is required to be agreed. The exposure for Petrolia Drilling is mNOK 8.8 million as previously reported.

On 8 March 2010, the associated company Petrojack was declared bankrupt after petitioning for bankruptcy with Oslo municipality court. The shares held by Petrojack, approximately 24.98 percent of the shares in Petrolia Drilling were bought by Larsen Oil & Gas AS from the estate of Petrojack. Larsen Oil & Gas AS has later been diluted and per 30 June 2010 holds 5.73 percent of the shares in Petrolia Drilling.

The company has entered into a consultancy agreement with its board member and lawyer Erik Frydenbø at a monthly fee of NOK 200.000 with 2 months termination to assist with legal matters. Mr. Frydenbø is also Chairman of the Board of PetroMENA ASA, under liquidation.

About the company

Oilfield Service division:

Petrolia Services AS, a 100 percent owned subsidiary of Petrolia Drilling provides oilfield services worldwide. Petrolia Services main product categories is rental of tubing, drill pipe, casing and handling equipment, tubular running services as well as other oilfield services.

Drilling and Well division:

Petrolia Drilling controls 50 percent of DS Deep Venture which commenced on an 18 month contract with ExxonMobil ultimo June 2007. The gross value of the contract was in the range USD 200-220 million. DS Deep Venture was engaged by Maersk Oil Angola until 25 July 2009, at a day rate of USD 425,000, after withholding of tax. Venture Drilling AS had agreed to a further 18 months contract with Maersk Oil Angola starting from 25 July 2009 at a day rate of USD 495,000 after withholding tax. Effective date for new day rate was 10 August 2009. In April 2010 a settlement for early termination was reached with Maersk Oil Angola. Maersk Oil Angola paid Venture Drilling AS an early termination fee of USD 64 million. The rig is now being marketed worldwide and is stacked in Ghana.

Venture Drilling AS:

Venture Drilling AS has a Bareboat agreement with the Russian stated owned company Arktikmorneftegazrazvedka, for use of the drillship Deep Venture. The agreement is according to Russian courts invalid. An early redelivery against compensation is under discussion with the vessel's Russian owners. The bareboat agreement with the Russian owners is governed by Norwegian law and arbitration in Norway is initiated. The company has recently filed summons for arbitration. The claim is for positive contractual interest for the duration of the bare boat charter. Negotiations are still ongoing between the parties. When the joint venture

Venture Drilling AS was created Sinvest provided the bareboat agreement and Petrolia Drilling equipment on the rig. Sinvest bareboat agreement is terminated and Petrolia Drilling reserve the right to claim damages from Sinvest for providing an invalid bareboat according to Russian law.

Larsen Oil and Gas Ltd, the drilling management contractor, has withheld cash flow from operation, to have security for operations, to be provided under the management agreement by Venture Drilling. Venture Drilling started in November 2009 court proceedings in Scotland and arbitration in Oslo against Larsen Oil and Gas Ltd. claiming release of the actual amounts. The parties have found reason for release of part of the claimed amount reducing the claim to USD 13 million. Petrolia Drilling's Board Members in Venture Drilling have disputed the reason for court proceedings in Edinburg and are not willing to pay legal fees incurred by Venture Drilling AS.

Deepwater Driller Ltd:

Petrolia Drilling ASA owned 30 percent of the associated company Deepwater Driller Ltd (former Larsen Rig Ltd) which has entered into a construction contract with Jurong Shipyard Pte Ltd for construction of a semi-submersible drilling rig. On 16 April 2010 an agreement was reached, whereby Songa Offshore invested USD 50 million in new equity into Deepwater Driller and thereby receive a 31.25 percent ownership in the company. In addition there is a put/call clause in which Songa can get 50 percent of the Company. As part of the agreement, Songa Offshore will assume building supervision and commercial management of the rig. As a result of the agreement Petrolia Drilling owns 20.6 percent of the company.

Key risks and uncertainty

For Petrolia Drilling the bond loan through the trustee Norsk Tillitsmann is important for the future. The current bond loan was initiated at a time when the world looked different than today. From Petrolia Drillings side it is difficult to relate to anonymous bondholders. NOK 100 million of the bond is due in 2011 and NOK 400 million in 2012.

Through the last year Petrolia Drilling has incurred losses in relation to the bankruptcies in PetroMENA ASA and Petrojack ASA.

Oilfield services activity is steadily increasing, but prices are under pressure and competition is significant.

The market outlook for the "Deep Venture" is dependant on a solution with the Russian owner. Venture Drilling is in dialog with the Russian owner. Should an amicable solution not be found, arbitration will take place. The arbitration process has been initiated and summons has been submitted.

Petrolia Drilling ASA controls 20.6 percent of Deepwater Driller Ltd (formerly: Larsen Rig Ltd) which is building a new, deepwater semisubmersible drilling rig at Jurong Shipyard.

The company's share in Deepwater Driller Ltd is considered a financial asset. The building is going forward according to schedule and the rig will be delivered in April 2011. Provided the manager (Songa) is able to get the rig on contract, Petrolia Drilling will consider its options, either to continue the ownership or take advantage of the put / call options of the shareholders agreement.

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 2010 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 Drilling ASA, 31 August 2010

Berge Gerdt Larsen	Erik Frydenbø	Marit Instanes
Chairman of the Board	Board Member	Board Member
Sjur Storås	Unni F. Tefre	Ørnulf Samdal
Board Member	Board Member	Managing Director

Financial report second quarter and first half year 2010 – preliminary

Consolidated Statement of Comprehensive Income				
All figures in USD (1000)				
	2Q 2010	**YTD 2010**	**2Q 2009**	**YTD 2009**
Operating revenues	19 871	36 958	16 172	32 199
Operating expenses	13 440	25 034	5 557	15 418
Operating profit before depreciation	6 431	11 924	10 615	16 781
Depreciation	9 224	20 425	8 963	16 441
Operating profit (loss-)	-2 793	-8 501	1 652	340
Result from joint venture	20 355	29 878	8 023	16 827
Result from associated companies	-3 655	-3 400	-1 329	-1 376
Net financial income/expenses(-)	-3 158	-9 368	-6 135	-6 978
Profit before income tax	10 749	8 609	2 211	8 813
Tax	-107	-39	-68	-100
Profit for the year from continuing operations	**10 856**	**8 648**	**2 279**	**8 913**
Discontinued operations				
Profit for the year from discontinued operations	0	0	-4 797	-53 436
Profit for the year	**10 856**	**8 648**	**-2 518**	**-44 523**
Other comprehensive income				
Other gains/losses charged directly to equity	0	0	-5	-5
Currency translation differences	-1 747	-1 589	3 752	1 627
Total other comprehensive income	**-1 747**	**-1 589**	**3 747**	**1 622**
Total comprehensive income for the year	**9 109**	**7 059**	**1 229**	**-42 901**

PetroMENA ASA was deconsolidated in 2009 and presented as discontinued operations in the financial statements for 2009. The above figures for 2009 have been changed to reflect the deconsolidation of PetroMENA ASA. Net profit from PetroMENA ASA is presented as discontinued operations. Petrojack ASA is presented as discontinued operations from 1st quarter 2010. The above figures for 2009 have been changed to reflect PetroJack under discontinued operations.

Condensed Consolidated Statement of Financial Position

All figures in USD (1000)

Assets	30.06.2010	31.12.2009
Goodwill	19 599	20 395
Drilling equipment and other equipment	97 559	121 969
Land and buildings	2 276	2 305
Investments in joint venture	109 858	86 955
Investments in associates	44 710	41 060
Other financial fixed assets	0	450
Total non-current assets	274 002	273 133
Inventory	635	1 478
Trade- and other current receivables	45 717	42 288
Financial asset at fair value through p/l	0	620
Other liquid assets	15	15
Bank deposits	48 153	49 616
Total current assets	94 519	94 017
Total assets	**368 522**	**367 150**
Equity and liabilities	**30.06.2010**	**31.12.2009**
Share capital	93 568	93 568
Own shares	-2 153	-2 153
Share premium fund	95 352	95 352
Other equity	-3 216	-10 232
	183 551	176 536
Minority interest	2 548	2 504
Total equity	186 099	179 040
Bond loan	76 097	85 143
Retirement benefit obligations	514	562
Other long-term liabilities	21 395	25 992
Total non-current liabilities	98 006	111 697
Short-term portion of non-current liabilities	10 817	11 106
Accounts payable	18 526	11 958
Payable tax	-536	120
Other current liabilities	55 609	53 230
Total current liabilities	84 416	76 413
Total liabilities	182 423	188 111
Total equity and liabilities	**368 522**	**367 150**
Book equity per share (end of period shares)	1,84	1,80
Equity ratio	50 %	49 %

As of 30. June 2010, a reverse split of the shares in Petrolia Drilling ASA was completed so that 10 shares were combined to 1 share. Booked equity per share as of 31.12.2009 has been changed to be comparable with 30.06.2010.

Condensed Consolidated Statement of changes in Equity

All figures in USD (1000)

	YTD 2010	YTD 2009
Equity period start 01.01	179 040	58 654
Total comprehensive income/loss (-) for the period	7 059	-42 901
Total gains and losses charged directly to equity	0	0
Total recognised income for the period	7 059	-42 901
Purchase of own shares	0	0
Total equity from shareholders in the period	0	0
Total change of equity in the period	7 059	-42 901
Equity at period end 30.06	**186 099**	**15 753**

Condensed Consolidated Cash Flow Statement

All figures in USD (1000)

	2Q 2010	YTD 2010	2Q 2009	YTD 2009
Net cash flow from operating activities	8 426	9 496	5 734	2 095
Net cash flow from investing activities	-3 595	-6 002	-18 917	-24 589
Net cash flow from financing activities	-4 281	-5 834	-7 021	-27 792
Net change in cash and cash equivalents	550	-2 340	-20 204	-50 286
Cash and cash equivalents at beginning of period	46 608	49 616	98 156	127 812
Exchange gain/loss (-)on cash and cash equivalents	995	877	335	760
Cash and cash equivalents at period end	**48 153**	**48 153**	**78 286**	**78 286**

PetroMENA ASA was deconsolidated in 2009 and presented as discontinued operations in the financial statements for 2009. The cash flow from 2009 has not been recalculated and thus includes PetroMENA's cash flows and cash deposits. In the table below the cash flows from PetroMENA have been removed for 2009.

Cash flows discontinued operations	2Q 2010	YTD 2010	2Q 2009	YTD 2009
Operating cash flows	0	0	-9 308	-7 374
Investing cash flows	0	0	-14 927	-14 280
Financing cash flows	0	0	0	-23 092
Total cash flows	**0**	**0**	**-24 235**	**-44 746**

Notes to the unaudited condensed consolidated figures:

Note 1 Applied accounting principles

This half year 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.

This half year 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 (2009). 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 (2009) have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2009 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 Discontinued operations

PetroMENA ASA has been deconsolidated in 2009. Petrojack ASA is deconsolidated from 1st quarter 2010.The result from PetroMENA ASA and Petrojack ASA is presented as profit from discontinued operations. This comprises the total of the post-tax profit (loss) of the discontinued operations.

Analysis of the result of discontinued operations	**2Q 2009**	**YTD 2009**
Operating revenue	84 047	105 314
Operating expenses	18 469	48 715
Operating profit	65 578	56 599
Result from associated companies	-3 510	-7 498
Net financial income/expenses (-)	-66 865	-102 537
Profit from discontinued operations	-4 797	-53 436
Pre-tax gain/(loss) recognized on discontinued operations	0	0
Tax	0	0
After tax gain/(loss) recognized on discontinued operations	0	0
Profit for the year from discontinued operations	**-4 797**	**-53 436**

The table below show cash flows from discontinued operations for 2009

Cash flows discontinued operations	**2Q 2009**	**YTD 2009**
Operating cash flows	-9 308	-7 374
Investing cash flows	-14 927	-14 280
Financing cash flows	0	-23 092
Total cash flows	**-24 235**	**-44 746**

Note 3 Tangible fixed assets

The table below outlines the development of tangible fixed assets as of 30 June, 2010:

All figures in USD (1000)	Drilling- and other equipment	Land and buildings	Total
Balance at 1 Jan 2010	121 969	2 305	124 274
Acquisition cost:			
Acquisition cost at 1 Jan 2010	213 711	2 464	216 175
Purchased tangibles as of 30.06.2010	7 128	0	7 128
Disposal as of 30.06.2010	-200	0	-200
Transferred to asset held for sale	0	0	0
Discontinued operations	0	0	0
Acquisition cost at 30 June 2009	220 639	2 464	223 103
Depreciation:			
Balance at 1 January 2010	91 742	159	91 901
Depreciation as of 30.06.2010	20 394	31	20 425
Discontinued operations	0	0	0
Balance at 30 June 2010	112 136	190	112 326
Translation differences	-10 944	2	-10 942
Carrying amount: **Balance at 30 June 2010** **Residual value**	97 559	2 276	99 835

Note 4 Investments in associates

All figures in USD (1000) **Investments in associates**	Petroresources Ltd	Deepwater Driller Ltd	Total
Shareholding	28.57%	20.6%	
Business address	Limassol, Cyprus	Cayman Island	
Balance 1 January 2010	2 760	38 300	41 060
Investments		7 050	7 050
Share of result	-46	648	603
Dilution loss		-4 002	-4 002
Balance at 30 June 2010	**2 714**	**41 996**	**44 710**

In connection with the USD 50 million equity private placement in Deepwater Driller Ltd, Petrolia Drillings shareholding in the company was reduced from 30% to 20,6%. The dilution effect resulted in a USD 1,8 mill loss recognized in profit and loss.

Note 5 Segment Information

All figures in USD (1000) **Segment information**	**Drilling**		**Oilfield services**		**Total**	
	YTD 2010	**YTD 2009**	**YTD 2010**	**YTD 2009**	**YTD 2010**	**YTD 2009**
Operating income	-	-	36 958	32 199	36 958	32 199
EBITDA	-	-	14 128	14 572	14 128	14 572
EBIT	-	-	-6 297	-1 869	-6 297	-1 869
Discontinued operations	-	-53 436	-	-	-	-53 436
EBITDA %			38 %	45 %	38 %	45 %
EBIT %			-17 %	-6 %	-17 %	-6 %

Reconciliation from segment operational EBIT to Profit before income tax:

Segment EBIT	-6 297	-1 869
Unallocated operating expenses	-2 204	2 209
Net financial expenses	-9 368	-6 978
Share of result from joint venture	29 878	16 827
Share of result from associates	-3 400	-1 376
Profit before income tax	8 609	8 813

All figures in USD (1000) **Segment information**	**Drilling**		**Oilfield services**		**Total**	
	2Q 2010	**2Q 2009**	**2Q 2010**	**2Q 2009**	**2Q 2010**	**2Q 2009**
Operating income	-	-	19 871	16 172	19 871	16 172
EBITDA	-	-	7 566	7 966	7 566	7 966
EBIT	-	-	-1 658	-997	-1 658	-997
Discontinued operations	-	-4 797	-	-	-	-4 797
EBITDA %			38 %	49 %	38 %	49 %
EBIT %			-8 %	-6 %	-8 %	-6 %

Reconciliation from segment operational EBIT to Profit before income tax:

Segment EBIT	-1 658	-997
Unallocated operating expenses	-1 135	2 649
Net financial expenses	-3 158	-6 135
Share of result from joint venture	20 356	8 023
Share of result from associates	-3 656	-1 329
Profit before income tax	10 749	2 211

Note 6 Legal disputes

The new Board of Directors decided after the Extraordinary General Meeting in April to terminate with immediate effect the employment contract of CEO Bernt Skeie.
Bernt Skeie responded through his lawyer in BAHR, claiming the termination of the agreement to be unjust and invalid.
Petrolia Drilling ASA engaged the law firm Rasmussen & Broch who will act on behalf of Petrolia Drilling ASA in this case.
The disputed sum is expected not to exceed NOK 1.5 million (including sign-on fee at NOK 1,25 million).

Petrolia Drilling ASA has rented office from Tollefsen Energy AS in Haakon VII gate 1, Oslo. The new Board of Directors has started to renegotiate the terms of the lease to reduce the costs.

The annual rent is NOK 750.000 including VAT.

The disputed sum is the rent reduction as less office space is needed. Petrolila Drilling ASA claim a substantial reduction releasing more than 150m^2 of the lease of 200m^2.

Tollefsen Energy AS, has not accepted a reduction of the lease, which was entered into by the previous CEO Lars Moldestad and the previous Chairman in Petrolia Drilling ASA Klaus Tollefsen, major shareholder in Tollefsen Energy AS.

The maximum financial exposure for Petrolia Drilling ASA, will be two years rent of a total of NOK 1.500.000 up to the expiry of the contract at the end of 2012.

The Board of Directors expects a substantial cost reduction as a result of the renegotiating initiative of the Oslo office lease agreement.

Note 7 Events after the balance sheet date

Petrolia Drilling ASA has employed key personnel for the Drilling and Well Division, and Oilfield Services Division from 1 October 2010.