

The logo consists of a stylized bar chart with vertical bars of varying heights in shades of orange and yellow, positioned to the left of the company name.

PETROLIA DRILLING

3rd quarter

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 (PDR) third quarter 2010 preliminary result

Summary of main events

- Net result after tax for the first nine months of 2010 : USD 2.1 million
For the 3rd quarter 2010 : USD -6.6 million
- Revenue and operating profit before depreciation for the first nine months of 2010 was USD 56 million and USD 20.8 million.
- Operating result before depreciation of Venture Drilling AS (50 per cent owned) for the first nine months of 2010 was USD 81.9 million. Net Result after tax USD 54.5 million. From end April Deep Venture is stacked in Ghana awaiting outcome of the result of the bareboat termination dispute with the Russian owner.
- Book Equity per 30.09.2010 USD 1.79 per share.
- A team of core employees has been hired for the Corporate Management, Drilling and Well Division, and Oilfield Service Division.

Financial information

Profit and loss for the first nine months of 2010

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 September 2010 is USD 99.0 million.

Total revenue for the first nine months 2010 was USD 56.0 million all of which came from Petrolia Services (100 per cent owned subsidiary). For the first nine months of 2009, total revenues equalled USD 48.3 million.

Operating profit before depreciation for the first nine months of 2010 was USD 20.8 million compared to USD 22.6 million for the first nine months of 2009.

Total operating expenses equalled USD 35.2 million in the first nine months of 2010.

Operating loss for the first nine months of 2010 equalled USD 8.6 million including USD 29.4 million in depreciation of equipment mainly related to Petrolia Services. Operating loss for the first nine months of 2009 equalled USD 6.6 million, including USD 29.2 million in depreciations.

PDR is a 50 per cent owner of the joint venture company, Venture Drilling AS. Operating profit before depreciation for Venture Drilling was USD 81.9 million for the first nine months of 2010. Net result after tax was USD 54.5 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 nine months of 2010 was USD 2.1 million. Venture Drilling contributes with a positive result after tax of USD 24.7 million. Result from associated company is USD - 4 million. Net financial items of USD -9.8 million include USD -1.2 million in negative currency effect and USD - 8.6 million on interest on bond loans and leasing.

The USD/NOK exchange rate has changed from 5.77 as of 1 January 2010 to 5.84 as of 30 September 2010.

Profit and loss for the third quarter of 2010

Total revenues were USD 19.0 million for the third quarter 2010.

Operating profit before depreciation was USD 8.8 million for the third quarter 2010 compared to USD 5.8 million in 2009.

Total operating expenses equalled USD 10.2 million for the third quarter 2010.

Operating loss equalled USD 0.1 million for the third quarter 2010, including USD 9.0 million in depreciation of equipment mainly related to Petrolia Services. Operating loss equalled USD 6.9 million for the third quarter 2009, including USD 12.7 million of depreciations.

The net result after-tax was USD - 6.6 million for the third quarter 2010. Venture Drilling contributes with a negative result after tax of USD 5.2 million. Result from associated company is USD - 0.6 million. Net financial items is USD -0.5 million. The USD has decreased from NOK 6.54 as of 1 July 2010 to 5.84 as of 30 September 2010. The net result after-tax for the third quarter 2009 was USD - 3.5 million. (USD - 55.2 million including discontinued operations).

Cash flow

Cash flow from operations equalled USD 15.2 million in the first nine months of 2010, compared to USD 19.7 million in the first nine months of 2009. Cash flow from investments YTD 2010 was USD - 7.2 million mainly related to investment in drilling equipment in Petrolia Services. Cash flow from financing activities YTD 2010 was USD - 14.9 million, mainly related to payment of interest on bond loan and payment on leasing contracts in Petrolia Services. Cash flow from financing activities YTD 2009 was USD - 27.8 million.

Cash position as of 30 September 2010 was USD 43.2 million compared to USD 78.5 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 September 2010, total assets amounted to USD 362.5 million. Investment in drilling equipment has a book value of USD 99.0 million and the investment in joint venture has a book value of USD 104.7 million.

As per 30 September 2010, net interest bearing bond loans amounted to USD 84.6 million, whereof USD 67.5 is recognised as a long term liability whilst USD 17.1 million is recognised at short term liability as it is due for payment in June 2011. In addition there is a financial leasing facility for rental equipment in Petrolia Service AS division in the amount of USD 28.5 million, reduced from USD 36.8 million as of 31 December 2009.

Total equity equalled USD 181.0 million as per 30 September 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 1.79 as per 30 September 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 USD 0.03 per share.

Share information

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

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 September 2010 with reservations. The special audit is expected to be concluded before year end 2010.

The market and outlook

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

In the Gulf of Mexico rigs have been approved for operations under new regulations after the Macondo incident. These 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.

Related party transactions

PDR 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 company has an agreement with board member and lawyer Erik Frydenbø at a monthly fee of NOK 200 000 as previously reported.

About the company

New key personnel of PDR are now employed.

This is a part of restructuring and rebuilding of the Company and will strengthen the competence of the Company.

Oilfield Service division:

Petrolia Services AS, a 100 per cent owned subsidiary of PDR 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:

Drilling and Well competence have been strengthened by the new employees.

Venture Drilling AS:

The rig is now being marketed worldwide and is stacked in Ghana. Venture Drilling AS had a Bareboat agreement with the Russian state 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 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.

The legal dispute between Larsen Oil and Gas Ltd and Venture Drilling AS regarding withholding funds from operation has been resolved. Each party pays their own legal costs.

Deepwater Driller Ltd:

PDR currently controls 20.6 per cent of the company.

Songa Offshore holds a put / call option for buying additional 20 % shares from the shareholders, subject to conditions. The value of the 20 % shares, pro rata for the shareholders, is estimated to USD 45 million.

Key risks and uncertainty

Of the company bond loan NOK 100 million is due in June 2011 and NOK 400 million in June 2012. It will be a focus area to be able to address these payments when due.

Oilfield services activity is steadily increasing from 2009, but prices are under pressure and competition is significant. In the service division there is a risk of uncertainty of receivables, as well as uncertainties related to the equipment value due to market fluctuation.

The market outlook for the "Deep Venture" is dependent 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 continue.

The building of Songa Eclipse is going forward at Jurong Shipyard. According to the schedule the rig will be delivered in the first half of 2011. Provided the manager (Songa) is able to get the rig on contract, PDR will consider its options, either to continue the ownership or take advantage of the put / call options of the shareholders agreement.

The bankruptcy estate of PetroMENA ASA (51 % owned by PDR) is continuing the work to resolve settlement with the bondholders and other creditors of the company in the Chapter 11 cases in New York. As a part of the Chapter 11 process, the SS Petrolia has been stacked in Corpus Christie and is available for sale.

Board of Directors, Petrolia Drilling ASA, 25 November 2010



Financial report third quarter 2010 – preliminary

| Consolidated Statement of Comprehensive Income | | | | |
|---|----------------|-----------------|----------------|-----------------|
| All figures in USD (1000) | | | | |
| | 3Q 2010 | YTD 2010 | 3Q 2009 | YTD 2009 |
| Operating revenues | 19 047 | 56 005 | 16 087 | 48 286 |
| Operating expenses | 10 214 | 35 248 | 10 222 | 25 640 |
| Operating profit before depreciation | 8 833 | 20 757 | 5 865 | 22 646 |
| Depreciation | 8 968 | 29 393 | 12 763 | 29 204 |
| Operating profit (loss-) | -134 | -8 635 | -6 898 | -6 558 |
| Result from joint venture | -5 190 | 24 688 | 9 385 | 26 212 |
| Result from associated companies | -592 | -3 992 | -1 196 | -2 572 |
| Net financial income/expenses(-) | -452 | -9 820 | -651 | -7 629 |
| Profit before income tax | -6 368 | 2 241 | 640 | 9 453 |
| Tax | 215 | 176 | 4 141 | 4 041 |
| Profit for the year from continuing operations | -6 583 | 2 065 | -3 501 | 5 412 |
| Discontinued operations | | | | |
| Profit for the year from discontinued operations | 0 | 0 | -51 699 | -105 135 |
| Profit for the year | -6 583 | 2 065 | -55 200 | -99 723 |
| Other comprehensive income | | | | |
| Other gains/losses charged directly to equity | 0 | 0 | 0 | -5 |
| Currency translation differences | 1 513 | -76 | 13 505 | 15 132 |
| Total other comprehensive income | 1 513 | -76 | 13 505 | 15 127 |
| Total comprehensive income for the year | -5 070 | 1 989 | -41 696 | -84 597 |

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 | 30.09.2010 | 31.12.2009 |
| Goodwill | 21 138 | 20 395 |
| Drilling equipment and other equipment | 99 020 | 121 969 |
| Land and buildings | 2 260 | 2 305 |
| Investments in joint venture | 104 669 | 86 955 |
| Investments in associates | 44 118 | 41 060 |
| Other financial fixed assets | 0 | 450 |
| Total non-current assets | 271 204 | 273 133 |
| Inventory | 599 | 1 478 |
| Trade- and other current receivables | 47 491 | 42 288 |
| Financial asset at fair value through p/l | 0 | 620 |
| Other liquid assets | 16 | 15 |
| Bank deposits | 43 210 | 49 616 |
| Total current assets | 91 316 | 94 017 |
| Total assets | 362 521 | 367 150 |
| | | |
| Equity and liabilities | 30.09.2010 | 31.12.2009 |
| Share capital | 93 568 | 93 568 |
| Own shares | -2 153 | -2 153 |
| Share premium fund | 95 352 | 95 352 |
| Other equity | -8 409 | -10 232 |
| | 178 358 | 176 536 |
| Minority interest | 2 671 | 2 504 |
| Total equity | 181 029 | 179 040 |
| Bond loan | 67 507 | 85 143 |
| Retirement benefit obligations | 583 | 562 |
| Other long-term liabilities | 18 087 | 25 992 |
| Total non-current liabilities | 86 177 | 111 697 |
| Short-term portion of non-current liabilities | 27 946 | 11 106 |
| Accounts payable | 15 067 | 11 958 |
| Payable tax | -849 | 120 |
| Other current liabilities | 53 151 | 53 230 |
| Total current liabilities | 95 314 | 76 413 |
| Total liabilities | 181 492 | 188 111 |
| Total equity and liabilities | 362 521 | 367 150 |
| Book equity per share (end of period shares) | 1,79 | 1,80 |
| Equity ratio | 49 % | 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 to the 30.09.2009 figures.

Included in Bank deposits 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).

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 | 1 989 | -84 597 |
| Total gains and losses charged directly to equity | 0 | 0 |
| Total recognised income for the period | 1 989 | -84 597 |
| Purchase of own shares | 0 | 0 |
| Total equity from shareholders in the period | 0 | 0 |
| Total change of equity in the period | 1 989 | -84 597 |
| Equity at period end 30.09 | 181 029 | -25 943 |

Condensed Consolidated Cash Flow Statement

All figures in USD (1000)

| | 3Q 2010 | YTD 2010 | 3Q 2009 | YTD 2009 |
|---|---------------|---------------|---------------|----------------|
| Net cash flow from operating activities | 5 673 | 15 169 | 17 570 | 19 665 |
| Net cash flow from investing activities | -1 164 | -7 166 | -18 240 | -42 829 |
| Net cash flow from financing activities | -9 053 | -14 887 | 0 | -27 792 |
| Net change in cash and cash equivalents | -4 544 | -6 884 | -670 | -50 956 |
| Cash and cash equivalents at beginning of period | 48 153 | 49 616 | 78 286 | 127 812 |
| Exchange gain/loss (-) on cash and cash equivalents | -399 | 478 | 906 | 1 666 |
| Cash and cash equivalents at period end | 43 210 | 43 210 | 78 522 | 78 522 |

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. The table below shows the cash flows from PetroMENA for 2009.

| Cash flows discontinued operations | 3Q 2010 | YTD 2010 | 3Q 2009 | YTD 2009 |
|---|----------------|-----------------|----------------|-----------------|
| Operating cash flows | 0 | 0 | 7 212 | -162 |
| Investing cash flows | 0 | 0 | -7 500 | -21 780 |
| Financing cash flows | 0 | 0 | 0 | -23 092 |
| Total cash flows | 0 | 0 | -288 | -45 034 |

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.

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 (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 | 3Q 2009 | YTD 2009 |
|---|----------------|-----------------|
| Operating revenue | -34 091 | 71 223 |
| Operating expenses | 22 826 | 71 541 |
| Operating profit | -56 917 | -318 |
| Result from associated companies | 2 472 | -5 026 |
| Net financial income/expenses (-) | 2 746 | -99 791 |
| Profit from discontinued operations | -51 699 | -105 135 |
| Pre-tax gain/(loss) recognised on discontinued operations | 0 | 0 |
| Tax | 0 | 0 |
| After tax gain/(loss) recognised on discontinued operations | 0 | 0 |
| Profit for the year from discontinued operations | -51 699 | -105 135 |

The table below show cash flows from discontinued operations for 2009.

| Cash flows discontinued operations | 3Q 2009 | YTD 2009 |
|---|----------------|-----------------|
| Operating cash flows | 7 212 | -162 |
| Investing cash flows | -7 500 | -21 780 |
| Financing cash flows | 0 | -23 092 |
| Total cash flows | -288 | -45 034 |

Note 3 Tangible fixed assets

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

| | Drilling- and other equipment | Land and buildings | Total |
|--|-------------------------------------|-----------------------|---------|
| All figures in USD (1000) | | | |
| 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 30.09.2010 | 8 290 | 0 | 8 290 |
| Disposal as of 30.09.2010 | -200 | 0 | -200 |
| Transferred to asset held for sale | 0 | 0 | 0 |
| Discontinued operations | 0 | 0 | 0 |
| Acquisition cost at 30 September 2009 | 221 801 | 2 464 | 224 265 |
| Depreciation: | | | |
| Balance at 1 January 2010 | 91 742 | 159 | 91 901 |
| Depreciation as of 30.09.2010 | 29 347 | 46 | 29 393 |
| Discontinued operations | 0 | 0 | 0 |
| Balance at 30 September 2010 | 121 089 | 205 | 121 294 |
| Translation differences | -1 692 | 1 | -1 691 |
| Carrying amount: | | | |
| Balance at 30 September 2010 | 99 020 | 2 260 | 101 280 |
| Residual value | | | |

Note 4 Investments in associates

| All figures in USD (1000) | Petroresources Ltd | Deepwater Driller Ltd | Total |
|-------------------------------------|-----------------------|--------------------------|---------------|
| Investments in associates | | | |
| 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 | -56 | 67 | 10 |
| Dilution loss | | -4 002 | -4 002 |
| Balance at 30 September 2010 | 2 703 | 41 415 | 44 118 |

In connection with the USD 50 million equity private placement in Deepwater Driller Ltd in Q2 2010, Petrolia Drilling's 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 YTD | Drilling | | Oilservices | | Total | |
|--|----------|----------|-------------|----------|----------|----------|
| | YTD 2010 | YTD 2009 | YTD 2010 | YTD 2009 | YTD 2010 | YTD 2009 |
| Operating income | - | - | 56 005 | 48 286 | 56 005 | 48 286 |
| EBITDA | - | - | 24 297 | 21 765 | 24 297 | 21 765 |
| EBIT | - | - | -5 096 | -7 439 | -5 096 | -7 439 |
| Discontinued operations | - | -105 135 | - | - | - | -105 135 |
| EBITDA % | | | 43 % | 45 % | 43 % | 45 % |
| EBIT % | | | -9 % | -15 % | -9 % | -15 % |

Reconciliation from segment operational EBIT to Profit before income tax:

| | | |
|------------------------------------|--------------|--------------|
| Segment EBIT | -5 096 | -7 439 |
| Unallocated operating expenses | -3 540 | 881 |
| Net financial expenses | -9 820 | -7 629 |
| Share of result from joint venture | 24 688 | 26 212 |
| Share of result from associates | -3 992 | -2 573 |
| Profit before income tax | 2 240 | 9 452 |

| All figures in USD (1000) Segment information Q3 | Drilling | | Oilservices | | Total | |
|---|----------|---------|-------------|---------|---------|---------|
| | 3Q 2010 | 3Q 2009 | 3Q 2010 | 3Q 2009 | 3Q 2010 | 3Q 2009 |
| Operating income | - | - | 19 047 | 16 087 | 19 047 | 16 087 |
| EBITDA | - | - | 10 169 | 7 193 | 10 169 | 7 193 |
| EBIT | - | - | 1 201 | -5 570 | 1 201 | -5 570 |
| Discontinued operations | - | -51 699 | - | - | - | -51 699 |
| EBITDA % | | | 53 % | 45 % | 53 % | 45 % |
| EBIT % | | | 6 % | -35 % | 6 % | -35 % |

Reconciliation from segment operational EBIT to Profit before income tax:

| | | |
|------------------------------------|---------------|------------|
| Segment EBIT | 1 201 | -5 570 |
| Unallocated operating expenses | -1 336 | -1 328 |
| Net financial expenses | -452 | -651 |
| Share of result from joint venture | -5 190 | 9 385 |
| Share of result from associates | -592 | -1 197 |
| Profit before income tax | -6 369 | 640 |

Note 6 Legal disputes

The legal dispute regarding termination costs with the previous CEO Bernt Skeie is pending arbitration.

The legal dispute with Tollefsen Engergy AS for office rent in Oslo is pending court proceedings.

Note 7 Events after the balance sheet date

There are no events after the balance sheet date of importance.