

The logo consists of a series of vertical bars of varying heights in shades of orange and yellow, resembling a stylized bar chart or a signal waveform.

PETROLIA DRILLING



1st quarter 2009

Petrolia Drilling owns, charters and invests in drilling vessels for offshore, deepwater oil and gas exploration and development drilling. It is also an international oilfield services company offering products such as tubing, drill pipe, casing and handling equipment as well as oilfield services. Petrolia Drilling intends to continue its exposure to the rig market, through investment in offshore drilling rigs and drillships deployed on fixed-rate, long-term contracts.

PETROLIA DRILLING ASA 1st quarter 2009 preliminary result

Financial summary

- Petrolia Drilling ASA had a net result after tax of USD -42.0 million including an unrealized currency loss of USD -27.6 million.
- Operating result before depreciation for the subsidiary PetroMENA ASA was USD -7.0 million. This includes mobilization for the rigs under construction in Singapore with USD 13.4 million. Net result for the first quarter 2009 was USD -46.4 million. During first quarter the contribution from SS Petrolia to operating profit before depreciation was approximately USD 12.2 million. SS Petrolia is expected to perform in line with first quarter performance going forward.
- The associated company Petrojack owns Petrojack IV, which commenced on contract the 23rd of January 2009. Operating profit before depreciation for Petrojack was USD 1.6 million in the first quarter 2009 and the net result was USD -21.9 million. Operating expenses in first quarter 2009 include expenses related to mobilization of Petrojack IV.
- Operating profit before depreciation for Venture Drilling was USD 26.2 million for the first quarter 2009. Net result after tax was USD 17.4 million. During 2009 Venture Drilling is expected to perform in line with first quarter going forward.
- Revenues and operating profit before depreciation for Petrolia Services (100% owned subsidiary) for the first quarter 2009 was USD 16.0 million and USD 6.6 million respectively. Petrolia Services is an International Oilfield Service Company offering rental equipment for oil and gas industry. Book value of drilling equipment as of 31 March 2009 is USD 129.7 million (depreciated over five years).

Financial information

Profit and loss for the first quarter 2009

Total revenues were USD 37.3 million for the first quarter 2009, whereof USD 21.3 million came from SS Petrolia and USD 16.0 million came from Petrolia Services. Total revenues for the first quarter 2008 equaled USD 28.9 million. SS Petrolia performed well during first quarter and is expected to perform in line with first quarter performance going forward.

Operating profit before depreciation was USD -1.9 million for the first quarter 2009 compared to USD 8.0 million in 2008.

Total operating expenses equaled USD 39.2 million for the first quarter 2009 whereof USD 8.5 million is operating expenses for SS Petrolia, USD 9.4 million relates to Petrolia Services and USD 13.4 million is rig expenses for mobilization of PetroRig I, II and III. Other operating expenses comprise management services under the contracts with LOG and various other operative and administrative expenses.

Operating profit equaled USD -10.3 million for the first quarter 2009, including USD 8.4 million in depreciation of equipment mainly related to Petrolia Services. Operating profit equaled USD 0.3 million for the first quarter 2008, including USD 7.8 million in depreciations.

The net, after-tax result was USD -42.0 million for the first quarter 2009. Venture Drilling contributes with a positive result after tax of USD 8.8 million. Result from associated company is negative with USD 4.0 million. Net financial items of USD -36.5 million include an unrealised currency loss, mainly on PetroMENA's bond loans nominated in NOK, of USD 27.6 million. The USD has depreciated against NOK from 7.00 as of 1 January 2009 to 6.68 as of 31 March 2009. The net after-tax result for the first quarter 2008 was USD -34.0 million.

Cash flow

Cash flow from operations equaled USD -3.6 million for the first quarter 2009 compared to USD -74.4 million for the first quarter 2008. Cash flow from investments was USD -5.7 million for the first quarter 2009 compared to USD -145.1 million for the first quarter 2008. Cash flow from financing activities for the first quarter 2009 equaled USD -20.8 million, while cash flow from financing activities equaled USD 0.9 million for the first quarter 2008. Total cash position as of 31 March 2009 was USD 98.2 million compared to USD 394.0 million as of 31 March 2008.

Balance sheet

As of 31 March 2009, total assets amounted to USD 1,020.3 million. The drilling rig SS Petrolia has a book value of USD 27.3 million, which reflects historic cost, including upgrades, adjusted for depreciation. The market value and value in use of SS Petrolia exceeds book value, which reflects historical cost after accumulated depreciation and upgrading. Rig under construction (PetroRig III) is booked at USD 264.5 million which reflects fair value based on the MOU of USD 545 million. Assets held for sale of USD 268.5 million comprise the book value of PetroRig I and PetroRig II reflecting fair value less costs to sell.

As per 31 March 2009, net interest bearing bond loans amounted to USD 862.9 million.

Total equity equaled USD 14.5 million as per 31 March 2009, including a minority interest of USD 20.4 million. Year end 2008, the total equity equaled USD 58.7 million. Book value of equity per share equaled USD 0.01 as per 31 March 2009, including minority interest of USD 0.02 per share. Book equity per share equaled USD 0.06 per year end 2008, including a minority interest of 0.04.

Share information

As of 31 March 2009, the total number of shares outstanding in Petrolia Drilling equaled 1,012,596,745, each with a par value of NOK 0.50. Petrolia Drilling has no outstanding or authorized stock options, warrants or convertible debt. As of 31 March 2009, Petrolia Drilling held 5,250,024 (0.52 percent) own shares. The associated company Petrojack (39.95 % of shares held by Petrolia Drilling) holds approximately 24.98 percent of the shares in Petrolia Drilling.

Events after the balance sheet date

Jurong Shipyard completed the construction of the semi-submersible rig, PetroRig I, and was ready to deliver the vessel in April. However, as PetroMENA was not able to reach agreement on certain proposed amendments to the loan agreements with its bondholders, PetroMENA was not able to secure financing and payment of the last installment to Jurong and has consequently not been in a position to take delivery of PetroRig I.

PetroMENA has further received notice of default for bond loans from Norsk Tillitsmann, the loan trustee for bond loans in PetroMENA Group. The company reject that any default exist. Due to the default notice from Norsk Tillitsmann, Lloyds has withdrawn the loan commitment of USD 600 million. The company has recently filed preliminary injunctions both in Singapore and Norway against enforcement actions initiated by Norsk Tillitsmann on behalf of the bondholders. Singapore court has decided that the case shall be fully argued after 20 May 2009. Pending further hearing, SS PetroRig I is not to be taken out of Singapore without prior notice to the court. Oslo court (Oslo Byfogdembete) has dismissed PetroMENA's filing for preliminary injunction. Norsk Tillitsmann has taken possession of the construction contracts and the shares in the Singapore subsidiaries. New board members have been appointed by Norsk Tillitsmann.

PetroMENA has also explored other strategic alternatives for the rigs under construction and has received memorandum of understanding (MOUs) related to sale of all rigs under construction. A Memorandum of Understanding ("MOU") has been signed for PetroRig I at USD

450 million and PetroRig II at USD 425 million. A potential sale of PetroRig I and PetroRig II requires early redemption of the 9.75 % bond loan and partial redemption of the 10.85 % bond loan.

The Company is of the opinion that, due to the default notices from Norsk Tillitsmann, the preferred alternative for both creditors and current shareholders is sale of PetroRig I and PetroRig II.

As a consequence, Jurong terminated the construction contract for PetroRig I, and have subsequently nominated a rig broker to auction the rig off to the highest bidder. The process is expected to be finalized shortly.

PetroMENA ASA has been informed by Norsk Tillitsmann 18th of May 2009 that their majority of the board members in Petrorig Pte Ltd. I, II and III have filed for Chapter 11 in USA to protect themselves against Jurong's sales process for SS "Petrorig" I. Otherwise Norsk Tillitsmann says that nothing has been changed.

PetroMENA has earlier stated that they will hold Norsk Tillitsmann ASA and the bondholders responsible for all passed and future damages.

The market and outlook

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.

The long term demand for deepwater rigs is expected to remain strong as oil companies have a significant back-log of drilling projects (both exploration and development projects) due to falling replacement ratios and decline in oil production. However the financial crisis and the drop in oil prices may lead to reduction in exploration and development spending due to banks being unwilling to commit financing for new E&P projects and a credit market not functioning. This may in turn affect short term utilization and drilling rates for new drilling units. Even though the oil price has fallen from record levels, the oil price is still high in a historical perspective, which point in the direction of expected strong growth in energy demand.

The average age of the global jack-up fleet is close to 23 years. There are currently approximately 60 jack-up rigs under construction, including options, corresponding to 15 % of the global jack-up fleet. The jack-up market may seem to have passed the peak, as a result of hectic newbuilding activity, and the rates seem to have come down somewhat from the peak levels.

The Board of Directors is somewhat cautious towards the outlook of the jack-up market going forward and is expecting a fairly decent deepwater rig market in the next few years, although rig values have dropped significantly during the past six-nine months. The current situation in the credit market will impact the industry and available funding going forward.

About

Petrolia Drilling controls 51.5% of PetroMena. PetroMena is building three modern, semi submersible drilling rigs (PetroRig I, II and III) at the Jurong Shipyard in Singapore. The rigs are harsh environment 6th generation units designed for drilling in ultra deep waters in areas such as Brazil, the Gulf of Mexico and West Africa. PetroRig I and II have entered into 5 years contracts with Petrobras, for operations in the Gulf of Mexico and offshore Brazil, with gross values of USD 700 million and USD 645 million respectively. PetroRig III has entered into a 5 years contract with Pemex with a gross value of USD 942 million. PetroMena also owns SS Petrolia which on 3 February 2008 commenced on a 913 days contract with Pemex in the Gulf of Mexico. Gross contract value of the Pemex contract is USD 269 million.

Petrolia Drilling also has exposure to the jack-up segment through its 39.95 % shares in Petrojack. The jack-up rigs have an operating water depth capacity of 375 feet and drilling

dept capacity of approximately 30,000 feet. In addition, Petrojack controls 24.98 % of Petrolia Drilling and 42.3% of PetroProd. PetroProd has ordered an enhanced CJ70 jack-up rig from Jurong. In April 2009 the loan trustee, Norsk Tillitsmann, declared the bond loan in PetroProd in default and the grand Court of the Cayman Island appointed Simon Whicker at KPMG as provisional liquidator. PetroProd was delisted from Oslo Axess in April 2009.

In addition, Petrolia Drilling controls 50% of DS Deep Venture which commenced on an 18 month contract with ExxonMobil ultimo June 2007. The gross value of the contract is in the USD 200-220 million range. The contract was recently extended, and DS Deep Venture will be engaged for Maersk Oil Angola until 25 July 2009, at a day rate of USD 425,000, after withholding of tax. Venture Drilling AS has agreed to a further 18 months contract with Maersk Oil Angola starting from the 25th of July 2009 at a dayrate of USD 495,000 after withholding tax.

Petrolia Services AS, a 100% owned subsidiary of Petrolia Drilling, is an international oilfield services company with presence in Norway, Australia, New Zealand and Singapore, serving nearby clients. Petrolia Services main product categories include tubing, drill pipe, casing and handling equipment as well as oilfield services.

Board of Directors, Petrolia Drilling ASA, 19th May 2009

Financial report 1st quarter 2009 - preliminary

Consolidated Statement of Comprehensive Income				
All figures in USD (1000)				
	1Q 2009	YTD 2009	1Q 2008	YTD 2008
Operating revenues	37 294	37 294	28 860	28 860
Operating expenses	39 181	39 181	20 824	20 824
Operating profit before depreciation	-1 887	-1 887	8 035	8 035
Depreciation	8 404	8 404	7 760	7 760
Operating profit (loss-)	-10 291	-10 291	275	275
Result from joint venture	8 804	8 804	8 169	8 169
Result from associated companies	-4 035	-4 035	-7 525	-7 525
Net financial income/expenses(-)	-36 515	-36 515	-35 550	-35 550
Net result before taxes	-42 037	-42 037	-34 631	-34 631
Tax	-32	-32	-605	-605
Net result	-42 005	-42 005	-34 026	-34 026
Other comprehensive income				
Currency translation differences	-2 125	-2 125	2 130	2 130
Total other comprehensive income	-2 125	-2 125	2 130	2 130
Total comprehensive income	-44 129	-44 129	-31 896	-31 896
Earnings per share (average shares)	-0,04	-0,04	-0,03	-0,03
Earnings per share (total shares)	-0,04	-0,04	-0,03	-0,03

Condensed Consolidated Statement of Financial Position

All figures in USD (1000)

Assets	31.03.2009	31.12.2008
Deferred tax assets	3 904	3 694
Goodwill	17 159	17 344
Drilling unit	27 348	28 262
Construction contracts Semi-Rigs	264 500	541 118
Drilling equipment	129 734	119 509
Buildings and other equipment	2 181	2 705
Investments in joint venture	57 291	76 827
Investments in associates	30 720	34 756
Total non-current assets	532 836	824 213
Assets held for sale	268 542	0
Inventory	398	327
Accounts receivables	32 510	35 084
Other debtors	86 684	38 710
Prepaid tax	284	0
Financial asset at fair value through p/l	871	871
Other liquid assets	12	83
Bank deposits	98 156	127 812
Total current assets	487 458	202 888
Total assets	1 020 294	1 027 102
Equity and liabilities	31.03.2009	31.12.2008
Share capital	93 568	93 568
Own shares	-2 153	-2 153
Share premium fund	123 119	123 119
Other equity	-220 454	-198 947
	-5 920	15 587
Minority interest	20 444	43 067
Total equity	14 524	58 654
Bond loan	433 381	418 400
Retirement benefit obligations	418	433
Other long-term liabilities	26 848	27 282
Total non-current liabilities	460 647	446 115
Short-term portion of non-current liabilities	451 329	438 261
Accounts payable	36 718	22 964
Payable tax	0	173
Other current liabilities	57 076	60 936
Total current liabilities	545 123	522 334
Total liabilities	1 005 770	968 448
Total equity and liabilities	1 020 294	1 027 102
Book equity per share (end of period shares)	0,01	0,06
Equity ratio	1 %	6 %

Condensed Consolidated Statement of changes in Equity

All figures in USD (1000)

	YTD 2009	YTD 2008
Equity period start 01.01	58 654	554 194
Total comprehensive income/loss (-) for the period	-44 129	-31 896
Remeasurment of shares in subsidiary	0	2 086
Total gains and losses charged directly to equity	0	2 086
Total recognised income for the period	-44 129	-29 810
Capital increase in subsidiary	0	0
Issue expenses in subsidiary	0	0
Purchase of own shares	0	-690
Total equity from shareholders in the period	0	-690
Total change of equity in the period	-44 129	-30 500
Equity at period end 31.03	14 524	523 695

Condensed Consolidated Cash Flow Statement

All figures in USD (1000)

	YTD 2009	YTD 2008
Net cash flow from operating activities	-3 639	-74 405
Net cash flow from investing activities	-5 672	-145 085
Net cash flow from financing activities	-20 771	857
Net change in cash and cash equivalents	-30 082	-218 633
Cash and cash equivalents at beginning of period	127 812	612 275
Exchange gain/loss (-) on cash and cash equivalents	425	332
Cash and cash equivalents at period end	98 156	393 974

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.

The quarterly 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 (2008). 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 (2008) have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in the annual report for 2008.

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 in the fiscal year of 2009:

	Drilling- and other equipment	SS Petrolia	Rigs under construction semi rigs	Land and buildings	Total
All figures in USD (1000)					
Balance at 1 Jan 2009	119 509	28 262	541 118	2 705	691 594
Acquisition cost:					
Acquisition cost at 1 Jan 2009	170 949	93 143	541 118	2 805	808 015
Purchased tangibles 2009	13 951	0	21 290	0	35 241
Disposal as of 1Q 2009	-132	0	-29 366	0	-29 498
Transferred to assets held for sale	0	0	-268 542	0	-268 542
Acquisition cost at 31 March 2009	184 768	93 143	264 500	2 805	545 216
Depreciation:					
Balance at 1 January 2009	51 440	64 881	0	100	116 421
Depreciation 2009	7 476	914	0	14	8 404
Balance at 31 March 2009	58 916	65 795	0	114	124 825
Translation differences	3 882	0	0	-510	3 372
Carrying amount:					
Balance at 31 March 2009	129 734	27 348	264 500	2 181	423 763
Residual value		10 800			

Note 3 Assets held for sale

PetroRig I and PetroRig II are presented as assets held for sale due to the financial situation in the subsidiary PetroMENA. At 31 March 2009 it comprised construction contract of PetroRig I with book value of USD 146 million and of PetroRig II with book value of USD 123 million. Assets held for sale is measured at the lower of their carrying amount and fair value less cost to sell. The construction contract was impaired to its recoverable amount before transferring to assets held for sale.

Balance at 1 January 2009	0
Transferred from construction contract semi rigs	268 542
Balance at 31 March 2009	268 542

If PetroRig I or PetroRig II is sold 50 % of the remaining borrowing amount in bond loan NOK 2,000 million, NOK 1,000 million in PetroMENA, falls due for each rig. In bond loan USD 300 million, USD 60 million falls due for each rig. Repayment related to possible sale is presented as short term portion of long term liabilities.

If PetroRig I and PetroRig II are sold in the period between 24 March 2009 and 23 May 2010 the redemption price in bond loan NOK 2,000 million is 7 % and 5 % in bond loan USD 300 million. This price is included in calculations related to impairment of rigs (fair value less cost to sell).

Note 4 Segment Information

Segment information						
All figures in USD (1000)						
Petrolia Drilling ASA`s primary format for reporting segment information is business segments.						
	Drilling		Offshore Services		Total	
	1Q 09	1Q 08	1Q 09	1Q 08	YTD 2009	YTD 2008
Operating income (TUSD)	21 268	10 756	16 027	18 104	37 294	28 860
EBITDA (TUSD)	-6 313	-357	6 606	8 392	293	8 035
EBIT (TUSD)	-8 979	-1 021	-872	1 296	-9 850	275
EBITDA %	-29,7 %	-3,3 %	41,2 %	46,4 %	0,8 %	27,8 %
EBIT %	-42,2 %	-9,5 %	-5,4 %	7,2 %	-26,4 %	1,0 %

Reconciliation from segment operational EBIT to Net result before taxes:

Segment EBIT	-9 850	275
Unallocated operating expenses	-440	0
Net finance expenses	-36 515	-35 550
Share of result from joint venture	8 804	8 169
Share of result from associates	-4 035	-7 525
Net result before taxes	-42 037	-34 631

Note 5 Investments in associates

All figures in USD (1000)	Petroresources Ltd	Larsen Rig Ltd	Petrojack ASA	Total
Investments in associates				
Shareholding	28.57%	30.0%	39.95%	
Business address	Limassol, Cyprus	Cayman Island	Oslo, Norway	
Balance 1 January 2009	2 890	21 000	10 866	34 756
Share of result	-34	-13	-3 988	-4 035
Balance at 31 March 2009	2 856	20 987	6 878	30 721

Note 6 Events after the balance sheet date

With reference to previous stock notices PetroMENA ASA has received from Norsk Tillitsmann ASA (NT) notice of default for bond loans ISIN: NO 001035264.4 - FRN PetroRig III Pte Ltd, ISIN: NO 001031608.6 - 9.75% PetroMENA ASA and ISIN: NO 001039578.3 - 10.85% PetroMENA ASA).

NT has without informing PetroMENA enforced their share pledge in PetroRig I Pte Ltd, II and III all registered in Singapore and appointed new majority board members.

NT through the representatives in Petrorig Pte Ltd I, II and III failed to take delivery of SS Petrorig I from Jurong Shipyard on the 28 April 2009.

On April 28, Jurong terminated the construction contract for PetroRig I, and have subsequently nominated a rig broker to auction the rig off to the highest bidder. The process is expected to be finalized shortly.

PetroMENA ASA has been informed by NT 18th of May 2009 that the NT's majority of the board members in Petrorig Pte Ltd. I, II and III have filed for Chapter 11 in USA to protect themselves against Jurong's sales process for SS "Petrorig" I. Otherwise NT says that nothing has been changed.

PetroMENA has earlier stated that they will hold Norsk Tillitsmann ASA and the bondholders responsible for all passed and future damages.

See further information regarding events in 2009 in the annual report and in text above.