

PETROLIA DRILLING ASA



1st quarter 2008

Petrolia Drilling owns, charters and invests in drilling vessels for offshore, deepwater oil and gas exploration and development drilling. Petrolia Drilling intends to continue expanding its rig exposure by acquiring or investing in offshore drilling rigs and drillships deployed on fixed-rate, long-term contracts.

PETROLIA DRILLING ASA first quarter 2008 preliminary result

Summary:

Building values

Petrolia Drilling continues to strengthen its exposure in the drilling market through the ownership in PetroMena (50.8%) and Petrojack (39.9%) and indirectly through PetroProd. The market value of the company's deepwater floaters under construction, has increased during the first quarter. Construction of similar rigs and financing is both currently more expensive.

- Petrolia Drilling has with effect from Q1 2008 changed presentation currency from NOK to USD. All comparative figures have been converted and presented in USD for information purposes. As a consequence of this, the company has registered an unrealized disagio of mUSD 26.0 in the first quarter 2008. Total net result mUSD -34.0.
- PetroRig I, II and III have an average contract price of mUSD 490 each unit excluding financing costs. Contract prices from recent fixtures for similar units are approximately mUSD 680 each excluding financing costs. The construction programs in PetroMena are running according to schedule and on budget. On 3 February, SS Petrolia started operations under the contract with Pemex. EBITDA for the subsidiary PetroMena in Q1 2008 was mUSD 3.3 and net result mUSD -31.2. The negative result was mainly impacted by an unrealized USD/NOK disagio on PetroMena's debt nominated in NOK.
- Petrojack took delivery of Petrojack II 28 March 2008 and entered into an agreement with Saipem for hire of the jack-up rig. The hire under the charter is USD 100.000 per day. The agreement includes a put/call option at a price of mUSD 200, with expiration 12 months after the beginning of the contract. The construction program for the remaining jack-up rig is developing according to schedule. EBITDA for Petrojack in Q1 2008 was mUSD -2.2 and net result mUSD -27.9. The negative result was mainly impacted by unrealized USD/NOK disagio on Petrojack's debt nominated in NOK.
- Utilization for Deep Venture in the first quarter was 98%, giving an EBITDA of mUSD 25. Net result after tax in the first quarter was mUSD 16.2.
- Revenue and EBITDA from Petrolia Services in the first quarter 2008 totaled mUSD 18.1 and mUSD 7.7 respectively. Drilling equipment is depreciated over five years. In the first quarter of 2008 depreciation amounts to mUSD 6.2. Book value of drilling equipment per Q1-end is mUSD 112.5. Market value is expected to be higher.

Financial information

The financial data have been prepared in accordance with the International Financial Reporting Standards (IFRS).

Profit and loss

Total revenues in the first quarter 2008 were mUSD 28.9 whereof mUSD 10.8 came from SS Petrolia and mUSD 18.1 came from Petrolia Services. In the first quarter 2007, total revenues equaled mUSD 22.0.

EBITDA for the first quarter 2008 was mUSD 8.0 compared to mUSD 10.7 for the first quarter 2007.

Total operating expenses equaled mUSD 20.8 in the first quarter mainly related to SS Petrolia and Petrolia Services, mUSD 9.5 and mUSD 9.7 respectively.

First quarter EBIT equaled mUSD 0.3, including mUSD 7.8 in depreciation of equipment mainly related to Petrolia Services. First quarter 2007 EBIT equaled mUSD 5.6, including mUSD 5.1 in depreciation.

The net, after-tax result for the first quarter 2008 was mUSD -34.0. This includes net financial items of mUSD -35.6. These expenses include the effect of PetroMena's change of functional currency from NOK to USD. The USD has depreciated during 1Q 2008 resulting in an unrealized loss of mUSD 26.0 for the group as a total related to debt nominated in NOK. The net result also includes negative result from investment in associated company of mUSD 7.5

and a contribution from Venture Drilling of mUSD 8.2 after tax. The first quarter 2007 net, after-tax result was mUSD 0.6, due to lower depreciation and lower net financial items than in the first quarter 2008.

Balance sheet

As per 31 March 2008, total assets amounted to mUSD 1,693.6. SS Petrolia has a book value mUSD 28.8, which reflects historic cost, including upgrades, adjusted for depreciation. Recent market value of the rig is estimated to mUSD 225. Total assets also include three rigs under construction, PetroRig I, II and III which on average have a contract price of mUSD 490 excluding financing costs. Contract prices from recent fixtures for similar units are approximately mUSD 680 excluding financing costs.

The 39.9% ownership in Petrojack is booked at a value of USD 3.6 per share. The market value of the shares as per 31 March 2008 was USD 2.93. Based on recent new-building prices, the Board of Directors of Petrolia Drilling considers the book value of Petrojack reasonable.

Total equity equals mUSD 523.7 as per 31 March 2008, including a minority interest of mUSD 213.2. As per 31 March 2007, the total equity equaled mUSD 320.5 (no minority interest). Book value of equity per share equaled USD 0.52 as per Q1-end 2008, including minority interest of USD 0.21 per share, and USD 0.32 per Q1-end 2007.

Share information

As per 31 March 2008, the total number of shares outstanding in Petrolia Drilling equals 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 per 31 March 2008, Petrolia Drilling held 5.250.024 (0.52 percent) own shares. The associated company Petrojack (39.9 % of shares held by Petrolia Drilling) holds approximately 24.9 percent of shares in Petrolia Drilling.

The market and outlook

The market for semi submersible drilling rigs is firm, with near 100% utilization. As a result of the tight demand for deepwater rigs, day rates have increased. The 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. Available yard capacity at relevant yards and drilling equipment are limited. Average lead time for delivery of a new floater has currently increased from 2.5 years to 3.5 years. The current credit crunch has also made it difficult to secure funding of newbuilding programs. Altogether the market going forward for deepwater rigs seems strong.

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. In spite of the significant new building activity, the expected medium-term demand for modern rigs is strong.

The Board of Directors expects favorable rig market in the next few years.

Other

Petrolia Drilling controls 50.8% 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 mUSD 700 and mUSD 645 respectively. PetroRig III has entered into a 5 years contract with Pemex with a gross value of mUSD 942. 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 mUSD 269.

Petrolia Drilling also has exposure to the jack-up segment through its 39.9% shares in Petrojack. Petrojack has one jack-up rig under construction at Jurong and one jack-up rig on contract with Saipem. The jack-up rigs have an operating water depth capacity of 375 feet and drilling dept capacity of approximately 30.000 feet. The contract with Saipem has duration of 4 years with a daily hire of USD 100.000 per day. In addition, Petrojack controls approx 24.9% of Petrolia Drilling and 42.23% of PetroProd. PetroProd is planning to convert 3 Aframax tankers to FPSOs at Jurong, and has also ordered an enhanced CJ70 jack-up rig from Jurong. The CJ70 Jack-up rig is a large, harsh environment drilling rig also capable of hosting production equipment enabling combined and simultaneous drilling and production operations. The unit will comply with Norwegian sector regulations and will be the largest jack-up rig ever constructed.

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 mUSD 200-220 range.

Petrolia Services AS, a 100% owned subsidiary of Petrolia Drilling, is an international oilfield services company with presence in Norway, Australia, New Zealand, Singapore and Dubai, 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, 20th of May 2008

Condensed Consolidated Income Statement			
<i>All figures in USD (1000)</i>			
	Q1 2008	1Q 2007	2007
Operating income	28 860	22 034	131 927
Operating expenses	-20 824	-11 338	-66 201
Op.profit before depreciation and amortization	8 035	10 697	65 726
Depreciation and amortization	-7 760	-5 061	-26 604
Impairment/Reversal of impairments	0	0	0
Operating profit (loss-)	275	5 636	39 122
Result from joint venture	8 169	152	12 760
Result from associated companies	-7 525	-1 488	-12 476
Net financial items	-35 550	-3 715	-29 590
Profit before tax	-34 631	586	9 816
Income tax expense	605	0	-2 524
Net profit	-34 026	586	7 292
Earnings per share	-0,03	0,00	0,01
Diluted earnings per share	-0,03	0,00	0,01

Condensed Balance Sheet

All figures in USD (1000)

Assets	31.03.2008	31.03.2007	31.12.2007
Intangible fixed assets	6 065	0	5 160
Deferred tax assets	11 267	5 518	11 223
Goodwill	19 919	10 672	17 929
SS Petrolia	28 816	25 593	28 615
Drilling rigs under construction	865 723	0	733 933
Drilling equipment	112 507	78 025	105 023
Buildings and land	3 093	0	3 116
Machinery, equipment and vehicles	102	0	48
Investments in associates	92 900	262 367	100 425
Other financial fixed assets	123	0	0
Other receivables	0	463	0
Investments in joint venture	70 601	43 303	62 431
Total non-current assets	1 211 115	425 941	1 067 904
Other debtor	84 898	38 817	53 968
Other financial investments	3 483	0	3 483
Other liquid assets	108	22 246	101
Bank deposits	393 974	38 124	612 275
Total current assets	482 464	99 187	669 827
Total assets	1 693 580	525 128	1 737 731
Equity and liabilities	31.03.2008	31.03.2007	31.12.2007
Share capital	93 568	83 049	93 568
Share premium fund	283 552	252 089	283 552
Own shares	-486	0	-319
Minority interest	213 178		202 146
Other equity	-66 116	-14 687	-24 753
Total equity	523 696	320 451	554 194
Retirement benefit obligations	684	505	485
Bonds	1 035 711	80 269	1 039 463
Other long-term liabilities	12 578	36 256	10 084
Total non-current liabilities	1 048 973	117 030	1 050 032
Short term portion of long term liabilities	24 165	3 707	32 533
Accounts payable	11 297	13 964	15 405
Payable tax	-1 348	1 886	76
Other current liabilities	86 797	68 090	85 490
Total current liabilities	120 911	87 647	133 505
Total liabilities	1 169 884	204 677	1 183 536
Total equity and liabilities	1 693 580	525 128	1 737 731
Book equity per share	0,52	0,32	0,55
Equity ratio	31 %	61 %	64 %

* The accompanying notes are an integral part of the financial statements

Condensed Consolidated Statement of changes in Equity			
<i>All figures in USD (1000)</i>			
	1Q 2008	1Q 2007	2007
Equity period start	554 195	229 533	229 533
Profit for the period	-34 026	586	7 292
Currency translation differences	2 130	2 292	48 347
Other gains and losses charged directly to equity		-162	-7 658
Step by step acquisition			-3 683
Minority share	2 086		186 975
Total gains and losses charged directly to equity	4 216	2 130	223 981
Total recognized income for the period	-29 810	2 716	231 273
New equity by contributions in kind	-690	88 244	93 857
Expenses related to share issues (net of tax)		-42	-467
Total equity from shareholders in the period	-690	88 202	93 389
Total change of equity in the period	-30 499	90 919	324 662
Equity at period end	523 696	320 451	554 195

Condensed Consolidated Cash Flow Statement			
<i>All figures in USD (1000)</i>			
	1Q 2008	1Q 2007	2007
Net cash flow from operating	-74 073	-10 790	21 780
Net cash flow from investing	-145 085	-2 411	209 141
Net cash flow from financing	857	32 801	362 830
Net change in cash and cash equivalents	-218 301	19 600	593 751
Cash and cash equivalents at beginning of period	612 275	18 524	18 524
Cash and cash equivalents at period end	393 974	38 124	612 275
Specification of cash and cash equivalents at period end			
Bank deposits	393 974	38 124	612 275

Note 1 Applied accounting principles

This quarterly 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 (2007). 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 (2007) have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in the annual report for 2007.

Petrolia Drilling has with effect from Q1 2008 changed presentation currency from NOK to USD. All comparative figures have been converted and presented in USD for information purposes.

The consolidated accounts are based on historical cost, with the exception of items required to be reported at fair value.

Note 2 Bond loan

Part of Petrolia Drilling's bond loan of MNOK 500 has been redeemed in January 2008.

Due to the sale of the "SS Petrolia" to PetroMena Limited in December 2007, Petrolia Drilling has redeemed 50% of its bond loan at a price of 110 % plus accrued interest in January 2008. The nominal value of the loan per 31.12.2007 was MNOK 500. Consequently, Petrolia Drilling has paid 110 % of MNOK 250, i.e. MNOK 275, plus accrued interest.

Note 3 Tangible fixed assets

The table below outlines the development of tangible fixed assets per 31st March 2008:

<i>All figures in USD (1000)</i>	Equipment	SS Petrolia	Rigs under construction	Other equipment	Land and Buildings	Total
Balance at 1 Jan 2008	105 023	28 615	733 933	48	3 116	870 735
Acquisition cost:						
Acquisition cost at 1 Jan 2008	127 300	90 771	733 933	48	3 143	955 196
Purchased tangibles per 1Q 2008	9 492	859	131 790	59	0	142 200
Disposals per 1Q 2008	-133	0	0		0	-133
Acquisition cost at 31 March 2008	136 659	91 631	865 723	107	3 143	1 097 263
Depreciation:						
Balance at 1 January 2008	22 278	62 156	0	0	27	84 461
Depreciation per 1Q 2008	6 197	659	0	5	19	6 880
Balance at 31 March 2008	28 475	62 815	0	5	46	91 340
Translation differences	4 323				-4	4 319
Carrying amount:						
Balance at 31 March 2008	112 507	28 816	865 723	102	3 093	1 010 241

Note 4 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 08	1Q 07	1Q 08	1Q 07	YTD 2008	YTD 2007
Operating income	10 756	15 878	18 104	6 157	28 860	22 034
EBITDA	-357	7 265	8 392	3 432	8 035	10 697
EBIT	-1 021	5 894	1 296	-258	275	5 636
EBITDA margin	-3,3 %	45,8 %	46,4 %	55,7 %	27,8 %	48,5 %
EBIT margin	-9,5 %	37,1 %	7,2 %	-4,2 %	1,0 %	25,6 %

Note 5 Investments in associates

All figures in USD (1000)

Associate	Petrojack
Shareholding	39,95%
Business address	Oslo, Norway
Balance 01.01.2008	100 425
Acquisition cost	0
Share of result	-7 525
Book value 31.03.2008	92 900