PETROLIA DRILLING ASA

2nd QUARTER &

1st HALF YEAR 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 second quarter and half year 2008 preliminary result

Summary:

Building values

Petrolia Drilling continues to strengthen its exposure to the drilling market through the investments in PetroMena (51.5%), Venture Drilling (50%), Petrojack (39.9 %) and PetroProd (42.3 %, indirectly through Petrojack). The market value of the company's deepwater floaters under construction has increased during the first half year. Construction of similar rigs is more expensive and financing is both more expensive and more difficult to obtain.

- Petrolia Drilling has with effect from 01.01.2008 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 23.0 in the first half of 2008. Total net result after tax is mUSD -44.8.
- PetroMena's PetroRig I, II and III have an average contract price of mUSD 490 for each unit, excluding project- and financing costs. Contract prices for recent fixtures for similar units are approximately mUSD 680, excluding project- and financing costs. The construction programs in PetroMena are running according to schedule and on budget. On 3 February 2008, SS Petrolia started operations under the contract with Pemex. EBITDA for the subsidiary PetroMena in the first half of 2008 was mUSD 13.6 and net result mUSD -33.3. The negative result was mainly impacted by an unrealized USD/NOK disagio of mUSD 22.5 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 time charter is USD 100.000 per day. The agreement includes a put/call option at a price of mUSD 199.1, 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 the first half of 2008 was mUSD -0.8 and the net result was mUSD -43.8 including an unrealized disagio of mUSD 12.8 on Petrojack's debt nominated in NOK.
- EBITDA from Venture Drilling was mUSD 41.5 in the first half of 2008. Net result after tax was mUSD 26.7.
- Revenue and EBITDA from Petrolia Services in the first half of 2008 totaled mUSD 35.6 and mUSD 15.9 respectively. Drilling equipment is depreciated over five years. In the first half of 2008 depreciation amounts to mUSD 14.7. Book value of drilling equipment per 30.06.08 is mUSD 123.7. 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 for the first half year of 2008

Total revenues in the first half of 2008 were mUSD 70.8 whereof mUSD 35.0 came from SS Petrolia and mUSD 35.6 came from Petrolia Services. In the first half of 2007, total revenues equaled mUSD 55.3.

EBITDA for the first half of 2008 was mUSD 22.4 compared to mUSD 29.0 for the first half of 2007.

Total operating expenses equaled mUSD 48.4 in the first half of 2008 whereof mUSD 11.0 is opex for SS Petrolia and mUSD 19.7 relates to Petrolia Services. The rest of the operating expenses relates to management services under the contracts with LOG and various other operative and administrative expenses.

EBIT for the first half of 2008 equaled mUSD 6.3, including mUSD 16.1 in depreciation of equipment mainly related to Petrolia Services. EBIT for the first half of 2007 equaled mUSD 17.3, including mUSD 11.7 in depreciations.

The net, after-tax result for the first half of 2008 was mUSD -44.8. This includes net financial items of mUSD -52.0. These expenses include the effect of PetroMena's change of functional currency from NOK to USD. The USD has depreciated during the first half of 2008 resulting in an unrealized loss of mUSD 23.0 for the group as a total, related to debt nominated in NOK. The USD has depreciated against NOK from 5.41 to 5.08 during the first half of 2008. The net result also includes negative result from investment in associated company of mUSD 13.1 and a result from Venture Drilling of mUSD 13.5 after tax. The first half year of 2007 net, after-tax result was mUSD 6.5, due to lower deprecation and lower net financial items than in the first half of 2008.

Profit and loss for the 2nd quarter 2008

Total revenues in the second quarter 2008 were mUSD 42.0 whereof mUSD 24.2 came from SS Petrolia and mUSD 17.6 came from Petrolia Services. In the second quarter 2007, total revenues equaled mUSD 33.3.

EBITDA for the second quarter 2008 was mUSD 14.4 compared to mUSD 18.3 for the second quarter 2007.

Total operating expenses equaled mUSD 27.6 in the second quarter 2008 whereof mUSD 7.0 is opex for SS Petrolia and mUSD 10.0 relates Petrolia Services. The rest of the operating expenses relates to management services under the contracts with LOG and various other operative and administrative expenses.

EBIT for the second quarter 2008 equaled mUSD 6.1, including mUSD 8.3 in depreciation of equipment mainly related to Petrolia Services. EBIT for the second quarter 2007 equaled mUSD 11.7, including mUSD 6.7 in depreciations.

The net, after-tax result for the second quarter 2008 was mUSD -10.8. This includes net financial items of mUSD -16.5. These expenses are interest on the bond loans and the call option premium for redeeming the remaining bond loan of mNOK 250. The net result includes negative result from investment in associated company of mUSD 5.5 and a result from Venture Drilling of mUSD 5.3 after tax. The second quarter 2007 net, after-tax result was mUSD 5.9.

Cash flow

Cash flow from operations equaled mUSD -71.1 in the first half of 2008 compared to mUSD 50.9 YTD 2007. Cash flow from investments was mUSD -204.6 in the first half of 2008 related to installments paid to Jurong, interest on bond loans and investment in PetroResources Ltd. Total YTD 2007 cash flow from investments amounted to mUSD -20.9. Cash flow from financing activities in the first half of 2008 is mUSD 128.3, relating to redemption of mNOK 250 and issuance of a new bond loan of mNOK 500, while YTD 2007 cash flow from financing activities equaled mUSD -2.8.

Balance sheet

As per 30 June 2008, total assets amounted to mUSD 1,808.9. SS Petrolia has a book value of mUSD 29.0, 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 each, 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 3.4 per share. The market value of the shares as per 30 June 2008 was USD 2.95. Based on recent new-building prices, the Board of Directors of Petrolia Drilling considers the book value of Petrojack reasonable.

Total equity equals mUSD 532.3 as per 30 June 2008, including a minority interest of mUSD 187.8. As per year end 2007, the total equity equaled mUSD 554.2. Book value of equity per share equaled USD 0.53 as per the first half year of 2008, including minority interest of USD 0.19 per share. Book equity per share equaled USD 0.55 per year end 2007, including a minority interest of 0.20.

Share information

As per 30 June 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 30 June 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 24.98 percent of the 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 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 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 24.98 % of Petrolia Drilling and 42.3% 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. The contract was recently extended, and DS Deep Venture will be engaged for ExxonMobil until 25 July 2009, at a day rate of USD 425.000, after withholding of tax.

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.

Events after the balance sheet date

Petrolia Drilling through a 100% subsidiary has agreed to subscribe for 30 percent (approximately mUSD 50) of the shares in a new single purpose rig company registered on Cayman Island. The company is building a new deepwater semisubmersible drilling rig at Jurong Shipyard in Singapore, identical to the PetroMena rigs. Larsen Oil & Gas will be rig construction manager.

In July 2008 Venture Drilling AS agreed to a six months extension with ExxonMobile starting from 25 January 2009 until 25 July 2009 at a day rate of USD 425.000 after withholding tax.

Larsen Oil & Gas Pte Ltd, as drilling contractor, has on behalf of Petrojack IV Pte Ltd, a wholly owned subsidiary of Petrojack ASA, signed a Letter of Intent (LoI) for a long term drilling contract with an undisclosed client. Length of contract is 5 years at a rate of USD 151.000 per day. Final contract is expected to be signed shortly.

Larsen Oil & Gas (LOG) as Business Manager for PetroRig I has received an unsolicited indicative conditional offer at mUSD 640 incl. 1% commission payable by Sellers and with LOG keeping the present Management Agreement during the Petrobras five year contract. Separately Buyers are also advising their interest in purchasing a majority shareholding in PetroMENA from Petrolia Drilling ASA. The indicated level would be with a premium over today's shareprice, around NOK 20 per share. Based on recent market values and newbuilding prices the Board of Directors of PetroMENA / Petrolia Drilling have decided not to accept the indicative proposal.

Related party transactions

Petrolia Drilling has no employees. The Group has entered into business management agreement with Larsen Oil & Gas, which is controlled by Mr. Berge Gerdt Larsen, who is boardmember in the subsidiary PetroMena and the associated company Petrojack. For more information on the business management agreements entered into with Larsen Oil & Gas please refer to note 11 in the annual statement for 2007 available at Petrolia Drilling's website www.petrolia.no.

Key risks and uncertainty

The value of Petrolia Drilling's investment in PetroMena and Petrojack represents a significant share of Petrolia Drilling's total assets. If the future cash flow and income from PetroMena and Petrojack is less than expected, and the share price of PetroMENA and Petrojack drops significantly, the book value of these investments may decline, reducing Petrolia Drilling's booked equity, and cause Petrolia Drilling to incur financial losses.

The future income and cash flow from the assets held by Petrolia Drilling is mainly driven by the demand for offshore rig units which is strongly influenced by the present and future demand/supply balance for oil and gas and investments in exploration and development. Recently we have seen a significant drop in oil and gas prices, from record high levels. A further significant drop in energy prices (oil & gas) may lead to weaker demand for drilling assets.

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 2008 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.

Petrolia Drilling ASA, 26th August 2008

Klaus P. Tollefsen	Gun Marit Stenersen	Terje Hellebø
Chairman of the Board	Board Member	Board Member
Leif Holst	Unni F. Tefre	Lars Moldestad
Board Member	Board Member	Managing Director

Financial report second quarter – first half year

Condensed Consolidated Income Statement Unaudited

All figures in USD (1000)

	Q2 2008	Q2 2007	YTD 2008	YTD 2007
Operating income	41 959	33 282	70 818	55 316
Operating expenses	-27 560	-14 943	-48 385	-26 280
Operating profit before depreciation and amortization	**14 399**	**18 339**	**22 434**	**29 036**
Depreciation and amortization	-8 337	-6 685	-16 097	-11 746
Operating profit (loss-)	**6 062**	**11 654**	**6 336**	**17 290**
Result from joint venture	5 299	3 554	13 468	3 706
Result from associated companies	-5 545	-3 390	-13 069	-4 878
Net financial items	-16 490	-5 909	-52 040	-9 624
Profit before tax	**-10 674**	**5 909**	**-45 305**	**6 494**
Income tax expense	-129	0	476	0
Net profit	**-10 803**	**5 909**	**-44 829**	**6 494**
Earnings per share	-0,01	0,01	-0,04	0,01
Diluted earnings per share	-0,01	0,01	-0,04	0,01

Condensed Balance Sheet Unaudited

All figures in USD (1000)

Assets	30.06.2008	31.12.2007
Intangible fixed assets	8 380	5 160
Deferred tax assets	11 139	11 223
Goodwill	20 489	17 929
Drilling unit	28 976	28 615
Drilling Rigs	890 846	733 933
Drilling equipment and other equipment	126 950	108 187
Investments in associates	93 355	100 425
Other financial fixed assets	675	0
Investments in joint venture	75 900	62 431
Total non-current assets	**1 256 710**	**1 067 903**
Other debtor	83 713	53 968
Other financial investments	3 483	3 483
Other liquid assets	111	101
Bank deposits	464 869	612 275
Total current assets	**552 175**	**669 827**
Total assets	**1 808 885**	**1 737 730**
Equity and liabilities	**30.06.2008**	**31.12.2007**
Share capital	93 568	93 568
Share premium fund	283 552	283 552
Own shares	-486	-319
Minority interest	187 837	202 146
Other equity	-32 210	-24 753
Total equity	**532 261**	**554 194**
Retirement benefit obligations	686	485
Bonds	1 085 764	1 039 463
Other long-term liabilities	24 756	10 084
Total non-current liabilities	**1 111 206**	**1 050 032**
Short term portion of long term liabilities	78 153	32 533
Accounts payable	15 806	15 405
Payable tax	-2 317	76
Other current liabilities	73 776	85 489
Total current liabilities	**165 419**	**133 504**
Total liabilities	**1 276 624**	**1 183 535**
Total equity and liabilities	**1 808 885**	**1 737 730**
Book equity per share	**0,53**	**0,55**
Equity ratio	**29 %**	**32 %**

Condensed Consolidated Statement of changes in Equity Unaudited		
All figures in USD (1000)		
	YTD 2008	**YTD 2007**
Equity period start	554 195	223 705
Profit for the period	-44 829	6 494
Currency translation differences	-897	17 728
Other gains and losses charged directly to equity		-165
Step by step acquisition		
Minority share	2 081	
Total gains and losses charged directly to equity	1 184	17 563
Total recognized income for the period	-43 645	24 057
New equity by contributions in kind	21 711	88 244
Expenses related to share issues (net of tax)		-547
Total equity from shareholders in the period	21 711	87 697
Total change of equity in the period	-21 934	111 754
Equity at period end	**532 261**	**335 459**

Condensed Consolidated Cash Flow Statement Unaudited		
All figures in USD (1000)		
	YTD 2008	**YTD 2007**
Net cash flow from operating activities	**-71 122**	**50 905**
Net cash flow from investment activities	**-204 588**	**-20 904**
Net cash flow from financing activities	**128 304**	**-2 771**
Net change in cash and cash equivalents	**-147 406**	**27 230**
Cash and cash equivalents at beginning of period	**612 275**	18 524
Cash and cash equivalents at period end	**464 869**	**45 754**
Specification of cash and cash equivalents at period end		
Bank deposits	464 869	45 754

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 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 (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 01.01.2008 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

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. In July 2008 the remaining MNOK 250 was redeemed under the same conditions.

In June 2008 the company issued a new bond loan of nominal value MNOK 500. The loan was disbursed 20 June 2008. An interest rate of 12.5% shall be calculated. The loan is listed on the Oslo Stock Exchange.

Note 3 Tangible fixed assets

All figures in USD (1000)	Drilling- and other equipment	Rigs	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 2Q 2008	29 118	1 695	156 913	120	0	**187 846**
Disposals per 2Q 2008	-1 250	0	0		0	**-1 250**
Acquisition cost at 30 June 2008	**155 168**	**92 466**	**890 846**	**169**	**3 143**	**1 141 792**
Depreciation:						
Balance at 1 January 2008	22 278	62 156	0	0	27	**84 461**
Depreciation per 2Q 2008	14 711	1 334	0	14	38	**16 097**
Balance at 30 June 2008	**36 989**	**63 490**	**0**	**14**	**65**	**100 558**
Translation differences	5 542				-4	**5 538**
Carrying amount:						
Balance at 30 June 2008	**123 721**	**28 976**	**890 846**	**155**	**3 074**	**1 046 772**
Residual value		**10 800**				

The table below outlines the development of tangible fixed assets per 30 June 2008:
Effective from 01.01.2008 the depreciation period for SS Petrolia has been changed from 5 years to 15 years in the group's accounts based on new estimates of remaining useful life. Residual value has also been recalculated causing a further reduction in depreciation. The net effect on the P/L statement for the first half of 2008 is mUSD 1.9.

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		Drilling		Offshore services		Total	
	2Q 08	2Q 07	2Q 08	2Q 07	2Q 08	2Q 07	YTD 08	YTD 07	YTD 08	YTD 07	YTD 08	YTD 07
Operating income (TUSD)	24 461	24 640	17 498	8 642	41 959	33 282	35 216	40 517	35 602	14 799	70 818	55 316
EBITDA (TUSD)	6 914	13 202	7 485	5 137	14 399	18 339	6 557	20 467	15 877	8 569	22 434	29 036
EBIT (TUSD)	6 230	11 874	-168	-220	6 062	11 654	5 209	17 768	1 128	-478	6 336	17 290
EBITDA %	28,3 %	53,6 %	42,8 %	59,4 %	34,3 %	55,1 %	18,6 %	50,5 %	44,6 %	57,9 %	31,7 %	52,5 %
EBIT %	25,5 %	48,2 %	-1,0 %	-2,5 %	14,4 %	35,0 %	14,8 %	43,9 %	3,2 %	-3,2 %	8,9 %	31,3 %

Note 5 Investments in associates

All figures in USD (1000)

Associate	Petroresources Ltd	Petrojack ASA
Shareholding	28.57%	39.93%
Business address	Limassol, Cyprus	Oslo, Norway
Balance 01.01.2008	1	100 425
Acquisition cost	5 999	0
Share of result	3	-12 929
Depreciation value added	0	144
Book value 30.06.2008	6 003	87 352