PETROLIA DRILLING ASA

4th QUARTER 2008

Petrolia Drilling owns, charters and invests in drilling vessels for offshore, deepwater oil and gas exploration and development drilling. Petrolia Drilling's long term strategy is 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 4th quarter 2008 preliminary result

Summary:

Building values

Petrolia Drilling has during 2008 strengthened its exposure in the drilling market through the investments in PetroMena (51.5%), Venture Drilling (50%), Petrojack (39.95%), Larsen Rig (30%), and PetroProd (16.9 % indirectly through Petrojack). The current situation in the financial markets will impact the industry and available funding going forward.

- Petrolia Drilling has with effect from 1 January 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 booked an unrealised currency gain of mUSD 179.3 for the fiscal year 2008 on bond loans nominated in NOK. Total net result after tax was mUSD 90.1 for the fourth quarter 2008 and mUSD 76.9 for the fiscal year 2008.

- PetroMena's PetroRig I, II and III have an average contract price of mUSD 490 per unit, excluding project- and financing costs. On 3 February 2008, SS Petrolia started operations under the contract with Pemex. Operating result before depreciation for the subsidiary PetroMena was mUSD 17.8 for the fiscal year 2008 and net result was mUSD 117.7. The result was positively impacted by an unrealised USD/NOK currency gain of mUSD147.3 mainly related to debt nominated in NOK.

- Petrojack has had one jack-up rig on contract with Saipem. The put/call option of sale of Petrojack II to Saipem was completed on the 12th of January 2009 at a sales price of MUSD 198.3.

- Petrojack has had one jack-up rig under construction (Petrojack IV) which was delivered in January 2009. 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 drilling contract with PTT Exploration & Production Public Company Limited. Length of contract is 5 years at a rate of USD 151,000 per day. This was commenced on the 23rd of January 2009. Operating profit before depreciation for Petrojack was mUSD 21.3 for the fiscal year 2008 and the net result was mUSD -63.3.

- Operating profit before depreciation for Venture Drilling was mUSD 71.8 for the fiscal year 2008. Net result after tax was mUSD 56.4.

- Revenues and operating profit before depreciation for Petrolia Services for the fiscal year 2008 totalled mUSD 86.5 and mUSD 35.4 respectively. Drilling equipment is depreciated over five years. Depreciation amounts to mUSD 28.4 for the fiscal year 2008. Book value of drilling equipment as of 31 December 2008 is mUSD 113.0. Market value is expected to be higher.

- Petrolia Drilling has invested mUSD 42.0 in Larsen Rig and thereby controls 30% of the company, which is building a new deepwater semisubmersible drilling rig at Jurong Shipyard in Singapore, identical to the PetroMena rigs. The rig is planned to be delivered in the second quarter 2011.

Financial information

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

Profit and loss for the fiscal year 2008

Total revenues were mUSD 160.4 for the fiscal year 2008, whereof mUSD 73.6 came from SS Petrolia and mUSD 86.5 came from Petrolia Services. Total revenues for the fiscal year 2007 equalled mUSD 131.9.

Operating profit before depreciation was mUSD 33.4 for the fiscal year 2008 compared to mUSD 65.7 in 2007.

Total operating expenses equalled mUSD 127.0 for the fiscal year 2008 whereof mUSD 39.3 is operating expenses for SS Petrolia, mUSD 51.1 relates to Petrolia Services and mUSD 15.8 is rig expenses for mobilization of PetroRig I. The rest of the operating expenses relates to management services under the contracts with LOG and various other operative and administrative expenses.

Operating profit equalled mUSD 2.2 in the fiscal year 2008, including mUSD 31.2 in depreciation of equipment mainly related to Petrolia Services. Operating profit equalled mUSD 39.1 in the fiscal year 2007, including mUSD 26.6 in depreciations.

The net, after-tax result was mUSD 76.9 in the fiscal year 2008. This includes negative result from investments in associates of mUSD 46.4. In the Petrojack accounts, the sale of Petrojack II has been considered as a financial lease and the net profit has been taken into the accounts in 2008. PDR's value added on Petrojack II has been included in the net profit for the sale of Petrojack II. The value of Petrojack's shares in PetroProd is booked at mUSD 0.0 due to negative results from PetroProd.

Venture Drilling contributes with a positive result of mUSD 28.5 after tax. Net financial items of m USD 92.9 include the effect of PetroMena's change of functional currency from NOK to USD. The USD has appreciated during 2008 resulting in an unrealised currency gain of mUSD 142.6 for the group as a total. The USD has appreciated against NOK from 5.41 as of 1 January 2008 to 7.00 as of 31 December 2008. The net, after-tax result was mUSD 7.3 for the fiscal year 2007.

Profit and loss for the 4th quarter 2008

Total revenues in the fourth quarter 2008 were mUSD 43.9, whereof mUSD 22.3 came from SS Petrolia and mUSD 21.6 came from Petrolia Services. In the fourth quarter 2007, total revenues equalled mUSD 28.8.

Operating profit before depreciation for the fourth quarter 2008 was mUSD 4.9 compared to mUSD 9.0 for the fourth quarter 2007.

Total operating expenses equalled mUSD 39.0 in the fourth quarter 2008 whereof mUSD 11.6 is operating expenses for SS Petrolia, mUSD 12.3 relates Petrolia Services and mUSD 9.1 is rig expenses related to mobilization of PetroRig I. The rest of the operating expenses relates to management services under the contracts with LOG and various other operative and administrative expenses.

Operating loss for the fourth quarter 2008 equalled mUSD 2.0, including mUSD 6.9 in depreciation of equipment mainly related to Petrolia Services. Operating profit for the fourth quarter 2007 equalled mUSD 1.2, including mUSD 7.8 in depreciations.

The net, after-tax result for the fourth quarter 2008 was mUSD 90.1. This includes positive result from investment in associates of mUSD 4.2. Result from Venture Drilling in the fourth quarter was mUSD 8.0 after tax. The net result also includes net financial items of mUSD 80.5 mainly related to bond loans nominated in NOK as the USD has appreciated against NOK during the fourth quarter from 5.83 to 7.00. The fourth quarter 2007 net, after-tax result was mUSD -10.1.

Cash flow

Cash flow from operations equalled mUSD 26.4 for the fiscal year 2008 compared to mUSD 21.8 during 2007. Cash flow from investments was mUSD -387.6 during 2008 related to instalments paid to Jurong and investment in

Petroresources and Larsen Rig Ltd. Total YTD 2007 cash flow from investments amounted to mUSD 209.1. Cash flow from financing activities for the fiscal year 2008 equalled mUSD -114.7, while 2007 cash flow from financing activities equalled mUSD 362.8. Total cash position year end 2008 was mUSD127.8 compared to mUSD 612.3 year end 2007.

Balance sheet

As of 31 December 2008, total assets amounted to mUSD 1,592.0. The drilling rig SS Petrolia has a book value of mUSD 28.3, 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.

Market value of the Petrojack shares on the Oslo Stock Exchange 31 December 2008 was NOK 2.93. External valuations indicate a value of the Petrojack shares far above the market value on the Stock Exchange. The Petrojack shares were written down in Q3 2008 and are now booked at mUSD 56.1, a further impairment may be revisited for the annual report. Impairment down to stock market price would give a negative result of mUSD 45.2.

At year end, the net interest bearing debt amounted to 834.2 including next year repayment of debt of mUSD 26.4.

Total equity equalled mUSD 639.6 as per 31 December 2008, including a minority interest of mUSD 279.5. Year end 2007, the total equity equalled mUSD 554.2. Book value of equity per share equalled USD 0.63 as per 31 December 2008, including minority interest of USD 0.28 per share**.** Book equity per share equalled USD 0.55 per year end 2007, including a minority interest of 0.20.

Share information

As of 31 December 2008, the total number of shares outstanding in Petrolia Drilling equalled 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 December 2008, 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

Bondholder’s meeting in PetroMena (51.5% controlled by Petrolia Drilling)

On 16 January 2009 a bondholder meeting was arranged in each of the two bond loans of PetroMENA ASA (the “Company”) with ISIN NO 001031608.6 and ISIN NO 001039578.3 (the “Loans”). The bondholders’ meetings in each of the two Loans approved the proposed amendments, however with certain conditions, set by a group of bondholders (the “Group”), that were to be agreed upon in a separate Subsequent Agreement within 30 January 2009.

The Company and the Group did not reach an agreement on the final Subsequent Agreement within the original deadline of 30 January 2009. The Company will continue to work towards an agreement with the trustee Norsk Tillitsmann.

Conditional offer (MOU) for PetroRig III from an international drilling contractor

Larsen Oil & Gas (LOG) as Business Manager for PetroRig III Pte Ltd has received a conditional offer (MOU) of USD 545 million for the drilling rig PetroRig III owned by PetroRig III Pte Ltd (including the Pemex contract).

Postponement of yard instalment and bank financing

Reference is made to the Company Update distributed on 19 December 2008 and the notice from PetroMENA ASA (the Company) distributed on 2 February 2009 regarding postponement of the second last yard installment for Petrorig 3 as well as the financing of the remaining funding need for Petrorig 1.

The Company is pleased to announce that the Company’s subsidiary Petrorig III Pte Ltd and Jurong Shipyard have signed an agreement regarding the postponement of the mUSD 105 yard installment related to Petrorig 3 that was due on 31 January 2009. Under the new agreement between the parties, the abovementioned installment will be due on delivery date for Petrorig 3.

Furthermore, the Company's subsidiary Petrorig I Pte Ltd has received a commitment letter from Lloyds TSB Bank plc, which is subject to the satisfaction of certain terms and conditions set out therein, regarding the financing of mUSD 200 out of the mUSD 300 required bank debt for Petrorig 1 under a mUSD 300 1st lien structure.

The Company is working actively with another bank to provide the other mUSD 100 under the loan structure.

The market and outlook

The market for deepwater semi submersible drilling rigs is firm, with near 100% utilization. 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. However, the current credit crunch will make it difficult to secure funding of newbuilding programs, which again will effect the market.

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 has softened somewhat recently.

The Board of Directors expects favourable deepwater rig market in the next few years, especially for floating units. However the current situation in the financial markets will impact the industry and available funding going forward.

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 39.95 % 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's main asset is an enhanced CJ70 jack-up rig under construction at 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 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, 18th February 2009

Financial report 4th quarter 2008

Condensed Consolidated Income Statement Unaudited

All figures in USD (1000)

	4Q 2008	YTD 2008	4Q 2007	YTD 2007
Operating revenues	43 881	160 438	28 793	131 927
Operating expenses	38 998	127 005	19 816	66 201
Operating profit before depreciation	4 884	33 433	8 977	65 726
Depreciation	6 870	31 198	7 783	26 604
Operating profit (loss-)	-1 987	2 235	1 194	39 122
Result from joint venture	7 980	28 451	7 211	12 760
Result from associated companies	4 193	-46 379	-2 605	-12 476
Net financial income/expenses(-)	80 533	92 932	-12 838	-29 590
Net result before taxes	90 720	77 239	-7 038	9 816
Tax	586	290	3 099	2 524
Net result	**90 133**	**76 949**	**-10 138**	**7 292**
Earnings per share (average shares)	0,09	0,08	-0,01	0,01
Earnings per share (total shares)	0,09	0,08	-0,01	0,01

Condensed Balance Sheet Unaudited

All figures in USD (1000)

Assets	**31.12.2008**	**31.12.2007**
Intangible fixed assets	7 916	23 090
Deferred tax assets	4 352	11 223
Goodwill	17 344	0
Drilling unit	28 262	28 615
Construction contracts Semi-Rigs	1 037 871	733 933
Drilling equipment	113 034	105 023
Buildings and other equipment	2 705	3 165
Investments in joint venture	76 827	62 431
Investments in associates	102 046	100 425
Total non-current assets	1 390 356	1 067 904
Accounts receivables	33 683	0
Other debtors	39 124	53 968
Financial asset at fair value through profit and loss	935	3 483
Other liquid assets	83	101
Bank deposits	127 814	612 275
Total current assets	201 640	669 827
Total assets	**1 591 996**	**1 737 731**

Equity and liabilities	**31.12.2008**	**31.12.2007**
Share capital	93 568	93 568
Own shares	-2 153	-1 464
Share premium fund	283 552	283 552
Other equity	-14 853	-23 608
Minority interest	279 529	202 146
Total equity	639 644	554 194
Bond loan	807 788	944 027
Retirement benefit obligations	484	485
Other long-term liabilities	15 614	10 084
Total non-current liabilities	823 886	954 595
Current portion of non-current liabilities	41 861	127 969
Accounts payable	39 839	15 405
Payable tax	-512	76
Public duties payable	245	355
Other current liabilities	47 032	85 136
Total current liabilities	128 466	228 941
Total liabilities	952 352	1 183 536
Total equity and liabilities	**1 591 996**	**1 737 731**
Book equity per share (end of period shares)	0,63	0,55
Equity ratio	40 %	32 %

Condensed Consolidated Statement of changes in Equity Unaudited

All figures in USD (1000)

	YTD 2008	YTD 2007
Equity period start	554 194	223 705
Profit for the period	76 949	7 292
Available for sale financial assets	0	-172
Currency translation differences	-11 056	54 173
Other gains and losses charged directly to equity	0	-467
Step by step acquisition	0	-3 683
Minority share	20 247	186 976
Total gains and losses charged directly to equity	9 191	236 826
Total recognised income for the period	86 139	244 118
New equity by contributions in kind	0	93 857
Purchase of own shares	-690	-7 486
Total equity from shareholders in the period	-690	86 371
Total change of equity in the period	85 450	330 489
Equity at period end	**639 644**	**554 194**

Condensed Consolidated Cash Flow Statement Unaudited

All figures in USD (1000)

	YTD 2008	YTD 2007
Net cash flow from operating activites	26 398	21 780
Net cash flow from investing activities	-387 638	209 142
Net cash flow from financing activites	-114 671	362 828
Net change in cash and cash equivalents	-475 911	593 751
Cash and cash equivalents at beginning of period	612 275	18 524
Exchange gain (loss) on cash and cash equivalents	-8 550	
Cash and cash equivalents at period end	**127 814**	**612 275**

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 (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 1 January 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 Tangible fixed assets

The table below outlines the development of tangible fixed assets in the fiscal year of 2008:

All figures in USD (1000)	**Drilling- and other equipment**	**SS Petrolia**	**Rigs under construction semi rigs**	**Land and buildings**	**Total**
Balance at 1 Jan 2008	105 071	28 615	733 933	3 116	870 735
Acquisition cost:					
Acquisition cost at 1 Jan 2008	127 348	90 771	733 933	3 143	955 195
Purchased tangibles 2008	60 814	2 373	305 590	0	368 777
Disposal as of 4Q 2008	-6 227	0	-1 652	0	-7 879
Acquisition cost at 31 December 2008	181 935	93 144	1 037 871	3 143	1 316 093
Depreciation:					
Balance at 1 January 2008	22 278	62 156	0	27	84 461
Depreciation 2008	28 399	2 726	0	73	31 198
Balance at 31 December 2008	50 677	64 882	0	100	115 659
Translation differences	-18 224	0	0	-338	-18 562
Carrying amount:					
Balance at 31 December 2008	113 034	28 262	1 037 871	2 705	1 181 872
Residual value		10 800			

Effective from 1 January 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 profit and loss statement for the fiscal year 2008 is mUSD 4.0.

Note 3 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	
	4Q 08	4Q 07	4Q 08	4Q 07	4Q 08	4Q 07	YTD 08	YTD 07	YTD 08	YTD 07	YTD 08	YTD 07
Operating income (TUSD)	22 293	11 004	21 588	17 789	43 881	28 793	73 930	84 535	86 508	47 392	160 438	131 927
EBITDA (TUSD)	-4 444	-1 090	9 328	10 066	4 883	8 976	-1 995	41 023	35 429	24 703	33 433	65 727
EBIT (TUSD)	-5 166	-2 808	3 179	4 000	-1 987	1 192	-4 761	35 015	6 996	4 108	2 235	39 123
EBITDA %	-19,9 %	-9,9 %	43,2 %	56,6 %	11,1 %	31,2 %	-2,7 %	48,5 %	41,0 %	52,1 %	20,8 %	49,8 %
EBIT %	-23,2 %	-25,5 %	14,7 %	22,5 %	-4,5 %	4,1 %	-6,4 %	41,4 %	8,1 %	8,7 %	1,4 %	29,7 %

Note 4 Investments in associates

All figures in USD (1000) **Investments in associates**	**Petroresources Ltd**	**Larsen Rig Ltd**	**Petrojack ASA**
Shareholding	28.57%	30.0%	39.95%
Business address	Limassol, Cyprus	Cayman Island	Oslo, Norway
Balance 1 January 2008	1	0	100 425
Acquisition cost	5 999	42 000	0
Share of result	-110	-1 952	-24 759
Impairment of shares	0	0	-14 029
Depreciation/impairment of value added	0	0	-5 530
Balance at 31 December 2008	5 890	40 048	56 107