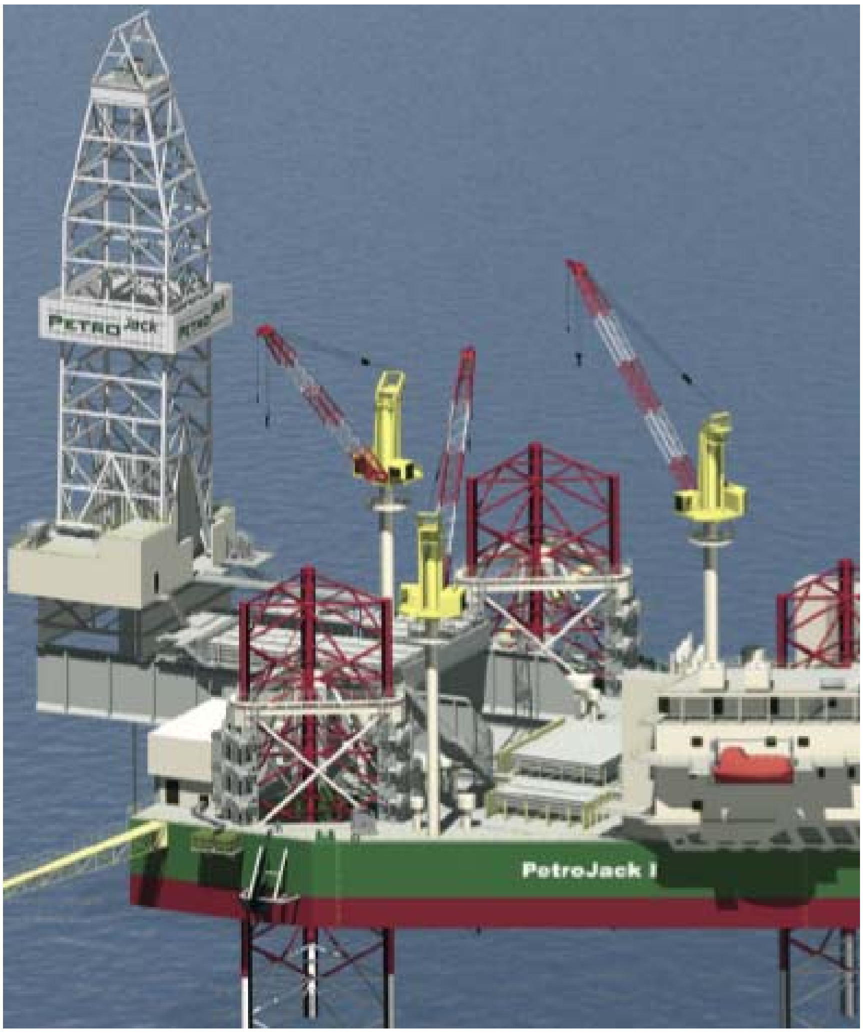
PETRO Jack



4th quarter 2007

Petrojack has two jack-up rigs under construction at the Jurong Shipyard in Singapore. The jack-up rigs have an operating water depth capacity of 375 feet and drilling depth capacity of approximately 30 000 feet. The jack-up rigs are scheduled for delivery in 1st and 4th quarter 2008.

Larsen Oil & Gas Ltd. is manager for Petrojack.

Operation and business management

Petrojack ("Petrojack" or the "Company") has two jack-up rigs under construction at the Jurong Shipyard in Singapore. The jack-up rigs have an operating water depth capacity of 375 feet and drilling depth capacity of approximately 30.000 feet. The jack-up rigs are scheduled for delivery in 1st and 4th quarter 2008.

Petrojack's original construction program included four rigs. However, two rigs were sold to Maersk in Q3-2006, for a total consideration of MUSD 420.

The total rig construction cost for the remaining two jack-up rigs are:

- MUSD 140 (including PC-sum and financing) with 80 percent yard financing during the construction period for Petrojack II. Petrojack II is scheduled for delivery during first quarter 2008.
- MUSD 180 (including PC-sum and financing) for Petrojack IV. Delivery date is 4th quarter 2008.

In August 2006, Petrojack invested in Petrolia Drilling ASA – Petrojack currently holds about 23.6 % of Petrolia Drilling ASA. The investment gives Petrojack exposure to the strong semi market, which has continued to develop positively during 2006/2007, with improving day rates and rig utilization.

Petrojack has subscribed 24.450.800 shares in PetroProd Ltd, and bought a forward contract of 12.383.000 shares in PetroProd Ltd with 25 March 2008 delivery, giving a total ownership of 42.1%. PetroProd is converting three Aframax tankers to FPSOs at Jurong, and has ordered an enhanced CJ70 jack-up rig from Jurong. PetroProd has identified a number of employment opportunities on the Norwegian sector for a large Jackup like CJ70 capable of providing combined a simultaneous drilling and production. The company expects to be able to secure a long-term drilling and production contract ahead of additional funding requirements.

Larsen Oil & Gas ("LOG") is manager for the Company.

Contract situation

Petrojack II Pte Ltd, a subsidiary of Petrojack ASA, has together with the manager, Larsen Oil & Gas Ltd, entered into a charter agreement with an international contractor for hire of Petrojack II.

The contract for Petrojack has duration of 4 years, commencing upon delivery of the rig from Jurong.

The hire under the contract is USD 100.000 per day. The Charter Agreement includes a put/call option at a price of USD 200 million, 12 months after the beginning of the contract.

Summary of fourth quarter 2007

Construction progress

There have been no significant lost time accidents, and the construction processes are developing according to schedule and on budget.

Financial Information

(all figures in MNOK)

Profit and loss

Petrojack's revenue in fourth quarter was MNOK 2.0. Revenues in fourth quarter came from rental of drilling equipment.

Operating profit before depreciation was MNOK -7 in the fourth quarter and MNOK -24.9 for the full year 2007 compared to MNOK -3.4 in the fourth quarter last year, and MNOK 775.4 for the full year 2006. The main explanation for the deviation between 2006 and 2007 Operating profit before depreciation, is that the result in Petrojack for 2006 includes a gain on sale of two jackup rigs under construction.

Petrojack's operating expenses totaled MNOK 9 in the fourth quarter and MNOK 29.1 for the full year 2007, compared to MNOK 5.1 in the fourth quarter and MNOK 35.5 for the full year 2006. Petrojack's operating expenses includes primarily expenses for management services under the contracts with LOG, and various other administrative expenses.

Fourth quarter operating profit was MNOK -12.3 and 2007 operating profit was MNOK -42.3, compared to MNOK -6.5 in the fourth quarter last year and MNOK 772.4 in 2006.

The net after tax result for the fourth quarter 2007 was MNOK-40.9, compared to MNOK -11.6 in the same period in 2006. The net after tax result for the full year 2007 was MNOK -74.5 compared to MNOK 566.7 in 2006. This includes negative result from investment in associated companies of MNOK 29.3 for the fourth quarter 2007 and MNOK 47 for the full year 2007. Interest income and expenses related to the bonds for construction of the rigs are capitalized under the construction contract in the group balance sheet.

Cash flow

Cash flow from operations in 2007 was MNOK -56.8 compared to operating profit of MNOK -42.3 in 2007. The main reason for the deviation between cash flow from operations and operating profit is depreciation of drilling equipment. Cash flow from investments was mainly related to installments paid to Jurong as well as interest on bonds issued to fund construction of the two rigs and expenses related to yard supervision and rig construction management performed by LOG. Total investments amounted to MNOK -975.4 and cash flow from financing activities in 2007 was 487.5.

In 2006 cash flow from operations amounted to MNOK -6.4, cash flow from investments MNOK -394.4, and cash flow from financing MNOK 1,777.5.

Balance sheet

As per 31 December 2007, Petrojack's total assets were MNOK 3,373 of which MNOK 1,102 relates to rigs under construction and MNOK 1,099 to investments in shares. The bank deposits and cash equivalents were MNOK 1,078.8 as per year end 2007. Corresponding figures as per 31 December 2006, was total assets of MNOK 3,000.9 of which MNOK 754 related to rigs and rigs under construction and MNOK 806 to investments in shares. The bank deposits and cash equivalents were MNOK 1,400.7 yearend 2006.

The 42.1% ownership in PetroProd Ltd and the 22.5% ownership in Petrolia Drilling ASA are recognized as investment in associates in the balance sheet. The market value of the shares yearend 2007 was NOK 9,99 and NOK 2.38 respectively. Based on recent new building prices, the Board of directors of Petrojack considers the book value of PetroProd Ltd and Petrolia Drilling ASA reasonable.

Equity

The book value of the Group's equity totaled MNOK 991.5 at the end of the fourth quarter 2007, which gives an equity ratio of approximately 29 percent. The number of total issued shares as per 31 December 2007, were 64,975,000, each with a par value of NOK 5.

Market conditions and outlook

The average age of the global jack-up fleet is approximately 23 years. There are currently approximately 61 jack-up rigs under construction, including options, corresponding to approximately 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.

Petrojack has through its investments in Petrolia Drilling ASA (23.6%) exposure to three deepwater semi submersible rigs under construction and one deepwater semi submersible rig in operation. The rigs under construction will commence drilling in ultra deep waters in the Mexico-gulf, Brazil and West Africa region upon delivery. The rig in operation is commenced operations in the same region during February 2008. The semi submersible rig market is strong. Recent fixture in the 2nd generation semi market corresponds to day rates of approximately USD 300.000 - 350.000.

Petrojack has also exposure to drill ships under construction through its investment in PetroProd. The utilization in the deepwater segment, hereunder drill ships, is close to 100%. Recent fixtures in the drill ship market correspond to day rates of approximately USD 400.000-450.000.

Petrojack's Board of Directors is expecting a favorable rig market in the next few years.

The Board of Directors, Petrojack ASA, 15th February 2008

Condensed Consolidated Income Statement

All figures in NOK (1000)

	4Q 2007	4Q 2006	YTD 2007	YTD 2006
Operating revenues	2 012	1 724	4 213	810 911
Operating expenses	8 963	5 118	29 075	35 502
Operating profit before depreciation	-6 951	-3 394	-24 863	775 409
Depreciation	5 357	3 056	17 456	3 056
Operating profit (loss-)	-12 308	-6 450	-42 319	772 354
Result from associated companies	-29 319	1 410	-46 993	131
Net financial income/expenses(-)	719	-3 620	2 327	-14 789
Net result before taxes	-40 908	-8 660	-86 985	757 695
Tax	0	2 989	-12 525	191 023
Net result	**-40 908**	**-11 648**	**-74 460**	**566 673**
Earnings per share (average shares)	-0,63	-0,18	-1,15	8,86
Earnings per share (total shares) (NOK)	-0,63	-0,18	-1,15	8,72

The accompanying notes are an integral part of the financial statements

Condensed Balance Sheet

All figures in NOK (1000)

Assets	**31.12.2007**	**31.12.2006**
Construction contract jack-up rigs	1 102 209	753 834
Drilling equipment	87 478	39 006
Investments in associates	1 098 901	691 926
Available-for-sale financial assets	0	114 270
Total non-current assets	2 288 587	1 599 036
Other debtor	1 193	176
Other current assets	4 897	911
Other liquid assets	230 837	8 048
Bank deposits	847 952	1 392 696
Total current assets	1 084 879	1 401 832
Total assets	**3 373 466**	**3 000 868**
Equity and liabilities	**31.12.2007**	**31.12.2006**
Share capital	324 875	324 875
Share premium fund	185 236	185 236
Other reserves	0	14 229
Other equity	481 425	555 885
Total equity	991 536	1 080 225
Deferred tax	0	12 525
Bond	2 041 797	1 710 786
Total non-current liabilities	2 041 797	1 723 311
Accounts payable	1 935	1 871
Short term portion of long term liabilities	26 059	15 816
Payable tax	177 434	177 434
Other current liabilities	134 706	2 210
Total current liabilities	340 133	197 332
Total liabilities	2 381 930	1 920 643
Total equity and liabilities	**3 373 466**	**3 000 868**
Book equity per share (end of period shares)	15,26	16,63
Equity ratio	29 %	36 %

Condensed Consolidated Statement of changes in Equity

All figures in NOK (1000)

	4Q 2007	4Q 2006	YTD 2007	YTD 2006
Equity period start	1 024 085	1 077 720	1 080 225	396 709
Profit for the period	-40 908	-11 648	-74 460	566 673
Currency translation differences				
Other gains and losses charged directly to equity	8 359	14 228	-14 228	14 228
Total gains and losses chargeed directly to equity	8 359	14 228	-14 228	14 228
Total recongnised income for the period	-32 549	2 580	-88 688	580 901
New equity by contributions in kind	0	0	0	105 350
Expenses related to share issues (net of tax)	0	75	0	2 735
Total equity from shareholders in the period	0	-75	0	102 615
Total change of equity in the period	-32 549	2 505	-88 688	683 516
Equity at period end	**991 536**	**1 080 225**	**991 536**	**1 080 225**

Condensed Consolidated Cash Flow Statement

All figures in NOK (1000)

	4Q 2007	4Q 2006	YTD 2007	YTD 2006
Net cash flow from operating	-43 717	-633 985	-56 806	-6 405
Net cash flow from investing	-22 739	694 132	-975 438	-394 439
Net cash flow from financing	0	-302 026	487 500	1 777 518
Net change in cash and cash equivalents	-66 456	-241 879	-544 744	1 376 674
Cash and cash equivalents at beginning of period	914 408	1 634 575	1 392 696	16 022
Cash and cash equivalents at period end	**847 952**	**1 392 696**	**847 952**	**1 392 696**

Note 1 Applied accounting principles

This quarterly report is 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 do 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 (2006). 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 (2006) have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2006.

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 per 31 December 2007:

All figures in NOK (1000)	Equipment	Assets under construction (rigs)	Total
Balance at 1 January 2007	39 006	753 834	792 840
Acquisition cost:			
Acquisition cost at 1 January 2007	42 062	753 834	795 896
Purchased tangibles 2007	65 928	348 375	414 303
Acquisition cost at 31 December 2007	107 990	1 102 209	1 210 199
Depreciation:			
Balance at 1 January 2007	3 056	0	3 056
Depreciation 2007	17 456	0	17 456
Balance at 31 December 2007	20 512	0	20 512
Carrying amount:			
Balance at 31 December 2007	87 478	1 102 209	1 189 687

The Company is currently building two jack-up drilling rigs. Estimated purchase price for a drilling rig is MUSD 140 and MUSD 180.

Note 3 Investments in associates

	Total
Investments in PetroProd Ltd and Petrolia Drilling ASA	
Balance at 1 January 2007	691 926
Acquisition cost	453 967
Share of result	-10 771
Depreciation of value added	-36 221
Book value 31 December 2007	**1 098 901**