
PETRO Jack



1st quarter 2008

Petrojack has one jack-up rig under construction at the Jurong Shipyard in Singapore and one jack-up on contract with Saipem. 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 rig under construction is scheduled for delivery in 4th quarter 2008.

Larsen Oil & Gas Ltd is manager for Petrojack.

Operation and business management

Petrojack has one jack-up rig under construction at the Jurong Shipyard in Singapore and one jack-up rig on contract with Saipem. 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 rig under construction is scheduled for delivery in the 4th quarter 2008.

In addition, Petrojack holds about 24.9 % of Petrolia Drilling ASA. The investment gives Petrojack exposure to the strong semi market, which has continued to develop positively during 2006-2008, with improving day rates and rig utilization.

Petrojack also holds 24.575.800 shares in PetroProd Ltd, and 12.383.000 shares in PetroProd Ltd held under a forward contract with 16th of June 2008 delivery, giving a total ownership of 42.23 %. 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 jack-up rig like CJ70 capable of providing both drilling and production operations.

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

Construction progress

Petrojack's original construction program included four rigs. However, two rigs were sold to Maersk in Q3-2006, for a total consideration of MUS\$ 420. Petrojack II was delivered from the yard according to schedule and on budget 28th of March 2008. There have been no significant lost time accidents regarding the remaining jack-up rig, and the construction process is developing according to schedule and on budget. The total rig construction cost for the remaining jack-up rig is MUS\$ 180 including project cost and financing.

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 Saipem for hire of Petrojack II. The contract for Petrojack has a duration of four years, commencing upon final acceptance by Saipem on 2 April 2008. The effect of the contract will therefore appear in the 2nd quarter results. 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.

Financial Information

(all figures in MUS\$)

Petrojack has with effect from Q1 2008 changed functional currency from NOK to USD in accordance with IFRS. The financial figures are also presented in USD as of 1Q 2008. All comparative figures have for presentation purposes been changed to USD as presentation currency.

As a consequence of this, the company has registered an unrealized disagio of mUSD 12.4 in the first quarter 2008.

Profit and loss

Petrojack's revenues in the first quarter was mUSD 0.2 compared to mUSD 0.1 in first quarter 2007. Revenues in the first quarter came from rental of drilling equipment.

Operating profit before depreciation was mUSD -2.2 in the first quarter compared to mUSD -1.0 in the first quarter last year and mUSD -4.2 for the full year 2007. The main explanation for the deviation between Q1 2007 and Q1 2008 is various rig expenses of mUSD 1.0 incurred in connection with delivery of the PetroJack II.

Petrojack's operating expenses includes primarily expenses for management services under the contracts with LOG, and various other administrative expenses.

Q1 2008 operating profit was mUSD -3.2, compared to mUSD -1.5 in Q1 2007.

Net financial expenses in Q1 2008 were mUSD -15.4. Net financial expenses include the effect of Petrojack's change of functional currency from NOK to USD. Petrojack's debt nominated in NOK are converted to USD as per of 31 March 2008. The USD has during 1Q 2008 depreciated resulting in an unrealized loss of mUSD 12.4 related to the debt nominated in NOK. In Q1 2008 Petrojack also incurred interests of mUSD 3.4 related to a bond loan which was drawn up in Q2 2007. The net result for Q1 2008 was mUSD -27.9. This includes negative result from investment in

associated companies of mUSD 9.3 for the first quarter 2008. 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 Q1 2008 was mUSD 5.1. 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. Total investments amounted to mUSD -118.5. Cash flow from financing activities in Q1 2008 was 0.

Balance sheet

As per 31 March 2008, Petrojack's total assets were mUSD 615.8 of which mUSD 323.1 relates to rigs and rigs under construction and mUSD 199.1 to investments in associated companies. The bank deposits and cash equivalents were mUSD 76.3 as per Q1 end 2008. Corresponding figures as per 31 March 2007, was total assets of mUSD 490.2 of which mUSD 163.7 relates to rigs and rigs under construction and mUSD 134 to investments in shares. The bank deposits and cash equivalents were mUSD 179.3 as per Q1 end 2007.

The 42.23 % ownership in PetroProd Ltd and the 24.5% ownership in Petrolia Drilling ASA are recognized as investment in associates in the balance sheet. The market value of the shares Q1 end 2008 was USD 0.98 and USD 0.37 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 Petrojack's equity totaled mUSD 152.8 at the end of the first quarter 2008, which gives an equity ratio of approximately 25 percent. Total issued shares as per 31 March 2008 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 (24.9%) 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's Board of Directors is expecting a favorable rig market in the next few years.

The Board of Directors, Petrojack ASA, 19th May 2008

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Condensed Consolidated Income Statement			
All figures in USD (1000)			
	1Q 2008	1Q 2007	2007
Operating revenues	184	82	719
Operating expenses	2 347	1 085	4 961
Operating profit before depreciation	-2 163	-1 003	-4 242
Depreciation	1 079	470	2 979
Operating profit (loss-)	-3 242	-1 474	-7 221
Result from associated companies	-9 325	-1 157	-10 348
Net financial income/expenses(-)	-15 375	-111	395
Net result before taxes	-27 942	-2 742	-17 174
Tax	0	-1 721	-2 137
Net result	-27 942	-1 021	-15 036
Earnings per share (average shares)	-0,43	-0,02	-0,23
Earnings per share (total shares) (NOK)	-0,43	-0,02	-0,23
The accompanying notes are an integral part of the financial statements			
Condensed Balance Sheet			
All figures in USD (1000)			
Assets	31.03.2008	31.03.2007	31.12.2007
Construction contract jack-up rigs	323 131	163 724	203 647
Drilling equipment	15 853	10 957	16 218
Investments in associates	199 102	112 316	200 564
Available-for-sale financial assets	0	21 659	0
Total non-current assets	538 085	308 656	420 429
Trade receivables	569	207	220
Other current assets	790	1 993	953
Other liquid assets	33 092	1 333	42 661
Bank deposits	43 278	178 059	156 709
Total current assets	77 729	181 592	200 543
Total assets	615 814	490 247	620 972
Equity and liabilities	31.03.2008	31.03.2007	31.12.2007
Share capital	60 040	53 291	60 040
Share premium fund	34 233	30 385	34 233
Other reserves	0	-72	0
Other equity	58 506	90 140	86 448
Total equity	152 779	173 743	180 721
Deferred tax	0	295	0
Bond loan	389 191	275 791	377 342
Total non-current liabilities	389 191	276 087	377 342
Trade payables	690	647	358
Current portion of non-current liabilities	9 894	7 695	4 816
Payable tax	34 848	29 105	32 791
Other current liabilities	28 413	2 971	24 944
Total current liabilities	73 844	40 417	62 909
Total liabilities	463 035	316 504	440 251
Total equity and liabilities	615 814	490 247	620 972
Book equity per share (end of period shares)	2,35	2,67	2,78
Equity ratio	25 %	35 %	29 %

Condensed Consolidated Statement of changes in Equity

All figures in USD (1000)

	1Q 2008	1Q 2007	2007
Equity period start	180 721	172 695	172 695
Profit for the period	-27 942	-1 021	-15 036
Currency translation differences		4 423	25 490
Other gains and losses charged directly to equity		-2 354	-2 428
Total gains and losses charged directly to equity	0	2 069	23 062
Total recognised income for the period	-27 942	1 048	8 026
New equity by contributions in kind	0	0	0
Expenses related to share issues (net of tax)	0		0
Total equity from shareholders in the period	0	0	0
Total change of equity in the period	-27 942	1 048	8 026
Equity at period end	152 779	173 743	180 721

Condensed Consolidated Cash Flow Statement

All figures in USD (1000)

	1Q 2008	1Q 2007	2007
Net cash flow from operating	5 061	39	-29 534
Net cash flow from investing	-118 492	-49 326	-166 457
Net cash flow from financing	0	4 696	130 051
Net change in cash and cash equivalents	-113 431	-44 591	-65 941
Cash and cash equivalents at beginning of period	156 709	222 650	222 650
Cash and cash equivalents at period end	43 278	178 059	156 709

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 (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.

Petrojack has with effect from Q1 2008 changed functional currency from NOK to USD in accordance with IFRS. The financial figures are also presented in USD as of 1Q 2008. All comparative figures have for presentation purposes been changed to USD as presentation currency.

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 March 2008:

	Equipment	Assets under construction (rigs)	Total
All figures in USD (1000)			
Balance at 1 Jan 2008	16 218	203 647	219 864
Acquisition cost:			
Acquisition cost at 1 Jan 2008	20 008	203 647	223 655
Purchased tangibles 2008	715	119 484	120 198
Acquisition cost at 31 March 2008	20 723	323 131	343 853
Depreciation:			
Balance at 1 January 2008	3 791	0	3 791
Depreciation 2008	1 079	0	1 079
Balance at 31 March 2008	4 870	0	4 870
Carrying amount:			
Balance at 31 March 2008	15 853	323 131	338 984

Petrojack has one jack-up drilling rig under construction with scheduled delivery during Q4 2008. Estimated purchase price for a drilling rig is MUS\$ 180. Petrojack II was delivered during 1Q 2008 and is included in assets under construction in the table above. Depreciation of Petrojack II will begin in 2Q 2008.

Note 3 Investments in associates

All figures in USD (1000)	Petrolia Drilling ASA	PetroProd Ltd	Total
Investments in associates			
Balance at 1 January 2008	130 122	70 442	200 564
Acquisition cost:			
Acquisition cost at 1 Jan 2008	134 192	77 555	211 747
Purchased 2008	7 660	203	7 862
Share of result	-2 389	-7 340	-9 729
Depreciation of value added	-10 779	0	-10 779
Balance at 31 March 2008	128 684	70 418	199 102

