



PetroProd Ltd has entered into a contract with Jurong Shipyard in Singapore on 22 June 2007 for the construction of one MSC/Gusto CJ70 Jackup for 150 m water-depth with delivery in the second quarter of 2010.

PetroProd Ltd has also acquired 3 Aframax tanker vessels for planned conversion to floating production storage and offloading ("FPSO") vessels. The first vessel, M/T Arc entered Jurong Shipyard in January 2008 for conversion work into FPSO with expected completion in the fourth quarter of 2008. M/T Archimid and M/T Trust have secured slots for planned conversion to FPSOs approximately 8 and 16 months, respectively, after the conversion of M/T Arc. The M/T Archimid is presently on freight-charter from the Persian Gulf to Singapore and the M/T Trust is on time-charter in India.

PetroProd Ltd has identified a number of employment opportunities in harsh environment such as the North Sea for the large CJ70 Jackup. The Company expects to be able to secure a long-term drilling or a combined drilling and production contract ahead of additional funding requirements. All vessels are actively marketed to prospective clients worldwide. At present, several tenders are under preparation.

On 15 February 2008, the strike steel milestone ceremony for the CJ70 Jackup took place in Jurong Shipyard.

PetroProd Ltd is managed through management agreements with Larsen Oil & Gas Pte. Ltd of Singapore. ("LOG Singapore").

Summary of Operations

PetroProd Ltd (PetroProd or the Company) was incorporated in the Cayman Islands on 1 December 2006.

The Company was listed in the Oslo Stock Exchange, Oslo Axess on 7 December 2007.

PetroProd has entered into a contract with Jurong Shipyard in Singapore (Jurong) on 22 June 2007 for the construction of one MSC/Gusto CJ70 Jackup (the drilling rig) for 150 m water-depth with delivery in the second quarter of 2010.

PetroProd has also acquired 3 Aframax tanker vessels for planned conversion to floating production storage and offloading (FPSO) vessels. The first vessel, M/T Arc entered Jurong Shipyard in January 2008 for conversion work into FPSO with expected completion in the fourth quarter of 2008. M/T Archimid and M/T Trust have secured slots for planned conversion to FPSOs approximately 8 and 16 months, respectively, after the conversion of M/T Arc. The M/T Archimid is presently on freight-charter from the Persian Gulf to Singapore and the M/T Trust is on time-charter in India.

PetroProd has identified a number of employment opportunities in harsh environment such as the North Sea for the large CJ70 Jackup. The Company expects to be able to secure a long-term drilling or a combined drilling and production contract ahead of additional funding requirements. All vessels are actively marketed to prospective clients worldwide. At present, several tenders are under preparation.

On 15 February 2008, the strike steel milestone ceremony for the CJ70 Jackup took place in Jurong Shipyard.

PetroProd is managed through management agreements with Larsen Oil & Gas Pte. Ltd of Singapore (LOG Singapore). The management agreements governs the services to be provided by LOG, including but not limited to pre-contract services including negotiation of terms and conditions, pre-delivery yard supervision and project management, engineering, procurement, construction, supervision, marketing, operation, general administrative and advisory services in connection with the management of the business, and post-delivery technical and operational management of the Units.

Summary of 1st Quarter 2008

Construction progress

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

Financial Information

(all figures in USD Million)

Profit and loss

PetroProd expects no material revenues before delivery of the drilling rig and the FPSOs by Jurong. Total revenue in 1st quarter 2008 was USD 2.4 million. Revenues in the 1st quarter 2008 were mainly derived from the chartering of the two owned vessels during the period from acquisition to dry docking for conversion to FPSO.

EBITDA was USD -5.7 million in the 1st quarter 2008 compared to USD -101k in the 1st quarter 2007. The main explanation for the deviation between 2007 and 2008 EBITDA was mainly because PetroProd started its operations after 1st quarter 2007.

Total operating expenses aggregated USD 8.1 million in 1st quarter 2008 and USD 101k in 1st quarter 2007. Operating expenses in 2008 comprised mainly of management services cost conducted by LOG Singapore, bunker/crew cost incurred in the course of chartering the owned vessels and withholding tax incurred with regards to the three interest-bearing bond loans issued.

Operating profits was USD -7.4 million in 1st quarter 2008 and USD -101k in 1st quarter 2007.

Net financial income for 1st quarter 2008 amounted to USD 6.8 million and USD -1.6 million for 1st quarter 2007. The main explanation for the financial income during 1st quarter 2008 was because of the accounting treatment for the convertible bond loan issued in November 2007. In order to comply with IAS 39, the convertible options attached to the bond loan are separately fair valued as an embedded derivative, representing a liability in the balance sheet.

The fair value of the embedded derivative is directly related to the share price of the Company and the time for the options to expire. As the share price of the Company dropped by almost 50% since 31 December 2007, the value of the embedded derivative decreased by about USD 6.0 million, reflecting a gain in the income statement as financial income.

Those interest incomes and expenses related to the bonds for construction of the drilling rig and conversion of the FPSO are capitalized under the construction contracts in the consolidated balance sheet in the 1st quarter 2008.

Cash flow

Cash outflow from operations during 1st quarter 2008 was USD 649k compared to 1st quarter 2007 net loss of USD 538k. The main reason for the deviation between cashflow from operations and operating results were due to the effects of non-cash items such as depreciation of the vessels on charter, gain on embedded derivative, unrealized gain on debt securities held and other movements in the working capital. Cash outflows from investments were mainly related to installments paid to Jurong and other suppliers for the construction of the drilling rig and conversion of the first FPSO. Total cash outflows from investing and financing during 1st quarter 2008 amounted to USD 109.4 million and USD 10.5 million respectively. Cash outflows from financing activities consisted of mainly interest paid on the bonds issued.

There were minimum cashflow movements in 1st quarter 2007. The main cashflow movements arose from working capital changes, cash inflows from first bond loan issued and private placements, as well as interest incomes on these cash inflows.

Balance sheet

As per 31 March 2008, total assets was USD 596.0 million, of which USD 295.7 million related to the drilling rig under construction, FPSO under conversion and vessels on charter, USD 220.6 million related to cash at bank, and USD 75.0 million related to investments in debt securities. Corresponding figures as per 31 March 2007 was total assets of USD 215.1 million, of which USD 206.8 million related to cash at bank.

As per 31 March 2008, bond loans issued were recognized at amortized value of USD 455.3 million.

Equity

The book value of the Group's equity totaled USD 110.6 million at the end of 1st quarter 2008, which gave an equity ratio of 19%. The number of total issued shares as per 31 March 2008 were 87,499,000, each with a par value of USD 0.01. PetroProd's largest shareholder is Petrojack ASA, with approximately 42% direct and indirect ownership.

Market Conditions and Outlook

With global oil demand expected to increase over the long term period, the market for offshore exploration remains strong, with nearly 100% utilization. As a result, day rates have increased. The oil price is also expected to remain high over the next few years driven by demand growth and limited spare capacity. As the oil price has gone up from about USD 30 a barrel four years ago to the USD 120+ today, several projects have become profitable for the oil companies. We expect the fundamentals to remain favorable in the drilling and mobile production market as oil producers need to increase their E&P spending in order to replace declining oil reserves.

The FPSOs are marketed mainly in the benign market whilst the drilling rig is marketed mainly in harsh environment such as the North Sea. The market outlook in the short term (3 to 6 months) is fairly slow, but it is expected that a number of new opportunities will materialize in the medium to long term. The Company sees increasing competition in this market and expects further consolidation to take place.

PetroProd's Board of Directors expects a favorable offshore petroleum industry rig market in the next few years.

The Board of Directors, PetroProd Ltd, 12th May 2008.

FINANCIAL REPORT 1ST QUARTER 2008

| Condensed Consolidated Income Statement | | | | | |
|--|------------------------------|------------------------------|--|--|--|
| All figures in USD (1000) | | | | | |
| | Unaudited 1Q 2008 | Unaudited 1Q 2007 | Unaudited YTD up to 1Q 2008 | Unaudited YTD up to 1Q 2007 | Audited Year ended 2007 |
| Operating revenues | 2 402 | 0 | 2 402 | 0 | 3 814 |
| Operating expenses | 8 064 | 101 | 8 064 | 101 | 27 138 |
| Operating profit before depreciation | -5 662 | -101 | -5 662 | -101 | -23 324 |
| Depreciation | 1 701 | 0 | 1 701 | 0 | 4 537 |
| Operating profit (loss-) | -7 363 | -101 | -7 363 | -101 | -27 861 |
| Net financial income/expenses(-) | 6 825 | -1 588 | 6 825 | -1 588 | -4 052 |
| Net result before taxes | -538 | -1 689 | -538 | -1 689 | -31 913 |
| Tax | 0 | 0 | 0 | 0 | 0 |
| Net result | -538 | - 1 689 | -538 | - 1 689 | -31 913 |
| Earnings per share (average shares) (USD) | -0.0070 | -0.1501 | -0.0070 | -0.1501 | -0.4817 |
| Earnings per share (total shares) (USD) | -0.0061 | -0.0375 | -0.0061 | -0.0375 | -0.3647 |

| Condensed Consolidated Balance Sheet | | | |
|---|---------------------------------|---------------------------------|-------------------------------|
| All figures in USD (1000) | | | |
| Assets | Unaudited 31.03.2008 | Unaudited 31.03.2007 | Audited 31.12.2007 |
| Construction contract of drilling rig | 200 922 | 0 | 94 097 |
| Vessel conversion in progress | 67 033 | 0 | 51 931 |
| Vessels | 27 789 | 0 | 29 490 |
| Total non-current assets | 295 744 | 0 | 175 518 |
| Other debtor | 4 010 | 8 277 | 3 960 |
| Inventories | 623 | 0 | 704 |
| Other liquid assets | 74 955 | 0 | 73 963 |
| Cash and cash equivalents | 220 648 | 206 794 | 341 157 |
| Total current assets | 300 236 | 215 071 | 419 784 |
| Total assets | 595 980 | 215 071 | 595 302 |

| Equity and liabilities | Unaudited 31.03.2008 | Unaudited 31.03.2007 | Audited 31.12.2007 |
|--|---------------------------------|---------------------------------|-------------------------------|
| Share capital | 875 | 450 | 875 |
| Share premium fund | 142 171 | 66 150 | 142 171 |
| Other reserves | 0 | 0 | 0 |
| Other equity | -32 440 | -1 678 | -31 902 |
| Total equity | 110 606 | 64 922 | 111 144 |
| Deferred tax | 0 | 0 | 0 |
| Bonds | 455 267 | 146 410 | 460 768 |
| Total non-current liabilities | 455 267 | 146 410 | 460 768 |
| Accounts payable | 8 719 | 0 | 6 432 |
| Short term portion of long term liabilities | 0 | 0 | 0 |
| Payable tax | 0 | 0 | 0 |
| Other current liabilities | 21 388 | 3 739 | 16 958 |
| Total current liabilities | 30 107 | 3 739 | 23 390 |
| Total liabilities | 485 374 | 150 149 | 484 158 |
| Total equity and liabilities | 595 980 | 215 071 | 595 302 |
| Book equity per share (end of period shares) | 1.2641 | 1.4427 | 1.2702 |
| Equity ratio | 19% | 30% | 19% |

| Condensed Consolidated Statement of Changes in Equity | Unaudited 1Q 2008 | Unaudited 1Q 2007 | Audited YTD 2007 |
|--|--------------------------|--------------------------|-------------------------|
| Equity period start | 111 144 | 47,611 | 47 611 |
| Profit for the period | -538 | -1 689 | -31 913 |
| Currency translation differences | 0 | 0 | 0 |
| Other gains and losses charged directly to equity | 0 | 0 | 0 |
| Total gains and losses charged directly to equity | 0 | 0 | 0 |
| Total recognized income for the period | -538 | -1 689 | -31 913 |
| New equity by contributions in cash | 0 | 19 000 | 98 225 |
| Expenses related to share issues (net of tax) | 0 | 0 | -2 779 |
| Total equity from shareholders in the period | 0 | 19 000 | 95 446 |
| Total change of equity in the period | -538 | 17 311 | 63 533 |
| Equity at period end | 110 606 | 64 922 | 111 144 |

Condensed Consolidated Cash Flow Statement

All figures in USD (1000)

| | Unaudited 1Q 2008 | Unaudited 1Q 2007 | Audited Year ended 2007 |
|--|--------------------------|--------------------------|--------------------------------|
| Net cash flow from operating | -649 | -6 608 | -89 461 |
| Net cash flow from investing | -109 354 | 2 260 | -154 230 |
| Net cash flow from financing | -10 506 | 165 250 | 538 956 |
| Net change in cash and cash equivalents | -120 509 | 160 902 | 295 265 |
| Cash and cash equivalents at beginning of period | 341 157 | 45 892 | 45 892 |
| Cash and cash equivalents at period end | 220 648 | 206 794 | 341 157 |

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

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

Note 2 Tangible fixed assets

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

| | Construction contract of drilling rig | Vessel conversion in progress | Vessels | Total |
|--|---------------------------------------|-------------------------------|---------|---------|
| All figures in USD (1000) | | | | |
| Balance at 1 Jan 2008 (Audited) | 94 097 | 51 931 | 34 027 | 180 055 |
| Acquisition cost: | | | | |
| Purchased tangibles (including interest cost capitalized) for period ended 31 March 2008 (Unaudited) | 106 825 | 15 102 | 0 | 121 927 |
| Acquisition cost at 31 March 2008 | 200 922 | 67 033 | 34 027 | 301 982 |
| Depreciation: | | | | |
| Balance at 1 January 2008 (Audited) | 0 | 0 | 4 537 | 4 537 |
| Depreciation for the period ended 31 March 2008 (Unaudited) | 0 | 0 | 1 701 | 1 701 |
| Balance at 31 March 2008 | 0 | 0 | 6 238 | 6 238 |
| Carrying amount: | | | | |
| Balance at 31 March 2008 | 200 922 | 67 033 | 27 789 | 295 744 |
| Balance at 31 December 2007 | 94 097 | 51 931 | 29 490 | 175 518 |