

**ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)**

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE QUARTER ENDED
JUNE 30, 2013**

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2013

C O N T E N T S

	<u>Page</u>
Consolidated Balance Sheets (Unaudited)	3
Consolidated Statements of Operations (Unaudited)	4
Consolidated Statements of Stockholders' Equity (Unaudited).....	5
Consolidated Statements of Cash Flows (Unaudited)	6
Notes to Consolidated Financial Statements (Unaudited)	7

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD. & SUBSIDIARIES)
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2013 <u>(Unaudited)</u>	December 31, 2012 <u></u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 44,906,610	\$ 13,293,572
Accounts receivable	4,805,973	986,095
Accounts receivable - affiliates		
Prepaid expenses	510,616	491,853
Loan to unconsolidated affiliate and accrued interest		
TOTAL CURRENT ASSETS	<u>50,223,199</u>	<u>14,771,520</u>
PROPERTY AND EQUIPMENT		
Furniture, equipment and leasehold improvements	896,555	764,906
Construction in progress	112,593,956	70,327,328
	<u>113,490,511</u>	<u>71,092,234</u>
Less: accumulated depreciation and amortization	358,419	291,046
NET PROPERTY AND EQUIPMENT	<u>113,132,092</u>	<u>70,801,188</u>
LOAN TO UNCONSOLIDATED AFFILIATE AND ACCRUED INTEREST	3,418,014	3,098,600
INVESTMENT IN UNCONSOLIDATED AFFILIATE	10,485,813	10,131,044
DEBT ISSUANCE COSTS	3,892,397	1,785,948
RESTRICTED CASH	73,500,000	-
OTHER ASSETS	<u>25,174</u>	<u>35,493</u>
TOTAL ASSETS	<u>\$ 254,676,689</u>	<u>\$ 100,623,793</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 2,933,792	\$ 923,112
Other accrued liabilities	1,819,322	962,504
TOTAL CURRENT LIABILITIES	<u>4,753,114</u>	<u>1,885,616</u>
LONG TERM DEBT		
Bonds payable	75,000,000	-
TOTAL LIABILITIES	<u>79,753,114</u>	<u>1,885,616</u>
STOCKHOLDERS' EQUITY		
Common stock, \$1 par value, 185,778,368 authorized at June 30, 2013 and December 31, 2013 and 123,067,286 and 73,067,286 shares issued and outstanding at June 30, 2013 and December 31, 2012 respectively	123,067,286	73,067,286
Additional paid-in capital	66,958,686	38,299,854
Subscription receivable	(1,500)	(1,500)
Accumulated deficit	(15,100,897)	(12,627,463)
TOTAL STOCKHOLDERS' EQUITY	<u>174,923,575</u>	<u>98,738,177</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 254,676,689</u>	<u>\$ 100,623,793</u>

See notes to consolidated financial statements.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD. & SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
REVENUES				
Management fees	\$ 6,500,730	\$ 438,016	\$ 10,173,728	\$ 887,051
Reimbursables	-	50,243	235,725	29,191
Other income/consulting fees	-	595,057	90,567	1,078,855
TOTAL REVENUES	<u>6,500,730</u>	<u>1,083,316</u>	<u>10,500,020</u>	<u>1,995,097</u>
OPERATING EXPENSES				
Operating expenses	6,566,374	2,476,198	11,353,788	4,515,265
Depreciation and amortization	35,683	26,038	67,373	51,839
TOTAL OPERATING EXPENSES	<u>6,602,057</u>	<u>2,502,236</u>	<u>11,421,161</u>	<u>4,567,104</u>
LOSS FROM OPERATIONS	(101,327)	(1,418,920)	(921,141)	(2,572,007)
OTHER (EXPENSE) INCOME				
Interest income	164,484	134,964	319,432	278,130
Interest expense	-	-	-	-
Write off of debt issue costs	(1,903,978)	-	(1,903,978)	-
Foreign currency exchange loss	(7,210)	(181)	(16,039)	(1,050)
TOTAL OTHER (EXPENSE) INCOME	<u>(1,746,704)</u>	<u>134,783</u>	<u>(1,600,585)</u>	<u>277,080</u>
LOSS BEFORE EQUITY IN EARNINGS OF AFFILIATE AND FOREIGN INCOME TAX EXPENSE	(1,848,031)	(1,284,137)	(2,521,726)	(2,294,927)
EQUITY IN EARNINGS OF AFFILIATE	106,643	12,803	354,769	62,780
FOREIGN INCOME TAX EXPENSE	<u>(136,877)</u>	<u>(37,089)</u>	<u>(306,477)</u>	<u>(74,987)</u>
NET LOSS	<u>\$ (1,878,265)</u>	<u>\$ (1,308,423)</u>	<u>\$ (2,473,434)</u>	<u>\$ (2,307,134)</u>
LOSS PER SHARE:				
Basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic and diluted	<u>85,567,286</u>	<u>48,067,286</u>	<u>98,067,286</u>	<u>46,922,827</u>

See notes to consolidated financial statements.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD. & SUBSIDIARIES)
STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Subscription Receivable	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount					
Balance at December 31, 2011	45,778,368	45,778,368	26,172,712	(93,281)	(1,500)	(8,597,588)	63,258,711
Common stock issued	27,288,918	27,288,918	12,838,258	-	-	-	40,127,176
Stock issuance costs	-	-	(1,090,642)	-	-	-	(1,090,642)
Stock compensation expense	-	-	379,526	-	-	-	379,526
Treasury stock sold	-	-	-	93,281	-	-	93,281
Net loss	-	-	-	-	-	(4,029,875)	(4,029,875)
Balance at December 31, 2012	73,067,286	\$ 73,067,286	\$ 38,299,854	\$ -	\$ (1,500)	\$ (12,627,463)	\$ 98,738,177
Common stock issued	50,000,000	50,000,000	30,000,000	-	-	-	80,000,000
Stock issuance costs	-	-	(1,615,960)	-	-	-	(1,615,960)
Stock compensation expense	-	-	274,792	-	-	-	274,792
Net loss	-	-	-	-	-	(2,473,434)	(2,473,434)
Balance at June 30 2013	<u>123,067,286</u>	<u>\$ 123,067,286</u>	<u>\$ 66,958,686</u>	<u>\$ -</u>	<u>\$ (1,500)</u>	<u>\$ (15,100,897)</u>	<u>\$ 174,923,575</u>

See notes to consolidated financial statements.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD. & SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	\$ (1,878,265)	\$ (1,308,423)	\$ (2,473,434)	\$ (2,307,134)
Adjustments to reconcile net loss to net cash used in operating activities:				
Equity in earnings of affiliate	(106,643)	(12,803)	(354,769)	(62,780)
Depreciation and amortization expense	35,683	26,038	67,373	51,839
Non-cash interest	(164,484)	(134,965)	(319,414)	(278,130)
Stock compensation expense	172,706	100,956	274,792	210,012
Write off of debt issue costs and other assets	1,903,978	267,074	1,903,978	267,074
Amortization of debt issue costs	-	-	-	-
Changes in operating assets and liabilities:				
Accounts receivable	(1,415,526)	(202,441)	(3,819,878)	(141,870)
Accounts receivable - affiliates	-	90,622	-	62,584
Prepaid expenses	158,841	(1,155)	(18,763)	(9,823)
Accounts payable	(707,408)	902,556	2,010,680	931,396
Other accrued liabilities	1,282,659	(71,137)	856,818	46,417
NET CASH USED IN OPERATING ACTIVITIES	(718,459)	(343,678)	(1,872,616)	(1,230,415)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash paid for furniture, equipment and leasehold improvements	(1,562)	(497)	(131,649)	(32,530)
Cash paid for restricted cash	(73,500,000)	-	(73,500,000)	-
Cash paid for construction in progress	(36,337,023)	(1,580,253)	(39,305,934)	(2,572,572)
NET CASH USED IN INVESTING ACTIVITIES	(109,838,585)	(1,580,750)	(112,937,583)	(2,605,102)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash received from issuance of common stock	78,384,040	(144,310)	78,384,040	4,909,176
Cash received (paid) for treasury stock, net	-	-	-	93,281
Cash received from issuance of bonds payable	75,000,000	-	75,000,000	-
Cash received (paid) for commitment and other related fees	(5,713,811)	(655,000)	(6,971,121)	(1,322,600)
Cash paid for other assets	-	(400,368)	10,319	(400,368)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	147,670,229	(1,199,678)	146,423,237	3,279,489
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,113,186	(3,124,106)	31,613,038	(556,028)
CASH AND CASH EQUIVALENTS, beginning of period	<u>7,793,424</u>	<u>8,201,787</u>	<u>13,293,572</u>	<u>5,633,709</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 44,906,610</u>	<u>\$ 5,077,681</u>	<u>\$ 44,906,610</u>	<u>\$ 5,077,681</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Capitalized interest	<u>\$ 2,148,244</u>	<u>\$ 749,647</u>	<u>\$ 2,960,694</u>	<u>\$ 1,632,144</u>
Cash paid for income taxes	<u>\$ 136,877</u>	<u>\$ 37,089</u>	<u>\$ 306,477</u>	<u>\$ 74,987</u>
	\$ 44,906,610	\$ 5,077,681	\$ 44,906,610	\$ 5,077,681

See notes to consolidated financial statements.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

NOTE A - ORGANIZATION AND NATURE OF BUSINESS

Atlantica Tender Drilling Ltd. (Atlantica or the “Company”), (formerly BassDrill Ltd.) was incorporated in Bermuda in September 2008 and effective April 29, 2011 was registered on the Norwegian OTC-list. Atlantica is in the business of providing management and contract drilling services for oil and gas wells for the offshore tender assist market and related offshore oilfield services, for both Company-owned and other vessels. The Company is headquartered in Houston, Texas.

Atlantica has five wholly-owned subsidiaries: Atlantica Management (USA) Inc. (“AM”), incorporated in the state of Texas in 2007; BassDrill International Ltd. (“BDI”) and BassDrill Beta Ltd. (“BDB”), both Bermuda-based entities; BassDrill Gamma Ltd. (“BDG”) and BassDrill Delta Ltd. (“BDD”), both Malta-based entities. BassDrill International Pte Ltd is based in Singapore and is a wholly-owned subsidiary of BDI. BassDrill Beta B.V. (“BDB-BV”) is based in Holland and is a wholly-owned subsidiary of BDB. BassDrill Brasil Servicos de Petroleo Ltda. is based in Brazil and is a 99%-owned subsidiary of BDB-BV and a 1%-owned subsidiary of BDM.

The Company’s primary assets and liabilities pertain to AM, the Company’s equity investment in BassDrill Alpha Ltd. (“BDA”), the restricted cash and long term debt for the delivery of *BassDrill Beta* and the deposits made to Dalian Shipbuilding Industry Corporation (“DSIC”) and other construction costs incurred for the construction of two semi-submersible tender assist drilling rigs and one tender barge: *BassDrill Beta* that will be owned by BDB, *BassDrill Delta* that will be owned by BDD and *BassDrill Gamma* that will be owned by BDG. As of June 30, 2013, the Company also had over \$44 million in unrestricted cash.

As used herein, and unless otherwise required by the context, the term “Atlantica” refers to Atlantica Tender Drilling Ltd., and the terms “Company,” “we,” “our,” and words of similar import refer to BassDrill and its subsidiaries. The use herein of such terms as “we,” “us,” “our” and “its,” or references to specific entities, is not intended to be a precise description of corporate relationships.

The unaudited interim consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”), and reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim period on a basis consistent with the annual consolidated financial statements. All such adjustments are of a normal recurring nature.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The operating results for the interim periods are not necessarily indicative of the results to be expected for the full year.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the assets and liabilities of Atlantica and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management reviews all significant estimates affecting its consolidated financial statements on a recurring basis and records the effect of any necessary adjustments in the consolidated financial statements. Adjustments made with respect to the use of estimates often relate to improved information not previously available. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of consolidated financial statements. While management believes current estimates are reasonable and appropriate, actual results could differ from those estimates.

Fair Value of Financial Instruments: The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, loan to unconsolidated affiliate, restricted cash, accounts payable, and long-term debt. The carrying amounts of these accounts are representative of their respective fair values due to the short-term maturity of these instruments or their interest rate reflective of current market rates.

Management and Consulting Fees: AM and BDI provide management and consulting services for the offshore tender assist market and related oilfield services to BDA and certain non-related companies. Such fees are day-rate based and are recorded as revenues in the period in which they are provided to the customers.

Reimbursable Income (Expense): Reimbursements received for the purchases of supplies, personnel services and other services provided on behalf of and at the request of our customers in accordance with a contract or agreement are recorded as revenues. The related costs are recorded as reimbursable expenses in the same period. The amounts are recorded in the consolidated statements of operations.

Investment in Unconsolidated Affiliate: The Company measures its investment in BDA using the equity method of accounting as the Company has the ability to exercise significant influence over operating and financial affairs (see Note F). Under the equity method of accounting, the Company's proportionate share of the BDA's income or loss is reported in the consolidated statement of operations.

The Company analyzes its equity method investee (BDA) for impairment during each reporting period to evaluate whether an event or change in circumstances has occurred in that period that may have a significant adverse effect on the fair value of its investment. The Company records an impairment charge for other-than-temporary declines in fair value when the fair value is not anticipated to recover above cost within a reasonable period after the measurement date, unless there are mitigating factors that indicate impairment may not be required. If an impairment charge is recorded, subsequent recoveries in fair value are not reflected in earnings until the investee is sold. There were no impairments for the three or six months ended June, 30 2013 or 2012.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

Cash and Cash Equivalents: The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable is made up of contract receivables recorded at the invoiced amount and do not bear interest.

Earnings are charged with a provision for doubtful accounts based on a current review of the collectability of accounts. Accounts deemed uncollectable are applied against the allowance for doubtful accounts. No allowance for doubtful accounts was recorded by the Company at June 30, 2013 or December 31, 2012.

Concentrations of Credit Risk: The Company's customer concentration may impact its overall credit risk, either positively or negatively, in that these entities may be similarly affected by changes in economic or other conditions affecting the drilling industry. For the six months ended June 30, 2013 and 2012, 8.6% and 39%, respectively, of the Company's revenues were received from BDA. For the three months ended June 30, 2013 and 2012, 5.8% and 33.6%, respectively, of the Company's revenues were received from BDA.

The Company is subject to concentrations of credit risk with respect to cash and cash equivalents, which the Company attempts to minimize by maintaining cash and cash equivalents with major high credit quality financial institutions. At times cash balances may exceed limits federally insured by the United States Federal Deposit Insurance Corporation. Additionally, certain of the Company's cash balances are maintained in foreign banks, which are not covered by deposit insurance.

Foreign Exchange Transactions: The Company's functional currency is the United States (U.S.) dollar as the Company primarily contracts with contractors, finances capital, and purchases equipment and services using the U.S. dollar. Transactions that are completed in a foreign currency are translated into U.S. dollars, and any gain or loss is recorded in the consolidated statements of operations.

Furniture, Equipment and Leasehold Improvements: Furniture, equipment and leasehold improvements are recorded at historical cost, less accumulated depreciation and amortization, and are depreciated over their estimated remaining useful lives (shorter of the life of the lease or the estimated useful life for leasehold improvements), which is generally between three and five years depending on the type of asset. Depreciation and amortization expense was \$67,373 and \$51,839 for the six months ended June 30, 2013 and 2012, respectively. Depreciation and amortization expense was \$35,683 and \$26,038 for the three months ended June 30, 2013 and 2012, respectively.

Construction in Progress: The carrying value of the rigs under construction (*BassDrill Beta*, *BassDrill Gamma*, and *BassDrill Delta*) represents the accumulated costs at the balance sheet date. Cost components include payments for yard installments and variation orders, construction supervision, equipment, spare parts and capitalized interest. No charges for depreciation will be made until commissioning of the respective rigs is completed and ready for their intended use.

Deferred Commitment and Other Related Fees: On April 29, 2011, the Company paid \$2,430,000 to a lender for its commitment to provide post-delivery date financing of up to \$125 million for *BassDrill Beta*. Additionally, quarterly commitment fees of approximately \$625,000 commenced on July 29, 2011 and were being paid quarterly thereafter until *BassDrill Beta* was to be delivered. The Company also incurred certain other related fees associated with the \$125 million financing in the amount of \$6,177,778. Amortization of such amounts and other related financing costs for the six months ended June 30, 2013

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

and 2012 was \$284,676 and \$356,776, respectively, (all of which qualified for capitalization, see *Capitalized Interest* below) through March 2013 and were being capitalized as an additional cost of constructing *BassDrill Beta*.

In April 2013, the Company secured a \$75 million Bond for the purpose of applying the funds to finance the purchase price of *BassDrill Beta*, with a payment of \$2,100,128 in commitment and other related fees. Amortization of such amounts and other related financing costs at for the three and six months ended June 30, 2013 were \$64,649 and \$64,649, respectively. See additional discussion on the refinancing in *Note G – Financing Arrangements*.

In May 2013, the Company replaced the existing \$125 million financing, and in connection therewith, recorded an expense of \$1,903,978 related to the write-off of the unamortized deferred financing charges, with a \$125 million Senior Secured Term Loan commitment with a payment of \$2,212,500 in commitment fees. Amortization of such amounts and other related financing costs at for the three and six months ended June 30, 2013 were \$413,588 and \$413,588 respectively. See additional discussion on the refinancing in *Note G – Financing Arrangements*.

Capitalized Interest: Interest expenses are being capitalized during construction of *BassDrill Beta* based on accumulated expenditures for the applicable project at the Company's current rate of borrowing. The amount of interest expense capitalized in an accounting period is determined by applying an interest rate (the "capitalization rate") to the average amount of accumulated expenditures for the asset during the period. The capitalization rate used in an accounting period is based on the rates applicable to borrowings outstanding during the period. The Company does not capitalize amounts beyond the actual interest expense incurred in the period. As the average accumulated expenditures for *BassDrill Beta* exceed the amounts of the specific new borrowing associated with the asset, the capitalization rate applied to such expenditures is a weighted average of the rates applicable to other borrowings of the Company.

Impairment of Long-lived Assets: The carrying values of long-lived assets that are held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposition. If the undiscounted future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Income Taxes: The Company is a Bermuda limited liability company. No activities were carried out in Bermuda in the six months ended June 30, 2013 and 2012, respectively; as such, the Company was not taxed by Bermuda. Income taxes have been provided based upon the tax laws and rates in effect in the countries in which operations are conducted and income is earned. The Company was subject to a 3.5% withholding tax in Myanmar for work on the Daewoo project for the six months ended June 30, 2013, and was not taxed in any other jurisdictions for the six months ended June 30, 2012.

Share-Based Compensation: The Company has established an employee share ownership plan under which certain of its officers and board members have been and may be allocated additional options to subscribe for new shares in the ultimate parent, BassDrill Ltd. The compensation cost for stock options is recognized as an expense over the service period based on the fair value of the options granted.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

The fair value of the share options issued under the Company’s share option plan is determined at grant date taking into account the terms and conditions upon which the options are granted, and using a valuation technique that is consistent with generally accepted valuation methodologies for pricing financial instruments, and that incorporates all factors and assumptions that knowledgeable, willing market participants would consider in determining fair value. The fair value of the share options is recognized as personnel expenses with a corresponding increase in stockholders’ equity over the period during which the employees become unconditionally entitled to the options.

Stock compensation expense is initially recognized based upon options expected to vest with appropriate adjustments to reflect actual forfeitures.

Segment Reporting: As of June 30, 2013, the Company has one reportable business segment – management and consulting services. The management and consulting services business segment performs various services related to platform drilling, drilling facility engineering, well intervention, construction management and oilfield services.

Related Parties: Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. All transactions between related parties are based on the principle of arm's length (estimated market value).

Earnings Per Share: Basic earnings per share (“EPS”) is calculated based on the income (loss) for the period available to common stockholders divided by the weighted average number of shares outstanding for basic EPS for the period. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments, which for the Company includes share options. The determination of dilutive earnings per share requires the Company to potentially make certain adjustments to net income and for the weighted average shares outstanding used to compute basic earnings per share unless anti-dilutive.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	June 30, 2013 <u>(Unaudited)</u>	December 31, 2012 <u></u>
Leasehold improvements	\$ 109,999	\$ 100,729
Office furniture, fixtures and equipment	157,346	157,346
Computer hardware and software	629,210	506,831
	<u>896,555</u>	<u>764,906</u>
Less: accumulated depreciation	358,419	291,046
	<u>538,136</u>	<u>473,860</u>
Construction in progress	112,593,956	70,327,328
	<u>112,593,956</u>	<u>70,327,328</u>
Total property and equipment	<u>\$ 113,132,092</u>	<u>\$ 70,801,188</u>

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

NOTE D - INTEREST COST

The Company capitalizes interest cost as a component of construction in progress. The following is a summary of interest cost incurred:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest cost capitalized	\$ 2,148,244	\$ 749,647	\$ 2,960,694	\$ 1,632,145
Interest cost expensed		-		-
Total interest cost incurred	<u>\$ 2,148,244</u>	<u>\$ 749,647</u>	<u>\$ 2,960,694</u>	<u>\$ 1,632,145</u>

NOTE E - LOAN TO UNCONSOLIDATED AFFILIATE

In connection with the December 2011 refinancing of BDA's long-term debt and to provide BDA additional working capital, the Company and all other BDA shareholders entered into shareholder loan agreements on a proportional basis to each shareholder's equity interest in BDA totaling \$10 million. The Company's loan to unconsolidated affiliate balance was \$3,418,014 and \$3,098,600 at June 30, 2013 and December 31, 2012, respectively, which reflects its proportionate share of the \$10 million. This unsecured loan earns interest at 20% and does not require the payment of principal or interest until the loan matures in June 2014. Accrued interest is being capitalized and added to the loan balance at the end of each calendar quarter, commencing on March 31, 2012.

In July 2013, BDA refinanced the Company's loan to unconsolidated affiliate and accrued interest. Proceeds from the bond issuance were utilized to pay off the existing loan facility, and as a result, this asset is classified as current at June 30, 2013.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

NOTE F - INVESTMENT IN UNCONSOLIDATED AFFILIATE

In April and August 2011, the Company increased its investment in BDA to 25.26% from 3.98% as of December 31, 2011, in two separate transactions for total consideration of \$6,995,019 (\$2,152,742 in BassDrill common stock issued to BDA stockholders in exchange for BDA stock and \$4,842,277 in cash).

BDA is a Bermuda-based vessel owning company in the business of providing offshore tender assist drilling units to the offshore market.

Condensed balance sheet information for BDA is as follows:

	June 30, 2013 <u>(Unaudited)</u>	December 31, 2012 <u></u>
Current assets	\$ 10,213,598	\$ 10,430,561
Property and equipment, net	87,783,886	89,968,006
Other assets	<u>3,449,304</u>	<u>3,733,980</u>
Total assets	<u>\$ 101,446,788</u>	<u>\$ 104,132,547</u>
Current liabilities	\$ 9,233,691	\$ 51,539,899
Long-term liabilities	50,496,654	12,264,625
Stockholders' equity	<u>41,716,443</u>	<u>40,328,023</u>
Total liabilities and stockholders' equity	<u>\$ 101,446,788</u>	<u>\$ 104,132,547</u>

Condensed statement of operations information for BDA is as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2013	2012	2013	2012
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Operating revenues	\$ 10,910,755	\$ 9,948,600	\$ 21,870,517	\$ 20,659,223
Costs and expenses	<u>7,927,956</u>	<u>7,274,433</u>	<u>15,297,336</u>	<u>14,889,910</u>
Income from operations	2,982,799	2,674,167	6,573,181	5,769,313
Other expense, primarily interest	<u>(1,544,554)</u>	<u>(1,533,292)</u>	<u>(3,120,728)</u>	<u>(3,193,375)</u>
Income before income tax expense	1,438,245	1,140,875	3,452,453	2,575,938
Foreign income tax expense	<u>(1,037,416)</u>	<u>(649,408)</u>	<u>(2,064,031)</u>	<u>(1,688,776)</u>
Net income	<u>\$ 400,829</u>	<u>\$ 491,467</u>	<u>\$ 1,388,422</u>	<u>\$ 887,162</u>

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

NOTE G – FINANCING ARRANGEMENTS

In April 2013, the Company replaced the existing \$125 million financing (See Note J) with a new \$125 million Senior Secured Term Loan for the purpose of applying the funds to finance the purchase price of *BassDrill Beta* with a payment of \$2,212,500 in commitment fees. The Company will repay the Loan in with quarterly installments of \$4,136,000, commencing six months after the drawdown date. A final balloon payment of \$54,688,000 is due on June 30, 2018. In addition to security provided to lenders in the form of the pledged asset, *BassDrill Beta*, the Senior Secured Term Loan contains certain financial covenants for BDB including the following:

- An interest coverage ratio of not less than 2.5 to 1.0;
- A debt service coverage ratio of not less than 1.1 to 1.0;
- A leverage ratio not exceeding 0.75 to 1.0; and
- A minimum book equity of \$70,000,000.

There are additional financial covenants for the Company, including:

- An interest coverage ratio of not less than 2.5 to 1.0;
- A minimum book equity of \$90,000,000 to be increased by:
 - \$40,000,000 following delivery of the tender barge, *BassDrill Gamma*
 - \$65,000,000 following the delivery of the semi-submersible tender rig, *BassDrill Delta*
- An equity ratio of a minimum of 0.3 to 1.0.

In May 2013, the Company raised an additional \$75 million via a Second Lien Bond Issue for the purpose of financing the remaining portion of delivery installments to DSIC for *BassDrill Beta*. Proceeds from the Bond Issue will also be used to fund BDB's bond debt service fund as well as working capital for operations. These Bonds were issued *pari passu* with all other senior obligations of the Company and are be secured with a combination a second lien on the *BassDrill Beta*, the Company's equity interest in BDB, and future earnings, warranties and insurance. The term of the Bonds is for five years with the first principal payment of \$3,240,625 due in October 2013. Interest on the Bonds is 8.5% per annum. The Bonds are subject to financial covenants including minimum liquidity, current ratio and asset coverage ratio that will be tested on a semi-annual basis and are defined as follows:

- Asset Coverage Ratio – The market value of *BassDrill Beta* will exceed 120% of the aggregated outstanding amount under the Senior Secured Term Loan and the Bond Issue;
- Liquidity: The Company, on a consolidated basis, will have access to free and available cash in excess of \$15 million; and
- Current Ratio: BassDrill Servicios Petroleo Ltda, will maintain a minimum current ratio of 1:1 will be maintained at all times.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

NOTE H – STOCKHOLDERS’ EQUITY

In April 2013, the Company issued 50,000,000 shares of common stock through a private placement offering to Hitec Vision Asset Solutions (“HVAS”) and other investors for gross proceeds of \$80 million. The main use of these proceeds was to pay the initial installment on the *BassDrill Delta*, and additional funds will be used in conjunction with the take out financing of *BassDrill Beta* and to fund day-to-day requirements. This transaction provides the Company sufficient cash to meet its funding requirements into the second quarter of 2014.

NOTE I - LOSS PER SHARE

The components of the numerator and denominator for the calculation of basic and diluted loss per share resulting from continuing operations are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	Basic and Diluted		Basic and Diluted	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Numerator for loss per share				
Net loss	\$ (1,878,265)	\$ (1,308,423)	\$ (2,473,434)	\$ (2,307,134)
Denominator for loss per share				
Weighted-average shares outstanding	85,567,286	48,067,286	98,067,286	48,067,286
Effect of stock options *	-	-	-	-
Weighted-average shares for per share calculation	85,567,286	48,067,286	98,067,286	48,067,286
Per share loss from continuing operations	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.05)

* For the six months ended June 30, 2012, we have excluded all share-based awards (see Note K) from the calculation since the effect would have been anti-dilutive.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

NOTE J - COMMITMENTS AND CONTINGENCIES

In June 2010, the Company entered into a turn-key contract with DSIC (the “Builder”) to design, construct and sell a tender support vessel (*BassDrill Beta*). The delivery point is alongside the Builder’s shipyard in Dalian, China for an original contract price of \$184,388,536 subject to adjustment in accordance with certain provisions (such adjustments to date include a July 2012 variation order for a \$41,454,409 upgrade to the vessel’s mooring system and other required enhancements for a revised contract price of \$225,842,945). In July 2012, Petrobras approved the aforementioned upgrade, and a revised delivery date of October 2013 was agreed to between the parties. The Company made a 20% installment payment of \$36,877,707 in April 2011; the 2nd installment payment of \$921,943 was made in July 2011, five working days after steel cutting; the 3rd installment payment of \$921,967 was paid in April 2013, five working days after the launching of the vessel; and the 4th and final installment payment of \$187,121,352 (\$26.7 million of which will be funded by Petrobras after the acceptance of *BassDrill Beta* in China), plus any outstanding increase or minus any decrease due to any additional adjustments, is due upon delivery. Any amounts not paid by due dates bear interest at LIBOR (one month) plus 1.5%. In the event the delivery date is delayed, there are provisions in the agreement that will require the Builder to pay penalties of \$30,000 per day escalating to \$60,000 if delayed more than 61 days but limited to \$10.8 million.

In connection with the construction of *BassDrill Beta*, the Company secured a \$125 million Senior Secured Term Loan commitment that became effective on April 29, 2011 with the payment of \$2,430,000 in commitment fees. The loan was to be drawn upon BDB took possession of *BassDrill Beta* and was to be secured by the vessel. Additionally, quarterly commitment fees of \$625,000 commenced on July 29, 2011 and were paid quarterly thereafter until *BassDrill Beta* was to be delivered. Beginning in April of 2012, BDB paid the lenders an annual service fee of \$30,000 through the term of the loan. The term of the loan was for five years after the first payment due date, which was to be six months after *BassDrill Beta* is delivered.

In October 2012, the Company entered into a turn-key contract with DSIC (the “Builder”) to design, construct and sell a tender support vessel (*BassDrill Gamma*). The delivery point is alongside the Builder’s shipyard in Dalian, China for a contract price of \$123,997,500 subject to adjustment in accordance with certain provisions. The Company made a 15% installment payment of \$18,599,625 in October 2012; and the 2nd and final installment payment of \$105,397,875, plus any outstanding increase or minus any decrease due to adjustments, is due upon delivery, which is expected in the third quarter of 2014. Any amounts not paid by due dates bear interest at LIBOR (one month) plus 1.5%. In the event the delivery date is delayed, there are provisions in the agreement that will require the Builder to pay penalties of \$5,000 per day escalating to \$42,500 if delayed more than 61 days but limited to \$6.0 million.

In October 2012, the Company renegotiated its existing office space when it entered into a five-year lease for administrative offices in Houston, Texas. The monthly lease commitment ranges from \$12,780 to \$17,179 per month. Rent expense was \$64,485 and \$29,614 for the three months ended June 30, 2013 and 2012, respectively. Rent expense was \$125,100 and \$59,742 for the six months ended June 30, 2013 and 2012, respectively.

In March 2013, the Company was awarded a contract for a 17-well program estimated to last 44 months with Total for operation of a new tender semi, *BassDrill Delta*, for operations off-shore West Africa. The anticipated delivery for *BassDrill Delta* is the second quarter of 2015.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

In April 2013, the Company entered into a turn-key contract with DSIC (the “Builder”) to design, construct and sell a tender support vessel (*BassDrill Delta*). The delivery point is alongside the Builder’s shipyard in Dalian, China for a contract price of \$212,000,000 subject to adjustment in accordance with certain provisions. The Company made a 15% installment payment of \$31,800,000 in April 2013; and the 2nd and final installment payment of \$180,200,000, plus any outstanding increase or minus any decrease due to adjustments, is due upon delivery, which is expected in the second quarter of 2015. Any amounts not paid by due dates bear interest at LIBOR (one month) plus 1.5%. In the event the delivery date is delayed, there are provisions in the agreement that will require the Builder to pay penalties of \$30,000 per day escalating to \$60,000 if delayed more than 61 days but limited to \$9.0 million.

The Company may in the future be involved as a party to various legal proceedings that are incidental to the ordinary course of business. The Company regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. In the opinion of management and legal counsel, as of June 30, 2013, there were no threatened or pending legal matters that would have a material impact on the Company’s consolidated financial statements.

NOTE K - SHARE OPTION PLAN

The fair value of share options granted is recognized as operating expenses and \$172,705 and \$100,956 were expensed during the three months ended June 30, 2013 and 2012 respectively, and \$274,792 and \$210,012 was expensed during the six months ended June 30, 2013 and 2012, respectively. There were no effects on taxes in the consolidated financial statements. However, if the options are exercised, a tax benefit will be recorded, as the gain is recorded as deductible for tax purposes. If the Company has to expense social security taxes related to the benefit of options exercised, such expenses will be recorded at the exercise date.

The Atlantica Share Option Plan permits the Board of Directors, at its discretion, to grant options to acquire shares in the Company to employees of the Company or its subsidiaries. The options granted are not transferable, and the subscription price is set at \$1.706 per share adjusted upwards by 12% per annum from the date of grant until the date the option is exercised. Options granted under the plan will vest three years after the date of the grant. The maximum number of shares authorized for awards of equity share options is 4,734,000. Authorized, unissued shares of the Company may be used to satisfy exercised options, or the Company, at its discretion, may satisfy such exercised options in cash.

During 2012, 333,334 share options were granted to one key member of executive management. For the valuation of the options granted, the following assumptions were applied; risk-free interest rate of 0.54%, share price volatility of 45.5%, dividend yield of 0% and an expected option term of three and a half years.

During 2011, 3,613,890 share options were granted to four key personnel and one board member. For the valuation of the options granted, the following assumptions were applied; risk-free interest rate of 1.41%, share price volatility of 44.5%, dividend yield of 0% and an expected option term of three and a half years.

For accounting purposes, the fair value of the granted share options was estimated on the date of the grant using a Black Scholes option valuation model. The risk-free interest rates are estimated using the published United States treasury yield curve in effect at the time of grant for instruments with a similar

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

term. The dividend yield of 0% is used in the valuation model as no dividends are anticipated to be paid during the term of the options. We have assumed that 100% of the options will vest.

Share options issued in 2011 under the Atlantica Plan may be exercised up to five years after the grant date. Options issued under the Atlantica Plan may be exercised at the earlier of a mandatory offer for all the shares of the Company (on certain conditions) or April 13, 2014. As of June 30, 2013, none of the options granted are exercisable, and there were no forfeitures. The weighted average grant-date fair value of options granted during 2012 and 2011 is \$0.362 per share.

As of June 30, 2013, total unrecognized compensation costs related to all unvested share-based awards totaled \$481,219, which is expected to be recognized as additional expenses of \$133,555 in 2013 and \$322,492 in 2014.

NOTE L - DEFINED CONTRIBUTION RETIREMENT PLAN

In August 2011, the Company introduced a defined contribution plan for all employees based in the United States. Under the plan, the Company contributes to the employee's retirement plan amounts ranging from one to three percent of the employee's annual salary. Defined contribution plan expenses for the three months ended June 30, 2013 and 2012 were \$30,181 and \$23,009, respectively. Defined contribution plan expenses for the six months ended June 30, 2013 and 2012 were \$64,710 and \$47,280, respectively.

NOTE M - RELATED PARTY TRANSACTIONS

The Company transacts business with the following related parties:

- BassInvest
- BDA
- Bassoe Technology AB ("BassTech AB")
- Bassoe Technology AS ("BassTech AS")
- Bassoe Offshore AS ("BassOff AS")
- Bassoe Offshore USA ("BassOff USA")

AM has a management services agreement with BDA to provide it management services for the operation of *BassDrill Alpha*. Fees for such services were approximately \$379,000 and \$364,000 for three six months ended June 30, 2013 and 2012, respectively. Fees for such services were approximately \$739,000 and \$728,000 for the six months ended June 30, 2013 and 2012, respectively. Additionally, BDM also earned a performance bonus of \$195,818 and \$159,051 for the six months ended June 30, 2013 and 2012, respectively.

The Company has agreements with BassTech AB, BassTech AS, BassOff AS and BassOff USA to provide the Company certain design and technology services and reimburse certain costs related to the construction of *BassDrill Beta*. Fees and reimbursements for such services were approximately \$18,000 and \$281,481 for the six months ended June 30, 2013 and 2012, respectively.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY BASSDRILL LTD.)
CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
FOR THE QUARTER ENDED JUNE 30, 2013

At June 30, 2013 and December 31, 2012, the Company had loaned BDA \$3,418,014 and \$3,098,600 respectively (see Note E).

NOTE N - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

All of our gross earnings from management and consulting fees are receivable in U.S. dollars, and the majority of our other transactions, assets and liabilities are denominated in U.S. dollars, the functional currency of the Company. However, the Company has operations and assets in a number of countries worldwide and incurs expenditures in other currencies, causing its results from operations to be affected by fluctuations in currency exchange rates, primarily relative to the U.S. dollar. The Company will also be exposed to changes in interest rates on floating interest rate debt in the future. There is, thus, a risk that currency and interest rate fluctuations will have a negative effect on the value of the Company's cash flows.

Interest Rate Risk Management

The Company's exposure to interest rate risk relates mainly to its future floating interest rate debt and balances of surplus funds placed with financial institutions. The Company's ambition is to obtain the most favorable interest rate borrowings available without increasing its foreign currency exposure. Surplus funds are generally placed in deposits in banks. Such deposits are available daily in order to provide the Company with flexibility to meet all requirements for working capital and capital investments. The extent to which the Company plans to utilize interest rate swaps and other derivatives to manage its interest rate risk will be determined by the net debt exposure and its views on future interest rates.

Foreign Currency Risk Management

The Company does not presently use foreign currency forward contracts and other derivatives to manage its exposure to foreign currency risk on any assets, liabilities or future anticipated transactions as the existing exposure is not deemed significant.

Credit Risk

The Company has financial assets, including cash and cash equivalents and other receivables. These assets expose the Company to credit risk arising from possible default by the counterparty. The Company considers the counterparties to be creditworthy financial institutions and businesses and does not expect any significant loss to result from non-performance by such counterparties. The Company, in the normal course of business, does not demand collateral.