ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
(FORMERLY KNOWN AS BASSDRILL LTD.)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

From the Board of Directors:

Operations
BassDrill, Ltd. was incorporated in in Bermuda in 2008. In 2013 BassDrill Ltd. changed its name to Atlantica Tender Drilling Ltd. ("the Company"). The Company is registered in Bermuda and is in good standing. The Company's goal is the construction, ownership and operations of Tender Assist Drilling Rigs (the "Unit(s)") for the provision of services to major international independent and national oil and gas companies worldwide. The Company has a Management Agreement with BassDrill Alpha Ltd. ("BDA"), a 25.26% owned unconsolidated affiliate of Atlantica Tender Drilling Ltd., for the management and marketing of their flat-bottom tender assist drilling unit, *BassDrill Alpha*.

The Company's operations are managed by Atlantica Management (USA), Inc., headquartered in Houston, Texas, and fully staffed to operate multiple units, undertake innovative engineering opportunities and market its services worldwide.

BassDrill Alpha is a state-of-the-art flat bottom Tender Assist Drilling Unit incorporating all of the latest technical, safety, maritime and drilling technologies, built on a proprietary design developed and owned by Bassoe Technology AB, Sweden. The design is the only one available in the market, offering its main crane on the bow of the vessel as opposed to the mid-ship design of the competitors' fleets. The Unit is designed with the bow-mounted crane offering a quicker and cost effective anchoring and rig up/rig down cycle to the customer.

BassDrill Alpha has been operating offshore the Republic of Congo since Q4 2010, and for Total E&P Congo since October 2011. Currently the Alpha is working a two year extension of the original contract, which will carry it through to Q3 of 2015.

In September 2010, the Company entered into an agreement with Petrobras for the provision of a Semi Submersible Tender Assist unit, *BassDrill Beta*, for commencement of operations offshore Brazil in late Q1 2013 for a 945 day drilling contract. In Q1 2012 Petrobras approached the Company with a request for a Variation Order ("VO"), which via an amendment to the Contract with Petrobras, required significant upgrades to the Unit at a cost of approximately USD 47 Million and several months of additional time, moving the anticipated delivery of the Unit from the Shipyard to late August 2013.
As part of the amendment the start-up of operations was postponed to Q4 2013 and the duration of the contract was extended to 1,500 days.

BassDrill Beta was delivered by the builder, Dalian Shipyard Industry Offshore Co. Inc. ("DSIC") in Dalian, China, in November 2013. *BassDrill Beta* incorporates all the latest in operational, safety and environmental features and will be the first of its kind working alongside a Tension Leg Platform offshore Brazil. The vessel itself with the marine equipment was fabricated in China whereas the modular drilling package and components were designed and fabricated and assembled in Louisiana (USA). Post-delivery the Beta was dry-towed to Brazil, and after undertaking some modifications to its mast key-side in Rio, the rig commenced the Petrobras contract March 19, 2014.

In October 2012 the Company's wholly owned subsidiary, BassDrill Gamma Ltd., entered into a Contract with DSIC for the construction of a flat bottom Heavy Tender Assist Unit, the *BassDrill Gamma*, for delivery in Q2 2014. The Gamma is a state of the art tender barge which is 30% larger and more capable than the Alpha. It has been designed for medium and deep drilling operations and includes a number of safety and efficiency enhancement attractive to most operators. December 19, 2013 BassDrill Gamma Ltd. entered into a five well contract (approx. 400 days) with Foxtrot International for *BassDrill Gamma*, for the provision of drilling services on the Marlin Field Development Project off the Ivory Coast. Contract commencement is set for Q1 2015. Currently the Gamma is approaching 70% completion with all major blocks installed on the vessel and is expected to be delivered just prior to year end with ample time to be mobilized for contract commencement in March 2015.

In April 2013 the Company's wholly owned subsidiary, BassDrill Delta Ltd., entered into a contract with Total E&P Congo for the provision of a new build semi-submersible tender assist rig for a 17 well contract in the Republic of Congo commencing in early Q3 2015. This development project will be undertaken in a deep water environment with the MEP being positioned on a new build tension leg platform (TLP). For this purpose, the company entered into a turnkey contract with DSIC in China for the construction of the rig. The Delta is similar in nature and design to the Beta aside from more power generation and more accommodation along with other safety and operational enhancements. The Delta's fabrication is currently on schedule in China and is set for delivery in early Q3 of 2015.

In March 2013 the Company completed a USD 80 million equity increase, issuing 50 million new shares through a private placement to existing and new shareholders. The purpose of the equity issue was to secure funding for the down payment on the *BassDrill Delta* as well as for ongoing corporate expenses and working capital. Post the equity raise the largest shareholder in the Company remains HitecVision Asset Solutions LP, through its fund HVAS Invest Zeta AS, owning 59.10% of the Company's outstanding shares.

In May and April 2013 the Company's wholly owned subsidiary BassDrill Beta Ltd. replaced its USD 125 million loan facility with a new Senior Loan Facility for USD 125 million, and placed a second lien bond issue of USD 75 million, with maturity in May and April 2018, respectively. The purpose of establishing the loan facilities was financing the *BassDrill Beta* upon delivery by the shipyard.

The Company's Board of Directors is presently as follows:

- Helge Haakonsen, Chairman
- Pål Reiulf Olsen, Deputy Chairman
- Erland P. Bassøe
- Kjell-Erik Østdahl
- Bjorn C. Jacobsen

The Company's total common shares outstanding at December 31, 2013 are 123,067,286 (par value 1.00 USD per share).

Please refer to the attached Audited Consolidated Financial Statements and accompanying Consolidated Notes to the Financial Statements for the years ended December 31, 2013 and 2012.

Market Outlook

There has been a decrease in tender fixtures over the past six months. That said, the utilization for units less than 10 years old is 100% and all indications point towards new unit utilization remaining high. Growth is expected on the semi tender portion of the market as deep water developments emerge. Fleet replacement in the barge portion of the market is a requirement as operators look for the most modern, safe and efficient units possible.

Following the mobilization of Beta to Brazil, we envision an expansion of the semi tender market outside of the traditional equatorial waters (10 degrees either side of the equator). This could well lead to a measurable increase in demand for semi tenders for both bottom supported (fixed) platforms as well as spars and TLP. The design of the Beta is designed to work in more challenging met ocean conditions as compared to the existing semi tenders in use today. This will also promote broader use of a new generation of semi tenders.

Hamilton, Bermuda April 30, 2014

The Board of Directors of Atlantica Tender Drilling Ltd.

H Haakonsen

Chairman

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

CONTENTS

UHY LLP
Certified Public Accountants

2929 Allen Parkway, 20th Floor
Houston, TX 77019-7100

Phone 713 561 6500
Web www.uhy-us.com

Independent Auditor's Report

To the Stockholders of
Atlantica Tender Drilling Ltd. & Subsidiaries
Bermuda

We have audited the accompanying consolidated financial statements of Atlantica Tender Drilling Ltd. & Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atlantica Tender Drilling Ltd. & Subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the Supplemental Information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

UHY LLP

Houston, Texas
April 29, 2014

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 57,927,336	$ 13,293,572
Restricted cash	8,962,930	-
Accounts receivable	163,428	968,662
Accounts receivable - affiliates	622,055	17,433
Note receivable - affiliate	1,394,372	-
Prepaid expenses	913,290	491,853
TOTAL CURRENT ASSETS	69,983,411	14,771,520
PROPERTY AND EQUIPMENT		
Furniture, equipment and leasehold improvements	748,022	538,709
Construction in progress	328,856,887	70,553,524
	329,604,909	71,092,233
Less: accumulated depreciation and amortization	434,596	291,046
NET PROPERTY AND EQUIPMENT	329,170,313	70,801,187
LOAN TO UNCONSOLIDATED AFFILIATE	-	3,098,600
INVESTMENT IN UNCONSOLIDATED AFFILIATE	4,654,599	10,131,044
DEFERRED FINANCING COSTS	5,445,885	1,785,948
OTHER ASSETS	25,175	35,494
TOTAL ASSETS	$ 409,279,383	$ 100,623,793
LIABILITIES AND STOCKHOLDERS’ EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 8,885,672	$ 923,112
Deferred revenue	4,582,796	-
Accrued liabilities	3,734,636	962,504
Current portion of long-term debt	12,408,000	-
TOTAL CURRENT LIABILITIES	29,611,104	1,885,616
LONG-TERM DEBT	187,592,000	-
LONG-TERM DEFERRED REVENUE	20,877,183	-
TOTAL LIABILITIES	238,080,287	1,885,616
COMMITMENTS AND CONTINGENCIES (Note J)		
STOCKHOLDERS’ EQUITY		
Common stock, $1 par value, 185,778,368 shares authorized at December 31, 2013 and 2012, and 123,067,286 and 73,067,286 shares issued and outstanding at December 31, 2013 and 2012, respectively	123,067,286	73,067,286
Additional paid-in capital	67,073,189	38,299,854
Subscription receivable	(1,500)	(1,500)
Accumulated deficit	(18,939,879)	(12,627,463)
TOTAL STOCKHOLDERS’ EQUITY	171,199,096	98,738,177
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 409,279,383	$ 100,623,793

See notes to consolidated financial statements.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31, 2013	Years Ended December 31, 2012
REVENUES		
Management fees	$ 1,969,795	$ 1,765,946
Consulting fees	11,598,501	3,554,670
TOTAL REVENUES	13,568,296	5,320,616
OPERATING EXPENSES		
Operating expenses	19,306,355	9,747,188
Depreciation and amortization	143,549	119,138
Bad debt expense	260,640	-
TOTAL OPERATING EXPENSES	19,710,544	9,866,326
LOSS FROM OPERATIONS	(6,142,248)	(4,545,710)
OTHER (EXPENSE) INCOME		
Interest income	342,290	572,158
Foreign currency exchange gain (loss)	(68,908)	6,553
TOTAL OTHER (EXPENSE) INCOME	273,382	578,711
LOSS BEFORE EQUITY IN INCOME (LOSSES) OF AFFILIATE AND FOREIGN INCOME TAX EXPENSE	(5,868,866)	(3,966,999)
EQUITY IN (LOSSES) INCOME OF AFFILIATE	(171,015)	126,549
FOREIGN INCOME TAX EXPENSE	(272,535)	(189,425)
NET LOSS	$ (6,312,416)	$ (4,029,875)
LOSS PER SHARE		
Basic and diluted	$ (0.06)	$ (0.07)
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic and diluted	106,337,594	53,987,254

See notes to consolidated financial statements.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2013 AND 2012

	Common Stock		Additional Paid-in	Treasury	Subscription	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Stock	Receivable	Deficit	Equity (Deficit)
Balance at January 1, 2012	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	-	-	(1,673,968)	-	-	-	(1,673,968)
Stock compensation expense	-	-	447,303	-	-	-	447,303
Net loss	-	-	-	-	-	(6,312,416)	(6,312,416)
Balance at December 31, 2013	123,067,286	$ 123,067,286	$ 67,073,189	$ -	$ (1,500)	$ (18,939,879)	$ 171,199,096

See notes to consolidated financial statements.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (6,312,416)	$ (4,029,875)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Equity in losses (income) of affiliate	171,015	(126,549)
Depreciation and amortization expense	143,549	119,138
Stock compensation expense	447,303	379,526
Bad debt expense	260,640	-
Changes in operating assets and liabilities:		
Accounts receivable	544,594	(678,235)
Accounts receivable - affiliates	(604,622)	93,129
Prepaid expenses	(421,437)	(457,647)
Other assets	10,319	(17,078)
Accounts payable	7,962,560	549,730
Accounts payable - affiliates	-	(103,622)
Accrued liabilities	897,814	62,809
Deferred revenue	25,459,979	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	28,559,298	(4,208,674)
CASH FLOWS FROM INVESTING ACTIVITIES		
Furniture, equipment and leasehold improvements	(209,313)	(127,559)
Construction in progress	(252,721,498)	(24,533,340)
Restricted cash	(8,962,930)	-
Return of investment in unconsolidated affiliate	5,305,430	-
Repayment of loan to unconsolidated affiliate	3,098,600	-
Note receivable - affiliate	(1,394,372)	-
NET CASH USED IN INVESTING ACTIVITIES	(254,884,083)	(24,660,899)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock, net	78,326,032	39,036,534
Treasury stock, net	-	93,281
Commitment and other related fees	(7,367,483)	(2,600,379)
Proceeds from bank borrowings and bond issuance	200,000,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	270,958,549	36,529,436
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,633,764	7,659,863
CASH AND CASH EQUIVALENTS, beginning of year	13,293,572	5,633,709
CASH AND CASH EQUIVALENTS, end of year	$ 57,927,336	$ 13,293,572
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Capitalized interest	$ 5,581,865	$ 3,429,436
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 3,188,641	$ -
Foreign taxes paid	$ 272,535	$ 189,425

See notes to consolidated financial statements.

NOTE A - ORGANIZATION AND NATURE OF BUSINESS

Atlantica Tender Drilling Ltd. ("Atlantica" or the "Company") was incorporated in Bermuda in September 2008 and effective April 29, 2011 became registered on the Norwegian OTC-list under the symbol "ATDL." Atlantica changed its name from BassDrill Ltd. in July 2013 as part of a larger rebranding effort. 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 affiliated vessels. The Company is headquartered in Houston, Texas.

The following entities are wholly-owned subsidiaries of the Company:

- Atlantica Management (USA) Inc. ("AM"), incorporated in the state of Texas
- Atlantica International Ltd. ("AI"), a Bermuda based entity
- Atlantica Beta Ltd. ("AB"), a Bermuda based entity
- BassDrill Beta Holding Ltd. ("BDBH"), a Malta based entity
- BassDrill Beta Ltd. ("BDB"), a Malta based entity
- BassDrill Gamma Ltd. ("BDG"), a Malta based entity
- BassDrill Delta Ltd. ("BDD"), a Malta based entity
- BassDrill Beta B.V. ("BDB-BV"), a Holland based entity
- BassDrill Brasil Servicos de Petroleo Ltda. ("BBB"), a Brazil based entity
- Atlantica International B.V. ("AI-BV"), a Holland based entity incorporated in early 2014

The Company's primary assets and liabilities pertain to *BassDrill Beta*, owned by BDB, which the Company took delivery of from Dalian Shipbuilding Industry Corporation ("DSIC ") in November 2013 and was placed in service on a drilling contract with Petrobras in March 2014; AM; the Company's 25.26% equity investment in BassDrill Alpha Ltd. ("BDA") and the deposits made to DSIC and other construction costs incurred for the construction of two tender assist drilling rigs: *BassDrill Gamma*, a flat bottom barge that will be owned by BDG and *BassDrill Delta*, a semi-submersible, that will be owned by BDD.

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 Atlantica 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

<u>Use of Estimates</u>: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, accounts payable and accrued liabilities. 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.

Deferred Revenue: In connection with a customer contract, the Company may receive lump-sum fees for the mobilization of equipment and personnel. Mobilization fees and costs incurred to mobilize a rig from one geographic market to another are deferred and recognized on a straight-line basis over the initial term of such contract, excluding any option periods. Costs incurred to mobilize a rig without a contract are expensed as incurred. Fees or lump-sum payments received for capital improvements to rigs are deferred and amortized to income over the term of the related drilling contract. The costs of such capital improvements are capitalized and depreciated over the useful lives of the assets. At December 31, 2013, the Company received $25,459,979 in deferred revenue related to mobilization fees. No such amounts were received during 2012.

Management and Consulting Fees: AM and AI 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. 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 accounts for 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 G). 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 years ended December 31, 2013 or 2012.

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.

Restricted Cash: The Senior Secured Term Loan (see Note H) requires the Company to maintain a debt service reserve account equal to three months of interest and one installment payment.

The Senior Secured Bonds (see Note H) requires the Company to maintain a debt service account for the purpose of covering the semiannual interest payments.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. During the years ended December 31, 2013 and 2012, the Company recorded bad debt expense of $260,640 and $0, respectively. No allowance for doubtful accounts was recorded by the Company at December 31, 2013 or 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 years ended December 31, 2013 and 2012, 15% and 29%, respectively, of the Company's revenues were received from BDA. The Company had receivables from BDA of $622,055 and $17,433 at December 31, 2013 and 2012, respectively.

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 or other similar government institutions in other countries. 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 $143,549 and $119,138 for the years ended December 31, 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 *BassDrill Beta, BassDrill Gamma, and BassDrill Delta* is completed and the vessels are ready for their intended use.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Financing Costs: In April 2011, the Company paid $2,430,000 to a lender for its commitment to provide post-delivery date financing of up to $125,000,000 for *BassDrill Beta*. Additionally, quarterly commitment fees of approximately $625,000 commenced on July 29, 2011 and were paid quarterly through April 2013 when the commitment was canceled and replaced by the Senior Secured Bonds and Senior Secured Term Loan. Amortization of such amounts and other related financing costs for the years ended December 31, 2013 and 2012 of $3,093,726 and $3,429,436, respectively, (all of which qualifies for capitalization, see *Capitalized Interest* below over the revised, anticipated commitment period through termination of the facility in April 2013) were capitalized as an additional cost of constructing *BassDrill Beta*.

In April 2013, the Company issued $75,000,000 in Senior Secured Bonds. In connection with the bond issuance, the Company paid $2,647,949 in debt issuance costs. Amortization of such amounts and other related financing costs for the year ended December 31, 2013 totaled $298,854 (all of which qualifies for capitalization, see *Capitalized Interest* below).

In November 2013, the Company undertook $125,000,000 in debt under a Senior Secured Term Loan Facility Agreement. In connection with the debt issuance, the Company incurred $3,411,758 in debt issuance costs. Amortization of such amounts and other related financing costs for the year ended December 31, 2013 totaled $314,967 (all of which qualifies for capitalization, see *Capitalized Interest* below).

Capitalized Interest: Interest expenses are 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 (which debt will not be funded until delivery occurs), 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: We are a Bermuda limited liability company. Bermuda does not impose corporate income taxes unless activities are carried out in Bermuda. No activities were carried out in Bermuda in 2013 or 2012. Consequently, we have provided income taxes based on the laws and rates in effect in the countries in which operations are conducted, or in which we and/or our subsidiaries are considered resident for income tax purposes. We operate in multiple countries under different legal forms. As a result, we are subject to the jurisdiction of numerous domestic and foreign tax authorities, as well as to tax agreements and treaties among these governments. Our operations in these different jurisdictions are taxed on various bases including, (i) actual income before taxes, (ii) deemed profits (which are generally determined by applying a tax rate to revenues rather than profits) and (iii) withholding taxes based on revenue. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events, such as the amount, timing and character of deductions, permissible revenue recognition methods under the tax law and the sources and character of income and tax credits. Changes in tax laws, regulations, agreements and treaties, foreign currency exchange restrictions or our level of operations or profitability in each tax jurisdiction could have an impact upon the amount of income taxes that we provide during any given year.

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 acquire shares in the ultimate parent, Atlantica Tender Drilling 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.

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 within operating 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.

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 the weighted average shares outstanding used to compute basic earnings per share unless anti-dilutive.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications: Certain reclassifications have been made to prior period consolidated financial statements to conform to current period presentations. These reclassifications had no effect on the consolidated financial position, results of operations or cash flows of the Company.

Subsequent Events: The Company evaluated all activity through April 29, 2014, the date the consolidated financial statements were available for issuance, and concluded that no subsequent events, other than those already disclosed, have occurred that would require recognition in the consolidated financial statements or disclosures in the notes to the consolidated financial statements.

NOTE C - STOCKHOLDERS' EQUITY

In March and September 2012, the Company issued 2,288,918 and 25,000,000 shares of common stock, respectively, through private placement offerings for gross proceeds of $5,127,176 and $35,000,000, respectively, for the purposes of funding the Company's operations and making a deposit to DSIC for the construction of *BassDrill Gamma.*

In April 2013, the Company issued 50,000,000 shares of common stock through a private placement for $78,326,032, net of stock issuance costs, for the purposes of funding the initial 15% payment for the *BassDrill Delta* new build; project management and site supervision for *BassDrill Beta*, *BassDrill Gamma* and *BassDrill Delta*; and working capital and general corporate purposes.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2013	December 31, 2012
Leasehold improvements	$ 109,999	$ 100,729
Office furniture, fixtures and equipment	151,635	151,635
Computer hardware and software	371,214	286,345
Vehicles	115,174	-
	748,022	538,709
Less: accumulated depreciation	434,596	291,046
	313,426	247,663
Construction in progress - BassDrill Beta and BassDrill Gamma and BassDrill Delta	328,856,887	70,553,524
Total property and equipment	$ 329,170,313	$ 70,801,187

NOTE E - INTEREST COST

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

	Year Ended December 31,	
	2013	2012
Interest cost capitalized	$ 8,770,562	$ 3,429,436
Interest cost expensed	-	-
Total interest cost incurred	$ 8,770,562	$ 3,429,436

NOTE F - 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 certain other BDA shareholders entered into shareholder loan agreements on a proportional basis to each shareholder's equity interest in BDA totaling $10,000,000. The Company's loan to BDA (including accrued interest) was $3,098,600 at December 31, 2012, which reflected its proportionate share of the total shareholder loans outstanding. This unsecured loan earned interest at 20% and did not require the payment of principal or interest until the loan matured in June 2014 or early repayment of the loan in its entirety. The loan and accrued interest was repaid in its entirety in July 2013.

NOTE G - INVESTMENT IN UNCONSOLIDATED AFFILIATE

The Company's investment in BDA is 25.26%. In July 2013, the Company received a pro-rata share of a capital distribution from BDA in the amount of $5,305,430.

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

NOTE G - INVESTMENT IN UNCONSOLIDATED AFFILIATE (Continued)

Condensed balance sheet information for BDA is as follows:

	December 31, 2013	December 31, 2012
Current assets	$ 21,253,049	$ 10,066,262
Property and equipment, net	86,019,104	90,332,306
Other assets	2,366,936	3,733,980
Total assets	$ 109,639,089	$ 104,132,548
Current liabilities	$ 10,522,603	$ 51,539,899
Long-term liabilities	80,465,000	12,264,626
Stockholders' equity	18,651,486	40,328,023
Total liabilities and stockholders' equity	$ 109,639,089	$ 104,132,548

Condensed statement of operations information for BDA is as follows:

	Years Ended December 31, 2013	Years Ended December 31, 2012
Operating revenues	$ 42,107,066	$ 41,660,822
Costs and expenses	31,048,365	31,034,862
Income from operations	11,058,701	10,625,960
Other expense, primarily interest	(7,739,275)	(6,387,213)
Income before income tax expense	3,319,426	4,238,747
Foreign income tax expense	(3,996,444)	(3,737,758)
Net (loss) income	$ (677,018)	$ 500,989

NOTE H - FINANCING ARRANGEMENTS

Senior Secured Term Loan

In May 2013, the Company, through its wholly owned subsidiary BassDrill Beta Ltd., entered into a \$125,000,000 Senior Secured Term Loan Facility ("Facility"), maturing in June 2018, collateralized by all credit rights arising from the *BassDrill Beta's* drilling contract, respective credit rights against the Brazilian bank and rights in connection with the investments made with amounts deposited in the debt service reserve account (see *Restricted Cash* in Note B). The Facility bears interest at 4.25% plus LIBOR (4.5% at December 31, 2013), payable quarterly commencing February 2014. The Facility requires quarterly principal payments of \$4,136,000 commencing May 2014 with a balloon payment of \$54,688,000 at final maturity. The Facility further requires the Company to comply with certain financial covenants at the Borrower (as defined below) and Parent levels as noted below. The Company was in compliance with these covenants, as applicable, at December 31, 2013.

- Borrower (BDB, BDB-BV, and BBB, collectively, the "Beta Obligated Group"):
  - Interest coverage ratio of not less than 2.5 : 1.0
  - Debt service coverage ratio of not less than 1.1 : 1.0
  - Leverage ratio not exceeding 0.75 : 1.0
  - Book equity minimum of \$70,000,000 from delivery date
  - The market value of the rig is at least 135% of the Facility during the period which BassDrill Beta is operating under its drilling contract with Petrobras and 150% of the Facility after completion of the drilling contract with Petrobras.

- Parent (Atlantica):
  - Interest coverage ratio of not less than 2.5 : 1.0
  - Book equity minimum of \$90,000,000
  - Increased by \$40,000,000 following delivery of *BassDrill Gamma*
  - Increased by \$65,000,000 following delivery of *BassDrill Delta*
  - Equity ratio of minimum 0.3 : 1.0
  - The market value of the rig is at least 135% of the Facility during the period which BassDrill Beta is operating under its drilling contract with Petrobras and 150% of the Facility after completion of the drilling contract with Petrobras.

Senior Secured Bonds

In April 2013, the Company issued, through its wholly owned subsidiary BassDrill Beta Ltd., \$75,000,000 of Senior Secured Bonds ("Bonds"), maturing in April 2018 that are collateralized by *BassDrill Beta*. The Bonds bear interest at 8.5%, with interest payments payable semiannually, commencing October 24, 2013 with principal due at maturity. The Bonds further require the Company to comply with certain financial covenants, at the Borrower level (Beta Obligated Group), as noted below.

The Company received a waiver of compliance for the minimum current ratio and was in compliance with the other two at December 31, 2013.

- The issuer shall have access to liquidity in excess of \$15 million
- The market value of the rig is at least 120% of the aggregated outstanding amount Senior Bank Facility and the Bond Issuance
- Minimum current ratio of 1:1

NOTE H - FINANCING ARRANGEMENTS (Continued)

Future Maturities of Long-term Debt

The above financing arrangements are payable in future years as follows:

Year Ending December 31,	
2014	$ 12,408,000
2015	16,544,000
2016	16,544,000
2017	16,544,000
2018	137,960,000
	$ 200,000,000

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:

	December 31,	
	2013	2012
Numerator for loss per share		
Net loss	$ (6,312,416)	$ (4,029,875)
Denominator for loss per share		
Weighted-average shares outstanding	106,337,594	53,987,254
Effect of stock options *	-	-
Weighted-average shares for per share calculation	106,337,594	53,987,254
Per share loss from operations	$ (0.06)	$ (0.07)

* For the years ended December 31, 2013 and 2012, we have excluded all share-based awards (see Note J) from the calculation since the effect would have been anti-dilutive.

NOTE J - COMMITMENTS AND CONTINGENCIES

In October 2012, the Company entered into a turn-key contract with DSIC (the "Builder") to design and construct a tender support barge (*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 fourth 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 no more than $6,000,000.

In March 2013, the Company was awarded a contract for a 17-well program estimated to last 44 months with Total E&P Congo for a new tender support semi, BassDrill Delta, for operations in off-shore West Africa. In April 2013, the Company entered into a turn-key contract with DSIC to design and construct a tender support semi (*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 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 no more than $9,000,000.

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 $12,180 to $21,156 per month. In April 2013, the Company entered into an office lease in Brazil in preparation for the Beta Operations which will begin in January 2014, with monthly commitments of $6,856. Rent expense was $281,054 and $129,197 for the years ended December 31, 2013 and 2012, respectively.

Future minimum non-cancelable lease payments for years subsequent to December 31, 2013 are as follows:

Year Ending December 31,		
2014	$	287,061
2015		315,833
2016		325,988
2017		336,143
2018		23,995
	$	1,289,020

NOTE J - COMMITMENTS AND CONTINGENCIES (Continued)

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. As of December 31, 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 over the vesting period. During the years ended December 31, 2013 and 2012, $447,303 and $379,526, respectively, was expensed in the consolidated statement of operations. There was no effect on income taxes in the consolidated financial statements related to the options. However, if the options are exercised, a tax benefit will be recorded if the gain is recorded as deductible in any jurisdiction 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 and a half years after the date of the grant. The number of shares authorized and issued for awards of equity share options is 4,734,000 and 4,477,224, respectively, at December 31, 2013. Outstanding shares of the Company may be purchased to be used to satisfy exercised options, or the Company, at its discretion, may satisfy such exercised options in cash.

The following is an analysis of stock issued and outstanding as of December 31, 2013:

	Options	Weighted Average Exercise Price
Options outstanding, beginning of year	$ 3,947,224	$ 0.362
Granted	530,000	0.353
Exercised	-	-
Expired or forfeited	-	-
Options outstanding, end of year	$ 4,477,224	$ 0.360

During 2013, 530,000 share options were granted to four key employees. For the valuation of the options granted, the following assumptions were applied; risk-free interest rate of 0.51%, share price volatility of 44.9%, dividend yield of 0% and an expected option term of three and a half years.

NOTE K - SHARE OPTION PLAN (Continued)

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.

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 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 2013 and 2012 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 three and a half years after the grant date. As of December 31, 2013, no options granted are exercisable and there were no forfeitures. The weighted average grant-date fair value of options granted during 2013 and 2012 was $0.353 and $0.362 per share, respectively.

As of December 31, 2013, total unrecognized compensation costs related to all unvested share-based awards totaled $571,857, which is expected to be recognized as additional expenses of $389,154 in 2014, $117,272 in 2015 and $78,181 in 2016. The weighted average period over which it is expected to be recognized is 1.28 years.

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 four percent of the employee's annual salary. Such contributions for the years ended December 31, 2013 and 2012 were $147,704 and $109,612, 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")
- AXON Energy Products

NOTE M - RELATED PARTY TRANSACTIONS (Continued)

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 $1,567,000 and $1,464,000 in 2013 and 2012, respectively. Additionally, AM also earned a performance bonus of $402,795 and $301,946 in 2013 and 2012, respectively.

The Company has agreements with BassInvest, 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 $1,300,773 and $1,117,403 in 2013 and 2012, respectively.

At December 31, 2013 and 2012, the Company was due $622,055 and $17,433, respectively, from related parties.

At December 31, 2013 and 2012, the Company had an outstanding loan to BDA of $0 and $3,098,600, respectively (see Note F).

In October 2013, the Company loaned AXON Energy Products, a Company with common ownership, $1,394,372 to assist AXON with completion of the mast equipment package (MEP) needed for construction of Beta. This loan earns interest at 0.5% and matures three days after Axon receives payment in full from DSIC for the guideline winch skid Axon constructed for the *BassDrill Beta*.

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 intention 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.

NOTE N - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

The objective of the undesignated interest rate swaps is to manage interest rate risk exposure on the Senior Secured Term Loan (see Note H). The interest rate swap agreements effectively modify the Company's exposure to interest rate risk by converting a portion of the variable-rate Senior Secured Term Loan to a fixed rate of approximately 5.09% through May 2017, thus reducing the impact of the interest-rate changes on future interest expense. The Company has not designated these interest rate swaps as hedges due to future, unquantifiable differences between the notional and recorded debt caused by uncertain, mandatory prepayments in the future; therefore, the Company does not apply hedge accounting to its interest rate derivative instruments. At December 31, 2013, the Company valued the interest rate swaps at approximately $134,000, which management deemed to be immaterial to the consolidated financial statements.

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.

SUPPLEMENTAL INFORMATION

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2013

							Beta Obligated Group				Total Beta		
	Atlantica Tender Drilling Ltd.	Atlantica Management	Atlantica International	BassDrill Delta	BassDrill Gamma	BassDrill Beta Holdings	BassDrill Beta Malta	BassDrill Beta B.V.	BassDrill Beta Brazil	Eliminations	Obligated Group	Eliminating Entries	Consolidated Balance
ASSETS													
CURRENT ASSETS													
Cash and cash equivalents	$ 14,524,959	$ 1,246,644	$ 3,869,065	$ 664,096	$ 590,984	$ 2,575	$ 9,738,669	$ 26,686,147	$ 604,197	$ -	$ 37,029,013	$ -	$ 57,927,336
Restricted cash	-	-	-	-	-	-	8,962,930	-	-	-	8,962,930	-	8,962,930
Accounts receivable	1,630	(1)	3,820	-	-	-	152,979	-	5,000	-	157,979	-	163,428
Accounts receivable - affiliates	-	54,762	567,293	-	-	-	-	-	-	-	-	-	622,055
Note receivable - affiliate	1,394,372	-	-	-	-	-	-	-	-	-	-	-	1,394,372
Intercompany accounts receivable	80,166,480	1,483,273	626,902	-	-	-	28,954,922	-	43,380	(28,944,696)	53,606	(82,330,261)	-
Prepaid expenses	47,714	84,982	-	-	2,501	1,649	774,753	-	1,691	-	776,444	-	913,290
TOTAL CURRENT ASSETS	96,135,155	2,869,660	5,067,080	664,096	593,485	4,224	48,584,253	26,686,147	654,268	(28,944,696)	46,979,972	(82,330,261)	69,983,411
PROPERTY AND EQUIPMENT													
Furniture, equipment and leasehold improvements	-	632,848	-	-	-	-	-	-	115,174	-	115,174	-	748,022
Construction in progress	-	-	-	34,196,975	23,094,514	-	278,093,121	-	-	(140,317)	277,952,804	(6,387,406)	328,856,887
	-	632,848	-	34,196,975	23,094,514	-	278,093,121	-	115,174	(140,317)	278,067,978	(6,387,406)	329,604,909
Less: accumulated depreciation and amortization	-	423,079	-	-	-	-	-	-	11,517	-	11,517	-	434,596
NET PROPERTY AND EQUIPMENT	-	209,769	-	34,196,975	23,094,514	-	278,093,121	-	103,657	(140,317)	278,056,461	(6,387,406)	329,170,313
LOAN TO UNCONSOLIDATED AFFILIATE	-	-	-	-	-	-	-	-	-	-	-	-	-
INTERCOMPANY LOAN RECEIVABLE	80,747,863	-	-	-	-	-	-	-	-	-	-	(80,747,863)	-
INVESTMENT IN UNCONSOLIDATED AFFILIATE	4,654,599	-	-	-	-	-	-	-	-	-	-	-	4,654,599
INVESTMENT IN SUBSIDIARIES	-	-	-	-	-	-	22,778	1,050,000	-	(1,072,778)	-	-	-
DEFERRED FINANCING COSTS	-	-	-	-	-	-	5,445,885	-	-	-	5,445,885	-	5,445,885
OTHER ASSETS	-	6,004	-	-	-	-	9,418	-	-	-	9,418	9,753	25,175
TOTAL ASSETS	$ 181,537,617	$ 3,085,433	$ 5,067,080	$ 34,861,071	$ 23,687,999	$ 4,224	$ 332,155,455	$ 27,736,147	$ 757,925	$ (30,157,791)	$ 330,491,736	$ (169,455,777)	$ 409,279,383

See independent auditor’s report.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATING BALANCE SHEET (Continued)
DECEMBER 31, 2013

							Beta Obligated Group				Total Beta		
	Atlantica Tender Drilling Ltd.	Atlantica Management	Atlantica International	BassDrill Delta	BassDrill Gamma	BassDrill Beta Holdings	BassDrill Beta Malta	BassDrill Beta B.V.	BassDrill Beta Brazil	Eliminations	Obligated Group	Eliminating Entries	Consolidated Balance
LIABILITIES AND STOCKHOLDERS' EQUITY													
CURRENT LIABILITIES													
Accounts payable	$ 1,274,369	$ (1,180,644)	$ 1,272,147	$ (41,595)	$ 176,390	$ 3,207	$ 7,370,144	$ (76)	$ 11,730	$ -	$ 7,381,798	$ -	$ 8,885,672
Intercompany accounts payable	-	3,414,150	3,087,836	35,069,032	23,782,059	79,364	16,872,496	27,908,865	1,201,471	(28,944,696)	17,038,136	(82,470,577)	-
Deferred revenue	-	-	-	-	-	-	4,582,796	-	-	-	4,582,796	-	4,582,796
Accrued liabilities	16,413	641,632	-	-	-	-	3,405,140	-	-	-	3,405,140	(328,549)	3,734,636
Current portion of long-term debt	-	-	-	-	-	-	12,408,000	-	-	-	12,408,000	-	12,408,000
TOTAL CURRENT LIABILITIES	1,290,782	2,875,138	4,359,983	35,027,437	23,958,449	82,571	44,638,576	27,908,789	1,213,201	(28,944,696)	44,815,870	(82,799,126)	29,611,104
LONG-TERM DEBT	-	-	-	-	-	-	187,592,000	-	-	-	187,592,000	-	187,592,000
INTERCOMPANY LONG-TERM DEBT	-	-	-	-	-	-	80,747,863	-	-	-	80,747,863	(80,747,863)	-
LONG-TERM DEFERRED REVENUE	-	-	-	-	-	-	20,877,183	-	-	-	20,877,183	-	20,877,183
TOTAL LIABILITIES	1,290,782	2,875,138	4,359,983	35,027,437	23,958,449	82,571	333,855,622	27,908,789	1,213,201	(28,944,696)	334,032,916	(163,546,989)	238,080,287
COMMITMENTS AND CONTINGENCIES													
STOCKHOLDERS' EQUITY													
Common stock	123,067,286	-	-	-	-	-	100	53,966	1,050,000	(1,072,778)	31,288	(31,288)	123,067,286
Additional paid-in capital	67,073,189	-	-	-	-	-	(100)	-	-	-	(100)	100	67,073,189
Subscription receivable	(1,500)	-	-	-	-	-	-	-	-	-	-	-	(1,500)
Accumulated deficit	(9,892,140)	210,295	707,097	(166,366)	(270,450)	(78,347)	(1,700,167)	(226,608)	(1,505,276)	(140,317)	(3,572,368)	(5,877,600)	(18,939,879)
TOTAL STOCKHOLDERS' EQUITY	180,246,835	210,295	707,097	(166,366)	(270,450)	(78,347)	(1,700,167)	(172,642)	(455,276)	(1,213,095)	(3,541,180)	(5,908,788)	171,199,096
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 181,537,617	$ 3,085,433	$ 5,067,080	$ 34,861,071	$ 23,687,999	$ 4,224	$ 332,155,455	$ 27,736,147	$ 757,925	$ (30,157,791)	$ 330,491,736	$ (169,455,777)	$ 409,279,383

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2013

	Atlantica Tender Drilling Ltd.	Atlantica Management	Atlantica International	BassDrill Delta	BassDrill Gamma	BassDrill Beta Holdings	Beta Obligated Group: BassDrill Beta Malta	Beta Obligated Group: BassDrill Beta B.V.	Beta Obligated Group: BassDrill Beta Brazil	Beta Obligated Group: Eliminations	Total Beta Obligated Group	Eliminating Entries	Consolidated Balance
REVENUES													
Management fees	$ -	$ 6,934,795	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (4,965,000)	$ 1,969,795
Consulting fees	-	90,567	11,507,934	-	-	-	-	-	-	-	-	-	11,598,501
TOTAL REVENUES	-	7,025,362	11,507,934	-	-	-	-	-	-	-	-	(4,965,000)	13,568,296
OPERATING EXPENSES													
Operating expenses	2,126,123	6,829,879	9,808,647	159,190	217,747	53,211	997,938	87,011	1,467,750	(140,317)	2,412,382	(2,300,824)	19,306,355
Depreciation and amortization	-	132,032	-	-	-	-	-	-	11,517	-	11,517	-	143,549
Bad debt expense	-	-	260,640	-	-	-	-	-	-	-	-	-	260,640
TOTAL OPERATING EXPENSES	2,126,123	6,961,911	10,069,287	159,190	217,747	53,211	997,938	87,011	1,479,267	(140,317)	2,423,899	(2,300,824)	19,710,544
LOSS FROM OPERATIONS	(2,126,123)	63,451	1,438,647	(159,190)	(217,747)	(53,211)	(997,938)	(87,011)	(1,479,267)	(140,317)	(2,423,899)	(2,664,176)	(6,142,248)
OTHER INCOME (EXPENSE)													
Interest income	342,201	-	89	-	-	-	-	-	-	-	-	-	342,290
Foreign currency exchange gain (loss)	(2,196)	(322)	(11,456)	(7,176)	(1,484)	(398)	(20,066)	199	(26,009)	-	(45,876)	-	(68,908)
TOTAL OTHER INCOME (EXPENSE)	340,005	(322)	(11,367)	(7,176)	(1,484)	(398)	(20,066)	199	(26,009)	-	(45,876)	-	273,382
LOSS BEFORE EQUITY IN INCOME (LOSSES) OF AFFILIATE AND FOREIGN INCOME TAX EXPENSE	(1,786,118)	63,129	1,427,280	(166,366)	(219,231)	(53,609)	(1,018,004)	(86,812)	(1,505,276)	(140,317)	(2,469,775)	(2,664,176)	(5,868,866)
EQUITY IN INCOME (LOSSES) OF AFFILIATE	(171,015)	-	-	-	-	-	-	-	-	-	-	-	(171,015)
FOREIGN INCOME TAX EXPENSE	-	(4,347)	(270,909)	-	-	-	2,721	-	-	-	2,721	-	(272,535)
NET LOSS	$ (1,957,133)	$ 58,782	$ 1,156,371	$ (166,366)	$ (219,231)	$ (53,609)	$ (1,015,283)	$ (86,812)	$ (1,505,276)	$ (140,317)	$ (2,467,054)	$ (2,664,176)	$ (6,312,416)

See independent auditor’s report.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2012

	Atlantica Tender Drilling Ltd.	Atlantica Management	Atlantica International	BassDrill Delta	BassDrill Gamma	BassDrill Beta Holdings	Beta Obligated Group				Total Beta Obligated Group	Eliminating Entries	Consolidated Balance
							BassDrill Beta Malta	BassDrill Beta B.V.	BassDrill Beta Brazil	Eliminations			
ASSETS													
CURRENT ASSETS													
Cash and cash equivalents	$ 12,320,137	$ 107,188	$ 629,450	$ 2,500	$ 103,973	$ 2,575	$ 121,965	$ 5,784	$ -	$ -	$ 127,749	$ -	$ 13,293,572
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	19	968,643	-	-	-	-	-	-	-	-	-	968,662
Accounts receivable - affiliates	-	17,433	-	-	-	-	-	-	-	-	-	-	17,433
Note receivable - affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany accounts receivable	78,476,236	596,979	68,384	-	(23,726)	-	-	-	-	-	-	(79,117,873)	-
Prepaid expenses	28,508	40,871	411,758	-	-	-	10,716	-	-	-	10,716	-	491,853
TOTAL CURRENT ASSETS	90,824,881	762,490	2,078,235	2,500	80,247	2,575	132,681	5,784	-	-	138,465	(79,117,873)	14,771,520
PROPERTY AND EQUIPMENT													
Furniture, equipment and leasehold improvements	-	538,709	-	-	-	-	-	-	-	-	-	-	538,709
Construction in progress	-	-	23,726	-	19,568,756	-	54,519,768	-	-	-	54,519,768	(3,558,726)	70,553,524
	-	538,709	23,726	-	19,568,756	-	54,519,768	-	-	-	54,519,768	(3,558,726)	71,092,233
Less: accumulated depreciation and amortization	-	(291,046)	-	-	-	-	-	-	-	-	-	-	(291,046)
NET PROPERTY AND EQUIPMENT	-	247,663	23,726	-	19,568,756	-	54,519,768	-	-	-	54,519,768	(3,558,726)	70,801,187
LOAN TO UNCONSOLIDATED AFFILIATE	3,098,600	-	-	-	-	-	-	-	-	-	-	-	3,098,600
INVESTMENT IN UNCONSOLIDATED AFFILIATE	10,131,044	-	-	-	-	-	22,778	-	-	-	22,778	(22,778)	10,131,044
DEFERRED FINANCING COSTS	-	-	-	-	-	-	1,785,948	-	-	-	1,785,948	-	1,785,948
OTHER ASSETS	-	6,004	17,078	-	-	-	2,659	-	-	-	2,659	9,753	35,494
TOTAL ASSETS	$ 104,054,525	$ 1,016,157	$ 2,119,039	$ 2,500	$ 19,649,003	$ 2,575	$ 56,463,834	$ 5,784	$ -	$ -	$ 56,469,618	$ (82,689,624)	$ 100,623,793

See independent auditor’s report.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATING BALANCE SHEET (Continued)
DECEMBER 31, 2012

							Beta Obligated Group				Total Beta		
	Atlantica Tender Drilling Ltd.	Atlantica Management	Atlantica International	BassDrill Delta	BassDrill Gamma	BassDrill Beta Holdings	BassDrill Beta Malta	BassDrill Beta B.V.	BassDrill Beta Brazil	Eliminations	Obligated Group	Eliminating Entries	Consolidated Balance
LIABILITIES AND STOCKHOLDERS' EQUITY													
CURRENT LIABILITIES													
Accounts payable	$ 72,137	$ 79,104	$ 468,074	$ -	$ 9,013	$ -	$ 293,470	$ 1,314	$ -	$ -	$ 294,784	$ -	$ 923,112
Intercompany accounts payable	495,830	-	2,062,068	2,500	19,685,546	27,313	56,772,381	90,300	-	-	56,862,681	(79,135,938)	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued liabilities	55,926	785,540	38,171	-	-	-	82,867	-	-	-	82,867	-	962,504
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	623,893	864,644	2,568,313	2,500	19,694,559	27,313	57,148,718	91,614	-	-	57,240,332	(79,135,938)	1,885,616
LONG-TERM DEBT	-	-	-	-	-	-	-	-	-	-	-	-	-
LONG-TERM DEFERRED REVENUE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	623,893	864,644	2,568,313	2,500	19,694,559	27,313	57,148,718	91,614	-	-	57,240,332	(79,135,938)	1,885,616
COMMITMENTS AND CONTINGENCIES													
STOCKHOLDERS' EQUITY													
Common stock	73,067,286	-	-	-	-	-	100	53,966	-	-	54,066	(54,066)	73,067,286
Additional paid-in capital	38,299,853	-	-	-	-	-	(100)	-	-	-	(100)	101	38,299,854
Subscription receivable	(1,500)	-	-	-	-	-	-	-	-	-	-	-	(1,500)
Accumulated deficit	(7,935,007)	151,513	(449,274)	-	(45,556)	(24,738)	(684,884)	(139,796)	-	-	(824,680)	(3,499,721)	(12,627,463)
TOTAL STOCKHOLDERS' EQUITY	103,430,632	151,513	(449,274)	-	(45,556)	(24,738)	(684,884)	(85,830)	-	-	(770,714)	(3,553,686)	98,738,177
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 104,054,525	$ 1,016,157	$ 2,119,039	$ 2,500	$ 19,649,003	$ 2,575	$ 56,463,834	$ 5,784	$ -	$ -	$ 56,469,618	$ (82,689,624)	$ 100,623,793

See independent auditor's report.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2012

	Atlantica Tender Drilling Ltd.	Atlantica Management	Atlantica International	BassDrill Delta	BassDrill Gamma	BassDrill Beta Holdings	Beta Obligated Group: BassDrill Beta Malta	Beta Obligated Group: BassDrill Beta B.V.	Beta Obligated Group: BassDrill Beta Brazil	Beta Obligated Group: Eliminations	Total Beta Obligated Group	Eliminating Entries	Consolidated Balance
REVENUES													
Management fees	$ -	$ 4,015,946	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,250,000)	$ 1,765,946
Consulting fees	-	10,970	3,543,700	-	-	-	-	-	-	-	-	-	3,554,670
TOTAL REVENUES	-	4,026,916	3,543,700	-	-	-	-	-	-	-	-	(2,250,000)	5,320,616
OPERATING EXPENSES													
Operating expenses	2,662,617	3,843,072	2,954,658	-	45,515	24,393	168,759	42,511	-	-	211,270	5,663	9,747,188
Depreciation and amortization	-	119,138	-	-	-	-	-	-	-	-	-	-	119,138
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	2,662,617	3,962,210	2,954,658	-	45,515	24,393	168,759	42,511	-	-	211,270	5,663	9,866,326
LOSS FROM OPERATIONS	(2,662,617)	64,706	589,042	-	(45,515)	(24,393)	(168,759)	(42,511)	-	-	(211,270)	(2,255,663)	(4,545,710)
OTHER INCOME (EXPENSE)													
Interest income	572,147	-	11	-	-	-	-	-	-	-	-	-	572,158
Foreign currency exchange gain (loss)	(134)	(186)	(546)	-	(41)	(345)	7,974	(169)	-	-	7,805	-	6,553
TOTAL OTHER INCOME (EXPENSE)	572,013	(186)	(535)	-	(41)	(345)	7,974	(169)	-	-	7,805	-	578,711
LOSS BEFORE EQUITY IN INCOME (LOSSES) OF AFFILIATE AND FOREIGN INCOME TAX EXPENSE	(2,090,604)	64,520	588,507	-	(45,556)	(24,738)	(160,785)	(42,680)	-	-	(203,465)	(2,255,663)	(3,966,999)
EQUITY IN INCOME (LOSSES) OF AFFILIATE	126,549	-	-	-	-	-	-	-	-	-	-	-	126,549
FOREIGN INCOME TAX EXPENSE	-	-	(189,425)	-	-	-	-	-	-	-	-	-	(189,425)
NET LOSS	$ (1,964,055)	$ 64,520	$ 399,082	$ -	$ (45,556)	$ (24,738)	$ (160,785)	$ (42,680)	$ -	$ -	$ (203,465)	$ (2,255,663)	$ (4,029,875)

See independent auditor's report.