

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES

PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

QUARTER ENDED DECEMBER 31, 2014

The following financial statements are the preliminary and unaudited financial position and results of Atlantica Tender Drilling Ltd. and its subsidiaries (the “Company”) for the quarter ended December 31, 2014. The Company expects to publish its final audited financial statements for the year ended December 31, 2014, including notes to the financial statements, on April 29, 2015, pending final approval by the Company’s Board of Directors.

CONTENTS

	<u>Page</u>
Balance Sheets (Unaudited)	2
Statements of Operations (Unaudited)	3
Statements of Stockholders' Equity (Unaudited)	4
Statements of Cash Flows (Unaudited)	5

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

	December 31,	
	2014	2013
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 40,093,073	\$ 57,927,336
Restricted cash	2,035,207	8,962,930
Accounts receivable	7,013,346	163,428
Accounts receivable - related parties	1,112,591	622,055
Note receivable - related parties	2,144,372	1,394,372
Prepaid expenses	2,773,050	913,290
TOTAL CURRENT ASSETS	55,171,639	69,983,411
PROPERTY AND EQUIPMENT		
Drilling unit	298,617,749	-
Furniture, equipment and leasehold improvements	1,046,756	748,022
Construction in progress	73,260,282	328,856,887
	<u>372,924,787</u>	<u>329,604,909</u>
Less: accumulated depreciation and amortization	10,970,120	434,596
NET PROPERTY AND EQUIPMENT	361,954,667	329,170,313
INVESTMENT IN UNCONSOLIDATED AFFILIATE	5,615,249	4,654,599
DEBT ISSUANCE COSTS	15,448,893	5,445,885
OTHER ASSETS	194,856	25,175
TOTAL ASSETS	\$ 438,385,304	\$ 409,279,383
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 7,425,729	\$ 8,873,440
Accounts payable - related party	-	12,232
Other accrued liabilities	6,341,453	3,734,636
Current portion of long-term debt	5,888,888	12,408,000
Deferred revenue - current	12,209,048	4,582,796
TOTAL CURRENT LIABILITIES	31,865,118	29,611,104
LONG TERM LIABILITIES		
Deferred revenue - non-current	28,365,130	20,877,183
Long-term debt	197,111,112	187,592,000
TOTAL LONG-TERM LIABILITIES	225,476,242	208,469,183
TOTAL LIABILITIES	257,341,360	238,080,287
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, \$1 par value, 185,778,368 authorized at December 31, 2014 and 2013 and 127,989,977 and 123,067,286 shares issued and outstanding at December 31, 2014 and 2013, respectively	127,989,977	123,067,286
Additional paid-in capital	71,918,468	67,073,189
Subscription receivable	(1,500)	(1,500)
Accumulated deficit	(18,863,001)	(18,939,879)
TOTAL STOCKHOLDERS' EQUITY	181,043,944	171,199,096
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 438,385,304	\$ 409,279,383

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

	Three Months Ended December 31,		Years Ended December 31,	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
REVENUES				
Contract drilling revenue	\$ 19,827,532	\$ 1,940,111	\$ 57,935,241	\$ 11,494,216
Management fees	590,717	(929,627)	2,271,244	1,969,795
Reimbursables	(1,963,759)	-	545,252	13,156
Amortization of deferred revenue	2,837,109	-	9,349,870	-
Other income/consulting fees	529	(1)	2,697	91,129
TOTAL REVENUES	21,292,128	1,010,483	70,104,304	13,568,296
OPERATING EXPENSES				
Operating expenses	8,782,453	3,491,046	47,845,233	19,306,355
Depreciation and amortization expense	3,629,155	46,469	10,535,524	143,549
Bad debt expense	-	260,640	-	260,640
TOTAL OPERATING EXPENSES	12,411,608	3,798,155	58,380,757	19,710,544
INCOME (LOSS) FROM OPERATIONS	8,880,520	(2,787,672)	11,723,547	(6,142,248)
OTHER INCOME (EXPENSE)				
Interest income	199,386	71	200,732	342,290
Interest expense	(2,935,646)	1,903,978	(8,316,388)	-
Loss on early extinguishment of debt	(2,796,828)	-	(2,796,828)	-
Foreign currency exchange gain (loss)	44,525	(10,480)	21,697	(68,908)
TOTAL OTHER INCOME (EXPENSE)	(5,488,563)	1,893,569	(10,890,787)	273,382
INCOME (LOSS) BEFORE EQUITY IN EARNINGS (LOSSES) OF AFFILIATE AND FOREIGN INCOME TAX EXPENSE	3,391,957	(894,103)	832,760	(5,868,866)
EQUITY IN EARNINGS (LOSSES) OF AFFILIATE	330,039	(445,234)	960,650	(171,015)
FOREIGN INCOME TAX (EXPENSE) BENEFIT	(4,748)	73,840	(1,716,532)	(272,535)
NET INCOME (LOSS)	\$ 3,717,248	\$ (1,265,497)	\$ 76,878	\$ (6,312,416)
INCOME (LOSS) PER SHARE:				
Basic and diluted	\$ 0.03	\$ (0.01)	\$ 0.00	\$ (0.06)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic and diluted	124,940,049	123,067,286	123,539,325	106,337,594

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

	Common Stock		Additional Paid-in Capital	Subscription Receivable	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount				
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
Common stock issued	4,922,691	4,922,691	4,922,691	-	-	9,845,382
Stock issuance costs	-	-	(315,969)	-	-	(315,969)
Stock compensation expense	-	-	238,557	-	-	238,557
Net income	-	-	-	-	76,878	76,878
Balance at December 31, 2014	<u>127,989,977</u>	<u>\$ 127,989,977</u>	<u>\$ 71,918,468</u>	<u>\$ (1,500)</u>	<u>\$ (18,863,001)</u>	<u>\$ 181,043,944</u>

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

	Three Months Ended December 31,		Years Ended December 31,	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	\$ 3,717,248	\$ (1,265,498)	\$ 76,878	\$ (6,312,417)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Equity in (earnings) losses of affiliate	(330,039)	445,234	(960,650)	171,015
Depreciation and amortization expense	3,629,155	46,469	10,535,524	143,549
Stock compensation expense	9,565	63,457	238,557	447,303
Amortization of debt issue costs	554,276	-	1,054,272	-
Loss on early extinguishment of debt	2,796,828	-	2,796,828	-
Bad debt expense	-	260,640	-	260,640
Changes in operating assets and liabilities:				
Accounts receivable	6,905,144	2,287,253	(6,849,918)	544,594
Accounts receivable - affiliates	(386,447)	(604,622)	(490,536)	(604,622)
Prepaid expenses and other assets	(1,884,991)	(785,060)	(2,029,441)	(421,437)
Other assets	-	10,319	-	10,319
Accounts payable	5,650,942	194,689	(1,447,711)	7,962,560
Accounts payable - related parties	488,295	-	(12,232)	-
Other accrued liabilities	1,946,703	(1,591,132)	2,606,817	897,815
Deferred revenue	(1,330,137)	25,459,979	15,114,199	25,459,979
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,766,542	24,521,728	20,632,587	28,559,298
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash paid for furniture, equipment and leasehold improvements	(25,822)	(318,272)	(298,734)	(209,313)
Cash paid for construction in progress	(8,391,120)	(196,512,794)	(42,254,601)	(252,721,498)
Cash received for investment in affiliate	-	-	-	5,305,430
Repayment of loan to unconsolidated affiliate	-	-	-	3,098,600
Change in restricted cash	72,910,863	64,537,070	6,927,723	(8,962,930)
Note receivable - affiliate	(750,000)	(1,404,690)	(750,000)	(1,394,372)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	63,743,921	(133,698,686)	(36,375,612)	(254,884,083)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash received from issuance of common stock	9,529,413	-	9,529,413	78,326,032
Cash received for treasury stock, net	-	-	-	-
Cash received from issuance of bonds and loan borrowing	53,000,000	125,000,000	128,000,000	200,000,000
Cash paid for early retirement of debt	(116,728,000)	2,343,508	(125,000,000)	-
Cash paid for commitment and other debt related fees	(6,265,884)	(7,367,483)	(14,620,651)	(7,367,483)
NET CASH PROVIDED BY (USED) IN FINANCING ACTIVITIES	(60,464,471)	119,976,025	(2,091,238)	270,958,549
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,045,992	10,799,067	(17,834,263)	44,633,764
CASH AND CASH EQUIVALENTS, beginning of period	15,047,081	47,128,269	57,927,336	13,293,572
CASH AND CASH EQUIVALENTS, end of year	\$ 40,093,073	\$ 57,927,336	\$ 40,093,073	\$ 57,927,336
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Capitalized interest	\$ 740,562	\$ 1,246,555	\$ 8,083,575	\$ 5,581,865
Cash paid for interest	\$ 6,346,296	\$ 2,842,266	\$ 13,736,884	\$ 3,188,641
Cash paid for income taxes	\$ 4,748	\$ 272,535	\$ 1,716,532	\$ 272,535