ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2014 AND 2013

From the Board of Directors:

Operations

BassDrill, Ltd. was incorporated 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 objective 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, operation 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. Currently, the Company's primary assets are the Units *BassDrill Beta*, *Atlantica Gamma,* and *Atlantica Delta,* and the Company's 25.26% investment interest in BDA which owns the Unit *BassDrill Alpha*.

BassDrill Beta Unit. In September 2010, the Company entered into an agreement with Petróleo Brasileiro S.A. ("Petrobras") for the provision of a state-of-the-art 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 which via an amendment to the Contract with Petrobras, required significant upgrades to the Unit at a cost of approximately $47 million and several months of additional construction time, moving the anticipated delivery of the Unit from the Shipyard to late August 2013. As part of the amendment, 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 operational, safety and environmental features and will be the first of its kind working alongside a Tension Leg Platform ("TLP") offshore Brazil. The vessel and the marine equipment were fabricated in China; whereas the modular drilling package and components were designed and fabricated and assembled in Louisiana, USA. Post-delivery the *BassDrill Beta* was dry-towed to Brazil, and after undertaking some remedial work to its mast at the quay side in Rio de Janeiro, the rig commenced operations under the Petrobras contract on March 19, 2014. The Beta was towed offshore to the location but was unable to commence its mooring alongside the TLP owing to technical issues related to the TLP. The Beta was finally permitted to move into its designated position alongside the TLP in late August and was permitted to commence the lifting and assembly of the mast equipment package ("MEP") in the latter half of September. The actual lifting and assembly process spanned three months and was impacted due to the prevailing metocean condition in the South Atlantic at that time of the year.

Since commencing well operations on December 8, 2014, the Beta has performed well operationally, albeit with the usual teething problems associated with all start-ups. Given the amount of time which has surpassed waiting on the TLP to be in condition to receive the Beta, we anticipate that the drilling program will require a duration in excess of the remaining 1,200 contracted days. The Company believes a negotiated contract extension will almost certainly be required in order to drill all wells required for this development.

Atlantica Gamma Unit. In October 2012 the Company's wholly-owned subsidiary, Atlantica Gamma Ltd., entered into a Contract with DSIC for the construction of a flat bottom heavy tender assist unit, the *Atlantica Gamma*, for delivery in Q2 2014. The *Atlantica Gamma* will be a state-of-the-art tender barge with approximately 30% more drilling capacity than the *BassDrill Alpha*. It has been designed for deep and extended reach well operations and includes a number of safety and efficiency enhancements attractive to most operators. The Company is actively marketing the *Atlantica Gamma* for alternative employment on a number of contract prospects.

In the fourth quarter of 2014, due to the delay in the delivery of the mast equipment package from the United States, the Company negotiated with DSIC a deferred delivery of the *Atlantica Gamma,* which will permit the

Company to take delivery of the completed unit anytime – entirely at the Company's discretion – between July 2015 and the end of March 2016. This agreement provides the Company both flexibility and additional time to secure a suitable charter contract for the *Atlantica Gamma*.

Atlantica Delta Unit. In April 2013 the Company's wholly-owned subsidiary, Atlantica Delta Ltd., entered into a contract with Total E&P Congo ("Total") for the provision of a new build semi-submersible tender assist rig for a 17 well contract offshore of the Republic of Congo commencing in the early second half of 2015. This development project will be undertaken in a deep water environment with the MEP being positioned on a newly constructed TLP. This project is similar in nature to the *BassDrill Beta* project with Petrobras and has a primary duration of approximately 44 months and extension options for an additional 25 months. For this purpose, the Company entered into a turnkey contract with DSIC in China for the construction of the rig *Atlantica Delta*. The *Atlantica Delta* is a sister vessel to the *BassDrill Beta*, however, with increased power generation, more accommodation capacity, as well as other safety and operational enhancements. The operator, Total, has elected to upgrade the mooring system as well as initiate other enhancements which they have deemed necessary to their drilling program. It should be noted that the MEP for Delta is particular to Total's requirements due to the design of the TLP. The *Atlantica Delta's* fabrication is currently on schedule in China and is set for delivery in Q3 of 2015, after which time the Delta will be mobilized to the Congo for commencement of operations.

BassDrill Alpha Unit. *BassDrill Alpha* is a medium depth tender barge delivered in early 2010 with contemporary features and attributes. The *BassDrill Alpha* was built by Lamprell in the United Arab Emirates on a proprietary design developed and owned by Bassoe Technology AB, Sweden. The *BassDrill Alpha* offers a unique configuration with its main crane on the bow of the vessel as opposed to the mid-ship design of the competitors' fleets. The bow-mounted crane offers a more 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 has been operating for Total since October 2011. In February 2015, due to the significant decline in oil prices, the Company and Total agreed to a discounted rate for the *BassDrill Alpha* and to continue the 2011 agreement on a well by well basis. If the Alpha is released by Total and no follow on contract is currently in place, the unit will be warm stacked in the Congo. The unit is presently being marketed in the area and to operators worldwide.

Financing

In September and October of 2014, the Company completed a refinancing that included (i) the amendment of the Senior Secured Bonds to, among other things, lower the interest rate from 8.5% to 8.0%, extend the maturity until September 2019, and change the collateralized assets; (ii) the issuance of an additional $75.0 million in Senior Secured Bonds for the refinancing of the *BassDrill Beta* rig; (iii) the issuance of the $350.0 million Senior Secured Loan to provide a $53.0 million refinancing of the *BassDrill Beta* rig, provide future financing of $120.0 million for the for the *Atlantica Gamma* rig, and provide future financing of $177.0 million for the *Atlantica Delta* rig; and (iv) the retirement of the $125.0 million Senior Secured Term Loan. This refinancing secures the financing of our current rigs under construction and scheduled for delivery from late 2015 through early 2016.

In November 2014, the Company issued 4.9 million new shares through a rights issue at an issue price of $2.0 per share, for net proceeds of approximately $9.5 million. The purpose of the issue was for funding working capital and general corporate purposes. Post issuance of the new shares, the largest shareholder in the Company remains HitecVision Asset Solutions LP, through its fund HVAS Invest Zeta AS, with ownership of 60.0% of the Company's outstanding shares.

The Company's Board of Directors is comprised of:

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

The Company's total number of shares outstanding at December 31, 2014 is 127,989,977 (par value $1.00 per share).

Please refer to the attached Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements for the years ended December 31, 2014 and 2013.

Market Outlook

There has been a decrease in tender assist rig contract opportunities over the past twelve months attributable to the reduction in both capital and operating expenditures by operators. That said, the utilization for units less than 10 years old is presently 90%. Indications point towards new unit utilization remaining high as a result of tender assist units being used only for development drilling and are not exposed to the more volatile exploration drilling. Growth is expected on the semi-submersible tender portion of the market as deep water developments continue to emerge. Fleet replacement in the barge portion of the market remains a requirement as operators look for the most modern, safe and efficient units possible. There is in excess of 10 barges with an age of 30 years or more which will most certainly be retired in the present downturn. Unlike other rig sectors, the tender market is not overbuilt or over supplied with new builds on speculation.

The overriding depressed market sentiment is expected to prevail throughout 2015 following a well-publicized reduction in E & P capital spending for both majors and independents. Despite Atlantica being a pure development driller, the appetite for drilling this year is substantially reduced. Depending on the prevailing price of oil in the late 3rd and early 4th quarters of this year, when budgets are developed for 2016, we may see an increase in tendering for both new and brownfield developments requiring tender assists albeit with the expectation of lower charter rates.

Following the mobilization of *BassDrill Beta* to Brazil, we envision a geographical expansion of the semi-submersible 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-submersible tenders for use with both bottom supported (fixed) platforms as well as deep water development using spars and TLP. The *BassDrill Beta* is designed to work in more challenging ocean conditions compared to the existing semi-submersible tenders in use today. This will also promote the broader use of a new generation of semi-submersible tenders.

Hamilton, Bermuda April 29, 2015

The Board of Directors of Atlantica Tender Drilling Ltd.

H Haakonsen
Chairman of the Board

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

C O N T E N T S

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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 sheet as of December 31, 2014, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 financial position of Atlantica Tender Drilling Ltd. & Subsidiaries as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2013 consolidated financial statements of Atlantica Tender Drilling Ltd. & Subsidiaries were audited by other auditors (UHY LLP), whose report dated April 29, 2014 expressed an unmodified opinion on those statements. The Texas-based practice of UHY LLP was acquired by BDO USA, LLP effective December 1, 2014.

BDO USA, LLP

April 29, 2015

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 40,093,073	$ 57,927,336
Restricted cash	2,035,207	8,962,930
Accounts receivable - trade	421,994	163,428
Accounts receivable - accrued	6,591,352	-
Accounts receivable - related parties	1,112,591	622,055
Note receivable - related parties	2,144,372	1,394,372
Prepaid expenses	1,683,833	913,290
TOTAL CURRENT ASSETS	54,082,422	69,983,411
PROPERTY AND EQUIPMENT		
Drilling rig and equipment	298,486,570	-
Furniture, equipment and leasehold imporvements	1,046,756	748,022
Construction in progress	73,260,282	328,856,887
	372,793,608	329,604,909
Less: accumulated depreciation and amortization	10,970,120	434,596
NET PROPERTY AND EQUIPMENT	361,823,488	329,170,313
EQUITY INVESTMENT IN AFFILIATE	5,615,249	4,654,599
DEBT ISSUANCE COSTS, net	15,302,718	5,445,885
OTHER ASSETS	194,855	25,175
TOTAL ASSETS	$ 437,018,732	$ 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	6,874,506	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	32,398,171	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	257,874,413	238,080,287
COMMITMENTS AND CONTINGENCIES (Note J)		
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	(20,762,626)	(18,939,879)
TOTAL STOCKHOLDERS' EQUITY	179,144,319	171,199,096
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 437,018,732	$ 409,279,383

See Notes to Consolidated Financial Statements.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31, 2014	Years Ended December 31, 2013
REVENUES		
Contract drilling	$ 57,935,241	$ 11,494,216
Mobilization	9,349,870	-
Management fees	2,271,244	1,969,795
Reimbursables	545,252	13,156
Other income/consulting fees	2,697	91,129
TOTAL REVENUES	70,104,304	13,568,296
OPERATING EXPENSES		
Operating expenses	49,598,683	19,306,355
Depreciation and amortization expense	10,535,524	143,549
Bad debt expense	-	260,640
TOTAL OPERATING EXPENSES	60,134,207	19,710,544
INCOME (LOSS) FROM OPERATIONS	9,970,097	(6,142,248)
OTHER INCOME (EXPENSE)		
Interest income	200,732	342,290
Interest expense	(8,462,563)	-
Loss on early extinguishment of debt	(2,796,828)	-
Foreign currency exchange gain (loss)	21,697	(68,908)
TOTAL OTHER INCOME (EXPENSE)	(11,036,962)	273,382
LOSS BEFORE EQUITY IN EARNINGS (LOSSES) OF AFFILIATE AND FOREIGN INCOME TAX EXPENSE	(1,066,865)	(5,868,866)
EQUITY IN EARNINGS (LOSSES) OF AFFILIATE	960,650	(171,015)
FOREIGN INCOME TAX EXPENSE	(1,716,532)	(272,535)
NET LOSS	$ (1,822,747)	$ (6,312,416)
LOSS PER SHARE:		
Basic and diluted	$ (0.01)	$ (0.06)
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic and diluted	$ 123,202,154	$ 106,337,594

See Notes to Consolidated Financial Statements.

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in	Subscription	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Receivable	Deficit	Equity (Deficit)
Balance at January 1, 2013	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 loss	-	-	-	-	(1,822,747)	(1,822,747)
Balance at December 31, 2014	127,989,977	$ 127,989,977	$ 71,918,468	$ (1,500)	$ (20,762,626)	$ 179,144,319

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

	Years Ended December 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,822,747)	$ (6,312,416)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Equity in (earnings) losses of affiliate	(960,650)	171,015
Depreciation and amortization expense	10,535,524	143,549
Stock compensation expense	238,557	447,303
Amortization of debt issue costs	1,208,797	-
Loss on early extinguishment of debt	2,796,828	-
Bad debt expense	-	260,640
Changes in operating assets and liabilities:		
Accounts receivable	(6,849,918)	544,594
Accounts receivable - related parties	(490,536)	(604,622)
Prepaid expenses and other assets	(940,223)	(411,118)
Accounts payable	(1,447,711)	7,962,560
Accounts payable - related parties	(12,232)	-
Other accrued liabilities	3,139,870	897,814
Deferred revenue	15,114,199	25,459,979
NET CASH PROVIDED BY OPERATING ACTIVITIES	20,509,758	28,559,298
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for furniture, equipment and leasehold improvements	(298,734)	(209,313)
Cash paid for construction in progress	(49,037,772)	(252,721,498)
Cash received for Beta warranty claim	6,906,000	-
Distribution from affiliate	-	5,305,430
Repayment of loan to unconsolidated affiliate	-	3,098,600
Change in restricted cash	6,927,723	(8,962,930)
Note receivable - affiliate	(750,000)	(1,394,372)
NET CASH USED IN INVESTING ACTIVITIES	(36,252,783)	(254,884,083)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issuance of common stock, net of issuance costs	9,529,413	78,326,032
Cash received from issuance of bonds and loans	128,000,000	200,000,000
Cash paid for early retirement of debt	(125,000,000)	-
Cash paid for commitment and other debt related fees	(14,620,651)	(7,367,483)
NET CASH PROVIDED BY (USED) IN FINANCING ACTIVITIES	(2,091,238)	270,958,549
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,834,263)	44,633,764
CASH AND CASH EQUIVALENTS, beginning of year	57,927,336	13,293,572
CASH AND CASH EQUIVALENTS, end of year	$ 40,093,073	$ 57,927,336
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 13,736,884	$ 3,188,641
Cash paid for income taxes	$ 1,716,532	$ 272,535

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 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 Ltd. ("BDB"), 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
- Atlantica (Malta) Holding Ltd., (AMH), a Malta-based entity
- Atlantica Gamma Ltd. (AG), a Malta-based entity
- Atlantica Delta Ltd. (AD), a Malta-based entity

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 into service on a drilling contract with Petróleo Brasileiro S.A. ("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: *Atlantica Gamma*, a flat bottom barge that will be owned by AG and *Atlantica Delta*, a semi-submersible drilling rig, that will be owned by AD.

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 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, accounts payable, accrued liabilities and long-term debt. The carrying amounts of these accounts, except for the Senior Secured Bonds, 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. The fair value of the Senior Secured Bonds at December 31, 2014, was approximately $138.8 million based on quoted market prices.

Revenue: Contract drilling revenue is recognized as services are performed based on contracted day-rates and the number of operating days during the period. On March 19, 2014, *BassDrill Beta* went under contract with Petrobras at a waiting rate given that the Petrobras Tension Leg Platform ("TLP") was not yet ready to commence drilling operations. In December 2014, the TLP was completed and the *BassDrill Beta* began billing at the operating rate.

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. The costs of such capital improvements are capitalized and depreciated over the useful lives of the assets.

At December 31, 2014 and 2013, the Company received $24,464,069 and $25,459,979, respectively, in deferred revenue related to mobilization fees and recognized $9,349,870 and $- of mobilization revenue for the years ended December 31, 2014 and 2013, respectively.

AM and AI provide management and consulting services for the offshore tender assist market and related oilfield services to BDA. 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 the Company's 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 F). Under the equity method of accounting, the Company's proportionate share of BDA's income or loss is reported in the consolidated statement of operations.

The Company analyzes 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, 2014 or 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.

Restricted Cash: The $350.0 Million Senior Secured Term Loan (see Note G) requires the Company to maintain a debt service account, into which one-third of the next quarterly interest and installment payment is to be paid each month.

The Senior Secured Bonds, whose terms were amended and restated in September 2014 (see Note G), requires the Company to maintain a debt service account into which one-third of the next quarterly interest payment is to be paid each month.

The $125.0 Million Senior Secured Term Loan, which was settled in October 2014 (see Note G), required the Company to maintain a debt service reserve account equal to three months of interest and one installment payment.

Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable - trade 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. During the years ended December 31, 2014 and 2013, the Company recorded bad debt expense of $0 and $260,640, respectively. No allowance for doubtful accounts was recorded by the Company at December 31, 2014 and 2013.

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 year ended December 31, 2014, 97% of the Company's revenues were generated from Petrobras. For the year ended December 31, 2013, 85% and 15% of revenues were generated from Daewoo and BDA, 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 statement of operations.

Property and Equipment: Property and equipment is carried at cost less accumulated depreciation. The Company capitalizes expenditures for renewals, replacements and improvements, and expenses costs of maintenance and repairs as incurred. Depreciation on equipment is calculated on the straight-line method over the estimated useful lives of the assets. The method of depreciation does not change when equipment becomes idle. Depreciation and amortization expense was $10,535,524, and $143,549, for the years ended December 31, 2014 and, 2013, respectively. The estimated useful lives, in years, are defined below:

Barge and related marine equipment	30 years
Mast equipment package, spare parts, and related equipment	4 - 15 years
Office furniture, fixtures, vehicles and equipment	3 - 5 years
Computer hardware and software	3 years

Construction in Progress: The carrying value of the rigs under construction (*Atlantica Gamma* and *Atlantica 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 *Atlantica Gamma* and *Atlantica Delta* is completed, and the vessels are ready for their intended use.

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 year ended December 31, 2013 totaled $3,093,726 (all of which qualified for capitalization, see *Capitalized Interest* below, over the revised, anticipated commitment period through termination of the facility in April 2013) and was capitalized as an additional cost of constructing *Atlantica Beta*.

In April 2013, the Company, through its wholly-owned subsidiary BassDrill Beta Ltd., issued $75 million in Senior Secured Bonds (see Note G). In connection with the bond issuance, the Company paid $2,647,949 in debt issuance costs. In September 2014, the Company amended and restated the terms of the existing $75 million Senior Secured Bonds and issued an additional $75 million of Senior Secured Bonds (see Note G). In connection with the amendment and the supplemental bond issuance, the Company incurred an additional $7,913,386 in debt issuance costs in 2014. Amortization of such amounts and other related financing costs for the years ended December 31, 2014 and 2013 totaled $939,996 and $298,854, respectively, ($380,745 of which qualified for capitalization in the year ended December 31, 2014, and all of which qualified for capitalization in the year ended December 31, 2013, see *Capitalized Interest* below).

In November 2013, the Company entered into a $125 million Senior Secured Term Loan Facility Agreement (see Note G). In connection therewith the Company incurred $3,538,887 in debt issuance costs. Amortization of such amounts and other related financing costs for the years ended December 31, 2014 and 2013 totaled $585,636 and $314,967, respectively ($290,874 of which qualified for capitalization in the year ended December 31, 2014, and all of which qualified for capitalization in the year ended December 31, 2013, see *Capitalized Interest* below). In October 2014, this loan was repaid with the proceeds from the additional $75 million of Senior Secured Bonds (discussed above and in Note G) and proceeds from the new $350 million Senior Secured Term Loan (discussed below and in Note G). The balance of the related debt issuance and financing costs was expensed as “Loss on the early extinguishment of debt” on the consolidated statement of operations for the year-ended December 31, 2014.

In November 2014, the Company entered into a $350.0 million Senior Secured Term Loan Facility Agreement (see Note G). In connection therewith the Company incurred $6,421,591 in debt issuance costs. Amortization of such amounts and other related financing costs for the year ended December 31, 2014 totaled $441,358 ($86,574 of which qualified for capitalization in the year ended December 31, 2014).

Capitalized Interest: Interest expenses, excluding commitment fees, were and are capitalized during construction of *BassDrill Beta*, *Atlantica Gamma* and *Atlantica Delta* 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*, *Atlantica Gamma* and *Atlantica Delta* 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.

Commitment fees associated with the Gamma and Delta tranches for the $350.0 Million Senior Term Loan (discussed below in Note G) are considered exclusively related to the *Atlantica Gamma* and *Atlantica Delta* and fully capitalized to each asset. For the year ended December 31, 2014, the Company capitalized $1,059,425 for commitment fees directly associated with the *Atlantica Gamma* and *Atlantica Delta* assets.

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. The Company recorded no impairments for the years ended December 31, 2014 and 2013.

Income Taxes: The Company is 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 the years ended December 31, 2014 and 2013. Consequently, the Company has provided income taxes based on the laws and rates in effect in the countries in which operations are conducted, or in which the Company and/or its subsidiaries are considered resident for income tax purposes. The Company operates in multiple countries under different legal forms. As a result, the Company is subject to the jurisdiction of numerous domestic and foreign tax authorities, as well as to tax agreements and treaties among these governments. The Company’s 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 the Company’s level of operations or profitability in each tax jurisdiction could have an impact upon the amount of income taxes that the Company provides 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.

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.

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

Subsequent Events: The Company evaluated all activity through April 29, 2015, 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 on the consolidated financial statements or disclosures in the notes to the consolidated financial statements.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31, 2014	December 31, 2013
Drilling rig and equipment	$ 298,486,570	$ -
Leasehold Improvements	109,999	109,999
Office furniture, fixtures, and equipment	157,821	151,635
Computer hardware and software	597,675	371,214
Vehicles	181,261	115,174
	299,533,326	748,022
Less: accumulated depreciation	10,970,120	434,596
	288,563,206	313,426
Construction in progress	73,260,282	328,856,887
Total property and equipment	$ 361,823,488	$ 329,170,313

In March 2014, the commissioning of *BassDrill Beta* was completed and operations of the rig commenced offshore Brazil. Accordingly, the related *BassDrill Beta* costs in construction in progress were transferred to drilling rig and equipment, and the asset was subject to depreciation expense. The Company, however, is still incurring costs on *BassDrill Beta* to complete work that was not completed prior to leaving the shipyard. Because these costs were incurred after leaving the shipyard, the Company has received warranty proceeds from DSIC in the amount of $6,906,000. Such proceeds offset costs incurred by the Company. At December 31, 2014, construction in progress related to two tender assist drilling rigs, *Atlantica Gamma*, a flat bottom barge, and *Atlantica Delta*, a semi-submersible.

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:

	Years Ended December 31, 2014	2013
Interest cost capitalized	$ 7,359,289	$ 8,770,562
Interest cost expensed	8,462,563	-
Total interest cost incurred	$ 15,821,852	$ 8,770,562

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 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. This unsecured loan earned interest at 20% and did not require the payment of principal or interest until repayment of the loan in its entirety. The loan and accrued interest was repaid in its entirety in July 2013.

NOTE F - EQUITY INVESTMENT IN AFFILIATE

The Company’s ownership share in BDA is 25.26%. In July 2013, the Company received 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.

Condensed balance sheet information for BDA is as follows:

	December 31, 2014	December 31, 2013
Current assets	$ 19,138,987	$ 16,253,049
Property and equipment, net	82,351,753	86,019,104
Other assets	7,116,721	7,366,936
Total assets	$ 108,607,461	$ 109,639,089
Current liabilities	$ 11,231,679	$ 10,522,603
Long-term liabilities	74,921,250	80,465,000
Stockholders' equity	22,454,532	18,651,486
Total liabilities and stockholders' equity	$ 108,607,461	$ 109,639,089

Condensed statement of operations information for BDA is as follows:

	Years Ended December 31, 2014	Years Ended December 31, 2013
Operating revenues	$ 46,553,847	$ 42,107,066
Costs and expenses	30,725,917	31,048,365
Income from operations	15,827,930	11,058,701
Other expense, primarily interest	(7,571,809)	(7,739,275)
Income before income tax expense	8,256,121	3,319,426
Foreign income tax expense	(4,453,075)	(3,996,444)
Net income (loss)	$ 3,803,046	$ (677,018)

NOTE G - FINANCING ARRANGEMENTS

$350.0 Million Senior Secured Term Loan

In October 2014, the Company entered into a $350,000,000 Senior Secured Term Loan ("New Loan"), maturing in October 2019, collateralized by a first lien mortgage on *BassDrill Beta*, *Atlantica Gamma* and *Atlantica Delta*; the shares of BDB, BDB-BV, BBB, AG and AD; the AM management agreements; all credit rights arising from their drilling contracts; and rights in connection with the investments made with amounts deposited in the debt service reserve account. The New Loan amount will be available for drawdown independently in up to three tranches until March 31, 2016. The initial refinancing tranche of $53.0 million (the "Beta tranche") was drawn down on October 6, 2014; the second tranche (the "Gamma tranche") of $120.0 million is available upon delivery of *Atlantica Gamma*, and the third tranche (the "Delta tranche") of $177.0 million will be available upon delivery of *Atlantica Delta*. The New Loan tranches bear interest at 3.25% (Beta and Delta tranches) and 3.75% (Gamma tranche) plus LIBOR, payable quarterly commencing January 2015. The Company entered into a swap agreement fixing LIBOR at 1.36% for $53.0 million of the outstanding loan amount for a period of four years that commenced November 2014. The New Loan requires quarterly principal payments ranging from $1,472,222 to $10,972,222 commencing February 2015 with a balloon payment of $180,027,777 at final maturity, assuming all tranches are drawn. The New Loan further requires the Company to comply with certain financial covenants as noted below. These covenants are required to be tested and reported quarterly beginning December 31, 2014:

- Interest coverage ratio of not less than 2.5 : 1.0
- Debt service coverage ratio of not less than 1.1 : 1.0
- Book equity minimum of $90,000,000, increased by $40,000,000 following delivery of *Atlantica Gamma*, increased by $65,000,000 following delivery of *Atlantica Delta*
- Equity ratio of minimum 0.3 : 1.0
- Liquidity, measured as freely available and unencumbered cash, of $15.0 million following the initial drawdown, increased by $5.0 million following drawdown of the Gamma tranche, increased by $10.0 million following drawdown of the Delta trance and the higher $30.0 million or 6% of the outstanding interest bearing debt if all tranches are drawn.

At December 31, 2014, the Company was in compliance with all financial covenants.

$125.0 Million Senior Secured Term Loan

In May 2013, the Company, through its wholly-owned subsidiary BDB, entered into a $125,000,000 Senior Secured Term Loan ("Loan"), that was to mature in June 2018, collateralized by all credit rights arising from *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 Loan bore interest at 4.25% plus LIBOR, payable quarterly commencing February 2014. BDB entered into a swap agreement fixing LIBOR at 0.845% for $100,000,000, for a period of three years that commenced November 2013. The Loan required quarterly principal payments of $4,136,000 commencing May 2014 with a balloon payment of $54,688,000 at final maturity.

On October 6, 2014, BDB repaid the Loan with the proceeds from the issuance of an additional $75.0 million of Senior Secured Bonds (see *Senior Secured Bonds* below) and an initial drawdown of $53.0 million on the New Loan as discussed above. As a result, the Company recognized a loss on the early extinguishment of debt of $2,796,828 for the year ended December 31, 2014, primarily associated with the balance of the debt issuance and other financing costs (see *Deferred Financing Costs* in Note B).

Senior Secured Bonds

In April 2013, the Company issued $75.0 million of Senior Secured Bonds ("Bonds"), originally maturing in April 2018 that was collateralized by *BassDrill Beta*. The Bonds were subordinated to the Loan and bore interest at 8.5%, with semiannual interest payments that commenced October 24, 2013, with principal due at maturity.

On September 23, 2014, the Company issued an additional $75.0 million of Senior Secured Bonds ("New Bonds"), maturing in September 2019 that is collateralized by *BassDrill Beta*, *Atlantica Gamma* and *Atlantica Delta*; the shares of BDB, BDB-BV, BBB, AG and AD; the AM management agreements; all credit rights arising from their drilling contracts; and rights in connection with the investments made with amounts deposited in the debt service reserve account (see *Restricted Cash* in Note B). Concurrent with the issuance of these New Bonds, the bondholders of the Bonds agreed to amend and restate the bond agreement to be consistent with the bond agreement of the New Bonds. The New Bonds bear interest at 8.0%, with quarterly interest payments that commenced December 23, 2014, and principal due at maturity. The New Bonds are subordinated to the New Loan. The New Bonds further require the Company to comply with certain financial covenants as noted below. These covenants are required to be tested and reported quarterly, beginning December 31, 2014:

- Interest coverage ratio of not less than 2.5 : 1.0
- Debt service coverage ratio of not less than 1.1 : 1.0
- Book equity minimum of $90,000,000, increased by $40,000,000 following delivery of *Atlantica Gamma,* and increased by $65,000,000 following delivery of *Atlantica Delta*
- Equity ratio of minimum 0.3 : 1.0
- Liquidity, measured as freely available and unencumbered cash, of $15.0 million following the initial drawdown, increased by $5.0 million following drawdown of the Gamma tranche, increased by $10.0 million following drawdown of the Delta tranche, and the higher of $30.0 million or 6% of the outstanding interest bearing debt if all tranches are drawn
- The market value of the vessels is at least 140% of the aggregated outstanding amount of the New Loan through October 2016 and 150% of the aggregated outstanding amount of the New Loan thereafter.

At December 31, 2014, the Company was in compliance with all financial covenants.

Future Maturities of Long-term Debt

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

Year Ending December 31,	
2015	5,888,888
2016	5,888,888
2017	7,555,555
2018	12,555,556
2019	171,111,113
	$ 203,000,000

NOTE H - STOCKHOLDERS' EQUITY

In November 2014, the Company issued 4,922,691 shares of common stock through a private placement for $9,529,413, net of stock issuance costs, for the purposes of funding working capital and general corporate purposes.

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 purpose of funding the initial 15% payment for *Atlantica Delta*; project management and site supervision for *BassDrill Beta*, *Atlantica Gamma* and *Atlantica Delta*; and working capital and general corporate purposes.

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:

	Years Ended December 31, 2014	Years Ended December 31, 2013
Numerator for loss per share		
Net loss	$ (1,822,747)	$ (6,312,416)
Denominator for loss per share		
Weighted-average shares outstanding	123,202,154	106,337,594
Effect of stock options *	-	-
Weighted-average shares for per share calculation	123,202,154	106,337,594
Per share loss - basic and diluted	$ (0.01)	$ (0.06)

* For the years ended December 31, 2014 and 2013, 4,327,134 and 4,588,134 share based awards (see Note K) were excluded from the calculation since the effect would have been anti-dilutive.

NOTE J - COMMITMENTS AND CONTINGENCIES

Construction Obligations

In October 2012, the Company entered into a turn-key contract with DSIC (the "Builder") to design and construct a tender support barge (*Atlantica 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 late in the third quarter of 2015 but may be delayed at the Company's discretion until the first quarter of 2016. 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 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 (*Atlantica 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 third 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.

Lease Obligations

The Company has lease obligations, principally for office space in Houston and Brazil, office equipment, and real estate in Brazil. The lease obligations range from two to five years and expire at various dates between 2015 and 2018. Rent expense, including leases with terms of less than one year, was approximately $1,988,000 and $281,000 for the years ended December 31, 2014 and 2013, respectively.

Future minimum non-cancelable lease payments are as follows:

Year Ending December 31		
2015	$	414,000
2016		396,000
2017		374,000
2018		35,000
	$	1,219,000

Other Commitments and Contingencies

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, 2014, 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, 2014 and 2013, $238,557 and $447,303, respectively, was expensed in the consolidated statements 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 (the "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 and may be exercised up to five years after the grant date. The maximum number of shares authorized for awards of equity share options is 4,734,000. The Company, at its discretion, may buy shares on the open market or use treasury shares to satisfy such exercised options, or it may settle the exercised options in a cash settlement.

The following is an analysis of stock options issued and outstanding as of December 31, 2014 and 2013:

	Number of Options	Weighted average exercise price per share	Weighted average remaining contractual term (years)
Outstanding at January 1, 2013	3,947,134	$ 2.59	
Granted	530,000	2.87	
Outstanding at December 31, 2013	4,477,134	2.63	
Forfeited	(150,000)	2.87	
Oustanding at December 31, 2014	4,327,134	$ 2.62	
Vested and excersiable at December 31, 2014	3,313,800	$ 2.54	1.9

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 with the following weighted-average assumptions:

	Year Ended Decmeber 31, 2013
Dividend yield	0.00%
Expected price volatility	44.90%
Risk-free interest rate	0.51%
Expected life of options (years)	3.50
Weighted average fair value of options granted	$ 0.253

As of December 31, 2014, total unrecognized compensation costs related to all unvested share-based awards totaled $99,965, which is expected to be recognized as additional expenses of $85,684 in 2015 and $14,281 in 2016.

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 years ended December 31, 2014 and 2013 were $165,137 and $147,704, respectively.

NOTE M - RELATED PARTY TRANSACTIONS

The Company transacts business with the following related parties:

- BassInvest AS
- BDA
- AXON Energy Products (oductsr
- 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 $1,642,500 and $1,567,000 for the years ended December 31, 2014 and 2013, respectively. Additionally, AM earned a performance bonus of $621,785 and $402,795 for the years ended December 31, 2014 and 2013, respectively.

The Company has agreements with BassInvest 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*, *Atlantica Gamma* and *Atlantica Delta*. In addition, the Company pays a commission of 1.25% of the revenue received from Petrobras. Fees and reimbursements for such services were approximately $781,491 and $1,300,773 for the years ended December 31, 2014 and 2013, respectively.

The Company had the following receivable balances with related parties:

	December 31,	
	2014	2013
BDA	$ 990,491	$ 622,065
Employee receivable	122,100	-
	$ 1,112,591	$ 622,065

In October 2013, the Company loaned AXON, a Company with common ownership, $1,394,372 to assist AXON with completion of the mast equipment package (MEP) needed for construction of *BassDrill Beta*. This loan earned interest at 0.5% and was to mature three days after AXON received payment in full from DSIC for the guideline winch skid AXON constructed for *BassDrill Beta*. In November 2014, the Company and AXON agreed to terminate this loan and replace it with a non-interest bearing loan for $2,150,000. This loan matures the earlier of when AXON receives final payment of at least $2 million under its contract with DSIC for construction of the MEP for *Atlantica Gamma* or December 30, 2015.

NOTE N - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

All of the Company's gross earnings from management and consulting fees are receivable in U.S. dollars, and the majority of its 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 is also exposed to changes in interest rates on floating interest rate debt. 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 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.

The objective of the interest rate swaps is to manage interest rate risk exposure on variable interest rate debt arrangements such as the New Loan and Loan debt arrangements (see Note G). The interest rate swap agreements effectively modify the Company's exposure to interest rate risk by converting a portion of the variable-rate debt to a fixed rate, thus reducing the impact of the interest rate changes on future interest expense. The Company has not designated these interest rate swaps as hedges and does not apply hedge accounting to its interest rate derivative instruments. At December 31, 2014, the Company had an interest rate swap with a notional amount of $53.0 million that effectively fixed the variable rate on the New Loan to approximately 1.36% through November 2018. At December 31, 2014, the Company valued the interest rate swap as a liability of approximately $114 thousand. Prior to the execution of the New Loan, the Company had an interest rate swap with a notional amount of $100.0 million that effectively fixed the variable rate on the Loan to approximately 5.09%. At December 31, 2013, the Company valued this interest swap as a liability of $134 thousand. In connection with the November 2014 refinancing referred to in Note G, BDB settled this outstanding interest rate swap and the Company received a termination settlement of $198,700 as interest income in the Company's Statement of Operations for the year ended December 31, 2014.

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.