

ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES

PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

QUARTER ENDED DECEMBER 31, 2015

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, 2015. The Company expects to publish its final audited financial statements for the year ended December 31, 2015, including notes to the financial statements, by May 9, 2016, pending final approval by the Company’s Board of Directors.

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

	December 31, 2015	December 31, 2014
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 31,552,914	\$ 40,093,073
Restricted cash	1,657,014	2,035,207
Accounts receivable	56,783,295	7,013,346
Accounts receivable - related parties	633,988	1,112,591
Note receivable - related parties	1,150,158	2,144,372
Prepaid expenses	3,750,367	1,683,833
TOTAL CURRENT ASSETS	<u>95,527,736</u>	<u>54,082,422</u>
PROPERTY AND EQUIPMENT		
Drilling rig and equipment	299,739,754	298,486,570
Furniture, equipment and leasehold improvements	1,295,855	1,046,756
Property and equipment subject to depreciation	<u>301,035,609</u>	<u>299,533,326</u>
Less: accumulated depreciation and amortization	(24,039,729)	(10,970,120)
Net property and equipment subject to depreciation	276,995,880	288,563,206
Construction in progress	263,399,095	73,260,282
Inventory - capital spares	3,308,759	-
NET PROPERTY AND EQUIPMENT	<u>543,703,734</u>	<u>361,823,488</u>
EQUITY INVESTMENT IN AFFILIATE	6,069,757	5,615,249
OTHER ASSETS	134,002	194,855
TOTAL ASSETS	<u>\$ 645,435,229</u>	<u>\$ 421,716,014</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 5,698,824	\$ 7,425,729
Accounts payable - related party	72,211	-
Other accrued liabilities	13,786,096	6,874,506
Current portion of long-term debt	25,555,556	5,888,888
Deferred revenue - current	19,231,335	12,209,048
TOTAL CURRENT LIABILITIES	<u>64,344,022</u>	<u>32,398,171</u>
LONG TERM LIABILITIES		
Deferred revenue - non-current	39,543,561	28,365,130
Long-term debt	336,604,180	181,808,394
TOTAL LONG-TERM LIABILITIES	<u>376,147,741</u>	<u>210,173,524</u>
TOTAL LIABILITIES	<u>440,491,763</u>	<u>242,571,695</u>
COMMITMENTS AND CONTINGENCIES (Note I)		
STOCKHOLDERS' EQUITY		
Common stock, \$ 0.10 par value, 310,000,000 shares authorized at December 31, 2015 and \$1.00 par value, 185,778,368 shares authorized at December 31, 2014; and 261,323,309 and 127,989,977 shares issued and outstanding at December 31, 2015 and 2014, respectively	26,132,331	127,989,977
Additional paid-in capital	213,122,668	71,918,468
Subscription receivable	(1,500)	(1,500)
Accumulated deficit	(34,310,033)	(20,762,626)
TOTAL STOCKHOLDERS' EQUITY	<u>204,943,466</u>	<u>179,144,319</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 645,435,229</u>	<u>\$ 421,716,014</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
REVENUES				
Contract drilling	\$ 17,749,068	\$ 19,549,907	\$ 66,274,291	\$ 57,081,411
Mobilization	3,077,349	2,837,109	12,209,048	9,349,870
Management fees	617,751	590,717	2,054,801	2,271,244
Reimbursables	(324,404)	(1,963,759)	(245,253)	545,252
Other income	-	529	4,372	2,697
TOTAL REVENUES	<u>21,119,764</u>	<u>21,014,503</u>	<u>80,297,259</u>	<u>69,250,474</u>
OPERATING EXPENSES				
Operating expenses	11,286,830	10,258,278	45,350,526	48,744,853
Depreciation and amortization expense	3,101,974	3,629,155	13,069,609	10,535,524
Impairment of long-lived assets	22,286,619	-	22,286,619	-
TOTAL OPERATING EXPENSES	<u>36,675,423</u>	<u>13,887,433</u>	<u>80,706,754</u>	<u>59,280,377</u>
INCOME (LOSS) FROM OPERATIONS	(15,555,659)	7,127,070	(409,495)	9,970,097
OTHER INCOME (EXPENSE)				
Interest income	5,785	199,386	5,800	200,732
Interest expense	(1,870,901)	(3,081,821)	(10,681,395)	(8,462,563)
Loss on early extinguishment of debt	-	(2,796,828)	-	(2,796,828)
Foreign currency exchange gain (loss)	(6,653)	44,525	(478,555)	21,697
TOTAL OTHER EXPENSE	<u>(1,871,769)</u>	<u>(5,634,738)</u>	<u>(11,154,150)</u>	<u>(11,036,962)</u>
INCOME (LOSS) BEFORE EQUITY IN EARNINGS (LOSSES) OF AFFILIATE AND FOREIGN INCOME TAX EXPENSE	(17,427,428)	1,492,332	(11,563,645)	(1,066,865)
EQUITY IN EARNINGS (LOSSES) OF AFFILIATE	(1,160,213)	330,039	454,508	960,650
FOREIGN INCOME TAX EXPENSE	<u>(570,212)</u>	<u>(4,748)</u>	<u>(2,438,270)</u>	<u>(1,716,532)</u>
NET INCOME (LOSS)	<u>\$ (19,157,853)</u>	<u>\$ 1,817,623</u>	<u>\$ (13,547,407)</u>	<u>\$ (1,822,747)</u>
INCOME (LOSS) PER SHARE:				
Basic and diluted	<u>\$ (0.07)</u>	<u>\$ 0.01</u>	<u>\$ (0.08)</u>	<u>\$ (0.01)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic and diluted	<u>261,323,309</u>	<u>124,940,049</u>	<u>161,962,579</u>	<u>123,202,154</u>

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

	Common Stock		Additional Paid-in Capital	Subscription Receivable	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at January 1, 2014	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
Common stock issued	133,333,332	13,333,333	26,666,667	-	-	40,000,000
Stock issuance costs	-	-	(800,089)	-	-	(800,089)
Stock compensation expense	-	-	146,643	-	-	146,643
Change in par value of common stock	-	(115,190,979)	115,190,979	-	-	-
Net loss	-	-	-	-	(13,547,407)	(13,547,407)
Balance at December 31, 2015	<u>261,323,309</u>	<u>\$ 26,132,331</u>	<u>\$ 213,122,668</u>	<u>\$ (1,500)</u>	<u>\$ (34,310,033)</u>	<u>\$ 204,943,466</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	\$ (19,157,853)	\$ 1,817,623	\$ (13,547,407)	\$ (1,822,747)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Equity in (earnings) losses of affiliate	1,160,213	(330,039)	(454,508)	(960,650)
Depreciation and amortization expense	3,101,974	3,629,155	13,069,609	10,535,524
Impairment of long-lived assets	22,286,619	-	22,286,619	-
Stock compensation expense	38,046	9,565	146,643	238,557
Amortization of debt issue costs	338,128	708,801	2,115,002	1,208,797
Loss on early extinguishment of debt	-	2,796,828	-	2,796,828
Changes in operating assets and liabilities:				
Accounts receivable	(721,638)	6,518,697	(705,616)	(7,340,454)
Prepaid expenses and other assets	(1,844,622)	(795,773)	(2,227,151)	(940,223)
Accounts payable	(879,755)	6,139,237	(1,654,694)	(1,459,943)
Other accrued liabilities	8,335,042	2,479,756	6,905,804	3,139,870
Deferred revenue	(3,077,349)	(1,330,137)	(12,209,048)	15,114,199
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,578,805	21,643,713	13,725,253	20,509,758
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash paid for construction in progress	(203,884,358)	(8,992,541)	(228,333,784)	(40,918,800)
Cash paid for capital expenditures related to drilling rig and equipment	(3,227,548)	(6,181,750)	(5,687,633)	(8,118,972)
Cash paid for furniture, equipment and leasehold improvements	(99,081)	(25,822)	(291,298)	(298,734)
Cash received for Beta warranty claim	700,000	6,906,000	700,000	6,906,000
Change in restricted cash	1,086,591	72,910,863	378,193	6,927,723
Note receivable - affiliate	1,000,000	(750,000)	1,000,000	(750,000)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(204,424,396)	63,866,750	(232,234,522)	(36,252,783)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash received from issuance of common stock, net of issuance costs	3,752,846	9,529,413	39,199,911	9,529,413
Cash received from issuance of bonds and loans	177,000,000	53,000,000	177,000,000	128,000,000
Cash paid for retirement of debt	(1,472,222)	(116,728,000)	(5,888,889)	(125,000,000)
Cash paid for commitment and other debt related fees	(36,724)	(6,265,884)	(341,912)	(14,620,651)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	179,243,900	(60,464,471)	209,969,110	(2,091,238)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,601,691)	25,045,992	(8,540,159)	(17,834,263)
CASH AND CASH EQUIVALENTS, beginning of period	47,154,605	15,047,081	40,093,073	57,927,336
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 31,552,914</u>	<u>\$ 40,093,073</u>	<u>\$ 31,552,914</u>	<u>\$ 40,093,073</u>
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid for interest	<u>\$ 4,486,743</u>	<u>\$ 6,346,296</u>	<u>\$ 17,963,220</u>	<u>\$ 13,736,884</u>
Cash paid for income taxes	<u>\$ 580,631</u>	<u>\$ 4,748</u>	<u>\$ 2,396,446</u>	<u>\$ 1,716,532</u>