

**ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES**

**UNAUDITED PRELIMINARY CONSOLIDATED FINANCIAL**

**STATEMENTS**

**QUARTER ENDED DECEMBER 31, 2016**

The following financial statements are preliminary and unaudited. The Company expects to publish its audited financial statements for the year ended December 31, 2016, including notes to the financial statements, by mid-May 2017.

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

	December 31,	
	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 33,274,144	\$ 31,552,914
Restricted cash	9,282,789	1,657,014
Accounts receivable	15,359,134	38,054,827
Accounts receivable - related parties	372,290	633,988
Note receivable, net - related parties	800,000	1,150,158
Prepaid and other current assets	1,273,991	3,879,210
<b>Total Current Assets</b>	<b>60,362,348</b>	<b>76,928,111</b>
<b>Property and Equipment, Net</b>	<b>544,794,487</b>	<b>543,703,734</b>
<b>Equity Investment</b>	<b>95,688</b>	<b>6,069,757</b>
<b>Other Assets</b>	<b>22,115,285</b>	<b>18,733,627</b>
<b>Total Assets</b>	<b>\$ 627,367,808</b>	<b>\$ 645,435,229</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 6,020,590	\$ 5,698,824
Accounts payable - related party	208,086	288,237
Accrued liabilities	11,323,560	13,570,070
Current portion of long-term debt	26,805,556	20,638,888
Deferred revenue - current	20,112,714	19,231,335
<b>Total Current Liabilities</b>	<b>64,470,506</b>	<b>59,427,354</b>
<b>Long-Term Liabilities</b>		
Deferred revenue - non-current	21,887,712	39,543,561
Long-term debt, net	310,767,373	341,520,848
<b>Total Long-Term Liabilities</b>	<b>332,655,085</b>	<b>381,064,409</b>
<b>Total Liabilities</b>	<b>397,125,591</b>	<b>440,491,763</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Common stock, \$0.10 par value, 310,000,000 shares authorized at December 31, 2016 and 2015; 261,323,309 shares issued at December 31, 2016 and 2015; and 252,199,264 and 261,323,309 shares outstanding at December 31, 2016 and 2015, respectively	26,132,331	26,132,331
Additional paid-in capital	213,203,452	213,122,668
Treasury stock (9,124,045 shares at cost)	(2,297,539)	-
Subscription receivable	(1,500)	(1,500)
Accumulated deficit	(6,794,527)	(34,310,033)
<b>Total Stockholders' Equity</b>	<b>230,242,217</b>	<b>204,943,466</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 627,367,808</b>	<b>\$ 645,435,229</b>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
<b>Revenues</b>				
Contract drilling	\$ 34,280,150	\$ 17,424,664	\$ 131,872,675	\$ 66,033,410
Amortization of deferred revenue	5,223,809	3,077,349	19,746,829	12,209,048
Management fees	(134,878)	617,751	1,098,122	2,054,801
<b>Total Revenues</b>	<b>39,369,081</b>	<b>21,119,764</b>	<b>152,717,626</b>	<b>80,297,259</b>
<b>Operating Expenses</b>				
Operating	17,315,599	11,286,830	66,067,697	45,350,526
Depreciation and amortization	6,883,180	3,101,974	25,794,811	13,069,609
Loss on cancellation of construction contract	-	22,286,619	174,207	22,286,619
<b>Total Operating Expenses</b>	<b>24,198,779</b>	<b>36,675,423</b>	<b>92,036,715</b>	<b>80,706,754</b>
<b>Income (Loss) from Operations</b>	<b>15,170,302</b>	<b>(15,555,659)</b>	<b>60,680,911</b>	<b>(409,495)</b>
<b>Other Income (Expense)</b>				
Interest income	115,028	5,785	200,643	5,800
Interest expense	(1,992,038)	(1,870,901)	(20,679,412)	(10,681,395)
Gain on early extinguishment of debt	2,509,840	-	2,509,840	-
Bad debt expense	(407,658)	-	(407,658)	-
Foreign currency loss	(30,152)	(6,653)	(196,600)	(478,555)
<b>Total Other Income (Expense)</b>	<b>195,020</b>	<b>(1,871,769)</b>	<b>(18,573,187)</b>	<b>(11,154,150)</b>
<b>Income (Loss) Before Equity in Earnings/(Losses) of Affiliate, Loss on BDA Restructure and Foreign Income Tax Expense</b>	<b>15,365,322</b>	<b>(17,427,428)</b>	<b>42,107,724</b>	<b>(11,563,645)</b>
<b>Equity in Earnings/(Losses) of Affiliate</b>	<b>(545,330)</b>	<b>(1,160,213)</b>	<b>(2,919,445)</b>	<b>454,508</b>
<b>Loss on BDA Restructure</b>	<b>-</b>	<b>-</b>	<b>(3,054,624)</b>	<b>-</b>
<b>Foreign Income Tax Expense</b>	<b>(2,841,902)</b>	<b>(570,212)</b>	<b>(8,618,149)</b>	<b>(2,438,270)</b>
<b>Net Income</b>	<b>\$ 11,978,090</b>	<b>\$ (19,157,853)</b>	<b>\$ 27,515,506</b>	<b>\$ (13,547,407)</b>
<b>Net Income Per Share</b>				
Basic and diluted	\$ 0.05	\$ (0.07)	\$ 0.11	\$ (0.08)
<b>Weighted Average Shares Outstanding</b>				
Basic and diluted	253,698,245	261,323,309	259,362,490	161,962,579

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

	Common Stock		Additional Paid-in Capital	Treasury Stock	Subscription Receivable	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance at January 1, 2015	127,989,977	\$ 12,798,998	\$ 187,109,447	\$ -	\$ (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
Net loss	-	-	-	-	-	(13,547,407)	(13,547,407)
Balance at December 31, 2015	261,323,309	\$ 26,132,331	\$ 213,122,668	\$ -	\$ (1,500)	\$ (34,310,033)	\$ 204,943,466
Stock compensation expense	-	-	80,784	-	-	-	80,784
Treasury stock acquired	-	-	-	(2,297,539)	-	-	(2,297,539)
Net income	-	-	-	-	-	27,515,506	27,515,506
Balance at December 31, 2016	261,323,309	\$ 26,132,331	\$ 213,203,452	\$ (2,297,539)	\$ (1,500)	\$ (6,794,527)	\$ 230,242,217

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

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
<b>Cash Flows From Operating Activities</b>				
Net income (loss)	\$ 11,978,090	\$ (19,157,853)	\$ 27,515,506	\$ (13,547,407)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Equity in (earnings)/losses of affiliate	545,330	1,160,213	2,919,445	(454,508)
Loss on BDA Restructure	-	-	3,054,624	-
Depreciation and amortization	6,883,180	3,101,974	25,794,811	13,069,609
Loss on cancellation of construction contract	-	22,286,619	174,207	22,286,619
Stock compensation expense	16,626	38,046	80,784	146,643
Bad debt expense	407,658	-	407,658	-
Gain on early extinguishment of debt	(2,509,840)	-	(2,509,840)	-
Noncash interest (income) expense, net	(3,413,312)	338,128	48,561	2,115,002
Amortization of deferred revenue	(5,223,809)	(3,077,349)	(19,746,829)	(12,209,048)
Changes in operating assets and liabilities:				
Accounts receivable	4,432,299	(1,310,729)	(5,676,384)	(1,184,219)
Accounts and note receivable - related parties	(80,784)	589,091	261,698	478,603
Prepaid expenses and other assets	766,498	(1,844,621)	2,516,725	(2,227,151)
Accounts payable	2,017,795	(762,546)	321,766	(1,622,340)
Accounts payable - related party	(252,590)	(52,028)	(80,151)	32,827
Accrued liabilities	1,445,203	8,275,646	(3,592,384)	6,846,409
Deferred revenue	(1,017,738)	-	32,508,962	-
<b>Net Cash Provided By Operating Activities</b>	<b>15,994,606</b>	<b>9,584,591</b>	<b>63,999,159</b>	<b>13,731,039</b>
<b>Cash Flows From Investing Activities</b>				
Capital expenditures for construction in progress	2,273,109	(203,884,358)	(5,148,769)	(228,333,784)
Capital expenditures for drilling rig and equipment, furniture, office equipment and leasehold improvements	(8,082,403)	(2,626,629)	(21,533,621)	(5,278,931)
Note receivable - affiliate	-	994,214	-	994,214
<b>Net Cash Used In Investing Activities</b>	<b>(5,809,294)</b>	<b>(205,516,773)</b>	<b>(26,682,390)</b>	<b>(232,618,501)</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from long term debt	-	177,000,000	-	177,000,000
Payments on long term debt	(11,088,889)	(1,472,222)	(25,338,889)	(5,888,889)
Proceeds from common stock issuance	-	3,752,846	-	39,199,911
Change in restricted cash	(69,089)	1,086,591	(7,625,775)	378,193
Acquisition of treasury stock, net	(1,523,919)	-	(2,297,539)	-
Debt issuance costs	(20,478)	(36,724)	(333,336)	(341,912)
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>(12,702,375)</b>	<b>180,330,491</b>	<b>(35,595,539)</b>	<b>210,347,303</b>
<b>Net Increase/(Decrease) In Cash and Cash Equivalents</b>	<b>(2,517,063)</b>	<b>(15,601,691)</b>	<b>1,721,230</b>	<b>(8,540,159)</b>
<b>Cash and Cash Equivalents - Beginning of Period</b>	<b>35,791,207</b>	<b>47,154,605</b>	<b>31,552,914</b>	<b>40,093,073</b>
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 33,274,144</b>	<b>\$ 31,552,914</b>	<b>\$ 33,274,144</b>	<b>\$ 31,552,914</b>
<b>Supplemental Cash Flow Information</b>				
Cash paid for interest	\$ 4,860,487	\$ 4,486,743	\$ 20,246,809	\$ 17,963,220
Cash paid for income taxes	2,392,413	580,631	7,111,848	2,396,446
<b>Supplemental Non Cash Information</b>				
Capitalization of interest to property and equipment	\$ -	\$ 3,957,745	\$ 1,322,895	\$ 11,797,401
Deferred revenue billed and included in accounts receivable	2,037,688	30,409,766	2,037,688	30,409,766
Reclass from property and equipment to other assets for the refund from contract cancellation	-	18,599,625	-	18,599,625