

**ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES**

**UNAUDITED PRELIMINARY CONSOLIDATED FINANCIAL**

**STATEMENTS**

**QUARTER ENDED DECEMBER 31, 2017**

The following financial statements are preliminary and unaudited. The Company expects to publish its audited financial statements for the year ended December 31, 2017, including notes to the financial statements, no later than May 10, 2018.

## CONTENTS

	<u>Page</u>
Balance Sheets (Unaudited) .....	2
Statements of Income (Unaudited).....	3
Statements of Stockholders' Equity (Unaudited).....	4
Statements of Cash Flows (Unaudited).....	5-6

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

<i>December 31,</i>	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 31,783,098	\$ 33,274,144
Restricted cash	8,373,443	9,282,789
Accounts receivable	15,457,583	15,359,134
Accounts receivable - related parties	167,142	372,290
Note receivable, net - related party	360,040	800,000
Derivative	1,065,550	-
Prepaid and other current assets	788,527	1,273,991
<b>Total Current Assets</b>	<b>57,995,383</b>	<b>60,362,348</b>
<b>Property and Equipment, Net</b>	<b>520,239,709</b>	<b>544,794,487</b>
<b>Long Term Deposits</b>	<b>18,599,625</b>	<b>18,599,625</b>
<b>Derivative</b>	<b>2,678,706</b>	<b>3,317,371</b>
<b>Long Term Loan - Related Party</b>	<b>2,497,497</b>	<b>-</b>
<b>Other Assets</b>	<b>112,320</b>	<b>198,289</b>
<b>Total Assets</b>	<b>\$ 602,123,240</b>	<b>\$ 627,272,120</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 3,294,152	\$ 6,020,590
Accounts payable - related parties	143,567	208,086
Accrued liabilities	8,733,523	10,527,654
Derivative	-	251,938
Current portion of long-term debt	30,555,552	26,805,556
Deferred revenue - current	12,251,154	20,112,714
<b>Total Current Liabilities</b>	<b>54,977,948</b>	<b>63,926,538</b>
<b>Long-Term Liabilities</b>		
Deferred revenue - non-current	9,391,878	21,887,712
Long-term debt, net	276,765,011	310,767,373
Other long-term liabilities	-	45,239
<b>Total Long-Term Liabilities</b>	<b>286,156,889</b>	<b>332,700,324</b>
<b>Total Liabilities</b>	<b>341,134,837</b>	<b>396,626,862</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Common stock, \$0.10 par value, 310,000,000 shares authorized at December 31, 2017 and 2016; 261,323,309 shares issued at December 31, 2017 and 2016; and 252,199,264 shares outstanding December 31, 2017 and 2016	26,132,331	26,132,331
Additional paid-in capital	213,254,754	213,203,452
Treasury stock (9,124,045 shares at cost)	(2,297,539)	(2,297,539)
Subscription receivable	(1,500)	(1,500)
Retained earnings (Accumulated deficit)	23,900,357	(6,391,486)
<b>Total Stockholders' Equity</b>	<b>260,988,403</b>	<b>230,645,258</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 602,123,240</b>	<b>\$ 627,272,120</b>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
<b>Revenues</b>				
Contract drilling	\$ 32,269,192	\$ 34,280,150	\$ 140,579,230	\$ 131,872,675
Amortization of deferred revenue	5,008,395	5,223,809	20,021,242	19,746,829
Management fees	92	(134,878)	365	1,098,122
<b>Total Revenues</b>	<b>37,277,679</b>	<b>39,369,081</b>	<b>160,600,837</b>	<b>152,717,626</b>
<b>Operating Expenses</b>				
Operating	20,307,204	17,315,599	71,096,849	66,067,697
Depreciation and amortization	6,990,070	6,883,180	27,669,155	25,794,811
Loss on cancellation of construction contract	-	-	-	174,207
<b>Total Operating Expenses</b>	<b>27,297,274</b>	<b>24,198,779</b>	<b>98,766,004</b>	<b>92,036,715</b>
<b>Income from Operations</b>	<b>9,980,405</b>	<b>15,170,302</b>	<b>61,834,833</b>	<b>60,680,911</b>
<b>Other Income (Expense)</b>				
Interest income	310,630	115,028	1,032,261	200,643
Interest expense	(4,965,414)	(1,992,038)	(23,625,561)	(20,679,412)
Gain on reacquisition of debt	294,471	2,509,840	1,766,640	2,509,840
Bad debt expense - note receivable	(320,000)	(407,658)	(320,000)	(407,658)
Income/(losses) of equity method investment	-	58,266	-	(2,315,849)
Impairment of equity method investment	-	(835,012)	-	(3,889,636)
Foreign currency gain/(loss)	32,979	(30,152)	(366,668)	(196,600)
Other	16,965	22,621	67,859	22,621
<b>Total Other Expense</b>	<b>(4,630,369)</b>	<b>(559,105)</b>	<b>(21,445,469)</b>	<b>(24,756,051)</b>
<b>Income Before Income Tax Expense</b>	<b>5,350,036</b>	<b>14,611,197</b>	<b>40,389,364</b>	<b>35,924,860</b>
<b>Income Tax Expense</b>	<b>(2,692,684)</b>	<b>(2,230,066)</b>	<b>(10,097,521)</b>	<b>(8,006,313)</b>
<b>Net Income</b>	<b>\$ 2,657,352</b>	<b>\$ 12,381,131</b>	<b>\$ 30,291,843</b>	<b>\$ 27,918,547</b>
<b>Net Income Per Share</b>				
Basic and diluted	\$ 0.01	\$ 0.05	\$ 0.12	\$ 0.11
<b>Weighted Average Common Shares Outstanding</b>				
Basic and diluted	252,199,264	253,698,245	252,199,264	259,362,490

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

	Common Stock		Additional Paid-in Capital	Treasury Stock	Subscription Receivable	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Shares Issued	Amount					
<b>Balance at January 1, 2016</b>	261,323,309	\$ 26,132,331	\$ 213,122,668	\$ -	\$ (1,500)	\$ (34,310,033)	\$ 204,943,466
Stock compensation expense	-	-	80,784	-	-	-	80,784
Acquisition of treasury stock	-	-	-	(2,297,539)	-	-	(2,297,539)
Net income	-	-	-	-	-	27,918,547	27,918,547
<b>Balance at December 31, 2016</b>	261,323,309	\$ 26,132,331	\$ 213,203,452	\$ (2,297,539)	\$ (1,500)	\$ (6,391,486)	\$ 230,645,258
Stock compensation expense	-	-	51,302	-	-	-	51,302
Net income	-	-	-	-	-	30,291,843	30,291,843
<b>Balance at December 31, 2017</b>	261,323,309	\$ 26,132,331	\$ 213,254,754	\$ (2,297,539)	\$ (1,500)	\$ 23,900,357	\$ 260,988,403

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

	Three Months Ended		Year Ended December 31,	
	December 31, 2017	2016	2017	2016
<b>Cash Flows From Operating Activities</b>				
Net income	\$ 2,657,352	\$ 12,381,131	\$ 30,291,843	\$ 27,918,547
Adjustments to reconcile net income to net cash provided by operating activities:				
Equity in (income)/losses of affiliate	-	(58,266)	-	2,315,849
Depreciation and amortization	6,990,070	6,883,180	27,669,155	25,794,811
Loss on cancellation of construction contract	-	-	-	174,207
Stock compensation expense	8,550	16,626	51,302	80,784
Impairment of equity method investment	-	835,012	-	3,889,636
Bad debt expense - not receivable	320,000	407,658	320,000	407,658
Gain on reacquisition of debt	(294,471)	(2,509,840)	(1,766,640)	(2,509,840)
Noncash interest (income) expense, net	(137,197)	(3,413,312)	2,811,532	48,561
Amortization of deferred revenue	(5,008,395)	(5,223,809)	(20,021,242)	(19,746,829)
Other non-cash income	(16,965)	(22,621)	(67,859)	(22,621)
Changes in operating assets and liabilities:				
Accounts receivable	51,296	4,356,715	(4,580,284)	(5,751,968)
Accounts and note receivable - related parties	87,969	(80,784)	205,148	261,698
Prepaid expenses and other assets	405,397	766,498	571,433	2,516,725
Accounts payable	(99,755)	2,017,795	(2,726,438)	321,766
Accounts payable - related parties	(93,700)	(252,590)	55,441	(80,151)
Accrued liabilities	338,251	833,375	588,361	(4,204,212)
Deferred revenue	-	(942,155)	1,565,221	32,584,545
<b>Net Cash Provided By Operating Activities</b>	5,208,402	15,994,613	34,966,973	63,999,166
<b>Cash Flows From Investing Activities</b>				
Capital expenditures for construction in progress and capital spares	1,664,544	2,273,109	(241,882)	(5,148,769)
Capital expenditures for drilling rig and equipment, furniture, office equipment and leasehold improvements	(2,362,683)	(8,082,410)	(2,872,496)	(21,533,628)
Loan to related party	-	-	(2,497,497)	-
<b>Net Cash Used In Investing Activities</b>	(698,139)	(5,809,301)	(5,611,875)	(26,682,397)
<b>Cash Flows from Financing Activities</b>				
Payments on long term debt	(7,638,888)	(6,388,889)	(26,805,555)	(20,638,889)
Repurchase of bonds	(876,000)	(4,700,000)	(4,927,500)	(4,700,000)
Change in restricted cash	2,334,633	(69,089)	909,346	(7,625,775)
Acquisition of treasury stock, net	-	(1,523,919)	-	(2,297,539)
Debt issuance costs	-	(20,478)	(22,435)	(333,336)
<b>Net Cash Used In Financing Activities</b>	(6,180,255)	(12,702,375)	(30,846,144)	(35,595,539)
<b>Net Increase/(Decrease) In Cash and Cash Equivalents</b>	(1,669,992)	(2,517,063)	(1,491,046)	1,721,230
<b>Cash and Cash Equivalents - Beginning of Period</b>	33,453,090	35,791,207	33,274,144	31,552,914
<b>Cash and Cash Equivalents - End of Period</b>	\$ 31,783,098	\$ 33,274,144	\$ 31,783,098	\$ 33,274,144

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

	Three Months Ended		Year Ended December 31,	
	December 31, 2017	2016	2017	2016
<b>Supplemental Non Cash Information</b>				
Capitalization of interest for property and equipment	\$ -	\$ -	\$ -	\$ 1,322,895
Deferred revenue billed and included in accounts receivable	(1,227,184)	1,962,104	(1,227,184)	1,962,104
Contribution of management services to equity method investment	-	135,728	-	135,728
Liquidated damages stipulated in the Beta contract	-	1,314,526	-	1,314,526