

**ATLANTICA TENDER DRILLING LTD. & SUBSIDIARIES**

**UNAUDITED PRELIMINARY CONSOLIDATED FINANCIAL**

**STATEMENTS**

**QUARTER ENDED DECEMBER 31, 2018**

The following financial statements are preliminary and unaudited. The Company expects to publish its audited financial statements for the year ended December 31, 2018, including notes to the financial statements, no later than May 10, 2019.

## CONTENTS

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

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

December 31,	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 36,170,146	\$ 31,783,098
Restricted cash	9,864,523	8,373,443
Accounts receivable	24,903,232	15,457,583
Accounts receivable - related parties	70,965	167,142
Note receivable, net - related party	-	360,040
Derivative instruments	1,027,155	1,065,550
Inventory	20,320,505	-
Prepaid and other current assets	1,075,097	788,527
<b>Total Current Assets</b>	<b>93,431,623</b>	<b>57,995,383</b>
<b>Property and Equipment, Net</b>	<b>484,432,804</b>	<b>520,239,709</b>
<b>Long Term Deposits</b>	<b>-</b>	<b>18,599,625</b>
<b>Derivative Instruments</b>	<b>2,538,220</b>	<b>2,678,706</b>
<b>Other Assets</b>	<b>1,752,268</b>	<b>112,320</b>
<b>Total Assets</b>	<b>\$ 582,154,915</b>	<b>\$ 599,625,743</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 3,218,324	\$ 3,294,152
Accounts payable - related parties	116,723	143,567
Accrued liabilities	7,611,757	8,733,523
Current portion of long-term debt	279,723,628	30,555,552
Deferred revenue - current	8,715,381	12,251,154
<b>Total Current Liabilities</b>	<b>299,385,813</b>	<b>54,977,948</b>
<b>Long-Term Liabilities</b>		
Deferred revenue - non-current	740,210	9,391,878
Long-term debt, net	-	276,765,011
Deferred income taxes, net	3,955,794	3,745,774
<b>Total Long-Term Liabilities</b>	<b>4,696,004</b>	<b>289,902,663</b>
<b>Total Liabilities</b>	<b>304,081,817</b>	<b>344,880,611</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Common stock, \$0.10 par value, 310,000,000 shares authorized at December 31, 2018 and 2017; 261,323,309 shares issued at December 31, 2018 and 2017; and 252,199,264 shares outstanding at and December 31, 2018 and 2017	26,132,331	26,132,331
Additional paid-in capital	213,306,053	213,254,754
Treasury stock (9,124,045 shares at cost)	(2,297,539)	(2,297,539)
Subscription receivable	(1,500)	(1,500)
Retained earnings	40,933,753	17,657,086
<b>Total Stockholders' Equity</b>	<b>278,073,098</b>	<b>254,745,132</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 582,154,915</b>	<b>\$ 599,625,743</b>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
<b>Revenues</b>				
Contract drilling	\$ 43,585,970	\$ 32,269,192	\$ 153,310,490	\$ 140,579,230
Mobilization and demobilization revenue	2,259,250	5,008,395	12,515,953	20,021,242
Management and other fees	-	92	5,207	365
<b>Total Revenues</b>	<b>45,845,220</b>	<b>37,277,679</b>	<b>165,831,650</b>	<b>160,600,837</b>
<b>Operating Expenses</b>				
Operating	16,238,226	20,307,204	72,423,058	71,096,849
Depreciation and amortization	6,755,031	6,990,070	26,936,658	27,669,155
Loss on cancellation of construction contract	-	-	18,599,625	-
Impairment of long-lived assets	-	-	1,089,314	-
<b>Total Operating Expenses</b>	<b>22,993,257</b>	<b>27,297,274</b>	<b>119,048,655</b>	<b>98,766,004</b>
<b>Income from Operations</b>	<b>22,851,963</b>	<b>9,980,405</b>	<b>46,782,995</b>	<b>61,834,833</b>
<b>Other Income (Expense)</b>				
Interest income	176,102	310,630	1,056,997	1,032,261
Interest expense	(7,047,891)	(4,965,414)	(22,269,131)	(23,625,561)
Gain on reacquisition of debt	-	294,471	-	1,766,640
Foreign currency (loss) gain	(748,689)	32,979	(1,497,624)	(366,668)
Bad debt expense - note receivable	-	(320,000)	(31,144)	(320,000)
Losses on equity method investment	-	(2,497,497)	-	(2,497,497)
Gain on Super Senior Bonds	700,000	-	700,000	-
Other	-	16,965	45,241	67,859
<b>Total Other Expense</b>	<b>(6,920,478)</b>	<b>(7,127,866)</b>	<b>(21,995,661)</b>	<b>(23,942,966)</b>
<b>Income Before Income Tax Expense</b>	<b>15,931,485</b>	<b>2,852,539</b>	<b>24,787,334</b>	<b>37,891,867</b>
<b>Income Tax Expense, Net</b>	<b>(3,204,838)</b>	<b>(6,438,458)</b>	<b>(11,812,689)</b>	<b>(13,843,295)</b>
<b>Net Income (Loss)</b>	<b>\$ 12,726,647</b>	<b>\$ (3,585,919)</b>	<b>\$ 12,974,645</b>	<b>\$ 24,048,572</b>
<b>Net Income (Loss) Per Share</b>				
Basic and diluted	\$ 0.05	\$ (0.01)	\$ 0.05	\$ 0.10
<b>Weighted Average Common Shares Outstanding</b>				
Basic and diluted	252,199,264	252,199,264	252,199,264	252,199,264

**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 Outstanding	Amount					
<b>Balance at January 1, 2017</b>	252,199,264	\$ 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	-	-	-	-	-	24,048,572	24,048,572
<b>Balance at December 31, 2017, as originally reported</b>	252,199,264	\$ 26,132,331	\$ 213,254,754	\$ (2,297,539)	\$ (1,500)	\$ 17,657,086	\$ 254,745,132
Change in accounting principle - inventory	-	-	-	-	-	9,822,855	9,822,855
Change in accounting principle - revenue recognition	-	-	-	-	-	479,167	479,167
<b>Balance at January 1, 2018</b>	252,199,264	\$ 26,132,331	\$ 213,254,754	\$ (2,297,539)	\$ (1,500)	\$ 27,959,108	\$ 265,047,154
Stock compensation expense	-	-	51,299	-	-	-	51,299
Net income	-	-	-	-	-	12,974,645	12,974,645
<b>Balance at December 31, 2018</b>	<b>252,199,264</b>	<b>\$ 26,132,331</b>	<b>\$ 213,306,053</b>	<b>\$ (2,297,539)</b>	<b>\$ (1,500)</b>	<b>\$ 40,933,753</b>	<b>\$ 278,073,098</b>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
<b>Cash Flows From Operating Activities</b>				
Net income (loss)	\$ 12,726,647	\$ (3,585,919)	\$ 12,974,645	\$ 24,048,572
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Impairment of long-lived assets	-	-	1,089,314	-
Loss on cancellation of construction contract	-	-	18,599,625	-
Equity in losses of affiliate	-	2,497,497	-	2,497,497
Gain on Super Senior Bonds	(700,000)	-	(700,000)	-
Depreciation and amortization	6,755,031	6,990,070	26,936,658	27,669,155
Stock compensation expense	12,825	8,550	51,299	51,302
Bad debt expense - note receivable	-	320,000	31,144	320,000
Gain on reacquisition of debt	-	(294,471)	-	(1,766,640)
Noncash interest expense (income), net	2,324,808	(137,197)	2,649,402	2,811,532
Noncash mobilization and demobilization revenue	(2,259,250)	(5,008,395)	(12,515,953)	(20,021,242)
Deferred income tax expense	271,602	3,745,774	271,602	3,745,774
Other non-cash expense (income)	518,161	(16,965)	705,058	(67,859)
Changes in operating assets and liabilities:				
Accounts receivable	(4,876,828)	51,296	(9,367,132)	(4,580,284)
Accounts and note receivable - related parties	41,684	87,969	96,177	205,148
Prepaid expenses and other assets	(2,078,989)	405,397	(1,933,276)	571,433
Accounts payable	(177,678)	(99,755)	(75,828)	(2,726,438)
Accounts payable - related parties	(47,139)	(93,700)	(26,844)	55,441
Accrued liabilities	153,365	338,251	(1,076,525)	588,361
Deferred revenue	-	-	-	1,565,221
<b>Net Cash Provided By Operating Activities</b>	<b>12,664,239</b>	<b>5,208,402</b>	<b>37,709,366</b>	<b>34,966,973</b>
<b>Cash Flows From Investing Activities</b>				
Capital expenditures for construction in progress and capital spares	(300,023)	1,664,544	(696,350)	(241,882)
Capital expenditures for drilling rig and equipment and other	(383,246)	(2,362,683)	(579,336)	(2,872,496)
Purchase of Super Senior Bonds	-	-	-	(2,497,497)
<b>Net Cash Used In Investing Activities</b>	<b>(683,269)</b>	<b>(698,139)</b>	<b>(1,275,686)</b>	<b>(5,611,875)</b>
<b>Cash Flows from Financing Activities</b>				
Payments on long term debt	(7,638,888)	(7,638,888)	(30,555,552)	(26,805,555)
Repurchase of bonds	-	(876,000)	-	(4,927,500)
Debt issuance costs	-	-	-	(22,435)
Change in restricted cash	(3,108,083)	2,334,633	(1,491,080)	909,346
<b>Net Cash Used In Financing Activities</b>	<b>(10,746,971)</b>	<b>(6,180,255)</b>	<b>(32,046,632)</b>	<b>(30,846,144)</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>1,233,999</b>	<b>(1,669,992)</b>	<b>4,387,048</b>	<b>(1,491,046)</b>
<b>Cash and Cash Equivalents - Beginning of Period</b>	<b>34,936,147</b>	<b>33,453,090</b>	<b>31,783,098</b>	<b>33,274,144</b>
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 36,170,146</b>	<b>\$ 31,783,098</b>	<b>\$ 36,170,146</b>	<b>\$ 31,783,098</b>
<b>Supplemental Cash Flow Information</b>				
Cash paid for interest	\$ 4,834,307	\$ 5,070,762	\$ 19,647,979	\$ 20,854,534
Cash paid for income taxes	2,653,992	2,086,996	12,190,359	9,531,107

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

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
<b>Supplemental Cash Flow Information</b>				
Cash paid for interest	\$ 4,834,307	\$ 5,070,762	\$ 19,647,979	\$ 20,854,534
Cash paid for income taxes	2,653,992	2,086,996	12,190,359	9,531,107