



SECOND QUARTER 2011

**Awilco Drilling PLC is a UK based offshore drilling company
owning and operating two semi submersible drilling rigs.
The Company is listed at the Oslo Stock Exchange
(Oslo Axess) under the ticker code AWDR.**

Financial Results – Second Quarter 2011

At the end of Q2 2011 both of Awilco Drilling's rigs had left Remontowa Shipyard in Poland and had completed testing and commissioning of equipment and mobilisation to its North Sea locations. The WilPhoenix commenced operations on 27 June and WilHunter commenced operations on 1 July.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the second quarter 2011 of USD 18.5 million.

There was revenue of USD 0.5 million earned during the quarter and relates to WilPhoenix.

In the second quarter Awilco Drilling had rig operating expenses of USD 11.6 million relating to pre-operating expenses. The general and administration expenses were USD 2.8 million of which USD 0.8 million is one-off effects.

EBITDA for the second quarter was USD 13.9 million loss while the operating loss was USD 17.0 million.

Interest expenses amounted to USD 3.4 million, which relates to accrued interest on the Seller's credit with Transocean and accrued interest on the drawn amount of the Working Capital Loan.

Net other financial items show a gain of USD 0.8 million in the quarter and this relates primarily to gain on foreign exchange and translation.

Loss before tax was USD 19.6 million. The tax credit for the quarter was USD 1.1 million arising from losses incurred during the quarter. The resulting net loss was USD 18.5 million. Earnings per share (EPS) for the second quarter were USD (0.66).

In early June a private placement of 3,031,500 shares was carried out. After the issue, the total share capital of Awilco Drilling is GBP 195,205.75 divided into 30,031,500 shares, up from GBP 175,500 divided into 27,000,000 at the end of first quarter.

Statement on financial position

As of 30 June 2011, total assets amount to USD 300.2 million.

At the same date, Awilco Drilling had USD 20.5 million in cash and cash equivalents.

Long term interest-bearing debt at the end of the quarter was USD 132.1 million. There was repayment of USD 2.8 million in respect of the seller's credit loan facility and further draw down of

USD 29 million of the working capital loan facility with Transocean. Total Working capital loan at end of the quarter is USD 35 million.

Principal activities

During the quarter the upgrading and class-work on WilPhoenix and WilHunter was completed and contracts for both rigs were secured.

Contract Status – WilPhoenix

The first well under the terms of the contract with AGR Petroleum Services for 1 firm well and 6 optional wells commenced 27 June. Immediately following completion of this well is three confirmed option wells. These options are part of AGR's multi well multi-client 2011 drilling program. At the end of the quarter, the contract value of the four firm wells of the AGR program was approximately USD 29 million.

Contract Status – WilHunter

The first well under the terms of the MOU with SPD commenced on 1 July and the principal operator is Nautical Petroleum. The MOU is for seven wells in the UK in total, of which two were confirmed at the end of second quarter with a combined contract value of approximately USD 22 million. SPD Limited is, like AGR, a well management company that facilitate rig contracts, generally for smaller oil companies. As the date of this report, a third well has been confirmed with principal operator MPX, giving a combined contract value of the three firm wells for WilHunter of about USD 34 million.

Rig Upgrading Projects

During the second quarter both the WilPhoenix and the WilHunter projects were completed at the Remontowa Shipyard in Gdansk, Poland. The rigs departed the yard late May 2011 and completed mobilization to the UK sector of the North Sea, testing and commissioning in June 2011. Increased mobilization costs and remedial costs were incurred during the testing and commissioning period in the amount of USD 2.5 million. The total project cost for the upgrading of both WilPhoenix and WilHunter is USD 96.7 million.

Listing

The Company was listed at the Oslo Stock Exchange (Oslo Axess) on 10 June under the ticker code AWDR. At the same time the shares stopped being traded at the Norwegian OTC list.

Capital Requirements and Funding

The previously announced equity issue was completed in early June with 3,031,500 new shares issued at a price of NOK 31 per share. The gross proceeds from the equity issue were USD 17.5 million. The net proceeds from the equity issue is being used to fund the final payments in respect of the WilPhoenix upgrade and reactivation costs and final payments in respect of the SPS and accommodation upgrade for WilHunter, as well as the Company's working capital needs.

The short term draw down facility of USD 10 million with its two largest shareholders, represented by Awilco Drilling AS and Thompkins Square Park S.a.r.l. remains in place but at the date of this report no funds have been drawn down on this facility.

Business Management System and Organisation

During Q2 2011 the WilPhoenix Safety Case and the amended WilHunter Safety Case were accepted by the UK Health and Safety Executive (HSE) and the Company's business management system and organisation became ready for start-up of operation.

At the end of Q2 2011, Awilco Drilling's Aberdeen based employees numbered 23 permanent personnel supported by 6 contractors. Awilco Drilling Pte Ltd offshore personnel numbered 171 permanent personnel, all of whom have been assigned to the relevant rig to support and complete the rig upgrade projects in Poland in preparation for going operational. The

Awilhelmsen Group continues to supply project and support personnel via the technical and management agreements.

Market Outlook

Tender activity for the UKCS has continued strongly over the last months. We are presently seeing full utilisation of the active fleet; however we do expect to see seasonal availability from Q3 onwards. The market is expected to pick up from early Q2 2012. We do expect to see a healthy market over the summer of 2012 with activity at least at same level as in 2011.

Subsequent Events

- WilHunter commenced operations with SPD and Nautical Petroleum on 1 July.
- In July, MPX North Sea Ltd exercised the option of a second well within its drilling contract with Awilco Drilling PLC and SPD. This well represents the third well of the SPD multi-client, multi-well 2011 drilling programme, and has an estimated contract value of approximately USD 7 million. The two wells within the MPX contract are planned to commence in direct continuation from the current Nautical Petroleum PLC Kraken well.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first six months of 2011, which has been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Aberdeen, 25 August, 2011

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Company background

Awilco Drilling was incorporated in December 2009. Awilco Drilling owns two semi submersible drilling rigs; WilPhoenix built in 1982 and upgraded in 2011, and WilHunter built in 1983 and upgraded in 1999 and 2011.

Awilco Drilling was listed at the Oslo Stock Exchange (Oslo Axess) in June 2011. Awilco Drilling's headquarters are located in Aberdeen, UK.

The total number of outstanding shares of Awilco Drilling at the date of this report is 30 031 500.

www.awilcodrilling.com

Forward Looking Statements

This Operating and Financial Review contains certain forward-looking statements that involve risks and uncertainties. Forward-looking statements are sometimes, but not always, identified by such phrases as “will”, “expects”, “is expected to”, “should”, “may”, “is likely to”, “intends” and “believes”. These forward-looking statements reflect current views with respect to future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. These statements are based on various assumptions, many of which are based, in turn, upon further assumptions, including Awilco Drilling’s examination of historical operating trends. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including the competitive nature of the offshore drilling industry, oil and gas prices, technological developments, government regulations, changes in economical conditions or political events, inability of the Company to obtain financing on favourable terms, changes of the spending plan of our customers, changes in the Company’s operating expenses including crew wages, insurance, dry-docking, repairs and maintenance, failure of shipyards to comply with delivery schedules on a timely basis and other important factors mentioned from time to time in our reports.

Condensed statement of comprehensive income

in USD thousands, except earnings per share

	Q2 2011	YTD	Q2 2010	YTD	31 Dec
	(unaudited)	Q2 2011	(unaudited)	Q2 2010	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	audited
Contract revenue	509	509	16 380	30 240	54 963
Reimbursable	5	5	0	0	
Other revenue	-	-	0	0	
	<u>514</u>	<u>514</u>	<u>16 380</u>	<u>30 240</u>	<u>54 963</u>
Rig operating expenses	11 595	16 225	557	1 249	3 173
Reimbursable	5	5	0	0	
General and administrative expenses	2 812	5 999	979	1 620	5 373
Depreciation	3 120	6 241	3 247	5 920	11 995
	<u>17 533</u>	<u>28 471</u>	<u>4 783</u>	<u>8 789</u>	<u>20 541</u>
Operating (loss)/profit	<u>(17 019)</u>	<u>(27 957)</u>	<u>11 597</u>	<u>21 451</u>	<u>34 422</u>
Interest income	12	76	10	18	119
Interest expense	(3 408)	(6 450)	(3 411)	(6 464)	(16 188)
Other financial items	858	2 779	47	57	(1 070)
Net financial items	<u>(2 538)</u>	<u>(3 594)</u>	<u>(3 354)</u>	<u>(6 389)</u>	<u>(17 139)</u>
Loss before tax	(19 556)	(31 551)	8 243	15 062	17 283
Tax benefit/ (expense)	1 093	(1 247)	(2 308)	(4 217)	(4 839)
Net (loss)/profit	<u>(18 463)</u>	<u>(32 798)</u>	<u>5 935</u>	<u>10 845</u>	<u>12 444</u>
Other comprehensive income	-	-	0	0	
Total comprehensive (loss)/income	<u>(18 463)</u>	<u>(32 798)</u>	<u>5 935</u>	<u>10 845</u>	<u>12 444</u>
Attributable to minority interests	0	0	0	0	0
Attributable to shareholders of the parent	(18 463)	(32 798)	5 935	10 845	12 444
Basic and diluted earnings per share	(0,66)	(1,19)	0,54	1,06	0,85

Condensed statement of financial position

in USD thousands

	30.06.2011 (unaudited)	31.12.2010 (audited)
Rigs, machinery and equipment	268 837	209 323
Other non-current assets		0
	<u>268 837</u>	<u>209 323</u>
Trade and other receivables	3 371	912
Prepayments	2 813	0
Inventory	4 657	4 517
Derivative financial instruments	0	392
Cash and cash equivalents	20 544	67 707
	<u>31 385</u>	<u>73 528</u>
Total assets	<u>300 222</u>	<u>282 851</u>
Paid in capital	130 142	111 387
Accumulated Deficit	(20 355)	12 444
	<u>109 787</u>	<u>123 831</u>
Deferred tax liability	0	4 839
Long-term interest-bearing debt	132 098	125 097
Other non-current liabilities	0	0
	<u>132 098</u>	<u>129 936</u>
Current portion of long-term debt	28 500	9 250
Trade and other creditors	12 825	13 953
Accruals and provisions	10 925	5 881
Current tax payable	6 087	
	<u>58 337</u>	<u>29 084</u>
Total equity and liabilities	<u>300 222</u>	<u>282 851</u>

**Condensed statement of changes in equity for the period from
1st January 2010 to 30 June 2011**
in USD thousands

	Paid-in-equity	Translation differences	Other equity (retained earnings)	Total equity
Equity at 1 January 2010	0	0	0	0
Equity issue at 14 January 2010	50 000	0	0	50 000
Equity issue costs	(1 250)	0	0	(1 250)
Stamp duty tax	(752)	0	0	(752)
Total comprehensive income for the period	0	0	10 844	10 844
Balance as at 30 June 2010	47 999	0	10 844	58 844
Equity issue at 04 October 2010	65 805	0	0	65 805
Equity issue costs	(1 651)	0	0	(1 651)
Stamp duty tax	(766)	0	0	(766)
Total comprehensive income to 31 December 2010	0	0	1 600	1 600
Balance as at 31 December 2010	111 387	0	12 444	123 832
Equity Issue at 1 June 2011	17 514	0	0	17 514
Equity issue costs 1 June 2011	(531)	0	0	(531)
Stamp duty tax refund	1 771	0	0	1 771
Total comprehensive loss to 30 June 2011	0	0	(32 798)	(32 798)
Movement year to date 2011	18 754	0	(32 798)	(14 044)
Balance as at 30 June 2011	130 141	0	(20 355)	109 787

Condensed statement of cash flow for the period

	YTD Q2 2011	YTD Q2 2010
Cash flow from operating activities		
Loss before tax	(31 550)	15 062
Revenue utilised for loan repayment		(18 370)
Depreciation	6 328	5 920
Net fair value gains on derivative financial instruments		
Interest cost	6 373	6 464
(Increase)/decrease in trade and other receivables	(3 371)	(387)
(Increase)/decrease in stock	(140)	
(Increase)/decrease in prepayment and accruals	(417)	(3 060)
Increase/(decrease) in trade and other payables	14 088	1 827
Increase/(decrease) in provisions and accruals	(11 264)	433
Interests paid	(6 373)	(3 554)
Net cash flow from operating activities	(26 325)	4 335
Cash flow from investing activities		
Purchase of property, plant and equipment	(65 841)	(204 181)
(Increase)/decrease in investments	0	
Proceeds from sale of property, plant and equipment	0	
Net cash flow from investing activities	(65 841)	(204 181)
Cash flow from financing activities		
Proceeds from issue of share capital	17 514	50 000
Equity issue costs	1 240	(2 001)
Issue of loans	29 000	163 120
Repayment of loans	(2 750)	0
Net cash flow from financing activities	45 004	211 119
Net increase/(decrease) in cash and cash equivalents	(47 163)	11 274
Cash and cash equivalents at beginning of the period	67 707	0
Exchange rate effects		0
Cash and cash equivalents at the end of the period	20 544	11 274

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of preparation

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34 "Interim financial reporting".

Significant accounting policies

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended December 31, 2010. This interim report should be read in conjunction with the audited 2010 financial statements, which include a full description of the Group's significant accounting policies.

Notes

Note 1 - Rigs and equipment

in USD thousands, except per share data

	Semi submersible drilling rigs/SPS	Other fixtures and equipment	Total
Acquisition cost per opening balance 1 Jan 2011	220 661	658	221 319
Acquisition of fixed assets	65 374	467	65 841
Disposal of fixed assets	-	0	0
Acquisition cost at ending balance	286 035	1 125	287 160
Accumulated depreciation per opening balance 1 Jan 2011	(12 295)	(32)	(12 327)
Depreciation	(5 909)	(86)	(5 995)
Disposals	-	0	0
Accumulated depreciation per ending balance	(18 204)	(118)	(18 322)
Net carrying amount at end of period	267 831	1 007	268 838
Expected useful life	5-15 years	3-10 years	
Depreciation rates	6.67% - 20%	10% - 33%	
Depreciation method	Straight line	Straight line	

The company is considering changing the expected useful life of the rigs from 15 years to 20 years and this decision will be made subsequent to redelivery of the rigs.

Note 2 - Debt and financing

Deferred Payment Deed (Seller's Credit)

In connection with the acquisition of the rigs from Transocean, the Company was granted a five year Seller's Credit from Transocean of USD 165 million. The borrowings are secured by first priority mortgages on the drilling rigs. The interest rate is 9%. Repayment terms are quarterly repayments of USD 2.8 million over five years and a final repayment of USD 87 million.

Working Capital Loan Agreement

Awilco Drilling entered into an agreement with Transocean for a three year Working Capital facility of USD 35 million, and the funds were available for draw down over a period of 18 months, including 14 July 2011. The Loans are specified for the purpose of providing funds for working capital and/or capital expenditure for WilPhoenix and WilHunter. The borrowings are secured by second priority mortgages on the drilling rigs. The interest rate is 10 %.

	WilPhoenix	WilHunter	Total
Sellers credit at time of consummation of transaction	82 500	82 500	165 000
Repayment of debt	(6 875)	(32 527)	(39 402)
Drawdown on Working Capital Debt	28 000	7 000	35 000
Total debt to Transocean per end of accounting period	103 625	56 973	160 598
Current portion of long term debt	19 500	9 000	28 500
Long term debt to Transocean per end of period	84 125	47 973	132 098
	103 625	56 973	160 598

(1) Drawdown on Working Capital Loan:

In total MUSD 35 has been drawn on the Working Capital loan. Interest accrued on or before 14 July 2011 will be accumulated and paid in whole on 14 July 2011.

Note 3 - Related party transactions

in USD thousands except per share data

In the normal course of its business, Awilco Drilling enters into a number of transactions with AWILHELMSEN, which is a major shareholder through its wholly owned subsidiary Awilco Drilling AS.

Transactions with AWILHELMSEN are specified as follows:

	<u>Q2 2011</u>
Sales	-
Purchases	1 576
Receivables	-
Payables	(604)

Note 4 - Segment information

The Company owns the semi submersible rigs WilPhoenix and WilHunter. The Company is only operating rigs in the mid water segment in the UK sector of the North Sea. The potential market for the rigs will be the international drilling market. As the rigs are managed as one business segment, the Company has only one reportable segment.

Note 5 - Corporation taxes

Corporation tax provision is based on the tax laws and rates in the countries the rigs are operated and where the rigs are owned. During Q2 the rigs were not operational but average tax rates have been applied consistent with the prevailing average tax rate for the year.

If the operation of the rigs change among foreign jurisdictions, and the methods of taxation in these jurisdictions varies, the effective tax rate may be subject to change.

Note 6 - Subsequent events

- WilHunter commenced operations with SPD and Nautical Petroleum on 1 July.
- In July, MPX North Sea Ltd exercised the option of a second well within its drilling contract with Awilco Drilling PLC and SPD. This well represents the third well of the SPD multi-client, multi-well 2011 drilling programme, and has an estimated contract value of approximately USD 7 million. The two wells within the MPX contract are planned to commence in direct continuation from the current Nautical Petroleum PLC Kraken well.

Note 7 - Capital commitments

As at the end of Quarter 2 the total project cost was USD 94.7million, with a further USD 2 million of costs committed for July and August in relation to the Rig upgrade project .

Note 8 - Share capital

As of 30th June 2011 total outstanding shares in the Company was 30,031,500 with a nominal value per share of GBP 0.0065. The share capital and share premium reserve below are expressed in USD at the exchange rate at time of conversion from USD to GBP.

	Shares	Par value per share	Share capital	Share premium reserve
Share capital per 30 June 2011	30 031 500	£0,0065	304 173	129 837 405
Basic/diluted average number of shares, 1 April - 30 June	27 966 082			
Basic/diluted average number of shares, YTD	27 485 710			

Ranking	Shares	Ownership
Awilco Drilling AS	14 633 100	48,73 %
Deutsche Bank AG London	3 989 381	13,28 %
Odin Offshore	1 855 300	6,18 %
Frank Mohn AS	1 500 000	4,99 %
Skips AS Tudor	775 000	2,58 %
Euroclear Bank SA	571 834	1,90 %
Skandinaviska Enskilda Banken	568 300	1,89 %
Regni AS	552 640	1,84 %
JP Morgan Clearing	539 749	1,80 %
Glaamene Industrier	524 000	1,74 %
Sabaro Investments	515 000	1,71 %
Bank of New York	458 819	1,53 %
JP Morgan Chase Bank	309 000	1,03 %
KLP Aksje Norge VPF	264 000	0,88 %
MP Pensjon PK	236 000	0,79 %
Bergen Kommunale Pensjonskasse	224 100	0,75 %
Kommunal Landspensjonskasse	169 900	0,57 %
Clearstream Banking	150 000	0,50 %
Pibco AS	140 200	0,47 %
LGJ Invest AS	100 000	0,33 %
Other shareholders	1 955 177	6,51 %
	<u>30 031 500</u>	<u>100,00 %</u>