



FIRST QUARTER 2012

**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 – First Quarter 2012

At the end of Q1 2012 both of Awilco Drilling's rigs were in continued drilling operations for their respective clients.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the first quarter 2012 of US\$ 4.0 million.

There was revenue of US\$ 22.6 million earned during the quarter.

In the first quarter Awilco Drilling had rig operating expenses of US\$ 13.8 million. There was a provision for doubtful debt of US\$ 2.5 million in respect of outstanding receivables in accordance with the new bad debt policy. The general and administration expenses were US\$ 2.9 million. This includes a provision of US\$ 1.1 million in respect of the stock award of synthetic stock options which are restated each quarter based on the value of the company shares.

EBITDA for the first quarter was US\$ 3.4 million while the operating loss was US\$ 1.0 million.

Interest expenses amounted to US\$ 3.5 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 loss of US\$ 0.1 million in the quarter and this relates primarily to loss on foreign exchange and translation.

Loss before tax was US\$ 4.6 million. The tax benefit for the quarter was US\$ 0.6 million on losses in the quarter. The resulting net loss was US\$ 1.0 million. Earnings per share (EPS) for the first quarter were US\$ (0.14).

Statement on financial position

As of 31 March 2012, total assets amount to US\$ 302.8 million.

At the same date, Awilco Drilling had US\$ 13.8 million in cash and cash equivalents.

Long term interest-bearing debt at the end of the quarter was US\$ 106.3 million. There was a payment of US\$ 10.1 million during the quarter in respect of the working capital loan of which US\$ 9.3 million was in respect of loan repayment and US\$ 0.8 million of associated interest. There was also a payment in respect of the seller's credit loan of US\$ 5.6 million of which US\$ 2.8 million was in respect of loan repayment and US\$ 2.8 million of associated interest. Total loan repayments in the quarter to Transocean were US\$ 12.1 million and US\$ 3.6 million of associated interest.

Operations and Contract Status

WilPhoenix

In Q1 2012 the WilPhoenix commenced operations for Hess on 1st March 2012 for the abandonment program on the Fife and Fergus fields.

The early termination fee of US\$ 5.8 million billed in respect of the cancellation of the second well for Antrim under the AGR contract remains unpaid. AWDR is working with AGR to secure recovery of funds. An interim payment of US\$ 1.25 million has been agreed for payment in early June.

WilHunter

In Q1 2012 the WilHunter was working for SPD and MPX on the Orlando well. Operations were suspended on 18th January due to repair and weather downtime. Drilling activity re-commenced on 21st March 2012.

The dispute for non-payment of invoices issued to Nautical Petroleum remains unresolved. Awilco Drilling continues to pursue collection of the outstanding amounts.

No new contracts were awarded during the quarter, however several contracts have been signed since quarter close. See subsequent events section for details.

Capital Requirements, Funding and Dividend

At the end of Q1 2012 US\$ 19.8 million was drawn down on the working capital facility from Transocean.

The loan facility of US\$ 10 million with its two largest shareholders, represented by Awilco Drilling AS and Tompkins Square Park S.a.r.l. remained in place.

The Company's long-term objective is to pay a regular dividend in support of the Company's main objective to maximise returns to shareholders. However, during 2012, the Company is scheduled to make significant debt repayment and does not intend to pay any dividends. A regular dividend payment on a quarterly basis is expected to commence during the first half of 2013. The level of the Company's dividends will be guided by current and prospective earnings, market prospects, capital expenditure requirements and investment opportunities.

Organisation

At the end of Q1 2012, Awilco Drilling's Aberdeen based employees numbered 25 permanent personnel supported by 4 contractors. Awilco Drilling Pte Ltd offshore personnel numbered 186 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

The availability of rigs to undertake work in the UK sector during 2012 is nearly fully absorbed. Tendering activity is focusing on 2013 start-up, with a number of significant requirements still outstanding. In some cases operators are considering postponement into 2014.

Lead times, from tendering to start of work and dayrates increasing to a level of approximately US\$ 360,000, as evidenced by the Company's most recent, fixture are both indicators of an improving market. The Company is therefore optimistic about the outlook for the UK market.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first quarter of 2012, 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.

Subsequent Events

- In April, Awilco Drilling signed a contract with Premier Oil UK Ltd for the provision of WilPhoenix for the drilling of two firm exploration wells and up to two additional wells. The contract is expected to commence late Q3 2012 and have a contract value for the firm period of approximately US\$17.4 million.
- A total of US\$ 10 million of the Shareholder loan was drawn down by Awilco Drilling during April in order to meet the loan obligations payable to Transocean during the month. Also in April, an addendum to the original loan agreement was signed to extend both the amount and duration of the loan facility. The amount was increased from US\$ 10 million to US\$ 15 million and the term was extended to 30th June 2013.
- In May, Awilco Drilling signed a contract amendment with Suncor Energy to extend the WilHunter for the drilling of a second firm well estimated at 61 days with a further 30 day option well. The second well under the contract is expected to commence in Q1 of 2013. The contract value for the firm well is estimated to be around US\$ 19.2 million.
- In May, Awilco Drilling signed a contract with Premier Oil UK Ltd for the provision of WilPhoenix for a term drilling program. The program will start in direct continuation from the previous Premier contract and is firm until 28th February 2014 with options for up to an additional 250 days. The contract is expected to commence early Q1 2013. The contract value for the firm period is estimated to be US\$ 148 million.
- In May, Awilco Drilling and Endeavour Energy UK Ltd mutually agreed to terminate the contract for the drilling of the East and West Rochelle development wells. WilHunter will now drill for Suncor Energy in direct continuation from the contract with Ithaca.
- In May, Awilco Drilling signed a Letter of Intent (LOI) with Hess UK Ltd for the provision of WilHunter for work related to their 2013 and 2014 abandonment program in the Central North Sea. The firm contract duration is 400 days with a contract value of approximately US\$ 144 million. The contract is expected to commence in Q2 2013.
- Late on the 17th of May, the WilHunter incurred technical downtime due to an equipment failure. The current estimated re-commencement of normal operations is expected to be within the first half of June. A further update will be released upon re-commencement of operations.
- Late in May, Awilco Drilling received a claim in the amount of GBP 9 million from MPX in respect of consequential costs incurred by them during periods of repair time on WilHunter during Q1. Awilco Drilling believes that MPX's actions and claims are without merit and are currently preparing a response to fully contest the claim.

Aberdeen, 30 May, 2012

The Board of Directors of Awilco Drilling PLC

CEO:

Jon Oliver Bryce

Mobile: +44 1224 737900

E-mail: job@awilcodrilling.com

Investor Relations:

Cathrine Haavind

Mobile: +47 93 42 84 64

E-mail: ch@awilcodrilling.com

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 on 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

	Q1 2012 (unaudited)	Q1 2011 (audited)	31 Dec 2011 audited
Contract revenue	19 516	0	75 830
Reimbursable	225	0	420
Other revenue	2 834	0	12
	<u>22 574</u>	<u>0</u>	<u>76 262</u>
Rig operating expenses	13 765	4 630	42 416
Reimbursable	90	0	262
Provision of doubtful debt	2 471	0	-
General and administrative expenses	2 894	3 188	10 918
Depreciation	4 360	3 120	15 041
	<u>23 580</u>	<u>10 938</u>	<u>68 638</u>
Operating profit/(loss)	<u>(1 006)</u>	<u>(10 938)</u>	<u>7 625</u>
Interest income	6	65	120
Interest expense	(3 504)	(3 042)	(14 023)
Other financial items	(132)	1 921	2 751
Net financial items	<u>(3 629)</u>	<u>(1 056)</u>	<u>(11 153)</u>
Profit/(Loss) before tax	(4 635)	(11 994)	(3 528)
Tax benefit/ (expense)	577	(2 340)	(104)
Net profit/(loss)	<u>(4 058)</u>	<u>(14 334)</u>	<u>(3 632)</u>
Other comprehensive income	0	0	-
Total comprehensive income/(loss)	<u>(4 058)</u>	<u>(14 334)</u>	<u>(3 632)</u>
Attributable to minority interests	0	0	0
Attributable to shareholders of the parent	(4 058)	(14 334)	(3 632)
Basic and diluted earnings per share	(0,14)	(0,53)	(0,13)

Condensed statement of financial position

in USD thousands

	<u>31.03.2012</u> (unaudited)	<u>31.12.2011</u> (audited)
Rigs, machinery and equipment	259 249	262 573
Other non-current assets		
	<u>259 249</u>	<u>262 573</u>
Trade and other receivables	9 641	8 857
Prepayments and accrued revenue	15 049	14 271
Inventory	4 800	4 800
Derivative financial instruments	0	0
Cash and cash equivalents	13 843	25 100
Deferred tax asset	246	
	<u>43 579</u>	<u>53 028</u>
Total assets	<u><u>302 828</u></u>	<u><u>315 601</u></u>
Paid in capital	130 142	130 141
Other Equity	4 753	8 812
Revaluation reserves	0	0
Minority interests	0	0
	<u>134 895</u>	<u>138 953</u>
Deferred tax liability	0	657
Long-term interest-bearing debt	106 348	109 098
Other non-current liabilities	0	0
	<u>106 348</u>	<u>109 755</u>
Current portion of long-term debt	36 319	45 667
Trade and other creditors	5 168	3 124
Accruals and provisions	17 831	16 122
Current tax payable	2 267	1 980
	<u>61 585</u>	<u>66 893</u>
Total equity and liabilities	<u><u>302 828</u></u>	<u><u>315 601</u></u>

**Condensed statement of changes in equity for the period from
1st January 2011 to 31 March 2012**

in USD thousands

	Paid-in-equity	Translation differences	Other equity (retained earnings)	Total equity
Equity at 1 January 2011	111,388	0	12,444	123,831
Equity Issue at 1 June 2011	17,514	0	0	17,514
Equity issue costs 1 June 2011	(490)	0	0	(490)
Stamp duty tax refund	1,730	0	0	1,730
Total comprehensive loss to 31 December 2011	0	0	(3,633)	(3,633)
Balance as at 31 December 2011	130,141	0	8,812	138,953
Total comprehensive loss to 31 March 2011	0	0	(4,058)	(4,058)
Balance as at 31 March 2012	130,142	0	4,753	134,895

Condensed statement of cash flow for the period

	YTD Q1 2012 (unaudited)	YTD Q1 2011 (audited)
Cash flow from operating activities		
(Loss)/profit before tax	(4,635)	(11,994)
Depreciation	4,360	3,150
Net fair value gains on derivative financial instruments	0	0
Interest cost	3,498	2,977
Unrealised loss on exchange	0	0
(Increase)/decrease in trade and other receivables	470	0
(Increase)/decrease in stock	0	(126)
(Increase)/decrease in prepayments and accrued revenue	(778)	(281)
Increase/(decrease) in trade and other payables	791	12,617
Increase/(decrease) in provisions and accrued expenses	1,799	0
Interests paid	(3,595)	(2,977)
Interests received	6	0
Taxation paid	(40)	0
Net cash flow from operating activities	1,877	3,366
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,036)	(35,556)
(Increase)/decrease in investments	0	0
Proceeds from sale of property, plant and equipment	0	0
Net cash flow from investing activities	(1,036)	(35,556)
Cash flow from financing activities		
Proceeds from issue of share capital	0	0
Equity issue costs	0	0
Issue of loans	0	0
Repayment of loans	(12,098)	0
Net cash flow from financing activities	(12,098)	0
Net increase/(decrease) in cash and cash equivalents	(11,257)	(32,189)
Cash and cash equivalents at beginning of the period	25,100	67,707
Exchange rate effects		0
Cash and cash equivalents at the end of the period	13,843	35,518

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, 2011. This interim report should be read in conjunction with the audited 2011 financial statements, which include a full description of the Group’s significant accounting policies.

Doubtful debt provision is calculated by analysing outstanding receivables and creating a provision using a fixed formula to provide a percentage of the uncollected amount based on the length of time the amount has remained unpaid.

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 2012	288,481	1,128	289,608
Acquisition of fixed assets	1,036	0	1,036
Disposal of fixed assets	-	0	0
Acquisition cost at ending balance	289,516	1,128	290,644
Accumulated depreciation per opening balance 1 Jan 2012	(26,789)	(247)	(27,036)
Depreciation	(4,302)	(58)	(4,360)
Disposals	-	-	0
Accumulated depreciation per ending balance	(31,091)	(305)	(31,396)
Net carrying amount at end of period	258,425	822	259,249
Expected useful life	5-20 years	3-10 years	
Depreciation rates	5% - 20%	10% - 33%	
Depreciation method	Straight line	Straight line	
Residual value per rig is USD 15 million.			

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. There is an option to defer a maximum of two principal repayments and during 2011 the Company deferred US\$ 5.5 million. The interest rate on the deferred repayments is 12%.

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. 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	(8,250)	(33,902)	(42,152)
Drawdown on Working Capital Debt	15,855	3,964	19,819
Total debt to Transocean per end of accounting period	90,105	52,562	142,667
Current portion of long term debt	24,105	12,214	36,319
Long term debt to Transocean per end of period	66,000	40,348	106,348
	90,105	52,562	142,667

(1) Drawdown on Working Capital Loan:

In total, MUSD 35 has been drawn on the Working Capital loan.

Interest accrued on or before 14th January 2012 was accumulated and paid in whole on 14th January 2012

along with the second scheduled repayment of USD 5.8 million and the additional mandatory payment of USD 3.5 million

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 AWILHELMSSEN which is a major shareholder through its wholly owned subsidiary Awilco Drilling AS.

Transactions with AWILHELMSSEN are specified as follows:

	<u>Q1 2012</u>
Sales	-
Purchases	46
Receivables	-
Payables	-

Note 4 - Segment information

The company owns the semi submersible rigs WilHunter and WilPhoenix. The company is only operating 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

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.

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 Q1 the rigs were operational and average tax rates have been applied consistent with the prevailing average tax rate for the year.

The tax benefit in the quarter was USD 0.6 million calculated using the effective group tax rate on losses during the quarter.

Note 6 - Subsequent events

In April, Awilco Drilling signed a contract with Premier Oil UK Ltd for the provision of WilPhoenix for the drilling of two firm exploration wells and up to two additional wells. The contract is expected to commence late Q3 2012 and have a contract value for the firm period of approximately US\$ 17.4 million.

A total of US\$ 10 million of the shareholder loan was drawn by Awilco drilling during April in order to meet the loan obligations payable to Transocean during the month. Also in April, an addendum to the original loan agreement was signed to extend both the amount and duration of the loan facility. The amount was increased from US\$ 10 million to US\$ 15 million and the term was extended to 30th June 2013.

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Late on the 17th of May, the WilHunter incurred technical downtime due to an equipment failure. The current estimated re-commencement of normal operations is expected to be within the first half of June. A further update will be released upon re-commencement of operations.

Late in May, Awilco Drilling received a claim in the amount of GBP 9 million from MPX in respect of consequential costs incurred by them during periods of repair time during Q1 on WilHunter. Awilco Drilling believes that MPX's actions and claims are without merit and are currently preparing a response to fully contest the claim.

Note 7 - Capital Commitments

Outstanding Capital Commitments as at the end of Quarter 1 were USD 1.2 million

Note 8 - Share capital

As of 31st March 2012 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 31 March 2011	30,031,500	£0.0065	304,173	129,837,405
Basic/diluted average number of shares, 1 January - 31 March	30,031,500			
Basic/diluted average number of shares, YTD	30,031,500			

Ranking	Shares	Ownership
Awilco Drilling AS	14,633,100	48.73%
Deutsche Bank AG, London	3,992,364	13.29%
Odin Offshore	1,755,300	5.84%
Frank Mohn AS	1,500,000	4.99%
Euroclear Bank SA	720,188	2.40%
Stenshagen Invest AS	616,410	2.05%
Arctic Funds PLC	480,653	1.60%
Bank of New York	410,463	1.37%
KLP Aksje Norge	373,646	1.24%
Toluma Norden AS	346,500	1.15%
JP Morgan Clearing	346,195	1.15%
SHB Stockholm	315,456	1.05%
Aksjefondet Handelsbanken	300,000	1.00%
MP Pensjon	236,000	0.79%
Bergen Kommunale Pensjonskasse	224,100	0.75%
Storebrand Optima	197,112	0.66%
Skandinaviska Enskilda Banken	184,461	0.61%
Kommunal Landspensjonskasse	164,900	0.55%
Staff-gruppen	150,000	0.50%
Torstein Tvenge	150,000	0.50%
Other shareholders	2,934,652	9.77%
	<u>30,031,500</u>	<u>100.00%</u>