# FIRST QUARTER 2011

**Awilco Drilling PLC is a UK based offshore drilling company owning and operating two semi submersible drilling rigs. The Company is listed on the Norwegian OTC under the ticker code AWDR.**

**Financial Results – First Quarter 2011**

At the end of Q1 2011 Awilco Drilling PLC (Awilco Drilling) had both rigs at Remontowa Shipyard in Poland, undergoing Special Periodic Surveys and upgrading.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the first quarter 2011 of USD 14.3 million.

There was no revenue earned during the quarter as both rigs were in the shipyard for the duration of the quarter.

In the first quarter Awilco Drilling had rig operating expenses of USD 4.6 million relating to pre-operating expenses. The general and administration expenses were USD 3.2 million of which USD 1.0 million is one-off effects.

EBITDA for the first quarter was USD 7.8 million loss while the operating loss was USD 10.9 million.

Interest expenses amounted to USD 3.0 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 1.9 million in the quarter and this relates to gain on foreign exchange and translation.

Loss before tax was USD 12.0 million. The tax charge for the quarter was USD 2.3 million arising from the transfer of the rig assets to the Maltese rig owning companies in accordance with the planned restructuring of the company. The resulting net loss was USD 14.3 million. Earnings per share (EPS) for the fourth quarter were USD -0.53.

Statement on financial position

As of 31 March 2011, total assets amount to USD 283.5 million.

At the same date, Awilco Drilling had USD 35.5 million in cash and cash equivalents.

Long term interest-bearing debt at the end of the quarter was USD 123.3 million. There were no repayments of long-term interest bearing debt during the quarter.

**Audited Financial Statements 2010**

The audited Financial Statements for the year ended 31$^{st}$ December was approved by the Board on 24 March 2011 and by the Annual General Meeting on 13 April 2011.

**Principal activities**
During the quarter the upgrading and class-work on WilPhoenix and WilHunter continued to progress and contracts for both rigs were secured.

*Contract Status – WilPhoenix*
A Letter of Intent ("LOI") was signed with AGR Petroleum Services for WilPhoenix in February 2011. The LOI was for 1 firm and 6 optional wells for operations in the UK. AGR Petroleum Services is a well management company that facilitate rig contracts, as described above.

In March 2011, Awilco Drilling signed a contract with AGR Petroleum Services for 1 firm well and 6 optional wells for WilPhoenix, thereby confirming the LOI. The contract represents AGR's multi well multi client 2011 drilling program. Drilling operations are to commence in direct continuation of the rig's mobilisation. At the end of the quarter, the contract value of the firm well of the AGR program was approximately USD 7 million.

*Contract Status – WilHunter*
In February 2011, a Memorandum of Understanding ("MOU") was signed with SPD Limited for the provision of WilHunter. The MOU is for 1 firm and 6 optional wells in the UK. SPD Limited is, like AGR, a well management company that facilitate rig contracts, generally for smaller oil companies. At the same time, Awilco Drilling confirmed that it had signed a LOI with Nautical Petroleum PLC for 1 firm well and 1 optional well as part of the above mentioned SPD Limited multi-client, multi-well 2011 drilling program.

The Company signed a contract with Nautical Petroleum PLC for 1 firm well and 1 optional well for WilHunter in March 2011, thereby confirming the LOI with Nautical under the MOU with SPD. The contract represents the first well in the SPD multi well multi client 2011 drilling programme. Drilling operations are to commence in direct continuation of the rig's mobilisation. At the end of the quarter, the combined contract value of the firm well of the SPD program was approximately USD 5 million.

In addition to the secured contracts, Awilco Drilling continued its marketing activities of both WilPhoenix and WilHunter, and received a number of additional market enquiries during the quarter.

*Project – WilPhoenix*
During the first quarter the WilPhoenix project continued at the Remontowa Shipyard Gdansk, Poland.

The project work scope continued with the three main areas of work relating to (1) the rigs special periodic survey (SPS) and (2) a programme of maintenance and refurbishment work (3) a programme of upgrade and enhancement work.

The upgrade and enhancement work programme consists of the following deliverables:
- Increased variable deckload (VDL) to be in line with other rigs of similar design
- Complete new accommodation for 110 persons
- Four new lifeboats
- New sewage plant
- Complete strip down and renewal of parts as needed for all generator engines
- Renewal of the SCR control system
- Improved mud pit system giving improved well control and working environment
- Four new shakers and improved lay out for mud handling and working environment
- Installation of new drawworks
- Increase of the main deck by 500 $m^2$

WilPhoenix departed the Remontowa Shipyard on 26 May 2011.

*Project - WilHunter*
During the first quarter the WilHunter project also progressed at the Remontowa Shipyard Gdansk, Poland.

The original project workscope comprised of two main areas of work relating to (1) the rigs special periodic survey (SPS) and (2) a programme of maintenance and refurbishment work. Subsequent to the commencement of project activity, Awilco Drilling expanded the rigs workscope to include a programme of upgrade and enhancement work. This work comprised of an additional accommodation level and associated life boat replacement. The accommodation upgrade will increase the maximum number of crew quarters from today's 97 persons on board (POB) to 110.

As of the date of this report, WilHunter is delivered from the Remontowa Shipyard and undergoing its last preparations before departure for its drilling location.

*Project - Cost*
The total project cost for the upgrading of both WilPhoenix and WilHunter is projected to be approximately USD 94 million of which USD 70 million relates to WilPhoenix and USD 24 million relates to WilHunter.

The following items included in the project cost were not included in the original project scope:

WilPhoenix:

| | | |
|---|---|---|
| – | 4 new anchor chains | USD 3.5 million |
| – | Extended Mudhandling system upgrade | USD 3.0 million |

WilHunter:

| | | |
|---|---|---|
| – | Accommodation upgrade and life-boat capacity | USD 4.0 million |
| – | BOP upgrade for increased pressure tolerance | USD 1.0 million |

**Capital Requirements and Funding**
The previously announced equity issue is estimated to be approximately USD 15-20 million and is planned to be raised in late May/early June 2011, prior to the listing on Oslo Stock Exchange (Oslo Axess). The net proceeds from the equity issues will 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 new equity will, together with the company's cash balance and the available funds for draw down, be sufficient to fund the projects as described above.

At the end of Q1 2011 USD 6 million was drawn down on the working capital facility from Transocean. At the date of this report, the full amount of the working capital loan facility of USD 35 million has been drawn.

In March, the Company entered into a 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. (a company controlled by QVT, indirectly the Company's second largest shareholder). The rationale for the facility is for the company to have a liquidity buffer during start-up of its operation. The loan falls due for repayment on 30 June 2012 and may be used for general working capital purposes. The loan bears an interest rate of 12 % per annum, in addition to a commitment fee of 3 % per annum of the committed amount (USD 10 million). There is no arrangement fee. The Company can, at any time, cancel the agreement or reduce the facility by half without any penalty or cost. At the date of this report no amount has been drawn down.

**Company Restructure**
During the previous quarter the board decided to implement a restructuring of the ownership of the rigs within the group. During Q1 the restructuring was completed and the rigs are now owned by Maltese companies.

**Business Management System and Organisation**
The development of Awilco Drilling's business management system and organisation has progressed according to plan and schedule during the first quarter. The development of Awilco Drilling's process, procedures and controls has also continued according to plan and schedule.

At the end of Q1 2011, Awilco Drilling's Aberdeen based employees numbered 21 permanent personnel supported by 6 contractors. Awilco Drilling Pte Ltd offshore personnel numbered 142 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.

As of the date of this report the Company's business management system and organisation are ready for start-up of operation.

**Market Outlook**
The UK Semi Submersible drilling market has during the winter season experienced some seasonal availability, however activity in the UK market has now picked up and all units actively marketed have secured work. We expect the tightness to continue throughout the summer and well into 3rd quarter. The general outlook for the UK market remains strong.

**Subsequent Events**

- In April, the WilPhoenix Safety Case and the amendment to the WilHunter Safety Case were accepted by the UK Health and Safety Executive (HSE).

- In April AGR Petroleum Services Limited declared option wells numbered one, two and three of its contract with Awilco Drilling for the Wilphoenix. These options represent the second, third and fourth wells of AGR's multi well multi-client 2011 drilling programme. At the date of this report, the combined contract value for the 4 firm wells of the AGR drilling program represents about USD 29 million.

- In April, MPX North Sea Ltd signed a drilling contract for 1 firm and 1 optional well for WilHunter, representing the second and third well of the SPD multi-well multi-client 2011 drilling programme. The contract value for the firm well of this contract is about USD 11 million.

- In April, Awilco Drilling Limited was re-registered as a public limited liability company under the name of Awilco Drilling PLC.

- Late April, Oslo Stock Exchange approved Awilco Drilling's listing application. The Company is to have its first day of listing on 10 June 2011 at the latest.

- In May, the Nautical Petroleum PLC well contract for WilHunter was increased in length, bringing the firm part of the contract value up from USD 5 million to USD 11 million. At the date of this report, the combined contract value for the 2 firm wells of the SPD drilling program represents about USD 22 million.

- In May, both rigs were delivered from the Remontowa Shipyard in Poland. As of the date of this report, WilPhoenix is en route to its drilling location and WilHunter is undergoing its last preparations before departure for its drilling location.

Oslo, 26 May, 2011

The Board of Directors of Awilco Drilling PLC

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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 WilHunter built in 1983 and upgraded in 1999.*

*Awilco Drilling was listed on the Norwegian OTC list in January 2010. 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 27 000 000.*

**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 2011 | Q1 2010 | 31 Dec 2010 |
|---|---|---|---|
| | (unaudited) | (unaudited) | audited |
| Contract revenue | 0 | 13 860 | 54 963 |
| Reimbursable | 0 | 0 | |
| Other revenue | 0 | 0 | |
| | 0 | 13 860 | 54 963 |
| Rig operating expenses | 4 630 | 692 | 3 173 |
| Reimbursable | 0 | 0 | |
| General and administrative expenses | 3 188 | 641 | 5 373 |
| Depreciation | 3 120 | 2 673 | 11 995 |
| | 10 938 | 4 006 | 20 541 |
| Operating (loss)/profit | (10 938) | 9 854 | 34 422 |
| Interest income | 65 | 8 | 119 |
| Interest expense | (3 042) | (3 053) | (16 188) |
| Other financial items | 1 921 | 10 | (1 070) |
| Net financial items | (1 056) | (3 035) | (17 139) |
| Loss before tax | (11 994) | 6 819 | 17 283 |
| Tax benefit/ (expense) | (2 340) | (1 909) | (4 839) |
| Net (loss)/profit | (14 334) | 4 910 | 12 444 |
| Other comprehensive income | 0 | 0 | |
| Total comprehensive (loss)/income | (14 334) | 4 910 | 12 444 |
| Attributable to minority interests | 0 | 0 | 0 |
| Attributable to shareholders of the parent | (14 334) | 4 910 | 12 444 |
| Average number of shares | 27 000 000 | 9 444 444 | 14 605 479 |
| Basic and diluted earnings per share | (0,53) | 0,52 | 0,85 |

## Condensed statement of financial position

in USD thousands

| | 31.03.2011 (unaudited) | 31.3.2010 (unaudited) | 31.12.2010 (audited) |
|---|---|---|---|
| Rigs, machinery and equipment | 241 730 | 193 719 | 209 323 |
| Other non-current assets | 0 | 0 | 0 |
| | 241 730 | 193 719 | 209 323 |
| Trade and other receivables | 0 | 1 116 | 912 |
| Prepayments | 1 584 | 327 | 0 |
| Inventory | 4 642 | 5 200 | 4 517 |
| Derivative financial instruments | 0 | 0 | 392 |
| Cash and cash equivalents | 35 518 | 9 353 | 67 707 |
| | 41 744 | 15 996 | 73 528 |
| Total assets | 283 474 | 209 715 | 282 851 |
| Paid in capital | 111 387 | 47 999 | 111 387 |
| Other equity | (1 892) | 4 910 | 12 444 |
| Revaluation reserves | 0 | 0 | 0 |
| Minority interests | 0 | 0 | 0 |
| | 109 495 | 52 909 | 123 831 |
| Deferred tax liability | 0 | 1 909 | 4 839 |
| Long-term interest-bearing debt | 123 348 | 130 062 | 125 097 |
| Other non-current liabilities | 0 | 0 | 0 |
| | 123 348 | 131 971 | 129 936 |
| Current portion of long-term debt | 11 000 | 24 023 | 9 250 |
| Trade and other creditors | 11 354 | 318 | 13 953 |
| Accruals and provisions | 21 097 | 494 | 5 881 |
| Current tax payable | 7 180 | | |
| | 50 631 | 24 835 | 29 084 |
| Total equity and liabilities | 283 474 | 209 715 | 282 851 |

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

in USD thousands

| | Paid-in-equity | Translation differences | Other equity (retained earnings) | Total equity |
|---|---|---|---|---|
| Equity at incorporation of the company (30.12.2009) | 0 | 0 | 0 | 0 |
| Equity issue at 14 January 2010 | 50 000 | 0 | 0 | 50 000 |
| Equity issue at 04 October 2010 | 65 805 | 0 | 0 | 65 805 |
| Equity issue costs | (2 901) | 0 | 0 | (2 901) |
| Stamp duty tax | (1 517) | 0 | 0 | (1 517) |
| Total comprehensive income for the period | 0 | 0 | 12 444 | 12 444 |
| Balance as at 31 December 2010 | 111 387 | 0 | 12 444 | 123 831 |
| Total comprehensive loss for quarter 1 | 0 | 0 | (14 336) | (14 336) |
| Balance as at 31 March 2011 | 111 387 | 0 | (1 892) | 109 495 |

**Condensed statement of cash flow for the period**

| | Q1 2011 (unaudited) | Q1 2010 |
|---|---|---|
| Cash flow from operating activities | | |
| Loss before tax | (11 994) | 6 819 |
| Revenue utilised for loan repayment | 0 | (10 915) |
| Depreciation | 3 150 | 2 673 |
| Net fair value gains on derivative financial instruments | 0 | 0 |
| Interest cost | 2 977 | 3 053 |
| (Increase)/decrease in trade and other receivables | 0 | (1 116) |
| (Increase)/decrease in stock | (126) | (147) |
| (Increase)/decrease in prepayment and accruals | (281) | (179) |
| Increase/(decrease) in trade and other payables | 12 617 | 305 |
| Increase/(decrease) in provisions and accruals | 0 | 506 |
| Interests paid | (2 977) | (3 053) |
| Net cash flow from operating activities | 3 367 | (2 054) |
| | | |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | (35 556) | (36 592) |
| (Increase)/decrease in investments | 0 | 0 |
| Proceeds from sale of property, plant and equipment | 0 | 0 |
| Net cash flow from investing activities | (35 556) | (36 592) |
| | | |
| Cash flow from financing activities | | |
| Proceeds from issue of share capital | 0 | 50 000 |
| Equity issue costs | 0 | (2 001) |
| Issue of loans | 0 | 0 |
| Repayment of loans | 0 | 0 |
| Net cash flow from financing activities | 0 | 47 999 |
| | | |
| Net increase/(decrease) in cash and cash equivalents | (32 189) | 9 353 |
| Cash and cash equivalents at beginning of the period | 67 707 | 0 |
| Exchange rate effects | 0 | 0 |
| Cash and cash equivalents at the end of the period | 35 518 | 9 353 |

## SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

### Basis of preparation

These interim condensed financial statements have been prepared in accordance with IAS 34 "Interim financial reporting". These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2010.The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The same accounting policies and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2010.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of Awilco Drilling PLC and entities controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

### Foreign currency translation

*Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in USD, which is the Company's functional currency and presentation currency. All subsidiaries have USD as their functional currency.

*Transaction and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the income statement.

### Revenue recognition

Revenue derived from charter-hire contracts or other service contracts is recognized in the period that services are rendered at rates established in the relevant contracts. Certain contracts include mobilization fees payable at the start of the contract. In cases where the fee covers a general upgrade of a rig or equipment which increases the value of the rig or equipment beyond the contract period, the fee is recognized as revenue over the firm contract period whereas the investment is depreciated over the remaining lifetime of the asset. In cases where the fee covers specific upgrades or equipment specific to the contract, the mobilisation fees are recognized as revenue over the firm contract period. The related investment is depreciated over the firm contract period. In cases where the fee covers specific operating expenses at the start up of the contract the fees are recognized in the same period as the expenses.

### Property, plant and equipment

Rigs and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to its working condition. When it can be clearly demonstrated that expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of the assets beyond its originally assessed standard of performance, the expenditure is capitalized as an additional cost of the asset. A component of an asset with a cost that is significant in relation to the total cost of the asset is depreciated separately. Components with similar depreciation method and useful life are grouped together.

Depreciation is calculated using the straight-line method for each asset, after taking into account the estimated residual value, over its expected useful lives. Components of fixed assets with different economic useful lives are depreciated over their respective useful lives.

**Cash and cash equivalents**
Cash represents cash on hand and deposits at bank that are repayable on demand. Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or fewer and which are subject to an insignificant risk of change in value.

**Accounts receivable**
Accounts receivables are carried at amortized cost. The interest element is disregarded if it is insignificant. Should there be objective evidence of a fall in value, the difference between the carrying amount and the present value of future cash flows is recognized as a loss, discounted by the receivable amount's effective interest rate.

**Share capital**
Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are recognized as a reduction of equity, net of tax, from the proceeds.

**Long-term interest bearing debt**
All borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. First year installment of long-term debt are classified as current liability.

**Tax**
The tax expense consists of the tax payable and changes in deferred tax. Deferred tax is calculated at the nominal income tax rate of net temporary differences existing between accounting and tax values, and any carry forward losses for tax purposes at year-end. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

**Segment information**
The Company is only operating rigs in the mid water segment. The potential market for the rigs will be the international drilling market (i.e. all over the world) and will be exposed to the same risks and returns wherever the rigs are employed. As the rigs are managed as one business segment, the Company has only one reportable segment.

**Earnings per share**
Basic earnings per share ("Basic EPS") are calculated as net profit or loss for the period by the weighted average number of shares outstanding during the period.

**Estimates**
The preparation of financial statements in accordance with IFRS requires management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenue, expenses, assets and liabilities and disclosures. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

# Notes

## Note 1 - Rigs and equipment

in USD thousands, except per share data

| | Semi submersible drilling rigs/SPS | Other fixtures and equipment | Total |
|---|---|---|---|
| Acquistion cost per opening balance | 220 661 | 658 | 221 319 |
| Acquisition of fixed assets | 35 330 | 226 | 35 556 |
| Disposal of fixed assets | - | 0 | 0 |
| Acquisition cost at ending balance | 255 991 | 884 | 256 875 |
| | | | |
| Accumulated depreciation per opening balance | (12 295) | (32) | (12 327) |
| Depreciation | (2 788) | (29) | (2 818) |
| Disposals | - | | 0 |
| Accumulated depreciation per ending balance | (15 084) | (61) | (15 145) |
| | | | |
| Net carrying amount at end of period | 240 907 | 823 | 241 730 |
| | | | |
| 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 tyears 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 will be 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 | (5 500) | (31 152) | (36 652) |
| Drawdown on Working Capital Debt | 6 000 | - | 6 000 |
| Total debt to Transocean per end of accounting period | 83 000 | 51 348 | 134 348 |
| | | | |
| Current portion of long term debt | 5 500 | 5 500 | 11 000 |
| Long term debt to Transocean per end of period | 77 500 | 45 848 | 123 348 |
| | 83 000 | 51 348 | 134 348 |

(1) Drawdown on Working Capital Loan:
In total MUSD 6 has been drawn on the Worlking Capital loan. Interest accrued on or before 14 July 2011 will be accummulated and paid

## 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:

| | Q1 2011 |
|---|---|
| Sales | - |
| Purchases | 865 |
| Receivables | - |
| Payables | (815) |

## Note 4 - Segment information

The Company owns the semi submersible rigs WilPhoenix and WilHunter. Both rigs are in Remontowa shipyard for reactivation work. The Company is only operating rigs in the mid water segment. The potential market for the rigs will be the international drilling market (i.e. all over the world) and will be exposed to the same risks and returns wherever the rigs are employed. 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 Q1 the rigs were not operational but average tax rates have been applied consistent with the prevailing average tax rate for the year.
A tax charge of USD 3.1million has arisen in Q1 as a result of the transfer of the rig assets to the Maltese rig owning entities in accordance with the planned restructuring of the company. The charge arises due to creation of a balancing charge when transferring the assets at fair market value.
If the operation of the rigs change among foreign jurisdictions, and the methods of taxation in these jurisdictions varies, there will not necessarily be any correlation between the income tax provision and income before tax.

## Note 6 - Subsequent events

In April, the Safety Cases for the WilPhoenix and WilHunter was accepted by the UK Health and Safety Executive (HSE).

In April AGR Petroleum Services Limited declared option wells numbered one, two and three of its contract with Awilco Drilling for the Wilphoenix. These options represent the second, third and fourth wells of AGR's multi well multi-client 2011 drilling programme. At the date of this report. the combined contract value for the 4 firm wells of the AGR drilling program represents about USD 29 million.

In April, MPX North Sea Ltd signed a drilling contract for 1 firm and 1 optional well, representing the second and third well of the SPD multi-well multi-client 2011 drilling programme. The contract value for the firm well of this contract is about USD 11 million.

In April, Awilco Drilling Limited was re-registered as a public company under the name of Awilco Drilling PLC.

Late April, Oslo Stock Exchange approved Awilco Drilling's listing application. The Company is to have its first day of listing on 10 June 2011 at the latest.

[In May, the Nautical Petroleum PLC well contract for WilHunter was increased in length, bringing the firm part of the contract value up from USD 5 million to USD 11 million. At the date of this report, the combined contract value for the 2 firm wells of the SPD drilling program represents about USD 22 million.]

[In May, the rig upgrading projects were completed and WilPhoenix and WilHunter were mobilised to the locations of their drilling contracts in the UK North Sea].

## Note 7 - Capital commitments

The total project cost for the WilPhoenix reactivation project and the WilHunter Special survey and accommoation upgrade is USD 94M.

As at quarter end a total $29.0 million of the combined project cost was committed (e.g. full accommodation arrangement, drilling and well control equipment, general services from the yard etc.).

The upgrading costs will be funded through existing Cash Balances, undrawn Working Capital Loan and new equity to be raised in the capital market.

## Note 8 - Share capital

As of 31st March 2011 total outstanding shares in the Company was 27.000.000 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 | 27 000 000 | £0,0065 | 175 500,00 | 111 330 606 |
| Basic/diluted average number of shares, 1 October - 31 December | 27 000 000 | | | |
| Basic/diluted average number of shares, YTD | 27 000 000 | | | |

| **Ranking** | **Shares** | **Ownership** |
|---|---|---|
| Awilco Drilling AS | 13 230 000 | 49,00 % |
| Bank of New York | 3 591 907 | 13,30 % |
| Odin Offshore | 1 668 000 | 6,18 % |
| Frank Mohn AS | 1 500 000 | 5,56 % |
| Skips AS Tudor | 775 000 | 2,87 % |
| JP Morgan Clearing | 729 249 | 2,70 % |
| Glaamene Industrier | 594 000 | 2,20 % |
| Euroclear Bank SA | 571 834 | 2,12 % |
| Regni AS | 552 640 | 2,05 % |
| Sabaro Investments | 515 000 | 1,91 % |
| Skandinaviska Enskilda Banken | 498 800 | 1,85 % |
| JP Morgan Chase Bank | 310 000 | 1,15 % |
| Deutsche Bank AG London | 201 593 | 0,75 % |
| Bergen Kommunale Pensjonskasse | 200 000 | 0,74 % |
| KLP Aksje Norge VPF | 164 000 | 0,61 % |
| MP Pensjon PK | 107 000 | 0,40 % |
| Ole Ketil Teigen | 100 000 | 0,37 % |
| Finn Harald Ruud | 100 000 | 0,37 % |
| Pibco AS | 100 000 | 0,37 % |
| LGJ Invest AS | 100 000 | 0,37 % |
| Other shareholders | 1 390 977 | 5,15 % |
| | 27 000 000 | 100,00 % |

## Note 9 - Derivative Financial Instrument

As at year end there were financial hedge contracts in place with a year end fair value gain of $392,000.
The contract matured during first quarter and no further forward contracts were entered into during the quarter.