SECOND QUARTER 2010

Awilco Drilling Limited is a drilling company listed on the Norwegian OTC under the ticker code AWDR. The Company owns two semi submersible drilling rigs and has its headquarters in Aberdeen, Scotland.

Financial Results – Second Quarter 2010
At the end of June 2010 Awilco Drilling Limited (Awilco Drilling) had one rig in operation and one rig being prepared for reactivation.

Comprehensive Income Statement
Awilco Drilling reports total comprehensive income for the second quarter 2010 of USD 5.9 million.

Total revenue for the quarter was USD 16.4 million and relates to a bareboat contract with Transocean for Arctic IV.

For the second quarter Awilco Drilling had rig operating expenses of USD 0.6 million relating to operating and lay-up costs, and general and administration expenses of USD 1 million.

EBITDA for the second quarter was USD 14.8 million. Operating profit was USD 11.6 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.

Profit before tax was USD 8.2 million and net profit was USD 5.9 million. Earnings per share (EPS) for the second quarter were USD 0.54.

The average number of outstanding shares for the first half of 2010 was 10,226,519, while the average number of outstanding shares for the second quarter was 11,000,000.

Statement on financial position
As of 30 June 2010, total assets amount to USD 213 million.

At the same date, Awilco Drilling had USD 11.3 million in cash and cash equivalents.

Long term interest-bearing debt at the end of the quarter was USD 144.8 million. During the term of the bareboat charter 80% of the revenue is offset against the Seller's credit as capital payment and interest payment.

Operation
Arctic IV has been working for Nexen Petroleum under a bareboat charter with Transocean. The rate under the bareboat charter is USD 180,000 per day. Transocean has notified Awilco Drilling that the rig will be redelivered mid-September; however, the bareboat rate runs until the end of October 2010.

Awilco Drilling continues its marketing activities. During the summer months, management has met with the majority of the major and independent oil companies operating on the UK continental shelf (UKCS). Awilco Drilling's entrance to the UKCS market has been met with a universal welcome with most oil companies expressing an interest in how we will price, contract and operate the rigs.

Organisation
The development of Awilco Drilling is continuing according to plan and schedule, with the recruitment of several new key employees being made. Jon Oliver Bryce joined Awilco Drilling as General Manager on the 1 July and is based in Aberdeen. Jon Oliver Bryce has more than 20 years of experience in the drilling industry, most recently as General Manager for Odfjell Drilling (UK) Ltd. Awilco Drilling now employs 35 persons (permanent and contractors), of which 10 are offshore crew assigned to the Arctic II reactivation project.

Development of Awilco Drilling's Business Management System (BMS) continues as planned. The BMS encompasses procedural controls and instructions for both onshore and offshore operational activities. As part of the BMS, a full Safety Management System and Rig Safety Case Program are under development. The Safety Case for the Arctic IV was submitted to the UK Health and Security Executive (HSE) in early July.

Projects
<u>Arctic II (being renamed WilPhoenix)</u>
Arctic II was, during April, moved from Invergordon to Gdansk Shiprepair Yard Remontowa SA in Gdansk, Poland for the necessary work to reactivate the rig. The reactivation programme for the rig started during the quarter with focus on the following work:

- Special survey of the hull almost completed, no steel renewal and very little repair is required
- Increased variable deckload (VDL), will be in line with other rigs of similar design
- Design of blisters, sponsons and new deck area approved in principle by DNV
- Fabrication and installation of above commencing shortly
- Long lead items have been ordered i.e. silicon-controlled rectifiers (SCR), anchor winch parts, new sewage plant, new lifeboats, rig maintenance system, and blow-out preventor (BOP) maintenance and certification
- New accommodation arrangement for 110 persons, dismantling of old accommodation completed
- Mooring chains inspected and certified, four to be renewed
- Evaluation and recertification of the drilling equipment is ongoing
- Improvements in mudhandling and working environment are being analysed
- General evaluation of all rig systems and equipment is ongoing in order to finalise work scope
- Maintenance and class inspection of equipment and systems commenced

Arctic II is planned to be operational from the beginning of Q2 2011.

<u>Arctic IV (to be renamed WilHunter)</u>
Arctic IV will undergo 5-year class survey after completion of the present bareboat charter and before the end of May 2011. The exact timing and location for the survey work will depend on market conditions. The plan is to have Arctic IV ready for operation at the beginning of Q2 2011.

Capital Requirements and Funding
As previously communicated the Company will raise new equity of USD 65 – 70 million to fund the ongoing reactivation of Arctic II and the planned re-classing of Arctic IV. The project cost for Arctic II is USD 75 million, and the re-classing cost for Arctic IV is estimated to be USD 15 million. The timing of the equity issue will depend upon general capital market conditions and the final milestone payment plan from the yard. The estimated new equity will, together with the company's cash balance, the available funds for draw down, and income from the current bareboat contract, be sufficient to fund the projects as described.

Market Outlook
The UK mid-water market is presently experiencing about full utilization for the marketed active fleet. One unit remains cold stacked while Arctic II is in shipyard undergoing the reactivation programme. Dayrates continue to be around USD 250,000 per day.

Most operators have secured units for their 2010 programs and chartering activity now focuses on projects for 2011. Recent forecast for 2011 indicates demand levels peaking slightly higher than this year. A number of operators have yet to firm up their drilling plans for 2011 and more work can still emerge over the next few months.

The Company is optimistic for the UK market outlook and the planned reactivation and classing programmes for Arctic II and Arctic IV gives us a good position to benefit from a strong UK market.

Statement from the Board of Directors
We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2010 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.

Oslo, 31 August, 2010

The Board of Directors of Awilco Drilling Limited

CEO:
Jon Oliver Bryce
Mobile: +44 771 7762 779
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; Arctic II built in 1982 and Arctic IV 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 11 000 000.

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

	Q2 2010	From date of incorporation (30 December 2009) to 30 June 2010
	(unaudited)	(unaudited)
Contract revenue	16 380	30 240
Reimbursables	0	0
Other revenue	0	0
	16 380	30 240
Rig operating expenses	557	1 250
Reimbursables	0	0
General and administrative expenses	979	1 620
Depreciation	3 247	5 920
	4 783	8 789
Operating profit/ (loss)	11 597	21 451
Interest income	10	19
Interest expense	(3 411)	(6 464)
Other financial items	47	57
Net financial items	(3 354)	(6 389)
Profit before tax	8 243	15 062
Tax benefit/ (expense)	(2 308)	(4 217)
Net profit/ (loss)	5 935	10 844
Other comprehensive income	0	0
Total comprehensive income/(loss)	5 935	10 844
Attributable to minority interests	0	0
Attributable to shareholders of the parent	5 935	10 844
Basic and diluted earnings per share	$0,54	$1,06

Condensed statement of financial position

in USD thousands

	30.06.2010 (unaudited)
Rigs, machinery and equipment	198 260
Other non-current assets	0
	198 260
Trade and other receivables	387
Prepayments and accruals	3 060
Cash and cash equivalents	11 274
	14 721
Total assets	212 981
Paid in capital	47 999
Other equity	10 844
Revaluation reserves	0
Minority interests	0
	58 844
Deferred tax liability	4 217
Long-term interest-bearing debt	128 312
Other non-current liabilities	0
	132 529
Current portion of long-term debt	16 438
Trade and other creditors	2 260
Accruals and provisions	2 910
	21 608
Total equity and liabilities	212 981

Condensed statement of changes in equity for the period from 30 December 2009 (incorporation date) to 30 June 2010

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
Equity issue at 14 January 2010	50 000	-	-	50 000
Equity issue costs	(1 250)	-	-	(1 250)
Stamp duty tax	(751)	-	-	(751)
Total comprehensive income for the period	-	-	10 844	10 844
Balance as at 30 June 2010	47 999	0	10 844	58 844

Condensed statement of cash flow for the period

	Q2 2010	From date of incorporation (30 December 2009), to 30 June 2010
	(unaudited)	(unaudited)
Cash flow from operating activities		
Profit before tax	8 243	15 062
Depreciation	3 247	5 920
Interest cost	3 411	6 464
(Increase)/decrease in trade and other receivables	729	(387)
(Increase)/decrease in prepayment and accruals	(2 734)	(3 060)
Increase/(decrease) in trade and other payables	1 521	1 827
Increase/(decrease) in provisions and accruals	(73)	433
Interest paid	(501)	(3 554)
Net cash flow from operating activities	13 844	22 705
Cash flow from investing activities		
Purchase of property, plant and equipment	(2 589)	(204 181)
Proceeds from sale of property, plant and equipment	0	0
Net cash flow from investing activities	(2 589)	(204 181)
Cash flow from financing activities		
Proceeds from issue of share capital	0	50 000
Equity issue costs	0	(2 001)
Issue of loans	1 000	163 120
Repayment of loans	(10 335)	(18 370)
Net cash flow from financing activities	(9 335)	192 749
Net increase/(decrease) in cash and cash equivalents	1 920	11 274
Cash and cash equivalents at beginning of the period	9 353	0
Exchange rate effects	0	0
Cash and cash equivalents at the end of the period	11 274	11 274

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of preparation

These interim condensed financial statements have been prepared in accordance with IAS 34 “Interim financial reporting”. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Awilco Drilling Ltd 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 and spare parts	Motor Vehicles	Other fixtures and equipment	Total
Acquistion cost per opening balance	-		-	-
Acquisition of fixed assets	204 088	75	17	204 180
Disposal of fixed assets	-		-	-
Acquisition cost at ending balance	204 088	75	17	204 180
Accumulated depreciation per opening balance	-	-	-	-
Depreciation	(5 914)	(5)	(1)	(5 920)
Accumulated depreciation per ending balance	(5 914)	(5)	(1)	(5 920)
Net carrying amount at end of period	198 174	71	16	198 260
Estimated remaining useful life	15 years	4 years	3-10 years	
Depreciation rates	6,7 %	25,0 %	10% - 33%	
Depreciation method	Straight line	Straight line	Straight line	

Note 2 - Debt and financing

Deferred Payment Deed (Seller's Credit)

In connection with the acquisition of the rigs from Transocean, Awilco Drilling 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%, 15 years profile / balloon after five years. Under the bareboat agreement for Arctic IV Transocean retains 80% of the income as repayment of the borrowings (instalments and interest cost).

Working Capital Loan Agreement

Awilco Drilling has 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, up to and including 14 July 2011. The Loans are specified for the purpose of providing funds for working capital and/or capital expenditure for Arctic II and IV, mainly (80 %) for reactivation. The borrowings will be secured by second priority mortgages on the drilling rigs. The interest rate is 10 %.

	Awilco Arctic II Ltd	Awilco Arcitc IV Ltd	Total
Seller's credit at time of consummation of transaction	82 500	82 500	165 000
Instalment from the conditional payment (see (1) below)	0	(2 880)	(2 880)
Repayment of debt	(2 750)	(15 620)	(18 370)
Drawdown on Working Capital Debt (see (2) below)	1 000	0	1 000
Total debt to Transocean at end of period	80 750	64 000	144 750
Current portion of long term debt	4 125	12 313	16 438
Long term debt to Transocean at end of period	76 625	51 687	128 312
	80 750	64 000	144 750

(1) Conditional payment;

Subject to specific closing requirements in the agreements with Transocean for the acquisition of Arctic IV, which is on bareboat charter with the Seller, the Company received "conditional payment" for a period before the transaction was consummated. The conditional payment from Transocean of MUSD 3,6 was recorded as an adjustment to the cost price of the rig. The payment of 80% of the conditional payment was repaid to the Seller as instalment on the sellers credit - thus recorded as an instalment on the original sellers credit of MUSD 165

(2) Drawdown on Working Capital loan;

In total MUSD 1 has been drawn on the Working Capital loan. A further MUSD 34 is available for draw down until 14 July 2011.

Interest accrued on or before 14 July 2011 will be accummulated and paid in whole on 14 July 2011 or may be capitalised and added to the outstanding principal loan amount at this date.

Note 3 - Related party transactions

in USD thousands

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:

	From date of incorporation (30 December 2009) to 30 June 2010
Sales	0
Purchases	788
Receivables	0
Payables	(788)

Note 4 - Segment information

The Company owns the semi submersible rigs Arctic II which is in yard for reactivation work, and Arctic IV which operates on a bareboat charter with Transocean on the UK Continental Shelf.

The Company's business activity is not organised on the basis of different products or services, or different geographical areas of operations. The Company considers the market for its mobile offshore drilling units as one market, and also considers the world market as one market - and does not consider the various geographical markets to have different operational or financial risk. The operation of the rigs are regularly reviewed in order to assess performance and make decisions about the allocation of capital and other resources. The rigs are managed as one segment as the potential customers and drilling services provided are similar in nature.

Consequently, under the current nature of business the Company does not provide segment information.

Note 5 - Restricted cash

The Company has restricted cash of NOK 3,810,000 held on escrow account to secure payments to Siemens AS (Oil & Gas Solutions Offshore) as per agreements entered into by the Company relating to the upgrade of Arctic II. The restricted cash is classified as "cash and cash equivalents" in the Statement of Financial Position.

Note 6 - Income taxes

Income tax provision is based on the tax laws and rates in the countries the rigs are operated and income is earned. Currently the operation is on UK Continental Shelf, consequently the annual effective tax rate for 2010 is expected to equal the UK statutory tax rate of 28% on the pre tax income adjusted for any disallowable items.

If the operation of 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 7 - Subsequent events

in USD thousands, except per share data

Jon Oliver Bryce joined Awilco Drilling as General Manager on 1 July.

In early July, the Safety Case for Arctic IV was submitted to Health and Security Executive (HSE) in the UK.

Arctic II was mobilised in April from Scotland to Poland. The Company has defined the scope of work for the reactivation of Arctic II in co-operation with the shipyard, Gdansk Shiprepair Yard Remontowa. In August, the reactivation project for Arctic II commenced. Total cost is estimated to be MUSD 75, and scheduled for completion by the end of 1Q 2011.

Note 8 - Capital commitments

During the second quarter the company invested $ 2.6 million in connection with ordering of long-lead items and preparation for upgrading. At the end of the second quarter a further $2.4 million was committed.

With reference to note 6, Subsequent events, the total project cost for the reactivation project is USD 75 million.

At present date, a further approx. USD 25 million has been 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 Balance, income from the bareboat charter for Arctic IV, undrawn Working Capital Loan and new equity to be raised in the capital market.

Note 9 - Share capital

As of 30 June 2010 total outstanding shares in the Company was 11.000.000 with a par value per share of USD 0,00001.

	Shares	Par value per share	Share capital	Share premium reserve	Total paid-in-capital
Share capital per 30 June 2010	11 000 000	0,00001	0	50 000	50 000
Basic/diluted average number of shares, 1 April - 30 June	11 000 000				
Basic/diluted average number of shares, YTD	10 226 519				

The major shareholders can be specified as follows;

	Shares	Ownership
Awilco Drilling AS	5 670 000	51,55 %
Deutsche Bank AG, London	1 545 500	14,05 %
JP Morgan Clearing	800 000	7,27 %
Odin Offshore	600 000	5,45 %
Kassen AS	446 000	4,05 %
Skagen Kon Tiki	342 666	3,12 %
Regni AS	201 000	1,83 %
Viola AS	201 000	1,83 %
Home Capital	151 000	1,37 %
Mike Mullen	123 334	1,12 %
Noto AS	100 000	0,91 %
Pibco AS	82 500	0,75 %
Other shareholders	737 000	6,70 %
	11 000 000	100,00 %

Note 10 - Pro forma opening balance sheet

Awilco Drilling Ltd and the wholly owned subsidiaries, Awilco Arctic II Ltd and Awilco Arctic IV Ltd, were incorporated late December 2009 for the purpose of acquiring the rigs Arctic II and Arctic IV from Transocean. The pro forma opening balance have been prepared on a consolidated level for the purpose of presenting the balance sheet after the transaction with Transocean is consummated and the equity issue is completed. The transaction is considered as an acquisition of assets, and not an acquisition of a business, thus no consolidated pro forma profit and loss statement has been

All figures in USD 1000	Pro forma opening balance
Rig	196 200
Inventory / spare parts	5 200
Net working capital	8 719
Total assets	$210 119
Paid in capital	50 000
Other equity	(2 001)
	47 999
Debt Transocean	162 120
Total equity and debt	$210 119

Explanatory notes to the pro forma opening balance;

* Equity issue of MUSD 50, costs related to the equity issue amounts to MUSD 1,25 and stamp duty tax of MUSD 0,75.
*No deferred tax asset is recognised on the equity issue costs.
* Acquisition costs of rigs and spare parts is MUSD 205 in total. Acquisition cost price is adjusted with the "conditional payment" of MUSD 3,6 (see below).
* Debt to Transocean is MUSD 165 in total for the two rigs. Total debt is adjusted with the "conditional payment" of MUSD 2,8 (see below).
* Net working capital of MUSD 10 subtracted by the equity issue costs of MUSD 2.
* Subject to specific closing requirements in the agreements with Transocean for the acquisition of Arctic IV, which is on bare boat charter with the Seller, the Company received "conditional payment" for a period before the transaction was consummated. The conditional payment from Transocean of MUSD 3,6 was recorded as an adjustment to the cost price of the rig. The payment of 80% of the conditional payment was repaid to the Seller as instalment on the sellers credit - thus recorded as downward regulation of the original sellers credit of MUSD 165.