



THIRD QUARTER 2010

Awilco Drilling Limited 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 – Third Quarter 2010

At the end of September 2010 Awilco Drilling Limited (Awilco Drilling) had one rig in operation and one rig undergoing reactivation and upgrading.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive income for the third quarter 2010 of USD 6.6 million.

Total revenue for the quarter was USD 16.6 million and relates to a bareboat contract with Transocean for WilHunter.

In the third quarter Awilco Drilling had rig operating expenses of USD 0.7 million relating to operating and lay-up costs, and general and administration expenses of USD 1.2 million.

EBITDA for the third quarter was USD 14.7 million while operating profit was USD 11.4 million.

Interest expenses amounted to USD 3.3 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 1.1 million in the quarter of which USD 1.2 million is gain from foreign currency forward contracts related to the WilPhoenix upgrading and reactivation project.

Profit before tax was USD 9.2 million and net profit was USD 6.6 million. Earnings per share (EPS) for the third quarter were USD 0.60.

The number of outstanding shares at the end of third quarter was 11,000,000, unchanged from the second quarter.

Statement on financial position

As of 30 September 2010, total assets amount to USD 218.6 million.

At the same date, Awilco Drilling had USD 14.6 million in cash and cash equivalents.

Long term interest-bearing debt at the end of the quarter was USD 139.8 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

WilHunter has during the third quarter continued working for Nexen Petroleum under its bareboat charter with Transocean. The rate under the bareboat charter is USD 180,000 per day and the contract has been extended to 15 November.

Awilco Drilling continues its marketing activities of both WilPhoenix and WilHunter, and have during the third quarter received a number of market enquiries.

Projects

WilPhoenix

Awilco Drilling's project team at Remontowa Shipyard in Poland currently counts four persons supported by eight key personnel serving on the rig. The team is to take WilPhoenix through the Special Periodic Survey (SPS) and ensure the delivery of the following main enhancements of the rig:

- 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 system with state of the art equipment
- Improved mud pit system giving improved well control and working environment
- Four new shaker and improved lay out for mud handling and working environment
- Installation of new drawwork
- Increase of the main deck with 500 m²

The project cost for WilPhoenix is USD 75 million and the rig is to be operational from the beginning of Q2 2011. The WilPhoenix project is progressing according to plan and budget.

WilHunter

In third quarter it was decided that WilHunter was to be towed to Remontowa at the end of the contract with Transocean to undergo its planned SPS. Having both rigs at the same yard is considered to be the best cost and time efficient solution for the Company. The estimated project cost for WilHunter is USD 15 million and the rig is planned to be ready for operation at the beginning of Q2 2011.

Capital Requirements and Funding

Preparations for the first part of the Company's planned two-step equity issue were done during the third quarter and completed in early October. The second part of the equity funding is planned to be raised in relation with the listing on Oslo Stock Exchange (Oslo Axess) in early Q2 2011. The net proceeds from the equity issues will fund the ongoing reactivation of WilPhoenix and the planned SPS for WilHunter. 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.

Business Management System and Organisation

The development of Awilco Drilling's business management system, Safety Cases, and organisation is progressing according to plan and schedule. During the quarter, a new Chief Operating Officer joined the Company, and other recent key appointments include Rig Manager, QHSE Manager, Maintenance Manager and HR Manager. At the end of third quarter, Awilco Drilling employed 28 full-time equivalent positions (permanent and contractors), of which 8 are offshore crew assigned to the WilPhoenix project. The development of rig/on-site operational procedures was completed during the quarter and will be part of the Company's crew induction program.

Market Outlook

Following a period of full utilization of the active UK mid-water fleet during the 2010 summer season we are now predictably starting to see some seasonal availability during Q4 2010 and Q1 2011. Dayrates continue to be around USD 250,000 per day. Recent short term fixtures for work through the winter indicate that a strong 2011 market is indeed likely.

Operators have yet to firm up their drilling plans and confirming their associated financing/budget approval for 2011. Additional requirements are continuing to emerge and can still emerge over the next few months. Recent forecast indicates that demand will pick-up from late Q1 2011 and that demand in 2011 is expected to be slightly higher than 2010.

The planned reactivation and upgrading work for WilPhoenix and WilHunter are well received in the market and provides the company with a good opportunity to benefit from a strong UK market.

Subsequent Events

- In early October a private placement of 16,000,000 shares was carried out. The gross proceeds from the equity issue were USD 65 million. After the issue, the total share capital of Awilco Drilling Limited is GBP 175,500 divided into 27,000,000 shares.
- In early November, the UK Safety Case for WilHunter was accepted by the UK Health and Safety Executive (HSE).
- WilHunter finalised its bareboat contract with Transocean on 15 November. On 22 November, WilHunter arrived in Remontowa Shipyard in Gdansk and Awilco Drilling took redelivery of the rig.
- In November, key senior rig crew on WilHunter accepted employment offers from Awilco Drilling.

Oslo, 30 November, 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; 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

	Q3 2010	From date of incorporation (30 December 2009) to 30 September 2010
	(unaudited)	(unaudited)
Contract revenue	16 560	46 800
Reimbursable	32	32
Other revenue	0	0
	<u>16 592</u>	<u>46 832</u>
Rig operating expenses	696	1 946
Reimbursable	32	32
General and administrative expenses	1 200	2 820
Depreciation	3 289	9 209
	<u>5 217</u>	<u>14 006</u>
Operating profit/ (loss)	<u>11 375</u>	<u>32 826</u>
Interest income	10	29
Interest expense	(3 276)	(9 740)
Other financial items	1 087	1 144
Net financial items	<u>(2 179)</u>	<u>(8 567)</u>
Profit before tax	9 197	24 258
Tax benefit/ (expense)	(2 575)	(6 792)
Net profit/ (loss)	<u>6 621</u>	<u>17 466</u>
Other comprehensive income	0	0
Total comprehensive income/(loss)	<u>6 621</u>	<u>17 466</u>
Attributable to minority interests	0	0
Attributable to shareholders of the parent	6 621	17 466
Basic and diluted earnings per share	0,60	1,67

Condensed statement of financial position

in USD thousands

	<u>30.09.2010</u> (unaudited)
Rigs, machinery and equipment	199 308
Other non-current assets	<u>0</u>
	<u>199 308</u>
Trade and other receivables	39
Prepayments and accruals	4 614
Cash and cash equivalents	<u>14 649</u>
	<u>19 302</u>
Total assets	<u><u>218 610</u></u>
Paid in capital	47 999
Other equity	17 466
Revaluation reserves	0
Minority interests	<u>0</u>
	<u>65 465</u>
Deferred tax liability	6 792
Long-term interest-bearing debt	130 216
Other non-current liabilities	<u>0</u>
	<u>137 009</u>
Current portion of long-term debt	9 623
Trade and other creditors	1 525
Accruals and provisions	<u>4 988</u>
	<u>16 136</u>
Total equity and liabilities	<u><u>218 610</u></u>

**Condensed statement of changes in equity for the period from
30 December 2009 (incorporation date) to 30 September 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	-	-	17 466	17 466
Balance as at 30 September 2010	47 999	0	17 466	65 465

Condensed statement of cash flow for the period

	Q3 2010	From date of incorporation (30 December 2009), to 30 September 2010
	(unaudited)	(unaudited)
Cash flow from operating activities		
Profit before tax	9 197	24 258
Depreciation	3 289	9 209
Net fair value gains on derivative financial instruments	(1 170)	(1 170)
Interest cost	3 276	9 740
(Increase)/decrease in trade and other receivables	348	(39)
(Increase)/decrease in stock	0	0
(Increase)/decrease in prepayment and accruals	(384)	(3 444)
Increase/(decrease) in trade and other payables	(302)	1 525
Increase/(decrease) in provisions and accruals	1 801	2 234
Interests paid	(3 432)	(6 986)
Net cash flow from operating activities	12 622	35 327
Cash flow from investing activities		
Purchase of property, plant and equipment	(4 336)	(208 517)
Proceeds from sale of property, plant and equipment	0	0
Net cash flow from investing activities	(4 336)	(208 517)
Cash flow from financing activities		
Proceeds from issue of share capital	0	50 000
Equity issue costs	0	(2 001)
Issue of loans	5 000	168 120
Repayment of loans	(9 911)	(28 281)
Net cash flow from financing activities	(4 911)	187 839
Net increase/(decrease) in cash and cash equivalents	3 375	14 649
Cash and cash equivalents at beginning of the period	11 274	0
Exchange rate effects	0	0
Cash and cash equivalents at the end of the period	14 649	14 649

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
Acquisition cost per opening balance	-	-	-	0
Acquisition of fixed assets	208 268	75	174	208 517
Disposal of fixed assets	-	-	-	0
Acquisition cost at ending balance	208 268	75	174	208 517
Accumulated depreciation per opening balance	-	-	-	0
Depreciation	(9 195)	(9)	(4)	(9 209)
Accumulated depreciation per ending balance	(9 195)	(9)	(4)	(9 209)
Net carrying amount at end of period	199 073	66	169	199 308
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, 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%, 15 years profile / balloon after five years. Under the bareboat agreement for WilHunter 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, 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 Arctic II Ltd	WilHunter Arctic IV Ltd	Total
Sellers credit at time of consummation of transaction	82 500	82 500	165 000
Installment from the conditional payment (see (1) below)	0	(2 880)	(2 880)
Repayment of debt	(4 125)	(24 156)	(28 281)
Drawdown on Working Capital Debt	6 000	0	6 000
Total debt to Transocean per end of accounting period	84 375	55 464	139 839
Current portion of long term debt	4 471	5 152	9 623
Long term debt to Transocean per end of period	79 904	50 312	130 216
	84 375	55 464	139 839

(1) Conditional payment;

Subject to specific closing requirements in the agreements with Transocean for the acquisition of WilHunter, 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

(2) Drawdown on Working Capital Loan:

In total MUSD 6 has been drawn on the Working Capital loan. A further MUSD 29 is available for draw down until 14 July 2011. Interest accrued on or before 14 July 2011 will be accumulated 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 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:

	From date of incorporation (30 December 2009) to 30 September 2010
Sales	0
Purchases	1 411
Receivables	0
Payables	(474)

The company owns the semi submersible rigs WilPhoenix which is laid up, and WilHunter which operated during the quarter on a bare boat charter with Transocean in the UK continental shelf.

Note 4 - Segment information

The Company owns the semi submersible rigs WilPhoenix which is in yard for reactivation work, and WilHunter which during the quarter operated on a bareboat charter with Transocean on the UK continental shelf. 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 - Restricted cash

The Company has restricted cash of NOK 2,111,000 (USD 618,807.86) held on escrow account to secure payments to Siemens AS (Oil & Gas Solutions Offshore) as per agreements entered into by the Company in relation to the upgrade of WilPhoenix. US\$2,500,000.00 has also been deposited in an escrow as a deposit in relation to the forward hedge agreements detailed in Note 11. 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 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 7 - Subsequent events

In early October a private placement of 16,000,000 shares was carried out. The gross proceeds from the equity issue were USD 65 million. After the issue, the total share capital of Awilco Drilling Limited is GBP 175,500 divided into 27,000,000 shares.

In early November, the UK Safety Case for WilHunter was accepted by the UK Health and Security Executive (HSE).

WilHunter finalised its bareboat contract with Transocean on 15 November. On 22 November, WilHunter arrived in Remontowa Shipyard in Gdansk and Awilco Drilling took redelivery of the rig.

In November, key senior rig crew on WilHunter accepted employment offers from Awilco Drilling.

Note 8 - Capital commitments

The total project cost for the WilPhoenix reactivation project is USD 75M.

At the end of the second quarter a total \$5.0 million of the project cost was committed. At the end of the third quarter, a further approx, USD 25 million 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, income from the bareboat charter for WilHunter, undrawn Working Capital Loan and new equity to be raised in the capital market.

Note 9 - Share capital

As of 30 September 2010 total outstanding shares in the Company was 11.000.000 with a nominal value per share of GBP 0.0065. The nominal share capital of the Company was redominated from US\$ to GBP during September 2010, and the share capital was increased by way of capitalisation of the share premium account. 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 September 2010	11 000 000	£0,0065	110	49 890
Basic/diluted average number of shares, 1 July - 30 September	11 000 000			
Basic/diluted average number of shares, YTD	10 487 179			

	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 %
Skandinaviska Enskilda Banken	439 000	3,99 %
Skagen Kon-Tiki	342 666	3,12 %
Viola AS	201 000	1,83 %
Regni AS	186 000	1,69 %
Euroclear Bank SA	162 834	1,48 %
Home Capital AS	151 000	1,37 %
Noto AS	100 000	0,91 %
Pibco AS	82 500	0,75 %
Hemaca AS	75 000	0,68 %
Funkybiz AS	75 000	0,68 %
Byblos AS	56 000	0,51 %
Torstein Tvenge	50 000	0,45 %
Nortura Konsernpensjon	50 000	0,45 %
Glaamene Industrier	50 000	0,45 %
Ventor AS	45 000	0,41 %
Neram AS	40 000	0,36 %
Other shareholders	278 500	2,53 %
	<u>11 000 000</u>	<u>100,00 %</u>

Note 10 - Pro forma opening balance sheet

Awilco Drilling Limited 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 WilPhoenix and WilHunter 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 prepared.

All figures in USD 1000	Pro forma opening balance
Deferred tax asset	0
Rig	196 200
Inventory / spare parts	5 200
Net working capital	8 719
Total assets	<u>\$210 119</u>
Paid in capital	50 000
Other equity	(2 001)
	<u>47 999</u>
Debt Transocean	162 120
Total equity and debt	<u>\$210 119</u>

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 WilHunter, 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 installment on the sellers credit - thus recorded as downward regulation of the original sellers credit of MUSD 165

Note 11 - Derivative Financial Instrument

in USD thousands

30.09.10

(unaudited)

Fair value of foreign currency forward contracts \$1 171

The foreign currency forward contracts were entered into in order to minimise the Group's exposure to losses resulting from adverse fluctuations in foreign currency exchange rates on planned payments of approximately MUSD 21,7 on the upgrading project. The fair value of the forward exchange contracts, as shown above, is recorded as other financial income in the Statement of Comprehensive Income, and classified as accruals in the Statement of Financial Position.