



THIRD QUARTER 2011

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

Financial Results – Third Quarter 2011

At the end of Q3 2011 Awilco Drilling PLC (Awilco Drilling) both rigs were in continued drilling operations for their respective clients.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive profit for the third quarter 2011 of USD 15.1 million.

There was revenue of USD 36.1 million earned during the quarter.

In the third quarter Awilco Drilling had rig operating expenses of USD 13.3 million. The general and administration expenses were USD 1.9 million.

EBITDA for the third quarter was USD 20.7 million while the operating profit was USD 16.4 million.

Interest expenses amounted to USD 3.8 million, which relates to accrued interest on the Seller's credit with Transocean and accrued interest on the drawn amount of the Working Capital Loan.

Net other financial items show a gain of USD 0.1 million in the quarter and this relates primarily to gain on foreign exchange and translation.

Profit before tax was USD 12.7 million. The tax benefit for the quarter was USD 2.4 million arising from a tax credit of USD 3.3 million in respect of agreeing the tax position of the company as governed by an Advance Pricing Agreement with HMRC (the UK Tax Authorities). This has been partially offset by a charge of USD 0.9 million on profits earned during the quarter. The resulting net profit was USD 15.1 million. Earnings per share (EPS) for the third quarter were USD 0.50.

Statement on financial position

As of 30 September 2011, total assets amount to USD 303.8 million.

At the same date, Awilco Drilling had USD 10.4 million in cash and cash equivalents.

Long term interest-bearing debt at the end of the quarter was USD 126.3 million. There were no capital repayments during the quarter in respect of the seller's credit loan facility or the working capital loan with Transocean.

Operations and Contract Status

WilPhoenix

In Q3 2011 the WilPhoenix was working for AGR and Faroe Petroleum on Fulla until 1 September when the rig moved to operations with AGR and Hurricane Exploration on Whirlwind. At the end of the quarter, WilPhoenix had a remaining contract value of firm wells of approximately USD 19 million.

WilHunter

During the quarter the WilHunter was working for SPD and Nautical on Kraken. At the end of the quarter, the combined contract value of WilHunter's remaining firm wells was approximately USD 16 million.

After quarter-end, Awilco Drilling has signed two new Letter of Intents (LOIs) and one new contract; please see the subsequent events section for more details.

Capital Requirements and Funding

As of the date of this report, Awilco Drilling is fully financed.

At the end of Q3 2011 USD 35 million was drawn down on the working capital facility from Transocean.

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

Organisation

At the end of Q3 2011, Awilco Drilling's Aberdeen based employees numbered 24 permanent personnel supported by 6 contractors. Awilco Drilling Pte Ltd offshore personnel numbered 180 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

Tendering activity has increased significantly during the 3rd quarter. Some seasonal availability is starting to become evident, however activity will be increasing from late first quarter 2012. Present tendering activity indicates a very tight UK market in 2012. Higher levels of activity are forecasted for 2012 than what is experienced during 2011.

Subsequent Events

- In October, Awilco Drilling signed a Letter of Intent (LOI) with Endeavour Energy UK Ltd for the provision of WilHunter for their Rochelle development program. The contract duration was estimated to be about 150 days with a contract value of approximately USD 37 million. The contract in respect of this LOI was signed later in October. The contract is expected to commence late Q1 2012.
- In October, Hess UK Ltd signed a Letter of Intent for the provision of the WilPhoenix for work related to their 2012 abandonment programme on the Fife and Fergus fields. The contract is expected to commence late Q1 2012. The contract duration is estimated to be about 200 days with a contract value of approximately USD 51 million.

- Also in October, Ithaca Energy (UK) Limited signed a Letter of Intent (LOI) for the provision of the WilHunter for the drilling of one appraisal well on the Hurricane discovery. The contract is expected to commence early Q1 2012 and has an estimated contract value of USD 15.7 million.

Oslo, 29 November, 2011

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Company background

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

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

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

www.awilcodrilling.com

Forward Looking Statements

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

Condensed statement of comprehensive income

in USD thousands, except earnings per share

	Q3 2011	YTD	Q3 2010	YTD
	(unaudited)	Q3 2011	(unaudited)	Q3 2010
		(unaudited)		(unaudited)
Contract revenue	35 829	36 338	16 560	46 800
Reimbursable	230	235	32	32
Other revenue	3	3	-	-
	<u>36 062</u>	<u>36 576</u>	<u>16 592</u>	<u>46 832</u>
Rig operating expenses	13 255	29 481	696	1 946
Reimbursable	144	149	32	32
General and administrative expenses	1 893	7 793	1 200	2 820
Depreciation	4 341	10 681	3 289	9 209
	<u>19 634</u>	<u>48 104</u>	<u>5 217</u>	<u>14 006</u>
Operating profit/(loss)	<u>16 429</u>	<u>(11 528)</u>	<u>11 375</u>	<u>32 826</u>
Interest income	18	95	10	29
Interest expense	(3 781)	(10 231)	(3 276)	(9 740)
Other financial items	101	2 880	1 087	1 144
Net financial items	<u>(3 662)</u>	<u>(7 256)</u>	<u>(2 179)</u>	<u>(8 567)</u>
Profit/(Loss) before tax	12 767	(18 784)	9 197	24 258
Tax benefit/(expense)	2 377	1 129	(2 575)	(6 792)
Net profit/(loss)	<u>15 143</u>	<u>(17 655)</u>	<u>6 621</u>	<u>17 466</u>
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income	<u>15 143</u>	<u>(17 655)</u>	<u>6 621</u>	<u>17 466</u>
Attributable to minority interests	0	0	0	0
Attributable to shareholders of the parent	15 143	(17 655)	6 621	17 466
Basic and diluted earnings per share	0,50	(0,62)	0,60	1,67

Condensed statement of financial position

in USD thousands

	30.09.2011 (unaudited)	31.12.2010 (audited)
Rigs, machinery and equipment	266 644	209 323
Other non-current assets		0
	<u>266 644</u>	<u>209 323</u>
Trade and other receivables	6 480	912
Prepayments and accrued revenue	15 548	0
Inventory	4 730	4 517
Derivative financial instruments	0	392
Cash and cash equivalents	10 374	67 707
	<u>37 132</u>	<u>73 528</u>
Total assets	<u>303 776</u>	<u>282 851</u>
Paid in capital	130 142	111 387
Accumulated deficit	(5 211)	12 444
	<u>124 931</u>	<u>123 831</u>
Deferred tax liability	0	4 839
Long-term interest-bearing debt	126 265	125 097
Other non-current liabilities	0	0
	<u>126 265</u>	<u>129 936</u>
Current portion of long-term debt	34 333	9 250
Trade and other creditors	4 173	13 953
Accruals and provisions	11 755	5 881
Current tax payable	2 319	
	<u>52 580</u>	<u>29 084</u>
Total equity and liabilities	<u>303 776</u>	<u>282 851</u>

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

in USD thousands

	Paid-in-equity	Translation differences	Other equity (retained earnings)	Total equity
Equity at 1 January 2010	0	0	0	0
Equity issue at 14 January 2010	50 000	0	0	50 000
Equity issue costs	(1 250)	0	0	(1 250)
Stamp duty tax	(751)	0	0	(751)
Total comprehensive income for the period	0	0	17 466	17 466
Balance as at 30 September 2010	48 000	0	17 466	65 466
Equity issue at 04 October 2010	65 805	0	0	65 805
Equity issue costs	(1 651)	0	0	(1 651)
Stamp duty tax	(766)	0	0	(766)
Total comprehensive income to 31 December 2010	0	0	(5 022)	(5 022)
Balance as at 31 December 2010	111 388	0	12 444	123 832
Equity Issue at 1 June 2011	17 514	0	0	17 514
Equity issue costs 1 June 2011	(531)	0	0	(531)
Stamp duty tax refund	1 771	0	0	1 771
Total comprehensive loss to 30 September 2011	0	0	(17 655)	(17 655)
Movement year to date 2011	18 754	0	(17 655)	1 099
Balance as at 30 September 2011	130 142	0	(5 211)	124 931

Condensed statement of cash flow for the period

	YTD Q3 2011	YTD Q3 2010
Cash flow from operating activities		
(Loss)/profit before tax	(18 784)	24 258
Depreciation	10 670	9 209
Net fair value gains on derivative financial instruments	0	(1 170)
Interest cost	10 136	9 740
(Increase)/decrease in trade and other receivables	(6 480)	(39)
(Increase)/decrease in stock	(213)	0
(Increase)/decrease in prepayments and accrued revenue	(13 152)	(3 444)
Increase/(decrease) in trade and other payables	5 437	1 525
Increase/(decrease) in provisions and accrued expenses	(11 825)	2 234
Interests paid	(10 136)	(6 986)
Net cash flow from operating activities	(34 348)	35 327
Cash flow from investing activities		
Purchase of property, plant and equipment	(67 989)	(208 517)
(Increase)/decrease in investments	0	0
Proceeds from sale of property, plant and equipment	0	0
Net cash flow from investing activities	(67 989)	(208 517)
Cash flow from financing activities		
Proceeds from issue of share capital	17 514	50 000
Equity issue costs	1 240	(2 001)
Issue of loans	29 000	168 120
Repayment of loans	(2 750)	(28 281)
Net cash flow from financing activities	45 004	187 839
Net increase/(decrease) in cash and cash equivalents	(57 333)	14 649
Cash and cash equivalents at beginning of the period	67 707	0
Exchange rate effects		0
Cash and cash equivalents at the end of the period	10 374	14 649

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of preparation

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

Significant accounting policies

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

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.

Notes

Note 1 - Rigs and equipment

in USD thousands, except per share data

	Semi submersible drilling rigs/SPS	Other fixtures and equipment	Total
Acquisition cost per opening balance 1 Jan 2011	220 661	658	221 319
Acquisition of fixed assets	67 520	469	67 989
Disposal of fixed assets	-	0	0
Acquisition cost at ending balance	288 180	1 127	289 307
Accumulated depreciation per opening balance 1 Jan 2011	(12 295)	(32)	(12 327)
Depreciation	(10 193)	(144)	(10 337)
Disposals	-	-	0
Accumulated depreciation per ending balance	(22 488)	(176)	(22 664)
Net carrying amount at end of period	265 693	951	266 644
Expected useful life	5-20 years	3-10 years	
Depreciation rates	5% - 20%	10% - 33%	
Depreciation method	Straight line	Straight line	

The company changed the expected useful life of the rigs from 15 years to 20 years with effect from 1st July 2011.

Note 2 - Debt and financing

Deferred Payment Deed (Seller's Credit)

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

Working Capital Loan Agreement

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

	WilPhoenix	WilHunter	Total
Sellers credit at time of consummation of transaction	82 500	82 500	165 000
Repayment of debt	(6 875)	(32 527)	(39 402)
Drawdown on Working Capital Debt	28 000	7 000	35 000
Total debt to Transocean per end of accounting period	103 625	56 973	160 598
Current portion of long term debt	24 167	10 167	34 333
Long term debt to Transocean per end of period	79 458	46 806	126 265
	103 625	56 973	160 598

(1) Drawdown on Working Capital Loan:

In total MUSD 35 has been drawn on the Working Capital loan. Interest accrued on or before 14 October 2011 will be accumulated and paid in whole on 14 October 2011 along with the first repayment installment of USD 5.8m.

Note 3 - Related party transactions

in USD thousands except per share data

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

Transactions with AWILHELMSSEN are specified as follows:

	<u>Q3 2011</u>
Sales	-
Purchases	1 772
Receivables	-
Payables	(325)

Note 4 - Segment information

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

Note 5 - Corporation taxes

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

Corporation tax provision is based on the tax laws and rates in the countries the rigs are operated and where the rigs are owned. During Q3 the rigs were operational and average tax rates have been applied consistent with the prevailing average tax rate for the year.

The tax benefit for the quarter was USD 2.4 million arising from a tax credit of USD3.3 million in respect of agreeing the tax position of the company as governed by an Advance Pricing Agreement with HMRC (the UK Tax Authorities). This has been partially offset by a charge of USD 0.9 million on profits earned during the quarter.

Note 6 - Subsequent events

- In October, Awilco Drilling signed a Letter of Intent (LOI) with Endeavour Energy UK Ltd for the provision of WilHunter for their Rochelle development program. The contract duration was estimated to be about 150 days with a contract value of approximately USD 37 million. The contract in respect of this LOI was signed later in October. The contract is expected to commence late Q1 2012.
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- Also in October, Ithaca Energy (UK) Limited signed a Letter of Intent (LOI) for the provision of the WilHunter for the drilling of one appraisal well on the Hurricane discovery. The contract is expected to commence early Q1 2012 and has an estimated contract value of USD 15.7 million.

Note 7 - Capital commitments

Outstanding Capital Commitments at the end of Quarter 3 was USD 1.1million.

Note 8 - Share capital

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

	Shares	Par value per share	Share capital	Share premium reserve
Share capital per 30 September 2011	30 031 500	£0,0065	304 173	129 837 405
Basic/diluted average number of shares, 1 July - 30 September	30 031 500			
Basic/diluted average number of shares, YTD	28 343 632			

Ranking	Shares	Ownership
Awilco Drilling AS	14 633 100	48,73 %
Deutsche Bank AG London	3 951 094	13,16 %
Odin Offshore	1 855 300	6,18 %
Frank Mohn AS	1 500 000	4,99 %
Skips AS Tudor	775 000	2,58 %
Euroclear Bank SA	751 834	2,50 %
Skandinaviska Enskilda Banken	568 300	1,89 %
Regni AS	552 640	1,84 %
JP Morgan Clearing	539 749	1,80 %
Sabaro Investments	515 000	1,71 %
Bank of New York	496 606	1,65 %
Glaamene Industrier	481 000	1,60 %
KLP Aksje Norge VPF	253 646	0,84 %
JP Morgan Chase Bank	249 867	0,83 %
MP Pensjon PK	236 000	0,79 %
Bergen Kommunale Pensjonskasse	224 100	0,75 %
Kommunal Landspensjonskasse	164 900	0,55 %
Pibco AS	140 200	0,47 %
LGJ Invest AS	100 000	0,33 %
Finn Harald Ruud	100 000	0,33 %
Other shareholders	1 943 164	6,47 %
	<u>30 031 500</u>	<u>100,00 %</u>