# Annual Report 2010

Global Rig Company ASA and the Group

GLOBAL RIG COMPANY

# Contents



## General Information

This report contains forward looking statements that involve a number of risks and uncertainties. Such forward-looking statements may be identified by the use of forward-looking terminology such as “believes”, “expects”, “predicts”, “may”, “estimates”, “projects”, “are expected to“, ”will”, “will continue”, “should”, “would be”, ”seeks” or “anticipates” or similar expressions or comparable terminology, or by discussions of plans, intentions and strategy. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise.

The Company or its officers assumes no obligation that such expectations will prove to be correct. These forward-looking statements are subject to risks and uncertainties that could cause actual results to vary materially from such forward-looking statements.

# CEO'S INTRODUCTION

Finishing the construction program for the three SuperTech 1500 Rigs was an important step forward for Global Rig Company in 2010. At delivery, we managed to get medium term contract with EXCO Resources for all three SuperTech 1500 and at fair day rates. All three rigs were mobilized to the drilling location immediately after delivery.

The design of the Rigs was improved throughout the manufacturing process, making them very suitable for cost effective drilling of a broad specter of wells.

**Strong SuperTech performance**

It has been a great pleasure to see our SuperTech 1500 Rig at work. After a few months in operation, our rigs have performed among the best rigs in EXCO´s portfolio. Our US subsidiary, NorAm Drilling Company has built up a very competent and strong operational organization. NorAm is headed by Mac McInnis, a very experienced person from the oil & gas sector. The efficiency results from our rigs and crew has brought us in position to tender for new long term contracts with a number of large oil companies. We believe our drilling track record will create new long term contracts and good values for our shareholders.

**Super Singles sold**

The three Super Single Rigs has worked in the spot market. The utilization rate in 2010 improved compared to 2009. However, the day rates and total utilization has not been, sufficient, causing a negative operating result for the Group for most of 2010. In April 2011, the Group sold the three Super Single rigs.

**New Rigs an option**

We see a great demand for additional rigs with similar capabilities as the SuperTech Rigs in the market. We are currently targeting companies operating in the resource plays for new long term contracts, which would be the base for building new Rigs. The sale of the Super Single Rigs in combination with a refinancing could enable the Group to take on additional SuperTech rigs.

Jan Henning Skaara
Chief Executive Officer
Global Rig Company ASA

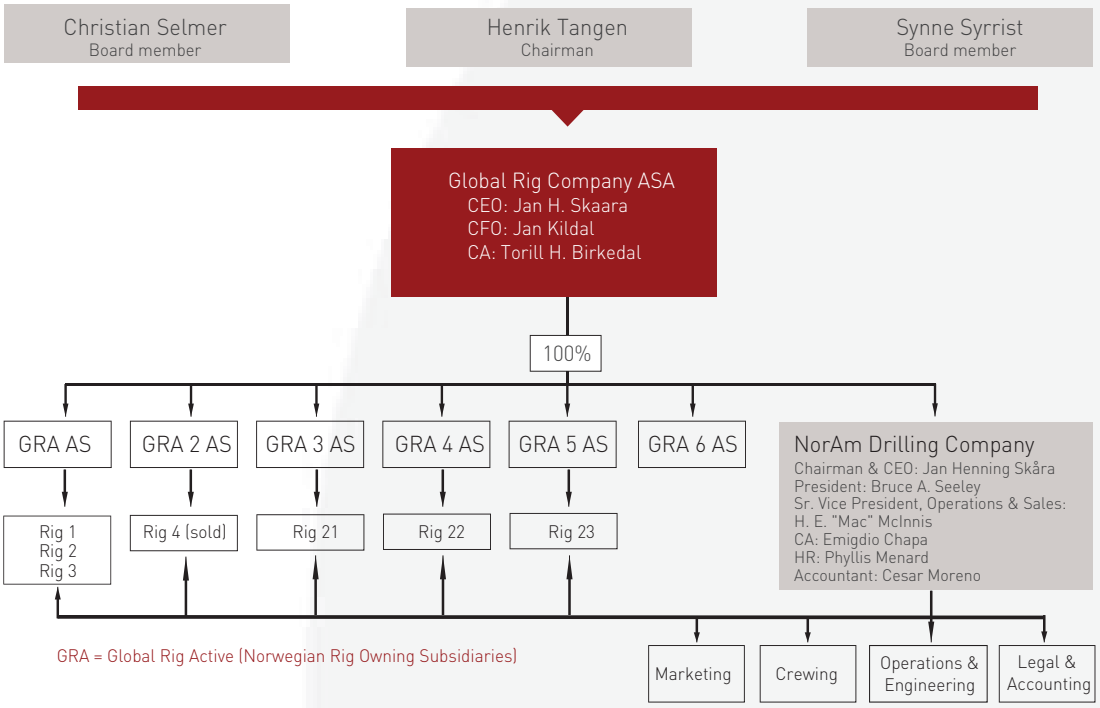

CANRIG

# THIS IS GLOBAL RIG COMPANY

**Global Rig Company ASA was established on February 19, 2007.**

**The company owns and finances companies leasing and operating onshore oil and gas drilling rigs. The company is the parent company of the Global Rig Group. In 2007 and 2008 three new Super Single rigs were delivered. One electric platform rig was delivered in January 2010 and sold in August 2010. One SuperTech 1500 rig was delivered in early May 2010, one in July and a last one in September 2010.**

## Company Structure




## The Company structure

The parent company Global Rig Company fully owns six Norwegian rig owning subsidiaries, and one US-based drilling contractor, NorAm Drilling Company, located in Houston, Texas.

The Norwegian companies lease their rigs to NorAm Drilling Company at market terms. NorAm is staffed with competent, local personnel that perform all aspects of a contract drilling company. NorAm has support service agreements with the rig owning companies and therefore supervised the assembly and testing process of rigs being manufactured in 2010. Global Rig Company ASA funds the subsidiaries with equity and intercompany loans at arms-length terms.

Global Rig Company assets are mainly shares in and loans to the Norwegian and US subsidiaries. Its main liability is a short term USD 35 mill loan.

## Our offices

Global Rig Company ASA head office is in Oslo, Norway. The office is located in Tordenskjoldsgate between the City Hall and the Norwegian Parliament.

NorAm Drilling Company, the 100 % subsidiary of Global Rig, is located in Houston, Texas. The company leases the Global Rig Group rig fleet and markets the rigs for drilling operations. The company contracts, mans and operates the rigs.

## Organization

### Global Rig Company

*Chief Executive Officer Jan H. Skåra* has more than 30 years of experience with drilling operations, drilling engineering and turnkey projects worldwide. He joined Global Rig in 2007. He previously worked at Grupo R with Turnkey projects, major purchasing, contracts and brokerage worldwide. He has also worked with rig new-builds in Korea and as drilling engineer and rig supervisor.

*Chief Financial Officer (CFO) Jan Kildal* joined the Company in 2010. He has broad experience from listed major Norwegian companies like Norsk Hydro, Orkla, Norske Skog and Hurtigruten (The Coastal Express). In recent years he has been the CEO of Standard Drilling.

*Chief Accountant Torill H. Birkedal* worked with Lloyd's Register for eleven years before and has held positions as Financial Controller Nordic Area and Group Internal Auditor. She joined the Company in 2009.

### NorAm

*Senior Vice President of Operations and Sales H. E. "Mac" McInnis* has more than 40 years' experience from the oil and gas industry, including serving as Operations Manager for Coastal Star Energy, President and CEO of Northstar Environmental Services and General Manager and Partner of San Juan Exploration.

Global Rig Company main office is located in the centre of Oslo, the capital of Norway.
PHOTO: WIKIMEDIA COMMONS

*President of NorAm Drilling, Bruce A. Seeley,* is Attorney and Counselor at Law and has more than 30 years' experience from the drilling sector including sole practitioner for companies as Transocean and Diamond Off-shore, and 13 years as attorney for a drilling company.

*Chief Accountant Emigdio Chapa* has an Executive MBA from University of Houston, he has 18 years' experience in Accounting, Procurement and Financial Analysis from distribution and procurement companies and business investigation and security management consulting firm. Mr. Chapa has worked for Distribuidora Sukame, Trading Arrangement Corp, Rio Grande Supply Co., among others.

*Human Resources Manager Phyllis Menard* has over 20 years office experience working in various capacities including an Office Manager, Legal Secretary,

Executive Assistant and Human Resources. She graduated with an Associate Degree in Business Administration at the University of Southwestern Louisiana, Lafayette, Louisiana.

### Crews

NorAm Drilling Company hires crews of 18-20 people per rig, toolpushers, drillers, derrickmen, floormen and motormen, working on shifts performing the drilling. In addition the operative organization consists of mechanics and electricians. NorAm Drilling Company has on the basis of support service agreements with the rig owning companies in the Group also hired a project team to supervise and assist in the last stages of the rig manufacturing process of new rigs. This team consists of 7 people.


NorAm Drilling Company main offices and warehouse are located in Houston, Texas.

## Balance Sheet (NOK mill)

| Global Rig Company ASA | | | Group | |
|---|---|---|---|---|
| 2010 | 2009 | | 2010 | 2009 |
| | | **ASSETS** | | |
| 5,9 | 5,9 | Tangible Assets | 452,5 | 439,2 |
| 580,9 | 597,2 | Other Non-current Assets | 0 | 0 |
| 2,3 | 49,3 | Total Current Assets | 49,9 | 69,1 |
| **603,1** | **652,5** | **Total Assets** | **533,3** | **527,2** |
| | | **EQUITY AND LIABILITES** | | |
| 374,3 | 455,5 | Total Equity | 288,8 | 364,9 |
| 228,9 | 199,4 | Total Liabilities | 244,6 | 162,4 |
| **603,1** | **654,9** | **Total Equity & Liabilities** | **533,4** | **527,3** |

## Financing

Global Rig Company ASA was established on February 19, 2007. On May 14 2007 the Company raised NOK 115 mill in equity, and on June 28 2007, a loan agreement for NOK 120 mill bonds with warrants was signed. The total of NOK 235 mill was for financing the purchase of 3 onshore drilling rigs, and establishment and operations of a subsidiary drilling company in the US. In July 2008 Global Rig Company ASA was funded with additional equity of NOK 331.2 mill. The placement triggered settlement of the bond loan and it was refinanced by a shareholder loan of $25 mill in October 2008, and a loan of US$ 6 mill in July 2010. The loan of US$ 35 mill including interest is extended to May 2011.

## Market

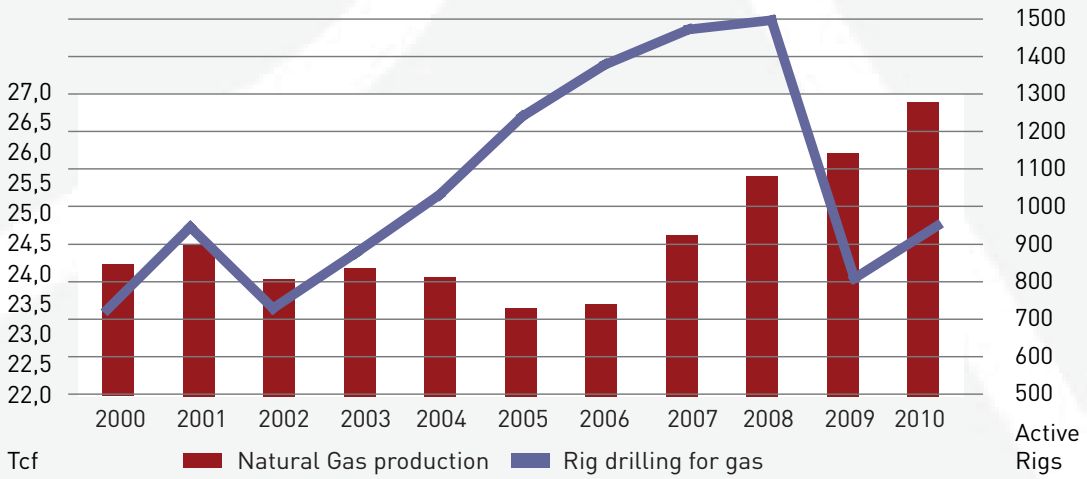
### The contract drilling market

In 2008 the US contract drilling market was hit very hard by a combination of supply and demand shocks. Since 2002, there had been steady additions of new-builds in the rig market, increasing the relative share of rigs that can perform complex, horizontal drilling.

A horizontal well will typically yield three times the recoverable reserves compared to a vertical well. It took some time, however, before the increased production from horizontal drilling offset the overall decline in gas production. This happened in 2006 onwards, when the opening of new shale gas

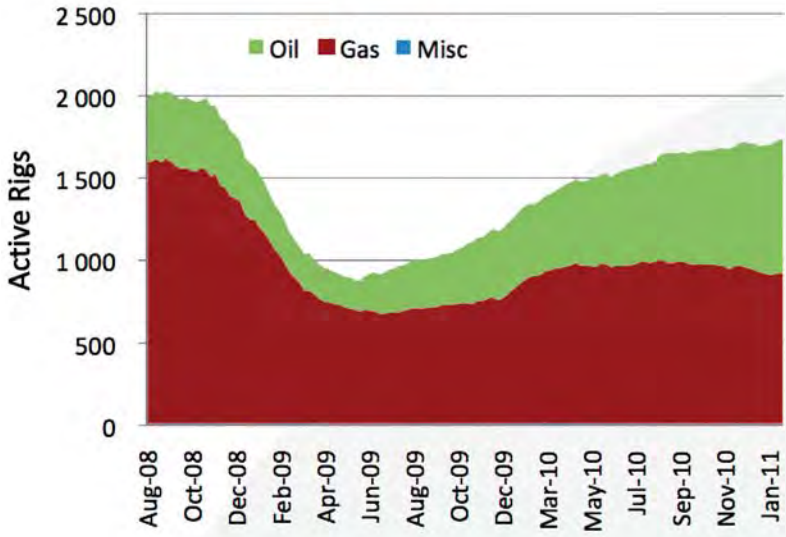
### Gas Withdrawals v.s. Rigs Drilling For Gas

Source: U.S. Energy Information Administration/Baker Hughes North America Rotary Rig Count.



## Rig Recovery

Development of active US Land Rigs from August 2008 to April 2011




Source: Baker Hughes North America Rig Count, April 21 2011.

plays like the Marcellus and Haynesville plays, with their surprisingly high initial production rates caused a jump in Natural gas production the following three years.

Demand for gas contracted in 2008, as a result of lower industrial output and less economic activity during the financial crisis. In less than one year, lower demand and more supply made natural gas prices drop by more than 80% from the top. Gas drilling activity and day rates were reduced by some 60% and 50%, respectively, leaving more than 1000 rigs idle.

Such drops in utilization as recently experienced from 2008 to 2009 are rare, and the only drop of comparable magnitude was in the first half of the 1980's. Recovery from a bottom normally takes 2-4 years but the first rigs to re-enter the market are the rigs that meet the E&P companies' needs. The recovery has started, but a lot of the excess rigs are not expected to re-enter the market as they are of low technical specification and not capable of drilling complex wells reliably. The Super Singles and SuperTech 1500 rigs are on the other hand well positioned for the types of drilling programs that are now being reinitiated by US E&P companies.

The Global Rig Group's rigs had little protection in the form of long term contracts when the market turned. The utilization of the rigs has been low throughout 2009 - 2010, but at par with other rigs competing in the spot market.

Like any other contract driller, NorAm Drilling Company adjusted to market terms and offered drilling services at a low price. Since the bottom levels in mid-2009 the number of rigs drilling has increased substantially and even though oil drilling has been the major driving force behind the recovery, the prospects for gas drilling have also improved markedly.

### Development Active US Land Rigs

| | Oil | Gas | Misc | Total |
|---|---|---|---|---|
| Bottom, June09 | 183 | 685 | 8 | 876 |
| End of 2010 | 765 | 919 | 10 | 1694 |
| April 21,2011 | 913 | 878 | 9 | 1800 |
| % from bottom | 399% | 28% | 13% | 105% |
| % from year start | 19 % | -4% | -10% | 6% |

At the turn of the year, NorAm Drilling Company landed contracts for multiple wells for two of the Super Single rigs, and in 2010 contracts were signed with a major independent oil company for all the three new SuperTech 1500 rigs.

### Global Rig Group Positioning

The prime goal for the Group is to sign term contracts with reputable and financially capable operators, and to provide such clients the best service we can offer using experienced and committed crews and management. New rigs, combined with trained personnel is a powerful combination for reaching drilling targets, and NorAm Drilling Company has on

several occasions drilled wells on 2/3 of the time used by larger companies on comparable wells.

In 2009/2010 NorAm worked to market the rigs broadly to win the few tenders that were made but the main marketing effort was focused towards the major oil and gas companies with onshore acreage. In 2010 this effort has started to pay off as these players now are mapping out their rig needs and gradually initiating their drilling programs. As the wheels of the larger E&P companies are being put in motion to start harvesting the acreage positions acquired during 2007-2008, NorAm Drilling Company is well positioned to be at their service with their new SuperTech 1500 rigs. All three SuperTech 1500 rigs were mobilized to the drilling location immediately after delivery.

## The US shale gas market

The potential of the North America unconventional shale gas has hit energy business as an avalanche the last year. The enormous resources displayed the last years can heavily reduce the US dependency on imported energy, a high targeted political goal for decades. And Global Rig Company has a brand new fleet of the kind of rigs needed for the job. Furthermore, the Group is well fitted for acquiring more rigs.

Unconventional gas has increased from covering less than 20 % of the US natural market in 2000 to passing 60 % ten years later. It has made USA the largest gas producer in the world. It's an understatement to say that a further increase is expected. A report released in March 2010 by IHS Cambridge Energy Research Associates, confirms that North American gas potential has tripled over the past three years. The unconventional shale gas resources in the USA may amount to the equivalent of twice the Iraqi oil. The reserves could supply 4.5 times Europe's need for gas the next 70 years. But more important, it represents more than 100 years of supplies at current US consumption rates.

## The pioneers

As the easy accessibility oil fields vanished and US became net oil importer in the 70's, the domestic industry for a long time was dominated by thousands of smaller companies offering financial investors shares of leases and drilling projects. They traced oil and gas in conventional wells with low production and decreasing pressure, but with proven reserves and production that can go on for decades.

In the 1990's some pioneers started to explore the oil and particular the gas hidden in shale. Using dynamite to fracture, they succeeded in extracting the gas and oil from the rock, but not at an affordable cost. Increasing energy prices attracted more investment to develop more sophisticated methods.

By using chemicals and salt water and advanced drilling techniques, the costs were heavily reduced. The first pioneers became billionaires when the first major oil companies entered the market around ten years ago. They bought leases with accessible reserves.

## The place to be

During the few last years, techniques have improved, costs are more than halved and shale gas has surpassed conventional gas in

### New entries in the shale plays:

| Company | Area | Entry |
|---|---|---|
| Royal Dutch Shell | US and Canada | - |
| BP | US, Haynesville, Fayetteville | July to September 2008 |
| Statoil | US Marcellus | September 2008 |
| ENI | US Barnett | May 2009 |
| Exxon | US, XTO deal | December 2009 |
| Total | US Barnett | January 2010 |

terms of volumes produced. Most of the major international oil companies are now present in this market having acquired large acreage positions. This is a strong indication that these E&P majors believe the technology to be mature. With full cycle costs of $2.5 – 5/Mcf for producing the unconventional shale as compared to an estimated cost of $6-10/Mcf for conventional gas production, the hydraulic fracturing technology has proven itself.

### The five pros for the future

US domestic oil and gas industry has benefited from a friendly tax regime established through a policy of decreasing the nation's dependency on foreign energy import. The unconventional gas resources represent more than just that.

- **Reliability:** The newly available gas supplies are not in Iraq, Iran or Venezuela, but in places like Texas, Colorado and New York.

- **Environment:** 50 percent cleaner to burn than coal, gas which now powers nearly half of the US electrical output reduces greenhouse emissions and is considered the natural bridge to a sustainable energy future

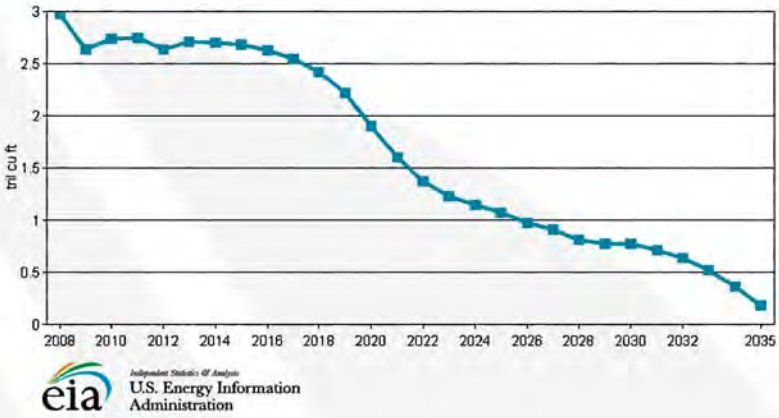
- **National security:** Using more domestic gas to replace imports limits the exposure to politically volatile regimes. As the Houston Chronicle points out, March 13, 2010, this could result in significant savings in the national defence budget, eliminating the largely unnoticed defence surtax paid by American energy consumers for Middle East oil.

- **Balance of trade:** As gas from shale supplies replaces energy imports, this brings US closer to energy independence while improving the balance of payments situation by literally hundreds of billions of dollars annually

- **Jobs:** Expanding the use of natural gas will create thousands of stable jobs in the exploration, extraction, marketing, transmission and construction areas and with a multiplier effect for service sector areas

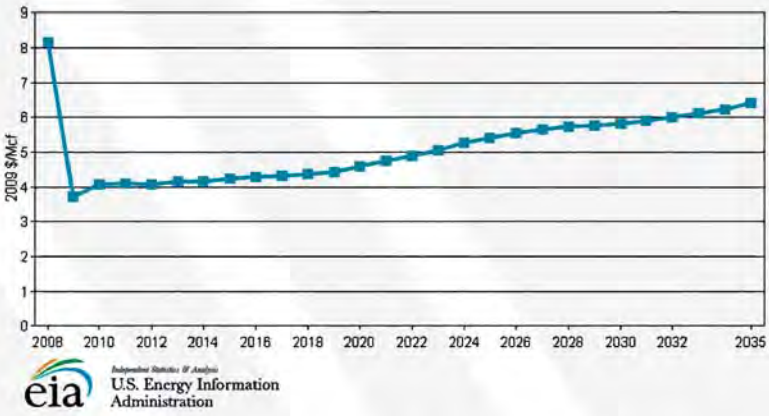
**Natural Gas Volumes: Net Imports Reference**

Source: US Energy Information Administration, Annual Energy Outlook 2011




**Total Energy Prices: Gas Wellhead Price, Reference Case**

Source: US Energy Information Administration, Annual Energy Outlook 2011




- **Potential negative impact:** Production leaves small footprints. When the drilling is done, the area can easily be recovered. The potential impact, however, could be on the fresh water supply caused by the hydraulic fracturing, or fracking, which involves the pumping of water, chemicals and sand into shale formations at high pressure to release the natural gas trapped in the shale. In most gas-bearing formations, the gas typically is separated from water supplies by several thousand feet. If the drilling is done properly, the risk of pollution to water supplies should be minimal.

In summary, the development of shale gas is likely to receive broad political support and will be important for meeting US energy needs.

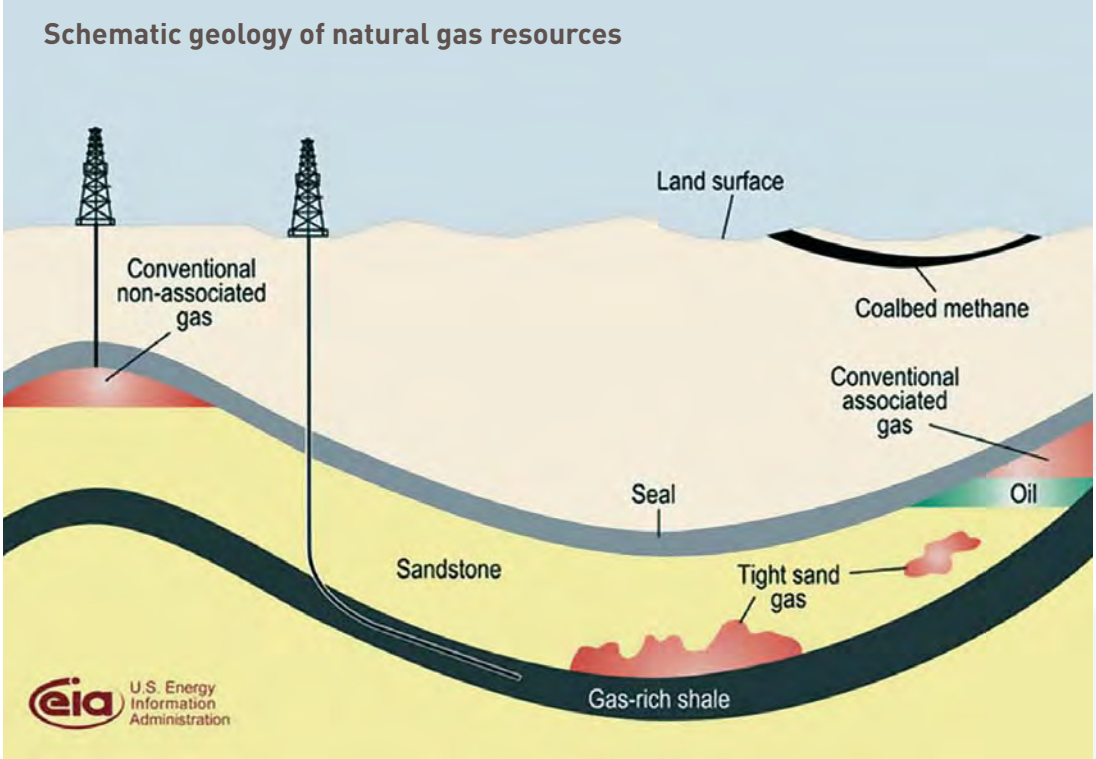
## Longer term contracts, higher price

The rapid development of shale gas resource plays over the last 2-3 years combined with financial recession has led to a temporary oversupply situation in the North American market. But economic recovery, decrease in import of gas and some offsetting effect of lower domestic production of conventional gas is expected to increase prices.

US consumption of natural gas is expected to increase. Supply will grow as well due to increasing shale gas production. The vast resource base that the shale gas represents combined with the need for constantly drilling new wells to replace declining production is a blessing for the drilling contractor industry, in terms of high activity over a long period of time. Given the large cash investments made by E&P majors and large independents into various shale gas plays and companies, the shale gas drilling activity will see a strong increase in the near future due to the fact that there are drilling obligations to fulfill in the various prospects and licenses. Shale gas profitability will depend on the pace of economic recovery in the US and the intensity of drilling.

## Suitable rigs for the marked

During the financial crisis, the market was reduced from nearly 2000 rigs to less than




900 in a half year from autumn 2008 to spring 2009. Now the market is recovering, but drilling is turning more towards oil plays and complex shale gas plays as opposed to vertical drilling of conventional gas plays. This increases the demand for high speed rigs who offer horizontal drilling.

The entry of the major E&P players has created potential for building lasting strategic partnerships with tailored rigs on long term contracts. They simply have a lot of work ahead of them. The larger E&P companies speed up the technological development as they demand more efficiency and more dependable rigs. Global Rig Group's rigs fit well with this demand.

## RIG DELIVERIES

The electric 1000 HP rig was delivered in January 2010 and sold in August 2010. The three new SuperTech 1500 rigs were assembled and tested in Houston. The first of these rigs was delivered in early May 2010 and signed on a six month contract with EXCO, a large independent oil and gas company. It commenced mobilizing to the drilling location immediately after delivery.

The last two SuperTech 1500s was delivered by July and September 2010 and both was contracted and started working immediately after delivery.

The Global Rig Group plans to grow by adding additional rigs to our fleet. As the SuperTech rigs are delivered and on contract, further growth by step-wise additions will be evaluated, providing it is substantiated by LOI's or contracts. Should quick expansion with new, quality rigs be required due to NorAm Drilling Company client needs, quick expansion may be achieved with a combination of purchasing newly manufactured rigs in the market or ordering new rigs for manufacturing.

## Rig description

**What is the actual difference between a conventional and a hi-spec rig?**

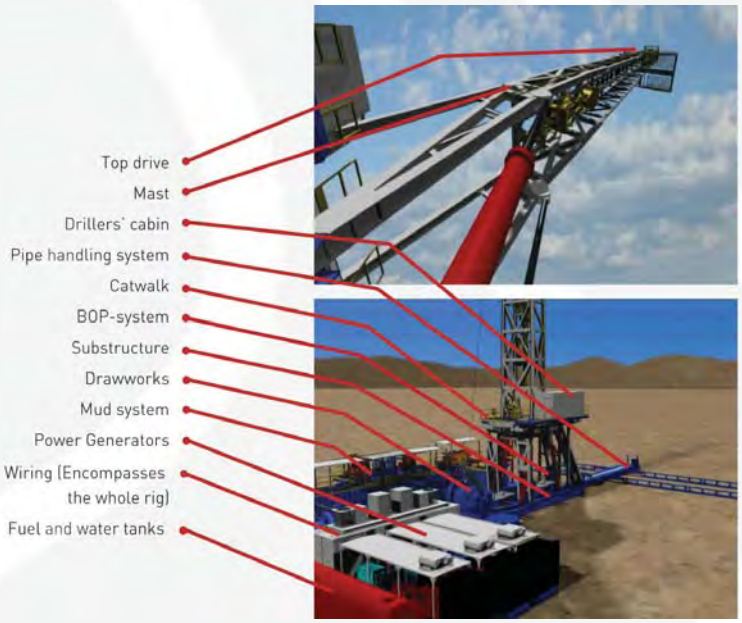
| **Perspective** | **hi-spec advantage** |
|---|---|
| Safety: | • automation of processes lead to less unwanted occurances |
| Economy and environment: | • smaller footprint<br>• less truck loads<br>• more fuel efficient operation<br>• improved control over drilling operation<br>• faster drilling |

NorAm Drilling Company's rigs and crew deliver value to its customers in terms of safety, economy, environment and operation.

## SuperTech 1500

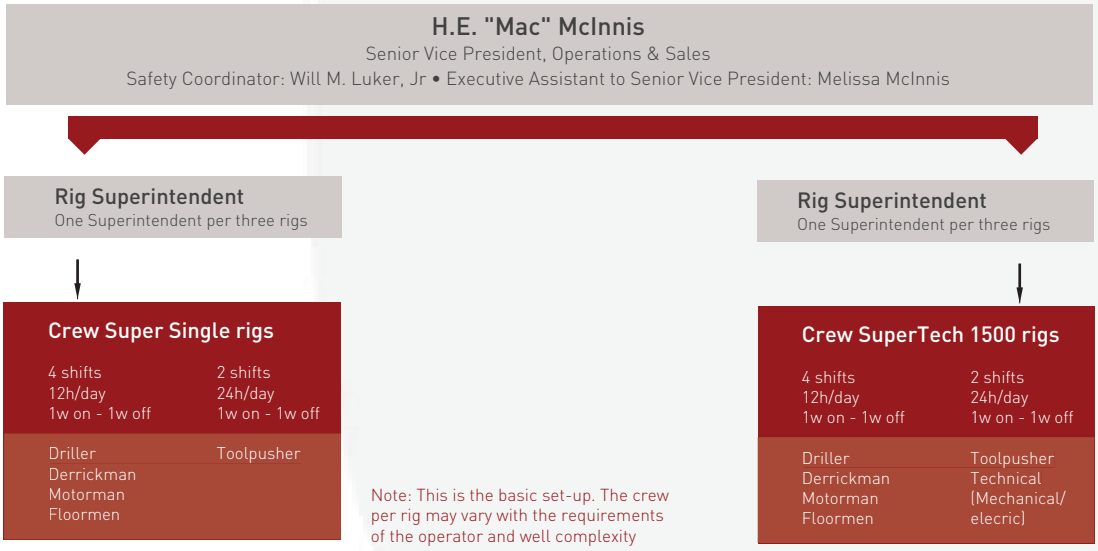
| Specifications | 3 rigs operating |
|---|---|
| Drilling depth rating | 19,000 ft |
| Drawworks | 1500hp |
| Top Drive | 500 ton Hydraulic Type |
| BOP | 13 5/8" 10 K psi Double/Single Ram<br>5K Annular |
| Mast Height | 142 ft.-750,000 pounds SHL |
| Mud pumps | 2 X 1600 HP-Triplex 12" Stroke |
| Power System | 3 Cummins genset, each 1100 KW |
| Mud Systems | Mud Tank Volume (1150 bbls) 2 Tanks |
| Fuel Tanks | 350 bbl |
| Water Tanks | 500 bbl |

## Super Tech 1500 components




Senior Vice President of Operations and Sales H. E. "Mac" McInnis.

## Operations of NorAm Drilling company




## Accounting and auditing

Global Rig Company ASA and its Norwegian subsidiaries are audited by KPMG, Norway. The accounting of these companies is outsourced to Amesto Business Partner, Norway. NorAm Drilling Company does its own accounting.

# DIRECTORS' REPORT 2010
# GLOBAL RIG COMPANY ASA AND THE GROUP

## Our business

Global Rig Company ASA (herein called "The Company") was established on February 19, 2007. The Global Rig Company´s administration is located in Oslo, Norway.

The Group invests in, owns, leases and operates onshore oil and gas well drilling rigs, as well as all activities connected with these. The Group consists of the Norwegian parent company Global Rig Company ASA and its subsidiaries: Global Rig Active AS, Global Rig Active 2 AS, Global Rig Active 3 AS, Global Rig Active 4 AS, Global Rig Active 5 AS and Global Rig Active 6 AS, all of which are located in Oslo, Norway, and NorAm Drilling Company, located in Houston, USA.

The Norwegian companies own the rigs and lease them to the American company, which in turn performs all drilling operations in the Group.

The Global Rig Group focuses on the US contract drilling market based on the ongoing renewal of the US rig fleet, from large conventional rigs drilling vertical wells to more technologically advanced compact high end AC rigs drilling horizontal wells. The Group aims to establish a strong foothold in the US through its subsidiary NorAm Drilling Company before considering moving to other regions.

2010 has been a year of transition and recovery for the US land rig business. Industry-wide activity has steadily improved throughout the year. US land rig land count has improved and is currently at 80% of the rigs that operated in October 2008, which was the peak before the dramatic free fall started. Managing a business in a constantly changing environment presents many challenges also for Global Rig Company. Despite these challenges we are coming out of this turbulent period with a fleet of brand new rigs. The new rigs are well suited for the need of E&P companies demanding high quality equipment and experienced and committed crew focusing on safety, team spirit and high drilling performance. Furthermore, we are focusing on what we see as the most active drilling areas across North America where our small fleet of high end deep capacity equipment is well suited to our clients' oil and gas plays. Our clients are focusing on cost efficiency of the drilling operations. As an example our rigs can move for infill drilling within two days. Furthermore, the new rigs are highly automated and combined with use of the latest drilling technology this will keep our crew safer and improve each rig's efficiency. Without these visible performance criteria a small player like Global Rig Company would not be able to compete against the well-established industry players. Current contracts and operating performances of rigs are clear evidences that our crew teams and new rig fleet has a good and solid foundation to grow the Group further.

Throughout 2010 four new rigs were delivered. One electrical rig was delivered in January 2010 and sold in August. Three SuperTech 1500 rigs were delivered between May and September 2010. The SuperTech 1500 model takes the land rig design one step further, combining the cost efficiency of the compact rig with the versatility of different rig classes, enabling it to cover a broad range of wells. The Board is very pleased with the efforts by our team to complete these three rigs, now operating at high performance on medium term contracts, despite severe problems with the contracted US rig yard though-out the construction and assembly period which ended up with our team taking over the

## Global Rig Group milestones

| Month | Year | History |
|---|---|---|
| February | 2007 | Terra Rig Company ASA founded. Head office: Bergen, Norway. |
| May | 2007 | NOK 115 mill (USD 19 mill) gross equity funding through share issue, purchase of 3 Super Single® rigs. Listed on NOTC as ticker TERI. |
| June | 2007 | Name of company changed to Global Rig Company ASA. Ticker changed to GRIC. |
| July | 2007 | NOK 120 mill gross funding in bonds (USD 20 mill), 1.680.000 warrants issued |
| August | 2007 | Rig #1 (Super Single) delivered, in US operation by Sep 2007 |
| December | 2007 | Rig #2 and #3 (Super Singles) delivered |
| January | 2008 | Rig #2 generating income |
| February | 2008 | Rig #3 generating income |
| July | 2008 | NOK 331.2 mill (USD 64 mill) gross equity funding through private placement. 4 new rigs ordered: 1 electric 1000HP rig, 3 SuperTech 1500 HP |
| August | 2008 | Settlement of bonds. Group 100% equity financed |
| October | 2008 | USD 25 mill one year shareholder loan |
| October | 2009 | USD25 mill shareholder loan extended to Oct 2010 |
| January | 2010 | Delivery of Rig #4 (electrical rig), currently marketed for sale |
| May | 2010 | Delivery of Rig #5 (first SuperTech rig, Rig 21), mobilized immediately on 6 month contract with major independent E&P company |
| July | 2010 | New short term shareholder loan of US$ 6 mill was granted |
| July | 2010 | Delivery of Rig # 6 (second SuperTech rig, Rig 22), mobilized on a 12 months contract |
| August | 2010 | The electrical rig sold for US$ 7 mill |
| September | 2010 | Delivery of Rig # 7 (third SuperTech rig, Rig 23), mobilized on a 12 month contract |
| October | 2010 | Shareholder loan increased to US$ 31 mill and extended by 6 months. |

whole manufacturing of the three SuperTech rigs. The positive side of this is that our team managed to further improve the design and engineering efforts leading to multiple feature enhancements and improvements of the rigs.

Despite the further fall in gas prices in 2010, the Group was able to secure medium contracts with a high quality client for all the SuperTech rigs . All our new rigs are AC powered which makes our rig fleet distinctively different from our competitors. Furthermore, we have been able to build our new AC rigs at a very competitive cost versus other similar rigs. This achievement combined with the high end AC rigs high performance and the quality of our team has already proven itself through high utilization and low operating costs of our new rigs. The Company has received indicative terms for new medium term contracts and is planning to expand the fleet of high end AC rigs.

In 2010, all three Super Single rigs were on short term contracts. The average utilization in 2010 for these rigs has been as low as 35 %. However, the level of utilization was at par with competitors also operating in the spot market, a market that was hit hard in the wake of the financial crisis.

In March 2011 the Group sold the three Super Singles for a total amount of USD 21 mill to refocus the Group's activities on high end AC rigs only.

## Strategy

The Global Rig Group will focus on building a larger US presence, by further developing our US subsidiary. The foundation has been laid over the last years, building competence, organization, routines and client relations. By growing the Group's rig fleet from three rigs in 2009 to six rigs within September 2010, the Group took an important step.

The three new SuperTech 1500 rigs are in operation and on medium term contracts and the Group aims to grow further by adding similar high end AC rigs that are suited to our clients' needs.

**The key targets for 2011 are:**

- Secure further term contracts with major independents
- Continue to grow the rig fleet through new-builds or acquisition of modern high end AC rigs

**Refinancing:**

The Global Rig Group had a fleet of 6 rigs at the beginning of 2011:

- 3 Super Single
- 3 SuperTech 1500

On April 1, 2011 the Group sold the Super Singles for a total amount of USD 21 mill.

The Group has a strong balance sheet with an equity capital of NOK 288.8 mill equivalent to an equity ratio of 54 %. The Company is fully financed for the present rig fleet. However, the Group has a bond loan of USD 35 mill to its majority shareholder. The maturity date of this loan was extended from October 2010 to ultimo May 2011. A refinancing program is now being discussed with the major shareholders. The Group plans to invest in 3 – 6 new SuperTech rigs. This will require refinancing of the short term shareholder loan and will require additional funding, both equity and debt financing.

The high yield bond market was difficult in 2010, but has now opened up for possible funding of new rig investments.

**Preparing for Future Growth**

Getting the three SuperTech rigs delivered in 2010 and immediately mobilized on medium term contracts has made the Global Rig Group prepared for further growth.

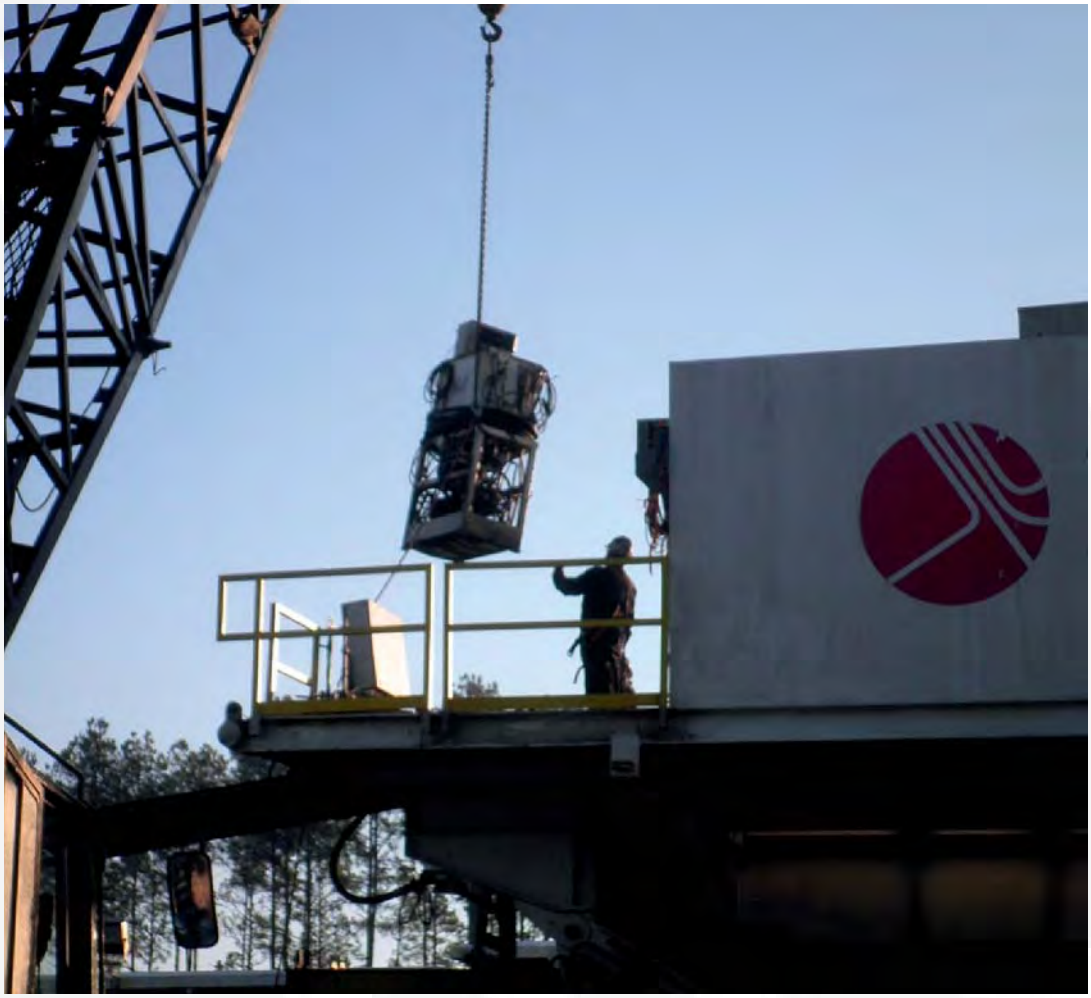
The US shale resources play is a very interesting market for our rigs and being well positioned in this growing market the Group will evaluate expanding its activities towards this market by investing in new rigs with required specifications.

## Company development, results and going concern

With reference to the section on "Future Development" the Company believes in a continued, gradual improvement in market conditions going forward, in terms of oil and natural gas prices, and with a corresponding increase in day-rates and utilization levels compared to 2010. Expected economic recovery in the US and high decline rates for natural gas wells will stimulate increase in drilling activity. The Group has taken cost reducing measures, and will continue to keep costs down. Such measures include stacking rigs at a low cost, no drilling expenses and no salary obligations related to inactive crews. Thus, the Group's activities are to a large extent characterized by variable costs, rather than fixed, operating costs. This high degree of flexibility is utilized to minimize the negative impact of inactive rigs on the financial result. At the same time, cuts will not undermine the Group's ability to respond quickly to profitable drilling contracts.

By introducing the SuperTech 1500's on medium term contracts, the Group is aiming for a positive EBITDA in 2011, and Q4/2010 was the first quarter with positive EBITDA since the financial crisis in 2008.

The Company's result will depend on the subsidiaries' ability to deliver positive results. The Group is wholly dependent on the US subsidiary that operates the rigs. Based on the assumptions described above, as well as in the sections "Risk" and "Future Development", the Group will face market challenges also in 2011, but improvements are expected for the succeeding years. These expectations, however, are subject to uncertainty.



The Board considers the Financial Statements for 2010 to represent a true and fair view of the development and results of the Company and Group's operations and accounts per December 31, 2010. The Board confirms that going concern assumptions are satisfied as to the standards of the law of accounting § 3-3 and form the basis for the financial statements presented herein for the Company and the Group. The Board is not aware of any events or circumstances having occurred after the end of 2010, except for the sale of the three Super Singles Rigs mentioned earlier, that significantly impact on the evaluation of the Company and Group's position per December 31, 2010.

Global Rig Company ASA has decided to write down some of the investments in subsidiaries in the 2010 accounts. A total of NOK 116.093.657 has been written off. The amount consists of NOK 67.324.310 write down of Global Rig Active AS, NOK 10.120.000 from Global Rig Active 2 AS and NOK 38.649.347 in NorAm Drilling Company. The reason for the write down in these subsidiaries is related to the economic situation (contracts and expected income) in the subsidiaries. In addition intercompany receivables against Global Rig Active 2 AS of NOK 11.210.214 has been written off in the accounts for Global Rig Company ASA.

## Key financial figures

| NOK mill | Group 2010 |
|---|---|
| Operating Income | 81, 8 |
| Operating Expenses (ex depreciation) | 109,9 |
| EBITDA | -28,0 |
| Depreciation | 25, 8 |
| Write-down tangible assets | 7,2 |
| Net Financials | -29, 2 |
| Net Profit Before Tax | -90,3 |
| EPS (NOK) | -1,4 |
| Equity Ratio | 54% |

## Research and development activities

Neither the Company nor the Group had research and development expenses in 2010.

## Working environment

The Board considers the Company's working environment to be good. The Company recruited one person in 2010 as Chief Financial Officer. Management consists of the Chief Executive Officer, the Chief Financial Officer and the Chief Accountant. Apart from these individuals, the Company uses external advisors for accounting, legal affairs and information. The Company had no absenteeism during the year. No damage, accidents or injuries were reported in the workplace.

The Board considers the Group's working environment to be good. The Group had 105 employees at the end of 2010, an increase of 63 people compared to 2009. The absenteeism rate is reported to be none. There have been three unwanted incidents causing personal injury. All injuries were minor and did not result in any lost time accidents. There were no incidents of damage to property.

## Equal opportunity

The Company had three employees during 2010. One of these was female. Women will be encouraged to apply for posted available positions in order to increase the representation of both sexes in the organization. There will be no discrimination between men and women regarding recruitment, salaries in relation to position/competence, or promotion, or any other aspect of the Company's activities.

At the end of 2010, NorAm Drilling had three women employed. There will be no discrimination between men and women regarding recruitment, salaries in relation to position/competence, or promotion, or any other aspect of the Group's activities.

The Global Rig Company ASA Board consists of two men and one woman. The subsidiaries have no women in Board positions.

## External environment

Global Rig Company ASA does not pollute the external environment.

Among the subsidiaries, NorAm Drilling Company undertakes activities that are potentially polluting. The oil and gas well drilling business, by its very nature, can, if proper procedures are not followed adversely impact the environment. This can range from blowouts of wells or pollution of the area surrounding the drilling activities. NorAm takes all reasonable precautions by assuring proper equipment and maintenance and that the rig personnel are all properly trained.

NorAm has implemented Health, Environment and Safety services to support the company's activities and the rig crew is trained in Occupational Safety and Health Administration (OSHA) HSE regulations in the US. The focus is to train all site personnel in their daily routines to act safely and to prevent unwanted occurrences with the rigs.

NorAm complies with US state and federal regulations in its activities, including environmental protection regulation. The operator carries the main responsibility regarding the external environment when drilling a well under standard day-work drilling contracts.

## Results, investments, liquidity and financing

Global Rig Company ASA had a net profit before tax of NOK -111.2 mill, and operating expenses of NOK 10.7 mill. The year-end result after tax was NOK -102.0 mill. Last year this result was NOK 18. 8 mill.

The Board's proposed appropriation of this year's profit is as follows: Transferred to other equity: NOK -102.0 mill. The Company had no distributable equity as of December 31, 2010.

Issued Share capital for both Global Rig Company ASA and the Group was NOK 97.6 mill at the beginning of the year. This was also the year end share capital. Total Equity is NOK 374,3. mill for Global Rig Company ASA and NOK 288.8 mill for the Group.

Total equity and liabilities per December 31, 2010 is NOK 603.1 mill for the Global Rig Company ASA and NOK 533.4 mill for the Group.

The Board considers the equity to be in compliance with the requirement for sufficient equity under the Norwegian Public Limited Liability Companies Act.

In October 2010 the Company extended a loan agreement of USD 35 mill with its largest shareholder to ultimo May 2011. Global Rig Company ASA has provided inter-company loans to its subsidiaries. These loans were given to enable the subsidiaries to purchase rigs and associated equipment, and for drilling operations.

The Group's risk comprises to a large extent oil and gas prices, number of rigs available for drilling in the US, the USD/NOK exchange rate and risk related to suppliers and clients. Rig overcapacity is expected to continue, especially for the conventional drilling.
A stronger oil price in the latter half of 2010 led to increased drilling activity.

The Company and Group have loans and interest expenses in US dollars. Similarly, the Group's income and the majority of the operating expenses are in US dollars. Depreciation of the dollar will lead to USD cash holdings or loans to be less worth in NOK terms. The NorAm Drilling Company results will also become less for the Group in NOK terms if the dollar depreciates. Throughout 2010 the dollar vs NOK has been in the range from 5, 7 (January) to 6, 4 (July) to 5, 8 (December).

The client risk of the Group varies, and even though the Group targets blue-chip E&P clients with extensive operations, contract may also be signed with smaller companies to increase utilization of the rigs. In such cases, a review of financial statements or payment references is performed to reduce risk of nonpayment. There are ongoing litigation processes with regards to claim related to client risk. There were delays in the delivery of the SuperTech 1500 rigs, but the Global Rig Group took control over the last stages of delivery. The rigs were delivered in May, July and September and worked on long term contracts from day one. This gave a positive impact on the cash flow in the second half of 2010.

With regards to spare parts and ongoing operations, NorAm Drilling Company has numerous suppliers that are substitutable. This reduces the risk of downtime during drilling. The Group had operating income of NOK 81.8 mill. Operating expenses were NOK 142.9

mill and net financial items were NOK -29.2 mill, mostly due to interest on loan. The net result before tax for 2010 was NOK -90.3 mill while the result after tax was NOK -78.2 mill. In 2009 this result was NOK -47,5 mill. Increase in operation expenses of NOK 76.1 mill in 2010 was due to mobilization costs of the three new rigs to the Groups fleet.

The Group has invested USD 96.6 mill in rigs, accessories and other property during 2010. One electrical rig was sold for the total amount of USD 43.8 mill during 2010.

## Risk Factors

The Group is exposed to a number of risk factors when performing its activities, such as market risk, credit risk and liquidity risk. The Group is currently financed mainly by equity and shareholder loan. Refinancing of the shareholder loan will be subject to the prevailing market terms and will therefore be exposed to risk in the form of credit availability, interest levels and structure. (Ref Refinancing, page 19).

The Group is affected by the US dollar exchange rate versus the Norwegian krone. Currently, the only actual NOK expenses are administration expenses related to the Norwegian parent company and Norwegian subsidiaries. As the main USD 35 mill loan is dollar denominated the Company's and Group's NOK results will be negatively impacted by a weakening of the Norwegian krone versus the dollar.

The Board has decided to convert to US$ as functional and reporting currency in 2011.

The risk in the US land drilling market is strongly related to energy prices. Day rates and utilization levels of the Group's rigs correlate with the price of oil and natural gas. An increase in oil price requires supply reductions or activity increase, essentially on a global level. For the gas price, the domestic activity in USA is the determining factor. Any forecast regarding the economic development for USA in particular, and the world in general, is very uncertain, making it difficult to offer estimations on price development. The Group's income is the most result-sensitive factor, and a reduction either in utilization or day rates compared to budget has clear negative effects on the result. Conversely, higher rates and utilization have very positive effects on the result. The cost level will vary with constraints in the market for input factors. For the purchase of rigs, the price of steel will be very important, but so will the price of qualified labor. For operations, the latter is most important. In periods with lower activity, reduced prices on input factors may be expected. This will have a positive effect on the result, all other factors held constant. The opposite will be the case in periods with high activity levels.

Supplier and client risks are also present in the market in which the Group is operating. Even if the Group targets contracts with larger and financially solid partners, the contracts

The Board, from left to right: Board member Christian Selmer,

chairman Henrik Tangen, former CFO Haakon Knoff, CFO Jan Kildal and board member Synne Syrrist.

will be subject to uncertainty with regards to the supplier's or the client's ability to meet their commitments, as they, too, on a general basis also will be subject to market and financial risk.

Idle rigs will lead to significant loss of income. In addition, there will be some extra stacking expenses. Such expenses are modest in terms of influence on the result. The Group is also exposed to changes in the regulatory and fiscal framework in Norway and the USA. The tax treaty be- tween the two countries is under revision, and a revised agreement may impact after-tax results of the Company and the Group results after tax.

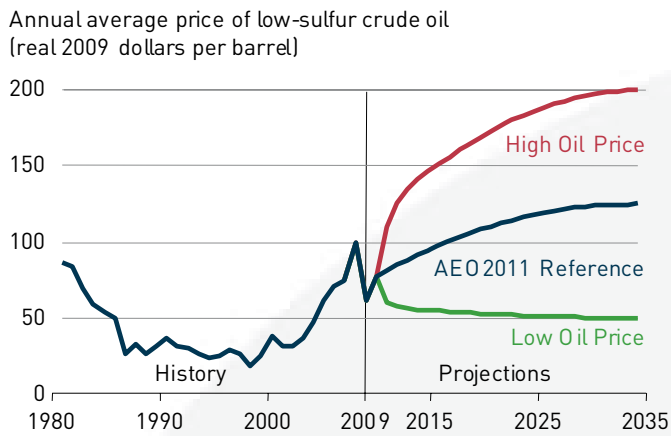
## Share option agreements

In January 2010 a total of 264.000 new share options for one share per option were granted to key management in Global Rig Company ASA and the Group, making to total of share options for key management to 1.464.000. The exercise price was initially NOK 9 per share. On the 29th of April 2009, the exercise price of the options granted in 2009 where adjusted to NOK 4.5 per share.

The grant and adjustment was made according to the resolution of the general meeting on Oct 14, 2008. New options of a total of 264 000 shares was granted in 2010 at exercise price of NOK 4.5.

The options may require equity issues or the Company's purchase of its own shares to provide the shares, should the options be exercised. Authority to increase share capital was approved on the said general meeting.

**Figure 1. World crude oil prices, 1980-2035**




Source: US EIA

## Future development

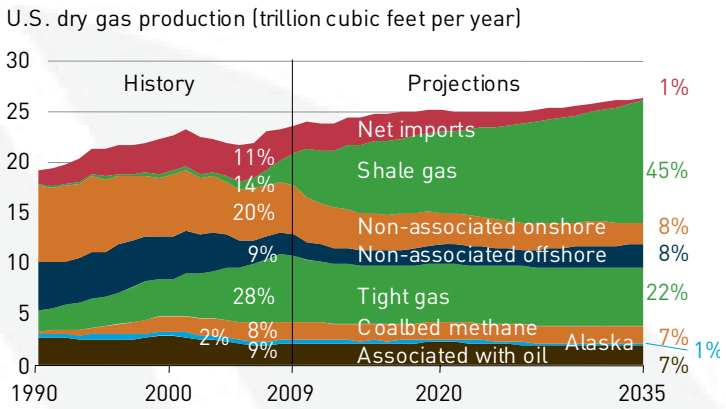
The Company and the Group will continue to focus high end AC rigs. The company aims to invest in 3-6 new rigs. At some point, continued expansion in the US should be evaluated against the potential gains of establishment in other regions. The main focus going forward will be to secure good contracts with financially solid clients, ensure cost-efficient drilling operations and provide drilling services tailored to our clients' needs.
The Company and Group will adjust to short term market challenges, but the strategy is unchanged and the ambition is to grow within the constraints dictated by the market. The most important factors influencing the Company and Group development are day rates, utilization levels, USD/NOK exchange rate, level of operation expenses, and refinancing of the short-term shareholder loan.

**- Dayrates and Utilization**

According to EIA upward adjusted estimates for 2011 onwards (fig 1) the oil price will increase gradually the coming years. Higher updated estimate of US shale gas resources supports increased natural gas production at prices below EIA's previous estimates.

Since the bottom in June 2009, the number of active drilling rigs has doubled. But due to the rapidly increase oil price, the relationship between oil and gas drilling has changed, from 80 % gas drilling to almost 50/50 on gas and oil. The number of active gas drilling rigs is increasing, with a 35% raise since the bottom. Shale gas production is expected to increase largely the coming years, see fig 2, even though the gas price is not expected to reach a higher level than US$ 5,6 Mcf in 2025 according to EIA estimates, down from 6,35 in previous estimates.

**Figure 2. Shale gas offsets declines in other U.S. supply to meet consumption growth and lower import need**




Source: US EIA

The number of oil drilling rigs is more than tripled since the bottom in June 2009. Not adjusted for the turmoil in Northern Africa effect on the oil price winter 2011, the EIA estimates a steady increase in the coming years, making more wells economical sustainable.

**- Operating Expenses**

The Group is subject to labor and commodity market constraints. These constraints are currently not in force due to the lower activity in general in the US as well as worldwide compared to 2007 and the first half of 2008. The cost level of input factors has come down, having a positive effect on Group results. Should economic activity increase the constraints may once again become noticeable, resulting in higher production costs.

**- Delivery of Rigs**

The SuperTech 1500 rigs were very much delayed caused by financial distress of the contracted rig yard, but all were delivered from May until September 2010. The rigs were built at cost price of approximately US$ 15.5 mill, which is very competitive compared to cost of similar new builds today.

**- Refinancing of Short-Term Loan**

In October 2009, the Company issued a one year shareholder loan of US$ 25 mill. In October 2010 the loan was increased to USD 31 mill and extended by six months until May 2011. Further extension or refinancing of this loan will be necessary for maintaining the financing structure and liquidity of the Company and the Group.

**- Development in Liquidity**

The Company and Group liquidity prognosis shows a positive development as all three rigs are working under medium term contract and paid market rates. Such liquidity estimates are subject to uncertainty as described above.

The Group plans to refinance is short term loan and to secure funds to further grow its rig fleet. Based on the successful contracting of the new SuperTech 1500 rigs and implementation of the Group's plans for funding including a successful refinancing of the short term loan due ultimo may 2011, the Board deems the Company and Group to have sufficient liquidity to operate the existing rigs.

## Events after the balance sheet date

The three Super Singles Rigs, build in 2007 and 2008, was sold to RJ Sources Inc./Basic Energy Inc. early April this year. The purchase price was USD 21 mill for all the three rigs in total.

**Signature of the Board, Oslo, April 5th 2011:**

Synne Syrrist
Board member

Henrik Tangen
Chairman

Christian Selmer
Board member

# Financial Statements 2010
# The Group

## INCOME STATEMENT per Dec 31, 2010 (Amounts in NOK 1,000)

| Global Rig Company ASA | | | | | Group | |
|---|---|---|---|---|---|---|
| **2010** | **2009** | **Note** | | **Note** | **2010** | **2009** |
| 0 | 42 | 14 | Sales | 14 | 81 843 | 24 2700 |
| 0 | | 0 | Other operating income | | 0 | 0 |
| **0** | **42** | | **Total operating income** | | **81 843** | **24 270** |
| 5 366 | 6 553 | 2 | Payroll Expenses | 2 | 49 066 | 23 143 |
| 0 | 0 | | Depreciation of tangible and intangible assets | 8 | 25 848 | 13 941 |
| 0 | 0 | | Write-down tangible assets | 8 | 7 157 | 0 |
| 0 | 0 | | Rig mobilization, service and supplies | | 25 422 | 10 812 |
| 0 | 0 | | Insurance rigs and employees | 10 | 8 633 | 7 708 |
| 5 326 | 3 755 | 2,11 | Other operating expenses | 2,11 | 26 768 | 11 230 |
| **10 692** | **10 307** | | **Total operating expenses** | | **142 894** | **66 834** |
| **-10 692** | **-10 265** | | **Operating profit (+) / loss (-)** | | **-61 052** | **-42 564** |
| 50 500 | 47 429 | 6 | Interest income from group companies | | 0 | 0 |
| 159 | 1 159 | | Other interest income | | 164 | 1 225 |
| 26 017 | 35 132 | | Other financial income | | 29 999 | 42 728 |
| 0 | 0 | | Interest expense to group companies | | 0 | -8 |
| 25 426 | 20 227 | 9 | Other interest expenses | 9 | 25 801 | 20 334 |
| 151 804 | 26 747 | | Other financial expenses | | 33 606 | 46 251 |
| **-100 555** | **36 746** | **13** | **Net financial items** | **13** | **-29 245** | **-22 624** |
| **-111 247** | **26 481** | | **Profit(+)/Loss(-) before income tax** | | **-90 297** | **-65 189** |
| **-9 267** | **7 728** | **3** | **Income tax expense** | **3** | **-12 055** | **-17 732** |
| **-101 980** | **18 752** | | **Net profit(+)/Loss(-)** | | **-78 242** | **-47 457** |
| **101 980** | **18 752** | **5** | **Transferred to other equity** | **5** | **-78 242** | **-47 457** |

# Balance Sheet per dec 31, 2010 (Amounts in NOK 1,000)

| Global Rig Company ASA | | | | | Group | |
|---|---|---|---|---|---|---|
| 2010 | 2009 | Note | | Note | 2010 | 2009 |
| | | | **ASSETS** | | | |
| | | | **Non-current assets** | | | |
| | | | **Intangible assets** | | | |
| 13 946 | 0 | 3 | Deferred tax assets | 3 | 31 007 | 18 953 |
| **13 946** | **0** | | **Total intangible assets** | | **31 007** | **18 953** |
| | | | **Tangible assets** | | | |
| 5 923 | 5 923 | 8 | Rigs and accessories | 8 | 448 234 | 435 020 |
| 0 | 0 | | Other tangible assets | 8 | 4 224 | 4 172 |
| **5 923** | **5 923** | | **Total tangible assets** | | **452 458** | **439 192** |
| | | | **Financial assets** | | | |
| 89 862 | 193 871 | 7 | Investment in subsidiaries | | 0 | 0 |
| 491 084 | 403 369 | 6 | Loan to group companies | | 0 | 0 |
| 580 946 | 597 240 | | Total financial assets | | 0 | 0 |
| **600 815** | **603 163** | | **Total Non-current Assets** | | **483 466** | **458 145** |
| | | | **Current assets** | | | |
| | | | **Receivable** | | | |
| 0 | 15 | | Accounts receivable | | 23 777 | 6 163 |
| 86 | 78 | | Other receivable | | 18 221 | 2 475 |
| 86 | 93 | | Total receivable | | 41 998 | 8 638 |
| | | | **Cash and cash equivalent** | | | |
| 2 240 | 49 197 | 4 | Bank deposit/cash | 4 | 7 899 | 60 442 |
| 2 240 | 49 197 | | Total cash and cash equivalents | | 7 899 | 60 442 |
| **2 326** | **49 290** | | **Total current assets** | | **49 897** | **69 080** |
| **603 141** | **652 453** | | **TOTAL ASSETS** | | **533 363** | **527 224** |

# BALANCE SHEET per dec 31, 2010 (Amounts in NOK 1,000)

| Global Rig Company ASA | | | | | Group | |
|---|---|---|---|---|---|---|
| 2010 | 2009 | Note | | Note | 2010 | 2009 |
| | | | **EQUITY & LIABILITIES** | | | |
| | | | **Equity** | | | |
| | | | **Owners' equity** | | | |
| 97 600 | 97 600 | | Share capital | | 97 600 | 97 600 |
| 274 721 | 313 477 | | Share premium | | 274 721 | 313 477 |
| 1 946 | 1 240 | 2 | Other paid in capital | 2 | 1 946 | 1 240 |
| **374 267** | **412 317** | **5** | **Total owners' equity** | **5** | **374 267** | **412 317** |
| | | | **Accumulated profits** | | | |
| 0 | 63 224 | | Other equity | | -85 510 | -47 461 |
| **0** | **63 224** | | **Total accumulated profits** | | **-85 510** | **-47 461** |
| **374 267** | **475 541** | **5** | **Total equity** | **5** | **288 757** | **364 856** |
| | | | **Liabilities** | | | |
| | | | **Non-current liabilities** | | | |
| 0 | 0 | | Liabilities to financial institutions | | 0 | 0 |
| 0 | 0 | | Intercompany loan | | 0 | 0 |
| 0 | 0 | | Other long term liabilities | | 3 705 | 2 885 |
| **0** | **0** | | **Total non-current liabilities** | | **3 705** | **2 885** |
| | | | **Current liabilities** | | | |
| 138 | 86 | | Accounts payable | | 20 710 | 4 087 |
| 0 | 0 | 3 | Tax payable | 3 | 0 | 0 |
| 448 | 521 | | Public duties payable | | 5 872 | 6 709 |
| 228 289 | 176 305 | 9 | Other current liabilities | 9 | 214 318 | 148 687 |
| 228 874 | 176 912 | | Total current liabilities | | 240 901 | 159 484 |
| **228 874** | **176 912** | | **Total liabilities** | | **244 605** | **162 368** |
| **603 141** | **652 453** | | **TOTAL EQUITY & LIABILITIES** | | **533 363** | **527 224** |

Signed by the Board, Oslo, April 5th 2011:

Henrik Tangen,
Chairman

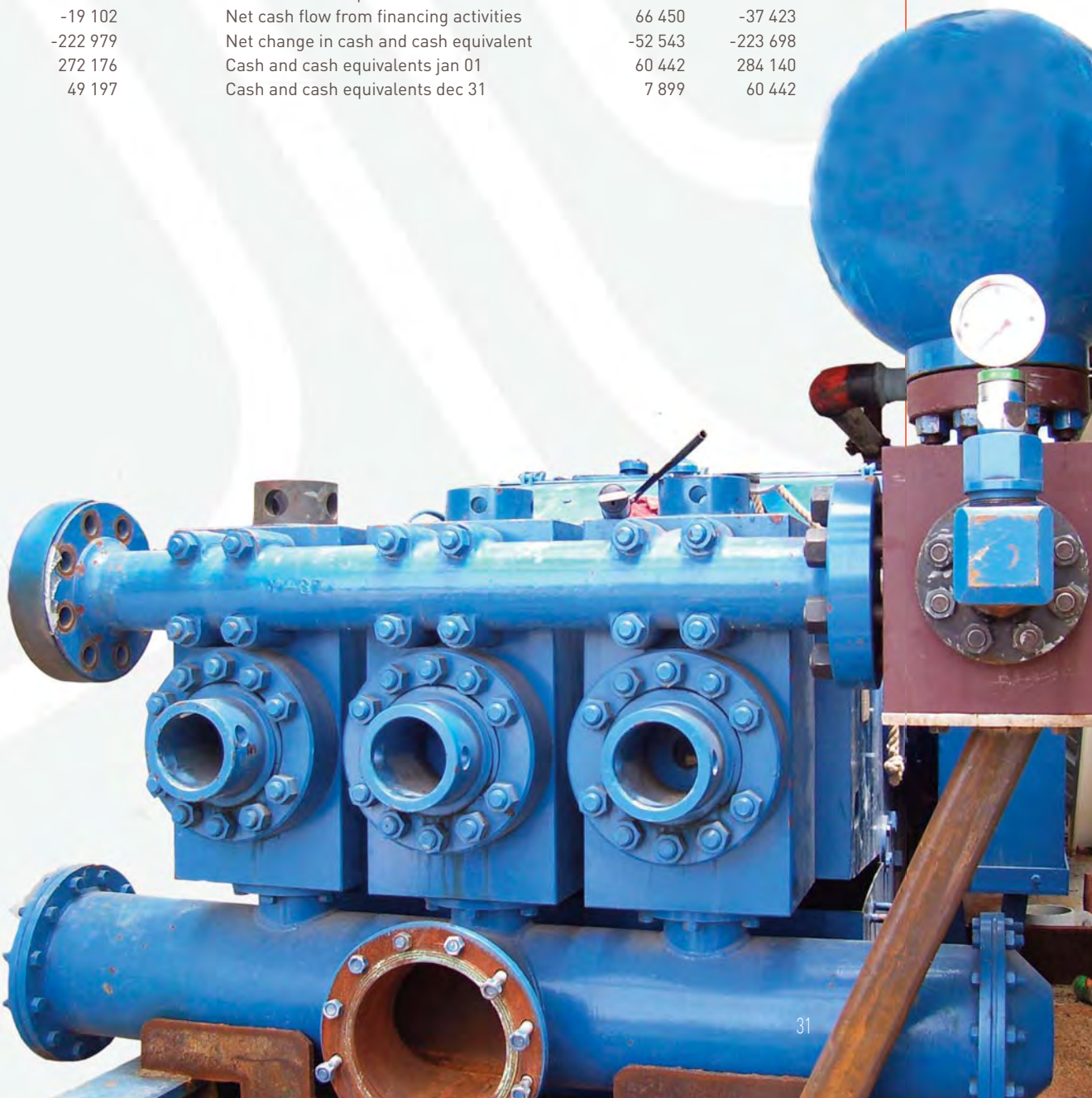
Synne Syrrist,
Board member

Christian Selmer,
Board member

Jan Henning Skåra,
Chief Executive Officer

# CASH FLOW STATEMENT per dec 31, 2010 (Amounts in NOK 1,000)

| Global Rig Company ASA | | | Group | |
|---|---|---|---|---|
| **2010** | **2009** | | **2010** | **2009** |
| -115 926 | 26 481 | Pre-tax profit/loss | -90 297 | -65 189 |
| 0 | -3 263 | Tax paid for the period | 0 | -3 263 |
| 0 | 0 | Profit/loss on sale of fixed assets | -9 646 | 0 |
| 0 | 0 | Depreciation of fixed assets | 25 848 | 13 941 |
| 127 304 | 0 | Write-down tangible assets | 7 157 | 0 |
| 15 | -15 | Change in accounts receivable | -33 360 | 13 024 |
| 52 | -187 | Change in accounts payable | 16 623 | -3 079 |
| 0 | 0 | Impact of changes in rate of exchange | 1 437 | 10 078 |
| 573 | -5 308 | Change in other current balance sheet items | -595 | 7 487 |
| **12 017** | **17 708** | **Net cash flow from operational activities** | **-82 831** | **-27 000** |
| 0 | 0 | Proceeds from the sale of tangible fixed assets | 60 406 | 0 |
| 0 | 0 | Purchase of tangible fixed assets | -96 568 | -159 275 |
| 0 | -125 862 | Purchase of investments in shares | 0 | 0 |
| 0 | -95 723 | Net change in long-term intercompany balances | 0 | 0 |
| **0** | **-221 585** | **Net cash flow from investing activities** | **-36 162** | **-159 275** |
| 51 984 | -19 102 | Proceeds from issuance of short term debt | 65 630 | -35 939 |
| -98 925 | 0 | Issue of share capital | 0 | 0 |
| -58 974 | -19 102 | Net cash flow from financing activities | 66 450 | -37 423 |
| -46 957 | -222 979 | Net change in cash and cash equivalent | -52 543 | -223 698 |
| 49 197 | 272 176 | Cash and cash equivalents jan 01 | 60 442 | 284 140 |
| 2 240 | 49 197 | Cash and cash equivalents dec 31 | 7 899 | 60 442 |



# NOTE DISCLOSURES

## Note 1 – Accounting Principles

The Financial Statements include Profit and Loss statement, Balance Sheet, Cash Flow Statement and Note Disclosures. The Financial Statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The Financial Statements are based on the basic principles, and the classification of Assets and Liabilities is according to the definitions of the Norwegian Accounting Act. In application of the accounting principles and presentation of transactions and other information, emphasis has been put not only on legal form, but on economic reality. Conditional losses that are probable and quantifiable are expensed. There have been no changes in the accounting principles used.

### 1-1 Basis for consolidation

The Group's consolidated financial statements comprise Global Rig Company ASA and companies in which Global Rig Company ASA has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50% of the shares in the company and can exercise control over the company. Minority interests are included in the Group's equity. Transactions between Group companies have been eliminated in the consolidated financial statement. The consolidated financial statement has been prepared in accordance with the same accounting principles for both parent and subsidiary.

The purchase method is applied when accounting for mergers. Companies which have been bought or sold during the year are included in the consolidated financial statements from the date when control is achieved and until the date when control ceases.

### 1-2 Use of estimates

Management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with Norwegian generally accepted accounting principles.

### 1-3 Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

### 1-4 Revenue recognition

Revenues from the sale of goods are recognized in the income statement once delivery has taken place and most of the risk and return has been transferred. Revenues from the sale of services and long-term manufacturing projects are recognized in the income statement according to the project's level of completion, provided the transaction outcome can be estimated reliably. Progress is measured as the number of hours spent compared to the total number of hours estimated. When transaction outcome cannot be estimated reliably, only revenues equal to the project costs incurred will be recognized as revenue. The total estimated loss on a contract will be recognized in the income statement during the period when it is identified that a project will generate a loss.

### 1-5 Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 28 percent of temporary differences and losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

## 1-6 Balance sheet classification

Current assets and short term liabilities consist of receivables and payables due within one year, and items connected to the flow of goods. Other balance sheet items are classified as fixed assets/long term liabilities. Current assets are valued at the lower of cost and fair value. Short-term liabilities are recognized at nominal value at the time they incur. Fixed assets are valued at cost, less depreciation and impairment losses. Long-term liabilities are recognized at nominal value.

## 1-7 Property, plant and equipment

Property, plant and equipment are capitalized and depreciated over the estimated useful life. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property, plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realizable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are used. Operational leasing is expensed as ordinary rental expense and classified as an ordinary operating expense. Equipment leased on terms that transfer practically all economic rights and obligations to the company (financial leasing) is depreciated as a capital asset, and is included as a liability under interest bearing debt at the present value of minimum rental expense.

## 1-8 Subsidiaries

Subsidiaries are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions are recognized in the same year as they are recognized in the subsidiary financial statement. If dividends / group contribution exceed withheld profits after acquisition, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the investment in the balance sheet for the parent company.

## 1-9 Accounts receivable and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

## 1-10 Short-term investments

Short-term investments (stocks and shares seen as current assets) are valued at the lower of acquisition cost and fair value at the balance sheet date. Dividends and other distributions are recognized as other financial income.

## 1-11 Collocation of income and expenses

Income is, as a main rule, entered when earned. Income is thus normally recognized at the time of delivery of the sold goods or services. Operating income is net of value added/sales tax, rebates, bonuses and invoiced freight costs. Expenses are collocated with the income to which the expenses relate. Expenses that may not be related to income are entered when accrued.

## 1-12 Pension obligations and expenses

Global Rig Company ASA has a deposit-based pension plan. Yearly payments to the insurance company are expensed as pension costs.

## 1-13 Cash flow statement

The Cash Flow Statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short-term, liquid placements.

## Note 2 – Payroll expenses/Number of Employees/Remuneration/Auditor's Fee (NOK)

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | GRC ASA | Group | GRC ASA | Group |
| Salaries | 3 972 737 | 43 565 488 | 4 705 931 | 19 493 469 |
| Payroll tax/Social Security | 609 357 | 4 251 783 | 692 274 | 2 080 675 |
| Pension costs | 87 036 | 498 724 | 108 965 | 310 264 |
| Other benefits | 697 243 | 749 530 | 1 045 531 | 1 258 828 |
| **Payroll expenses etc.** | **5 366 373** | **49 065 525** | **6 552 702** | **23 143 236** |
| Number of man-labour years | 2 | 105 | 3 | 42 |

| Management Remuneration Global Rig Company ASA | | 2010 | | | | 2009 |
|---|---|---|---|---|---|---|
| **Company officers** | **Period** | **Salaries** | **Pensions** | **Other benefits** | **Total** | **Total** |
| Jan Henning Skåra (CEO) | 01.01 - 31.12 | 1 883 113 | 31 593 | 255 672 | 2 170 378 | 1 982 244 |
| **Board** | **Period** | **Salaries** | **Pensions** | **Other benefits** | **Total** | **Total** |
| Henrik Tangen (Chairman) | 01.01 - 31.12 | 900 000 | - | - | 900 000 | 1 051 320 |
| Synne Syrrist (Bd member) | 01.01 - 31.12 | 219 996 | - | - | 219 996 | 234 849 |
| Christian Selmer (Bd member) | 01.01 - 31.12 | 219 996 | - | - | 219 996 | 234 849 |
| **Total Officers** | | **1 883 113** | **31 593** | **255 672** | **2 170 378** | **1 982 244** |
| **Total Board** | | **1 339 992** | **-** | **-** | **1 339 992** | **1 521 018** |
| **Total Remuneration Board and Management** | | **3 223 105** | **31 593** | **255 672** | **3 510 370** | **3 503 262** |

In the event that the company requests the Chief Executive Officer's resignation, he will be entitled to his current salary for six months.

| Management Remuneration Group | 2010 | | | | 2009 |
|---|---|---|---|---|---|
| **Company officers** | **Salary** | **Pension costs** | **Other** | **Total** | **Total** |
| Global Rig Company ASA | 1 883 113 | 31 593 | 255 672 | 2 170 378 | 2 861 275 |
| Subsidiaries | 2 446 929 | 115 858 | - | 2 562 787 | 2 656 929 |
| **Board** | **Salary** | **Pension costs** | **Other** | **Total** | **Total** |
| Global Rig Company ASA | 1 339 992 | - | - | 1 339 992 | 1 521 018 |
| Subsidiaries | 302 090 | - | - | 302 090 | 314 710 |
| **Total Officers** | **4 330 042** | **147 451** | **255 672** | **4 733 165** | **5 518 204** |
| **Total Board** | **1 642 082** | **-** | **-** | **1 642 082** | **1 835 728** |
| **Remuneration Board and Management (excl. Share based)** | **5 972 124** | **147 451** | **255 672** | **6 375 247** | **7 353 932** |

The Company established in 2007 an OTP-plan (Mandatory Occupational Pension) according to the Norwegian Mandatory Occupational Pension Act. The group has established a 501K plan for US subsidiary employees.

## Global Rig Company ASA Share-Based Payment

During the period ended 31 December 2010, the Company had a share-based payment arrangement, which is described below.

| **Option Plan 2010** | |
|---|---|
| Type of arrangement | Equity Based |
| Date of Grant | 01.03.2010 |
| Options granted as of 31.12.2010 | 414 000 |
| Contractual life | 2.55 years |
| Vesting conditions | 50% of the options vest 01.08.2010 and 50% of the options vest 01.08.2011 |
| Expiry date | 15.09.2012 |

Fair value of granted options is calculated using the Black-Scholes-Merton option pricing model.

### The inputs to the model are listed below:

| **Option Plan 2010** | |
|---|---|
| Underlying shares | 414 000 |
| Exercise price | 4,50 |
| Share price at grant date | 3,45 |
| Expected life | 2.55 years |
| Volatility | 80 % |
| Risk free interest rate | 2,50 % |
| Dividends | - |
| Fair Value per option | 1,458 |

The Company is not listed, and guidelines in IFRS 2 are used to estimate expected volatility. Expected volatility is based on historical volatilities of similar entities listed on NYSE. As similar entities the following have been used: Unit Corporation, Parker Drilling Company, Helmerich & Payne and Rowan Companies Inc. Because Global Rig is a smaller company than the similar entities, a 20 % premium has been added to the average volatility of the similar entities.

The total expensed amount in 2010 arising from the share-based payment plan is NOK 696 276, and the total unrecognized expense per 31 December 2010 is NOK 177 758.

### Historical details for the option plans are as follows:

| | **01.01.2010 - 31.12.2010** | | **01.01.2009 - 31.12.2009** | | **01.01.2008 - 31.12.2008** | |
|---|---|---|---|---|---|---|
| | **Options** | **Weighted Average Exercise Price** | **Options** | **Weighted Average Exercise Price** | **Options** | **Weighted Average Exercise Price** |
| Outstanding at the beginning of period | 1 200 000 | 4,50 | - | - | 480 000 | 10,00 |
| Granted | 414 000 | 4,50 | 1 200 000 | 9,00 | - | - |
| Exercised | - | - | - | - | - | - |
| Terminated | (150 000) | - | - | - | - | - |
| Forfeited | - | - | - | - | 480 000 | 10,00 |
| Outstanding at the end of period | 1 464 000 | 4,50 | 1 200 000 | 4,50 | - | - |
| Vested options | 1 257 000 | 4,50 | 600 000 | 4,50 | - | - |

**Details concerning outstanding options as of 31 December 2010 are given in the table below.**

| Outstanding options | | | Vested options | |
|---|---|---|---|---|
| **Outstanding options per 31.12.2010** | **Weighted average remaining Contractual Life** | **Weighted average Exercise Price** | **Vested options 31.12.2010** | **Weighted average Exercise Price** |
| 1 464 000 | 0,62 | 4,50 | 1 257 000 | 4,50 |

**Remuneration of corporate management and Board of Directors 2009 is given in the table below.**

| Member of Management or Board | Number of options granted during 2010 | Number of options outstanding as of Dec 31 2010 | Exercise price of options | Expiry date of options | Amount expensed in 2010 |
|---|---|---|---|---|---|
| Henrik Tangen | - | 350 000 | 4,50 | 15.09.2011 | 91 502 |
| Herman E. McIniss | - | 200 000 | 4,50 | 15.09.2011 | 52 287 |
| Jan Henning Skåra | - | 500 000 | 4,50 | 15.09.2011 | 130 717 |
| Christian Selmer | 132 000 | 132 000 | 4,50 | 15.09.2012 | 152 933 |
| Synne Syrrist | 132 000 | 132 000 | 4,50 | 15.09.2012 | 152 933 |
| Jan Kildal | 150 000 | 150 000 | 4,50 | 15.09.2012 | 173 788 |

At the Extraordinary General Meeting of October 14, 2008 the Board was authorized to increase the share capital by a maximum of 2.928 million by issuing up to 1.464 million shares in relation to a share option program. The shares can be issued to employees and board members in the Company and the Group. As of Dec 31, 2009 share option agreements including up to 1 200 000 shares had been granted.

In March 2010 the remaining 264 000 was granted to Board members Christian Selmer and Synne Syrrist. CFO Jan Kildal was at the same time granted the options held by the previous CFO.
The Company signed in 2009 a consultancy services with Henrik Tangen who is chairman of the company. The agreement includes services like IR, strategy, organizational development assistance, analytical support and communication support.

**Auditors remuneration (NOK, excl. MVA (VAT)**

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | **GRCASA** | **Group** | **GRC ASA** | **Group** |
| Ordinary audit | 331 630 | 477 272 | 543 913 | 667 828 |
| Other confirmation services | 35 250 | 35 250 | 81 425 | 159 325 |
| Tax advisory services | 37 025 | 37 025 | 32 065 | 61 560 |
| Other non audit services | 156 927 | 258 949 | 204 363 | 204 363 |
| **Total** | **560 832** | **808 496** | **861 766** | **1 093 076** |

The ordinary audit expense includes fees for auditing the US subsidiary for the Group consolidated accounts.

## Note 3 – Tax (NOK)

| | jan 01 - des 31, 2010 | | jan 01 - des 31, 2009 | |
|---|---|---|---|---|
| | GRC ASA | Group | GRC ASA | Group |
| **Tax base calculation:** | | | | |
| Profit (+)/ Loss (-) before income tax | -111 246 981 | -90 297 044 | 26 480 810 | -65 188 857 |
| Permanent differences | 78 151 284 | 654 687 | 1 120 367 | 1 327 014 |
| Temporary differences | 49 807 274 | -23 379 301 | | -6 305 801 |
| Losses carried forward | | 113 021 658 | | 70 167 644 |
| **Tax base** | **16 711 577** | **-** | **27 601 177** | **-0** |
| Tax 28 % | 4 679 242 | - | 7 728 330 | -0 |
| **Income Tax Payable this year** | **4 679 242** | **-** | **7 728 330** | **-0** |
| **Income Tax Expense:** | | | | |
| Income Tax Payable this year | 4 679 242 | - | 7 728 330 | -0 |
| Changes in deferred tax | -13 946 037 | -12 054 587 | - | -17 731 778 |
| Correction previous years provisions | - | - | - | - |
| **Total Income Tax Expense** | **-9 266 795** | **-12 054 587** | **7 728 330** | **-17 731 778** |
| **Income Tax Payable:** | | | | |
| Income Tax Payable this year | 4 679 242 | - | 7 728 330 | -0 |
| Income Tax Group Contribution | 4 679 242 | - | - 7 728 330 | - |
| **Total Income Tax Payable** | **-0** | **-** | **-** | **-0** |
| **Specification of Basis for Deferred Tax Asset:** | | | | |
| **Differences to be balanced** | | | | |
| Fixed assets | - | 70 978 587 | - | 39 882 812 |
| Current assets | -11 210 214 | -7 716 475 | - | - |
| Manufacturings contracts | - | - | - | - |
| Deferred loss | - | -174 002 271 | - | -135 172 052 |
| Shares in US subsidiary | -38 597 060 | - | - | |
| Group contribution | - | - | - | 27 601 177 |
| **Total temporary differences** | **-49 807 274** | **-110 740 159** | **-** | **-67 688 063** |
| **Basis for determining deferred tax/ tax advantage** | **-49 807 274** | **-110 740 159** | **-** | **-67 688 063** |
| **Deferred tax/tax advantage (28%)** | **-13 946 037** | **-31 007 245** | **-** | **-18 952 658** |
| Basis deferred tax/ tax advantage not rec. in balance | - | 93 102 231 | - | 46 512 116 |
| Deferred tax/ tax advantage (34%) not rec. in balance | - | 31 654 759 | - | 15 814 119 |

### Deferred tax/ deferred tax asset

Estimated deferred tax asset in subsidiary NorAm Drilling Company is not recorded in the balance sheet due to uncertainty related to valuation of this asset.

## Note 4 – Bound Assets and Liquidity Reserves (NOK)

| | 2010 | | 2008 | |
|---|---|---|---|---|
| | GRC ASA | Group | GRC ASA | Group |
| **Employees tax deduction, deposited in a separate bank account** | 250 749 | 250 749 | 289 712 | 289 712 |
| Secure deposit vehicles leasing and credit cards | 227 463 | 325 630 | 227 463 | 340 602 |
| **Total** | **478 212** | **576 379** | **517 175** | **630 313** |

## Note 5 - Equity and Shareholder Information (NOK)

**Share Capital Global Rig Company ASA & Group**

| | 2010 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | No. of shares | Face value | Book value | No. of shares | Face value | Book value |
| Ordinary shares | 48 800 000 | 2 | 97 600 000 | 48 800 000 | 2 | 97 600 000 |
| **Total** | **48 800 000** | | **97 600 000** | **48 800 000** | | **97 600 000** |

| Equity Global Rig Company ASA | Share capital | Share premium | Other paid in capital | Other Equity | Total |
|---|---|---|---|---|---|
| Equity | | | | | |
| Dec 31, 2010 | 97 600 000 | 313 477 483 | 1 239 881 | 63 223 744 | 475 541 108 |
| Option Agreement | | | 706 376 | | 706 376 |
| Exchange rate differences | | | | | |
| Profit (+)/Loss (-) | | -38 756 442 | | - 63 223 744 | -101 980 186 |
| Dividend | | | | | - |
| Deviation | | | | | - |
| **Equity Dec 31, 2010** | **97 600 000** | **274 721 041** | **1 946 257** | **-** | **374 267 298** |

| Equity Group | Share capital | Share premium | Other equity contributed | Other Equity | Exch. rate differences | Total |
|---|---|---|---|---|---|---|
| Equity | | | | | | |
| Dec 31, 2009 | 97 600 000 | 313 477 483 | 1 239 881 | - 50 280 136 | 2 818 709 | 345 855 937 |
| Option Agreement | | | 706 376 | | | 706 376 |
| Exchange rate differences | | | | | 1 437 441 | 1 437 441 |
| Profit (+)/Loss (-) | | -38 756 442 | | -39 486 015 | | -78 242 457 |
| Dividend | | | | | | - |
| Deviation | | | | | | - |
| **Equity Dec 31, 2010** | **97 600 000** | **274 721 041** | **1 946 257** | **-89 766 151** | **4 256 150** | **288 757 297** |

Issued capital consists only of ordinary shares

### 10 Largest Shareholders as per Dec 31, 2009

Global Rig Company ASA and Group

| 10 Largest Shareholders as per Dec 31, 2009 | Type | Share |
|---|---|---|
| GOLDMAN SACHS INT. - EQUITY - | Nom | 79,45 % |
| PACTUM AS | | 2,36 % |
| ØGLEND, ANBJØRN | | 2,05 % |
| NORDNET BANK AB | Nom | 1,02 % |
| HAVILA AS | | 1,02 % |
| AKSJEVOLD AS | | 0,98 % |
| KG INVESTMENT COMPANY AS | | 0,91 % |
| CROWN HILL CHARTERING A/S | | 0,61 % |
| DAMIMA INVEST | | 0,50 % |
| SVEN IRGENS NILSEN | | 0,49 % |
| **Total** | | **89,4 %** |

As per Dec 31, 2010 the Chief Executive Officer directly owns 50,000 shares, and indirectly 100,000 shares through his wholly owned company J Binvest AS. No other members of the board or management owned shares in the company or group.

The annual report is prepared according to the Norwegian Accounting Act 1998 and generally accepted accounting principles.

## Note 6 – Intercompany Balances (NOK)

All intercompany loans have a 5-year term. Per December 31, 2010 the remaining term until maturity for the Global Rig Active AS loan and the NorAm loan was approximately 1.5 years, while the other subsidiaries had terms slightly less than 3 years on their loans from the parent.

| Global Rig Company ASA | Per Dec 31, 2010 | Per Dec 31, 2009 |
|---|---|---|
| Loan to Global Rig Active AS | 149 857 686 | 150 805 079 |
| Loan to Global Rig Active 2 AS | 16 230 000 | 44 004 091 |
| Loan to Global Rig Active 3 AS | 96 820 906 | 70 588 284 |
| Loan to Global Rig Active 4 AS | 105 452 393 | 63 675 285 |
| Loan to Global Rig Active 5 AS | 103 589 218 | 64 264 330 |
| Loan to NorAm Drilling Company | 19 134 008 | 10 032 162 |
| Group contribution to Global Rig Active 4 AS | 16 711 577 | - |

| Group | Per Dec 31, 2010 | Per Dec 31, 2009 |
|---|---|---|
| Global Rig Company ASA loan to Global Rig Active AS | 149 857 686 | 150 805 079 |
| Global Rig Company ASA loan to Global Rig Active 2 AS | 16 230 000 | 44 004 091 |
| Global Rig Company ASA loan to Global Rig Active 3 AS | 96 820 906 | 70 588 284 |
| Global Rig Company ASA loan to Global Rig Active 4 AS | 105 452 393 | 63 675 285 |
| Global Rig Company ASA loan to Global Rig Active 5 AS | 103 589 218 | 64 264 330 |
| Global Rig Company ASA loan to NorAm Drilling Company | 19 134 008 | 10 032 162 |
| Global Rig Active AS receivables from NorAm Drilling Company | 23 512 334 | 859 334 |
| Global Rig Active 2 AS receivables from NorAm Drilling Company | 1 218 571 | - |
| Global Rig Active 3 AS receivables from NorAm Drilling Company | 8 485 235 | - |
| Global Rig Active 4 AS receivables from NorAm Drilling Company | 6 262 611 | - |
| Global Rig Active5 AS receivables from NorAm Drilling Company | 3 085 540 | - |
| NorAm Drilling Company receivables from Global Rig Active 3 AS | 2 726 695 | 289 940 |
| NorAm Drilling Company receivables from Global Rig Active 5 AS | 1 516 981 | - |

Global Rig Company ASA provided loans to the subsidiaries to enable operations in the establishment phase. The interest on the loans has been added to the loan. Repayment of loan from the subsidiaries has been deducted from the balance, net of the repayment premium. Global Rig Active AS, Global Rig Active 3 AS, Global Rig Active 4 AS and Global Rig Active 5 AS invoices NorAm Drilling Company for leasing of drilling rigs. The Group deems the agreements between the companies as transactions carried out on arm's length terms.

## Note 7 – Shares in Subsidiaries (NOK)

| Company | Balance value | Shares | Voting* | Equity 2010 | Result 2010 | Main Office 2010 |
|---|---|---|---|---|---|---|
| Global Rig Active AS | 17 662 037 | 100 % | 100 % | 19 666 122 | -16 279 790 | Oslo |
| Global Rig Active 2 AS | - | 100 % | 100 % | -5 214 113 | -10 906 978 | Oslo |
| Global Rig Active 3 AS | 20 000 000 | 100 % | 100 % | 9 733 510 | -3 253 316 | Oslo |
| Global Rig Active 4 AS | 32 032 335 | 100 % | 100 % | 20 586 906 | -6 516 963 | Oslo |
| Global Rig Active 5 AS | 20 000 000 | 100 % | 100 % | 10 688 887 | -6 053 938 | Oslo |
| Global Rig Active 6 AS | 115 000 | 100 % | 100 % | 60 773 | -18 862 | Oslo |
| NorAm Drilling Company | 52 287 | 100 % | 100 % | -48 382 316 | -46 590 115 | Houston |

* Share of voting rights

## Note 8 – Tangible Assets

### Global Rig Company ASA

Global Rig Company ASA owned a total of 15,565 ft of drillpipe per December 31, 2010 with a book value of NOK 5 922 990. The pipe will be transferred to one of the subsidiaries upon need. Global Rig Company ASA has not depreciated the pipe, as it has not been in use.

### Group

| Property, plant and equipment (NOK) | Rigs & acces. | Vehicles & Office Eq. | Land | Total |
|---|---|---|---|---|
| Acquisition cost at 01.01.2010 | 462 230 536 | 5 648 789 | 293 266 | 468 172 5910 |
| Additions | 96 187 480 | 380 072 | - | 96 567 552 |
| Disposals | -50 760 310 | - | - | -50 760 310 |
| Acquisition cost at 31.12.2010 | 507 657 706 | 6 028 861 | 293 266 | 513 979 833 |
| | | | | |
| Accumulated depreciation 31.12.2010 | -52 265 935 | -2 098 147 | - | -54 364 082 |
| Accumulated impairment loss 31.12.2010 | -7 157 451 | - | - | -7 157 451 |
| Reversed impairment loss 31.12.2010 | - | - | - | - |
| Net carrying value at 31.12.2010 | 448 234 320 | 3 930 714 | 293 266 | 452 458 300 |
| | | | | |
| Depreciation for the year | 25 055 079 | 793 362 | - | 25 848 441 |
| Impairment loss for the year | 7 157 451 | - | - | 7 157 451 |
| | - | - | - | - |

Both the parent company and the group use linear depreciation for all tangible assets

| The useful economic life is estimated to be: | Years |
|---|---|
| * Buildings and other real estate | 20-50 |
| * Machinery and equipment | 3-15 |
| * Land | 0 |

## Note 9 – Short-term and long-term liabilities

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | GRC ASA | Group | GRC ASA | Group |
| **Short term liabilities (NOK)** | | | | |
| Other short term liabilities | 228 288 534 | 214 317 842 | 176 304 745 | 148 687 431 |
| | | | | |
| **Long term liabilities (NOK)** | | | | |
| Liabilities to financial institutions | - | - | - | - |
| Other long term liabilities | - | 3 704 832 | - | 2 884 905 |
| Total | 228 288 534 | 218 022 674 | 176 304 745 | 151 572 336 |

**Long-term receivables:** Neither the Company nor the Group has any long term receivables.

**Other long-term debt:** Other long-term debt is related to NorAm Drilling Company's purchase of vehicles, yard and warehouse including offices. The debt has security in the assets. Neither the company nor the Group has loans with term longer than 5 years.

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | GRC ASA | Group | GRC ASA | Group |
| Secured debt: | - | 2 381 251 | - | 2 175 097 |
| **Pledged assets:** | | | | |
| Intercompany loans | - | - | - | - |
| Shares in subsidiaries | - | - | - | - |
| Assets in subsidiaries | - | - | - | - |
| Vehicles | - | 715 945 | - | 603 598 |
| Yard | - | 2 824 905 | - | 2 768 832 |
| Total | - | 3 540 850 | - | 3 372 429 |

## Note 10 – Health, Safety and Environment

No special environmental efforts were initiated by the Company in 2010. As for the Group, the rig crew is trained in the Occupational Safety and Health Administration (OSHA) regulations in the US. They are trained in daily routines to ensure safe operations without unwanted occurrences.

NorAm Drilling Company complies with federal and state regulations in its activities, including environmental protection regulation. In standard daywork drilling contracts, liability for damages to external environment is mainly the responsibility of the operator of an oil and gas field. NorAm Drilling Company has insurance that covers up to USD 1M in damages to people or property per pollution incident, providing such incidents are not caused by misconduct and handled correctly.

## Note 11 – Related Parties

The Company signed in 2009 a consultancy services with Henrik Tangen who is chairman of the company. The agreement includes services like IR, strategy, organizational development assistance, analytical support and communication support. The agreement on a 20% engagement basis and the fee is NOK 50,000 per month. Payroll tax is paid on the amount, but no other social taxes or benefits.

## Note 12 – Earnings per share

| | 2010 | | 2009 | |
|---|---|---|---|---|
| NOK | GRC ASA | Group | GRC ASA | Group |
| Result after income tax | -101 980 186 | -78 242 457 | 18 752 480 | -47 457 079 |
| Shares | 48 800 000 | 48 800 000 | 48 800 000 | 48 800 000 |
| Warrants | 1 464 000 | 1 464 000 | 1 680 000 | 1 680 000 |
| EPS | -2,09 | -1,60 | 0,38 | -0,97 |
| EPS (incl. Warrants) | -2,03 | -1,56 | 0,37 | -0,94 |

## Note 13 – Net Financial Items

| | 2010 | | 2009 | |
|---|---|---|---|---|
| **NOK** | **GRC ASA** | **Group** | **GRC ASA** | **Group** |
| **Financial income** | | | | |
| Interest income from group companies | 50 500 265 | | 47 428 696 | |
| **Other Interest Income** | | | | |
| Interest income bank | 158 515 | 164 001 | 1 159 074 | 1 159 213 |
| Other interest income | - | - | - | 65 499 |
| **Other Financial Income** | | | | |
| Currency gains | 26 016 762 | 29 998 552 | 35 131 744 | 42 728 217 |
| **Total financial income** | **76 675 542** | **30 162 553** | **83 719 514** | **43 952 928** |
| | | | | |
| **Financial expenses** | | | | |
| **Other interest expenses** | | | | |
| Interest expense bond loan | | | 18 | 18 |
| Interest expense shareholder loan | 23 583 492 | 23 583 492 | 20 148 587 | 20 148 587 |
| Interest expense suppliers | - | - | - | - |
| Other interest expenses | 1 842 598 | 2 217 955 | 78 389 | 177 697 |
| | | | | |
| **Other financial expenses** | | | | |
| Other financial expense | 127 303 871 | 16 711 | - | 133 102 |
| Currency losses | 24 500 546 | 33 589 777 | 26 746 778 | 46 118 007 |
| Total Financial expenses | 177 230 507 | 59 407 935 | 46 973 772 | 66 577 411 |
| | | | | |
| **Net financial items** | **-100 554 964** | **-29 245 382** | **36 745 742** | **-22 624 483** |

## Note 14 – Segment and Geographic Information

The Company does not operate in different market segments.
The Group owns and operates land-based oil & gas drilling rigs. All drilling operations in 2010 were in the US. The Norwegian subsidiaries make the major part of investments. Thus, most of the depreciation is in these companies. The US subsidiary made some smaller investments and has minor depreciation expenses.

| 2010<br>NOK | Rig lease<br>Global Rig Company ASA | <br>GRA* AS-GRA*- 6 AS | Drilling service NorAm | Group |
|---|---|---|---|---|
| Sales Sales income from third parties | - | - | 81 842 755 | 81 842 755 |
| Sales income from other segments | - | 38 035 958 | 170 627 | - |
| Depreciation | - | 25 055 078 | 793 362 | 25 848 440 |
| Other operating expenses | 10 037 928 | 11 983 667 | 125 366 825 | 109 181 835 |
| **Operating profit** | **-10 037 928** | **997 213** | **-44 146 805** | **-53 187 520** |
| | | | | |
| Extraordinary items | | | | |
| Other items | | | | |
| Net investments in period | - | 45 427 170 | 380 072 | 45 807 242 |
| Financial expenses | 177 230 507 | 7 824 406 | 403 117 | 59 407 935 |
| Financial expenses other segments | - | 48 397 829 | 2 091 387 | - |
| Financial income | 26 175 277 | 3 987 276 | 104 085 | 30 162 553 |
| Financial income other segments | 50 500 265 | - | - | - |
| **Net financial items** | **-100 554 964** | **-52 234 959** | **-2 390 419** | **-29 245 382** |
| | | | | |
| **Taxes** | **-9 266 795** | **-12 054 587** | | **-21 321 382** |
| | | | | |
| Assets | 603 141 378 | 544 349 522 | 36 262 307 | 533 362 637 |
| Interest bearing debt third parties | 204 857 531 | | 3 704 832 | 208 562 363 |
| Interest bearing debt other segments | | 471 950 203 | 19 134 010 | |

* GRA means "Global Rig Active": The group has the following rig leasing companies: GRA AS, GRA 2 AS GRA 3 AS, GRA 4 AS, GRA 5 AS and GRA 6 AS

| 2009<br>NOK | Rig lease<br>Global Rig Company ASA | <br>GRA* AS-GRA*- 6 AS | Drilling service NorAm | Group |
|---|---|---|---|---|
| Sales income from third parties | 42 368 | - | 24 227 504 | 24 269 872 |
| Sales income from other segments | - | 12 236 264 | 3 502 653 | - |
| Depreciation | - | 13 200 615 | 740 539 | 13 941 155 |
| Other operating expenses | 10 307 300 | 33 583 509 | 55 333 164 | 52 893 091 |
| **Operating profit** | **-10 264 932** | **-34 547 860** | **-28 343 547** | **-42 564 374** |
| | | | | |
| Extraordinary items | | | | |
| Other items | | | | |
| Investments in period | - | 159 274 648 | - | 159 274 648 |
| Financial expenses | 46 973 772 | 17 858 537 | 1 752 787 | 66 585 096 |
| Financial expenses other segments | - | - | - | -47 428 696 |
| Financial income | 36 290 818 | 7 662 111 | - | 43 952 928 |
| Financial income other segments | 47 428 696 | 46 184 668 | 1 236 344 | -7 684 |
| **Net financial items** | **36 745 742** | **-56 381 095** | **-2 989 130** | **-22 632 167** |
| | | | | |
| **Taxes** | **7 728 330** | **-25 460 107** | **-** | **-17 731 778** |
| | | | | |
| Asset | 652 453 093 | 486 575 573 | 14 186 061 | 527 224 350 |
| Interest bearing debt third parties | 144 059 500 | - | 2 884 905 | 146 944 405 |
| Interest bearing debt other segments | - | 393 337 069 | 10 032 162 | - |

* GRA means "Global Rig Active". The group has the following rig leasing companies: GRA AS, GRA 2 AS, GRA 3 AS, GRA 4 AS, GRA 5 AS og GRA 6 AS.

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To the Annual Shareholders' meeting in Global Rig Company ASA

INDEPENDENT AUDITOR'S REPORT

**Report on the Financial Statements**

We have audited the accompanying financial statements of Global Rig Company ASA, which comprise the financial statements of the parent company Global Rig Company ASA, showing a loss of TNOK 101 980, and the consolidated financial statements of Global Rig Company ASA and its subsidiaries, showing a loss of TNOK 78 242. The parent company's and the consolidated financial statements comprise balance sheet as at 31 December, 2010, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

*The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and generally accepted accounting standards and practices in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the parent company Global Rig Company ASA and of Global Rig Company ASA and its subsidiaries as at 31 December, 2010, and of their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on Other Legal and Regulatory Requirements
*Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

*Opinion on Accounting Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures, we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 9 May 2011
KPMG AS

Ståle Christensen
*State authorised public accountant*

[Translation has been made for information purposes only]

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Til generalforsamlingen i Global Rig Company ASA

REVISORS BERETNING

**Uttalelse om årsregnskapet**

Vi har revidert årsregnskapet for Global Rig Company ASA, som består av selskapsregnskap, som viser et underskudd på TNOK 101 980, og konsernregnskap, som viser et underskudd på TNOK 78 242. Selskapsregnskapet og konsernregnskapet består av balanse per 31. desember 2010, resultatregnskap og kontantstrømoppstilling, for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

*Styrets og daglig leders ansvar for årsregnskapet*

Styret og daglig leder er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge, og for slik intern kontroll som styret og daglig leder finner nødvendig for å muliggjøre utarbeidelsen av et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

*Revisors oppgaver og plikter*

Vår oppgave er å gi uttrykk for en mening om dette årsregnskapet på bakgrunn av vår revisjon. Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder International Standards on Auditing. Revisjonsstandardene krever at vi etterlever etiske krav, og planlegger og gjennomfører revisjonen for å oppnå betryggende sikkerhet for at årsregnskapet ikke inneholder vesentlig feilinformasjon.

En revisjon innebærer utførelse av handlinger for å innhente revisjonsbevis for beløpene og opplysningene i årsregnskapet. De valgte handlingene avhenger av revisors skjønn, herunder vurderingen av risikoene for at årsregnskapet inneholder vesentlig feilinformasjon, enten det skyldes misligheter eller feil. Ved en slik risikovurdering tar revisor hensyn til den interne kontrollen som er relevant for selskapets utarbeidelse av et årsregnskap som gir et rettvisende bilde. Formålet er å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll. En revisjon omfatter også en vurdering av om de anvendte regnskapsprinsippene er hensiktsmessige, og om regnskapsestimatene utarbeidet av ledelsen er rimelige, samt en vurdering av den samlede presentasjonen av årsregnskapet.

Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

*Konklusjon*

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter, og gir et rettvisende bilde av selskapet og konsernet Global Rig Company ASA sin finansielle stilling per 31. desember 2010 og av deres resultater og kontantstrømmer for regnskapsåret, som ble avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

**Uttalelse om øvrige forhold**

*Konklusjon om årsberetningen*

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til dekning av tap er konsistente med årsregnskapet og er i samsvar med lov og forskrifter.

*Konklusjon om registrering og dokumentasjon*

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller begrenset revisjon av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Bergen, 9. mai 2011
KPMG AS

Ståle Christensen
*Statsautorisert Revisor*


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