



# Board of Directors Annual Report 2007

Global Rig Company ASA and the Group



**GLOBAL RIG COMPANY**



[www.globalrig.no](http://www.globalrig.no)



## Letter to the share holders: Dependable rigs

High energy demand and political tension has led to continuing growth of energy prices. According to US official energy statistics bureau EIA the energy demand growth is expected to continue. What happens to the political tension remains to be seen.

The oil price will most likely continue to be volatile. Energy demanding countries without sufficient domestic oil resources, like India, China, US and many others, will increase even more their search for domestic resources and for alternatives.

We expect a rise in onshore activities, exploring for oil and especially gas in both conventional and unconventional plays. Our mission is to deliver and operate modern rigs

with power, speed and dependability for large scale and repeatable drilling programs.

Our first rig started operation mid September 2007 at the Barnett Shale field in Texas. During 4th quarter all our three rigs were delivered from manufacturer MD Cowan, and contracts were signed for operations from 1st quarter 2008. Focus in the first year of the company has been on acquiring these three rigs and employing them at satisfactory markets rates. That was the strategic goal, and the goal has been met.

For 2008 we plan to add several rigs. We are looking forward to putting them and future rigs to work and have an exiting time ahead of us.



Svein Lang  
Chairman



Jan Henning Skåra  
CEO

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# Organization and corporate structure



Ola-Peter Tollefsen started his career on the first rig in the North Sea, and was in fact the first driller on the Norwegian sector. Former general manager for international activities in Transocean.

Ola-Peter Tollefsen  
Board member



Svein Lang is MBA Strategic Management. Management consultant, various board positions.

Consul for India in Bergen

Svein Lang  
Chairman



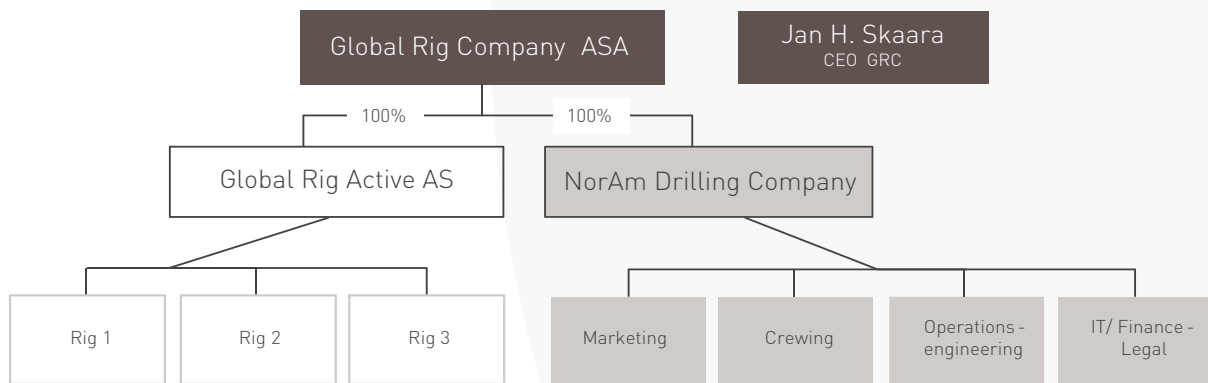
Former head of geology research, Norsk Hydro, petroleum researcher at SINTEF. Director, SIU (Norwegian Centre (governmental) for International Cooperation in Higher Education)

Gunn Mangerud  
Board member



Global Rig Company ASA's Chief Executive Officer, Jan H. Skaara has more than 30 years of experience with drilling operations, drilling engineering and turnkey projects world wide.

Jan H. Skaara  
CEO GRC





# Annual report 2007

## Board of Directors Report 2007, Global Rig Company ASA and the Group

### Our Business

The company invests in, owns, leases and operates onshore rigs, as well as all activities connected with these. Global Rig Company ASA (herein called "The Company") fully owns two subsidiaries: Global Rig Active AS and NorAm Drilling Company. These companies lease and operate the rigs. The Global Rig Company administration is located in Bergen, Norway.

The group invests in, leases and operates onshore rigs. It consists of the Norwegian parent company Global Rig Company ASA and its two subsidiaries: Global Rig Active AS and NorAm Drilling Company, located in Bergen, Norway and Houston, USA. These companies lease and operate the rigs. NorAm Drilling Company runs the operative drilling activities in the Group. In 2007, Rig 1 started drilling and Rigs 2 and 3 were delivered. All rigs have firm drilling contracts.

NorAm Drilling Company was originally located in Dallas, but moved to Houston in 2007 to be closer to the market and customers. NorAm's customers are small players in the US oil and gas market with access to drilling rights that can ensure the rigs are employed

for a longer time than the current contract-specified periods.

### Company Development, Results and Going Concern

The Board considers the Financial Statements for 2007 to represent a true and fair view of the development and results of the Company and Group's operations and accounts per Dec 31, 2007. The Board confirms that going concern assumptions are satisfied and form the basis for the financial statements presented herein. The Board is not aware of any events or circumstances having occurred after the end of 2007 that significantly impact on the evaluation of the Company and Group's position.

### Research and Development Activities

Neither the Company nor the Group had research and development expenses in 2007.

### Working Environment

The Board considers the Company's working environment to be good. The company employed only one individual, the Chief Executive Officer, in 2007, and contracted management and advisors from other companies. There was no absenteeism, and no





damage, accidents, or injuries were reported in the workplace.

The Board considers the Group's working environment to be good. The Group had 60 employees at the end of 2007, with zero absenteeism. No damage, accidents or injuries were reported in the workplace.

#### **Equal Opportunity**

The Company had only one employee during 2007, and no women. Women will be encouraged to apply for posted available positions in order to increase their representation 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. The Board consists of three persons, one of whom is female.

The Group employed one woman in 2007, but is likely to employ women in administrative positions in 2008. The Group will encourage women to apply for posted available positions to include women 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 Group's activities. The Global Rig Company ASA Board consists of three persons, one of whom is female. The two subsidiaries have no women in Board positions.

#### **External Environment**

Global Rig Company ASA does not pollute the external environment.

Among the subsidiaries, only NorAm Drilling Company undertakes activities that are potentially polluting, namely oil and gas drilling. This company complies with stringent US regulations on environmental protection.

#### **Results, Investments, Liquidity and Financing**

The company had financial income of NOK 13.4 mill. Operational expenses were NOK 5.5 million and financial expenses were NOK 13.2 mill. The year-end result before tax was NOK -5.3 mill. This loss is due to the fact that the Group is currently in the establishment phase, and that it has taken considerable time to employ all three rigs. There have also been currency losses from the depreciation of the dollar. Establishment expenses deducted directly from equity, and other permanent differences, total NOK 19.5 mill. The result was NOK 1.7 mill post tax.

**The post-tax result is proposed allocated as follows: Transferred to Other Equity:  
NOK 1 654 443**

Share capital for both the Company and the Group was increased from NOK 1 mill at incorporation to NOK 24 mill after the May offering. This was also the year-end share capital. The shares issued included NOK 92 mill in share premiums. These were reduced mainly through establishment expenses to NOK 72.4 mill. Post-tax profit transferred to other equity resulted in NOK 98.1 mill in total equity for the Company, and NOK 81.0 mill for the Group. Total equity and liabilities per Dec 31, 2007 is NOK 222.2 mill for the Company, and NOK 208.5 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 May 2007, NOK 115 mill equity was raised, and the Group issued NOK 120 mill in bonds with warrants in June. Global Rig Company ASA has provided intercompany loans to its subsidiaries for, respectively, NOK 181.4 mill to Global Rig Active AS, and NOK 15.5 mill to NorAm Drilling Company. These loans will partially be converted to equity by the first half of 2008, for NOK 35 mill and USD 1.5 mill



respectively, with the purpose of providing sufficient equity. These loans have been given to enable the subsidiaries to purchase rigs and associated equipment, and for drilling operations.

Net current assets less current liabilities were NOK 14.1 mill by year-end. The Board considers this sufficient liquidity for operations until all three rigs yield net positive cash flow.

The main risks for the Company and the Group are the NOK/USD exchange rate, oil and gas prices, number of rigs in operation in the US and NIBOR interest rate. The Company and the Group have loan obligations and interest in NOK, but the Group's income and most of its operating expenses are in USD. Inter-company loans from Global Rig Company ASA to subsidiaries are NOK loans, but income from interest or dividends from subsidiaries will indirectly be in USD. Thus, the strengthening of the krone versus the dollar has had a negative effect. Oil and gas prices are, on the other hand, strong. There is considerable uncertainty related to these prices in 2008, but they are expected to remain high in the short and medium terms. The number of rigs in operation in the US has increased during the year, but growth has slowed compared to previous years. This could mean an increase in the number of older rigs being scrapped. New rigs may negotiate better day rates than old rigs, as customers insist on efficiency and reliability.

The Group had operating income of NOK 11.2 mill. Operating expenses were NOK 24.8 million and net financial expenses were NOK 12 mill. The year-end result before tax was NOK -25.7 mill. The loss is due to the fact that the Group is currently in the establishment phase, and that it has taken some time to employ all three rigs. There have also been currency losses from the depreciation of the dollar. Establishment expenses that were deducted directly from equity, along with other permanent differences, total NOK 19.5 mill. The result was NOK -16.4 mill post tax.

**The post-tax result is proposed allocated as follows: Transferred from Other Equity: NOK 16 365 766**

The Group has invested NOK 164.4 mill in rigs and related accessories, and NOK 1.6 mill in offices and vehicles in the US subsidiary. Nearly all planned investments with the current financing have been undertaken. The Group's net current assets less current liabilities were NOK 27.9 mill per year-end. The Board considers this sufficient liquidity for operations until all three rigs yield net positive cash flow.

#### **Future Development**

The Company and the Group will maintain the focus on exploiting the infrastructure we have now built up, in the form of a US drilling company with a growing customer network. Strong oil and gas prices and more rig-intensive production have led to a higher demand



for rigs in the market; and new rigs are expanding their market share. New financing is planned for an increase in the number of rigs in 2008. From then on, the Board will consider either further US expansion or establishment in other regions. The main focus going forward will be the acquisition and employment of rigs, cost-efficiency of operations, and delivery of drilling services tailored to our customers' needs. The Group expects positive development in the coming year. Increasing the number of rigs will substantially improve the results. Important conditions for the bottom line are the NOK/USD exchange rate and the operating margin of NorAm Drilling Company.

A weaker dollar will reduce the result in Norwegian kroner, as a greater portion of the dollar income will be needed to cover interest expenses on loans as well as the parent Company's expenses. Conversely, a stronger dollar will improve the result. A reduction in operating expenditure will improve the result significantly, while an increase in operating expenditure that exceeds the budget has a corresponding negative effect on the result. The most sensitive factor is in-

come, and either a reduction in rig utilization, or lower-than-budgeted rates, will have a clear negative impact on results. Conversely, higher rates or utilization will have a very positive effect on the result.

The liquidity prognosis for both the Company and the Group shows a positive development when all three rigs are operating and receiving full rates. By financing and employing additional rigs, this development may be strengthened considerably by economies of scale. The Board deems the liquidity to be sufficient to operate the existing rigs. An increase in the number of rigs is conditional upon successful implementation of the current plans for additional financing.

#### **Corporate Governance**

The company aims to be listed on the Oslo Stock Exchange by listing on Oslo Axess. A requirement for listing is compliance with the Norwegian Recommendation for Corporate Governance. In 2008, the Board will establish guidelines and routines that will ensure the company's compliance with these recommendations.

Signed by the Board, Bergen, May 26, 2008

Svein Lang  
Chairman

Gunn Mangerud  
Board member

Ola-Peter Tollefsen  
Board member (by proxy)

## Profit & Loss (NOK) per December 31, 2007

Global Rig Company ASA				Group
2007	Note	Revenue/Expense	Note	2007
-		Sales		11 117 280
-		Other income		46 410
-		<b>Total operating income</b>		<b>11 163 691</b>
2 839 215	2	Payroll Expenses	2	12 130 292
-		Depreciation of tangible and intangible assets	8	1 043 722
-		Rig mobilization, service and supplies		2 383 468
-		Insurance rigs and employees	11	2 227 950
2 682 805	2,12	Other Operating Expenses	2,12	7 050 949
<b>5 522 021</b>		<b>Total Operating Expenses</b>		<b>24 836 380</b>
<b>- 5 522 021</b>	<b>10</b>	<b>Operating profit (+)/ loss (-)</b>	<b>10</b>	<b>-13 672 689</b>
<b>Financial Income and Expenses</b>				
10 002 030		Interest Income from Group Companies		-
1 057 205		Other Interest Income		1 130 780
2 374 203		Other Financial Income		3 340 969
-		Interest Expense to Group Companies		53 095
6 122 462		Other Interest Expenses		6 258 390
7 092 314		Other Financial Expenses		10 169 390
<b>218 662</b>		<b>Net Financial Items</b>		<b>-12 009 126</b>
<b>-5 303 359</b>		<b>Profit (+)/Loss(-) before Income Tax</b>		<b>-25 681 816</b>
-6 957 802	3	Income Tax Expense	3	-9 316 049
<b>1 654 443</b>		<b>Net Profit (+)/Loss (-)</b>		<b>-16 365 766</b>
<b>Allocation</b>				
1 654 443		Transferred to Other Equity		-16 365 766
<b>1 654 443</b>		<b>Total Allocation</b>		<b>-16 365 766</b>
0,14	13	Earnings per share	13	-1,36
0,12	13	Earnings per share (including warrants)	13	-1,20







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M.D. 067153  
DOT 283970  
ICC 220081  
WCC 51927

## Cash Flow Statement (NOK)

Global Rig Company ASA 2007		Group 2007
-5 303 359	Pre-tax profit/loss	-25 681 816
0	Tax paid for the period	0
0	Depreciation of fixed assets	1 043 722
0	Change in accounts receivable	-5 517 778
37 243	Change in accounts payable	1 399 466
0	Exchange rate differences	915 883
-601 691	Change in other current balance sheet items	-4 229 559
<b>-5 867 807</b>	<b>Net cash flow from operational activities</b>	<b>-32 070 082</b>
0	Purchase of tangible fixed assets	-165 912 381
-119 300	Purchase of investments in shares	0
<b>-119 300</b>	<b>Net cash flow from investing activities</b>	<b>-165 912 381</b>
120 000 000	Proceeds from issuance of long-term debt	121 135 281
96 437 483	Net proceeds from new equity raised	96 437 483
-196 913 023	Net change in long-term intercompany balances	0
<b>19 524 461</b>	<b>Net cash flow from financing activities</b>	<b>217 572 764</b>
<b>13 537 354</b>	<b>Net change in cash and cash equivalent</b>	<b>19 590 301</b>
0	Cash and cash equivalents Jan 01, 2007	0
<b>13 537 354</b>	<b>Cash and cash equivalents Dec 31, 2007</b>	<b>19 590 301</b>

# Note Disclosure

Note 1 -

## Accounting Principles

The Financial Statements include Profit and Loss statement, Balance Sheet, Cash Flow 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.

### 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.

#### **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.

#### **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.

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

	Global Rig Company ASA		Group	
Salaries	2 499 190		10 876 409	
Payroll tax/Social Security	304 789		1 004 064	
Pension costs	18 770		18 770	
Other benefit	16 466		231 048	
<b>Payroll expenses etc.</b>	<b>2 839 215</b>		<b>12 130 291</b>	
Number of man-power years	1		39	
<b>Management Remuneration</b>	<b>CEO</b>	<b>Board</b>	<b>CEO</b>	<b>Board</b>
Salary	1 060 000	954 172	2 202 681	954 172
Pension costs	18 770		18 770	-
Other remuneration	16 466		231 048	-
<b>Total</b>	<b>1 095 236</b>	<b>954 172</b>	<b>2 452 499</b>	<b>954 172</b>

In the event that the company requests the Chief Executive Officer's resignation, he will be entitled to his current salary for six months. The Board remuneration is divided as follows: NOK 687 500 to the Chairman and NOK 133 336 to other Board members.

### Pension

The Company has established an OTP-plan (Mandatory Occupational Pension) according to the Norwegian Mandatory Occupational Pension Act.

### Auditor (NOK)

	Global Rig Company ASA	Group
Expensed audit remuneration for 2007	203 963	203 963
Other attestation services	104 325	113 025
<b>Total</b>	<b>308 288</b>	<b>316 988</b>

### Statement regarding Executive Management remuneration

A policy on Management salary and other company benefits will be decided by the Board in 2008 and laid out in a Statement regarding Executive Management remuneration. As its main features, the policy aims to:

- Offer Management salaries that are competitive in the market for the competence they represent.
- Provide incentives, through bonuses or share issue programs, which encourage participation in the process for creating values in line with shareholder interests.
- Ensure adequate insurance coverage and a fair pension plan for all employees.

Note 3 - Tax, Jan 1 – Dec 31, 2007 (NOK)

	Global Rig Company ASA	Group
<b>Tax base calculation</b>		
Profit (+)/ Loss (-) before income tax	-5 303 359	-25 681 816
Permanent differences	-19 545 933	-19 545 933
Temporary differences		-22 208 322
Losses carried forward	24 849 292	67 436 071
Tax base	-	-
Tax 28%	-	-
<b>Income Tax Payable</b>	<b>-</b>	<b>-</b>
<b>Income Tax Expense:</b>		
Current taxes Payable	-	-
Changes in deferred tax	-6 957 802	-9 316 049
Correction previous years provisions	-	-
<b>Total Income Tax Expense</b>	<b>-6 957 802</b>	<b>-9 316 049</b>
Income Tax	-6 957 802	-9 316 049
<b>Specification of Basis for Deferred Tax Asset:</b>		
<b>Differences to be balanced</b>		
Fixed assets	-	22 208 322
<b>Total</b>	<b>-</b>	<b>22 208 322</b>
Tax loss carried forward	-24 849 292	-67 436 071
<b>Total temporary differences</b>	<b>-24 849 292</b>	<b>-45 227 749</b>
<b>Deferred tax/tax asset</b>	<b>-6 957 802</b>	<b>-13 381 138</b>
Deferred tax recorded in balance sheet	-6 957 802	-9 316 049
Deferred taxes not recorded in balance sheet	-	-4 065 089

**Deferred tax/deferred tax asset**

Estimated deferred tax asset in subsidiary NorAm Drilling Company is based on a 34% tax rate.  
This asset is not recorded in the balance sheet due to uncertainty related to valuation of the asset.

Note 4 - Bound Assets and Liquidity Reserves (NOK)

	Global Rig Company ASA	Group
Employees' tax deduction, deposited in a separate bank account	165 885	165 885
Security deposit vehicles lease		270 210
<b>Total</b>	<b>165 885</b>	<b>436 095</b>

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

### Share Capital Global Rig Company ASA and the Group

	No of shares	Face value	Book value
Ordinary shares	12 000 000	2	24 000 000
<b>Total</b>	<b>12 000 000</b>		<b>24 000 000</b>

Equity	GRC ASA and Group		GRC ASA	GRC ASA	Group	Group
	Share capital	Share premium	Other Equity	Total	Other Equity	Total
<b>Dec 31, 2006</b>						
Incorporation	1 000 000	25 000	-	1 025 000	-	1 025 000
Capital Increase	23 000 000	92 000 000	-	115 000 000	-	115 000 000
Founder's Fee	-	-9 043 750	-	-9 043 750	-	-9 043 750
Cost Equity Issue	-	-5 799 702	-	-5 799 702	-	-5 799 702
Other Establishment Expenses	-	-4 744 065	-	-4 744 065	-	-4 744 065
Profit (+)/Loss (-)	-	-	1 654 443	1 654 443	-15 449 883	-15 449 883
Dividend	-	-	-	-	-	-
<b>Equity Dec 31, 2007</b>	<b>24 000 000</b>	<b>72 437 483</b>	<b>1 654 443</b>	<b>98 091 926</b>	<b>-15 449 883</b>	<b>80 987 600</b>

At Dec 31, 2007 the Company and Group had 106 shareholders. Issued capital consists only of ordinary shares.

### Warrants

The bond loan agreement signed June 28, 2007 included 1 680 000 warrants entitling the warrant holders to 1 share per warrant at exercise price NOK 11.50. The exercise period is three years.

### 10 Largest Shareholders

Share	Global Rig Company ASA and Group	
Pactum AS	9,6 %	
Rogaland Vekst AS	8,3 %	
SEB Private Bank S.A. Luxembourg	6,8 %	
Bank of New York, Brussels Branch	4,7 %	
Consafe Invest AB	4,2 %	
Aksjevold AS	4,2 %	
Havila AS	4,2 %	As per Dec 31, 2007 the Chief Executive Officer directly owns 50,000 shares.
Olympia Holding AS	3,3 %	
Crown Hill Chartering A/S	2,5 %	The annual report is prepared according to the Norwegian Accounting Act 1998 and generally accepted accounting principles
Banque Invik S.A. Luxembourg	2,4 %	
Total	50 %	

## Note 6 - Intercompany Balances (NOK)

### Dec 31, 2007

#### Global Rig Company ASA

Loan to Global Rig Active AS	181 435 636
Loan to NorAm Drilling Company	15 477 386

#### The Group

Global Rig Company ASA loan to Global Rig Active AS	181 435 636
Global Rig Company ASA loan to NorAm Drilling Company	15 477 386
Global Rig Active AS receivable from NorAm Drilling Company	4 413 272

Global Rig Company ASA has provided loans to the subsidiaries to enable operations in the establishment phase. The interest on the loans has been added to the loan. Global Rig Active 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)

<b>Company</b>	<b>Global Rig Active AS</b>	<b>NorAm Drilling</b>
Balance value	113 500	5 800
Main Office	Bergen	Houston
Shares	100 %	100 %
Share of Voting Rights	100 %	100 %
Equity according to last ann. statement	-5 964 066	-11 020 959
Result according to last ann. statement	-6 064 066	-11 956 143

## Note 8 - Tangible assets (NOK)

Global Rig Company ASA did not have any tangible assets per Jan 01 2007. It did not acquire any such assets during the year.

### **Global Rig Company ASA**

<b>Property, plant and equipment</b>	<b>Property and plant</b>	<b>Machinery and equipment</b>	<b>Total</b>
Acquisition cost at 01.01.07	-	-	-
Additions	161 922 684	3 989 697	165 912 381
Disposals	-	-	-
Acquisition cost 31.12.07	161 922 684	3 989 697	165 912 381
Accumulated depreciation 31.12.07	-903 633	-140 089	-1 043 722
Accumulated impairment loss 31.12.07	-	-	-
Reversed impairment loss 31.12.07	-	-	-
Net carrying value at 31.12.07	161 019 051	3 849 608	164 868 659
Depreciation for the year	903 633	140 089	1 043 722
Impairment loss for the year	-	-	-

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

### **Estimated useful economic life**    **years**

Buildings and other real estate	20-50
Machinery and equipment	3-15
Land	0

## Note 9 - Liabilities and Receivables (NOK)

### Bond Loan:

In 2007 Global Rig Company ASA entered into a bond loan agreement with maturity in 2012. Norsk Tillitsmann ASA is trustee for the bondholders. The Company and Group pay an annual fee of NOK 175 000 for their supervision. In addition, there is an obligation to pay any cost related to bondholders' meetings and extraordinary expenses. DnB NOR ASA is account manager for the loan.

### The terms on the loan:

- 3 month NIBOR + 5%. The interest is set each quarter. Average interest for the two quarters from disbursement to year-end was 10.23%.
- The loan is interest-only.
- The bondholders have a put-option for repayment with premium in a change of control event where 50% of shares or voting rights are controlled by one shareholder or affiliated shareholders.

### The Company and Group may not, without written approval from bondholders:

- Make substantial changes by selling or disposing of assets or operations, restructuring the business or changing the nature of its business
- Make dividend payments or other distributions to its shareholders
- Grant any security in the land rigs or any cash flow from the land rigs
- Sell all or part of Global Rig Active AS.

1 680 000 warrants were issued with the loan. One warrant gives the right to purchase one share at an exercise price of NOK 11.50 per share. The exercise price is to be adjusted under certain conditions when issuing new shares, bonus shares, financial instruments, share capital write-down with subsequent repayment to shareholders, and dividend payments. Expiration of the warrants is three years from July 2007.

### Other long-term debt

Other long-term debt is related to NorAm Drilling Company's purchase of vehicles.

	Global Rig Company ASA 2007	Group 2007
<b>Long-term receivables</b>		
Other long-term receivables	-	-
<b>Long-term liabilities</b>		
Liabilities to financial institutions	120 000 000	120 000 000
Other long-term liabilities	-	1 135 281
<b>Total</b>	<b>120 000 000</b>	<b>121 135 281</b>
Secured debts:	120 000 000	121 135 281
<b>Pledged assets:</b>		
Intercompany loans	196 913 023	196 913 023
Shares in subsidiary	100 000	100 000
Assets in subsidiary	176 800 479	176 800 479
Secure deposit		270 210
Vehicles		1 369 879
<b>Total</b>	<b>373 813 501</b>	<b>375 453 590</b>

## Note 10 - Segment and Geographic Information (NOK)

### The Company does not operate in different market segments.

The Group owns and operates land-based oil & gas drilling rigs. All drilling operations in 2007 were in the US. The Norwegian subsidiary made the major part of investments. Thus, most of the depreciation is in this company. The US subsidiary made some smaller investments and has minor depreciation expenses.

	Global Rig Company ASA	Rig lease Global Rig Active	Drilling- service NorAm	Group
Sales income from third parties	-	-	11 163 691	11 163 691
Sales income from other segments	-	4 149 552	-	-
Depreciation	-	946 248	97 474	1 043 722
Other operating expenses	5 522 021	1 065 901	21 354 289	23 792 659
<b>Operating profit</b>	<b>-5 522 021</b>	<b>2 137 403</b>	<b>-10 288 072</b>	<b>-13 672 689</b>
Extraordinary items	-	-	-	-
Other items	-	-	-	-
Investments in period	-	164 349 652	1 562 729	165 912 381
Financial expenses	13 214 776	2 303 767	909 237	16 427 780
Financial expenses other segments	-	9 296 291	758 834	53 095
Financial income	3 431 408	1 040 341	-	4 471 749
Financial income other segments	10 002 030	-	-	-
<b>Net financial items</b>	<b>218 662</b>	<b>-10 559 717</b>	<b>-1 668 071</b>	<b>-12 009 126</b>
<b>Taxes</b>	<b>-6 957 802</b>	<b>-2 358 248</b>	<b>-</b>	<b>-9 316 049</b>
Assets	222 241 376	176 800 479	10 924 591	208 520 850
Interest-bearing debt third parties	120 000 000	-	1 135 281	121 135 281
Interest-bearing debt other segments	-	181 435 636	15 477 386	-

## Note 11 - Health, Safety and Environment

### No special environmental efforts were initiated by the Company in 2007.

As for the Group, the rig crew is trained in the Occupational Safety and Health Administration (OSHA) regulations in the US. 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 1 mill in damages to people or property per pollution incident, providing such incidents are not caused by misconduct and handled correctly.

## Note 12 - Related Parties

### Cost reimbursement and travel

**Dialexis AS** is a company fully owned by Svein Lang, Chairman of Global Rig Company ASA. In 2007, Global Rig Company paid invoices from Dialexis totaling NOK 40 259 for travel and other expenses incurred by Svein Lang in connection with Global Rig Company.

**Lee Consulting AS** is a company controlled by Global Rig Company CEO, Jan Henning Skåra. Lee Consulting AS received an advance payment of NOK 75 000 to cover travel expenses for Skåra. Travel and subsistence claims were netted against this advance and it was used in its entirety.

The arrangement of invoicing Global Rig Company via private consulting firms has ceased, and all expenses are now refunded directly by Global Rig Company, based on travel and subsistence claim forms.

### Start-up costs

Founders' Fee: In 2007, a founders' fee was paid to certain shareholders and members of the Management.

Name	Relation to Global Rig Company ASA	Amount paid
Sven Irgens Nilsen	Founder and shareholder, former CEO and Board member	4 341 000
Svein Lang	Founder, Chairman and shareholder	3 436 625
Runar Eidsaa	Founder and shareholder	1 266 125

The Founders' Fee was paid according to the agreements between the Company and the Company founders. The agreement and the auditor's account were approved in extraordinary general assembly May 11, 2007.

### The remuneration covers:

- Development of business idea
- Identification of necessary resources for development and implementation of business idea
- Organizational planning
- Acquisition of necessary resources for development and implementation of business idea
- Capital contribution in the company and own direct risk capital, and responsibility as founder before incorporation of the company
- Incorporation of the company

### Administrative, economic and organizational services

Chairman Svein Lang was chairman of Terra Invest AS for parts of 2007 and owns 20 percent of this company through Dialexis AS. The remaining part of Terra Invest AS is owned by Sven Irgens Nilsen, a shareholder in Global Rig Company ASA, and related parties. After the Private placement in May 2007, Terra Invest AS received NOK 6 020 638 for:

- Recruitment of managing directors for Global Rig Company ASA (GRC) and its subsidiary NorAm Drilling Company (NorAm)
- Funding of salary for NorAm's Managing Director
- Preparations of rig specifications and rig purchase contracts including trips to the US and China
- Legal and tax clarification company model for GRC and NorAm
- Organizational planning for GRC and NorAm
- Analysis of the US rig market
- Economic analysis and budgeting for GRC and NorAm
- Marketing of GRC to potential investors
- Assisting founders in incorporating GRC
- Administrative services (payment of salary, account administration, documentation)

## Note 13 - Earnings per share (NOK)

Selskap	Global Rig Company ASA	Group
Result after income tax	1 654 443	-16 365 766
Shares	12 000 000	12 000 000
Warrants	1 680 000	1 680 000
EPS	0,14	-1,36
EPS (incl. Warrants)	0,12	-1,20

## Note 14 - Value Added Tax (MVA)

Global Rig Active AS and Global Rig Company ASA were registered as one unit for value added tax (MVA) from the 6th term in 2007. Per Dec 31, 2007 MVA to be reimbursed was NOK 2 050 462 for Global Rig Company ASA. In addition, Global Rig Active AS recorded NOK 4 426 in reimbursable MVA as a receivable. This amount is to be received by Global Rig Company ASA as the reporting unit.

## Note 15 - Corporate Governance

The company aims to be listed on the Oslo Stock Exchange by listing on Oslo Axess. A requirement for listing is compliance with the Norwegian Recommendation for Corporate Governance. In 2008, the Board will establish guidelines and routines that will ensure the company's compliance with these recommendations.



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To the Annual Shareholders' Meeting of Global Rig Company ASA

### AUDITOR'S REPORT FOR 2007

#### Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of the Global Rig Company ASA as of 31 December 2007, showing a profit of NOK 1 654 433 for the parent company and a loss of NOK 16 365 766 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to prepare the financial statements. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

#### Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

#### Opinion

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company and of the Group as of 31 December 2007, the results of its operations and its cash flows for the year then ended, in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and comply with the law and regulations.

Bergen, 26 May 2008  
KPMG AS

Ståle Christensen

*State Authorised Public Accountant*

Note: This translation from Norwegian has been prepared for information purposes only

#### Offices in:

Olelo	Haugesund	Sandefjord
Bodo	Kristiansund	Sandnessjøen
Alta	Larvik	Slavanger
Arendal	Lillehammer	Stord
Bergen	Mo i Rana	Tromsø
Eiverum	Molde	Trondheim
Finnsnes	Narvik	Tønsberg
Hamar	Røros	Ålesund

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Statsautoriserte revisorer - medlemmer av Den norske Revisorforening



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