

Borr Drilling Limited and subsidiaries

Consolidated Financial Statements

For the period from January 1, 2017 to March 31, 2017

(Comparatives August 8, 2016 (date of inception) to December 31, 2016)

Borr Drilling Limited and subsidiaries
Unaudited Consolidated Financial Statements
For the period from January 1, 2017 to March 31, 2017 and August 8 (date of inception) to December 31, 2016

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Borr Drilling Limited and subsidiaries
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For the period from January 1, 2017 to March 31, 2017 and August 8 (date of inception) to December 31, 2016

Management Discussion and Analysis

Consolidated Statement of Operations (Financial Performance & Operating Results)

No operating revenues were reported in 2016 and the first quarter 2017, both jack-up rigs (Frigg & Ran) acquired during the first quarter 2017 do not have drilling contracts and are stacked rigs.

Total operating expenses were US\$0.8 million in 2016 and US\$4.9 million in the first quarter 2017. Total operating expenses consists of rig operating and maintenance expenses, depreciation and amortization, reimbursable expenses, and general and administrative expenses.

Total rig operating and maintenance expenses were US\$Nil in 2016 and US\$2.3 million in the first quarter 2017. The two jack-up rigs were acquired on January 23, 2017 and the increase is due to stacking costs related to these rigs.

Total depreciation and amortization were US\$Nil in 2016 and US\$1.0 million in the first quarter 2017. This relates to depreciation charges for the two jack-up rigs acquired during the first quarter 2017.

Total general and administrative expenses were US\$0.8 million in 2016 and US\$1.6 million in first quarter 2017. The increase was mainly due to approximately US\$0.9m as one-off costs which is related to the start-up of the company and fees related to the two-separate asset and business acquisitions.

Other general and administrative expenses were costs incurred related to the running and management support of the Company e.g. salaries, consulting and professional fees.

Consolidated Balance Sheet (Financial Position)

In 2016, the Company completed a private placement of 77,500,000 ordinary Shares at a subscription price of \$2.0 per share raising gross proceeds of US\$155.0 million. In Q1 2017, the Company completed a private placement of 228,600,000 Shares with a subscription price of US\$3.50 per share raising gross proceeds of US\$800.1 million.

As of December 31, 2016, the Company had total assets of US\$158.1 million and as at March 31, 2017, the Company had total assets of US\$949.0 million. The increase in total assets of the Company is primarily driven by cash and cash equivalents, including restricted cash for future payments to Transocean related to the acquisition of the rig owning entities, and the completed asset acquisition of the two Hercules jack-up rigs.

As of December 31, 2016, equity was US\$157.8 million which corresponds to an equity ratio of 99.8 percent. As of March 31, 2017, equity was US\$153.1 million which corresponds to an equity ratio of 16.1 percent. However, there were common shares issued subject to put options agreements associated with the March 2017 private placement of US\$791.1 million. Adjusting for the common shares issued subject to the written put option, the equity was US\$944.2 million which corresponds to an equity ratio of 99.5 percent as of March 31, 2017.

Total liabilities were US\$0.2 million as of December 31, 2016 and US\$795.9 million as of March 31, 2017. The increase is attributable to the common shares issued subject to put options agreements of US\$791.1 million as of March 31, 2017. Adjusting for the common shares issued subject to put option agreements, the total liabilities was US\$4.8 million as of March 31, 2017.

Consolidated Statement of Cash Flows

Net cash flow generated from operating activities was negative US\$0.1 million for the period ended December 31, 2016 and negative US\$3.8 million for the period ended March 31, 2017.

Net cash flow used in investment activities was US\$14.0 million in 2016 and US\$370.7 million as of March 31, 2017. The investments are related to the acquisition of the drilling units from Hercules and the deposit paid for the purchase of the rig owning entities for the Transocean jack-up fleet. US\$221.1 million of cash was transferred to restricted cash related to the separate agreement due to the written put option and is based on the future issuance of 63,158,500 shares at US\$3.50. Upon completion of the Transocean transaction these funds will be utilised in finalising the transaction or otherwise used to reacquire the 63,158,500 or a portion thereof if the put option is exercised by the counterparty.

Net cash flow provided by financing activities was US\$152.2 million in 2016 and US\$791.2 million as of March 31, 2017. The main driver for the net cash flow provided by financing activities are the two private placements issuance by the Company on December 19, 2016, gross proceeds of US\$155.0 million and March 21, 2017 gross proceeds of US\$800.1 million.

As of December 31, 2016, the Company's cash and cash equivalents amounted to US\$138.1 million and as of March 31, 2017, the Company's cash and cash equivalents amounted to US\$554.8 million.

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Consolidated Statement of Operations

For the period from January 1, 2017 to March 31, 2017 and for the period from August 8 (date of inception) to December 31, 2016
(In US\$ thousands)

	Note	Period ended March 31, 2017	Period ended December 31, 2016
Operating expenses			
Rig operating and maintenance expenses		(2,337)	-
Depreciation and amortization	5	(950)	-
General and administrative expenses		(1,568)	(753)
Total operating expenses		(4,855)	(753)
Operating loss			
		(4,855)	(753)
Financial items and other income/(expense), net			
Foreign exchange loss		(8)	-
Total financial items and other income/(expense), net		(4,863)	(753)
Loss before income taxes			
		(4,863)	(753)
Income tax expense	3	(8)	(2)
Net loss for the period		(4,871)	(755)
Basic loss per share			
	4	(0.057)	(0.075)
Diluted loss per share			
	4	(0.057)	(0.075)

Consolidated Statement of Comprehensive Loss

Loss after income taxes		(4,871)	(755)
<i>Other comprehensive loss</i>			
Currency translation differences		(3)	-
Other comprehensive loss for the period		(4,874)	(755)

See accompanying notes that are an integral part of these Unaudited Consolidated Financial Statements.

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Unaudited Consolidated Balance Sheets
As at March 31, 2017 and December 31, 2016
(In US\$ thousands)

	Note	March 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		554,753	138,119
Restricted cash	8	221,055	-
Other current assets	9	4,493	-
Total current assets		780,301	138,119
Non-current assets			
Property, Plant and Equipment		3	3
Drilling units	5	136,707	-
Deposits and costs for business combinations and drilling units	7	32,000	19,966
Total non-current assets		168,710	19,969
Total assets		949,011	158,088
LIABILITIES AND EQUITY			
Current liabilities			
Other current liabilities	10	4,844	244
Total current liabilities		4,844	244
Common shares issued subject to put option agreements		791,100	-
Commitments and Contingencies	18	-	-
EQUITY			
Common shares of par value US\$0.01 per share: 400,000,000 (December 31, 2016: 200,000,000) shares authorized, 87,192,500 (December 31, 2016: 77,505,000) issued and outstanding at March 31, 2017	12	872	775
Additional paid in capital	12	157,824	157,824
Translation reserve		(3)	-
Accumulated deficit		(5,626)	(755)
Total equity		153,067	157,844
Total liabilities and equity		949,011	158,088

See accompanying notes that are an integral part of these Unaudited Consolidated Financial Statements.

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Unaudited Consolidated Statement of Cash Flows
for the period January 1, 2017 to March 31, 2017 and for the period August 8 (date of inception) to December 31, 2016
(In US\$ thousands)

	Period ended March 31, 2017	Period ended December 31, 2016
Cash Flows from Operating Activities		
Net (loss)/income	(4,871)	(755)
<i>Adjustments to reconcile net (loss)/income to net cash provided by operating activities:</i>		
Non-cash compensation expense related to warrants	-	430
Depreciation of rigs	950	-
Change in other current assets	(4,493)	-
Change in other current liabilities	4,600	244
Net cash (used in)/provided by operating activities	(3,814)	(81)
Cash Flows from Investing Activities		
Transfer of cash to restricted cash	(221,055)	-
Purchase of plant and equipment	-	(3)
Deposits on business combinations	(32,000)	-
Payments and costs in respect of drilling units	(117,691)	(13,963)
Net cash (used in)/provided by investing activities	(370,746)	(13,966)
Cash Flows from Financing Activities		
Proceeds from common shares and common warrants issued subject to put option agreements, net of issuances cost and conversion of shareholder loan	778,350	-
Proceeds from share issuance, net of issuance costs and conversion of shareholders loans	97	139,166
Proceeds from related party shareholder loan	15	13,000
Net cash (used in)/provided by financing activities	791,197	152,166
Net increase in cash and cash equivalents	416,637	138,119
Foreign exchange translation difference	(3)	-
Cash and cash equivalents at beginning of the period	138,119	-
Cash and cash equivalents at the end of period	554,753	138,119
Supplementary disclosure of cash flow information		
Interest paid, net of capitalized interest	-	-
Taxes paid	-	-

See accompanying notes that are an integral part of these Unaudited Consolidated Financial Statements.

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Unaudited Consolidated Statement of Changes in Shareholders' Equity
for the period from January 1, 2017 to March 31, 2017 and August 8 to December 31, 2016
(In US\$ thousands)

	Number of shares	Common shares	Additional paid in capital	Other Comprehensive Income	Retained Loss	Total equity
At incorporation, August 8, 2016	5	-	-	-	-	-
Shares subdivided and capital contribution (Note 12)	5,000	-	10	-	-	10
Net share proceeds (Note 12)	77,500,000	775	151,381	-	-	152,156
Fair value of warrants issued (Note 13)	-	-	10,720	-	-	10,720
Equity issuance costs, warrants (Note 13)	-	-	(4,287)	-	-	(4,287)
Net loss for the period	-	-	-	-	(755)	(755)
Consolidated balance at December 31, 2016	77,505,000	775	157,824	-	(755)	157,844
Exercise of warrants (Note 13)	9,687,500	97	-	-	-	97
Foreign exchange reserve	-	-	-	(3)	-	(3)
Fair value of warrants issued (Note 13)	-	-	3,011	-	-	3,011
Equity issuance costs, warrants (Note 13)	-	-	(3,011)	-	-	(3,011)
Net loss for the period	-	-	-	-	(4,871)	(4,871)
Consolidated balance at March 31, 2017	87,192,500	872	157,824	(3)	(5,626)	153,067

Common shares issued subject to put option agreements

The analysis of 'Common shares issued subject to put option agreements' are set out in the table below:

	Number of shares	Common shares	Additional paid in capital	Total
	<i>No</i>		<i>(in US\$ thousands)</i>	
Issue of common shares on March 28, 2017	228,600,000	2,286	797,814	800,100
Sales and purchases fees	-	-	(9,000)	(9,000)
Total	228,600,000	2,286	788,814	791,100

A Put option exists in regard to the issue of the above common stock (see Note 14). As such, the above issue has not been recognised within equity on the basis that the Company has adopted the rules for public companies under ASR 268 and ASC 480, which requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity, where the occurrence of the event is not solely with the control of the issuer. Although ASR 268 refers to preferred securities, the SEC also believes it provides guidance for other redeemable securities including common stock.

Upon completion of the Transocean Transaction (Note 17) the above transactions will be transferred into equity and reserves and would be represented in the 'Consolidated Statement of Changes in Shareholders Equity' in the second quarter of 2017.

See accompanying notes that are an integral part of these Unaudited Consolidated Financial Statements.

Borr Drilling Limited and subsidiaries

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Notes to the Unaudited Consolidated Financial Statements **for the period ended March 31, 2017**

Note 1 - General information

Borr Drilling Limited is incorporated in Bermuda. Borr Drilling Limited is an international offshore drilling contractor providing services to the oil and gas industry, with the ambition of acquiring and operating modern drilling units. As of March 31, 2017, the Company owned two high specification jack-up rigs, Frigg (previously Hercules Resilience) and Ran (previously Hercules Triumph). The acquisition of these two rigs were completed on January 23, 2017.

As used herein, and unless otherwise required by the context, the term “Borr Drilling” refers to Borr Drilling Limited and the terms “Company,” “we,” “Group,” “our” and words of similar import refer to Borr Drilling and its consolidated companies. The use herein of such terms as “group,” “organisation”, “we”, “us”, “our” and “its”, or references to specific entities, is not intended to be a precise description of corporate relationships.

Basis of presentation

The financial statements are presented in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The amounts are presented in United States dollar (U.S. dollar) rounded to the nearest thousand, unless otherwise stated.

The accompanying consolidated financial statements present the financial position of Borr Drilling Limited and its subsidiaries. Investments in companies in which the Company controls, or directly or indirectly holds more than 50% of the voting control are consolidated in the financial statements.

The accompanying unaudited interim financial statements have been prepared on the same basis as the Company’s audited financial statements and in the opinion of management, include all material adjustments, consisting only of normal recurring adjustments that are considered necessary for a fair statement of the Company’s financial statements in accordance with generally accepted accounting principles in the United States of America (“USGAAP”).

We have evaluated subsequent events through July 19, 2017 which is the date of issue of these financial statements.

Basis of consolidation

The consolidated financial statements include the assets and liabilities of the Company. All intercompany balances, transactions and internal sales have been eliminated on consolidation. Unrealized gains and losses arising from transactions with associates are eliminated to the extent of the Company’s interest in the entity.

Note 2 - Accounting policies

Use of estimates

Preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Rig operating and maintenance expenses

Rig operating and maintenance expenses are costs associated with operating a drilling unit that is either in operation or stacked, and include the remuneration of offshore crews and related costs, supplies, insurance costs, expenses for repairs and maintenance as well as costs related to onshore personnel in various locations where we operate the drilling units and are expensed as incurred. Stacking costs for rigs are expensed as incurred.

Repairs, maintenance and periodic surveys

Costs related to periodic overhauls of drilling units are capitalized under drilling units and amortized over the anticipated period between overhauls, which is generally 5 years. Related costs are primarily yard costs and the cost of employees directly involved in the work. Amortization costs for periodic overhauls are included in depreciation and amortization expense. Costs for other repair and maintenance activities are included in rig operating and maintenance expenses and are expensed as incurred.

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Notes to the Unaudited Consolidated Financial Statements for the period ended March 31, 2017

Foreign currencies

The Company and the majority of its subsidiaries use the U.S. dollar as their functional currency because the majority of their revenues and expenses are denominated in U.S. dollars. Accordingly, the Company's reporting currency is also U.S. dollars. For subsidiaries that maintain their accounts in currencies other than U.S. dollars, the Company uses the current method of translation whereby the statements of operations are translated using the average exchange rate for the period and the assets and liabilities are translated using the period end exchange rate. Foreign currency translation gains or losses on consolidation are recorded as a separate component of other comprehensive income in shareholders' equity.

Transactions in foreign currencies are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency assets and liabilities are translated using rates of exchange at the balance sheet date. Gains and losses on foreign currency transactions are included in the consolidated statement of operations.

Current and non-current classification

Assets and liabilities (excluding deferred taxes) are classified as current assets and liabilities respectively, if their maturity is within 1 year of the balance sheet date. Otherwise, they are classified as non-current assets and liabilities.

In November 2016, the FASB issued ASU 2016-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, to simplify the presentation of deferred income taxes in a classified statement of financial position. The update requires that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position as opposed to the current requirement to separate these into current and non-current amounts.

Marketable securities

Investments that are not classified as held to maturity or trading securities are classified as available-for-sale securities. Marketable equity and debt securities held by the Company are considered to be available-for-sale and, as such, are recorded at fair value with resulting unrealized gains and losses recorded as a separate component of accumulated other comprehensive income in shareholders' equity. Gains and losses on forward contracts to purchase marketable equity securities that do not meet the definition of a derivative are accounted for as available-for-sale.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and highly liquid financial instruments with original maturities of three months or less.

Restricted cash

Restricted cash consists of bank deposits which have been pledged as collateral for certain guarantees issued by a bank or minimum deposits which must be maintained in accordance with contractual arrangements. Restricted cash amounts with maturities longer than one year are classified as non-current assets.

Receivables

Receivables, including accounts receivable, are recorded in the balance sheet at their nominal amount less an allowance for doubtful accounts. The Company establishes reserves for doubtful accounts on a case-by-case basis when it is unlikely that required payments of specific amounts will occur. In establishing these reserves, the Company considers the financial condition of the customer as well as specific circumstances related to the receivable such as customer disputes. Receivable amounts determined as being unrecoverable are written off.

Fair Value

The Company accounts for fair value in accordance with ASC 820, Fair Value Measurements and Disclosures ("ASC 820"). Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a three tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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Fair Value (continued)

The first two levels in the hierarchy are considered observable inputs and the last is considered unobservable. The Company's cash and cash equivalents and restricted cash, which were held in operating bank accounts, are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. The carrying value of accounts receivable and payables approximates fair value due to the short time to expected payment or receipt of cash.

Derivative Financial Instruments and Hedging Activities

Interest-rate swap agreements, foreign currency options and forward exchange contracts are recorded at fair value. Changes in the fair value of interest-rate swap agreements, forward exchange and currency options contracts, which have not been designated as hedging instruments, are recorded as a gain or loss as a separate line item within Financial Items.

Stock-Based Compensation

The Company applies the fair value provisions of ASC 718, Compensation-Stock Compensation ("ASC 718") and ASC 505-50, Equity-based payments to non-employees ("ASC 505-50"). ASC 718 and ASC 505-50 require the recognition of compensation expense, using a fair-value based method, for costs related to all share-based payments including stock options and warrants. ASC 718 and ASC 505-50 require companies to estimate the fair value of stock-option awards on the grant date using an option pricing model. The fair value of stock options and warrants are determined using Monte Carlo Simulation (where market based conditions exist) or Black-Scholes valuation models as appropriate. The determination of fair value is affected by the stock price, as well as assumptions regarding subjective and complex variables such as expected exercise behavior and expected stock price volatility over the expected term of the award. Generally, these assumptions are based on historical information and judgment is required to determine if historical trends may be indicators of future outcomes.

- Warrants (Equity-based payments to non-employees)

Warrants require all non-employee stock-based transactions, in which goods or services are the consideration received in exchange for equity instruments, to be accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

Performance is complete when the counterparty has delivered or, in the case of sales incentives, purchased the goods or services, despite the fact that at that date the quantity or all the terms of the equity instruments may yet depend on other events (this would occur, for example, if a target stock price requirement has not been met when the counterparty has delivered the goods or services).

The company recognizes the fair value of the equity instruments that are issued. An asset/liability, expense, debt and issuance cost or sales discount as applicable is generally recognized in the same period and in the same manner as if the company paid cash to a vendor in exchange for goods or services, or paid cash to a customer as a sales incentive or discount.

- Employee stock-based compensation

Employee stock-based compensation expense is calculated based on awards ultimately expected to vest and is reduced for estimated forfeitures. Forfeitures are revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates and an adjustment to stock-based compensation expense will be recognized at that time. Changes to the assumptions used in the Black-Scholes option valuation calculation and the forfeiture rate, as well as future equity granted or assumed through acquisitions could significantly impact the compensation expense the Company recognizes.

Newbuildings

The carrying value of drilling units under construction ("Newbuildings") represents the accumulated costs at the balance sheet date. Cost components include payments for yard installments and variation orders, construction supervision, equipment, spare parts, capitalized interest, costs related to first time mobilization and commissioning costs. No charge for depreciation is made until commissioning of the Newbuilding has been completed and it is ready for its intended use.

Drilling units

Rigs, vessels and related equipment are recorded at historical cost less accumulated depreciation. The cost of these assets, less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated residual value is taken to be offset by any decommissioning costs that may be incurred. The estimated economic useful life of the Company's jack-up rigs, when new, is 30 years.

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Drilling units (continued)

Significant investments in equipment are capitalized and depreciated in accordance with the nature of the investment. Significant investments that are deemed to increase an asset's value for its remaining useful life are capitalized and depreciated over the remaining life of the asset.

Cost of property and equipment sold or retired, with the related accumulated depreciation and write-downs are removed from the consolidated balance sheet, and resulting gains or losses are included in the consolidated statement of operations.

Income taxes

Borr Drilling is a Bermuda company that has a number of subsidiaries in various jurisdictions. Currently, the Company is not required to pay taxes in Bermuda on ordinary income or capital gains as they qualify as exempt companies. The Company and its subsidiaries and affiliates have received written assurance from the Minister of Finance in Bermuda that it will be exempt from taxation until March 2035. Certain subsidiaries operate in other jurisdictions where taxes are imposed. Consequently, income taxes have been recorded in these jurisdictions when appropriate. Our income tax expense is based on our income and statutory tax rates in the various jurisdictions in which we operate. We provide for income taxes based on the tax laws and rates in effect in the countries in which operations are conducted and income is earned.

The determination and evaluation of our annual group income tax provision involves interpretation of tax laws in various jurisdictions in which we operate and requires significant judgment and use of estimates and assumptions regarding significant future events, such as amounts, timing and character of income, deductions and tax credits. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. We recognise tax liabilities based on our assessment of whether our tax positions are more likely than not sustainable, based solely on the technical merits and considerations of the relevant taxing authority's widely understood administrative practices and precedence. Changes in tax laws, regulations, agreements, treaties, foreign currency exchange restrictions or our levels of operations or profitability in each jurisdiction may impact our tax liability in any given year. While our annual tax provision is based on the information available to us at the time, a number of years may elapse before the ultimate tax liabilities in certain tax jurisdictions are determined. Current income tax expense reflects an estimate of our income tax liability for the current period, withholding taxes, changes in prior year tax estimates as tax returns are filed, or from tax audit adjustments.

Income tax expense consists of taxes currently payable and changes in deferred tax assets and liabilities calculated according to local tax rules.

Deferred tax assets and liabilities are based on temporary differences that arise between carrying values used for financial reporting purposes and amounts used for taxation purposes of assets and liabilities and the future tax benefits of tax loss carry forwards.

Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reflected on the balance sheet. Valuation allowances are determined to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. To determine the amount of deferred tax assets and liabilities, as well as of the Valuation allowances, we must make estimates and certain assumptions regarding future taxable income, including where our drilling units are expected to be deployed, as well as other assumptions related to our future tax position. A change in such estimates and assumptions, along with any changes in tax laws, could require us to adjust the deferred tax assets, liabilities, or valuation allowances. The amount of deferred tax provided is based upon the expected manner of settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. The impact of tax law changes is recognized in periods when the change is enacted.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

Earnings per share

Basic earnings per share ("EPS") is calculated based on the loss for the period available to common stockholders divided by the weighted average number of shares outstanding for basic EPS for the period. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments which for the Company includes share options, restricted stock units and convertible debt. The determination of dilutive earnings per share requires the Company to potentially make certain adjustments to net income and for the weighted average shares outstanding used to compute basic earnings per share unless anti-dilutive.

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Notes to the Unaudited Consolidated Financial Statements for the period ended March 31, 2017

Segments

The Company has one operating segment, and this is reviewed by the Chief Operating Decision Maker, which is the Company's board of directors, as an aggregated sum of assets, liabilities and activities that exists to generate cash flows.

Debt and Equity issuance costs

Issuance costs are allocated to the debt and equity components in proportion to the allocation of proceeds to those components. Allocated costs are accounted for as debt issuance costs (capitalized and amortized to interest expense using the interest method) and equity issuance costs (charged to equity) recorded as a reduction of the share balance/additional paid-in capital, respectively.

Recently Issued Accounting Standards

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which made targeted improvements to the recognition and measurement of financial assets and financial liabilities. The update changes how entities measure equity investments that do not result in consolidation and are not accounted for under the equity method and how they present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. The new guidance also changes certain disclosure requirements and other aspects of current US GAAP. The guidance will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years and early adoption is permitted in some cases. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The update requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. It also offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The guidance will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-07, *Investments-Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*. The update eliminates the requirement that an investor retrospectively apply equity method accounting when an investment that it had accounted for by another method initially qualifies for use of the equity method. The guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years and early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The update simplifies the accounting for share based payment transactions. The guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years and early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

In September 2015, the FASB issued ASU 2015-16, which amends Topic 805, "Business Combinations." This amendment eliminates the requirement to retrospectively account for adjustments made to provisional amounts recognized in a business combination at the acquisition date with a corresponding adjustment to goodwill, and revise comparative information for prior periods presented in financial statements. Those adjustments are required when new information about circumstances that existed as of the acquisition date would have affected the measurement of the amount initially recognized. This update requires an entity to recognize these adjustments in the reporting period in which the adjustment amounts are determined. An acquirer must record the effect on earnings of changes in depreciation, amortization, or other income effects, calculated as if the accounting had been completed at the acquisition date. An entity must present separately on the face of the statement of operations, or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment had been recognized as of the acquisition date. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In August 2014, the FASB issued ASU No. 2014-15, which amends ASC Subtopic 205-40, "Disclosure of Uncertainties about an Entity's Ability to continue as a Going Concern." The amendments in this ASU provide guidance related to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendments are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The adoption of this guidance did not require any additional disclosures.

Borr Drilling Limited and subsidiaries

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Recently Issued Accounting Standards (continued)

In November 2015, the FASB issued ASU No. 2015-17, which amends ASC Topic 740, "Income Taxes." This amendment aligns the presentation of deferred income tax assets and liabilities with International Financial Reporting Standards. International Accounting Standard 1, Presentation of Financial Statements, requires deferred tax assets and liabilities to be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets be offset and presented as a single amount is not affected by the amendments in this update. The standard is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in this update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We adopted ASU No. 2015-17 in 2016. The adoption of this guidance did not have a material impact on our financial condition, results of operations, cash flows or financial disclosures.

Revenue from Contracts with Customers," supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, ASU No. 2014-9 supersedes the cost guidance in Subtopic 605-35, "Revenue Recognition—Construction-Type and Production-Type Contracts," and creates new Subtopic 340-40, "Other Assets and Deferred Costs—Contracts with Customers." In summary, the core principle of Topic 606 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Companies are allowed to select between two transition methods: (1) a full retrospective transition method with the application of the new guidance to each prior reporting period presented, or (2) a retrospective transition method that recognizes the cumulative effect on prior periods at the date of adoption together with additional footnote disclosures. The amendments in ASU No. 2014-9 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and early application is permitted for periods beginning after December 15, 2016. A number of amendments have been issued in connection with ASU No. 2014-9, all of which are effective upon adoption of Topic 606. In March 2016 and April 2016, the FASB issued clarification amendments ASU No. 2016-8 and ASU No. 2016-10 which clarify the implementation guidance on principle versus agent considerations and identify performance obligations and the licensing implementation guidance, respectively. In May 2016, the FASB issued ASU No. 2016-11 and ASU No. 2016-12 which rescind certain SEC Staff Observer comments that are codified in Topic 605, "Revenue Recognition," and Topic 932, "Extractive Activities—Oil and Gas" and provide improvements to narrow aspects of ASU No. 2014-9, respectively. In December 2016, the FASB issued ASU No. 2016-20, which issues technical corrections and improvements to Topic 606. We will adopt the new standard effective January 1, 2017.

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Notes to the Unaudited Consolidated Financial Statements
for the period ended March 31, 2017

Note 3 - Taxation

	Period ended March 31, 2017	Period ended December 31, 2016
Income taxes consist of the following:		
<i>(In US\$ thousands)</i>		
Current tax expense:		
Bermuda	-	-
Foreign	8	2
Deferred tax expense/(benefit):		
Bermuda	-	-
Foreign	-	-
Total tax expense	8	2

Effective tax rate

At present, we only pay tax on Norwegian operations but reported an overall loss before tax inclusive of discrete items. The effective tax rate for Norwegian operations for the period ended March 31, 2017 is 30% (December 31, 2016: 30%).

The income taxes for the period ended March 31, 2017 differed from the amount computed by applying the Bermudan statutory income tax rate of 0% (December 31, 2016: 0%) as follows:

	Period ended March 31, 2017	Period ended December 31, 2016
<i>(In US\$ thousands)</i>		
Income taxes at statutory rate	-	-
Effect of taxable income in various countries	8	2
Total tax expense	8	2

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Note 4 - Loss per share

The computation of basic loss per share ("EPS") is based on the weighted average number of shares outstanding during the period. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments.

	Period ended March 31, 2017	Period ended December 31, 2016
The components of the numerator for the calculation of basic and diluted EPS are as follows:		
<i>(In US\$ thousands)</i>		
Net loss for the period	(4,871)	(755)
Effect of dilution	-	-
Diluted net loss available to stockholders	(4,871)	(755)
Basic loss per share	(0.057)	(0.075)
Diluted loss per share	(0.057)	(0.075)
Ordinary shares at the beginning of the period	77,505,000	-
Ordinary shares issued in the period (excluding shares and warrants subject to put option agreements)	9,687,500	77,505,000
Issued ordinary shares at the end of the period	87,192,500	77,505,000
Weighted average number of shares in issue for the period	85,341,111	10,096,146
Dilutive effect of options in issue	-	-
Weighted average number of common shares outstanding adjusted for the effects of dilution	85,341,111	10,096,146

On December 9, 2016, the Board of the Company issued a total of 9,687,500 share warrants. During the periods ended December 31, 2016 and March 31, 2017 and in accordance with ASC 260-10-50 the non-exercisable tranches of the warrants have not been included in the basic and diluted loss per share calculation as they were not exercisable and would be anti-dilutive.

On March 21, 2017, the Board of the Company issued a total of 4,736,887 warrants to Schlumberger (Note 13). Due to the current loss making position these are deemed to have anti-dilutive effect on the EPS of the Company.

Note 5 - Drilling units

	March 31, 2017	December 31, 2016
Drilling units include:		
<i>(In US\$ thousands)</i>		
Jack-up Rigs	137,657	-
Depreciation and amortization	(950)	-
Total	136,707	-

As of December 31, 2016, the Company had capitalized \$19.96 million as deposit and costs for drilling units. When the acquisition completed in January 2017 this balance was transferred to drilling units and is included in the \$136.7 million total balance as at March 31, 2017 (refer to Note 7).

On January 23, 2017, the Company announced that it had completed the delivery of both jack-up rigs from Hercules Offshore. The two rigs are KFELS Super A Class design, built in 2013.

Borr Drilling Limited and subsidiaries
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Note 6 - Asset acquisitions

Acquisition of Hercules Triumph (“Ran”) and Hercules Resilience (“Frigg”)

On December 2, 2016, the Company entered into a Purchase and Sale Agreement with Hercules British Offshore Limited (“Hercules”) to purchase the jack-up rigs Hercules Triumph and Hercules Resilience (named Ran and Frigg respectively) for a total consideration of US\$130.0 million, on the same date the Company paid US\$13.0 million which represented 10% of the agreed contractual price for the rigs. On January 23, 2017, the Company took delivery of the rigs, which was considered to be the acquisition date. The Company considered the guidance in ASC 805 “Business Combinations” and concluded that this transaction between the Company and Hercules does not constitute a business under ASC 805 and the purchase will therefore be accounted for as an asset acquisition. This is supported by the conclusion that we have not identified clear and present inputs, processes and outputs.

Note 7 - Deposit and costs for business combinations and drilling units

	March 31, 2017	December 31, 2016
Deposit for business combinations and drilling units include:		
<i>(In US\$ thousands)</i>		
Opening Balance	19,966	-
Re-classified as Drilling units (Note 5)	(19,966)	-
Deposit for business combinations	32,000	-
Deposit for drilling units	-	13,000
Cost of warrants and other capitalized fees (Note 13, 15)	-	6,966
Total	32,000	19,966

On December 2, 2016, the company paid US\$13.0 million which represents 10% of the contractual price (the deposit) for the jack-up rigs Hercules Triumph and Hercules Resilience. The Company took delivery of the rigs on January 23, 2017. Please refer to Note 5 and Note 6.

On March 15, 2017 a deposit of US\$32.0 million in line with the agreement between the Company and Transocean, has been paid to Transocean for the purchase of certain rig owning companies. Borr has secured financing for the transaction through a private placement of equity securities. The transaction is subject to the parties executing definitive agreements and satisfying formal closing conditions, including a final approval from the board of directors of both companies. The completion of the transaction was expected to take place before the end of May, 2017. The Transocean Transaction closed on May 31, 2017 (please refer to note 17 - Subsequent Events)

Note 8 - Cash and restricted cash

Restricted cash of US\$221.1 million relates to cash under separate agreement relating to written put option (Note 14). Upon completion of the Transocean deal (Note 17) these funds will be utilised in finalising the transaction or otherwise used to reacquire the 63,158,500 or a portion thereof if the put option is exercised by the counterparty.

Note 9 - Other current assets

	March 31, 2017	December 31, 2016
Other current assets are comprised of the following:		
<i>(In US\$ thousands)</i>		
Prepayments	2,043	-
Other receivables	2,450	-
Total other current assets	4,493	-

Prepayments primarily relate to prepaid broker commissions in relation to the Transocean transaction. Other receivables relate to excess funds held over by a third party to cover anticipated placing costs that will be refunded after the balance sheet date.

Borr Drilling Limited and subsidiaries
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Notes to the Unaudited Consolidated Financial Statements
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Note 10 - Other current liabilities

	March 31, 2017	December 31, 2016
Other current liabilities are comprised of the following:		
<i>(In US\$ thousands)</i>		
Trade creditors	2,549	40
Accruals	2,278	160
Other current liabilities	17	44
Total other current liabilities	4,844	244

Note 11 - Fair values of financial instruments

The carrying value and estimated fair value of the Company's financial instruments were as follows:

<i>(In US\$ thousands)</i>	As at March 31, 2017		As at December 31, 2016	
	Fair value	Carrying value	Fair value	Carrying value
<i>Assets</i>				
Cash and cash equivalents	554,753	554,753	138,119	138,119
Restricted cash	221,055	221,055	-	-
Deposit for drilling rigs	32,000	32,000	13,000	13,000
<i>Liabilities</i>				
Trade creditors and accruals	4,827	4,827	200	200
Other current liabilities (excluding taxation)	9	9	42	42

All of the above assets and liabilities are included within 'Level 1 and 2' of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. The carrying value of accounts receivable and payables approximates fair value due to the short time to expected payment or receipt of cash.

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Note 12 - Common shares

	March 31,2017		December 31,2016	
	Shares	US\$ thousands	Shares	US\$ thousands
<i>All shares are common shares of US\$0.01 par value each</i>				
Authorized share capital	400,000,000	4,000	200,000,000	2,000
Issued and fully paid share capital	315,792,500	3,158	77,505,000	775
Allocated to 'Common stocks issued subject to put option agreements'	(228,600,000)	(2,286)	-	-
Outstanding shares in issue	87,192,500	872	77,505,000	775

The Company was incorporated on August 8, 2016 and has issued the following shares:

- i. 5 shares with a par value of US\$10.00 were issued on August 10, 2016;
- ii. On September 7, 2016 additional paid in capital of US\$9,950 was deposited to bring the total issue price of the above to US\$2,000 per share;
- iii. On December 12, 2016, the Company resolved to subdivide the above 5 shares into 5,000 shares of par value US\$0.01 and to increase the authorized share capital of the Company to 200,000,000 shares of US\$0.01 and equivalent to an issue price of US\$2.00 per share;
- iv. 77,500,000 shares with a par value of US\$0.01 were issued for US\$2.00 on December 14, 2016;
- v. 4,650,000 share warrants were exercised at US\$0.01 by Magni Partners on March 20, 2017;
- vi. 1,162,500 share warrants were exercised at US\$0.01 by Ubon on March 20, 2017;
- vii. 3,100,000 share warrants were exercised at US\$0.01 by Magni Partners on March 23, 2017;
- viii. 775,000 share warrants were exercised at US\$0.01 by Ubon on March 23, 2017;
- ix. On March 13, 2017, it was agreed that the share capital of the Company be increased from US\$ 2.0 million to US\$ 4.0 million by the creation of 200 million common shares of par value of US\$0.01 each, such shares to rank pari passu with the existing common shares of the Company; and
- x. 228,600,000 shares with a par value of US\$0.01 were issued for US\$3.50 on March 21, 2017. These shares have been allocated to 'Common shares and warrants issued subject to put option agreements'.

Additional Paid in Capital stood at US\$157.8 million at the period-end (December 31,2016: US\$157.8 million) after deducting the costs of fundraising amounting to US\$2.8 million (in regard to the placing on December 14, 2016) and after incorporating an additional net adjustment of US\$6.4 million in relation to the issue of warrants during the period ended December 31, 2016 (Note 13).

As of March 31, 2017, the Company's shares were registered on the N-OTC, an information system for unlisted shares for securities dealers.

Note 13 - Warrants

Magni Partners (Bermuda) Limited and Ubon Partners AS

On December 9, 2016, the Board of the Company issued a total of 9,687,500 share warrants. 7,750,000 warrants were issued to Magni Partners (Bermuda) Limited ("Magni Partners") and 1,937,500 warrants were issued to Ubon Partners AS ("Ubon").

The terms of the warrants are as follows:

Each warrant shall entitle the holder to subscribe to ordinary shares in the Company, with each share having a par value of US\$0.01; the subscription price for the share each warrant can be exercised for shall be its par value, US\$0.01:

- (i) the first one fifth of the warrants will be exercisable upon the date in which the aggregate value of shares having traded at a share price above US\$2.40 exceeds US\$1 million;
- (ii) the next one fifth of the warrants will be exercisable upon the date in which the aggregate value of shares having traded at a share price above US\$2.80 exceeds US\$1 million;
- (iii) the next one fifth of the warrants will be exercisable upon the date in which the aggregate value of shares having traded at a share price above US\$3.20 exceeds US\$1 million;

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Note 13 - Warrants (continued)

- (iv) the next one fifth of the warrants will be exercisable upon the date in which the aggregate value of shares having traded at a share price above US\$3.60 exceeds US\$1 million;
- (v) the last one fifth of the warrants will be exercisable upon the date in which the aggregate value of shares having traded at a share price above US\$4.00 exceeds US\$1 million.

The share price means the volume weighted average closing price of the Company's ordinary share price as quoted initially on the Norwegian OTC list and, subsequently, on such stock exchange as the Company's board may decide to list such shares.

All warrants not exercised by December 31, 2021 will lapse and the warrants are non-transferable.

The issue of the warrants to Ubon is a reflection of their commitment to subscribe for capital in the December, 2016, Private Placement (Note 15).

The issue of the Warrants to Magni Partners is done in recognition of their role in relation to the identification, negotiation and conclusion of the purchase agreement for the two Hercules Jack-up rigs, their commitment to subscribe in the Private Placement and the provision of general and administrative services to the Company.

The Company estimated the fair value of the warrants using a Monte Carlo Simulation model and the necessary inputs are set out in the following table:

Inception date	December 9, 2016	
Strike price	0.01	US\$
Spot price	2.00	US\$
Interest rate	0.41-1.9	%
Volatility	25	%
Expected exercise dates		
(i)	February 2, 2018	
(ii)	September 27, 2018	
(iii)	February 18, 2019	
(iv)	May 1, 2019	
(v)	July 5, 2019	
Expected dividend	Nil	

At the grant date, the warrants issued to Magni Partners were valued at US\$8.6 million and were deemed to have vested on the grant date on the basis that Magni Partners had fulfilled all of their performance criteria. The amount recognized as Additional Paid in Capital with respect to the warrants issued to Magni Partners was US\$8.6 million, while US\$6.0 million has been capitalized within Drilling units, US\$2.1 million has been allocated against equity as issuance costs and US\$0.4 million has been allocated to General and Administrative expenses in the Statement of Operations for the period ended December 31, 2016. By March 23, 2017 all of the warrants issued to Magni Partners had been exercised in full and in accordance with the terms of the agreement.

At the grant date, the warrants issued to Ubon were valued at US\$2.1 million and were deemed to have fully vested at the grant date (December 9, 2016) on the basis that Ubon had fulfilled all their performance criteria. The amount recognized as Additional Paid in Capital with respect to the warrants issued to Ubon was US\$2.1 million, while US\$2.1 million has been allocated against Additional Paid in Capital as issuance costs (a net effect on equity and reserves of US\$Nil) during the period ended December 31, 2016. By March 23, 2017 all of the warrants issued to Ubon had been exercised in full and in accordance with the terms of the agreement.

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Notes to the Unaudited Consolidated Financial Statements
for the period ended March 31, 2017

Note 13 - Warrants (continued)

Schlumberger Oilfield Holdings Limited

On March 21, 2017, the Company issued 4,736,887 warrants to subscribe to new Shares at a subscription price of US\$3.50 plus 4% p.a. per Share to Schlumberger Oilfield Holdings Limited ("Schlumberger") for their role, support and participation in the Private Placement in March, 2017.

The Company will issue a further 4,736,887 share warrants to Schlumberger conditional upon the conclusion of a comprehensive collaboration agreement at a subscription price of US\$3.50 plus 4% p.a. per share.

The vesting date means the date when the Company announces completion of the transaction described in the Investor Documentation prepared in connection with the private placement of 228,600,000 new shares in March 2017 or if the transaction is not completed the date that Schlumberger informs the Company that the put-option granted to the subscribers (the "Put-Option") will not be exercised. The Termination Date is the date falling four years after the Vesting Date.

The Company estimated the fair value of the warrants using a Black & Scholes Merton (BSM) model and the necessary inputs are set out in the following table:

Inception date	March 28, 2017	
Strike price	3.50	US\$
Annual strike price increase	4.00	%
Spot price at Norwegian OTC	35.00	NOK
NOK/US\$ exchange rate	0.11755	
Spot price	4.11416	US\$
Expected exercise date	6.30.2017	
Interest rate	0.78	%
Volatility	25	%
Expected dividend	Nil	

The warrants outstanding at March 31, 2017 were as follows:

	Number Of Shares Outstanding Under Warrants		Weighted Average Exercise Price per Share		Average Contractual Term
Warrants outstanding at incorporation	-		-		
Granted (Magni Partners and Ubon)	9,687,500	US\$	0.01		5
Exercised	-		-		
Warrants outstanding, December 31, 2016	9,687,500	US\$	0.01		5
Granted (Schlumberger)	4,736,887	US\$	3.50		4
Exercised (Magni Partners and Ubon)	(9,687,500)	US\$	(0.01)		(5)
Warrants outstanding, March 31, 2017	4,736,887	US\$	3.50		4

At the grant date, the warrants issued to Schlumberger were valued at US\$3.01 million and were deemed to have vested on the basis that Schlumberger had fulfilled all of their performance criteria. The amount recognized as Additional Paid in Capital with respect to the warrants issued to Schlumberger was US\$3.01 million in which the entire amount has been allocated against equity as issuance costs within the Statement of Changes in Shareholders' Equity for the period ended March 31, 2017.

Borr Drilling Limited and subsidiaries

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Notes to the Unaudited Consolidated Financial Statements **for the period ended March 31, 2017**

Note 14 - Put option

A Put Option has been granted to Schlumberger and other investors that have been allocated shares in the Company's offering of 228,600,000 new shares at a subscription price of US\$3.50 per share. All investors shall have a right to require the Company to purchase some or all of its allocated shares, at the subscription price in the event that the transaction does not complete. The Put option is personal to each applicant who receives an allocation of shares in the offering, applies in respect of the number of shares allocated only and is not transferable. The investor automatically loses its Put option rights in respect of their allocated shares on a sale or transfer of the allocated shares and cannot pass its Put option rights to a purchaser.

The Put option is exercisable if the Transocean transaction (expected to close in late May 2017) does not close. If the Put option becomes exercisable and an investor wishes to exercise the put option, the relevant investor should apply to the Board of the Company in writing, with evidence of its subscription for their allocated shares and of its then current holding of the allocated shares, stating how many allocated shares it requires the Company to purchase under the Put option. If the Transocean deal does not complete, the put option must be exercised no later than 30 days after the date when the Company informs Schlumberger and the other investors who were allocated shares in the offering.

As disclosed in Note 17, the transaction with Transocean completed on May 31, 2017. Therefore, the put option is no longer exercisable and the 228,600,000 shares will be held and transferred fully as common shares into the Statement of Changes in Shareholders' Equity in the second quarter of 2017.

Note 15 - Related party transactions

The significant related parties of the Company are as follows:

(i) Acquisition of Subsidiaries (or affiliated companies)

During the period to December 31, 2016, the Company acquired 100% of the issued share capital in the subsidiaries listed below, which are included in these consolidated financial statements:

Borr Drilling Management AS (Norway)
Borr Jack-up I Inc (Marshall Islands)
Borr Jack-up II Inc (Marshall Islands)

Borr Jack-up I Inc and Borr Jack-up II Inc were incorporated for the purpose of taking delivery and being the rig owning entities to the Hercules rigs (Note 5).

Borr Drilling Management AS provides management services to Borr Drilling Limited under the terms of a management agreement covering the needs of Borr Drilling Limited and its other subsidiaries.

(ii) New subsidiaries

Borr Drilling Limited has incorporated five further subsidiaries on March 23, 2017 as follows:

Borr Jack-up III Inc (Marshall Islands)
Borr Jack-up IV Inc (Marshall Islands)
Borr Jack-up V Inc (Marshall Islands)
Borr Jack-up VI Inc (Marshall Islands)
Borr Jack-up VII Inc (Marshall Islands)

The purpose is for each of these to become party to a novated building contract with Keppel Shipyard once the deal with Transocean is finalised and closed.

All of the above subsidiaries had been incorporated immediately prior to the date of the acquisition and as such no trade, assets or liabilities formed part of the transactions.

(iii) Transactions with those holding significant influence over the Company

Taran Holdings Limited ("Taran")

Since our formation, our largest shareholder for the period ended December 31, 2016 is Taran, which currently holds approximately 20.0% of our shares. During the periods ending March 31, 2017 and December 31, 2016 the Company transacted with Taran on the following transactions:

Borr Drilling Limited and subsidiaries

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Note 15 - Related party transactions (*continued*)

A short-term loan of US\$13.0 million was provided to the Company on December 2, 2016 to finance the deposit payable for the Hercules rigs (Hercules Triumph and Hercules Resilience) acquisition, which completed in January 2017. The loan was repaid with no interest accruing by way of set-off against Taran's subscription of shares in the Company's first private placement in December 2016.

An additional short-term loan was provided to the Company on March 15, 2017 US\$12.75 million to finance the deposit payable for the Transocean rigs acquisition, which is expected to complete in May 2017. The loan was repaid with no interest accruing by way of set-off against Taran's subscription of shares in the Company's private placement in March 2017.

Taran also provided the Company with a revolving credit facility ("RCF") of US\$20.0 million on December 12, 2016. As of March 31, 2017, and December 31, 2016 no amount has been drawn on this facility.

Advokatfirmaet Wiersholm AS ("Wiersholm")

Mr Erling Lind is the Chairman of the board of Borr Drilling Limited and a partner of Wiersholm. Wiersholm is engaged as the legal advisor to Borr Drilling Limited.

During the period Wiersholm provided Borr Drilling Limited with legal advisory services amounting to US\$0.3 million (December 31, 2016: US\$0.1 million), of which US\$0.3 million (December 31, 2016: US\$0.1 million) was outstanding at the period end.

Ubon Partners AS ("Ubon")

Mr Fredrik Halverson is a director on the board of the Company and also owns 33.33% of the shares in Ubon. Ubon is considered to be a related party under the definition of ASC 850.

On December 9, 2016, the Company issued 1,937,500 warrants to Ubon (Note 13). Each warrant constitutes a right to purchase one new ordinary share in the Company at a strike price of US\$0.01 under the terms of the warrant certificate. At the inception date the warrants issued to Ubon were valued at US\$2.1 million and were deemed to have fully vested at the grant date (December 9, 2016) on the basis that Ubon had fulfilled all their performance criteria. The amount recognized as Additional Paid in Capital with respect to the warrants issued to Ubon was US\$2.1 million, while US\$2.1 million has been allocated against Additional Paid in Capital as equity issuance costs (a net effect on equity and reserves of US\$Nil) during the period ended December 31, 2016. By March 23, 2017 all of the warrants issued to Ubon had been exercised.

Magni Partners (Bermuda) Limited ("Magni Partners")

Mr Tor Olav Trøim is a director on the board of the Company and is the sole owner of Magni Partners.

Magni Partners is party to a Corporate Support Agreement with Borr Drilling Limited pursuant to which it is providing strategic advice and assistance in sourcing investment opportunities, financing etc and is one of the partners of Magni Partners, this agreement was formalised on March 15, 2017.

During the period, Magni Partners received cash compensation of US\$1.4 million for various commercial services provided in connection with the acquisition of the Hercules rigs (Hercules Triumph and Hercules Resilience) which completed in the first quarter of 2017. Of this amount US\$1.0 million has been capitalised within Drilling units, US\$0.3 million has been offset against Additional paid in capital as a cost of the fundraising and US\$0.07 million has been recognised within general and administrative expenses in the Statement of Operations for the period ended December 31, 2016.

On December 9, 2016, the Company issued 7,750,000 warrants to Magni Partners (Note 13). Each warrant constitutes a right to purchase one, new ordinary share in the Company of US\$ 0.01 par value under the terms of the warrant certificate. During the period ended December 31, 2016 the amount recognized as Additional Paid in Capital with respect to the warrants issued to Magni Partners was US\$8.6 million, while US\$6.0 million was capitalized within Drilling units, US\$2.1 million was allocated against equity as a cost of the fundraising and US\$0.4 million was allocated to Directors fees within General and Administrative expenses in the Statement of Operations for the period. By March 31, 2017 all of the warrants issued to Magni Partners had been exercised.

Included in accruals at March 31, 2017 is an amount of US\$1.75 million due to Magni Partners for their assistance in the private placement.

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Note 15 - Related party transactions (continued)

Meritus Trust Company Limited ("Meritus")

Ms Michelle Wolf is a director and member of the board for Borr Drilling Limited and a director of the board for Meritus. During the period Meritus provided corporate secretarial services to Borr Drilling Limited amounting to US\$0.01 million (December 31, 2016: US\$0.02 million), US\$0.003 million (December 31, 2016: US\$0.02 million), of which was outstanding at the period end.

Schlumberger Oilfield Holdings Limited ("Schlumberger")

On March 21, 2017, the Company issued 4,736,887 warrants to subscribe to new Shares at a subscription price of US\$3.50 plus 4% p.a. per Share to Schlumberger Oilfield Holdings Limited ("Schlumberger") for their role, support and participation in the Private Placement in March, 2017. The value of these warrants is US\$3.01 million.

The Company will issue a further 4,736,887 share warrants to Schlumberger conditional upon the conclusion of a comprehensive collaboration agreement at a subscription price of US\$3.50 plus 4% p.a. per share.

The vesting date means the date when the Company announces completion of the transaction described in the Investor Documentation prepared in connection with the private placement of 228,600,000 new shares in March 2017 or if the transaction is not completed the date that Schlumberger informs the Company that the put-option granted to the subscribers (the "Put-Option") will not be exercised. The Termination Date is the date falling four years after the Vesting Date

Option agreements

On December 18, 2016 Magni and Ubon entered into an agreement with each of Rune Magnus Lundetrae (CEO) and Svend Anton Maier (COO). Under the agreements the CEO and COO purchased an option to buy 960,000 shares each from Magni and Ubon.

Both employees entered into an option agreement to buy shares from Magni and Ubon ("Grantors") through their individual companies, Primato AS (Rune Magnus Lundetrae) and SAM International Offshore Consulting (Svend Anton Maier). The purchase price for each Option Share shall be US\$2.0. The employees' companies shall pay an option premium to the Grantors an amount of US \$192,414 as consideration for the Option to buy shares in the Company. This has been calculated by an independent third party and reflects market terms or the fair value of the instrument.

Note 16 - Risk management and financial instruments

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by Norges Bank up to NOK 2 million. At March 31, 2017, the Company had US\$775.6 million (December 31, 2016: US\$137.9 million) in excess of the Bank of Norway insured limit. Of the uninsured amount at March 31, 2017, US\$760.0 million was held on a short-term time deposit account.

Foreign exchange risk management

The majority of the Company's transactions, assets and liabilities are denominated in U.S. dollars, the functional currency of the Company. However, the Company has operations and assets in other countries and incurs expenditures in other currencies, causing its results from operations to be affected by fluctuations in currency exchange rates, primarily relative to the U.S. dollar. There is thus a risk that currency fluctuations will have a positive or negative effect on the value of the Company's cash flows. The Company has not entered into derivative agreements to mitigate the risk of fluctuations.

Borr Drilling Limited and subsidiaries
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for the period ended March 31, 2017

Note 17 - Subsequent Events

Subsequent events have been reviewed regularly from the period end to the date of signing the financial statements.

Transocean transaction

On March 15, 2017, the Company entered into an agreement and a signed letter of intent to acquire fifteen high specification jack-up drilling units from Transocean Ltd. The transaction consists of Transocean's entire jack-up fleet, comprising eight rig owning companies in Transocean's fleet and five new-builds under construction at Keppel Fels Limited, Singapore. Total consideration for the transactions is expected to be approximately US\$1.35bn and includes remaining contract backlog and remaining yard instalments to be made to Keppel Fels for the five new-builds. The board of directors of Keppel Fels has pre-approved the novation of the new-building contracts.

On the same day a deposit of US\$32.0 million, in line with the agreement between the parties, has been paid to Transocean. Borr has secured financing for the transaction through a private placement of equity securities. The transaction was subject to the parties executing definitive agreements and satisfying formal closing conditions, including a final approval from the board of directors of both companies. The transaction closed on May 31, 2017. The transaction will be accounted for as a business combination under ASC 805.

Total consideration paid to Transocean on closing was US\$288.6 million and US\$32.0 million (already paid in March 2017), making a total consideration of US\$320.6 million. The Company also assumed the contract and liabilities for the completion of the construction of the five new build jack-up rigs with Keppel Fels, which amounted to US\$862.0 million.

An additional short-term loan was provided to the Company on March 15, 2017 US\$12.75 million to finance the deposit payable for the acquisition of the Transocean rig companies, which was expected to complete in May 2017. The loan was repaid with no interest accruing by way of set-off against Taran's subscription of shares in the Company's private placement in March 2017.

On May 31, 2017, the Company completed the Transocean transaction as described above paying a further consideration of US\$288.6 million, net of the US\$32.0 million deposit already paid. As a result of the transaction, the Company took ownership and renamed the established rig owning subsidiaries and branches as follows:

Name of acquired company	New name of acquired company
Constellation II Limited	Borr Jack-Up VIII Limited (name changed once Chevron contract completed)
GlobalSantaFe West Africa Drilling Limited	Borr Jack-Up IX Limited
Transocean Andaman Limited	Borr Jack-Up X Limited (name changed once Chevron contract completed)
Transocean Ao Thai Limited	Borr Jack-Up XI Limited
Transocean Britannia Limited	Borr Jack-Up XII Limited
Transocean Drilling Resources Limited	Borr Jack-Up XIII Limited
Transocean Drilling Services Offshore Inc.	Borr Jack-Up XIV Inc.
Transocean Siam Driller Limited	Borr Jack-Up XV Limited

On June 12, 2017, the Company paid an instalment of \$275.0 million to Keppel Fels. The profile of the remaining payments to be made by the Company are as follows:

Hull	Payment	Date of Payment
B364	\$72.4 million	February 15, 2018
B365	\$72.4 million	May 15, 2018
B366	\$147.4 million	April 15, 2019
B367	\$147.4 million	October 15, 2020
B368	\$147.4 million	December 15, 2020

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Notes to the Unaudited Consolidated Financial Statements for the period ended March 31, 2017

Note 17 - Subsequent Events *(continued)*

Following the closing of the Transocean transaction it has been agreed to change the names of the jack-up rigs acquired to the following:

Current name of the rig	New Borr Drilling rig name
GSF Constellation I	Atla
GSF Constellation II	Balder
GSF Galaxy I	Baug
GSF Galaxy II	Brage
GSF Galaxy III	Eir
GSF Monarch	Fonn
Transocean Andaman	Idun
Transocean Ao Thai	Mist
Transocean Honor	Norve
Transocean Siam Driller	Odin

Allocation agreement

An allocation agreement will regulate the relationship between the Company and Transocean post-closing of the Transocean transaction in respect of the rigs currently working in Thailand on Chevron contracts (Transocean Andaman, Transocean Ao Thai and Transocean Siam Driller) pursuant to which these rigs will continue to be made available for drilling contracts with Chevron Thailand Exploration and Production Limited at the Company's risk.

Transocean will receive all revenues and bear all operational expenses for these rigs (other than H&M and P&I (including crew) insurance costs, which are for the Company) and the Company will pay for capital expenditure and be liable to compensate Transocean for all other costs and liabilities incurred by Transocean under the Chevron Contracts.

The Chevron Contracts expire on July 16, 2017 (Transocean Andaman), May 25, 2018 (Transocean Ao Thai) and October 10, 2018 (Transocean Siam Driller) and may only be extended to complete a well then in progress at the request of Chevron, on terms that Transocean and the Company share the profits on a 75% (Company)/25% (Transocean) basis.

New subsidiaries

On May 8, 2017 Borr Drilling Limited incorporated a new wholly owned UK subsidiary called Borr Drilling Management (UK) Limited.

On May 8, 2017 Borr Drilling Limited incorporated a new wholly owned Marshall Island subsidiary called Borr Drilling Equipment Pool Inc.

On May 28, 2017 Borr Drilling Limited incorporated a new wholly owned Dubai subsidiary called Borr Drilling Management DMCC.

On May 31, 2017, a number of subsidiaries were acquired as part of the Transocean transaction, which were subsequently renamed. The details of these are listed above.

Forward contracts and Bonds

Forward contracts

The Company in the period May to July 2017 entered into forward contracts to purchase shares in international drilling companies.

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Note 17 - Subsequent Events (continued)

Bonds

In Q2, 2017, the Company purchased corporate bonds issued by a rig company for approximately US\$5.5 million.

Employee Stock Based Compensation

On June 15, 2017, the Company committed to granting 4,380,000 options of new shares which will be granted to key employees and directors of the Group, these will be accounted under ASC 718 stock based compensation in Q2 2017. The Options will be granted with a strike price of US\$ 3.50. The option period is 5 years from June 15, 2017 and shall vest with 1/3 on each of the three first anniversaries in the option period.

A further 3,400,000 shares of the authorised but unissued share capital shall be reserved for further option grants to key individuals in the group.

On July 3, 2017, the Company granted 2.8 million options for new shares to new employees with strike price of US\$ 3.50. The option period is 5 years from 1 July, 2017. The Options shall vest with 1/3 on each of the three first anniversaries in the option period.

Letter of Commitment for drilling services in Nigeria

The Company in conjunction with the Nigerian Partner Company Valiant Energy Service West Africa Limited (“Valiant”), has received a letter of commitment from Total E&P Nigeria Limited (“Total”), for employment of its premium jack-up, Frigg. The project will be executed with Nigerian partners.

The commitment is for a firm one-year period with possible extensions, drilling is expected to commence during the third quarter of 2017.

Note 18 - Commitments and contingencies

There are no commitments or contingencies that require disclosure beyond what has already been disclosed elsewhere in these financial statements (see Note 17).