Appendix 3: Annual report for 2006

Board of Director's Report

Business operation and locations
Thule Drilling ASA is a Norwegian company, located in Oslo, Norway, and is involved in the construction, ownership and operation of drilling rigs. The Company currently has three jack-up drilling rigs under construction at the QGM yard in Dubai, of which one is currently scheduled to be delivered in the third quarter of 2007 and the remaining two are scheduled for completion in the third and fourth quarter of 2008. In addition, the Company owns one semi-submersible hull. The Company has only one business activity; drilling rigs.

Going concern
The financial statements have been prepared on the basis of a going concern in accordance with the Norwegian Accounting Act § 3-3. This is based on projected earnings from "Thule Power" for 2007, subsequent events as discussed below, and future income from operations of the other assets. The Board is of the opinion that the basis for continued operation is present.

Subsequent events
In January 2007, the Company issued a certificate of USD 9 million secured by its semi-submersible hull "Thule Phoenix". In March 2007, the Company issued a bond loan of USD 40 million secured by "Thule Power" and the two newbuildings. In March 2007, the Company initiated a rights issue that will take place in May/June that will raise NOK 220 million in equity or approximately USD 35 million. In April 2007, the former CEO resigned and was replaced by the CFO.

Comments related to the financial statements
The Group's revenue was USD 21.9 million, primarily due to the sale of "Thule Challenge".

The cash flow from operating activities was USD 1.8 million. The result before tax was USD 19.1 million.

The Group's total investments in 2006 were USD 159 million.

The Company's liquidity was USD 83.7 million as of 31 December 2006.

The Company's short term liabilities were 29% of total debt as of 31 December 2006. Total assets were USD 340.3 million at the end of the year.

As per 31 December 2006, the Company had Owner's Equity of USD 158 million that corresponds to an equity ratio of 46%.

The Board is of the opinion that the accounts present fairly, in all material respects, the Thule Drilling ASA's assets, debt, financial position and result.

Financial Risk
The Company is exposed to financial risks which include risks for interest rate and currency fluctuations. In addition, its borrowings create leverage which will amplify the effects of rate, cost, and value movements.

Market risk
The Company's business is subject to a number of market risks. This includes risks of a political and geopolitical nature (including the risk of war, armed conflicts and terrorist attacks), as well as risks associated with the demand and supply for its services. The Company's services are provided in an open

market characterized by a large number of potential clients and suppliers. The number of units to supply the market, and the number of companies supplying these units, is rising in response to a generally improved market and a positive outlook for further demand growth. There can be no assurance that the factors supporting this positive outlook will actually materialize. A less positive demand development may lead to an overcapacity of drilling rigs in the future, which may have a negative impact on rates and on the Company's future revenues.

Operational risk
The Company's operations may be subject to a number of risks. This includes risks associated with the length and possible termination of drilling contracts, risks associated with substantial responsibilities assumed by the Company, risks associated with the service life and technical operation of the Company's drilling rigs, and the risks associated with the limited size of the administration and management of the Company. The Company has been in existence for a short period (since 2005) and has a limited operating history. Furthermore, the timing and cost of repairs and maintenance on the Company's drilling rigs may be substantial and difficult to predict. In the course of its activities, the Company may become part to legal proceedings and disputes. All of these factors could have a significant impact on the Company's financial position.

Particular risks related to the Company's construction program at the QGM yard
The Company has a large and challenging investment program for the construction of three jack-up rigs at the QGM yard in Dubai. Various factors have contributed to the delay and cost increase of "Thule Power", the first rig under reconstruction. The construction of "Thule Energy" and "Thule Force" has also been delayed compared to the originally scheduled delivery dates. The reasons contributing to delays and cost increase include change orders, yard inadequacies, technical challenges and various other factors. The financial situation at QGM is not satisfactory, which has caused the Company to provide the yard with funding to ensure vital progress on its rig constructions. There can be no assurance that the yard will be able to complete the rig constructions within the time frame currently estimated, or that the yard will be able to complete the units within the budgeted amounts, or that the yard will not require additional funding to complete the rig constructions.

Environmental risks, after delivery of the rigs
Drilling rigs are subject to perils particular to marine operations, including capsizing, grounding, collision and loss and damage from severe weather or storms. Such circumstances may result in severe damages and/or damage to property, the environment or persons.

Adequate insurance protection
The Company's operations are subject to risks inherent in the oil and offshore industry. The Company maintains insurance in accordance with industry standards. Its insurance is intended to cover risks associated with the conduct of the business, as well as environmental damage and pollution coverage.

Liquidity Risk
The Company regards the liquidity situation as tight, and appropriate measures have been and will be taken to alleviate future liquidity needs. The liquidity will be improved by the placement of NOK 220 million in May/June 2007.

Equal opportunity
The company had three employees and four hired staff as per December 2006. During the year, absence from work due to illness amounted to 0% of total Group working hours. There were no serious accidents or reports of such during the year. The working environment is regarded as good.

The proportion of women employees was 33%, and the corresponding number for hired personnel was 25%. The Board of Directors has one female and four male members. Being an ASA the Board will ensure that the Board consists of 40% females by the end of 2007.

External environment
The Company is not polluting the environment with today's activities.

Allocation of net income

The Board of Directors has proposed the net result of Thule Drilling ASA to be attributed to:

• Retained Earnings	USD 32 222
Net result allocated	USD 32 222

The proposal is a reflection of the owners' desire to strengthen the equity position of the company.

The company's distributable equity, measured in USD, as of 31.12.2006 was USD 30.81 million.

Other matters
The Company does not carry out any research and development activities.

Oslo, 7 May 2007

Peter K. Gjessing CEO	Hans Eirik Olav Chairman	Frederik Steenbuch Board member
Brita Eilertsen Board member	Henrik A. Christensen Board member	Anders-Ivar Olsen Board member

Thule Drilling ASA

Financial Statements 2006

Thule Drilling ASA
Financial statements 2006

Thule Drilling ASA		INCOME STATEMENTS		TD Group	
	7.2-31.12				7.2-31.12
2006	2005	Amounts in USD 1 000	Notes	**2006**	2005
		REVENUE			
10,469	-	Revenues	1, 17	21,937	-
10,469	-	***Total operating revenues***		*21,937*	-
		OPERATING EXPENSES			
794	827	Employee benefits expenses	2, 3	794	827
36	7	Depreciation and amortisation expenses	4	36	7
1,728	1,390	Other operating expenses	5	4,113	1,390
2,558	*2,224*	***Total operating expenses***		*4,943*	*2,224*
7,911	*-2,224*	***OPERATING PROFIT/ (LOSS)***		*16,994*	*-2,224*
		FINANCIAL INCOME AND EXPENSE			
20,466	358	Net finance	4	-1,081	358
7,286	-646	Net currency		3,259	-646
27,752	*-288*	***Net finance***		*2,178*	*-288*
35,663	*-2,511*	***PROFIT/ (LOSS) BEFORE INCOME TAX***		*19,172*	*-2,511*
3,441	-176	Income tax expense	6	3,893	-176
32,222	*-2,336*	***NET PROFIT/ (LOSS)***		*15,279*	*-2,336*
		Earnings per share	7	0.43	-0.19
		Earnings per share, diluted	7	0.42	-0.19

Thule Drilling ASA
Financial statements 2006

Thule Drilling ASA		ASSETS		TD Group	
2006	2005	Amounts in USD 1 000	Note	2006	2005
		NON CURRENT ASSETS			
		Intangible assets			
-	1,321	Deferred tax asset	6	-	1,321
-	*1,321*	***Total intangible assets***		-	*1,321*
		Tangible assets			
458	67,069	Rigs and newbuildings	4	242,448	67,069
117	162	Vehicles	4	117	162
19	7	Furniture, fixtures, machinery and equipment	4	19	7
594	*67,238*	***Total tangible assets***		*242,583*	*67,238*
		Financial assets			
97,195	21	Investments in subsidiaries	12	-	21
11,799	-	Loans QGM	14	11,799	-
155,274	-	Loan to subsidiaries	20	-	-
264,267	*21*	***Total financial assets***		*11,799*	*21*
264,861	*68,581*	***Total non current assets***		*254,382*	*68,581*
		CURRENT ASSETS			
		Receivables			
1,896	429	Other receivables		2,196	429
1,896	*429*	***Total receivables***		*2,196*	*429*
83,690	40,533	Cash and cash equivalents	11	83,690	40,533
85,586	*40,962*	***Total current assets***		*85,886*	*40,962*
350,447	*109,543*	***TOTAL ASSETS***		*340,268*	*109,543*

Thule Drilling ASA
Financial statements 2006

Thule Drilling ASA		EQUITY AND LIABILITIES		TD Group	
2006	2005	Amounts in USD 1 000	Note	**2006**	2005
		EQUITY			
		Paid-in equity			
1,135	668	Issued share capital		**1,135**	668
143,033	67,021	Share premium		**143,033**	67,021
927	745	Other paid-in equity		**927**	745
145,095	*68,434*	***Total paid-in equity***		***145,095***	*68,434*
		Retained earnings			
29,886	-2,336	Other equity		**12,943**	-2,336
29,886	*-2,336*	***Total retained earnings***		***12,943***	*-2,336*
174,981	*66,098*	***Total shareholders' equity***	8, 9	***158,038***	*66,098*
		LIABILITIES			
		Long liabilities			
1,029	-	Deferred tax	6	**1,482**	-
127,514	36,147	Bond	10	**127,514**	36,147
120	147	Liabilities to financial institutions	10	**120**	147
128,663	*36,294*	***Total long term liabilities***		***129,116***	*36,294*
		Current liabilities			
39,693	-	Bond	10	**39,694**	-
447	4,709	Accounts payable		**6,775**	4,709
49	24	Public duties payable		**50**	24
6,614	2,418	Other current liabilities	10	**6,595**	2,418
46,803	*7,151*	***Total current liabilities***		***53,114***	*7,151*
175,466	*43,445*	***Total Liabilities***		***182,230***	*43,445*
350,447	*109,543*	***TOTAL EQUITY AND LIABILITIES***		***340,268***	*109,543*

Oslo, 7 May 2007

Peter K. Gjessing *CEO*	Hans Eirik Olav *Chairman of the Board*	Anders-Ivar Olsen *Member of the Board*
Henrik A. Christensen *Member of the Board*	Frederik Steenbuch *Member of the Board*	Brita Eilertsen *Member of the Board*

Thule Drilling ASA
Financial statements 2006

Thule Drilling ASA		CASH FLOW STATEMENTS	TD Group	
	7.2-31.12			7.2-31.12
2006	2005	Amounts in USD 1 000	**2006**	2005
		Cash flow from operating activities		
35,664	-2,511	Profit/ (loss) before income taxes	19,172	-2,511
-25,716	-	Profit/ (loss) on sale of fixed assets	-21,628	-
36	7	Depreciation and amortisation expenses	36	7
-346	420	Changes in receivables and accounts payable	-84	420
-3,038	944	Amounts classified as investing/financing activities	4,407	944
396	-391	Changes in other accrued income and expenditure	-87	-391
6,996	*-1,531*	***Net cash flow from operating activities***	*1,816*	*-1,531*
		Cash flow from investing activities		
39,000	-	Proceeds from sale of investment in shares and partnerships	-	-
124	-	Proceeds from sale of tangible fixed assets	41,190	-
-46,819	-60,568	Investment in tangible fixed assets	-188,270	-60,568
-143,120	-	Net proceeds from other investments (loan to subsidiaries)	-	-
-11,799	-22	Net investment in and proceeds from other investments	-11,799	-22
-162,614	*-60,590*	***Net cash flow from investing activities***	*-158,879*	*-60,590*
		Cash flow from financing activities		
127,450	39,692	Proceeds from issuance of long-term debt	127,450	39,692
-	158	Proceeds from issuance of short-term debt	-	158
-147	-2	Repayment of long-term loans	-147	-2
-	-158	Repayment of short-term loans	-	-158
-4,113	-	Interests paid	-4,113	-
-2,323	-1,529	Payment of loan and share issue costs	-2,323	-1,529
78,802	67,295	Proceeds from increase in equity	78,802	67,295
199,669	*105,457*	***Net cash flow from financing activities***	*199,669*	*105,457*
-895	*-3,448*	***Net change in foreign currency rates on cash***	*551*	*-3,448*
43,157	39,888	Net change in cash and cash equivalents	43,157	40,517
40,533	15	Cash and cash equivalents at 01.01	40,533	15
83,690	*39,904*	***Cash and cash equivalents at 31.12***	*83,690*	*40,533*

Thule Drilling ASA
Financial statements 2006

Notes

Amounts in tables in USD 1 000

Note 1 Accounting principles

General
The financial statements have been prepared and presented in compliance with the Norwegian Accounting Act, and generally accepted accounting principles in Norway. The financial statements for the year ended 31 December 2006 were authorized for issuance in accordance with a resolution of the Board of Directors on 7 May 2007

Consolidation
The consolidated financial statements incorporate the financial statements of the parent company Thule Drilling ASA and its wholly owned subsidiaries. The consolidated accounts for the group have been prepared as a single economic entity. Intercompany transactions have been eliminated in the consolidated accounts. The consolidated accounts have been prepared in accordance with the same accounting principles for both parent and subsidiaries.

Use of estimates
The preparation of financial statements in conformity with NGAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the accompanying disclosure notes of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management bases its estimates and judgments on historical experience, consultation with experts and other various factors that are believed t‹ be reasonable under the circumstances. This assessment forms the basis to determine carrying value of assets and liabilities that are not possible to determine from other available sources. Actual results may differ from these estimates. The most significant estimates and assumptions at the balance sheet dates that might significantly impact the carrying value of assets and liabilities within the next accounting year relate to the assessment of fixed asset impairment tests, the useful lives for depreciation of fixed assets, assessment of loan to QGM, assumptions applied in the Black & Scholes model for calculatin; fair value of options and warrants and the calculation of deferred taxes.

Foreign currency
Monetary items denominated in other currencies than USD are revalued based on the exchange rate of the balance sheet date 31.12.2006 at 6.2551 NOK/USD and for 31.12.2005 at 6.7687 NOK/USD. The functional currency of the Company's entities is USD. The reporting currency is USD.

Revenues
The Company's main activity is to build jack-up drilling rigs, enter into drilling contracts and operate its units.

The income is recognized on the basis of day rates and actually accrued time. Income is recognized when it is probable that the transaction will generate future financial advantages that will be due to the Company and the size of the amount can be measured reliably. Income is reported exclusive of value added tax and after deduction of possible discounts. Income and expenses related to activities lasting past the turn of the year are accrued in accordance to the number of days that the activity lasts prior to and after the closing of the annual accounts.

The total cost is revalued currently. For contracts that are assumed to result in a loss, the total estimated loss is recognized immediately. Mobilization and demobilization fees are taken to income in the actual period of services provided to the customer.

Taxes
Taxes are recorded as they accrue. Thus the tax on ordinary result is related to the financial statement's ordinary result before tax, and not taxable income as reported to the tax authorities. Taxes related to equity transactions are recorded against the equity.

The tax on ordinary result comprise taxes payable (tax on the year's taxable income) and changes in net deferred tax. A deferred tax asset is capitalized when it is probable that it can be used to reduce future taxes payable.

Notes

Amounts in tables in USD 1 000

Note 1 Accounting principles

Balance sheet classification
Assets acquired for the purpose of permanent holdings or uses are classified as fixed assets. Other assets are classified as current assets. Receivables that fall due within one year are always classified as current assets. Corresponding principles have been applied with respect to the classification of long-term and current liabilities.

Valuation of assets and liabilities
Fixed assets are valued at cost, but written down to recoverable amount when the reduction of value is expected to be more than temporary. Recoverable amount is the higher of market value and value in use. Fixed assets with a limited economic lifetime are systematically depreciated. Long-term liabilities are recorded at amortized costs at the time of issue. Long-term liabilities are not revalued as a result of changes in the interest rate levels.

Current assets are valued at the lower of cost or market. Current liabilities are recorded at nominal value received at the time of issue.

Some items are valued based on other principles and methods, as described in the following.

Tangible assets
Fixed assets are depreciated over their expected life. The straight-line method is used as the general model for calculating depreciation expense, and expected residual values have been taken into account. The significant elements of the rigs will be decomposed and depreciated separately over the useful life of each element.

The Company capitalizes interest expense on debt drawn to finance the building / reconstruction of its rigs. The capitalization is net of interest income from the interim placement of the borrowed funds. Planned periodic maintenance is capitalized and charged to the profit and loss statement over the period to the next docking.

Newbuilding contracts are capitalized under fixed assets valued at the payments made to the yard. As for other PPE items impairment analyses are made, if required.

Impairment of assets
Fixed assets and other non-current assets are reviewed for indication of impairment at each reporting date, and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Accounts receivable and other receivables
Accounts receivables and other receivables are recorded at face value with a provision for expected bad debt expense. The provision for bad debt is based on assessments of the individual overdue items.

Cash flow statement
The statement of cash flow has been prepared according to the indirect method. The indirect method involves reporting gross cash flow from investment and financing activities, while the accounting result is reconciled against net cash flow from operational activities. Cash in hand and cash equivalents comprise cash, bank deposits and other short-term, liquid investments which immediately and at insignificant exchange rate risk can be converted into known cash amounts and witl due dates of less than three months from purchase date.

Long-term interest bearing debt
Loans are recognized at fair value when disbursement takes place, deducted for transaction expenses. In the subsequent periods the loan is recognized at amortized cost calculated by use of effective interest rate. The difference between the disbursed loan (deducted transaction expenses) and the amount payable at maturity are recognized over the term of the loan.

Notes

Amounts in tables in USD 1 000

Note 1 Accounting principles

Provisions
Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made.

Pension obligation
The Company has a defined contribution plan for its personnel. Contributions are paid to pension insurance plans, and once the contributions have been paid, there are no further payment obligations. Contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

Equity compensation benefits
The share option program allows selected employees to acquire shares of the Company. The fair value of the options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and allocated over the period during which the employees vest in the options. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Shares in subsidiaries
Shares in subsidiaries are stated at cost.

Changes in presentation currency
The presentation currency for the parent company is changed from NOK to USD, applying the temporal method.

Derivative financial instruments and hedging
The Company had no financial instruments for either hedging or trading purposes as of 31.12.06.

Leases
The determination of whether an arrangement is or contains a lease, is based on the substance of the arrangement, and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangements conveys a right to use the asset.

Financial leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged financial expenses directly.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Business segments
Construction of jack-up drilling rigs represent the only business area of the Company today.

Amounts in tables in USD 1 000

Note 2 Salaries / Number of employees / Benefits / Employee loans

Payroll and related cost	Thule Drilling ASA		TD Group	
		7.2-31.12	31.12	7.2-31.12
	2006	2005	**2006**	2005
Payroll	**390**	148	**390**	148
Social security costs	**259**	22	**259**	22
Pension costs	**18**	0	**18**	0
Other employee related costs	**128**	657	**128**	657
Payroll and related costs	**794**	827	**794**	827
Average number of employees	2	1	2	1

	Board remuneration	Salary	Bonus	Pension	Other	Options	Total
Executive officers							
Former CEO		240	-	8	37	46	**331**
CFO and acting CEO		88	-	7	8	15	**118**
Members of the Board							
Henrik A. Christensen (Former Chairman, Member)	36						**36**
Tore Enger (Former Chairman, Member)	36						**36**
Brita Eilertsen (Member)	16						**16**
Hans Eirik Olav (Member, present Chairman)	12						**12**
Frederik Steenbuch (Member)	12						**12**
Johan Fr. Friis (Former Member)	16						**16**
Total	128						577

In addition to the employees, the Company has rented services from external consultants, approximately two persons per month

Share based payments to employees and board members
Other employee related costs in 2005 include USD 384 000 related to warrants issued to the initiators and leading persons / companies they control. The item also includes estimated value of the Company's option program with USD 63 000. See note 9 for more information. The Black & Scholes model with a volatility of 30% was used in these calculations.

If dismissed by the Company, the Chief Executive Officer has a right to severance pay corresponding to 12 months regular salary from the time his duty ceases. The Chief Executive Officer takes part in the Company's option program (see note 9), but enjoys no other bonus arrangements. There are no particular benefit arrangements or severance pay for the Company's Chairman of the Board.

The CEO at year end has resigned from his position as of April 2007, and the severance pay will be expensed in 2007.

Remuneration to senior management shall be determined in accordance to the following guidelines: The main principle for determination of executive salary shall be that senior management shall be offered competitive terms. Thule Drilling shall offer a level of salary reflecting an average of the levels of salary in comparable companies in Norway. A stock option program exists for senior management and members of the Board of Directors. The scope of this program is determined within the limits laid down by the general meeting.

Loan to employees
As of 31 December 2006 there are no loans given to employees

Amounts in tables in USD 1 000

Note 2 Salaries / Number of employees / Benefits / Employee loans

Auditor (Parent and Group)		7.2-31.12
Remuneration for 2006 amounts to USD 129 000 and covers the following items:	**2006**	2005
Statutory audit	**40**	10
Other attestation services	**39**	0
Tax advice	**32**	5
Other services outside the audit scope	**18**	15
Total	**129**	30

Note 3 - Pensions (Parent and Group)

Fiscal year 2006
The Company has a defined contribution pension scheme for its employees. The pension scheme has been accounted for in the financial statements in accordance with the Norwegian Accounting Standard for pension costs (NRS 6), and covers a total of 3 employees in 2006. Contributions are paid to the pension insurance plan and once the contributions have been paid, there are no further pension liabilities for the Company. Payments to the contribution plans are charged to the income statement in the period to which the contributions relate. Please also see Note 2.

Fiscal year 2005
The Company had no pension scheme in 2005.

Amounts in tables in USD 1 000

Note 4 Tangible fixed assets

TD Group

	Rigs*	**Drill simulator**	**Rig model**	**Vehicles**	**Furniture, fixtures, machinery**	**Total**
Cost 1.1	67,069	0	0	168	9	67,245
Additions	192,140	446	13	130	19	192,748
Disposals	17,220			168	0	17,388
Costs 31.12.	241,989	446	13	130	28	242,605
Capitalized interest costs	6,751	0	0	0	0	6,751
Depreciation as of 01.01.	0	0	0	-6	-2	-7
Accumulated depreciations 31.12.	0	0	0	-35	-8	-43
Accumulated write-down as of 31.12.	0	0	0	22	0	22
Net book value 31.12	241,989	446	13	116	19	242,583
This year's depreciation				-30	-6	-36
Impairment charge				0	0	0
Reversal of impairment changes				0	0	0
Expected period of use				5 years	3 years	
Depreciation schedule				Straight-line	Straight-line	

Thule Drilling ASA

	Rigs*	**Drill simulator**	**Rig model**	**Vehicles**	**Furniture, fixtures, machinery**	**Total**
Cost 1.1	67,069	0	0	168	9	67,245
Additions	42,934	446	13	130	19	43,542
Disposals	110,003	0	0	168	0	110,171
Costs 31.12.	0	446	13	130	28	616
Depreciation as of 01.01.	0	0	0	-6	-2	-7
Accumulated depreciations 31.12.	0	0	0	-36	-8	-43
Accumulated write-down of disposed assets	0	0	0	22	0	22
Net book value 31.12	0	446	13	115	20	594
This year's depreciation				-30	-6	-36
Impairment charge				0	0	0
Reversal of impairment charges				0	0	0
Expected period of use				5 years	3 years	
Depreciation schedule				Straight-line	Straight-line	

The Company has options to construct an additional 8 rigs at QGM. The use of any of these options will in any event require that QGM and the Company agree on construction contracts, detailed specifications and prices.

A rig has been sold from the parent to a subsidiary and the shares in the subsidiary was sold to external parties. The gain on sale of shares in the parent company accounts is classified as a financial gain.

* "Rigs" represent rigs, newbuildings and rig under reconstruction.

Note 5: Other operating expenses

	Thule Drilling ASA		**TD Group**	
		7.2-31.12		7.2-31.12
	2006	2005	**2006**	2005
Administration services	**486**	658	**546**	658
Other external services	**490**	209	**527**	209
Travel, sales and representational expenses	**248**	217	**248**	217
Insurance	**165**	174	**921**	174
Remaining other operating expenses	**339**	132	**1,870**	132
Total other operating expenses	**1,728**	1,390	**4,113**	1,390

Amounts in tables in USD 1 000

Note 6 Income taxes	TD ASA		TD Group	
		7.2-31.12		7.2-31.12
Taxes on ordinary result	**2006**	**2005**	**2006**	**2005**
Taxes payable on the year's taxable income	-	-	-	-
Change in deferred tax/deferred tax asset	(2,350)	1,321	(2,803)	1,321
Currency effect	(108)	-	(108)	-
Change in deferred tax recorded against equity	(982)	(1,146)	(982)	(1,146)
Total tax on annual result	**(3,441)**	**176**	**(3,893)**	**176**
Taxes payable on the year's taxable income				
Ordinary result before tax	35,664	(2,511)	19,172	(2,511)
Ordinary result before tax - NOKUS subsidiaries	(14,670)	-	-	-
Group adjustments	-	-	9,431	-
Permanent differences; Gain on sale of shares	(17,865)	-	(17,865)	-
Permanent differences; Share issue costs	(3,509)	(4,091)	(3,509)	(4,091)
Permanent differences; Other	199	641	199	641
Currency effect	(1,467)	1,243	(1,782)	1,243
Change in timing differences	(9,474)	(2,298)	(18,440)	(2,298)
Change in timing differences - group adjustment not affecting taxable income	-	-	1,671	-
Transferred to carried forward losses	11,122	7,017	11,122	7,017
Taxable income (tax basis)	-	-	-	-
Timing differences related to	**31.12.**	**31.12.**	**31.12.**	**31.12.**
Tangible fixed assets	(6,753)	(2,321)	(15,719)	(2,321)
Debt	(5,019)	23	(5,019)	23
Sum Timing Differences	**(11,772)**	**(2,298)**	**(20,737)**	**(2,298)**
Taxable loss carried forward	18,716	7,017	18,716	7,017
Total	**6,944**	**4,719**	**(2,022)**	**4,719**
Net Deferred tax (-) /deferred tax asset; 28%	1,944	1,321	(566)	1,321
Adjustment of deferred tax (-) /deferred tax asset	(2,973)	-	(916)	-
Net Deferred tax (-) /deferred tax asset	**(1,029)**	**1,321**	**(1,482)**	**1,321**

Deferred tax is calculated based on the difference between the financial statement and the tax account's balance sheet values in addition to the taxable loss carried forward. In the calculation above, a negative number signals tax-increasing differences.

Norwegian legislation requires that companies deliver their tax return in NOK. This causes some differences related to currency. Thule Drilling has applied the temporal method when converting from NOK to USD. This gives a different Profit before Tax measured in NOK compared to Profit before Tax in USD, which in turn explains currency differences in the calculation of Taxes payables.

The subsidiaries of Thule Drilling ASA are all NOKUS-companies. Consequently, Thule Drilling ASA will have to pay taxes under Norwegian tax legislation on the taxable result of the subsidiaries. In 2006, all of the subsidiaries have had a taxable loss. Because of the uncertainty related to the utilization of these taxable losses, and the fact that carried forward losses related to these subsidiaries can only be carried forward against taxable income of the respective companies, Thule Drilling has adjusted down the deferred tax assets related to the subsidiaries.

Amounts in tables in USD 1 000

Note 7 Earnings per share (Group)
Earnings per share have been calculated based on the result in the reporting period divided by the weighted average number of shares outstanding during the same period (35 396 575 shares in 2006 and 12 490 625 shares in 2005). The calculations take into account the 1-for-20 reverse share split by using the number of shares based on the par value after the merger of shares.

There are instruments that dilute the number of shares, see notes 8 and 9, but due to the reporting period's negative result in 2005 these instruments would create reverse dilution and are not part of the calculations. Thus the earnings per share and the fully diluted earnings per share are identical for 2005. For 2006 the diluted earnings per share includes warrants.

Note 8 Equity

Thule Group	Share capital	Share premium	Other paid-in capital	Profit/(Loss) carried forward	Total
Total equity 1.1.	668	67,021	745	-2,336	66,098
Options			182		182
Share issue 15.75 million shares at NOK 33.75	467	78,335			78,802
Total share issue costs (net tax)		-2,323			-2,323
Net profit for the year				15,279	15,279
Total equity 31.12.	1,135	143,033	927	12,943	158,038

Thule Drilling ASA	Share capital	Share premium	Other paid-in capital	Profit/(Loss) carried forward	Total
Total equity 1.1.	668	67,021	745	-2,336	66,098
Options			182		182
Share issue 15.75 million shares at NOK 33.75	467	78,335			78,802
Total share issue costs (net tax)		-2,323			-2,323
Net profit for the year				32,222	32,222
Total equity 31.12.	1,135	143,033	927	29,886	174,981

Note 9 Shareholder information (Parent and Group)

The Company's share capital consists at the balance sheet date of 36.95 million shares with par value NOK 0.20. All shares are of the same class and all shares give right to one vote at the shareholders' meetings. There are no limitations on the number of votes that can be held and exercised by a single shareholder.

As of 31.12, the Company had issued 400 000 options with the right to acquire the same number of shares. The options have been issued to the Company's Board of Directors and management. The options can be exercised from September 2007 at an adjusted strike of NOK 39.39 per share. The board of directors were originally given a proxy to issue 1 million shares under the option program, of which 500 000 expired in September 2006.

This proxy was unintentionally withdrawn by the EGM of 16 March 2007. The board intends to propose to the Annual Meeting that the authorization be reinstated.

As of 31.12, the Company had outstanding a total of 5.15 million warrants with the right to subscribe for the same number of shares. Out of these, 3.5 million were issued together with the NOK 250 million bond issue in May 2005 and have an adjusted subscription price of NOK 23.09. The remaining 1.65 million warrants have been issued to leading persons / companies they control and have an adjusted subscription price of NOK 21.24.

In February 2006 the share capital was increased by a total of 15.75 million shares with a total par value of NOK 3.15 million through two share issues. The total paid-in capital, net of direct share issue costs, amounts to USD 76.4 million. An extraordinary shareholders' meeting in February 2006 gave the Board of Directors a proxy to increase the share capital by NOK 2 million (10 million shares). This proxy was cancelled by the EGM on 16 March 2007.

Amounts in tables in USD 1 000

Shares, warrants and options owned and/or controlled by management, board of directors and their related parties:

	Shares	Warrants*	Options
KSH Consult & Invest AS, Kai Solberg-Hanser	70,000	100,000	100,000
Peter K. Gjessing	15,000	0	50,000
InterRig AS, Tore Berg	10,000	100,000	75,000
Arne Martin Bolstad	0	0	50,000
August AS, Henrik A. Christensen	18,000	60,000	50,000
Frederik Steenbuch	0	0	25,000
Brita Eilertsen	0	0	25,000
Hans Eirik Olav	15,000	0	25,000
Anders-Ivar Olsen**	0	340,000	0
Total	128,000	600,000	400,000

Shareholders as of 31.12.2006

	Number of shares	Relative share
NorInvest Ltd	3,886,200	10.52 %
Deutsche Bank (Suisse) S.A.	3,751,500	10.15 %
Morgan Stanley & Co. Inc.	2,441,320	6.61 %
Deutsche Bank AG London	2,216,788	6.00 %
Sebastian Holdings Inc.	2,001,500	5.42 %
Credit Suisse Securities	1,218,500	3.30 %
Regni A/S	1,110,900	3.01 %
Skagen Vekst	1,093,500	2.96 %
Griffin Umbrella Fund PLC	783,500	2.12 %
Silvercoin Industries AS	777,000	2.10 %
Leif Hübert	750,000	2.03 %
Selvaag Invest A/S	599,500	1.62 %
JAG Invest AS	598,900	1.62 %
Olympia Holding AS	563,500	1.53 %
VBI Corporation	555,600	1.50 %
Skandinaviska Enskilda Banken	536,100	1.45 %
Larsen Invest AS	525,000	1.42 %
Valset Invest AS	450,000	1.22 %
Sebastian Holding	432,500	1.17 %
Deutsche Bank AG London	417,168	1.13 %
AG Invest AS	403,000	1.09 %
Total of >1% relative share	25,111,976	67.96 %
Total of remaining shareholders	11,838,024	32.04 %
Total	36,950,000	100.00 %

* Expired 2 May 2007.
** Anders-Ivar Olsen is related to NorInvest Ltd.

Amounts in tables in USD 1 000

Note 10 Bonds and liabilities to credit institutions (Parent and Group)

Type of loans	Nominal interest	Effective interest	Nominal liability	Amortized liability
Bond I	10.00 %	11.54 %	39,967	39,693
Bond II	12.00 %	13.26 %	130,000	127,514
Total				167,208
Liabilities - credit institutions				120
Total long and short term interest bearing debt				167,328

Repayment schedule:

2007	2008	2009	2010	2011	Thereafter	Total
39,813	0	127,514	0	0	0	167,328

The bond subscribers of Bond I received a total of 3.5 million warrants with the right to subscribe for the same number of shares at an initial subscription price of NOK 23.75 per share. External experts estimated the initial value of the warrants to be USD 85 393. This amount was deducted from the liability and included in equity. Fees and direct bond issue costs (total approximately USD 3.7 million) were initially also recorded as a reduction of liability. These costs together with the nominal interest payments are expensed evenly over the time to maturity (amortized costs). See note 9 for more information about the warrants.

Interest on Bond I is paid annually in arrears and for Bond II semi-annually in arrears. Interest accrued as of the balance sheet date was USD 6.563 million. This amount is included in other short term liabilities.

There are no financial loan covenants in the existing loan agreements. However, there are limitations on dividend payments, treasury shares and further borrowings without consent from the lenders.

Note 11 Restricted cash (Parent and Group)

Cash and bank deposits include restricted cash as of 31.12.2006. USD 44.3 million of the bank deposit is restricted to payment of the NOK 250 million bond which is due in May 2007. USD 20.4 million is restricted cash due to a guarantee given to KCA Deutag. USD 1.0 million is restricted cash due to guarantees given in order to be able to participate in tenders. Cash and bank deposits include USD 30 000 in a restricted account for withheld employee taxes.

Note 12 Subsidiaries (Parent)

Company	Acquired	Place of business	Ownership	Votingshare	Recorded value	Equity in subsid's	Net profit/-loss
Keetab Ltd	2005	Cyprus	100 %	100 %	14,186	12,147	-2,001
Chekovo Ltd	2005	Cyprus	100 %	100 %	83,003	82,620	-383
Favignat Holdings Ltd	2006	Cyprus	100 %	100 %	3	-2,748	-2,750
Voldar Investments Ltd	2006	Cyprus	100 %	100 %	3	-2,184	-2,187
Total					97,195	89,835	-7,321

Two of the subsidiaries were acquired in the later half of December 2005 and two in the beginning of 2006. All have been in operation during the reporting period. The shares are valued at cost in the parent company's financial statements.

Amounts in tables in USD 1 000

Note 13 Contingent liabilities
The Board of Directors are not aware of any material contingent assets or liabilities.

Note 14 Loans to associates and related parties
The Company has provided a USD 22 million loan facility to QGM to improve QGM's financial standing. The loan carries an interest rate of 10.5% and maturity is 31 May 2008. The loan consists of Tranche 1 at USD 12 million and Tranche 2 at USD 10 million. QGM may be entitled to a timely delivery bonus of USD 5 million per rig for the "Thule Energy" and "Thule Force" rigs. Any bonus payments will be paid through a corresponding reduction in the loan to QGM. The loan is secured through first priority pledge in 49% of the shares of QGM, inventories, plant and equipment belonging to QGM.

Note 15 Transactions with related parties
Remuneration to the Board of Directors was expensed in 2006 with a total of USD 128 000; USD 72 000 to the period's two Chairmen, and USD 56 000 to the Directors. See note 2.

For a short period of 2006, the Company had two arrangements with a company related to a former director (management and commission agreement).

Board member Henrik A. Christensen has in 2006 charged the Company USD 66 047 for professional services.

Note 16 Financial market risk
Currency risk is assessed to be minimal, as loans, revenues and a material part of the expenses are in USD. However the paid-in equity is in NOK. The interest rate risk is moderate and the management will assess to use interest swap agreements to reduce the risk exposure. Credit risk is assessed to be low due to the well reputated counter parties within the oil and gas and rig industry.

Note 17 Material transactions 2006
The sale of "Thule Challenge" at a price of USD 40 million resulted in a significant gain.

The Company was awarded a four year contract for "Thule Power" with the Saudi Arabian oil company Saudi Aramco, with an option for Saudi Aramco to extend the contract with one year. Saudi Aramco has the right to terminate the contract or to reduce the day rate with 50% for a period equivalent to the delay beyond 1 March 2007. Saudi Aramco also has the right to reduce the contract period with the equivalent to the delay in delivery beyond 1 March 2007.

A second bond loan (USD 130 million) was secured in September 2006.

The Company has during 2006 increased the equity through a placing of shares amounting to USD 78 million gross.

Note 18 Commitments
The Company currently has three jack-up drilling rigs under construction. The total project cost for "Thule Power" is currently expected to be USD 110 million, "Thule Energy" and "Thule Force" USD 130 million each. The Board considers different alternatives for "Thule Phoenix", including a sale.

Note 19 Subsequent events
In January 2007, the Company issued a certificate of USD 9 million secured by its semi-submersible hull "Thule Phoenix". In March 2007, the Company issued a bond loan of USD 40 million secured by "Thule Power" and the two newbuildings. In March 2007, the Company initiated a rights issue that will take place in May/June and raise NOK 220 million in equity, or approximately USD 35 million. Warrant holders representing a total value of NOK 15.98 million (692,000 warrants) have paid in the equity in May 2007 and the Company is in the process of formalizing this capital contribution.

In January 2007 the Board of Directors agreed that Board Member Frederik M. Steenbuch be engaged as a consultant on an hourly basis. In April 2007, the former CEO resigned and was replaced by the CFO.

Expected delivery of "Thule Power" is before 31 August 2007.

Note 20 Long-term loans to subsidiaries / long-term debt subsidiaries
The loans carry interest at market rates, but there are no firm repayment plans.

Amounts in tables in USD 1 000

Note 21 Leasing

The Company has no other leasing arrangement than the lease of office space in Oslo.

Note 22 Parent Company guarantees and pledges

Please see note 11 regarding restricted cash. As of 31 December 2006 "Thule Power" and the two newbuildings "Thule Energy" and "Thule Force" were pledged in favour of the USD 130 million bond holders.

ERNST & YOUNG

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Medlemmer av Den Norske Revisorforening

To the General Meeting of
Thule Drilling ASA

Auditor's report for 2006

We have audited the annual financial statements of Thule Drilling ASA as of 31 December 2006, showing a profit of USD 32.2 million for the Parent Company and a profit of USD 15.3 million for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income, statement of cash flows, and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and statement of cash flows and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company and the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. Those 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 auditing standards, 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.

In our opinion,

- the financial statements of the Parent Company and the Group are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company and the Group as of 31 December 2006, and the results of the operations and statement of cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway
- the information in the 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 complies with law and regulations.

Without qualifying our opinion, we emphasise that there are uncertainties related to the delivery date of the rig "Thule Power" (under construction) and as a consequence, there are uncertainties related to the future cash flows of the Group. Further, the Company has partly financed the yard (QGM). There is uncertainty related to the yard's ability to repay the loan, without Thule Drilling ASA enforcing their rights through pledged assets etc. No provisions or impairment charges are made with respect to these uncertainties. In this connection, we refer to the Board of Directors report and Note 14 and Note 19.

Oslo, 7 May 2007
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)
(sign.)

Note: The translation to English has been prepared for information purposes only.

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■ Arendal, Bergen, Bø, Drammen, Fosnavåg, Fredrikstad, Holmestrand, Horten, Hønefoss, Kongsberg, Kragerø, Kristiansand, Larvik, Levanger, Lillehammer, Moss, Måløy, Notodden, Oslo, Otta, Porsgrunn/Skien, Sandefjord, Sortland, Stavanger, Steinkjer, Tromsø, Trondheim, Tønsberg, Vikersund, Ålesund