

JASPER INVESTMENTS LIMITED
(Company Registration No. 198700983H)

Financial Statement Announcement for the Third Quarter and Nine Months Ended 31/12/2010

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			
	Third Quarter		9 months ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	-	37,510	515	76,881
Cost of sales	(7,851)	(18,350)	(17,932)	(60,268)
Gross (loss)/profit	(7,851)	19,160	(17,417)	16,613
Interest income	9	6	22	111
Other income	6,280	11,168	7,667	11,774
Other expenses	(1,007)	(94,950)	(1,539)	(97,102)
Administrative expenses	(2,715)	(3,884)	(8,870)	(12,239)
Impairment of intangible asset	-	-	-	(18,042)
Interest expenses	(3,191)	(5,726)	(6,307)	(9,504)
Loss before taxation	(8,475)	(74,226)	(26,444)	(108,389)
Taxation	155	(12,760)	155	(25,941)
Loss after taxation from continuing operations	(8,320)	(86,986)	(26,289)	(134,330)
Profit from discontinued operations	-	45	-	2,287
Loss for the period	(8,320)	(86,941)	(26,289)	(132,043)
Attributable to:				
Equity holders of the Company	(6,522)	(42,650)	(20,183)	(64,835)
Non-controlling interests	(1,798)	(44,291)	(6,106)	(67,208)
	(8,320)	(86,941)	(26,289)	(132,043)
<u>From continuing and discontinued operations</u>				
Basic EPS (in cents)	(0.351)	(2.510)	(1.085)	(3.816)
Fully diluted EPS (in cents)	(0.351)	(2.510)	(1.085)	(3.815)

Notes:

- Taxation includes taxes withheld at source.
- The figures for the financial period ended 31 Dec 2009 have been reclassified as a result of discontinued operations.

Notes to income statement

Loss after taxation include the following :

Amortisation of intangible asset

Depreciation of plant and equipment

Foreign exchange (gain)/loss

Group			
Third Quarter		9 months ended	
31/12/2010	31/12/2009	31/12/2010	31/12/2009
US\$'000	US\$'000	US\$'000	US\$'000
-	-	-	1,569
76	3,950	235	15,041
(25)	(190)	383	1,938

Breakdown on Other expenses

Amortisation of discount on bond

Bond transaction charges

Bank transaction fee

Loss on disposal of drillship

Loss on disposal of assets

Loss on interest rate swaps

Group			
Third Quarter		9 months ended	
31/12/2010	31/12/2009	31/12/2010	31/12/2009
US\$'000	US\$'000	US\$'000	US\$'000
(375)	-	(625)	-
(375)	-	(625)	-
-	(827)	-	(2,132)
-	(82,593)	-	(82,593)
-	(3,000)	-	(3,000)
-	(1,778)	-	(2,581)

Breakdown on Other income

Gain on deconsolidation of subsidiary

Gain on disposal of available-for-sale financial assets

Gain on disposal of associate and joint venture

Group			
Third Quarter		9 months ended	
31/12/2010	31/12/2009	31/12/2010	31/12/2009
US\$'000	US\$'000	US\$'000	US\$'000
5,553	-	5,548	-
656	-	656	-
73	11,046	1,410	11,644

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31/12/2010 US\$'000	31/03/2010 US\$'000	31/12/2010 US\$'000	31/03/2010 US\$'000
<u>Non-Current Assets</u>				
Property, plant and equipment	589,907	540,642	35,786	188
Available-for-sale financial assets	52,072	-	-	-
Others	36	36	36	36
Investment in subsidiaries	-	-	201,060	191,884
	642,015	540,678	236,882	192,108
<u>Current Assets</u>				
Inventory	5,230	2,976	-	-
Trade and other receivables	4,272	1,490	279,087	295,188
Cash and cash equivalents	12,239	29,442	10,975	19,252
	21,741	33,908	290,062	314,440
Total Assets	<u>663,756</u>	<u>574,586</u>	<u>526,944</u>	<u>506,548</u>
<u>Capital and Reserves</u>				
Share capital	369,921	368,745	369,921	368,745
Reserves	(82,500)	(84,317)	(65,535)	(64,271)
	287,421	284,428	304,386	304,474
Non-controlling interests	2,487	9,457	-	-
Total equity	289,908	293,885	304,386	304,474
<u>Non-Current Liabilities</u>				
Borrowings	194,632	190,672	194,632	190,672
	194,632	190,672	194,632	190,672
<u>Current Liabilities</u>				
Trade and other payables	59,872	42,230	27,926	242
Borrowings	119,281	46,160	-	11,160
Provision for taxation	63	1,639	-	-
	179,216	90,029	27,926	11,402
Total liabilities	373,848	280,701	222,558	202,074
Total Equity and Liabilities	<u>663,756</u>	<u>574,586</u>	<u>526,944</u>	<u>506,548</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

<u>As at 31/12/2010</u>		<u>As at 31/03/2010</u>	
<u>US\$'000</u>		<u>US\$'000</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
119,281	-	35,000	11,160

Amount repayable after one year

<u>As at 31/12/2010</u>		<u>As at 31/03/2010</u>	
<u>US\$'000</u>		<u>US\$'000</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
-	194,632	-	190,672

Notes:-

- (1) Secured borrowings of the Group as at 31 Dec 2010 include (i) an amount of US\$46 million due to a bank ("Bank Loan") and (ii) US\$75 million Senior Secured Second Lien Notes due 3 Aug 2011 ("Notes").
- (2) The secured borrowings share a security package comprising, inter alia, the following:-
 - a first priority mortgage over one of the Group's drilling rig;
 - an assignment of insurances;
 - corporate guarantees from certain subsidiaries; and
 - pledge of the shares of certain subsidiaries ("Shared Security Package").
- (3) In addition to the Shared Security Package, the Bank Loan also has a corporate guarantee from the Company.
- (4) The unsecured loans are from Morton Bay (Holdings) Pte Ltd ("Morton Bay"), the controlling shareholder of the Company.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			
	Third Quarter		9 months ended	
	31/12/2010 US\$'000	31/12/2009 US\$'000	31/12/2010 US\$'000	31/12/2009 US\$'000
<u>Cash flows from operating activities</u>				
Loss before taxation	(8,475)	(74,226)	(26,444)	(108,389)
Profit from discontinued operations	-	45	-	2,915
Adjustments for :				
Depreciation of property, plant and equipment	76	3,950	235	15,041
Exchange difference on translation	-	(24)	-	134
Interest income	(9)	(6)	(22)	(111)
Interest expense	3,191	5,738	6,307	9,575
Impairment of intangible asset	-	-	-	18,042
Allowance for inventory obsolescence	-	31	-	696
Amortisation of intangible asset	-	-	-	1,569
Amortisation of discount on bond	375	-	625	-
Amortisation of bond transaction charges	375	-	625	-
Write off of property, plant and equipment	-	3,000	-	3,022
Loss/(gain) on disposal of property, plant and equipment	-	79,716	(70)	79,716
Gain on disposal of available-for-sale financial assets	(656)	-	(656)	-
Gain on disposal of associate and joint venture	-	(11,046)	-	(11,644)
Gain on deconsolidation of subsidiary, disposed off (Note D)	(5,553)	-	(5,548)	-
Foreign exchange loss/(gain) - unrealised	1,051	(349)	115	1,473
Issuance of share under shares incentive plan	-	-	1,176	-
Share of loss pertaining to non-controlling interests	-	(810)	-	(810)
Share of profit of associate and joint venture	-	-	-	(3,751)
Operating (loss)/profit before working capital changes	(9,625)	6,019	(23,657)	7,478
Changes in working capital				
-(increase)/decrease in inventories	(2,012)	3,302	(2,254)	3,565
-decrease in work-in-progress	-	359	-	578
-(increase)/decrease in operating receivables	(827)	(4,362)	(2,816)	1,500
-increase/(decrease) in operating payables	29,965	(15,523)	17,240	8,380
Cash (used in)/generated from operations	17,501	(10,205)	(11,487)	21,501
Income taxes recovered/(paid)	208	(12,791)	208	(25,972)
Net cash generated from/(used in) operating activities	17,709	(22,996)	(11,279)	(4,471)
<u>Cash flows from investing activities</u>				
Interest received	9	6	22	111
Dividend from associate	-	-	-	2,965
Acquisition of property, plant and equipment (Note A)	(35,160)	(7,787)	(49,607)	(76,341)
Acquisition of available-for-sale financial assets	-	-	(31,932)	-
Acquisition from non-controlling interests in existing subsidiary (Note B)	(566)	(355)	(566)	(355)
Proceeds from disposal of available for sale financial assets	2,115	-	2,115	-
Proceeds from disposal of property, plant and equipment	-	120,000	177	120,000
Proceeds from disposal of associate and joint venture	-	21,750	-	22,348
Net cash (used in)/generated from investing activities	(33,602)	133,614	(79,791)	68,728
<u>Cash flows from financing activities</u>				
Proceeds from issued of new shares (Note C)	-	11	-	58,431
Interest paid	(514)	(6,260)	(1,849)	(9,575)
Fixed deposits (pledged)/released as security	(250)	250	(250)	-
Repayment to hire purchase creditor	-	(56)	-	(141)
(Repayment to)/proceeds from bank loan	(377)	(81,024)	11,031	(271,216)
(Repayment to)/proceeds from financial institution loan	-	(12,500)	72,000	-
Proceeds from/(repayment to) shareholder loan	-	3,321	(7,200)	148,485
Net cash (used in)/generated from financing activities	(1,141)	(96,258)	73,732	(74,016)
Net (decrease)/increase in cash and cash equivalents	(17,034)	14,360	(17,338)	(9,759)
Effect of foreign exchange rate changes	(1,051)	479	(115)	(1,343)
Cash and cash equivalents at the beginning	30,074	13,437	29,442	39,378
Cash and cash equivalents at the end (Note E)	11,989	28,276	11,989	28,276

(A) Purchase of property, plant and equipment

During the financial period, the Group acquired plant and equipment with an aggregate cost of approximately US\$49.6 million (2009 - US\$76.3 million) of which cash payments of approximately US\$49.6 million (2009 - US\$76.3 million) were made for the purchases.

(B) Acquisition of additional shares in subsidiary from non-controlling interests

In Nov 2010, the Group acquired an additional 1.55% interest in Jasper Offshore (Cyprus) Ltd ("JOL") for approximately US\$0.57 million in cash, increasing its shareholding from 91.31% to 92.86%. The net asset value of JOL in the consolidated financial statements on the date of the acquisition was approximately US\$55.7 million. With the increase in its interest in JOL, the Group recognised a reduction in non-controlling interest of approximately US\$0.86 million. This gave rise to a negative goodwill of approximately US\$0.29 million which was recognized as Capital Reserve.

(C) Issuance of shares

Issuance of shares
Cash consideration

Group			
Third Quarter		9 months ended	
31/12/2010 US\$'000	31/12/2009 US\$'000	31/12/2010 US\$'000	31/12/2009 US\$'000
-	11	-	58,431
-	11	-	58,431

(D) Deconsolidation of subsidiary

The assets disposed of and liabilities discharged were as follows:-

Cash and bank balances
Receivables
Payables
Impairment of non-trade balances, from former subsidiary
Provision for taxation

Cash and bank balances
Loss on disposal

Group			
Third Quarter		9 months ended	
31/12/2010 US\$'000	31/12/2009 US\$'000	31/12/2010 US\$'000	31/12/2009 US\$'000
13	-	15	-
16	-	34	-
(10,653)	-	(187,265)	-
6,713	-	183,312	-
(1,629)	-	(1,629)	-
(5,540)	-	(5,533)	-
(13)	-	(15)	-
(5,553)	-	(5,548)	-

(E) Cash and Cash Equivalents

Fixed deposits
Cash and bank balances

Fixed deposits pledged to bank
Cash and cash equivalents in consolidated cash flow statement

Group	
As at 31 December	
2010 US\$'000	2009 US\$'000
9,284	50
2,955	28,226
12,239	28,276
(250)	-
11,989	28,276

(F) Review of Cash Flow Statement

Net cash used in operating activities for 9MFY2011 was US\$11.3 million. This was due mainly to operating loss attributed to lower revenue as a result of the disposal of the drilling vessel the "Discoverer", offset by an increase in trade payables.

Net cash used in investing activities was US\$79.8 million. Cashflow from acquisition of equipment, plant & machinery increased by US\$49.6 million, of which US\$37.5 million was for the construction of new jack-up rig. The Group also purchased listed equity securities which was classified as available-for-sale financial assets for approximately US\$31.9 million but was offset by partial disposal of available-for-sale financial assets of US\$2.1 million.

Net cash inflow from financing activities of US\$73.7 million was due mainly to US\$72 million net proceeds received from the issuance of the US\$75 million 1 year Senior Secured Second Lien Notes.

As a result, net cash and cash equivalent decreased to US\$12 million for 9MFY2011 as compared to US\$28.2 million for 9MFY2010.

1(d)(i) Statement of Comprehensive Income

	Group			
	Third Quarter		9 months ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	US\$'000	US\$'000	US\$'000	US\$'000
Loss for the period	(8,320)	(86,941)	(26,289)	(132,043)
Other comprehensive income for the period:				
Translation differences relating to financial statements of foreign subsidiaries	-	36	-	312
Increase in other reserve	10,874	86	21,702	130
Increase in hedging reserve	-	1,539	-	1,759
Other comprehensive income for the period	10,874	1,661	21,702	2,201
Total comprehensive (loss)/income for the period	2,554	(85,280)	(4,587)	(129,842)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	4,352	(41,675)	1,519	(63,418)
Non-controlling interests	(1,798)	(43,605)	(6,106)	(66,424)
Total comprehensive income/(loss) for the period	2,554	(85,280)	(4,587)	(129,842)

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity for the financial period ended 31/12/2010

	Share Capital US\$'000	Other Reserve US\$'000	(Accumulated Losses)/ Retained Profits US\$'000	Grand Total US\$'000
<u>Company</u>				
<u>9 months ended 31 December 2010</u>				
Balance as at 01/04/2010	368,745	144	(64,415)	304,474
Issued during the period	1,176	-	-	1,176
Total comprehensive income for the period	-	34	(1,867)	(1,833)
Balance as at 30/06/2010	369,921	178	(66,282)	303,817
Balance as at 30/06/2010	369,921	178	(66,282)	303,817
Total comprehensive income for the period	-	5	960	965
Balance as at 30/09/2010	369,921	183	(65,322)	304,782
Balance as at 30/09/2010	369,921	183	(65,322)	304,782
Total comprehensive income for the period	-	63	(459)	(396)
Balance as at 31/12/2010	369,921	246	(65,781)	304,386
<u>9 months ended 31 December 2009</u>				
Balance as at 01/04/2009	310,224	-	9,144	319,368
Issued during the period	58,420	-	-	58,420
Total comprehensive income for the period	-	-	4,117	4,117
Balance as at 30/06/2009	368,644	-	13,261	381,905
Balance as at 30/06/2009	368,644	-	13,261	381,905
Total comprehensive income for the period	-	44	1,474	1,518
Balance as at 30/09/2009	368,644	44	14,735	383,423
Balance as at 30/09/2009	368,644	44	14,735	383,423
Total comprehensive income for the period	11	86	(77,405)	(77,308)
Balance as at 31/12/2009	368,655	130	(62,670)	306,115

Statement of Changes in Equity for the financial period ended 31/12/2010

	Share Capital US\$'000	Other Reserve US\$'000	Hedging Derivative Reserve US\$'000	Exchange Fluctuation Reserve US\$'000	Total Reserve US\$'000	(Accumulated Losses)/ Retained Profits US\$'000	Non- controlling Interests US\$'000	Grand Total US\$'000
Group								
9 months ended 31 December 2010								
Balance as at 01/04/2010	368,745	3,126	-	907	4,033	(88,350)	9,457	293,885
Issued during the period	1,176	-	-	-	-	-	-	1,176
Reclassification of exchange translation reserve	-	-	-	359	359	(359)	-	-
Total comprehensive loss for the period	-	(29)	-	-	(29)	(4,439)	(1,814)	(6,282)
Balance as at 30/06/2010	369,921	3,097	-	1,266	4,363	(93,148)	7,643	288,779
Balance as at 30/06/2010	369,921	3,097	-	1,266	4,363	(93,148)	7,643	288,779
Total comprehensive income/(loss) for the period	-	10,857	-	-	10,857	(9,222)	(2,494)	(859)
Balance as at 30/09/2010	369,921	13,954	-	1,266	15,220	(102,370)	5,149	287,920
Balance as at 30/09/2010	369,921	13,954	-	1,266	15,220	(102,370)	5,149	287,920
Acquisition from non-controlling interests	-	-	-	-	-	298	(864)	(566)
Total comprehensive income/(loss) for the period	-	10,874	-	-	10,874	(6,522)	(1,798)	2,554
Balance as at 31/12/2010	369,921	24,828	-	1,266	26,094	(108,594)	2,487	289,908
9 months ended 31 December 2009								
Balance as at 01/04/2009	310,224	2,982	(975)	908	2,915	(16,059)	140,413	437,493
Issued during the period	58,420	-	-	-	-	-	-	58,420
Total comprehensive income/(loss) for the period	-	-	131	192	323	476	(1,554)	(755)
Balance as at 30/06/2009	368,644	2,982	(844)	1,100	3,238	(15,583)	138,859	495,158
Balance as at 30/06/2009	368,644	2,982	(844)	1,100	3,238	(15,583)	138,859	495,158
Total comprehensive income/(loss) for the period	-	44	(9)	84	119	(22,661)	(21,265)	(43,807)
Balance as at 30/09/2009	368,644	3,026	(853)	1,184	3,357	(38,244)	117,594	451,351
Balance as at 30/09/2009	368,644	3,026	(853)	1,184	3,357	(38,244)	117,594	451,351
Issued during the period	11	-	-	-	-	-	-	11
Acquisition from non-controlling interests	-	-	-	-	-	-	(4,247)	(4,247)
Total comprehensive income/(loss) for the period	-	86	853	36	975	(42,650)	(43,605)	(85,280)
Balance as at 31/12/2009	368,655	3,112	-	1,220	4,332	(80,894)	69,742	361,835

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Since the end of the previous quarter, there has been no change in the Company's issued share capital.

Movements in the Company's issued and fully paid up share capital during 9MFY2011 were as follows:

	<u>No. of Shares</u>
As at 1 Apr 2010	1,846,682,160
1 Jun 2010 – Issue of shares pursuant to the Share Incentive Plan	16,499,000
30 Jun 2010 – Issue of shares pursuant to the Share Incentive Plan	980,000
As at 31 Dec 2010	<u>1,864,161,160</u>

Outstanding Options under the Share Option Plan

During the financial period, the Company granted certain employees share options pursuant to the Company's Share Option Plan. The number of outstanding options is as follows:-

	<u>31Dec 2010</u>	<u>31 Dec 2009</u>
Number of outstanding options	19,000,000	15,000,000

Performance Shares

As at 31 Dec 2010, the number of shares comprised in contingent awards granted under the Company's Share Incentive Plan which has not been released was 33,001,000 shares (31 Dec 2009: Nil).

Under the Share Incentive Plan, the final number of shares to be released will depend on the achievement of certain prescribed performance targets (if any) and upon expiry of the prescribed vesting periods (where applicable).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares, excluding treasury shares, as at 31 Dec 2010 was 1,864,161,160 compared to 1,846,682,160 as at 31 Mar 2010.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not Applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited nor reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Part 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as compared to the audited annual financial statements for the period ended 31 Mar 2010.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Interpretations and amendments to published standards effective in 2010

The Group adopted the new/revised FRS and Interpretations to FRS ("INT FRS") that are effective for annual periods beginning on or after 1 Jan 2010. Changes to the Group's accounting policies have been made, in accordance to the transitional provision in the respective FRS and INT FRS.

The following are the new or amended FRS and INT FRS that are relevant to the Group:

FRS 27 (Revised)	Consolidated and Separate Financial Statements
FRS 103 (Revised)	Business Combinations
Amendment to FRS 102	Group Cash-settled Share-based Payment Transactions

The adoption of the above new or amended FRS and INT FRS did not have any significant impact on the financial statements of the Group.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Basic earnings per share ("EPS") is calculated by dividing the net loss after taxation and non-controlling interest attributable to shareholders of US\$20.2 million (31 Dec 2009: loss US\$64.8 million) by the weighted average number of 1,860,168,049 shares (31 Dec 2009: 1,699,139,864 shares) outstanding during the financial period.

Diluted earnings per share is calculated by dividing the net loss after taxation and non-controlling interest attributable to shareholders of US\$20.2 million (31 Dec 2009: loss US\$64.8 million) by the weighted average number of shares and the weighted average number of dilutive options, equivalent to 1,860,168,049 shares (31 Dec 2009: 1,699,318,436) outstanding during the financial period.

	<u>Group</u>			
	<u>Third Quarter</u>		<u>9 months ended</u>	
	<u>31/12/2010</u>	<u>31/12/2009</u>	<u>31/12/2010</u>	<u>31/12/2009</u>
<u>From continuing and discontinued operations</u>				
Basic EPS (in cents - US\$)	(0.351)	(2.510)	(1.085)	(3.816)
Fully diluted EPS (in cents - US\$)	(0.351)	(2.510)	(1.085)	(3.815)
<u>From continuing operations</u>				
Basic EPS (in cents - US\$)	(0.351)	(2.513)	(1.085)	(3.950)
Fully diluted EPS (in cents - US\$)	(0.351)	(2.512)	(1.085)	(3.950)

7. Net assets value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the :-

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	<u>Group</u>		<u>Company</u>	
	<u>31/12/2010</u>	<u>31/03/2010</u>	<u>31/12/2010</u>	<u>31/03/2010</u>
Net Assets Value ("NAV") per share				
(in cents - US\$)	15.42	15.40	16.33	16.49

NAV per share is calculated by dividing the net assets by the existing issued share capital of 1,864,161,160 shares (31 Mar 2010: 1,846,682,160 shares).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

General Development

On 21 Dec 2010, the Company signed a contract with Keppel FELS Limited ("KFELS") to build one KFELS B Class jack-up rig for approximately US\$180 million with an option to build another one jack-up rig. The total value of the contract, including the option for the 2nd jack-up rig, if exercised, will be up to approximately US\$365 million. The 1st jack-up rig is scheduled for delivery in Nov 2012.

For The Nine Months Ended 31 December 2010 (9MFY2011)

Revenue

For the 9 months ended 31 Dec 2010, Group revenue was US\$515,000, a 99% decrease over US\$76.9 million registered during the corresponding period in FY2010. The revenue for the 9 months comprised of fees received for managing the "Discoverer" after it was sold.

Profitability

The Group suffered a gross loss of US\$17.4 million in 9MFY2011 against a gross profit of US\$16.6 million in 9MFY2010 due to lower revenue as a result of the disposal of the "Discoverer". In addition, operating costs of US\$17.2 million were incurred for the "Explorer" which was not generating any revenue during the financial period.

Included in administrative expenses for 9MFY2011 was a charge amounting to US\$1.2 million for new shares issued pursuant to the Company's share incentive plan ("Share Incentive Plan") and unrealized exchange loss amounting to US\$2 million for 9MFY2010. Excluding these, administrative expenses stood at US\$7.7 million in 9MFY2011 as compared to US\$10.2 million in 9MFY2010. The reduction in administrative expenses was due largely to lower business activities in offshore drilling.

Interest expenses were lower by US\$3.2 million from US\$9.5 million in 9MFY2010 to US\$6.3 million in 9M FY2011. This was due mainly to a waiver of interest on certain shareholder loans from Morton Bay where interest on these loans was reduced from US\$5.1 million in 9MFY2010 to US\$400,500 in 9MFY2011. The impact of the decrease of interest expense was however, offset by higher average interest rate for interest bearing financial liabilities.

The Group operating loss before tax and non-controlling interests was US\$26.4 million for 9MFY2011 as compared to a loss of US\$108.4 million in 9MFY2010. Included in the results of 9MFY2010 was a one-time charge of US\$18 million for impairment of intangible asset and a loss on disposal of drillship US\$82.5 million. Excluding the one-time charge of US\$18 million and loss on disposal, the Group recorded a loss of US\$7.9 million in 9MFY2010. The Group incurred a net loss after tax and non-controlling interests of US\$20.2 million in 9MFY2011 against a net loss of US\$64.8 million in 9MFY2010. Taxation for 9MFY2010 includes an amount of US\$25.6 million for withholding tax for income derived in Venezuela.

Statement of Financial Position

Non-current assets

The Group's non-current assets rose by US\$101.3 million from US\$540.7 million as at 31 Mar 2010 to US\$642 million as at 31 Dec 2010. This increase was due mainly to increase in plant and equipment of US\$49.3 million and available-for-sale financial assets of US\$52 million. Additional plant and equipment consists of work in progress for the jack-up rig, further outfitting costs for the "Explorer" and capitalisation of towing costs for the "Finder", while available-for-sale assets consist of shares in Vantage Drilling Company.

Current assets

Group current assets decreased by US\$12.2 million from US\$33.9 million as at 31 Mar 2010 to US\$21.7 million as at 31 Dec 2010. This was attributable to a reduction in the cash and bank balance mainly due to progress payments for construction of new jack-up rig.

Equity attributable to equity holders of the Group

Equity attributable to shareholders of Company increased by US\$3 million from US\$284.4 million as at 31 Mar 2010 to US\$287.4 million as at 31 Dec 2010. Share capital increased by US\$1.2 million as a result of 17,479,000 new shares issued and allotted pursuant to the Share Incentive Plan. Negative reserve improved from US\$84.3 million as at 31 Mar 2010 to US\$82.5 million as at 31 Dec 2010 due mainly to a loss of US\$20.2 million registered for 9MFY2011, offset by a fair value gain of US\$21.7 million on the available-for-sale- financial assets.

Non-Current Liabilities

Compared to 31 Mar 2010, the Group's non-current liabilities as at 31 Dec 2010 increased by US\$3.9 million from US\$190.7 million to US\$194.6 million due to a reclassification of US\$3.9 million of borrowings from current liabilities as a result of an extension of certain shareholder loans from Morton Bay from 30 Jun 2011 to 31 Jan 2012.

Current Liabilities

Group current liabilities were US\$179.2 million as at 31 Dec 2010, an increase of US\$89.2 million from US\$90 million as at 31 Mar 2010. This increase was attributed to current borrowings increasing by US\$73.1 million resulting from the issuance of US\$75 million Notes. Included in trade and other payable was an amount of US\$27 million due to KFELS for construction of the new jack-up rig.

For The Third Quarter Ended 31 Dec 2010 (Q3 FY2011)

For the quarter ended 31 Dec 2010, the Group did not record any revenue as compared to drilling income of US\$37.5 million recorded in Q3 FY2010 from the "Discoverer".

The Group recorded a gross loss of US\$7.9 million in Q3 FY2011, attributed to operating costs for the "Explorer" and the "Finder".

Administrative expenses were lower this quarter, declining from US\$3.9 million in Q3 FY2010 to US\$2.7 million in Q3FY2011 due to the lower business activities.

Compared to the same quarter in the previous financial year, interest expenses decreased by US\$2.5 million from US\$5.7 million in Q3 FY2010 to US\$3.2 million in Q3 FY2011. This was due primarily to a higher average interest rate for interest bearing financial liabilities which was offset by the waiver of interest on certain shareholder loans from Morton Bay.

At the close of the quarter, the Group recorded a net loss after tax and non-controlling interests of US\$6.5 million in Q3 FY2011 as compared to a loss of US\$42.7 million in Q3 FY2010. Included in Q3 FY2010 loss was a disposal loss of US\$82.6 million on the "Discoverer" of which the Group's share was US\$47 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's third quarter results are consistent with the commentary issued in the announcement of its results for the previous quarter.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

During this period, the Group continues to search for drilling contracts for "Explorer" and explore commercial opportunities for "Finder".

The Company's new jack-up rig is expected to be delivered in the last quarter of 2012.

11. Dividend

Current Financial Period Reported On

None.

Corresponding Period of the Immediately Preceding Financial Year

None.

Date payable

Not applicable.

Books closure date

Not applicable.

12. If no dividend has been declared / recommended, a statement to that effect.

No interim dividend has been recommended.

13. Interested Person Transaction

<u>Name of interested person</u>	Aggregate value of all interested person transactions conducted under shareholders' mandate for 9MFY2011 pursuant to Rule 920 of the Listing Manual <u>(excluding transactions of less than S\$100,000)</u>
Morton Bay (Holdings) Pte Ltd	US\$406,166

The above transaction value represents the interest expense on loans from interested persons. There was no transaction which was not conducted under the shareholders' mandate in pursuant to Rule 920 of the SGX-ST Listing Manual in 9MFY2011.

14. Negative assurance statement

The Board of Directors confirms that, to the best of its knowledge, nothing has come to its attention which may render the third quarter financial results as at 31 Dec 2010 to be false or misleading, in any material respect.

BY ORDER OF THE BOARD

Lee Mee Kium
Company Secretary
14 February 2011