PROSPECTUS

ARCHER LIMITED

(Organisation number: 40612)

Listing of 212,500,667 new shares on Oslo Børs, at a subscription price of USD 1.20 per share.

The information contained in this prospectus (the "**Prospectus**") relates to Archer Limited (the "**Company"**, and taken together with its consolidated subsidiaries, "**Archer**" or the "**Archer Group"**) and has been compiled for the purpose of listing 212,500,667 new shares of USD 1 par value in the Company (the "**New Shares**") on Oslo Børs. 208,334,000 of the new shares have been issued as part of a private placement (the "**Private Placement**") and 4,166,667 of the New Shares have been issued as compensation to certain shareholder who guaranteed a successful Private Placement through an underwriting agreement.

The New Shares have been issued and rank in parity with all other shares of the Company in issue (the "**Shares**").

Trading in the New Shares on Oslo Børs is expected to commence on or about March 21, 2013, under the Company's existing trading symbol "**ARCHER**" following approval of this Prospectus.

THIS PROSPECTUS SERVES AS A LISTING PROSPECTUS ONLY AS REQUIRED BY NORWEGIAN LAW AND REGULATIONS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO BUY, SUBSCRIBE OR SELL ANY OF THE SECURITIES DESCRIBED HEREIN, AND NO SECURITIES ARE BEING OFFERED OR SOLD PURSUANT TO IT. THIS PROSPECTUS HAS NOT BEEN APPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION.

Investing in the Company involves risks. See Section 2 "Risk Factors".

Joint Lead Managers and Joint Bookrunners:

RS Platou Markets AS **Carnegie AS** **Danske Bank** **DNB Markets**

Nordea Markets **Pareto Securities AS** **SEB Enskilda AS** **Swedbank First Securities**

March 21, 2013

IMPORTANT NOTICE

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of June 29, 2007, no. 75 (Nw: *verdipapirhandelloven*) (the "**Norwegian Securities Trading Act**") and related secondary legislation, including the EC Commission Regulation EC/809/2004 of April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 regarding information contained in prospectuses (the "**Prospectus Directive**"). This Prospectus has been reviewed and approved by the Norwegian Financial Supervisory Authority (Nw: *Finanstilsynet*) (the "**NFSA**") in accordance with Sections 7-7 and 7-8, cf. Section 7-3, of the Norwegian Securities Trading Act. The Norwegian Financial Supervisory Authority's control and approval in this respect is limited to whether the issuer has included descriptions according to a pre-defined list of content requirements. The Norwegian Financial Supervisory Authority has not verified or approved the accuracy or completeness of the information provided in this Prospectus. It is the Company's responsibility to ensure that the information in the prospectus is accurate and complete. Furthermore, the Norwegian Financial Supervisory Authority has not made any sort of control or approval of the corporate matters described in or otherwise included in the prospectus.

This Prospectus has been prepared in connection with the listing of the New Shares on Oslo Børs (the "**Listing**").

This Prospectus has been published in an English version only. For the definitions of terms used throughout this Prospectus, see Section 14 "Definitions and Glossary" of this Prospectus.

The term "**Managers**" refers to RS Platou Markets AS, ("RS Platou Markets"), Carnegie AS, Danske Bank A/S ("Danske Bank"), Danish company no. 61126228, DNB Markets, a part of DNB Bank ASA, Nordea Markets, a part of Nordea Bank Norge ASA (Nordea"), Pareto Securities AS and SEB Enskilda and Swedbank First Securities.

Unless otherwise indicated, the source of information included in this Prospectus is the Company. The Managers makes no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers. The Managers disclaim all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Prospectus or any such statement.

All inquiries relating to this Prospectus should be directed to the Company. No other person has been authorized to give any information about, or make any representation on behalf of the Company in connection with this Prospectus or the Listing, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Company or the Managers.

An investment in the Company involves inherent risks. Potential investors should carefully consider the risk factors set out in Section 2 "Risk Factors" in addition to the other information contained herein before making any investment decision. An investment in the Company is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment. The contents of this Prospectus are not to be construed as legal, business or tax advice. Any prospective investor should consult with their own legal adviser, business adviser and tax adviser as to legal, business and tax advice.

The delivery of this Prospectus shall under no circumstance create any implication that the information contained herein is correct as of any time subsequent to the date of this Prospectus. However, in accordance with Section 7-15 of the Norwegian Securities Trading Act, every new factor, material mistake or inaccuracy which may have significance for the assessment of the Shares and which is brought to light between the publication of this Prospectus and the listing of the New Shares, respectively, on Oslo Børs, will to the extent required be included in a supplement to this Prospectus.

The distribution of the Prospectus in certain jurisdictions may be restricted by law. Archer and the Managers require persons in possession of the Prospectus to inform themselves about and to observe any such restrictions. The Prospectus serves as a listing Prospectus as required by applicable laws and regulations. The Prospectus does not constitute an offer to buy, subscribe or sell any of the securities described herein, and no securities are being offered or sold pursuant to it.

The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

This Prospectus is subject to Norwegian law. Any dispute arising in respect of this Prospectus is subject to the exclusive jurisdiction of the Norwegian courts with Oslo District Court as legal venue in the first instance.

In the ordinary course of their respective businesses, the Managers and certain of its affiliates have engaged, and may continue to engage, in investment banking transactions with the Company and its subsidiaries.

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Appendices

1 SUMMARY

*This following summary must be read as an introduction to the Prospectus and in conjunction with it, and is qualified in its entirety, by the more detailed information in the Prospectus and the documents attached hereto. Any decision to invest in the securities described herein should be based on consideration of the Prospectus as a whole, including the documents attached hereto. Following the implementation of the relevant provisions of the Prospective Directive (Directive 2003/71/EC) in each member state of the European Economic Area (the "**EEA**"), no civil liability will attach to those persons who have tabled this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a member state of the EEA, the plaintiff investor might, under the national legislation of the member state where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.*

The summary highlights certain information about the Company and the Archer Group. It does not contain all the information that may be important to you. You should read the entire Prospectus, including the financial statements incorporated by reference hereto, before making an investment decision. In particular, you should carefully consider the information set out in Section 2 "Risk Factors".

All references in this Prospectus to "Archer", the "Archer Group" or similar refer to Archer Limited together with its consolidated subsidiaries and all references to the "Company" refer to Archer Limited. For the definitions or other capitalized terms and certain technical terms and expressions used throughout this Prospectus, see Section 15 "Definitions and Glossary".

1.1 Introduction

General

The Company's legal and commercial name is Archer Limited. The Company was incorporated on 31 August 2007, with registration number 40612, as an exempted limited company and is organised and exists under the laws of Bermuda.

The Company's registered office is at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda and the office of Archer Management Limited (UK) is in Room 607, Capital Tower, 91 Waterloo Road, London, SE1 8RT, telephone: +44 207 590 1590 and telefax: +44 207 590 1589. Archer has offices in Norway, Argentina, Australia, Brazil, Singapore, United Kingdom and United States. Archer's web site is www.archerwell.com.

History and development of Archer

Archer is a global oilfield services company helping customers produce more oil and gas by building better wells. Employing over 8,000 people, Archer comprises the combination of several well specialist companies, including Allis-Chalmers Energy, Inc. ("**Allis-Chalmers**"), Great White, Gray Wireline Services Inc. ("**Gray Wireline**"), TecWel AS (**TecWel**"), Peak Well Solutions AS (changed name to Archer Oil Tools AS) ("**Oil Tools**") and other complementary businesses, each with a formidable legacy of delivering wells and improving well performance. Archer was incorporated in Bermuda on August 31, 2007 and conducted operations as Seawell Limited until May 16, 2011 when shareholders approved a resolution to change the name to Archer Limited..

With an outstanding record of safety and efficiency, Archer's experienced drilling teams secure the production of more than 30 offshore platforms globally and operate over 70 mobile land rigs in the Americas. Archer's comprehensive drilling and workover services include platform drilling, land drilling, directional drilling, modular rigs, fluids, drill bits, engineering and equipment rentals, as well as a select range of well delivery support services and products. Archer's well services capabilities include wireline well intervention, tractors and coiled tubing, pressure control and pressure pumping, production monitoring, well imaging and integrity management tools, and other services aimed at improving well performance and extending well life. Archer is publicly traded on the Oslo Børs under the ticker "ARCHER". Archer primarily operates in the United States, Argentina, Brazil and the North Sea. Archer is in the process of expanding its operations in the Middle East, Asia Pacific, and West Africa.

1.2 Financial information

1.2.1 Summary of the consolidated financial statements for Archer Group

The figures below are extracted from the Company's audited consolidated financial statements for 2009, 2010 and 2011 and unaudited consolidated financial statements for the three months and year end 2012.

Archer	**Years Ended December 31,**			
(USD in millions, except per share data and ratios)	**2009**	**2010**	**2011**	**2012**
	US GAAP	US GAAP	US GAAP	US GAAP
	Audited	Audited	Audited	Unaudited
Consolidated Statement of Operations Data:				
Operating revenues:				
Operating revenues	495.0	612.0	1,720.8	2,071.6
Reimbursables	114.3	106.7	133.8	118.9
Total operating revenues	**609.3**	**718.7**	**1,854.6**	**2,190.5**
Operating expenses:				
Operating expenses	404.9	504.3	1,377.7	1,724.7
Reimbursables expenses	109.4	102.7	127.0	113.2
Depreciation and amortization	21.2	22.6	147.1	205.0
Impairments	-	-	126.6	338.7
General and administrative expenses	16.4	25.2	92.1	131.1
Total operating expenses	**551.9**	**654.8**	**1,870.5**	**2,512.7**
Operating income (loss)	**57.4**	**63.9**	**(15.9)**	**(322.2)**
Financial items:				
Interest income	0.9	1.5	3.7	1.7
Interest expenses	(15.2)	(22.2)	(46.4)	(61.5)
Other financial items	(5.8)	(15.6)	(3.9)	17.3
Total financial items	**(20.1)**	**(36.3)**	**(46.6)**	**(42.5)**
Income (loss) before income taxes	37.3	27.6	(62.5)	**(364.7)**
Income taxes	(9.6)	(15.3)	(14.5)	(10.4)
Net income (loss)	**27.7**	**12.3**	**(77.0)**	**(375.1)**
Net income (loss) attributable to the parent	28.0	12.4	(77.0)	(375.1)
Net loss attributable to the non-controlling interest	(0.3)	(0.1)	-	-
Basic earnings /per share	0.25	0.08	(0.24)	(1.02)
Diluted earnings / per share	0.25	0.08	(0.24)	(1.02)
Weighted average number of common shares outstanding: (Millions)				
Basic	110.0	152.0	322.4	366.6
Diluted	110.6	155.9	322.4	366.6
Interest coverage ratio	3.8	2.9	(0.3)	(5.2)

The Company has not paid any dividends in 2009, 2010, 2011 nor 2012.

Archer	**Unaudited Three Months ended December 31,**		**Unaudited December 31,**
(USD in millions, except per share data and ratios)	**2011**	**2012**	**2012**
Consolidated Statement of Operations Data:			
Operating revenues:			
Operating revenues	551.4	499.5	2,071.6
Reimbursables	44.7	37.8	118.9
Total operating revenues	**596.1**	**537.3**	**2,190.5**
Operating expenses:			
Operating expenses	441.8	434.9	1,724.7
Reimbursables expenses	42.8	37.7	113.2
Depreciation and amortization	47.3	51.3	205.0
Impairments	121.5	-	338.7
General and administrative expenses	29.5	35.2	131.1
Total operating expenses	**682.9**	**559.1**	**2,512.7**
Operating income (loss)	**(86.8)**	**(21.8)**	**(322.2)**
Financial items:			
Interest income	0.2	(1.2)	1.7
Interest expenses	(12.4)	(13.7)	(61.5)
Other financial items	(16.0)	4.9	17.3
Total financial items	**(28.2)**	**(10.0)**	**(42.5)**
Loss before income taxes	**(115.0)**	**(31.8)**	**(364.7)**
Income taxes	3.2	(9.2)	(10.4)
Net loss	**(111.8)**	**(41.0)**	**(375.1)**
Basic earnings /per share	(0.31)	(0.11)	(1.02)
Diluted earnings / per share	(0.31)	(0.11)	(1.02)
Weighted average number of common shares outstanding: (Millions)			
Basic	366.2	366.7	366.6
Diluted	366.2	366.7	366.6
Interest coverage ratio	(7.0)	(1.6)	(5.2)

1.2.2 Summary of the consolidated financial balance sheets

The below figures are extracted from the Company's consolidated audited balance sheets as of December 31, 2009, 2010 and 2011 and unaudited balance sheet as of December 31, 2012.

Consolidated Balance Sheets *(USD in millions)*	**31 December 2009 Consolidated**	**31 December 2010 Consolidated**	**31 December 2011 Consolidated**	**31 December 2012 Consolidated**
	Audited	**Audited**	**Audited**	**Unaudited**
ASSETS				
Current assets				
Cash and cash equivalents	41.1	174.4	37.3	58.2
Restricted cash	9.0	12.2	13.3	11.9
Accounts receivables	95.5	151.6	432.0	420.3
Other current assets	33.1	64.5	155.8	149.0
Total current assets	**178.7**	**402.7**	**638.4**	**639.4**
Non-current assets				
Drilling equipment and other fixed assets	99.2	142.3	1,044.1	1,059.4
Deferred income tax asset	1.6	5.4	10.3	29.1
Other intangible assets	23.5	58.6	203.3	129.6
Goodwill	275.8	356.4	898.9	706.1
Deferred charges	0.6	9.9	19.7	20.8
Total non-current assets	**400.7**	**572.6**	**2,176.3**	**1,945.0**
Total assets	**579.4**	**975.3**	**2,814.7**	**2,584.4**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Current portion of long term debt	45.2	1.9	108.4	329.5
Other current liabilities	88.4	162.9	358.1	355.6
Amounts due to parent	33.2	-	-	-
Total current liabilities	**166.8**	**164.8**	**466.5**	**685.1**
Non-current liabilities				
Subordinated loan from parent	106.5	-	-	-
Long-term interest bearing debt	171.4	192.4	977.8	889.8
Deferred tax liability	0.0	12.8	16.3	42.4
Other non-current liabilities	26.0	47.4	67.3	40.2
Total non current liabilities	**303.8**	**252.6**	**1,061.4**	**972.4**
Shareholders' equity				
Common shares of par value USD 2.00 per share: 600,000,000 shares authorized 366,659,120 outstanding at 31 December 2012 (31 December 2011: 366,397,622) (31 December 2010: 225,400,050) (31 December 2009: 110,000,050)	220.0	450.8	732.8	733.3
Additional paid in capital	31.3	219.4	775.5	779.6
Retained earnings	56.8	69.2	(7.8)	(382.9)
Accumulated other comprehensive income	5.7	23.6	(8.6)	2.0
Contributed deficit	(205.1)	(205.1)	(205.1)	(205.1)
Non-controlling interest	0.1	-	-	-
Total shareholders' equity	**108.8**	**557.9**	**1,286.8**	**926.9**
Total liabilities and shareholders' equity	**579.4**	**975.3**	**2,814.7**	**2,584.4**
Total debt/equity	**4.3**	**0.7**	**1.2**	**1.8**

The consolidated financial statements and the interim consolidated financial statements are incorporated by reference in Section 14.2.

Significant changes

There have been no significant changes in the financial or trading position of the Archer Group subsequent to December 31, 2012, other than those described in Section 11.7.

Working capital

As of the date of this Prospectus, the Company does not have sufficient working capital for its present requirements. Based on its latest estimates the Company does not have sufficient capital to fully finance the second Modular Rig for an estimated amount of USD 80 million, out of which approximately USD 25 million are payable in 2013 and the remainder amounting to USD 55 million in 2014. The estimated total shortfall is approximately USD 50 million.

The existing cash and the negotiated credit lines are sufficient to fund Archer's other current capital requirements. The Company is confident that it will be able to secure financing for the second Modular Rig through shareholder loans or third party financing or a combination of both within the periods due.

Capitalization and indebtedness

As of December 31, 2012 (adjusted), the Archer Group's total capitalisation was USD 2,146.2 million, net financial indebtedness was USD 780.0 million and total equity was USD 1,176.9 million; see Section 11.6.1 for further details.

Research and development and patents and licenses

Archer holds no patents or licenses that are business critical or any other significant patents, other than what is described under Section 6.9.

Trends

The Archer Group has not experienced any changes or trends that are significant to the Archer Group between December 31, 2012, and the date of this Prospectus. See Section 6.15 for further details.

1.3 Board, executive management and employees

Board

The Company's board of directors currently consists of Saad Bargach (Chairman), Fredrik Halvorsen (Deputy Chairman), Tor Olav Trøim (Director), Kate Blankenship (Director), Cecilie Fredriksen (Director), Giovanni Dell' Orto (Director) and John Reynolds (Director).

Executive management team and employees

The Board has decided that the Company shall have no employees and that all of the Company's management requirements shall be contracted in from subsidiaries and third parties. The individuals in the executive management team with major areas of responsibility for the Company's day-to-day management requirements are:

Fredrik Halvorsen (President and Chief Executive Officer of Archer Management Limited (UK)), Max L. Bouthillette (Executive Vice President and General Counsel of Archer Management LLC (US)), Christoph Bausch (Executive Vice President and Chief Financial Officer of Archer Management Limited (UK)), Ronney Coleman (Executive Vice President | President North America), Thorleif Egeli (Executive Vice President and Chief Operating Officer of Archer Management LLC (US)), Kjetil Bjornson (Executive Vice President | President North Sea), Olivier Muller (Executive Vice President | President Emerging Markets & Technologies).

As of the date of this Prospectus, Archer has approximately 8,100 employees.

1.4 Major shareholders and related party transactions

Major shareholders

As of March 20, 2013, the five largest shareholders in the Company were:

	Shareholder	Number of Shares	%
1	SEADRILL LTD.	231,053,240	39.89%
2	LIME ROCK PARTNERS V L.P.	65,935,200	11.38%
3	HEMEN HOLDING LIMITED	42,813,170	7.39%
4	SKAGEN KON-TIKI	25,327,048	4.37%
5	EUROCLEAR BANK S.A./ 25% CLIENTS*	65,935,200	11.38%

Related party transactions

The Company has related party relationships. For details of the Company's related party transactions see Section 8 below in this Prospectus.

1.5 Advisors and auditors

Advisors

The Managers for the Listing are RS Platou Markets AS, Danske Bank Markets, DNB Markets, Nordea Markets, SEB Enskilda, Swedbank First Securities, Pareto Securities and Carnegie.

Advokatfirmaet Wiersholm AS has acted as Norwegian legal advisor to the Company and the Managers.

Auditor

PricewaterhouseCoopers LLP, registered at 1 Embankment Place, London WC2N 6RH, United Kingdom is the Company's independent auditor, see section 11.1.

1.6 Share capital

As at the date of this Prospectus, the Company's authorized share capital is USD 1,200,000,000, divided into 1,200,000,000 Shares each with a par value of USD 1.00. All Shares in the Company are of the same class.

The number of shares issued is 579,159,787, corresponding to a share capital of USD 579,159,787. The issued Shares are fully paid. There are no Shares not representing the capital in the Company. The Shares are equal in all respects, and each Share carries one vote at the Company's General Meeting. None of the Company's major shareholders or other shareholders have different voting rights.

1.7 Additional information

Bye-laws

The Bye-laws of the Company are included in this prospectus by reference in Section 14.2.

Documents on display

Copies of the following documents will be available for inspection at the Company's registered office during normal business hours from Monday to Friday each week (except public holidays) for a period of 12 months from the date of this Prospectus:

i. the Memorandum of Association of the Company;

ii. the articles of association of the Company;

iii. the Bye-laws;

iv. The Company's historical audited consolidated financial statements for the years ended December 31, 2011, 2010 and 2009, and unaudited interim consolidated financial statements fourth quarter ended December 31, 2012;

v. the annual accounts for the Company's major subsidiaries for 2009-2011;

vi. stock exchange notices, including quarterly reports, distributed by the Company through Oslo Børs' information system; and

vii. all reports, letters, and other documents and statements prepared by any expert at Archer's request any part of which is included or referred to in this Prospectus.

1.8 Listing of the New Shares

ISIN	BMG 0451H1097.
Oslo Børs Ticker Symbol	ARCHER
Listing and Trading of the Shares........	It is expected that trading in the New Shares will commence on Oslo Børs on or about March 21, 2013.
Rationale and use of proceeds	The Private Placement was part of Archer's process of strengthening its balance sheet. Of the USD 250 million that was raised through the Private Placement, USD 100 million shall be used to prepay the 2013 debt installment, and USD 150 million shall be used to reduce other debt facilities. In connection with the Private Placement, Archer also renegotiated the terms of its syndicated loan facility. In addition, Archer also obtained a USD 100 million guarantee from Seadrill for its existing credit facilities.
Dilution	The dilutive effect for existing shareholders in connection with the issuance of the New Shares is approximately 36.7%.
Expenses	The total costs are expected to amount to approximately USD 7 million which include the underwriting commission of USD 5 million which were settled through the issuance of 4,166,667 new Shares.

1.9 Summary of risk factors

A number of risk factors may adversely affect Archer and the Company's Shares. This Section contains only a summary of risk factors associated with an investment in the Company. It does not contain the necessary information to assess and understand these risks. In addition to reading the entire Prospectus, including the financial statements attached hereto, or incorporated by reference, you should therefore carefully consider the information set out in Section 2 "Risk Factors" before making an investment decision. Neither this summary nor the risks described in Section 2"Risk Factors" are exhaustive and other risks not discussed herein may also affect Archer. The following risk factors are described in Section 2 "Risk Factors":

- Archer's business depends on the level of activity of oil and natural gas exploration, development and production in the North Sea and internationally. Declines in exploration, development and production activity, e.g. associated with depressed oil and natural gas prices will adversely affect the demand for Archer's services.
- Legal requirements, conservation measures and technological advances could reduce demand for oil and natural gas, which may adversely affect Archer's business, financial condition, results of operations and cash flows.
- Global political, economic and market conditions influence, and could negatively impact Archer's business.
- Archer does business in jurisdictions whose political and regulatory environments and compliance regimes differ
- Archer is subject to numerous governmental laws and regulations, some of which may impose significant liability on Archer for environmental and natural resource damages.
- Archer's industry is highly competitive, with intense price competition. Archer's inability to compete successfully may reduce its profitability.
- A small number of customers account for a significant portion of Archer's total operating revenues, and the loss of, or a decline in the creditworthiness of, one or more of these customers could adversely affect Archer's financial condition and results of operations.
- Many of Archer's customers' activity levels, spending for Archer's services and payment patterns have been and may continue to be impacted by the credit markets.
- Archer's business depends upon their ability to obtain specialized equipment and parts from third party suppliers, and Archer may be vulnerable to delayed deliveries and future price increases.
- The loss of or interruption in operations of one or more of Archer's key raw material suppliers and shortages of water could have a material adverse effect on Archer's operations.
- Archer can provide no assurance that its current backlog will be ultimately realized.
- Archer will experience reduced profitability if its customers reduce activity levels or terminate or seek to renegotiate their contracts or if Archer experiences downtime, operational difficulties, or safety-related issues.
- If Archer is unable to renew or obtain new and favourable contracts for rigs whose contracts are expiring or are terminated, Archer's revenues and profitability could be materially reduced.
- An oversupply of comparable rigs in the geographic markets in which Archer competes could depress the utilization rates and dayrates for its rigs and materially reduce its revenues and profitability.
- The loss of the services of key executives of Archer's management companies or Archer's failure to attract and retain skilled workers and key personnel could hurt Archer's operations.
- Severe weather could have a material adverse impact on Archer's business.
- A terrorist attack or armed conflict could harm Archer's business.
- Archer has recorded substantial goodwill as the result of its acquisitions and goodwill is subject to periodic reviews of impairment.
- Archer's results of operations may be adversely affected by currency fluctuations.
- Archer may be subject to litigation if another party claims that Archer has infringed upon its intellectual property rights.
- Archer could be adversely affected if it fails to keep pace with technological changes and changes in technology could have a negative result on Archer's market share.
- Archer may be subject to claims for personal injury and property damage, which could materially adversely affect Archer's financial condition and results of operations.
- Archer's insurance coverage may become more expensive, may become unavailable in the future, and may be inadequate to cover Archer's losses.
- A significant portion of Archer's business is conducted in the North Sea. The mature nature of this region could result in less drilling activity in the area, thereby reducing demand for Archer's services.
- The macroeconomic and political situation in Argentina and changes to regulations affecting Archer's Argentinian business could have a material adverse effect on Archer's business, financial condition and results of operations
- Archer is a holding company, and as a result is dependent on dividends from its subsidiaries to meet its obligations.
- Archer has a significant level of debt, and could incur additional debt in the future, which could have significant consequences for its business and future prospects.
- Archer has not yet fully financed its second modular rig Archer Topaz, and should it not be able to secure such funding, this could adversely affect its business.

- Archer’s credit facility imposes financial covenants and restrictions on Archer that may limit the discretion of management in operating Archer’s business and that, in turn, could impair Archer’s ability to meet its obligations.
- Archer’s tax liabilities could increase as a result of adverse tax audits, inquiries or settlements.
- Archer’s operations are, and may in the future become, subject to audit, inquiry and possible re-assessment by different tax authorities.
- Archer’s reputation and its ability to do business may be impaired by corrupt behaviour by employees or agents or those of its affiliates.
- Archer’s operations are subject to a significant number of tax regimes, and changes in legislation or regulations in any one of the countries in which Archer operates could negatively and adversely affect Archer’s results of operations.
- Archer is subject to litigation that could have an adverse effect on it.
- The oilfield service industry is highly cyclical and lower demand and pricing could result in declines in Archer’s profitability.
- Archer common shares may trade at low volumes that could have an adverse effect on the resale price, if any, of the Archer common shares.
- The price of Archer’s common shares has been, and may continue to be, volatile.
- Archer is a Bermuda company and being a shareholder of a Bermuda company involves different rights and privileges than being a stockholder of a corporation registered in Norway.
- Because Archer is organized under the laws of Bermuda, investors may face difficulties in protecting their interests, and their ability to protect their rights through courts may be limited.
- Archer may not have sufficient capital in the future to meet its needs. Future financings to provide this capital may dilute shareholders’ ownership in the combined company.
- Seadrill Limited currently controls a substantial ownership stake in Archer and such interests could conflict with those of Archer’s other shareholders.

2 RISK FACTORS

Investing in the Company involves inherent risks. This Section 2 "Risk factors" contains an overview of the risk factors that are known to the Company and considered material by it. If any of the events or circumstances discussed below occur, Archer's business, financial position and operating results and cash flow could be materially and adversely affected, and this may have a material adverse effect on the Company's ability to meet its obligations.

Prospective investors should carefully consider all the information set out in this Prospectus and particularly the risk factors set forth below before making an investment decision, and should consult his or her own expert advisors as to the suitability of an investment in the Shares.

An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment.

The order in which the risks are presented below is not intended to provide an indication of the likelyhood of their occurance nor of their severity or significance.

2.1 Risks related to Archer's business

2.1.1 Archer's business depends on the level of activity of oil and natural gas exploration, development and production in the North Sea and internationally. Declines in exploration, development and production activity, e.g. associated with depressed oil and natural gas prices will adversely affect the demand for Archer's services.

Archer's business depends on the level of activity of oil and natural gas exploration, development and production in the North Sea and internationally, and in particular, the level of exploration, development and production expenditures of Archer's customers. Demand for Archer's drilling and well services is adversely affected by declines in exploration, development and production activity associated with depressed oil and natural gas prices. Even the perceived risk of a decline in oil or natural gas prices often causes exploration and production companies to reduce their spending. As an example for the adverse effect is the worldwide deterioration in the financial and credit markets, which began in the second half of 2008, resulted in diminished demand for oil and gas and significantly lower oil and natural gas prices. As a consequence of this significant decline in oil and natural gas prices caused many of Archer's customers to reduce their activities and spending in 2009. Similarly the reduction of prices for natural gas in the United States in 2011 had a significant impact on the levels of activity and spending, resulting in a reduction of drilling rigs exposed to natural gas of over 50%. This trend continued through 2012 and into 2013 and will continue unless there is a meaningful change in the price of natural gas in 2013 and beyond. In addition, higher prices do not necessarily translate into increased drilling activity since Archer's clients' expectations about future commodity prices typically drive demand for Archer's services. Oil and natural gas prices are extremely volatile. On July 2, 2008 natural gas prices were USD 14.31 per million British thermal unit, or MMBtu, at the Henry Hub. They subsequently declined sharply, reaching a low of USD 1.88 per MMBtu at the Henry Hub on September 4, 2009. As of March 7, 2013, the closing price of natural gas at the Henry Hub was USD 3.59 per MMBtu. The spot price for West Texas intermediate crude has in the last few years ranged from a high of USD 145.29 per barrel as of July 3, 2008, to a low of USD 33.87 per barrel as of December 19, 2008, with a closing price of USD 91.41 per barrel as of March 7, 2013. Oil and natural gas prices are affected by numerous factors, including the following:

- the demand for oil and natural gas in Europe, the United States and elsewhere;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- political, economic and weather conditions in Europe, the United States and elsewhere;
- advances in exploration, development and production technology;
- the ability of the Organization of Petroleum Exporting Countries, commonly called OPEC, to set and maintain oil production levels and pricing;
- the level of production in non-OPEC countries;
- domestic and international tax policies and governmental regulations;
- the development and exploitation of alternative fuels, and the competitive, social and political position of natural gas as a source of energy compared with other energy sources;
- the policies of various governments regarding exploration and development of their oil and natural gas reserves;
- the worldwide military and political environment and uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East, West Africa and other significant oil and natural gas producing regions; and
- acts of terrorism or piracy that affect oil and natural gas producing regions, especially in Nigeria, where armed conflict, civil unrest and acts of terrorism have recently increased.

2.1.2 Legal requirements, conservation measures and technological advances could reduce demand for oil and natural gas, which may adversely affect Archer's business, financial condition, results of operations and cash flows.

Environmental and energy matters have been the focus of increased scientific and political scrutiny and are subject to various legal requirements. International agreements, national laws, state laws and various regulatory schemes limit or otherwise regulate energy-related activities, such as emissions of greenhouse gasses, and additional restrictions are under consideration by governmental entities. These legal requirements as well as fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices could reduce demand for oil and natural gas. Archer cannot predict the impact of the changing demand for oil and gas services and products, and any major changes may have a material adverse effect on Archer's business, financial condition, results of operations and cash flows.

2.1.3 Global political, economic and market conditions influence, and could negatively impact Archer's business.

Archer's operations are affected by global political, economic and market conditions. A worldwide economic downturn could reduce the availability of liquidity and credit to fund business operations worldwide. This could adversely affect Archer's customers, suppliers and lenders operations which in turn could affect demand for Archer's services. In addition, an economic downturn could reduce demand oilfield services negatively and impact Archer's activity levels and pricing of its services and thus adversely affect Archer's financial condition and results of operations. A decline in energy consumption following a downturn will have materially and adversely affect on Archer's results of operations. Continued hostilities in the Middle East and West Africa and the occurrence or threat of terrorist attacks against the United States or other countries could contribute to a downturn in the economies of countries in which Archer operates. A sustained or deep recession could further limit economic activity and thus result in an additional decrease in energy consumption, which in turn could cause Archer's revenues and margins to decline and limit Archer's future growth prospects.

2.1.4 Archer does business in jurisdictions whose political and regulatory environments and compliance regimes differ.

Risks associated with Archer's operations in foreign areas include, but are not limited to:

- political, social and economic instability, war and acts of terrorism;
- potential seizure, expropriation or nationalization of assets;
- damage to Archer's equipment or violence directed at its employees, including kidnappings and piracy;
- increased operating costs;
- complications associated with repairing and replacing equipment in remote locations;
- repudiation, modification or renegotiation of contracts, disputes and legal proceedings in international jurisdictions;
- limitations on insurance coverage, such as war risk coverage in certain areas;
- import-export quotas;
- confiscatory taxation;
- work stoppages or strikes;
- unexpected changes in regulatory requirements;
- wage and price controls;
- imposition of trade barriers;
- imposition or changes in enforcement of local content laws;
- the inability to collect or repatriate currency, income, capital or assets;
- foreign currency fluctuations and devaluation; and
- other forms of government regulation and economic conditions that are beyond Archer's control.

Part of Archer's strategy is to prudently and opportunistically acquire businesses and assets that complement Archer's existing products and services, and to expand Archer's geographic footprint. If Archer makes acquisitions in other countries, Archer may increase its exposure to the risks discussed above.

Archer's operations are subject to various laws and regulations in countries in which Archer operates, including laws and regulations relating to currency conversions and repatriation, oil and natural gas exploration and development, taxation of offshore earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of supplies and equipment. Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and natural gas and other aspects of the oil and natural gas industries in their countries. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil and natural gas companies and may continue to do so. Operations in developing countries can be subject to legal systems which are not as predictable as those in more developed countries, which can lead to greater risk and uncertainty in legal matters and proceedings.

In some jurisdictions Archer is subject to foreign governmental regulations favouring or requiring the awarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These regulations may adversely affect Archer's ability to compete. Additionally, Archer's operations in some jurisdictions may be significantly affected by union activity and general labour unrest. In Argentina and Brazil, where Archer have increased operations as a result of the merger with Allis-Chalmers Inc., labour organizations have substantial support and have considerable political influence. The demands of labour organizations in Argentina have increased in recent years as a result of the general labour unrest and dissatisfaction resulting from the disparity between the cost of living and salaries in Argentina as a result of the devaluation of the Argentine Peso. There can be no assurance that Archer's operations in Argentina will not face labour disruptions in the future or that any such disruptions will not have a material adverse effect on Archer's financial condition or results of operations. Additionally, unionization efforts have been made from time to time within the industry in the United States, to varying degrees of success. Any such unionization could increase Archer's costs or limit the flexibility in that market.

2.1.5 Archer is subject to numerous governmental laws and regulations, some of which may impose significant liability on Archer for environmental and natural resource damages.

Archer is subject to various local and foreign laws and regulations, including those relating to the energy industry in general and the environment in particular, and may be required to make significant capital expenditures to comply with laws and the applicable regulations and standards of governmental authorities and organizations. Moreover, the cost of compliance could be higher than anticipated. Archer's operations are subject to compliance with international conventions and the laws, regulations and standards of other countries in which Archer operates, including anti-bribery regulations. It is also possible that existing and proposed governmental conventions, laws, regulations and standards, including those related to climate and emissions of "greenhouse gases," may in the future add significantly to Archer's operating costs or limit Archer's activities or the activities and levels of capital spending by Archer's customers.

In addition, many aspects of Archer's operations are subject to laws and regulations that relate, directly or indirectly, to the oilfield services industry, including laws requiring Archer to control the discharge of oil and other contaminants into the environment or otherwise relating to environmental protection. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and even criminal penalties, the imposition of remedial obligations, and the issuance of injunctions that may limit or prohibit Archer's operations. Laws and regulations protecting the environment have become more stringent in recent years and may, in certain circumstances, impose strict liability, rendering Archer liable for environmental and natural resource damages without regard to negligence or fault on its part. These laws and regulations may expose Archer to liability for the conduct of, or conditions caused by, others or for acts that were in compliance with all applicable laws at the time the acts were performed. The application of these requirements, the modification of existing laws or regulations or the adoption of new laws or regulations curtailing exploration and production activity could materially limit Archer's future contract opportunities; materially increase Archer's costs or both.

Furthermore, new environmental laws or regulations may prevent or limit Archer from carrying out its business in its current manner. For example, some states in the United States have adopted, or are considering adopting, regulations that could restrict hydraulic fracturing; a method used by some of Archer's subsidiaries in the completion of oil and gas wells, in certain circumstances and/or require the disclosure of the composition of hydraulic fracturing fluids, which generally contain hazardous substances. If new laws or regulations that significantly restrict hydraulic fracturing, or other equipment or procedures used by Archer, are adopted, such laws could make it more difficult or costly for Archer to perform its services at a competitive price. Such legislative changes could also cause Archer to incur substantial compliance costs, and compliance or the consequences of any failure to comply by Archer could have a material adverse effect on Archer's financial condition and results of operations.

Refer to Section 6.10 for further information on environmental regulations applicable to Archer's business.

2.1.6 Archer's industry is highly competitive, with intense price competition. Archer's inability to compete successfully may reduce its profitability.

Archer's industry is highly competitive. Archer's contracts are traditionally awarded on a competitive bid basis, with pricing often being the primary factor in determining which qualified contractor is awarded a job, although each contractor's technical capability, product and service quality and availability, responsiveness, experience, safety performance record and reputation for quality can also be key factors in the determination.

Several other oilfield service companies are larger than Archer and have resources that are significantly greater than Archer's resources. Furthermore, Archer competes with several smaller companies capable of competing effectively on a regional or local basis. These competitors may be able to better withstand industry downturns, compete on the basis of price, and acquire new equipment and technologies, all of which could affect Archer's revenues and profitability. These competitors compete with Archer both for customers and for acquisitions of other businesses. This competition may cause Archer's business to suffer. Archer's management believes that competition for contracts will continue to be intense in the foreseeable future.

In addition, some exploration and production companies have begun performing hydraulic fracturing and directional drilling on their wells using their own equipment and personnel. Any increase in the development and utilization of in-house fracturing and directional drilling capabilities by Archer's customers could decrease the demand for Archer's services and have a material adverse impact on Archer's business.

2.1.7 A small number of customers account for a significant portion of Archer's total operating revenues, and the loss of, or a decline in the creditworthiness of, one or more of these customers could adversely affect Archer's financial condition and results of operations.

Archer derives a significant amount of its total operating revenues from a few energy companies. During the twelve months ended December 31, 2012, contracts from Statoil, Pan American Energy and ConocoPhillips accounted for 15%, 12% and 8% of Archer's total operating revenues respectively. In the year ended December 31, 2011, Statoil, Pan American Energy and ConocoPhillips accounted for approximately 19%, 15% and 10% of Archer's total operating revenues, respectively. Archer's financial condition and results of operations will be materially adversely affected if these customers interrupt or curtail their activities, terminate their contracts with Archer, fail to renew their existing contracts or refuse to award new contracts to Archer, and Archer is unable to enter into contracts with new customers at comparable dayrates. The loss of any significant customer could adversely affect Archer's financial condition and results of operations.

Additionally, this concentration of customers may increase Archer's overall exposure to credit risk. Archer's customers will likely be similarly affected by changes in economic and industry conditions. Archer's financial condition and results of operations will be materially and adversely affected if one or more of its significant customers fails to pay Archer or ceases to contract with Archer for its services on terms that are favourable to Archer or at all.

2.1.8 Many of Archer's customers' activity levels, spending for Archer's services and payment patterns have been and may continue to be impacted by the credit markets.

Many of Archer's customers finance their activities through cash flow from operations, the incurrence of debt or the issuance of equity. During 2008 there was a significant decline in the credit and equity markets, adversely impacting the availability of capital. Archer believes that since March 2009, the credit and equity markets have improved. However, uncertainty regarding any continued improvement or the actual deterioration of these markets could have a material adverse impact on Archer's customers' willingness or ability to spend for Archer's services. Such reduction in spending could have a material adverse effect on Archer's operations.

In addition, while historically Archer's customer base has not presented significant credit risks, the same factors that may lead to a reduction in Archer's customers' spending also may increase Archer's exposure to the risks of nonpayment and nonperformance by Archer's customers. A significant reduction in Archer's customers' liquidity may result in a decrease in their ability to pay or otherwise perform on their obligations to Archer. Any increase in the nonpayment of and nonperformance by Archer's counterparties, either as a result of recent changes in financial and economic conditions or otherwise, could have an adverse impact on Archer's operating results and could adversely affect the liquidity.

2.1.9 Archer's business depends upon their ability to obtain specialized equipment and parts from third party suppliers, and Archer may be vulnerable to delayed deliveries and future price increases.

Archer purchases specialized equipment and parts from third party suppliers and affiliates. Currently, there is a high demand for hydraulic fracturing, coiled tubing and other oil field services and extended lead times to obtain equipment needed to provide these services. Further, there are a limited number of suppliers that manufacture the equipment Archer uses. Should Archer's current suppliers be unable or unwilling to provide the necessary equipment and parts or otherwise fail to deliver the products timely and in the quantities required, any resulting delays in the provision of Archer's services could have a material adverse effect on Archer's business, financial condition, results of operations and cash flows. In addition, future price increases for this type of equipment and parts could negatively impact Archer's ability to purchase new equipment to update or expand the existing fleet or to timely repair equipment in the existing fleet. Refer to Section 6.7 for further information on Archer's ability to purchase required equipment.

2.1.10 The loss of or interruption in operations of one or more of Archer's key raw material suppliers and shortages of water could have a material adverse effect on Archer's operations.

Archer's reliance on outside suppliers for some of the key raw materials Archer uses in providing services involves several risks, including limited control over the price, timely delivery and quality of such materials or equipment. Archer relies on a limited number of suppliers for certain raw materials, particularly sand and other proppants, which are critical for certain of Archer's operations. In the past Archer has experienced a shortage of sand and if Archer were to again have a problem sourcing this or other raw materials or transporting these materials from these suppliers, Archer's ability to provide services would be limited. Archer does not have commitments with Archer's suppliers to ensure the continued supply of raw materials. Historically, Archer has placed orders with its suppliers that meet Archer's expected raw material demands for short periods of time. Any changes in Archer's suppliers could cause material delays in Archer's operations and increase Archer's costs. In addition, Archer's suppliers may not be able to meet Archer's future demands as to volume, quality or timeliness. Archer's inability to obtain timely delivery of key raw materials of acceptable quality or any significant increases in prices of such materials could result in material operational delays, increase Archer's operating costs, limit Archer's ability to service its customers' wells or otherwise materially and adversely affect Archer's business and operating results. Further, Archer's hydraulic fracturing operations require significant amounts of water and may be negatively impacted by shortages of water, due to droughts or otherwise, in the areas in which Archer operate. Archer's fracturing operations in certain shales are more water intensive due to the peculiar geology of such shales, and competition for water in such shales is growing.

2.1.11 Archer can provide no assurance that its current backlog will be ultimately realized.

As of December 31, 2012, Archer's total backlog was approximately USD 1.4 billion. The USD amount of Archer's backlog does not necessarily indicate actual future revenue or earnings related to the performance of that work. Management calculates its contract revenue backlog, or future contracted revenue, as the contract dayrate multiplied by the number of days remaining on the contract, assuming full utilization and excluding revenues for contract preparation and customer reimbursable. Archer may not be able to perform under its contracts due to various operational factors, including unscheduled repairs, maintenance, operational delays, health, safety and environmental incidents, weather events in the North Sea and elsewhere and other factors (some of which are beyond Archer's control), and Archer's customers may seek to cancel or renegotiate Archer's contracts for various reasons, including a financial downturn or falling commodity prices. In some of the contracts, Archer's customer has the right to terminate the contract without penalty and in certain instances, with little or no notice. Archer's inability or the inability of its customers to perform their respective contractual obligations may have a material adverse effect on Archer's financial position, results of operations and cash flows.

2.1.12 Archer will experience reduced profitability if its customers reduce activity levels or terminate or seek to renegotiate their contracts or if Archer experiences downtime, operational difficulties, or safety-related issues.

Currently, Archer's drilling services contracts with major customers are both dayrate contracts, pursuant to which Archer charges a fixed charge per day regardless of the number of days needed to drill the well and footage based contracts, where a fixed rate per foot drilled is charged regardless of the time it takes to drill. Likewise, under Archer's current well services contracts, Archer charges a fixed daily fee. During depressed market conditions, a customer may no longer need services that are currently under contract or may be able to obtain comparable services at a lower daily rate. As a result, customers may seek to renegotiate the terms of their existing platform drilling contracts or avoid their obligations under those contracts. In addition, Archer's customers may have the right to terminate, or may seek to renegotiate, existing contracts if Archer experiences downtime, operational problems above the contractual limit or safety-related issues or in other specified circumstances, which include events beyond the control of either party.

Some of Archer's contracts with its customers include terms allowing the customer to terminate the contracts without cause, with little or no prior notice and without penalty or early termination payments. In addition, under some of its existing contracts, Archer could be required to pay penalties if such contracts are terminated due to downtime, operational problems or failure to perform. Some of Archer's other contracts with customers may be cancellable at the option of the customer upon payment of a penalty, which may not fully compensate Archer for the loss of the contract. Early termination of a contract may result in Archer's employees being idle for an extended period of time. The likelihood that a customer may seek to terminate a contract is increased during periods of market weakness. If Archer's customers cancel or require Archer to renegotiate some of its significant contracts, and Archer is unable to secure new contracts on substantially similar terms, or if contracts are suspended for an extended period of time, Archer's revenues and profitability would be materially reduced.

In addition to dayrate based contracts Archer drilling services also performs footage or turnkey based land drilling operations in Argentina. Such contracts carry operational risks of not drilling the wells in the anticipated time, risks of redrilling and risks related to losses of drilling mud.

2.1.13 If Archer is unable to renew or obtain new and favourable contracts for rigs whose contracts are expiring or are terminated, Archer's revenues and profitability could be materially reduced.

Archer has a number of contracts that will expire. Archer's ability to renew these contracts or obtain new contracts and the terms of any such contracts will depend on market conditions. Archer may be unable to renew its expiring contracts or obtain new contracts for the rigs, and the dayrates under any new contracts may be substantially below the existing dayrates, which could materially reduce Archer's revenues and profitability.

2.1.14 An oversupply of comparable rigs in the geographic markets in which Archer competes could depress the utilization rates and dayrates for its rigs and materially reduce its revenues and profitability.

Utilization rates, which are the number of days a rig actually works divided by the number of days the rig is available for work, and dayrates, which are the contract prices customers pay for rigs per day, are also affected by the total supply of comparable rigs available for service in the geographic markets in which Archer competes. Improvements in demand in a geographic market may cause Archer's competitors to respond by moving competing rigs into the market, thus intensifying price competition. Significant new rig construction could also intensify price competition. In the past, there have been prolonged periods of rig oversupply with correspondingly depressed utilization rates and dayrates largely due to earlier, speculative construction of new rigs. Improvements in dayrates and expectations of longer-term, sustained improvements in utilization rates and dayrates for drilling rigs may lead to construction of new rigs. These increases in the supply of rigs could depress the utilization rates and dayrates for the rigs and materially reduce Archer's revenues and profitability.

2.1.15 The loss of the services of key executives of Archer's management companies or Archer's failure to attract and retain skilled workers and key personnel could hurt Archer's operations.

Archer is dependent upon the efforts and skills of certain directors of the Company ("**Directors**") and executives employed by Archer's management companies to manage Archer's business identify and consummate additional acquisitions and obtain and retain customers. Furthermore, Archer is dependent upon its ability to retain key personnel employed by past and future acquisitions to ensure the successful integration of the operations of its acquisitions with its existing operations as well as the acquired business' successful development.

In addition, Archer and its competitors are dependent upon the available labour pool of skilled employees. Archer's development and expansion will require additional experienced management and operations personnel. No assurance can be given that Archer will be able to identify and retain these employees. Archer competes with other oilfield services businesses and other employers to attract and retain qualified personnel with the technical skills and experience required to provide Archer's customers with the highest quality service. A shortage of skilled workers, increases in wage rates or changes in applicable laws and regulations, could make it more difficult for Archer to attract and retain personnel and could require Archer to enhance its wage and benefits packages. There can be no assurance that labour costs will not increase. Any increase in Archer's operating costs could cause its business to suffer.

2.1.16 Severe weather could have a material adverse impact on Archer's business.

Archer's business could be materially and adversely affected by severe weather. Repercussions of severe weather conditions may include:

- curtailment of services;
- weather-related damage to facilities and equipment resulting in suspension of operations;
- inability to deliver materials to job sites in accordance with contract schedules; and
- loss of productivity.

A substantial portion of Archer's revenue from operations is generated from work performed in the North Sea. Adverse weather conditions during the winter months in the North Sea usually result in low levels of offshore activity. Further, in Brazil, where Archer also generates a significant portion of revenue from operations, adverse weather conditions affect Archer's results of operations. Optimal weather conditions offshore Brazil normally exist only from October to April and most offshore operations in this region are scheduled for that period. In the United States, winter weather conditions can impact its operations in Oklahoma, North Texas as well as in the north eastern states such as Pennsylvania and Ohio. Additionally, during certain periods of the year, Archer may encounter adverse weather conditions such as tropical storms. Adverse seasonal weather conditions limit Archer's access to job sites and its ability to service wells in affected areas. These constraints and the resulting shortages or high costs could delay Archer's operations and materially increase Archer's operating and capital costs in general or for the affected regions. Refer to Section 6.6 for further information on the seasonality of Archer's business.

2.1.17 A terrorist attack or armed conflict could harm Archer's business.

Terrorist activities, anti-terrorist efforts and other armed conflicts in, or involving any region of Archer's activities or other oil producing nation may adversely affect local and global economies and could prevent Archer from meeting their financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for Archer's services and causing a reduction in Archer's revenues. Oil and natural gas related facilities could be direct targets of terrorist attacks, and Archer's operations could be adversely impacted if infrastructure integral to Archer's customers' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

2.1.18 Archer has recorded substantial goodwill as the result of its acquisitions and goodwill is subject to periodic reviews of impairment.

Archer performs purchase price allocations to intangible assets when it makes acquisitions. The excess of the purchase price after allocation of fair values to tangible assets is allocated to identifiable intangibles and thereafter to goodwill. Archer conducts periodic reviews of goodwill for impairment in value. Any impairment would result in a non-cash charge against earnings in the period reviewed, which may or may not create a tax benefit, and would cause a corresponding decrease in shareholders' equity. In the event that market conditions deteriorate or there is a prolonged downturn, Archer may be required to record an impairment of goodwill, and such impairment could be material.

2.1.19 Archer's results of operations may be adversely affected by currency fluctuations.

Due to its international operations, Archer may experience currency exchange losses when revenues are received and expenses are paid in nonconvertible currencies or when Archer does not hedge an exposure to a foreign currency. Archer may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation, controls over currency exchange or controls over the repatriation of income or capital. Archer attempts to limit the risks of currency fluctuation and restrictions on currency repatriation where possible by obtaining contracts providing for payment of a percentage of the contract indexed to the U.S. dollar exchange rate. To the extent possible, Archer seeks to limit its exposure to local currencies by matching the acceptance of local currencies to Archer's local expense requirements in those currencies. Archer may not be able to take these actions in the future, thereby exposing it to foreign currency fluctuations that could cause Archer's results of operations, financial condition and cash flows to deteriorate materially.

2.1.20 Archer may be subject to litigation if another party claims that Archer has infringed upon its intellectual property rights.

Third parties could assert that the tools, techniques, methodologies, programs and components Archer uses to provide its services infringe upon the intellectual property rights of others. Infringement claims generally result in significant legal and other costs and may distract management from running Archer's core business. Additionally, if any of these claims were to be successful, developing non-infringing technologies and/or making royalty payments under licenses from third parties, if available, would increase Archer's costs. If a license were not available Archer might not be able to continue to provide a particular service or product, which could adversely affect Archer's financial condition, results of operations and cash flows.

2.1.21 Archer could be adversely affected if it fails to keep pace with technological changes and changes in technology could have a negative result on Archer's market share.

Archer provides drilling and well services in increasingly challenging onshore and offshore environments. To meet its clients' needs, Archer must continually develop new, and update existing, technology for the services it provides. In addition, rapid and frequent technology and market demand changes can render existing technologies obsolete, requiring substantial new capital expenditures, and could have a negative impact on Archer's market share. Any failure by Archer to anticipate or to respond adequately to changing technology, market demands and client requirements could adversely affect Archer's business and financial results.

2.1.22 Archer may be subject to claims for personal injury and property damage, which could materially adversely affect Archer's financial condition and results of operations.

Substantially all of Archer's operations are subject to hazards that are customary for exploration and production activity, including blowouts, reservoir damage, loss of well control, cratering, oil and gas well fires and explosions, natural disasters, pollution and mechanical failure. Any of these risks could result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations, or environmental damage. Archer may also be subject to property, environmental and other damage claims by oil and natural gas companies and other businesses operating offshore and in coastal areas. Litigation arising from an accident at a location where Archer's products or services are used or provided may cause Archer to be named as a defendant in lawsuits asserting potentially large claims. Generally, Archer's contracts provide for the division of responsibilities between Archer and its customer, and consistent with standard industry practice, Archer's clients generally assume, and indemnify Archer against, some of these risks. In particular, contract terms generally provide that Archer's customer, the operator, will retain liability and indemnify Archer for (i) environmental pollution caused by any oil, gas, or other fluids and pollutants originating from below the seabed, (ii) damage to customer and third-party equipment and property including any damage to the sub-surface and reservoir and (iii) personal injury to or death of customer personnel, unless resulting from Archer's gross negligence or wilful misconduct. There can be no assurance, however, that these clients will necessarily be financially able to indemnify Archer against all risks. Also, Archer may be effectively prevented from enforcing these indemnities because of the nature of Archer's relationship with some of its larger clients. Additionally, from time to time Archer may not be able to obtain agreement from its customers to indemnify Archer for such damages and risks.

To the extent that Archer is unable to transfer such risks to customers by contract or indemnification agreements, Archer generally seeks protection through customary insurance to protect its business against these potential losses. However, Archer has a significant amount of self-insured retention or deductible for certain losses relating to general liability and property damage. There is no assurance that such insurance or indemnification agreements will adequately protect Archer against liability from all of the consequences of the hazards and risks described above. The occurrence of an event for which Archer is not fully insured or indemnified against, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses.

2.1.23 Archer's insurance coverage may become more expensive, may become unavailable in the future, and may be inadequate to cover Archer's losses.

Archer's insurance coverage is subject to certain significant deductibles and levels of self-insurance, does not cover all types of losses and, in some situations, may not provide full coverage for losses or liabilities resulting from Archer's operations. In addition, Archer is likely to continue experiencing increased costs for available insurance coverage, which may impose higher deductibles and limit maximum aggregated recoveries. Insurers may not continue to offer the type and level of coverage that Archer currently maintains, and its costs may increase substantially as a result of increased premiums, potentially to the point where coverage is not available on economically manageable terms. Should liability limits be increased via legislative or regulatory action, it is possible that Archer may not be able to insure certain activities to a desirable level. If liability limits are increased and/or the insurance market becomes more restricted, Archer's business, financial condition and results of operations could be materially adversely affected.

Insurance costs may also increase in the event of ongoing patterns of adverse changes in weather or climate. Archer may not be able to obtain customary insurance coverage in the future, thus putting Archer at a greater risk of loss due to severe weather conditions and other hazards. Moreover, Archer may not be able to maintain adequate insurance in the future at rates management considers reasonable or be able to obtain insurance against certain risks.

2.1.24 A significant portion of Archer's business is conducted in the North Sea. The mature nature of this region could result in less drilling activity in the area, thereby reducing demand for Archer's services.

The North Sea is a mature oil and natural gas production region that has experienced substantial seismic survey and exploration activity for many years. Because a large number of oil and natural gas prospects in this region have already been drilled, additional prospects of sufficient size and quality could be more difficult to identify. Oil and natural gas companies may be unable to obtain financing necessary to drill prospects in this region. The decrease in the size of oil and natural gas prospects, the decrease in production or the failure to obtain such financing may result in reduced drilling activity in the North Sea and reduced demand for Archer's services.

2.1.25 The macroeconomic and political situation in Argentina and changes to regulations affecting Archer's Argentinian business could have a material adverse effect on Archer's business, financial condition and results of operations.

In April 2012, the Argentinian government took control over of Yacimientos Petroliferos Fiscales, Argentina's largest oil company, and previously a subsidiary of Madrid-based Spanish energy company Repsol YPF S.A., by seizing a 51% stake of the company without providing immediate monetary compensation. The Argentinian government claimed the seizure was effected as the company did not invest enough in Argentina and thus let oil production and exploration in the country decline. Failure by Archer to "adequately" assist in the production of oil and gas in Argentina, failure to reinvest enough profit into operations and breach of contracts with various Argentine provinces could lead to the Argentinian state seizing Archer's assets in Argentina. Furthermore, Archer cannot predict whether the Argentinian state will implement new legislation affecting the possibilities of operating in Argentina as a foreign company, which could have a material adverse effect on Archer's business, financial condition and results of operations.

Argentina has implemented a strict currency control regulation, which makes it difficult to have access to foreign currency. This imposes difficulties in settling invoices from foreign suppliers, whether 3rd party or intercompany or to pay dividend to its shareholder outside the country.

2.1.26 Archer is a holding company, and as a result is dependent on dividends from its subsidiaries to meet its obligations.

Archer is a holding company and does not conduct any business operations of its own. Archer's principal assets are the equity interests it owns in its operating subsidiaries, either directly or indirectly. As a result, Archer is dependent upon cash dividends, distributions or other transfers it receives from its subsidiaries to repay any debt it may incur, and to meet its other obligations. The ability of Archer's subsidiaries to pay dividends and make payments to Archer will depend on their operating results and may be restricted by, among other things, applicable corporate, tax and other laws and regulations and agreements of those subsidiaries. For example, the corporate laws of some jurisdictions prohibit the payment of dividends by any subsidiary unless the subsidiary has a capital surplus or net profits in the current or immediately preceding fiscal year. Payments or distributions from Archer's subsidiaries also could be subject to restrictions on dividends or repatriation of earnings under applicable local law, and monetary transfer restrictions in the jurisdictions in which Archer's subsidiaries operate. Archer's subsidiaries are separate and distinct legal entities. Any right that Archer has to receive any assets of or distributions from any subsidiary upon the bankruptcy, dissolution, liquidation or reorganization of such subsidiary, or to realize proceeds from the sale of the assets of any subsidiary, will be junior to the claims of that subsidiary's creditors, including trade creditors.

2.1.27 Archer has a significant level of debt, and could incur additional debt in the future, which could have significant consequences for its business and future prospects.

As of December 31, 2012, Archer had total outstanding debt of approximately USD 1,219.3 million. This debt represented approximately 47.0% of Archer's total book capitalization. As of the March 8, 2013 Archer has a total outstanding debt of approximately USD 1,007.6 million represented approximately 39% of Archer's total book capitalization, following repayment of USD 250 million of its outstanding debt with proceeds raised by Archer in the Private Placement. Archer's debt and the limitations imposed on Archer by its existing or future debt agreements could have significant consequences for Archer's business and future prospects, including the following:

- Archer may not be able to obtain necessary financing in the future for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;
- Archer will be required to dedicate a substantial portion of its cash flow from operations to payments of principal and interest on its debt;
- Archer could be more vulnerable during downturns in its business and be less able to take advantage of significant business opportunities and to react to changes in Archer's business and in market or industry conditions; and
- Archer may have a competitive disadvantage relative to its competitors that have less debt.

As per Archer's current financing obligations, Archer will need to make an installment of USD 100 million by November 2014 on its main credit facility and will further need to refinance the remaining debt under its main credit facility before November 11, 2015. Archer's ability to make payments on and to refinance its indebtedness and to fund planned capital expenditures will depend on Archer's ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond Archer's control. Archer's earnings and cash flow may vary significantly from year to year due to the cyclical nature of the oilfield services industry. As a result, Archer's future cash flows may be insufficient to meet all of its debt obligations and other commitments, and any insufficiency could negatively impact Archer's business. To the extent Archer is unable to repay its indebtedness as it becomes due or at maturity with cash on hand, Archer will need to refinance its debt, sell assets or repay the debt with the proceeds from equity offerings. Additional indebtedness or equity financing may not be available to Archer in the future for the refinancing or repayment of existing indebtedness, and Archer may not be able to complete asset sales in a timely manner sufficient to make such repayments.

2.1.28 Archer has not yet fully financed its second modular rig Archer Topaz, and should it not be able to secure such funding, this could adversely affect its business.

The financing related to the second modular rig Archer Topaz is expected to be finalized during the second quarter of 2013 and until the Hermes backed credit facility is concluded, Archer expects to finance the installment payment due in March 2013 through a subordinated shareholder loan, but should it fail to achieve such financing this could adversely affect its business.

2.1.29 Archer's credit facility imposes financial covenants and restrictions on Archer that may limit the discretion of management in operating Archer's business and that, in turn, could impair Archer's ability to meet its obligations.

Archer's credit facility contains various restrictive covenants that limit management's discretion in operating its business. In particular, these covenants limit its ability to, among other things:

- make certain types of loans and investments;
- incur or guarantee additional indebtedness;
- pay dividends, redeem or repurchase stock, prepay, redeem or repurchase other debt or make other restricted payments;
- use proceeds from asset sales, new indebtedness or equity issuances for general corporate purposes or investment into its business;
- place restrictions on Archer's subsidiaries' ability to make dividends or other payments to Archer;
- invest in joint ventures;
- create or incur liens;
- enter into transactions with affiliates;
- sell assets or consolidate or merge with or into other companies; and
- enter into new lines of business.

The credit facility also imposes additional covenants and restrictions, including the imposition of a requirement to maintain a minimum equity ratio at all times. Archer's ability to comply with these financial covenants and restrictions may be affected by events beyond Archer's control. Archer's credit facility requires that Archer meet certain financial ratios and tests. Although the financial covenants have been improved in connection with Archer entering into a third amendment and restatement agreement in respect of its main credit facility (as further described in Section 11.6.2) there can be no assurance that Archer will be able to comply with the financial covenants. Reduced activity levels in the exploration and production industry could adversely impact Archer's ability to comply with such covenants in the future. Archer's failure to comply with such covenants would result in an event of default under the credit facility, which could result in Archer having to immediately repay all amounts outstanding under the credit facility, and in foreclosure of liens on Archer's assets.

These covenants could materially and adversely affect Archer's ability to finance its future operations or capital needs. Furthermore, they may restrict Archer's ability to expand, to pursue its business strategies and otherwise to conduct its business. A breach of these covenants could result in a default under Archer's credit facility. If there were to be an event of default under the credit facility, the affected creditors could cause all amounts borrowed under the facility to be due and payable immediately. Additionally, if Archer fails to repay indebtedness under its credit facility when it becomes due, the lender under the credit facility could proceed against the assets which Archer has pledged as security. Archer's assets and cash flow might not be sufficient to repay its outstanding debt in the event of a default.

2.1.30 Archer's tax liabilities could increase as a result of adverse tax audits, inquiries or settlements.

Archer's operations are, and may in the future become, subject to audit, inquiry and possible re-assessment by different tax authorities. In accordance with applicable accounting rules relating to contingencies, management provides for taxes in the amounts that it considers probable of being payable as a result of these audits and for which a reasonable estimate may be made. Management also separately considers if taxes payable in relation to filings not yet subject to audit may be higher than the amounts stated in Archer's filed tax return, and makes additional provisions for probable risks if appropriate. As forecasting the ultimate outcome includes some uncertainty, the risk exists that adjustments will be recognized to Archer's tax provisions in later years as and when these and other matters are finalized with the appropriate tax authorities.

2.1.31 Archer's reputation and its ability to do business may be impaired by corrupt behaviour by employees or agents or those of its affiliates.

Archer operates in countries known to experience governmental corruption. While Archer is committed to conducting business in a legal and ethical manner, there is a risk that Archer's employees or agents or those of its affiliates may take actions that violate legislation promulgated by a number of countries pursuant to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or other applicable anti-corruption regulations. These actions could result in monetary penalties against Archer or its affiliates and could damage Archer's reputation and, therefore, its ability to do business.

In addition to the risks that arise in countries that have experienced governmental corruption, there is also a risk that Archer will not be able to ensure that its internal control policies and procedures will protect Archer from fraud or other criminal acts committed by Archer's employees or agents or those of its affiliates.

2.1.32 Archer's operations are subject to a significant number of tax regimes, and changes in legislation or regulations in any one of the countries in which Archer operates could negatively and adversely affect Archer's results of operations.

Archer's operations are carried out in several countries across the world, and Archer's tax filings are therefore subject to the jurisdiction of a significant number of tax authorities and tax regimes, as well as cross-border tax treaties between governments. Furthermore, the nature of Archer's operations means that Archer routinely has to deal with complex tax issues (such as transfer pricing, permanent establishment or similar issues) as well as competing and developing tax systems where tax treaties may not exist or where the legislative framework is unclear. In addition, Archer's international operations are taxed on different bases that vary from country to country, including net profit, deemed net profit (generally based on turnover) and revenue based withholding taxes based on turnover.

Archer's management determines its tax provision based on its interpretation of enacted local tax laws and existing practices and uses assumptions regarding the tax deductibility of items and recognition of revenue. Changes in these assumptions and practices could impact the amount of income taxes that Archer provides for in any given year and could negatively and adversely affect the result of Archer's operations.

2.1.33 Archer is subject to litigation that could have an adverse effect on it.

Archer is from time to time involved in litigation. The numerous operating hazards inherent in Archer's business increase Archer's exposure to litigation, which may involve, among other things, contract disputes, personal injury, environmental, employment, tax and securities litigation, and litigation that arises in the ordinary course of business.

Management cannot predict with certainty the outcome or effect of any claim or other litigation matter. Litigation may have an adverse effect on Archer because of potential negative outcomes, the costs associated with defending the lawsuits, the diversion of Archer's management's resources and other factors.

2.1.34 The oilfield service industry is highly cyclical and lower demand and pricing could result in declines in Archer's profitability.

Historically, the oilfield service industry has been highly cyclical, with periods of high demand and favourable pricing often followed by periods of low demand and sharp reduction in pricing power. Periods of decreased demand or increased supply intensify the competition in the industry. As a result of the cyclicality of Archer's industry, management expects Archer's results of operations to be volatile and to decrease during market declines.

2.2 Risks related to Archer's common shares

2.2.1 Archer common shares may trade at low volumes that could have an adverse effect on the resale price, if any, of the Archer common shares.

Active and liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If an active trading market for the Archer common shares does not prevail, the price of the shares may be more volatile and it may be more difficult to complete a buy or sell order for Archer common shares.

Even if an active public trading market prevails, there may be little or no market demand for the Archer common shares, making it difficult or impossible to resell the shares, which would have an adverse effect on the resale price, if any, of the Archer common shares.

2.2.2 The price of Archer's common shares has been, and may continue to be, volatile.

The trading price of Archer common shares as registered on Oslo Børs has historically fluctuated. The volatility of the price of Archer's common shares depends upon many factors including:

- decreases in prices for oil and natural gas resulting in decreased demand for Archer's services;
- variations in Archer's operating results and failure to meet expectations of investors and analysts;
- increases in interest rates;
- illiquidity of the market for Archer's common shares;
- sales of common shares by existing shareholders;
- Archer's substantial indebtedness; and
- other developments affecting Archer or the financial markets.

A reduced share price may result in a loss to investors and will adversely affect Archer's ability to issue common shares to fund Archer's activities.

2.2.3 Archer is a Bermuda company and being a shareholder of a Bermuda company involves different rights and privileges than being a stockholder of a corporation registered in Norway.

The rights of shareholders of Archer are governed by the law of Bermuda, by Archer's memorandum of association and its amended and restated Bye-laws. Bermuda law extends to shareholders certain rights and privileges that may not exist under Norwegian law, conversely, does not extend rights and privileges extended by Norwegian law. See Section 12.9 for further information on certain rights pursuant to Bermuda law.

2.2.4 Because Archer is organized under the laws of Bermuda, investors may face difficulties in protecting their interests, and their ability to protect their rights through courts may be limited.

It may be difficult to bring and enforce suits against Archer because Archer is organized under the laws of Bermuda. Some of Archer's Directors reside in various jurisdictions outside Norway. As a result, it may be difficult for investors to affect service of process within Norway upon Archer's non-Norwegian Directors or within other jurisdictions outside the relevant Director's country of residence. Equally it may be difficult for investors to enforce judgments obtained in the Norwegian courts or courts of other jurisdictions outside Bermuda or the relevant Director's country of residence against Archer or its non-Norwegian Directors. In addition, there is some doubt as to whether the courts of Bermuda and other countries would recognize or enforce judgments of foreign courts obtained against Archer or its Directors or officers or would hear actions against Archer or those persons based on foreign laws. Archer has been advised by its legal advisors in Bermuda that Norway and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Some remedies available under the laws of Norway, may not be allowed in Bermuda courts as contrary to that jurisdiction's public policy. Therefore, a final judgment for the payment of money rendered by any federal or state court in Norway based on civil liability would not automatically be enforceable in Bermuda.

2.2.5 Archer may not have sufficient capital in the future to meet its needs. Future financings to provide this capital may dilute shareholders' ownership in the combined company.

Archer may need to raise additional capital in the future through public or private debt or equity financings by issuing additional common shares or other preferred financing shares, debt or equity securities convertible into common or preferred shares, or rights to acquire these securities. There can be no assurance that Archer will be able to raise additional capital in the future. Archer may need to raise this additional capital in order to (among other things):

- take advantage of expansion or acquisition opportunities;
- acquire, form joint ventures with or make investments in complementary businesses, technologies or products;
- develop new products or services;
- respond to competitive pressures;
- repay debt; or
- respond to a difficult market climate.

Archer's management may need to issue additional equity securities to fund the acquisition of additional businesses and pursuant to employee benefit plans. Archer may also issue additional equity securities for other purposes. These securities may have the same rights as Archer's common shares or, alternatively, may have dividend, liquidation, or other preferences to Archer's common shares. The issuance of additional equity securities will dilute the holdings of existing shareholders and may reduce the price of Archer's common shares.

2.2.6 Seadrill Limited currently control a substantial ownership stake in Archer and such interests could conflict with those of Archer's other shareholders.

As of the date of this Prospectus, Seadrill Limited ("**Seadrill**") holds 231,053,239 of Archer's common shares, which corresponds to 39.9% of the issued and fully paid Shares.

As a result of the substantial ownership interests in Archer, Seadrill has the ability to exert significant influence over certain actions requiring shareholder approval, including, but not limited to, increasing or decreasing the authorized share capital of Archer (and disapplying pre-emptive rights), the election of Directors, declaration of dividends, the appointment of management and other policy decisions. The Company thus has several Directors whom also hold positions in Seadrill and affiliated companies. While transactions with a principal shareholder could benefit Archer, the interests of such principal shareholder could at times conflict with the interests of other holders of Archer's common shares. Although Archer has in the past sought and continues to seek to conclude all related party transactions on an arm's-length basis, and Archer has adopted procedures for entering into transactions with related parties, conflicts of interest may arise between Archer a principal shareholder or its respective affiliates, resulting in the conclusion of transactions on terms not determined by market forces. Any such conflicts of interest could adversely affect Archer's business, financial condition and results of operations, and therefore the value of its shares.

3 RESPONSIBILITY FOR THE PROSPECTUS

The board of directors of Archer Limited (the "**Board**") accepts responsibility for the information contained in this Prospectus. The members of the Board confirm that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

March 21, 2013

The Board of Archer Limited

Saad Bargach (Chairman)	Fredrik Halvorsen (Deputy Chairman)	Kate Blankenship (Director)
Cecilie Fredriksen (Director)	Tor Olav Trøim (Director)	John Reynolds (Director)
	Giovanni Dell' Orto (Director)	

4 CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated by reference herein contain forward-looking statements. All statements other than statements of historical facts are statements that could be deemed forward-looking statements, including statements preceded by, followed by or that include the words "estimate," "plan," project," "forecast," "intend," "expect," "anticipate," "believe," "think," "view," "seek," "target," "goal," or similar expressions; any projections of earnings, revenues, expenses, synergies, margins or other financial items; any statements of the plans, strategies and objectives of management for future operations, including integration and any potential restructuring plans; any statements concerning proposed new products, services, developments or industry rankings; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Such forward-looking statements, whether expressed or implied, are subject to risks and uncertainties which could cause the actual results of the Company or its consolidated subsidiaries to differ materially from those implied by such forward-looking statements, due to a number of factors, many of which are beyond Archer's control. If any of these risks or uncertainties materialize or any of these assumptions proves incorrect, results of Archer could differ materially from the expectations in these statements. The Company does not undertake any obligation to update these forward-looking statements, except as required by law.

No forward-looking statements contained in this Prospectus should be relied upon as predictions of future events. No assurance can be given that the expectations expressed in these forward-looking statements will prove to be correct. Actual results could differ materially from expectations expressed in the forward-looking statements if one or more of the underlying assumptions or expectations proves to be inaccurate or is unrealized. Some important factors that could cause actual results to differ materially from those in the forward-looking statements are, in certain instances, included with such forward-looking statements and in Section 2 "Risk Factors".

Readers are cautioned not to place undue reliance on the forward-looking statements contained in this Prospectus, which represent the best judgment of the Company's management as of the date of this Prospectus. Except as required by applicable law, the Company does not undertake responsibility to update these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are advised, however, to consult any further public disclosures made by the Company, such as filings made with Oslo Børs or press releases.

5 THE PRIVATE PLACEMENT

5.1 Overview of the Private Placement

On January 31, 2013, the Company announced that it had resolved to raise USD 250 million in gross proceeds through a fully underwritten private placement.

On February 7, 2013 the Company announced that it would raise the above mentioned USD 250 million through a private placement of 208,334,000 new Shares at a subscription price of USD 1.20 per Shares. The Private Placement was fully underwritten by the Company's 5 largest shareholders (the "**Underwriters**") and they received an underwriting commission of USD 5 million which were settled through the issuance of 4,166,667 new Shares.

The Company issued a total number of 212,500,667 New Shares on February 20, 2013 through the Private Placement and the conversion of the underwriting commission. This represented more than 10% of the Company's outstanding share capital. As a consequence the Company had to prepare a prospectus prior to the New Shares being tradable on Oslo Børs.

In order to facilitate immediate settlement and delivery of freely tradable shares to the subscribers in the Private Placement, other than Seadrill, Lime Rock Partners and Hemen Holding, these subscribers (the "**Investors**") received settlement by way of already issued and tradable shares made available through a loan arrangement with Seadrill on February 14, 2013 on delivery versus payment. The share lending arrangement was settled through the issuance of the New Shares allotted to the Investors in the Private Placement to Seadrill on February 20, 2013.

The New Shares, will trade under the trading symbol "ARCHER". It is expected that the first day of trading of these New Shares on Oslo Børs will be March 22, 2013 following approval by the NFSA and publication of this Prospectus.

5.2 Rationale for the private placement

The Private Placement was part of Archer's process of strengthenening its balance sheet. The USD 250 million that was raised through the Private Placement was applied toward prepayment of the USD 100 million installment due in November 2013 under the Company's main credit facility under tranche B (as described in Section 11.6.2 below), prepayment and cancellation of USD 95 million relating to the revolving credit facility under the main credit facility under tranche A (as described in Section 11.6.2 below) and repayment of the USD 55 million subordinated loan facility from Seadrill. In connection with the Private Placement, Archer also renegotiated the terms of its main credit facility. In addition, Archer also obtained a USD 100 million guarantee from Seadrill for its existing credit facilities. The use of proceeds is further described in Section 11.5.2 below.

5.3 Issued share capital following issuance of the New Shares

Prior to the issuance of the New Shares, the Company's issued share capital was USD 733,318,240, divided into 366,659,120 shares, each fully paid up and with a par value of USD 2.00. On a special general meeting of the Company on February 13, 2013, the Company resolved to reduce the par value of the Shares from USD 2.00 to USD 1.00, and thus reduce the issued and paid-up share capital of the Company from USD 733,318,240 to USD 366,659,120 with effect as from 12 p.m. (Bermuda time) on February 19, 2013. The New Shares were issued on February 20, 2013.

Following the reduction of the par value and the issuance of the New Shares, the Company's issued share capital is USD 579,159,787 divided into 579,159,787 Shares, each fully paid up and with a par value of USD 1.00.

5.4 Type, class, currency and ISIN number of the New Shares

The Company has only one class of shares. The New Shares have been created under the Bermuda Companies Act 1981 (the "**Companies Act**"). The New Shares are denominated in United States Dollar (USD).

The New Shares has been registered in book-entry form with the Norwegian Central Securities Depository (Nw. *Verdipapirsentralen)* ("**VPS**") under the International Securities Identification Number (ISIN) BMG 0451H1097. The registrar for the Company's shares is Nordea Bank Norge ASA, Verdipapirservice, Middelthunsgt, 17, 0107 Oslo, Norway.

5.5 Rights attached to the New Shares

The rights attached to the New Shares are the same as those attached to the Company's other existing Shares. The New Shares rank pari passu with existing Shares in all respects including with respect to dividends as from their date of issue, February 20, 2013.

The Bye-laws of the Company provide that all Shares shall represent a right to one vote each. All of the issued Shares of the Company, including the New Shares and the Settlement, have equal voting rights from their date of issuance.

See Section 12 “Description of the Company’s Common Shares”, for a further description of certain matters pertaining to the Company’s Shares, including dividend rights, voting rights, pre-emption rights, rights to share in profits, right to share in surplus in the event of liquidation, mandatory offer obligation, squeeze-out rules, etc, which apply also for the New Shares. See Section 5.7 below for a description of applicable rules regarding withholding tax, etc.

5.6 Transferability of the New Shares

The New Shares, subject to any applicable securities laws, are freely transferable.

5.7 Withholding tax

At the date of this Prospectus, there is no Bermudian or Norwegian withholding tax payable by a company resident in Bermuda associated with the ownership and transfer of the Company’s shares. See Section 13 regarding Tax below.

5.8 Interests of natural and legal persons involved in the Listing

The Managers and its affiliates have provided from time to time, and may provide in the future, investment banking services to the Company and its affiliates in the ordinary course of business, for which they have received and may continue to receive customary fees and commissions. The Managers, its employees and any affiliate may currently own Shares in the Company. The Managers do not intend to disclose the extent of any such investments otherwise than in accordance with any legal or regulatory obligation to do so.

Several of the Managers are also part of the lending bank syndicate to the Company. The proceeds from the Private Placement has in part been used to prepay USD 195 million to the bank syndicate as further described in Section 5.2.

5.9 Dilution effect of the Private Placement

The dilutive effect for existing shareholders in connection with the issuance of the New Shares is approximately 36.7%.

5.10 The Managers and advisors for the Private Placement

The Managers for the Listing is RS Platou Markets AS, Carnegie, Danske Bank, DNB Markets, Nordea Markets, Pareto Securities, SEB Enskilda and Swedbank First Securities.

Advokatfirmaet Wiersholm AS has acted as Norwegian legal advisor to the Company and the Managers.

5.11 Expenses

The Company estimates the expenses associated with the Private Placement and the listing of the New Shares to be approximately USD 7 million of which the Underwriters received an underwriting commission of USD 5 million which were settled through the issuance of 4,166,667 new Shares. In addition costs related to fees to Oslo Børs and the NFSA were borne by the Company.

6 COMPANY OVERVIEW

6.1 Incorporation, registered office and registration number

The legal and commercial name of the Company is Archer Limited. The Company was incorporated on 31 August 2007, with registration number 40612, as an exempted limited company and is organized and exists under the laws of Bermuda.

The Company's registered office is at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda and the office of Archer Management Limited (UK) is in Room 607, Capital Tower, 91 Waterloo Road, London, SE1 8RT, telephone: +44 207 590 1590 and telefax: +44 207 590 1589. Archer has offices in Norway, Argentina, Australia, Brazil, Singapore, United Kingdom and United States. Archer's web site is www.archerwell.com.

6.2 Company overview and history

6.2.1 Overview

Archer is a global oilfield services company helping customers produce more oil and gas by building better wells. Employing over 8,000 people, Archer comprises the combination of several well specialist companies, including Allis-Chalmers Energy, Inc. ("**Allis-Chalmers**"), the operating companies of Great White Energy Services ("**Great White**"), Gray Wireline Services Inc. ("**Gray Wireline**"), TecWel AS (**TecWel**"), Peak Well Solutions AS (changed name to Archer Oil Tools AS) ("**Oil Tools**") and other complementary businesses, each with a formidable legacy of delivering wells and improving well performance. Archer was incorporated in Bermuda on August 31, 2007 and conducted operations as Seawell Ltd until May 16, 2011 when shareholders approved a resolution to change the name to Archer Limited.

With an outstanding record of safety and efficiency, Archer's experienced drilling teams secure the production of more than 30 offshore platforms globally and operate over 70 mobile land rigs in Latin America. Archer's comprehensive drilling and workover services include platform drilling, land drilling, directional drilling, modular rigs, fluids, drill bits, engineering and equipment rentals, as well as a select range of well delivery support services and products. Archer's well services capabilities include wireline well intervention, tractors and coiled tubing, pressure control and pressure pumping, production monitoring, well imaging and integrity management tools, and other services aimed at improving well performance and extending well life. Archer is publicly traded on the Oslo Børs under the ticker "ARCHER". Archer primarily operates in the North Sea, the major basins in the United States and in Argentina. Archer is in the process of expanding its operations in the Asia Pacific region, Latin America, the Middle East, and in West Africa.

6.2.2 History and development of Archer

The Company was established following the spin-off of Seadrill's well service division. Together with its wholly owned subsidiary, Seawell Holding UK, the Company acquired the shares in the entities comprising Seadrill's well service division in October 2007.

Archer milestones since 2008

- In April 2008, Archer acquired Noble Corporation's North Sea platform drilling division for a purchase price of approximately NOK 268 million.
- In May 2008, Archer acquired Oil Tools, a Norwegian owned oil services company offering products and services for the upstream offshore oil and gas industry. Oil Tools performs development, engineering, assembly, testing, sales and operations, plugs and cementing technologies and services. The purchase price for the acquisition was NOK 409.9 million.
- In July 2008, Archer completed the acquisition of TecWel. TecWel develops and manufactures proprietary ultrasound investigation tools and provides cased-hole services used to optimize production and secure well integrity for the global oil and gas industry. The purchase price for the acquisition was NOK 172.7 million.
- In May 2010, Archer acquired Viking Intervention Technology AS, a company developing an integrated carbon cable intervention system. The purchase price for the acquisition was NOK 50 million, plus an earn-out of up to NOK 25 million.
- In August 2010, Archer acquired Rig Inspection Services for a purchase price of SGD 7.5 million, plus up to SGD 7.5 million through an earn out mechanism.
- In August 2010, Archer signed a merger agreement with Allis-Chalmers for an enterprise value (initially calculated) of USD 890 million.
- In August 2010, Archer raised gross proceeds of USD 430 million through the issuance of 115.4 million Shares at a subscription price of NOK 23.
- In November 2010 the Company listed its shares on Oslo Børs.

- In December 2010 Archer acquired Gray Wireline for USD 157.5 million.
- In January 2011 Archer acquired Universal Wireline for USD 25.5 million.
- In February 2011 Archer closed the merger agreement with Allis-Chalmers in the USD 890 million transaction by issuing 97,071,710 Shares and paying approximately USD 18 million to the former shareholders of Allis-Chalmers.
- In May 2011 the Company changed its name from Seawell Limited to Archer Limited.
- In August 2011 the Company entered into an agreement to acquire Great White for USD 742 million on a cash and debt free basis. Later the same month, the parties announced completion of the transaction and that the parties had, in light of recent developments in the financial markets, agreed to reduce the purchase price to USD 630 million on a cash and debt free basis.
- In August 2011 the Company raised gross proceeds of USD 82.8 million through the issuance of 12.7 million Shares at NOK 35.
- In August 2011 the Company raised gross proceeds of USD 167 million through the issuance of 30.0 million Shares at NOK 30.
- In April 2012 Archer acquired X-it Casing Exit Systems for USD 6.0 million.
- In February 2013 the Company raised gross proceeds of USD 250 million through the issuance of 208,334,000 Shares at USD 1.20 and settled a USD 5 million underwriting commission to the Underwriters through the issuance of 4,166,667 Shares.

6.2.3 Strategic objective

Service and product offering

Archer provides a broad range of services for the oil and gas industry, helping its customers by delivering better wells to maximize production of hydrocarbons from their reservoirs.

Underpinned by experience and an outstanding record for safety and efficiency, Archer's services include platform drilling, where Archer supplies experienced personnel and processes for drilling and other technical operations on more than 30 offshore platforms in the North Seas; land drilling, through Archer's fleet of 77 rigs, including 30 drilling rigs and 47 service rigs; and Archer has built its first modular offshore drilling unit, the Archer Emerald, which started operations in 2012. Archer also provides engineering services covering detailed design, construction, commissioning and maintenance of drilling facilities; directional and underbalanced drilling operations; tubular services; rental equipment for both onshore and offshore operations; and hammer drill bits are also a part of Archer's portfolio helping its customers in the well construction process.

Archer well specialists leverage experience and the right tools to improve well integrity and performance, extending the productive life of these vital assets. Archer's capabilities include a variety of wireline logging and intervention services, including supporting customers with Archer's proprietary technology to complete and maintain their wells. Pressure control products and services, including coiled tubing, snubbing, and nitrogen services and frac valve products support Archer's customers in well completion and intervention. Archer also provides pressure pumping services featuring hydraulic fracturing, a service used to enable production of hydrocarbons from unconventional reservoirs such as shale.

Principal markets

The demand for Archer's products and services is driven by the price for hydrocarbons in the countries it operate. As such Archer believes that the long-term fundamentals for the services it provides are sound and give the Archer Group a good basis to grow. The immediate prospects in 2013 remain uncertain due to the low price for natural gas in the United States as well as the uncertainty created for exploration and production companies by the cancellation of the Oil Plus and Refinery Plus programs in Argentina.

As part of the growth over the past years, Archer now operates in Angola, Argentina, Australia, Bolivia, Brazil, China, Denmark, Egypt, Malaysia, Norway, Qatar, Saudi Arabia, Singapore, Thailand, United Arab Emirates, United Kingdom, and the United States. Archer has facilities and offices in Argentina, Australia, Bolivia, Brazil, Norway, Singapore, the United Arab Emirates, the United Kingdom, and the United States.

Strategy

Archer is in the early phase of becoming a mid-sized oilfield service company with a presence around the world. Following two large acquisitions in 2011, Archer's primary objectives in the short-term are to consolidate its various businesses, improve its operational performance and asset utilization, and expand its services throughout a selected list of countries within its existing footprint. Archer will continue to aggressively invest in its well services business with specific focus on international expansion as well as enhancing its technology portfolio.

6.2.4 Competitive strengths

Archer believes the following competitive strengths will enable Archer to capitalize on future opportunities:

- Strategic position in existing fields. Archer focuses on providing services in existing oil producing fields.

- The high decline rates in these fields combined with global energy demand and the inability of new fields to provide sufficient additional production capacity provide a good foundation for long-term further growth.
- Strong relationships with diversified customer base across various geographic regions. Archer has strong relationships with many of the major and independent oil and natural gas producers and service companies. Archer has broadened its customer base and geographic footprint as a result of its acquisitions, technical expertise and reputation for quality customer service and by providing customers with advanced technology and highly skilled operating personnel.
- Successful execution of growth strategy. Since its inception, Archer has grown both organically and through successful acquisitions of competing businesses. These acquisitions and organic growth have expanded Archer’s geographic presence and customer base and, in turn, have enabled Archer to offer its technology to a large number of international exploration and production operators.
- Diversified and increased cash flow sources. Archer operates as a diversified oilfield service company through its four business segments. Management believes that Archer’s diverse product and service offerings and geographical presence through its two business segments provide Archer with stable cash flow and the opportunity for continued further growth.
- Experienced management team. Archer’s executive management team has extensive experience in the energy sector, and consequently has developed strong and longstanding relationships with many of the major and independent exploration and production companies.

6.3 Business segments

As from January 1, 2012, Archer’s operations have been managed through four business segments, North America, Latin America, North Sea and Emerging Markets & Technologies.

Archer previously managed its operations through two business segments, drilling services and well services. Further details, including a breakdown of total revenues by such segments for 2009 and 2010 can be found in Archer's prospectus of 14 November 2011 as incorporated by reference in Section 14.2 in this Prospectus.

Archer's current four business segments are described further in the following.

6.3.1 North America

Archer’s largest business segment by revenue is its North America business, which generated total revenues of USD 683.1 million, or 31.2% of total revenues, for the twelve months ended December 31, 2012, compared to unaudited proforma USD 742.1 million, for the same period in 2011.

While the overall activity level in the United States remained relatively high, the average land-based gas rig count dropped by 331 in 2012, or 37% compared to last year. The decline in gas rigs was more than offset by a increase in rigs engaged in oil drilling of 375 rigs, or 38% compared to last year. Archer’s revenues were negatively impacted by this shift due to increased mobilisation activity and lower service intensity of oil-based completions. The resulting concentration of equipment in oil basins led to significant pricing pressure throughout most of Archer’s business lines.

North America operations currently include the following services:

Pressure pumping

The pressure pumping services include hydraulic fracturing and acidizing services. These services are primarily used in optimizing hydrocarbon flow paths during the completion phase of unconventional wellbores. In August 2011 Archer acquired Great White who began providing pressure pumping services in September 2006 with 18,200 horsepower acquired in the acquisition of Acid Inc. As of December 31, 2012, Archer had organically grown the pressure pumping business to 160,000 horsepower, consisting of a large number of quintuplex pumps. The quintuplex pumps allow for the execution of multi-stage fracture stimulation jobs, which are typically required for production enhancement of unconventional wells. Currently, Archer provides pressure pumping services in Oklahoma and Texas. In the beginning of 2012 the North America management team was strengthened with among others a new President of its Pressure pumping division and a new President of Manufacturing, Supply Chain, and Facilities with 33 years and 27 years experience respectively in senior positions at BJ Services and Baker Hughes.

Coiled tubing, completion services and pressure control

As the cost of finding new energy supplies accelerates, the need to increase production from existing wells becomes increasingly important. Coiled tubing services continue to play a critical role in workover operations, stimulating production and maintaining well performance. Archer provides coiled tubing packages, flow back support and pumping equipment designed to increase production and treat well corrosion that would otherwise hinder the flow of oil and gas. The work force is dedicated to providing customers with reliable service and technical expertise to deliver a cost-effective, safe and successful completion of the coiled tubing intervention. Archer supplies a wide variety of equipment, services and expertise in support of completion and workover operations throughout North America. Capabilities include coiled tubing, plug setting and milling, fluid pumping, nitrogen transport, flowback equipment, pressure control services, tanks and a wide range of ancillary rental equipment such as cranes, compressors, valves and gas busters. The pressure control services equipment is tailored to the unconventional resources market with the ability to operate under high pressures without having to delay or cease production during completion operations. Ceasing or suppressing production in the completion phase of an unconventional well could result in formation damage impacting the overall recovery of reserves. The pressure control services were provided through a fleet of coiled tubing units, snubbing units, wireline units, nitrogen pumping units, fluid pumping units and various well control assets.

Horizontal and directional drilling services

Horizontal and directional drilling equipment is designed for efficient drilling and production of oil and natural gas from conventional oil and gas fields as well as from shale gas and coal bed methane gas formations. Horizontal and directional drilling services allow customers to drill wellbores to specific objectives within narrow location parameters. The evolution of unconventional resource reserve recovery has increased the need for the precise placement of the wellbore. Wellbores are often drilled horizontal across long-lateral intervals within narrow formations as thin as ten feet. The personnel are involved in all aspects of the well from the initial planning to the management and execution of the horizontal or directional drilling operation. The horizontal and directional drilling equipment includes drilling motors, measurement while drilling (MWD) kits and electromagnetic (EM) kits. Complementing Archer's directional drilling expertise, other directional drilling services include well planning, design of bottom hole assembly, hydraulics, torque and drag analysis, and directional drilling technology. Archer has broad experience in the design, manufacturing and application of Polycrystalline Diamond Compact ("PDC") technology for down-hole tools, including bits and motor bearings. Archer supplies a wide range of percussion, hammer and PDC bits to the North America market.

Frac valves (American Well Control)

Complementing Archer's portfolio of services required for the construction and production enhancement of unconventional wells, AWC Frac valves, manufactures and supplies high-integrity gate valves for safe and efficient hydraulic fracturing. The commercialized "ball-screw" operated frac valves over 10 years ago and in doing so enabled a step-change improvement in the efficiency and safety of hydraulic fracturing operations.

Rental, Tubular and Underbalanced services

Archer supplies an extensive range of conventional, premium and specialized rental equipment for both onshore and offshore operations throughout North America. Standard equipment available for drilling, workover and decommissioning work includes premium drill pipe and tubing, heavy weight drill pipe, drill collars, blow out preventers, spools, valves and handling equipment. Specialized equipment includes heavy casing strings for deepwater applications, extreme-torque drill pipe for directional and extended reach applications, high-pressure blow out preventers, and a range of specialized risers with Hydril connections for subsea completions. For deepwater applications, the patented LAST™ landing string system is uniquely capable of landing heavy casing strings with no stress yield to the pipe or equipment. Archer deploys specialized equipment and trained operators to perform a variety of pipe handling services, including installing casing and tubing, changing out drill pipe and retrieving production tubing for both onshore and offshore drilling and workover operations. The underbalanced drilling division provides compressed air equipment, chemicals and other specialized products for air-, mist-, foam-drilling techniques. This enables operators to conduct a range of underbalanced drilling, completion and workover operations on both petroleum and geothermal wells.

6.3.2 Latin America

Archer's Latin America business generated total revenues of USD 585.3 million, or 26.7% of total revenues, for the twelve months ended December 31, 2012, compared to unaudited proforma USD 537.4 million, for the same period in 2011.

Rig utilization was 91.0% in 2012 compared to 93.0% in 2011.

Latin America operations currently include the following services:

Land drilling

Archer is one of South America's leading providers of land drilling and workover services. Drilling and workover services in Argentina and Bolivia are provided through the Company's wholly-owned subsidiary Archer DLS Corporation ("DLS"), and in Brazil, through another wholly-owned subsidiary, Archer do Brasil Servicos de Petroleo Ltda. DLS has been providing drilling and workover services for more than 47 years to operators in Argentina, Bolivia, and other regions. Archer currently operates a combined fleet of 78 rigs, including 31 drilling rigs and 47 service rigs.

Drilling and completion fluids

Archer provides a comprehensive range of drilling and completion fluid services and products. The engineering capabilities and on-site personnel deliver fluid systems that minimise operational costs and health, safety and environmental ("HSE") impact, whilst at the same time enhancing well productivity.

Rental, Tubular and Underbalanced services

Archer supplies a range of rental equipment, underbalanced drilling equipment and tubular services including installing casing and tubing, changing out drill pipe and retrieving production tubing for drilling and workover operations throughout Latin America.

6.3.3 North Sea

Archer's North Sea business generated total revenues of USD 599.6 million, or 27.4% of total revenues, for the twelve months ended December 31, 2012, compared to USD 651.3 million, for the same period in 2011.

The firm order backlog of the North Sea drilling services business segment is at the date of this Prospectus approximately USD 1.2 billion (unaudited).

North Sea operations currently include the following services:

Platform drilling

Archer conducts offshore drilling services on client owned fixed oil and gas installations, referred to as "platforms." Archer supplies experienced personnel for drilling and technical operations on fixed production platforms. The scope of services Archer provides is detailed in client-specific contracts, which are also used to govern the relationship between Archer and its clients. Archer's business requires a high volume of personnel who are employed offshore to provide the services on a structured work rotation cycle. Archer and its predecessors have provided drilling and management services on fixed installations in the UK and Norwegian North Sea for over 35 years. Since the award of the contract for the North Sea Heather field in 1977, Archer has been a key player in the supply of drilling and maintenance personnel to fixed platforms. Since that time, Archer has continued to build on its early experience by increasing capabilities, developing unique supporting technologies, and extending Archer's global footprint. Currently, Archer offshore drilling crews operate over 30 fixed installations in the UK, Norway and Brazil, with responsibility for the operation and maintenance of all the equipment owned by clients. Although we operate a Platform for Statoil in Brazil, it is as of January 1, 2013 managed and reported as part of our North Sea Area due to the similarity of its service offering with the other North Sea businesses. Archer has long-term relationships with a large number of major operators, including Apache, BP, Chevron, ConocoPhillips, Fairfield Energy, Marathon, Shell, Statoil, and Talisman.

Modular rigs

Archer has built its first modular drilling unit, the Archer Emerald, to cost-effectively service the platform drilling industry. The Archer Emerald is a rack and pinion rig, combining the very latest in drilling technology into a lightweight, compact, and modular package.

Designed to operate stand-alone, it can be rigged up on the majority of offshore installations to provide complete life-cycle drilling and work-over services from initial well delivery right through to decommissioning.

Typical operations include conventional drilling/sidetrack operations, snubbing services, work-over services, through tubing rotary drilling, managed-pressure drilling and plug & abandonment activities.

Built in accordance with the NORSOK D-001 Drilling Facilities Standard, the Archer Emerald is able to operate in the harshest offshore environments.

The rig has a weight of approximately 470 ton, a footprint of 6meter x 15.8meter and is able to pull approximately 400 sT in operations.

Archer Emerald currently operates for Shell Todd on the Maui A platform in New Zealand it is managed and reported as part of Archer's North Sea Area due to the similarity of its service offering with the other North Sea businesses. The rig was under installation for the majority of the fourth quarter of 2012 and has commenced drilling operations in the first quarter of 2013.

Archer entered in February 2013 into a contract with Statoil for modular rig operations on the Heimdal platform in the North Sea commencing in the second half of 2014. Archer will build its second modular rig, the Archer Topaz for this assignment.

Engineering

From projects on fixed and mobile installations, to asset management and consultancy, Archer provides engineering services encompassing conceptual solutions through detailed design and construction to final offshore and onshore commissioning. With the suite of engineering, procurement and management capability, Archer provides Engineering Procurement Construction ("**EPC**") services for drilling facility development, maintenance and operational support. Archer Integrated Asset Management Services complement the broad expertise with a range of inspection, reliability and integrity management services, maintenance management and asset management system support that enables facility performance improvement. As a drilling operations company with a 40 year heritage, Archer has a great deal of relevant industry experience and accumulated practical knowledge to guide the engineering services.

6.3.4 Emerging Markets & Technologies

Archer's Emerging Markets & Technologies business generated total revenues of USD 322.5 million, or 14.7% of total revenues, for the twelve months ended December 31, 2012, compared to USD 292.8 million, for the same period in 2011.

Emerging Markets & Technologies operations currently include the following services:

Wireline intervention

Archer offers a broad range of wireline and cased hole investigation services throughout the well lifecycle. Intervention by wireline allows for the maintenance and repair of oil and natural gas wells and is the most efficient and frequently used well intervention method. Wireline intervention is applied in all phases of a well's life: in drilling, workover, completion, production, stimulation, repair and maintenance and abandonment. Archer's wireline intervention team provides packages of multi-skilled personnel and state-of-the-art conveying equipment for slick, braided and electric-line services, spanning the full range of mechanical and electrical wireline operations. The purpose is to enable improvements to the performance and longevity of the clients' wells by combining expertise, experience and the right tools. Archer has one of the industry's most advanced fleets of slick line and electric line conveyance packages, a comprehensive suite of intervention and diagnostic services, and the support of a research and development team.

Wireline logging

Archer's wireline logging portfolio includes a select range of both conventional and proprietary cased hole investigation services and production monitoring, each designed to help operators improve well integrity and performance. Proprietary Archer technologies include the Point™ integrity diagnostic system and the Well Performance Eye 3D wellbore imaging platform, both highly effective and powerful diagnostic resources exploiting the unique properties of ultrasound energy. Conventional cased hole investigation services include mechanical calipers, downhole cameras, gauges and basic production logging. The global logging capability was extended to North America by the acquisition of Gray Wireline and its subsequent merger with Universal Wireline. The combined companies command one of the youngest fleets in the industry with a total of 107 active wireline trucks and 6 offshore skids. Gray Wireline provides a full range of cased hole wireline services including perforating from its 18 operating districts to over 85% of all active U.S. drilling rigs. Although Gray Wireline operates in the United States it is managed and reported as part of our Emerging Markets & Technologies Area due to the similarity of its service offering with other Wireline logging and intervention businesses. Offshore services are provided from its base in Louisiana.

Fishing and specialist intervention

Archer has built a team of dedicated fishing specialists. Heavy-duty fishing tools are a key resource in the technology they employ; amongst them the most powerful wireline jar in the world. In addition to its problem-solving work, the team works continuously to develop new tactical wireline techniques and technologies all aimed at maintaining and improving well performance. The specialist well intervention team has been assembled to assist customers facing unexpected or complex downhole challenges. The team has the experience, skills and procedures to find solutions speedily and efficiently. The Archer Group is particularly skilled in using 2 7/8" heavy-duty fishing toolstrings deployed on 5/16" heavy-duty braided wire, and employs high-impact fishing services, downhole inspection and well cleaning or isolation techniques.

Cementing tools and plugs and packers

Archer has developed a range of cementing technology and tools to enhance safety and well integrity, from radically effective gas-tight stage tools, to more traditional casing accessories and bridge plugs. Cementing solutions provide a major contribution to the efficient management and integrity of a well throughout its life. Archer cementing technologies provide dedicated solutions for a wide range of tasks during the design phase, through drilling and completion, to abandonment. Notable technologies include the remote and wireless-control cement heads, RCCH and WCCH, and the high-performance gas-tight stage tools, the CflexTM system. Archer has developed the gas-tight V0 Mechanical Barrier ("**VMB**") family of retrievable plugs, one of a number of breakthrough technologies that has raised the industry standard in securing and maintaining well integrity. VMB technology is tested and certified to the rigorous ISO 14310 V0 standard, which requires testing with gas above and below the barrier element, cycling of pressure and temperature, and the ability to remain completely leak free. Completing the range of mechanical barriers, Archer also supplies a wide selection of bridge plugs and cement retainers.

6.4 Principal markets

The principal markets for Archer's services include Norway, the United States, Argentina, the United Kingdom, Australia, Brazil, Bolivia, Denmark, New Zealand and Singapore.

The following tables set forth Archer's total revenues by geographic market for the years ended December 31, 2012, 2011, 2010 and 2009.

(USD in millions)	Year ended December 31, 2012	Year ended December 31, 2011	2010	2009
Norway	550.4	641.2	531.1	437.4
United Kingdom	146.5	134.0	139.3	148.2
United States	851.7	605.0	-	-
Argentina	427.4	359.2	-	-
Other	214.5	115.2	48.3	23.7
Total	**2,190.5**	**1,854.6**	**718.7**	**609.3**

6.5 Competitive position

Archer experiences significant competition in all areas of its business. In general, the markets in which Archer competes are highly fragmented, and a large number of companies offer services that overlap and are competitive with Archer's services and products. The Company's management believes that the principal competitive factors are technical and mechanical capabilities, management experience, past performance and price. While Archer has considerable experience, there are many other companies that have comparable skills. Many of Archer's competitors are larger and have greater financial resources than Archer does.

6.6 Seasonality

Adverse weather conditions in the North Sea during the winter months usually result in lower levels of activity and revenue for Archer, although this is less apparent than in the past due to technological advances. In the United States, winter weather conditions can impact its operations in Oklahoma, North Dakota, North Texas as well as in the north eastern states such as Pennsylvania and Ohio. Archer's business may also be affected from delays caused by adverse weather conditions such as hurricanes or tropical storms. Furthermore, in Brazil, where Archer also generates revenue from operations, adverse weather conditions affect Archer's results of operations. Optimal weather conditions offshore Brazil normally exist only from October to April and most offshore operations in this region are scheduled for that period. Therefore full-year results are not likely to be a direct multiple of any particular quarter or combination of quarters. During periods of curtailed activity due to adverse weather conditions, Archer continues to incur operating expenses.

6.7 Equipment

The equipment utilized in Archer's business is generally available new from manufacturers or at auction. However, the cost of acquiring new equipment to expand Archer's business could increase as demand for equipment in the industry increases.

6.8 Marketing

Marketing of Archer's services is performed through Archer's regional offices. Archer's marketing strategy is focused on ensuring that Archer is invited to bid on all proposed projects that are consistent with Archer's strategy, and where Archer has a competitive advantage on the basis of its capabilities, its engineering excellence or its technological specialization. Archer uses its industry know-how and relationships with its clients to ensure Archer is aware of all projects in its markets that fit these criteria.

In the United States, the majority of Archer's operations are carried out on a call-out basis where the terms of service are governed by Master Service Agreements with several hundreds of its customers and each job is priced based on Archer's price books and individual customer discount terms. While the Master Service Agreements are either long-term or evergreen, the parties typically do not commit to any volume of activity.

Outside the United States, a significant portion of Archer's work is obtained through a competitive tendering process. When a target project, or "tender," is identified by Archer's marketing team, the decision to prepare and submit a competitive bid is taken by management in accordance with delegated authority limits. Cost estimates are prepared on the basis of a detailed standard cost manual, and the selling price and contract terms are based on Archer's commercial standards and market conditions. Before the tender package is submitted to the client, it is subject to a detailed review process by senior management of Archer.

The implementation of Archer's tendering policies has resulted in the information contained in tender review packages being uniform across Archer's organization, allowing Archer to weigh the risks and benefits of tendering for various projects. A larger proportion of tenders are reviewed centrally by Archer's management and Archer continues to place great emphasis on its standard contractual terms and conditions. With these policies in place, Archer devotes significant management time to the tendering process and is selective with respect to the initiation of new projects.

Once Archer has been awarded a project to provide oilfield services, Archer will enter into a project contract with its client. Typically, Archer enters into day-rate contracts; however, on rare occasions, lump-sum contracts may be entered into.

Where services are to be performed pursuant to a day-rate contract, Archer will enter into a framework agreement outlining the terms of the project, with individual project call-offs being utilized to provide the details of the specific work Archer is to conduct. Under the terms of Archer's day-rate contracts, Archer receives payment based on the days its services are utilized. Archer's day-rate contracts typically include provisions for a reduced day-rate due to weather or equipment downtime.

Under the terms of Archer's contracts, Archer's clients usually have the right to terminate without cause upon written notification specifying the termination date. Where the client terminates without cause, Archer is entitled to payment for work performed in accordance with the contract, including Archer's reasonable costs.

6.9 Research and development, patents, licenses and critical contracts

Archer's research and development programs have concentrated on the requirements of its clients, who are constantly seeking to develop oil and gas reserves in more demanding environments, and on increasing the efficiency of Archer's equipment and operations. Archer has research and development programs aimed at developing new technologies and extending existing technologies for the provision of well integrity and well intervention services. Archer's research and development activities are typically carried out internally using both dedicated research personnel and as part of specific projects. External research and development is performed either through strategic technological alliances or via joint industry collaborative projects, where appropriate.

As the revenue related to technology driven activities is relatively small, the Company believes that currently its business is not materially dependent on any research and development.

The table below sets forth information on Archer's research and development activities during the twelve months period ending on December 31, 2012 and the preceding last three years:

	Unaudited	**Year ended December 31,**		
	2012	**2011**	**2010**	**2009**
USD million	9.5	8.9	5.5	4.6

6.9.1 Intellectual property and critical processes

Archer owns or has a right to use a number of patents and trademarks, as well as software and other intellectual property to support its operational activities. A limited number of Archer's patents are held in common with other industrial partners. Archer also conducts some of its operations under licensing agreements allowing Archer to make use of specific techniques or equipment patented by third parties. However, in the opinion of Archer, the business is not materially dependent on any particular patents or licenses or on any specific manufacturing processes.

6.9.2 Critical contracts

As described in more detail in Section 8.1.3 Seadrill granted an on-demand guarantee of USD 100 million in favour of Archer's lenders under its main credit facility and Archer's lenders of the overdraft facilities. This guarantee is critical for Archer's ability to obtain financing with competitive conditions.

As described in more detail in Section 8.1.4 the Company has a contract with Pan American Energy for the provision of drilling and well construction services. Revenue related to this contract represented 12.3% of the Company's operating revenues for the year ended December 31, 2012. The Company believes that this contract is critical for its success in Latin America.

On March 7, 2013, the Company entered into a third amendment and restatement agreement in respect of its main credit facility. The amended and restated main credit facility as described in detail in Section 11.6.2 is deemed to be critical for the Company.

Apart from the above mentioned arrangements the Company believes there are no other critical industrial, commercial or financial contracts.

6.10 Environmental regulations

Archer's operations are subject to federal, state and local laws and regulations of the jurisdictions in which it operates relating to the energy industry in general and the environment in particular. Environmental laws have in recent years become more stringent and have generally sought to impose greater liability on a larger number of potentially responsible parties. Because Archer provides services to companies producing oil and natural gas, which may cause damage to the environment, Archer may become subject to claims relating to the release of such substances into the environment. Archer strives to conduct its business activities in an environmentally sustainable manner that is achieved through the use of written processes and risk management procedures focused on the proactive assessment of environmental risks associated with Archer's operations. These risk assessments help facilitate a reduction of the environmental impact of Archer's activities and help prevent the accidental release of oil and natural gas into the environment. While Archer's management is not currently aware of any situation involving an environmental claim that would likely have a material adverse effect on Archer, it is possible that an environmental claim could arise that could cause Archer's business to suffer. Archer's management does not anticipate any material expenditure to comply with environmental regulations affecting Archer's operations.

Any change in environmental or other regulations for the oil and gas industry would not have a differentiated impact on Archer and Archer's business would be impacted, if at all, similarly to the other industry participants.

6.10.1 Other matters

Health, safety and environmental management

Archer conducts business in accordance with a well-defined set of processes. Archer's Health, Safety and Environmental, or HSE, philosophy is to establish and maintain a culture where there are no accidents, injuries or losses. Management believes that a good working environment is a prerequisite for achieving good safety results and that sincere commitment from senior management is a key factor in reaching the goal of no accidents, injuries or losses. At Archer, line management is responsible for the implementation of systematic and preventive HSE work, as well as encouraging and promoting a sound health, environment and safety culture. In addition, Archer has implemented a program to encourage and stress each individual's responsibility for and commitment to HSE matters. This program includes seminars, on-the-job training, best practice campaigns and a focus on leadership.

Archer's management system meets the relevant requirements of authorities, customers and partners. The management system has certified according to ISO 9001:2008, Quality Management. In addition, the management system has met the requirements of ISO 14001:2006, Environmental Management Standards, for several years and Archer's management is currently in the process of certifying Archer according to these standards. In addition, relevant authorities such as the Petroleum Safety Authority Norway and the UK Health & Safety Executive have accepted the management system through the Acknowledgement of Compliance and the Safety Case certification, respectively.

As a result of Archer's systematic and focused safety management program, improvements have been shown in most safety statistics. In addition, the majority of incidents still taking place have a very low potential for serious personal injuries, spills or emissions to the environment or economic losses. In addition, Archer is actively working to prevent damage to the environment as a result of Archer's operations. This includes the systematic registration of emissions and discharges and pre-emptive action in selecting chemicals that cause minimum harm to the environment.

Risks and insurance

Archer's operations are subject to all the risks normally associated with oilfield development and operations and could result in damage to, or loss of, property, suspension of operations or injury or death to employees or third parties. Archer's operations are conducted in hazardous environments where accidents involving catastrophic damage or loss of life could result, and litigation arising from such an event may result in Archer being named a defendant in lawsuits asserting large claims. As is customary in the oilfield services industry, Archer attempts to mitigate its exposure to some of these risks through indemnification arrangements and insurance policies.

Archer's service contracts generally contain contractual indemnities against liability for pollution, well and environmental damages, damages to equipment and property, and personal injury, consistent with industry practices. These indemnities provide that Archer's customer, the operator, will retain liability and indemnify Archer for:

- environmental pollution caused by any oil, gas, water or other fluids and pollutants originating from below the seabed;
- damage to customer and third-party equipment and property including any damage to the sub-surface and reservoir; and
- personal injury to or death of customer personnel.

The allocation of risk described above is not unique to Archer and is generally accepted in the oil and gas industry by and between service companies such as Archer, on the one hand, and operators and exploration and production companies, on the other. This allocation reflects the risk-reward model as defined in the industry for several decades.

Archer also carries insurance coverage for its operations and is partially self-insured for certain claims in amounts that management believes to be customary and reasonable. In line with industry practice, Archer maintains insurance worldwide for liability arising from its operations, and its insurance covers all of its material assets, including all capital items such as major equipment and real property. Among the risks insured are loss of, or damage to, third-party property, consequential interruptions in business, death or injury to employees and/or third parties, statutory workers' compensation protection and pollution.

Archer's insurance coverage is consistent with industry practices, including a policy for general third party and product liability insurance with Zurich. The current policy expires March 31, 2013, and Archer currently anticipates that it will be able to renew its policy on commercially reasonable terms. The policy includes coverage of USD 50 million per occurrence for legal liability for damage caused to a third party (any party other than the insured, its affiliates and colicensees and their respective employees). Archer also maintains a policy with If Property & Casualty Insurance for coverage of up to USD 5 million per occurrence with an annual aggregate limit of USD 10 million for professional liability as a result of faulty product design, feasibility studies, procurement, supervision, license agreements or sales of electronic data processing software and reservoir monitoring system.

Archer's general third party and product liability insurance policy does, however, expressly exclude coverage for certain types of environmental damages. In all locations except North America the policy covers only environmental damages that are the direct and unavoidable consequences of a sudden, unforeseen and identifiable event and, in the case of recoverable pollution damage, the policy also covers clean-up related expenses imposed by public authorities. In North America, the policy includes what is known as "Named Perils Coverage", which covers claims for personal injury or damage to soil, air, water or other property damage, provided that such loss is a direct and unavoidable consequence of any of the following perils:

- unintended and unforeseen fire, lightning or explosion;
- collision or overturning of road vehicles; and
- explosion of piping or pressure vessels within the insured's premises that are not caused by insufficient maintenance or monitoring.

The Named Perils Coverage expressly excludes the following:

- loss of or damage to or loss of use of property or indirectly resulting from sub-surface operations or installations of the insured;
- costs for removal of, loss of or damage to substances stored or handled under ground, such as oil, gas or any other substance;
- losses emanating from any site or location used in whole or in part for handling, processing, treating, storing, disposing or dumping of any waste material or similar substance;
- costs for evaluation, monitoring, or controlling of suspect or known seeping, polluting or contaminating substances; and
- costs of removing or cleaning up seeping, polluting or contaminating substances on property at any time owned or leased by the insured or under control of the insured.

Such insurance would cover claims made against Archer by or on behalf of individuals who are not Archer employees regardless of whether Archer held indemnity rights from its customer or another third party.

Archer does not own a floating offshore rig. Archer does own a modular rig that can be installed on offshore platforms and currently has an additional modular rig under construction in Germany and Archer insures its modular rigs under Archer's existing insurance coverage above and an additional policy for marine protection and indemnity.

Management considers Archer's level of insurance coverage to be appropriate for the risks inherent in Archer's business. The determination of the appropriate level of insurance coverage is made on an individual asset basis taking into account several factors, including the age, market value, cash flow value and replacement value of the asset in hand. However, there can be no assurance that the amount of insurance Archer carries is sufficient to protect Archer fully in all events, and a successful liability claim for which Archer is underinsured or uninsured could have a material adverse effect on Archer. Additionally, insurance rates have in the past been subject to wide fluctuations, and changes in coverage could result in less coverage, increases in cost or higher deductibles and retentions (see Section 2 "Risk Factors").

6.11 Organizational structure

Archer Limited is an exempt limited company organised under the laws of Bermuda.

It is a holding company owning, directly or indirectly, all of the subsidiaries in Archer. Its main function is to provide financing to the other Archer Group entities by way of equity or shareholder loans.

Archer's assets and operation are organised in direct and indirect subsidiaries incorporated in jurisdictions providing the tax and legislative framework which best suits Archer's overall needs.

The following table sets forth the Company's significant subsidiaries and affiliates as of the date of this Prospectus.

Subsidiary	Jurisdiction of Incorporation	Principal Activities	% Owned
Archer (UK) Limited	UK	Oilfield services	100%
Archer Assets UK Limited	UK	Holding company	100%
Archer Consulting Resources Limited	UK	Oilfield services	100%
Archer Management Limited	UK	Management company	100%
X-IT Energy Services Limited	UK	Oilfield services	100%
Archer Management AS	Norway	Management company	100%
Archer Norge AS	Norway	Onshore administration and holding co.	100%
Archer Oil Tools AS	Norway	Oilfield services	100%
C6 Technologies AS	Norway	Oilfield services	50%
Archer AS	Norway	Oilfield services	100%
Bergen Technology Centre AS	Norway	Oilfield services	100%
Peak Well Solutions AS	Norway	Oilfield services	100%
Viking Intervention Technology AS*	Norway	Oilfield services	50%
Wellbore Solutions AS	Norway	Oilfield services	100%
Archer Offshore (Denmark) AS	Denmark	Oilfield services	100%
Archer Overseas Contracting Limited	Hong Kong	Oilfield services	100%
Archer Services Limited	Hong Kong	Oilfield services	100%
Archer Well Company (Singapore) Pte Ltd.	Singapore	Oilfield services	100%
Archer Well Company (Australia) Pty Ltd.	Australia	Oilfield services	100%
Archer Well Company (M) Sdn Bhd	Malaysia	Oilfield services	100%
Archer Emerald (Bermuda) Limited	Bermuda	Oilfield services	100%
Archer Topaz Limited	Bermuda	Oilfield services	100%
Archer Management (Bermuda) Ltd.	Bermuda	Management company	100%
Archer Directional Drilling Services LLC	US	Oilfield services	100%
Archer Drilling LLC	US	Oilfield services	100%
Archer Management (US) LLC	US	Management company	100%
Archer Leasing and Procurement LLC	US	Oilfield services	100%
Archer Oil Tools LLC	US	Oilfield services	100%
Archer Rental Services LLC	US	Oilfield services	100%
Archer Survey and Inspection LLC	US	Oilfield services	100%
Archer Tubular Services LLC	US	Oilfield services	100%
Archer Underbalanced Services LLC	US	Oilfield services	100%
Archer Well Company Inc.	US	Oilfield services and mgmt co.	100%
AWC Frac Valves Inc.	US	Oilfield services	100%
Gray Wireline Services, Inc.	US	Oilfield services	100%
Archer DLS Corporation	BVI	Oilfield services	100%
DLS Argentina Ltd. (Argentina Branch)	Argentina	Oilfield services	100%
DLS (Bolivia branch)	Bolivia	Oilfield services	100%
Rawabi Allis-Chalmers Company Limited	Saudi Arabia	Oilfield services – joint venture	50%
Archer BCH (Canada) Ltd.	Canada	Oilfield services	100%
Archer do Brasil Servicos de Petroleo Ltda.	Brazil	Oilfield services	100%
Archer Logistica y Servicios de Mexico, S. de R.L. DE C.V.	Mexico	Oilfield services	100%
Archer Pressure Pumping LLC	US	Oilfield services	100%
Great White Pressure Control LLC	US	Oilfield services	100%

**Viking Intervention Technology AS is 100% owned by C6 Technologies AS and the ownership percentage reflects Archer's indirect ownership through the ownership in C6 Technologies AS.*

6.12 Property, plant and equipment

As of December 31, 2012 and December 31, 2011 Archer owned the tangible asset described below.

Operational equipment

(In millions of USD)	**Unaudited December 31, 2012**	**Unaudited December 31, 2011**
Cost	1,453.5	1,053.1
Accumulated depreciation	(509.4)	(197.0)
Net book value	944.1	856.1

Depreciation expense related to operational equipment was USD 172.2 million and USD 102.7 million for the years ended December 31, 2012 and 2011, respectively.

Operational equipment include various equipment used to provide oilfield services as described in Section 6.3 and include equipment for pressure pumping, coil tubing, directional drilling, land drilling, wireline services.

Other fixed assets

(In millions of USD)	**Unaudited December 31, 2012**	**Unaudited December 31, 2011**
Cost	74.9	139.8
Accumulated depreciation	(28.4)	(42.7)
Net book value	46.5	97.1

Depreciation expense related to other fixed assets was USD 10.2 million and USD 21.7 million for the years ended December 31, 2012 and 2011, respectively.

Assets under construction

(In millions of USD)	**Unaudited December 31, 2012**	**Unaudited December 31, 2011**
Cost	68.8	90.9

Included in capitalized cost of asset under construction are interest expenses and loan related cost of USD 1.0 million and USD 1.8 million for the years ended December 31, 2012 and 2011, respectively.

Property

Except for the modular rigs, both the current Archer Emerald and the planned Archer Topaz, no individual unit of equipment is material to the overall operation of the Company. Please see Section 11.5.2 for a description of financing terms for Archer's modular rigs and Section 6.3.3 for a description of the technical capabilities of the modular rigs. Archer operates and manages its business from a number of locations globally and no single location, owned or leased, is considered material to the Company. Archer's principal operating locations are listed below in "Leased property" and "Owned property".

Owned property

As of December 31, 2012 Archer’s owned real estate property described below:

Location	**Function**	**Status**
Greeley, Colorado	Offices and warehouses	Owned
Amelia, Louisiana	Offices and warehouses	Owned
Broussard, Louisiana	Offices and warehouses	Owned
Youngsville, Louisiana	Offices and warehouses	Owned
Arnett, Oklahoma	Offices and warehouses	Owned
Union City, Oklahoma	Offices and warehouses	Owned
Williston, North Dakota	Offices and warehouses	Owned
Traverse City, Michigan	Offices and warehouses	Owned
Conroe, Texas	Offices and warehouses	Owned
Longview, Texas	Offices and warehouses	Owned
Victoria, Texas	Offices and warehouses	Owned

Leased property

As of December 31, 2012 Archer held under long-term leases the real estate property described below:

Location	Function	Status
Hamilton, Bermuda	Principal office	Leased
Stavanger, Norway	Offices and warehouses	Leased
Bergen, Norway	Offices and warehouses	Leased
Aberdeen, Scotland	Offices and warehouses	Leased
Newcastle, England	Offices and warehouses	Leased
Houston, Texas	Offices and warehouses	Leased
Fort Worth, Texas	Offices	Leased
Esbjerg, Denmark	Offices and warehouses	Leased
Rio de Janeiro, Brazil	Offices	Leased
Kensett, Arkansas	Offices and warehouses	Leased
Carlsbad, New Mexico	Offices and warehouses	Leased
Farmington, New Mexico	Offices and warehouses	Leased
Dickinson, North Dakota	Offices and warehouses	Leased
Elk City, Oklahoma	Offices and warehouses	Leased
McAlester, Oklahoma	Offices and warehouses	Leased
Oklahoma City, Oklahoma	Offices and warehouses	Leased
Mt Morris, Pennsylvania	Offices and warehouses	Leased
Old Washington, Ohio	Offices and warehouses	Leased
Corpus Christi, Texas	Offices and warehouses	Leased
Kilgore, Texas	Offices and warehouses	Leased
Longview, Texas	Offices and warehouses	Leased
Odessa, Texas	Offices and warehouses	Leased
Casper, Wyoming	Offices and warehouses	Leased
Buckhannon, West Virginia	Offices and warehouses	Leased
Pio Truncado, Santa Cruz, Argentina	Offices and warehouses	Leased
Rio Grande, Tierra del Fuego, Argentina	Offices and warehouses	Leased
Santa Cruz, Bolivia	Offices and warehouses	Leased
Aracuja, Sergipe, Brazil	Offices and warehouses	Leased
Macae, Rio de Janeiro, Brazil	Offices and warehouses	Leased
Parnamirim, Rio Grande de Norte, Brazil	Offices and warehouses	Leased
Broussard, Louisiana	Offices and warehouses	Leased
Muncy, Pennsylvania	Offices and warehouses	Leased
Singapore	Offices and warehouses	Leased
Perth, Australia	Offices	Leased
Buenos Aires, Argentina	Offices	Leased
London, UK	Offices	Leased

Environmental risk factors that may affect the utilisation of the Archer's tangible fixed assets are described in Section 6.10 and in Section 2 "Risk Factors".

The operational equipment, assets under construction and other fixed assets in the US entities; Archer Well Company Inc., Gray Wireline Services Inc., Archer Management (US) LLC, Archer Pressure Pumping LLC, Great White Pressure Control LLC, Archer Directional Drilling Services LLC and Archer Rental Services LLC, are provided as collateral for the benefit of the lenders under Archer's main credit facility (see Section 11.6.2 for a further description of the main credit facility), through a general security agreement. Furthermore, the first modular rig is secured for the benefit of the lenders under the facility relating thereto through a Bermuda law floating charge agreement.

Other than the above mentioned encumbrances, there are no major encumbrances on either of the above mentioned assets nor in relation to the property leases.

6.13 Investments

Archer's principal investments for the years ended December 31, 2012, 2011, 2010 and 2009, and up to the date of this Prospectus are as follows.

6.13.1 Historical investments

Capital Expenditures

For the years ended December 31, 2012, 2011, 2010 and 2009, the Archer Group invested an amount of USD 271.6 million, USD 166.2 million, USD 27.8 million and USD 31.2 million, respectively, in property, plant and equipment. The increase in investments in 2012 from 2011 was primarily related to Archer's North American segment. Archer invested USD 147.9 million during 2012 in its North American segment with primary emphasis on its pressure pumping and pressure control businesses. During 2012, Archer invested USD 48.2 million in its North Sea segment, primarily on the modular rig and rental equipment and Archer invested USD 43.8 million in its Latin American segment on drilling rigs and supporting equipment. Archer also invested USD 31.7 million in its Emerging Markets and Technologies segment on oil tools and wireline equipment.

The increase in investments in 2011 was primarily related to the 2011 acquisitions with USD 58.2 million spent in Archer's North American segment with primary emphasis on pressure pumping and pressure control assets and USD 52.5 million spent in Archer's Latin America segment primarily on land drilling rigs and supporting equipment. Archer's North Sea investments during 2011 were USD 40.8 million mainly related to the modular rig and to rental drilling equipment. Investments during 2011 for Archer's Emerging Markets and Technologies segment were USD 14.7 million consisting primarily of wireline equipment and tools. Prior to 2011, investments in equipment were all focused on the North Sea and Emerging Markets and Technologies segments for rental drilling equipment and wireline equipment and tools.

The table below sets forth information on Archer's investments in fixed assets by business segment during the last three fiscal years:

	Unaudited	**Years ended December 31,**		
	2012	**2011**	**2010**	**2009**
		(USD in millions)		
North America	147.9	58.2	-	-
Latin America	43.8	52.5	-	-
North Sea	48.2	40.8	16.5	19.3
Emerging Markets & Technologies	31.7	14.7	11.3	11.9
Total	**271.6**	**166.2**	**27.8**	**31.2**

Historical acquisitions

As described in Section 6.2.2 Archer has carried out several acquisitions since its incorporation in August 2007. The table below includes a summary of the purchase price allocation for acquisitions carried out in 2010 converted into USD using the exchange rate at the closing of the transaction. Archer made no acquisitions in 2009.

For further information see Note 12 (goodwill) and Note 3 in the financial statements of 2011, incorporated with reference Section 14.2 hereto.

(in USD million)	**Viking Intervention Technology AS**	**Rig Inspection Services & Romeg**	**Gray Holdco Ltd**
Year of acquisition	**2010**	**2010**	**2010**
Total current assets	1.3	3.2	35.5
Property and equipment	0.8	0.1	44.3
Goodwill	3.6	4.4	80.8
Other non-current assets	11.7	2.3	35.5
Total current liabilities	1.1	0.9	7.8
Total non-current liabilities	4.7	-	25.1
Total purchase price	**11.6**	**9.1**	**163.2**

During 2011 Archer made three acquisitions. In January 2011, Archer acquired Universal Wireline, a company that provided cased hole wireline and slickline services in the United States. The purchase price for the acquisition was USD 25.5 million. In February 2011, Archer acquired Allis-Chalmers at a purchase price of USD 600.9 million. In August 2011 Archer acquired Great White for a purchase price of USD 630 million on a cash and debt free basis, which was changed to USD 668.3 million including agreed working capital adjustments. During 2012, Archer made two acquisitions. In April 2012, Archer completed the acquisition of X-it Energy Services Limited for USD 6.0 million and Archer acquired the remaining 57.4% interest of Wellbore Solutions for USD 0.4 million.

(in USD million)	**Universal Wireline**	**Allis-Chalmers**	**Great White**	**X-It***	**Wellbore***
Year of acquisition	**2011**	**2011**	**2011**	**2012**	**2012**
Total current assets	-	232.5	98.9	1.2	-
Property and equipment	19.1	655.5	193.5	-	-
Goodwill	6.4	298.6	331.7	1.9	0.4
Other non-current assets	-	105.8	92.3	5.2	-
Total current liabilities	-	148.4	41.4	0.9	-
Total non-current liabilities	-	543.1	6.7	1.4	-
Total purchase price	**25.5**	**600.9**	**668.3**	**6.0**	**0.4**

*The purchase price allocation for the acquisition is at the time of this Prospectus not finalized, and the numbers presented in the table above are preliminary.

6.13.2 Current investments

Since December 31, 2012 and up to the date of this prospectus Archer has invested approximately USD 60 million. This includes the first installment for the second modular drilling rig called Archer Topaz amounting to USD 21.2 million (EUR 16.2 million). This payment represents 30% of the total contract purchase price for the rig of USD 71 million (EUR 54 million) excluding other capitalized costs of USD 9 million. Once completed and including all capitalized costs, total capital expenditure for the second modular rig will be USD 80 million. In addition to the investment in Archer Topaz the Company also invested in pressure pumping equipment, trucks and tools for Wireline and Coiled Tubing, upgrades to drilling rigs, drillpipe and handling equipment as well as a small field facility in North Dakota.

6.13.3 Future investments – capital commitment

In addition to the above mentioned current investments Archer has approximately USD 70 million in committed capital expenditures.

Approximately USD 50 million (EUR 37.8 million) represents the remaining installments to acquire the second modular rig called Archer Topaz and the remaining USD 20 million represents capitalized interest and internal project expenses and contingency reserves related to the second modular rig as well as additional tools, trucks and rental equipment.

Approximately USD 15 million of the committed capital expenditures is due in 2013, and the remaining USD 55 million will be paid in 2014.

6.13.4 Anticipated sources of fund to complete committed capital expenditures

The funding of Archer's commitments to capital expenditure will come from a combination of existing cash resources, available credit lines, cash flow from operations, issuance of additional debt and potentially cash raised from the issuance of additional equity. As of the date of this Prospectus, Archer expects that apart from the financing for the second modular rig called Archer Topaz, it will be able to settle existing commitments on capital expenditure from existing cash resources, operational cash flow and existing credit facilities.

The financing related to the Archer Topaz is expected to be finalized during the second quarter of 2013 and the Company assumes the financing to be a Hermes backed credit facility similar to the existing facility for Archer Emerald. Until the Hermes backed credit facility is concluded Archer expect to finance the installment payment due in March 2013 through a subordinated shareholder loan.

6.14 Employees

The table below illustrates the development in number of employees over the last three years, as per the end of each calendar year from 2009 to 2012.

Employees	**2012**	**2011**	**2010**	**2009**
Archer	8,300	8,500	3,600	2,600

The number of Employees in Archer has increased significantly from 2009 til today due to the Company's acquisitions of i.e Grey Wireline in 2010 and the merger with Allis-Chalmers and the acquisition of Great White in 2011.

Significant changes to headcount resulted from the following events

- Q4 2010 - headcount increased by 500 employees resulting from the acquisition of Gray Wireline.
- Q1 2011 - headcount increased by 3,700 employees from the acquisition of Allis Chalmers.
- Q3 2011 - headcount increased by 900 employees from the acquisition of Great White.

As of the date of this Prospectus, Archer has approximately 8,100 employees. The split of Archer employees by different regions, as of December 31, 2012, is illustrated in the table below.

Employees as of December 31, 2012	
USA	2,450
Argentina and Bolivia	2,600
Scandinavia	1,700
UK	950
Brazil	550
Other	50
Total	**8,300**

Archer has no loans outstanding to employees.

6.15 Trend information

While the overall activity level in the United States remained relatively high, the average land-based gas rig count dropped by 378 in 2012, or 47% compared to last year. The decline in gas rigs was partly offset by an increase in rigs engaged in oil drilling of 134 rigs, or 11% compared to last year. Archer's financial results were negatively impacted by this shift due to increased mobilisation activity and lower service intensity of oil-based completions. The resulting concentration of equipment in oil basins led to significant pricing pressure throughout most of Archer's business lines.

Archer's has seen an increase in activity in the United States in the first quarter of 2013. In particular coil tubing, wireline and pressure pumping have seen improved utilization. Archer's currently has all 5 frac fleets in operation. All businesses are still suffering from low margins.

In Argentina Archer has not recognized revenue related to 15 rigs in the month of December 2012 until mid January 2013 as it has concluded contract negotiations for new terms and conditions starting in early 2013.

The platform drilling division will benefit from the modular rig Archer Emerald in New Zealand being on full operating rate since January 1, 2013.

As for the EMT business area, wireline activity in the United States is expected to gradually recover from a slow fourth 2012 quarter, while the integrity related technology offering continues to gain broader acceptance displaying significant growth.

Other than above, Archer has not experienced any changes or trends that are significant to Archer between December 31, 2012, and the date of this Prospectus. Archer is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on Archer’s prospects for the current financial year.

7 BOARD, EXECUTIVE MANAGEMENT TEAM AND CORPORATE GOVERNANCE

7.1 Board

7.1.1 Composition of the Board

The table below sets forth the composition of the Company's current Board:

Name	Position	Served since	Term expires
Saad Bargach	Chairman	2011	Annual General meeting, 2013
Fredrik Halvorsen	Deputy Chairman	2010	Annual General meeting, 2013
Kate Blankenship	Director	2007	Annual General meeting, 2013
Cecilie Fredriksen	Director	2008	Annual General meeting, 2013
Tor Olav Trøim	Director	2007	Annual General meeting, 2013
Giovanni Dell' Orto	Director	2011	Annual General meeting, 2013
John Reynolds	Director	2011	Annual General meeting, 2013

Mr. Alejandro P. Bulghernoi served as Director of the Company from 2011 and until his resignation on March 12, 2013.

7.1.2 Description of the Board and the Directors

Overall responsibility for the management of the Company and its subsidiaries rests with the Board. The Company's Bye-laws provide that the Board shall consist of minimum two and maximum nine directors.

The Company's business address at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda, serves as c/o addresses for the members of the Board in relation to their directorships of the Company.

Saad Bargach, Chairman

Mr. Bargach has served as Chairman of the Board since February 2011, following the merger with Allis-Chalmers. Prior to the merger, Mr. Bargach served as a director of Allis-Chalmers from June 2009 to February 2011. Mr. Bargach is a managing director at Lime Rock Partners. Prior to joining Lime Rock Partners, Mr. Bargach worked for more than 25 years at Schlumberger Inc. Most recently, he served as Schlumberger Inc's chief information officer and from July 2004 to March 2006, as president, well completions & productivity group which included artificial lift, completions, testing, subsea and sand management services. During his career at Schlumberger Inc., Mr. Bargach also served as president of consulting & systems integration for Schlumberger Sema in several European locations; the president of the drilling & measurements division with worldwide responsibility for drill bits, directional drilling, measurements-while-drilling, and logging-while-drilling services; and the Cairo-based president, oilfield services for Africa and Near East. He is also a member of the board of the American Productivity and Quality Center and currently serves on the board of directors of Artificial Lift Company (Chairman), a U.S.-based oil services company, Gas2 Limited, an Aberdeen-based oil service technology company, Tiway Oil, a Dubai-based oil and gas producing company, Expert Petroleum, a Bucharest-based production enhancement company, DHS Oil, a Dubai based oil service company, OilSERV, an Iraq-based service company, Tercel Oilfield Products, a Dubai-based oilfield services technology company, TGT Oil and Gas Services (Chairman), a Dubai-based oil services company, and Xtreme Oil Drilling, an Alberta-based oil services technology provider. He previously served on the board of directors of ITS Energy Services. Mr. Bargach has a bachelor's degree in electrical engineering and a master's degree in control systems. Mr. Bargach is a British citizen, resident in Dubai.

Fredrik Halvorsen, Deputy Chairman

Fredrik Halvorsen has served as a Director since October 2010 and was appointed Deputy Chairman of the Board in February 2011. Mr. Halvorsen is currently employed by Frontline Corporate Services Ltd, but also serves as Chief Executive Officer of Archer. In addition, Mr. Halvorsen is Chief Executive Officer and President of Seadrill. Mr. Halvorsen is also a director of Deep Sea Supply Plc., where he has served since October 2010. Mr. Halvorsen's experience includes the position as chief executive officer of Tandberg ASA and, subsequently, senior vice president of Cisco Systems Inc. Prior to that he was the leader of McKinsey's South East Asia corporate finance practice. Mr. Halvorsen holds a degree in Business Administration from The Norwegian School of Economics and Business Administration, with majors in finance and economics. The Finance major was obtained at the J.L. Kellogg Graduate School of Management. Mr. Halvorsen is a Norwegian citizen, resident in the UK.

Tor Olav Trøim, Director

Tor Olav Trøim has served as a Director since its incorporation in August 2007. Mr. Trøim is vice president and director of Seadrill, where he has served since May 2005. Mr. Trøim graduated as M.Sc Naval Architect from the University of Trondheim, Norway in 1985. From 1987 to 1990, Mr. Trøim served as portfolio manager equity for Storebrand ASA and from 1992 to 1995 he was chief executive officer of Norwegian Oil Company DNO AS. Mr. Trøim serves as a director of three companies listed on Oslo Børs: Golden Ocean Group Limited, Golar LNG Energy Limited, and Aktiv Kapital ASA, as well as being an alternate director in Marine Harvest ASA. In addition he is currently the chairman of Independent Tankers Corporation Limited. Mr. Trøim served as a director of Frontline Ltd from November 1997 until February 2008 and now serves as a consultant to the board of Frontline Ltd. He also has acted as chief executive officer for Knightsbridge Tankers Limited, a Bermuda company listed on the NASDAQ Global Select Market, until September 2007 and for Golar LNG Limited until April 2006. Mr. Trøim is a Norwegian citizen, resident in the UK.

Cecilie Fredriksen, Director

Cecilie Fredriksen has served as a Director since September 2008. Ms. Fredriksen has been employed by Frontline Corporate Services Limited in London since 2007 where she has served as an investment director. Ms. Fredriksen has been a director of Aktiv Kapital ASA since 2006, Golden Ocean Group Limited, since September 2008 and Ship Finance International Limited, since November 2008, Frontline Ltd since September 2010 and North Atlantic Drilling Ltd since 2011. Ms. Fredriksen also serves as a director of Marine Harvest ASA and Marine Harvest Ireland and has been a director of Northern Offshore Ltd. since February 2010. She received a BA in Business and Spanish from the London Metropolitan University in 2006. Ms. Fredriksen is a Norwegian citizen, resident in the UK.

Kate Blankenship, Director

Kate Blankenship has served as a Director since its incorporation in August 2007. Mrs. Blankenship has also served as a director of Seadrill since 2005, Frontline Ltd. since 2004, Ship Finance International Limited since October 2003, Independent Tankers Corporation Limited since February 2008, Golar LNG Limited since July 2003, Golden Ocean Group Limited since November 2004 and North Atlantic Drilling Ltd since 2011. Mrs. Blankenship has also served as chief accounting officer and secretary of Frontline Limited between 1994 and 2005, as chief financial officer of Knightsbridge Tankers Limited from April 2000 until September 2007 and was secretary of Knightsbridge Tankers Limited from December 2000 until March 2007. Mrs. Blankenship is a member of the Institute of Chartered Accountants in England and Wales. Ms. Blankenship is a British citizen, resident in France.

Giovanni Dell' Orto, Director

Giovanni Dell' Orto was appointed as a Director in February 2011. Mr. Dell' Orto was president and chief executive officer of DLS Drilling, Logistics and Services from 1994 to August 2006. He is member of the board of Energy Developments and Investments Corporation (EDIC), supervising EDIC's gas marketing activities in Europe and other upstream projects in North Africa. He is also a nonexecutive member of the board of directors of Gas Plus S.p.a., an Italian company listed on the Milan Stock Exchange. Mr. Dell' Orto has also served as chairman and chief executive officer of Saipem and was a board member of Agip and Snam. Mr. Dell'Orto is an Argentinean citizen, resident in Argentina.

John Reynolds, Director

John Reynolds was appointed as a Director in February 2011. Mr. Reynolds co-founded Lime Rock Partners in 1998 and is currently a managing director of Lime Rock Partners. Mr. Reynolds remains an active member of the Lime Rock Partners investment team, investigating and executing primarily energy service investment opportunities worldwide. Prior to co-founding Lime Rock Partners, Mr. Reynolds worked at Goldman Sachs where he spent six years in the investment research department and had senior analyst responsibility for global oil service sector research and was one of the top-rated analysts in the sector. He currently serves on the board of directors of Tesco Corporation, EnerMech Ltd., Revelation Energy Holdings LLC, Tercel Oilfield Products, and VEDCO Holdings Inc. He previously served on the board of directors of Hercules Offshore Inc., Eastern Drilling ASA, IPEC Ltd., Noble Rochford Drilling Ltd., Patriot Drilling, Roxar ASA, Sensa Ltd., and Torch Offshore Inc. Mr. Reynolds is a U.S. citizen, resident in the United States.

Board independence

Other than Fredrik Halvorsen, all the Directors are independent from the executive management team, all the Directors are independent from Archer's material business relations and two of the seven Directors (Giovanni Dell' Orto and Cecilie Fredriksen) are independent from shareholders holding 10% or more of the shares in the Company. Thus, as a whole the Board complies with the independency requirements of Oslo Børs listing rules and the Norwegian corporate governance code.

7.2 Executive management

7.2.1 Management structure

Ultimate responsibility for the management of the Company is vested in the Board.

The Board has decided that the Company shall have no employees and that all of the Company's management requirements shall be contracted in from subsidiaries and third parties. In so doing, the Board retains sole authority on all issues that are either of an unusual nature or of major importance to the Company and its activities.

The Board shall, in addition, always be responsible for:

– the defining of the Company's business;

– the setting of goals in relation to the Company's business; and

– the approval of all strategic plans to achieve the goals set.

The Company has incorporated a limited company in Bermuda, Archer Management (Bermuda) Limited ("**Archer Management Bermuda**") for the purpose of using this entity as the provider of all the administrative services required in the day-to-day management of the Company.

The Company is party to a general management agreement with Archer Management Bermuda setting out the terms upon which Archer Management Bermuda shall provide these services to the Company (the "**General Management Agreement**"). The terms reflected in the General Management Agreement are market based.

The General Management Agreement provides Archer Management Bermuda (and its sub-contractors) with general authority to act on the Company's behalf in some areas. In other areas, the Board will, on a case-by-case basis, provide specific authority to Archer Management Bermuda, its subcontractors and/or specified individuals employed by these corporate entities.

The intra-group management services provided to Archer are, as of the date hereof, performed from London, UK, Stavanger, Norway, and Houston, Texas, United States.

The individuals performing these services are employed in specialized management companies, being Archer Management Bermuda, Archer Management Limited (UK), Archer Management AS (Norway) and Archer Management LLC (US). Each of these companies is party to a management agreement with Archer Management Bermuda detailing the services they are to provide as subcontractors to Archer Management Bermuda and the terms thereof.

The Company supplements the services to be provided under the General Management Agreement with a corporate administrative services agreement with Frontline Management Bermuda. The terms of this agreement are market based.

The business address of Archer Management Limited (UK) is in Room 607, Capital Tower, 91 Waterloo Road, London SE1 8RT, Great Britain, telephone: +44 207 590 1590, serves as c/o address for the executive management team responsible for the day-to-day management of Archer.

7.2.2 Executive management team

The individuals in the executive management team with major areas of responsibility for the Company's day-to-day management requirements are:

Fredrik Halvorsen

See description above under Section 7.1.2.

Max L. Bouthillette,

Mr. Bouthillette has been the Executive Vice President and General Counsel of Archer since August 2010. Mr. Bouthillette is employed by Archer Management LLC (US), and provides his services within the scope of the General Management Agreement. Mr. Bouthillette was previously employed for 16 years with BJ Services, Schlumberger Limited, and the U.S. law firm of Baker Hostetler LLP. His professional experience includes serving as chief compliance officer and associate general counsel for BJ Services from 2006 to 2010, as a partner with Baker Hostetler LLP from January 2004 to 2006, and in several positions with Schlumberger in North America, Asia, and Europe from 1998 to December 2003. Mr. Bouthillette holds a degree in accounting from Texas A&M University and a Juris Doctorate from the University of Houston Law Center. Mr. Bouthillette is a U.S. citizen, resident in the United States.

Christoph Bausch,

Mr. Bausch has been the Executive Vice President and Chief Financial Officer of Archer since May 2011. Mr. Bausch is employed by Archer Management Limited (UK), and provides his services within the scope of the General Management Agreement. Before joining Archer, Mr. Bausch was global director finance at Transocean. Prior to this, he had a 20-year career in Schlumberger, where he held various financial positions around the world. After several financial positions in Germany, he started his international career in 1996 as region controller for Sedco Forex Contract Drilling Services in South America. From 1998 until 2000, Mr. Bausch was responsible for the financial integration of Camco International Inc. into Schlumberger Inc. Mr. Bausch also worked as financial controller responsible for Mexico & Central America and Middle East & Asia. From 2006 to 2010 he was based in Houston as the worldwide controller for research, engineering and manufacturing activities in Schlumberger. Mr. Bausch studied at the University of Mannheim, where he obtained a degree in Masters of Business Administration. Mr. Bausch is a German citizen based in the UK.

Ronney Coleman,

Mr. Coleman has been President North America of Archer since January 2012. Mr. Coleman is employed by Archer Management LLC (US), and provides his services within the scope of the General Management Agreement. Mr. Coleman came to Archer following a year with Select Energy Services were he served as Chief Operating Officer and a 33 year career at BJ Services where he established himself as a leader in the oil and gas industry. Mr. Coleman joined BJ Services in 1977 and over the course of his career, he served in various capacities, beginning as an equipment operator and culminating as the Vice President for North America Pressure Pumping Services in 2007. Prior to being promoted to Vice President for North America, he was the Vice President for U.S./Mexico Operations from 1998 through 2007. He previously held various management positions within U.S./Mexico sales and operations groups. Mr. Coleman graduated from the University of Texas – Permian Basin. He is a US citizen, a native Texan, and resides in Houston, Texas.

Thorleif Egeli,

Mr. Egeli has been President Latin America of Archer since January 2012. Mr. Egeli is employed by Archer Management LLC (US), and provides his services within the scope of the General Management Agreement. Prior to assuming his current position, Mr. Egeli held the position as Chief Executive Officer of Archer from October 2009 becoming Chief Operating Officer in February 2011. Prior to this, Mr. Egeli was employed by Schlumberger Limited for 16 years. His professional experience includes serving in a range of positions in Europe, North Africa, North and South America, and Asia. From 2007 to 2009 he served as Vice President, Schlumberger North America, from 2004 to 2007 he served as Marketing Director North Sea and has previously held management positions as Managing Director Dowell Norge A.S., QHSE Manager East Asia, and served as country manager in well services and drilling fluids. Mr. Egeli holds a degree in mechanical engineering from the Norwegian Technical University and an MBA from Erasmus School of Management in Rotterdam. Mr. Egeli is a Norwegian citizen, resident in the United States.

Olivier Muller,

Mr. Muller has been President Emerging Markets & Technologies of Archer, since January 2012. Mr. Muller is employed by Archer Services Limited, and provides his services within the scope of the General Management Agreement. Before joining Archer, Mr. Muller was CEO for C6 Technologies, an Archer technology Joint Venture. His experience includes 18 years with Schlumberger Limited serving in a range of positions across Europe and Africa. Amongst others he was Vice President of the global perforation business including R&E and Manufacturing, Vice President and Managing Director of oilfield operations in North Africa and General Manager for wireline operations in Scandinavia. He later served as Vice President and General Manager of the Areva mining business in Niger, Africa. Mr. Muller holds a Masters degree in Mechanical Engineering from the Lille University in France. He is a French citizen and resides in Stavanger, Norway.

Kjetil Bjornson,

Mr. Bjornson has been President North Sea of Archer since January 2012. Mr. Bjornson is employed by Archer Management AS, and holds his current position in Archer through the General Management Agreement. Mr. Bjornson started working for Archer in July 2010 having previously held the role of Senior VP of Human Resources with Seadrill. He has held several senior positions with Schlumberger Limited both in Europe and in the U.S. Mr. Bjornson has also held senior positions in the CHC Helicopter Services Company. Prior to his career in the offshore industry, Mr. Bjørnson served for several years on submarines. He completed the Submarine Commanding Officers Training in 1987 and graduated from the Royal Norwegian Naval Academy in 1989. Mr. Bjornson is a Norwegian citizen and resides in Sandnes, Norway.

7.3 Conflict of interests

Mr. Fredrik Halvorsen, Mr. Tor Olav Trøim and Mrs. Kate Blankenship hold positions with Seadrill or Seadrill affiliated companies and have beneficial interests in Seadrill shares and/ or options. Accordingly conflict of interests' situations might arise if the Company's business relation with Seadrill is discussed by the Board. The Company's ongoing business relations with Seadrill are limited. Please refer to Section 8.1 for a description of these. Apart from this no potential conflict of interest between the executive management team's and the Directors' duties to the Company and their private interests and/or other duties have been identified. Should conflict of interests' situations arise, such will be handled in accordance with Bermuda law and the Company's Bye-laws. Please refer to Section 12.9 in this respect.

There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any member of the executive management team or a Director has been selected.

7.4 General

During the last five years preceding the date of this Prospectus, no Director or member of the executive management team has been subject to any convictions in relation to indictable offences or convictions in relation to fraudulent offences, nor has any Director or member of the executive management team received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company. No Director or member of the executive management team has been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his capacity as a founder, director or senior manager of a company.

7.5 Directorships and positions

Over the five years preceding the date of this Prospectus, Directors and members of the executive management team hold or have held the following directorships and leading positions (apart from their directorships and leading positions within the Archer Group). For directorships the denominations "C" and "BM" states the position as either chairman of the board ("C"), vice chairman of the board ("VC") or ordinary Board member ("BM") in the relevant companies.

The Board:	**Current directorships/positions**	**Previous directorships/positions (last 5 years)**
Saad Bargach	Directorships: Artificial Lift Company (C) TGT Oil and Gas Services (C) Geodynamics (C) DHS Energy (now VESI) (C) Gas2 Limited (BM) Tiway Oil (BM) Expert Petroleum (BM) OilSERV (BM) Tercel Oilfield Products (BM) Xtreme Oil Drilling (BM) American Productivity and Quality Center (BM) Position: Energy Private Equity (Managing director)	Directorships: ITS Energy Services (BM) Position: Lime Rock Partners (managing director) Schlumberger Inc. (chief information officer)
Fredrik Halvorsen	Directorships: Deeps Sea Supply Plc (BM) Position: Frontline Corporate Services Ltd.	Directorships: Tandberg Telecom AS (C), SVP Cisco Systems (DM), Position: Tandberg ASA (chief executive officer)
Tor Olav Trøim	Directorships: Golar Partner (C) Independent Tankers Corp Limited (C) Seadrill Partner (C) Golar LNG Energy Limited (BM) Seadrill Limited (BM) Golden Ocean Group Limited (BM) Frontline 2012 (BM) Marine Harvest ASA (Alternate Director)	Directorships: Sealift Ltd. (C) Frontline Limited (BM) Knightsbridge Tankers Limited (BM) Ship Finance International Limited (BM) Aktiv Kapital ASA (BM) Positions: Frontline (chief executive officer) Golar (chief executive officer) Northern Oil (chief executive officer) Northern Offshore (chief executive officer) Seadrill (chief executive officer)

Cecilie Fredriksen	Directorships: Frontline Limited (BM) Marine Harvest ASA (BM) Aktiv Kapital ASA (BM) Golden Ocean Group Limited (BM) Ship Finance International Ltd (BM) Northern Offshore Ltd. (BM) Positions: Frontline Corporate Services (portfolio manager)	Directorships: None Positions: None
Kate Blankenship	Directorships: Frontline Limited (BM) Golar LNG Limited (BM) Golar LNG Energy Limited (BM) Golar LNG Partners (BM) Independent Tankers Corp Limited (BM) Seadrill Limited (BM) Seadrill Partners LLC (BM) Ship Finance International Ltd. (BM) Golden Ocean Group Limited (BM) Frontline 2012 Ltd (BM) SeaCo Ltd (BM) Positions: None	Directorships: Sea Production Limited (BM) Sealift Ltd. (BM) Positions: Knightsbridge Tankers Limited (CFO) Ship Finance International Ltd. (CAO) Golden Ocean Group Limited (CAO) Golar LNG Limited (CAO)
Giovanni Dell' Orto	Directorships: Energy Developments and Investments Corporation (BM) Gas Plus S.p.a. (BM) Position: None	Directorships: None Position: None
John Reynolds	Directorships: Tesco Corporation (BM) EnerMech Ltd. (BM) Revelation Energy Holdings LLC (BM) Tercel Oilfield Products (BM) VEDCO Holdings Inc. (BM) Position: Lime Rock Partners (managing director)	Directorships: Hercules Offshore Inc. (BM) Eastern Drilling ASA (BM) IPEC Ltd. (BM) Noble Rochford Drilling Ltd. (BM) Patriot Drilling (BM) Roxar ASA (BM) Sensa Ltd. (BM) Torch Offshore Inc. (BM) Position: None

Executive management team	**Current positions/directorships**	**Previous directorships/positions (last 5 years)**
Fredrik Halvorsen	See above under the Board	See above under the Board
Thorleif Egeli	Position: None	Positions: Schlumberger (vice-president marketing North America) Schlumberger (marketing manager)

	Directorships: None	Directorships: Schlumberger Information Technology Services Norge AS (BM) Schlumberger Norge AS (BM)
Max L. Bouthillette	Position: None	Positions: BJ Services Company (Chief compliance officer and associate general counsel)
Ronney Coleman	Directorships: None Position: None	Directorships: Torqued up Energy Services (BM) Position: BJ Services (Vice President North America)
Christoph Bausch	Position: None Directorships: None	Positions: Transocean (global director finance), Schlumberger Inc. (controller research, engineering, manufacturing) Directorships: Absolute Completions Technologies (BM)
Kjetil Bjornson	Directorships: None Position: None	Directorships: None Position: None
Olivier Muller	Directorships: C6 Technologies (BM) Position: EMT (president) EVP	Directorships: Somair (BM) Cominak (BM) Imouraren SA (BM) Position: C6 Technologies (CEO) Areva (Vice president Niger) Schlumberger (Vice president Perforating) Schlumberger (Vice president North-Africa)

7.6 Remuneration and benefits

Compensation for the Company's Directors is generally determined by the affirmative vote of a majority of its shareholders. However, any Director who, by request, goes or resides abroad for any purposes related to the Company or who performs services which, in the opinion of the Board, go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine.

The table below sets forth remuneration paid to the Directors, executive management team and other key personnel for the year ended December 31, 2012.

	Unaudited Year ended December 31, 2012		
	Directors fee, salary and bonus payment	**Income from exercised options**	**Total**
		(USD in thousands)	
Board of Directors	430	-	430
Executive Management (1)	4,026	-	4,026
Total	**4,456**	**-**	**4,456**

(1) Executive management consists of the Chief Financial Officer EVP, General Counsel EVP and Area Presidents EVPs for North America, Latin America, North Sea Region, Emerging Markets & Technologies, Archer's CEO, Fredrik Halvorsen, received no salary in 2012.

The total amount of compensation accrued by the Directors and the members of the executive management team was USD 4.5 million in 2012 compared to USD 4.0 million in 2011, USD 2.2 million in 2010 and USD 1.6 million in 2009. In addition, in 2010, the Company paid premiums totaling USD 41,477 in respect of pension arrangements for certain members of the executive management team. Other key personnel in the Archer Group have bonus arrangements based on achieving specific targets. The maximum amount of the bonus is limited to between 50% and 75% of the annual salary.

Pursuant to their employment contracts, if they resign at the request of the company in which they are employed: Mr. Bausch, Mr. Egeli and Mr. Bouthillette will each receive compensation equal to 24 months' salary; Mr. Muller and Mr. Bjornson will receive compensation equal to 6 months' salary; and Mr. Coleman will receive base salary continuation until 31 Dec 2013 and payment of any outstanding retention incentive payments. In addition, each of these employees will receive other compensation payments and benefits which will vary by employee but are expected to range between 0.5 times to 1.5 times their annual salary.

None of the other members of the Company's management, and none of the Directors, have service contracts with Archer.

For a description of the options granted and held by the members of the Board and members of the executive management team, please refer to Section 7.8 below.

7.7 Pension scheme

As per December 31, 2012, the total amounts set aside or accrued by Archer or its subsidiaries to provide pension, retirement or similar benefits were USD 37.1 million.

Pension schemes in the Archer Group are defined contribution schemes in line with geographical and regular market terms in the different countries of operations, please see Section 14.2 for the notes to the Financial Report for 2009, 2010 and 2011.

7.8 Shareholdings and options

The following table sets forth the holdings of shares and share options of the Directors and the executive management team as of December 31, 2012.

	Shares	**Options granted under the 2007 option program and outstanding**	**Options granted under the 2010 option program and outstanding**	**Total number of options outstanding and shares**
Tor Olav Trøim*	433,000	50,000		483,000
Kate Blankenship	30,000	50,000		80,000
Cecilie Fredriksen		50,000		50,000
Fredrik Halvorsen	116,000		1,000,000	1,116,000
Giovanni Dell' Orto	12,500			12,500
John Reynolds **				
Saad Bargach**				
Thorleif Egeli	41,500	500,000	500,000	1,041,500
Max L. Bouthillette	75,000	150,000	400,000	625,000
Ronney Coleman	175,000		500,000	675,000
Christoph Bausch	60,000		400,000	460,000
Kjetil Bjornson	40,000		160,000	200,000
Olivier Muller	12,000		160,000	172,000
Total	**995,000**	**800,000**	**3,120,000**	**4,925,000**

**Tor Olav Trøim has also entered into a Total Return Swap agreement underlying 1,000,000 shares in the Company expiring 2 December 2013.*

***John Reynolds and Saad Bargach are affiliated with Lime Rock Partners which holds 66,351,525 shares in the Company.*

For a description of the Company's stock option plan, including information on the exercise price, please refer to Section 12.8 below.

7.9 Loans and guarantees

The Company has not granted any loans, guarantees or other commitments to its Directors or to the executive management team. There are no unusual agreements regarding extraordinary bonuses to any Director.

7.10 Corporate governance

7.10.1 Audit committee

The Company's audit committee, which is comprised of two Directors, Kate Blankenship and John Reynolds, is responsible for ensuring that Archer has an independent and effective internal and external audit system. The audit committee supports the Board in the administration and exercise of its responsibility for supervisory oversight of financial reporting and internal control matters and to maintaining appropriate relationships with the Company's auditors. The audit committee charter details the terms of reference for the audit committee. The Company's auditor meets the audit committee annually regarding the preparation of the annual accounts and also to present their report on the internal control procedures. The audit committee holds separate discussions with the Company's external auditor on a quarterly basis without the executive management team being present. The scope, resources, and the level of fees proposed by the external auditor in relation to Archer's audit are approved by the audit committee.

The audit committee recognizes that it is occasionally in the interests of the Company to engage its auditor to undertake certain non-audit assignments. Appointment of the auditor for audit services is approved at the Company's annual general meeting, where as the board also is given authority to approve the fees paid to the auditor.

7.10.2 Corporate governance requirements

As a company incorporated in Bermuda, the Company is subject to Bermuda laws and regulations with respect to corporate governance. Bermuda corporate law is based on English law. In addition, the Company's listing on the Oslo Børs subjects it to certain aspects of Norwegian securities law, which include an obligation to report on the Company's compliance with the Norwegian Code of Practice for Corporate Governance as of 23 October 2012 (the "**Code**") in its annual report on a comply or explain basis.

The Company is committed to ensuring that high standards of corporate governance are maintained and supports the principles set out in the Code.

It is the opinion of the Board that Archer in all material respects complies with the Code, subject to the following exceptions:

1. The Board's mandate to increase the Company's issued share capital is limited to the extent of its authorized but not issued share capital at any time and is not restricted to specific purposes. The authorized capital of the Company is currently USD 1,200,000,000, divided into 1,200,000,000 shares of a par value of USD 1.00 each, of which 579,159,787 shares were issued, fully paid and outstanding at the date of this Prospectus.
2. The appointment of a nomination committee and a remuneration committee is not a requirement under Bermuda law. The Company has so far not seen sufficient reason to appoint such committees. However, prior to proposing candidates to the annual general meeting for election to the Board, the Board seeks to consult with the Company's major shareholders. The Board further endeavours to ensure that it is constituted by Directors with a varied background and with the expertise and capacity required by the Company's business.
3. Directors serving on the Board are encouraged to hold shares in the Company as the Board believes it establishes a common financial interest between the Directors and the shareholders of the Company. Furthermore, and for the same reasons, the Directors have been granted options in the Company as set out under Section 7.8 above.
4. The Company's Bye-laws permit the Board to grant share options to employees, including to the executive management team, without requiring that the general meeting be presented with the volume or other terms and conditions of such scheme. A total of 3,770,000 share options have been granted to the current executive management team since January 1, 2009.
5. In situations where it is considered beneficial for the Company that any of its Directors, by request, goes or resides abroad for any purposes related to the Company or perform services which go beyond the ordinary duties of a Director, e.g. in situations where the Director has special expertise, the Director may be paid extra remuneration for such services (whether by way of salary, commission, participation in profits or otherwise). In accordance with the Code, such matters would be approved by the Board and all Directors would be kept informed.
6. The Company's Bye-laws permit general meetings being summoned with only 7 days notice (the notice period being exclusive of the day on which the notice is served and the day on which the meeting to which it relates is to be held).
7. Pursuant to the Company's memorandum of association the objects for which the Company was formed and incorporated are unrestricted.
8. The Board will consider and determine on a case by case by case basis whether independent third party evaluations are required if entering into agreements with close associates.
9. At present the chairman of the Board has been elected by the Board and not by the shareholders as recommended in the Code. This is in compliance with normal procedures under Bermuda law.

10. At present, Archer's Chief Executive Office, Fredrik Halvorsen, is also a Director of the Company. Mr. Halvorsen is acting as a temporary Chief Executive Officer, and Archer expects to employ a permanent Chief Executive Officer within the next couple of months.
11. There is no requirement in Bermuda law for the Board to prepare guidelines for its own work or the executive management and the Board has so far not seen sufficient reason to do so.

The Board annually sets a plan for its work in December for the following year which includes a review of strategy, objectives and their implementation, the review and approval of the annual budget and review and monitoring of the Company's current year financial performance. The Board will meet in person approximately four times a year, with further meetings being held by telephone conference as required to react to operational or strategic changes in the market and company circumstances.

The Company's management functions are performed by management companies within Archer under the terms of the General Management Agreement, c.f. Section 7.2.1.

The Board receives appropriate, precise and timely information on the operations and financial performance of the Company from the executive management team, which is imperative for the Board to perform its duties.

The Board has established an audit committee, which has formal terms of reference approved by the Board. Matters are delegated to committees as appropriate.

The Company's Board acknowledges its responsibility for the Company's system of internal control and for reviewing its effectiveness. The Company's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company adopts internal controls appropriate to its business and culture. The key components of the Company's system of internal control are described below.

The Company has in place clearly defined lines of responsibility and limits of delegated authority. Comprehensive procedures provide for the appraisal, approval, control and review of expenditures. The executive management team meets with the regional and global vice-presidents on a regular basis to discuss particular issues affecting each region and business unit, including their key risks, health and safety statistics and legal and financial matters. Archer maintains a comprehensive annual planning and management reporting system and a detailed annual budget is prepared in advance of each year and supplemented by revised forecasts during the course of the year. In addition, a five-year strategic plan is updated annually. Actual financial results are reported monthly and compared to budget, revised forecasts and prior year results. The Board reviews and approves all reports on projected and actual financial performance.

The Board derives further assurance from the reports from the audit committee, which has been delegated responsibility to review the effectiveness of the internal financial control systems and is assisted by the internal auditor and external auditors where appropriate. The performance of the Board is constantly monitored and reviewed to ensure the composition and the way in which the Directors function, both individually and as a collegiate body, is effective and efficient.

8 RELATED PARTY TRANSACTIONS

8.1 Related party transactions

8.1.1 Former debt to Seadrill which has been repaid by the Company

On November 12, 2012, Seadrill Limited provided Archer with a USD 55.0 million subordinated term loan facility. In November, Archer borrowed the full USD 55.0 million and applied it together with existing cash balances on hand to pay the annual principal payment of USD 100 million due in November 2012 under its main credit facility. In February 2013, the full amount of the USD 55.0 million subordinated loan and accrued interest of USD 0.8 million was repaid through this amount being sett-off against a corresponding amount of the subscription price for the shares Seadrill was allocated in the Private Placement in February 2013.

In June 2012, Seadrill provided Archer with a USD 20.0 million subordinated term-loan facility to provide a contingency in case of a potential breach of covenants. As the covenants were met without this loan all amounts were repaid in August 2012 along with USD 0.1 million of interest. The loan was due June 30, 2018 and had interest at LIBOR plus 4.5%.

On August 17, 2010, the full amount of the outstanding loan and accrued interest together with short-term indebtedness owed to Seadrill aggregating to NOK 831.5 million were repaid in connection with the private placement in August 2010. As part of this transaction, NOK 802.1 million of the debt was extinguished in exchange for 34.9 million shares of Archer's common stock with the remainder owed (NOK 29.5 million) to Seadrill repaid with a portion of the cash proceeds of a previous private placement. The balance of the subordinated loan with Seadrill NOK 191.1 million (December 31, 2009) compared to NOK 170.8 million (December 31, 2008).

8.1.2 Guarantee for debt obligations

In February 2013, and in connection with the refinancing of Archer, Seadrill granted an on-demand guarantee of USD 100 million in favour of Archer's lenders under its main credit facility and Archer's lenders of the overdraft facilities.

8.1.3 Underwriting agreement

As discussed above in Section 5.1, the Company entered into an underwriting agreement on February 7, 2013 with, *inter alia*, Seadrill, wherein the Private Placement was fully underwritten by the 5 largest shareholders. The Underwriters received a total underwriting fee of USD 5 million which was payable in 4,166,667 Shares in the Company. Seadrill's part of the compensation was 2,811,793 shares, which it received February 20, 2013.

8.1.4 Operating revenues

During the year ended December 31, 2012, Archer supplied Seadrill Limited and affiliates with services amounting to USD 16.1 million, including reimbursable material. This amount has been included in operating revenue. At December 31, 2012, Seadrill owed Archer USD 2.2 million related to these services. The Company also supplied Seadrill with engineering services amounting to USD 8.0 million and USD 3.6 million, including reimbursable material, for the years ending December 31, 2011 and 2010, respectively.

During the year ended December 31, 2012, Archer supplied North Atlantic Drilling Ltd, or NADL with services amounting to USD 3.7 million, including reimbursable material. NADL is a company in which Seadrill and/or Hemen Holding Ltd have a significant interest. This amount has been included in operating revenue. On December 31, 2012, NADL owed the Company USD 0.6 million related to these services. The Company also supplied NADL with engineering services amounting to USD 1.1 million including reimbursable material for the year ending December 31, 2011. There were no transactions with NADL in 2010 or 2009.

During the year ended December 31, 2012, the Company supplied Pan American Energy, ("PAE") with services amounting to USD 268.7 million, including reimbursable material. PAE is a company in which Alejandro Bulgheroni, a former Archer Director who resigned on March 12, 2013, has a significant interest. This amount has been included in operating revenue. On December 31, 2012, PAE owed Archer USD 42.5 million related to these services. PAE represented 14.7% of the Company's operating revenues for the year ended December 31, 2011 and 12.3% of the operating revenues for the year ended December 31, 2012. Prior to the merger with Allis-Chalmers, the Company had no transactions with PAE and therefore there were no transactions with PAE in 2010 or 2009.

8.1.5 Management fee

Seadrill controlled 39.9% of Archer as of December 31, 2012. Seadrill Management AS, a company within the Seadrill group, charged Archer a fee of USD 0.5 million for providing management support and administrative services in 2010. In 2009, Seadrill Management AS charged Archer a fee of USD 1.8 million. Frontline Management (Bermuda) Ltd, a company in which Hemen Holding Ltd has a significant interest, charged Archer a fee of USD 0.8 million, USD 0.7 million, and USD 0.3 million for providing management support and administrative services for the years ended December 31, 2012, 2011 and 2010, respectively.

8.1.6 Performance guarantees

There are historical performance guarantees issued by Seadrill for the obligations of entities in the Archer Group outstanding as set out below:

- NOK 33,000,000 performance guarantee in favor of ConocoPhillips Skandianvia AS effective from January 18, 2010.
- NOK 33,000,000 performance guarantee in favor of ConocoPhillips Skandianvia AS effective from January 1, 2010.

These performance guarantees have been issued as a consequence of Archer having been a subsidiary of Seadrill.

9 LEGAL AND CONTRACTUAL MATTERS

9.1 Legal and arbitration proceedings

From time to time, the Company and its subsidiaries are involved in litigations, disputes and other legal proceedings arising in the normal course of their business.

Archer’s wholly owned subsidiary Great White Pressure Control, Inc. successfully defended and prevailed in the case of *Cudd Pressure Control, Inc. vs. Great White Pressure Control, LLC, et al*. The plaintiff, Cudd, alleged several causes of action relating to the defendant’s employment of former Cudd employees and seeks damages of up to USD 26.5 million. The court entered judgment in favor of Great White Pressure Control, LLC and awarded the company its legal costs from the litigation. The judgment remains subject to an appeal process.

The Company's wholly owned subsidiaries, Archer Drilling LLC and Rig Inspection Services (US) LLC are the plaintiffs in the case of *Archer Drilling LLC and Rig Inspection Services (US) LLC vs. Buccaneer Energy Limited et al.* wherein the Archer plaintiffs claim USD 8 million from the defendant for the defendants' failure to pay for services provided. The Archer plaintiffs submitted their writ in December 2012, and a final court decision can be expected at the earliest towards end 2014. In the defendants' answer to the writ, they raised counterclaims alleging that they are owed more than the amount claimed by Archer in damages. Litigation is inherently uncertain and while the Company cannot determine the amount of Archer's ultimate recovery or loss, if any that might result, management believes in the merits of the claim and that the alleged counterclaims are highly defensible.

Other than this, neither the Company nor any other company within the Archer Group are involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) in the 12 months prior to the date of this Prospectus which may have, or have had in the recent past, significant effects on the Company’s or the Archer Group’s financial position or profitability.

9.2 Material contracts

Other than Seadrill’s on-demand guarantee of USD 100 million in favour of Archer’s lenders and the contract to acquire Great White, no material contract s, other than contracts entered into in the ordinary course, have been entered into by the Company or any of its subsidiaries for the two years immediately preceding the date of this Prospectus. Other than the agreements mentioned above no contracts, other than contracts entered into in the ordinary course, containing obligations or entitlements that are, or may be, material to Archer as of the date of this Prospectus have been entered into by the Company or any of its subsidiaries.

10 SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following selected historical consolidated financial information of Archer for the years ended December 31, 2011, 2010 and 2009 have been derived from Archer's audited consolidated financial statements for the years ended December 31, 2011, 2010 and 2009 and related notes thereto included in this prospectus by reference in Section 14.2. The years ended December 31, 2009 and 2010 were audited by PricewaterhouseCoopers AS, while the year ended December 31, 2011 was audited by PricewaterhouseCoopers LLP. The following selected historical consolidated financial data of Archer for the three month and twelve month period ended December 31, 2012 have been derived from Archer's unaudited interim consolidated financial statements and related notes thereto included as appendix 1. In the opinion of Archer's management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations at the dates and for the periods indicated. Results of operations for interim periods are not necessarily indicative of the results expected for a full year or for future periods. This information is only a summary and you should read this selected historical consolidated financial data together with Section 11 "Operating and Financial Review and Prospects of Archer," and Archer's unaudited and audited consolidated financial statements and notes thereto, included as appendices 1-2.

10.1.1 Summary of the consolidated financial statements for the Company

Until December 31, 2010 Archer (reporting as Seawell) historically presented its consolidated financial statements in NOK. These historical financial statements are incorporated by reference in Section 14.2 in this Prospectus. For inclusion in the tables below above, the historic audited financial statements of Seawell have been converted to USD. The income and cash flow statements have been translated by applying average quarterly exchange rates to figures reported in the quarterly earnings releases, filed with Oslo Børs. Assets and liabilities have been converted at exchange rates prevailing at the balance sheet dates. The cumulative components of stockholders equity as at December 31, 2010 have been converted at the exchange rate for that date.

Prior period cumulative balances for stockholders equity have been calculated by translating period movements and the average rate for the relevant period, or using a spot rate for material, identifiable individual transactions.

The following table lists exchange rates applied to Seawell's historical NOK financial statements. Rates for NOK - USD.

Period	Period end date	Average rate for period	Rate at period end date
Year	December 31, 2008	5.5216	7.0000
Three months	March 31, 2009	6.8519	6.6589
Three months	June 30, 2009	6.4807	6.3809
Three months	September 30, 2009	6.1035	5.8077
Three months	December 31, 2009	5.6647	5.7639
Year	December 31, 2009	6.2752	5.7639
Three months	March 31, 2010	5.8396	5.9794
Three months	June 30, 2010	6.2059	6.4642
Three months	September 30, 2010	6.1532	5.8551
Three months	December 31, 2010	5.9109	5.8679
Year	December 31, 2010	6.0274	5.8679

10.1.2 Summary of the consolidated financial statements of operations

The figures below are extracted from the Company's US GAAP audited consolidated financial statements for 2009, 2010 and 2011.

Archer	**Years Ended December 31,**		
(USD in millions, except per share data and ratios)	**2009**	**2010**	**2011**
Consolidated Statement of Operations Data:			
Operating revenues:			
Operating revenues	495.0	612.0	1,720.8
Reimbursables	114.3	106.7	133.8
Total operating revenues	**609.3**	**718.7**	**1,854.6**
Operating expenses:			
Operating expenses	404.9	504.3	1,377.7
Reimbursables expenses	109.4	102.7	127.0
Depreciation and amortization	21.2	22.6	147.1
Impairments	-	-	126.6
General and administrative expenses	16.4	25.2	92.1
Total operating expenses	**551.9**	**654.8**	**1,870.5**
Operating income (loss)	**57.4**	**63.9**	**(15.9)**
Financial items:			
Interest income	0.9	1.5	3.7
Interest expenses	(15.2)	(22.2)	(46.4)
Other financial items	(5.8)	(15.6)	(3.9)
Total financial items	**(20.1)**	**(36.3)**	**(46.6)**
Income (loss) before income taxes	37.3	27.6	(62.5)
Income taxes	(9.6)	(15.3)	(14.5)
Net income (loss)	**27.7**	**12.3**	**(77.0)**
Net income (loss) attributable to the parent	28.0	12.4	(77.0)
Net loss attributable to the non-controlling interest	(0.3)	(0.1)	-
Basic earnings /per share	0.25	0.08	(0.24)
Diluted earnings / per share	0.25	0.08	(0.24)
Weighted average number of common shares outstanding: (Millions)			
Basic	110.0	152.0	322.4
Diluted	110.6	155.9	322.4
Interest coverage ratio	3.8	2.9	(0.3)

The Company has not paid any dividends in 2009, 2010 nor 2011.

The figures below are extracted from the Company's interim US GAAP unaudited consolidated financial statements for the three months and year ended December 31, 2012 and three months ended December 31, 2011.

Archer	**Unaudited Three Months ended December 31,**		**Unaudited December 31,**
(USD in millions, except per share data and ratios)	**2011**	**2012**	**2012**
Consolidated Statement of Operations Data:			
Operating revenues:			
Operating revenues	551.4	499.5	2,071.6
Reimbursables	44.7	37.8	118.9
Total operating revenues	**596.1**	**537.3**	**2,190.5**
Operating expenses:			
Operating expenses	441.8	434.9	1,724.7
Reimbursables expenses	42.8	37.7	113.2
Depreciation and amortization	47.3	51.3	205.0
Impairments	121.5	-	338.7
General and administrative expenses	29.5	35.2	131.1
Total operating expenses	**682.9**	**559.1**	**2,512.7**
Operating income (loss)	**(86.8)**	**(21.8)**	**(322.2)**
Financial items:			
Interest income	0.2	(1.2)	1.7
Interest expenses	(12.4)	(13.7)	(61.5)
Other financial items	(16.0)	4.9	17.3
Total financial items	**(28.2)**	**(10.0)**	**(42.5)**
Loss before income taxes	**(115.0)**	**(31.8)**	**(364.7)**
Income taxes	3.2	(9.2)	(10.4)
Net loss	**(111.8)**	**(41.0)**	**(375.1)**
Basic earnings /per share	(0.31)	(0.11)	(1.02)
Diluted earnings / per share	(0.31)	(0.11)	(1.02)
Weighted average number of common shares outstanding: (Millions)			
Basic	366.2	366.7	366.6
Diluted	366.2	366.7	366.6
Interest coverage ratio	(7.0)	(1.6)	(5.2)

10.1.3 Summary of the consolidated financial balance sheets

The below figures are extracted from the Company's US GAAP consolidated audited balance sheets as of December 31, 2009, 2010 and 2011 and the Company's interim unaudited US GAAP consolidated balance sheets as of December 31, 2012.

Consolidated Balance Sheets *(USD in millions)*	**31 December 2009 Consolidated**	**31 December 2010 Consolidated**	**31 December 2011 Consolidated**	**31 December 2012 Consolidated**
	Audited	**Audited**	**Audited**	**Unaudited**
ASSETS				
Current assets				
Cash and cash equivalents	41.1	174.4	37.3	58.2
Restricted cash	9.0	12.2	13.3	11.9
Accounts receivable	95.5	151.6	432.0	420.3
Other current assets	33.1	64.5	155.8	149.0
Total current assets	**178.7**	**402.7**	**638.4**	**639.4**
Non-current assets				
Drilling equipment and other fixed assets	99.2	142.3	1,044.1	1,059.4
Deferred income tax asset	1.6	5.4	10.3	29.1
Other intangible assets	23.5	58.6	203.3	129.6
Goodwill	275.8	356.4	898.9	706.1
Deferred charges	0.6	9.9	19.7	20.8
Total non-current assets	**400.7**	**572.6**	**2,176.3**	**1,945.0**
Total assets	**579.4**	**975.3**	**2,814.7**	**2,584.4**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Current portion of long term debt	45.2	1.9	108.4	329.5
Other current liabilities	88.4	162.9	358.1	355.6
Amounts due to parent	33.2	-	-	-
Total current liabilities	**166.8**	**164.8**	**466.5**	**685.1**
Non-current liabilities				
Subordinated loan from parent	106.5	-	-	-
Long-term interest bearing debt	171.4	192.4	977.8	889.8
Deferred tax liability	0.0	12.8	16.3	42.4
Other non-current liabilities	26.0	47.4	67.3	40.2
Total non current liabilities	**303.8**	**252.6**	**1,061.4**	**972.4**
Shareholders' equity				
Common shares of par value USD 2.00 per share: 600,000,000 shares authorized 366,659,120 outstanding at 31 December 2012 (31 December 2011: 366,397,622) (31 December 2010: 225,400,050) (31 December 2009: 110,000,050)	220.0	450.8	732.8	733.3
Additional paid in capital	31.3	219.4	775.5	779.6
Retained earnings	56.8	69.2	(7.8)	(382.9)
Accumulated other comprehensive income	5.7	23.6	(8.6)	2.0
Contributed deficit	(205.1)	(205.1)	(205.1)	(205.1)
Non-controlling interest	0.1	-	-	-
Total shareholders' equity	**108.8**	**557.9**	**1,286.8**	**926.9**
Total liabilities and shareholders' equity	**579.4**	**975.3**	**2,814.7**	**2,584.4**
Total debt/equity	**4.3**	**0.7**	**1.2**	**1.8**

10.1.4 Summary of the consolidated financial statements of cash flow

Set out below is the audited consolidated statement of cash flows for the Company for the three years ended 31 December 2009, 2010 and 2011 and the unaudited consolidated statement of cash flows for the year ended 31 December 2012:

Archer *(USD in millions)*	**Years Ended December 31,** **2009**	 **2010**	 **2011**	**Unaudited Year Ended December 31,** **2012**
Consolidated Cash flow Data:				
Net cash provided by / (used in) operating activities	61.0	50.5	91.5	168.8
Net cash (used in) investing activities.................................	(26.8)	(190.5)	(855.1)	(249.7)
Net cash provided by / (used in) financing activities	(30.9)	270.4	627.6	101.3
Effect of exchange rates on cash and cash equivalents	5.7	2.9	(1.1)	0.5
Net increase (decrease in cash and cash equivalents.............	(9.0)	133.3	(137.1)	20.9
Cash and cash equivalents at the end of the year............	**41.0**	**174.4**	**37.3**	**58.2**

10.1.5 Summary of the consolidated financial statements of changes in shareholders equity

Set out below, the audited consolidated statement of changes in shareholders' equity for the Company for the three years ended 31 December 2009, 2010 and 2011, and the unaudited consolidated statement of changes in shareholders' equity for the Company for the year ended 31 December 2012:

Consolidated Statement of Changes in Shareholders' Equity 2009-2012 (In millions of USD)	**Share capital**	**Addit. paid in capital**	**Accum. other compre-hensive income/(loss)**	**Retained earnings**	**Contributed Deficit (1)**	**Non-Controlling interest**	Total share-holders' equity
Balance 31 December 2008	**220.0**	**30.0**	**(18.6)**	**28.9**	**(205.1)**	**0.3**	**55.4**
Translation adjustment	-	-	16.5	-	-	-	16.5
Interest swap gain (loss)	-	-	(0.4)	-	-	-	(0.4)
Pension - unrecognized gain (loss)	-	-	8.0	-	-	-	8.0
Options issued	-	1.2	-	-	-	-	1.2
Share issue	-	-	-	-	-	0.2	0.2
Net income	-	-	-	28.0	-	(0.3)	27.7
Balance December 31.2009	**220.0**	**31.2**	**5.6**	**56.9**	**(205.1)**	**-**	**108.6**
Private placement	230.8	189.8	-	-	-	-	420.6
Translation adjustment	-	-	30.0	-	-	-	30.0
Change in unrealized gain on interest rate swaps	-	-	(0.9)	-	-	-	(0.9)
Pension - unrecognized gain (loss)	-	-	(11.2)	-	-	-	(11.2)
Options issued	-	(1.6)	-	-	-	-	(1.6)
Net income	-	-	-	12.3	-	0.1	12.4
Balance December 31, 2010	**450.8**	**219.4**	**23.5**	**69.2**	**(205.1)**	**0.1**	**557.9**
Issued shares at merger	194.6	389.6	-	-	-	-	584.2
Private placement	85.4	161.9	-	-	-	-	247.3
Issued shares at option exercise	2.0	4.6	-	-	-	-	6.6
Foreign exchange differences	-	-	(17.5)	-	-	(0.1)	(17.6)
Change in unrealized gain on interest rate swaps	-	-	0.7	-	-	-	0.7
Pension – unrecognized loss	-	-	(15.3)	-	-	-	(15.3)
Net loss	-	-	-	(77.0)	-	-	(77.0)
Balance December 31, 2011	**732.8**	**775.5**	**(8.6)**	**(7.8)**	**(205.1)**	**-**	**1,286.8**
Issued shares at option exercise	0.5	-	-	-	-	-	0.5
Foreign exchange differences	-	-	(5.0)	-	-		(5.0)
Change in unrealized gain on interest rate swaps	-	-	1.2	-	-	-	1.2
Stock based compensation expense	-	4.1	-	-	-	-	4.1
Pension – unrecognized loss	-	-	14.4	-	-	-	14.4
Net loss	-	-	-	(375.1)	-	-	(375.1)
Balance December 31, 2012	**733.3**	**779.6**	**2.0**	**(382.9)**	**(205.1)**	**-**	**926.9**

(1) Contributed deficit of USD 205.1 million represents the difference between considerations paid and net assets assumed on the acquisition of Seadrill Well Services division in 2007.

11 OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF ARCHER

The following discussion and analysis of Archer's financial condition and results of operations should be read together with Archer's consolidated financial statements, including the accompanying notes, included in this prospectus by reference in Section 14.2. Some of the information in the discussion and analysis set forth below and elsewhere in this prospectus includes forward-looking statements based on current expectations that involve risks and uncertainties. See Section 4 "Cautionary Statement Regarding Forward-Looking Statements" and Section 2 "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described in the forward-looking statements contained in this prospectus.

11.1 Auditors

The Company's auditor is PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH, United Kingdom. PricewaterhouseCoopers LLP took over as auditor for the Company with effect for the financial year ending on December 31, 2011. Signing partner, Charles Joseland, is a member of the Institute of Chartered Accountants in England and Wales (ICAEW).

Before PricewaterhouseCoopers LLP took over as auditor for the Company, the Company's auditor was PricewaterhouseCoopers AS, Forus Atrium, Vassbotnen 15, P. O. Box 8017, 4068 Stavanger, Norway. Signing partner, Gunnar Settebø, is a member of the Norwegian Institute of Public Accountants ("Den Norske Revisorforening"). PricewaterhouseCoopers has been the Company's auditor since the Company's incorporation.

PricewaterhouseCoopers LLP has performed an audit of Archer's consolidated financial statements for the year ended December 31, 2011 in accordance with US generally accepted auditing standards approved by the American Institute of Certified Public Accountants. PricewaterhouseCoopers AS has performed an audit of Archer's consolidated financial statements for the years ended December 31, 2010 and 2009 in accordance with the standards of the Public Company Accounting Oversight Board (United States).

PricewaterhouseCoopers LLP has not performed an audit on the fourth quarter and preliminary 2012 results and they are thus not audited.

The auditor's report for 2009 included in this Prospectus by reference in Section 14.2, include the following statements: "The Seawell Ltd. Group had not been operated as a separate entity prior to October, 1, 2007. These combined and consolidated financial statements are therefore not indicative of results that would have occurred if the Seawell Ltd Group had been separate stand-alone entity during the periods presented or of future results of the Seawell Ltd Group."

11.2 Material factors affecting Archer's results of operations

11.2.1 Business environment

The oilfield services industry is cyclical and volatile. Archer's business depends on the level of activity in oil and gas production in offshore areas worldwide. Given that Archer's customers are oil and gas companies, the strength of the market in which Archer operates is dependent on the level of exploration, development and production activities for oil and gas. The level of activity in the oilfield services industry and, consequently, its profitability are directly related to factors such as:

- the prevailing prices of oil and gas,
- expectations about future prices,
- the cost of exploring for, producing and delivering oil and gas,
- the sale and expiration dates of offshore leases,
- the discovery rate of new oil and gas reserves,
- local and international political and economic conditions,
- technological advances,
- the ability of oil and gas companies to generate funds for capital expenditures, and
- the level of competition in the oilfield service sector.

11.2.2 Utilization of personnel and equipment

The majority of Archer's contracts for the provision of drilling services and well services are day-rate contracts, the revenues of which depend on the utilization rate of Archer's personnel and equipment. Archer does not generate revenue under these contracts unless its personnel and/or equipment are being utilized and the majority of these contracts do not require a minimum level of utilization by Archer's customers.

11.2.3 Acquisitions

Archer has developed its current business through several strategic acquisitions. Some of these acquisitions have had a significant effect on Archer's financial condition and results of operations since its inception. The Company has, since its incorporation, acquired several well specialist companies, including Allis-Chalmers, Great White, Gray Wireline, TecWel, Archer Oil Tools (former Peak Well Solutions) and other complementary businesses, each with a deep heritage in delivering wells and improving well performance.

Seadrill's Well Service Division

In October 2007, Seawell acquired the shares in the entities comprising Seadrill's Well Services division for total consideration of NOK 2,413.1 million. The following entities represented Seadrill's Well Services division prior to its transfer to Seawell; Seawell AS, Seawell Consulting Resources Ltd (UK), Seawell (UK) Ltd, Seawell Offshore Denmark AS (DK) and Seawell Services Ltd (Hong Kong). These entities were acquired in a common control transaction between Archer and its parent company, Seadrill. The net assets acquired were settled through issuances of an equity stake in Archer of 80% and the proceeds of a subordinated loan of NOK 515 million. All Seawell named companies have changed name to Archer and are below in this Section referred to as Archer.

Wellbore Solutions

In November 2007, Archer Norge AS completed the purchase of 33.7% of the shares in Wellbore Solutions AS, or Wellbore, a company developing equipment to be used in the oil service industry, for a purchase price of NOK 20 million. Simultaneously with the purchase, Wellbore issued shares to Archer for total consideration of NOK 5 million, increasing Archer's ownership interest to 40.3%. Wellbore's results have been consolidated from the date of acquisition as Archer is considered to have control over Wellbore through a shareholder agreement that gives Archer the power to vote 50.1% of Wellbore's shares. In 2009, Archer increased its ownership in Wellbore to 42.6% at a cost of NOK 2.0 million. In April 2012, Archer acquired the remaining 57.4% of Wellbore Solutions, for USD 397,520.

Noble Corporation's North Sea Platform Division

In April 2008, Archer purchased Noble Corporation's North Sea Platform division by acquiring all shares in Noble Drilling UK Limited for a purchase price of approximately USD 51 million (approximately NOK 268.4 million). The acquisition included platform drilling contracts on 11 fixed installations covering five different fields on the UK continental shelf. The purchase closed on April 1, 2008 and the North Sea Platform division's results of operations have been included in Archer's consolidated financial statements from such date.

Archer Oil Tools AS

In May 2008, Archer acquired Peak Well Solutions AS for a purchase price of NOK 412.3 million, now renamed to Archer Oil Tools AS ("Oil Tools"). Oil Tools has developed a range of cementing technology and tools to enhance safety and well integrity, from radically effective gas-tight stage tools, to more traditional casing accessories and bridge plugs for the global upstream offshore oil and gas industry. The purchase closed on May 1, 2008, and has been included in Archer's consolidated financial statements from such date. In 2009, an adjustment of NOK 2.4 million to the purchase price of Peak Well Solutions AS was made, reducing the total purchase price to NOK 409.9 million.

Tecwel AS

In July 2008, Archer acquired Tecwel AS for a purchase price of NOK 172.7 million. Tecwel develops and manufactures proprietary high frequency ultrasound investigation tools and provides cased-hole services for production optimization and well integrity to the oil and gas industry worldwide. The purchase closed on July 1, 2008, and Tecwel's results of operations have been included in Archer's consolidated financial statements from such date.

Viking Intervention Technology AS

In May 2010, Archer acquired Viking Intervention Technology AS for consideration of NOK 50 million plus an earn-out of up to NOK 25 million. Viking Intervention Technology AS is a company developing an integrated carbon cable intervention system. The financials has been included in Archer's consolidated financial statements from May 2010. Simultaneous with the purchase of Viking, C6 Technologies AS was established as a joint venture company between IKM and Archer. This J/V is the owner of Viking and managing the development of the carbon rod well intervention technology.

Rig Inspection Services

In August 2010 Archer acquired the shares in Rig Inspection Services. Rig Inspection Services "RIS" was acquired at a purchase price of SGD 7.5 million plus up to SGD 7.5 million through an earn-out mechanism based on financial performance over the next 2 years. RIS is an inspection services company, based in Singapore and Perth (Australia) and operating on a global basis. The financials have been included in Archer's consolidated financial statements from August 2010. Archer offers specialized industry knowledge and experience with broad inspection expertise including Rig Acceptance & Safety Surveys, Rig Condition & Benchmark Surveys, Subsea & Surface Well Control Equipment Inspection and Oil Country Tubular Goods (OCTG) services.

Gray Wireline and Universal Wireline

In December 2010, Archer acquired Gray Wireline from Centre Partners for 157.5 million on a debt and cash free basis, and in January 2011 acquired Universal Wireline from Patterson-UTI for USD 25.5 million on a debt and cash free basis. The results of operations for Gray Wireline and Universal Wireline have been included in Archer's consolidated financial statements from December 16, 2010 and February 1, 2011, respectively. Universal Wireline was merged with Gray Wireline. Gray Wireline operates in 18 district locations providing access to 85% of all active U.S. drilling rigs and generates a balanced revenue stream from liquids and gas. Archer is a leading provider of a full range of cased-hole wireline services in the Permian basin and in unconventional plays such as the Barnett, Marcellus, Haynesville, Bakken, Eagle Ford and Woodford shales and in the Permian Basin. The combined companies commands one of the youngest fleets in the industry with a total of 136 wireline units and 6 offshore skids.

Allis-Chalmers

In February 2011, the merger between Allis-Chalmers Energy Inc. and Seawell Limited was completed. Allis-Chalmers is a Houston, Texas-based multifaceted oilfield service company that provided services and equipment to oil and natural gas exploration and production companies throughout the United States, including in Texas, Louisiana, Pennsylvania, Arkansas, West Virginia, Oklahoma, Colorado, and offshore in the Gulf of Mexico, and internationally, primarily in Argentina, Brazil, Bolivia and Mexico. Through the merger with Allis-Chalmers, Archer now provides land drilling, pulling and workover rigs and related services as well as directional drilling services, casing and tubing services, underbalanced drilling services and coiled tubing and production services and provides oilfield rental equipment, including drill pipe, tubing and blow-out prevention equipment. Allis-Chalmers results of operations have been included in Archer's consolidated financial statements from March 1, 2011.

Great White

In August 2011, Archer acquired Great White for USD 630 million on a cash and debt free basis. Great White provides industry-leading pressure control including coil tubing and snubbing services, directional drilling, and pressure pumping including fracing and nitrogen services. Its operations are primarily focused on the U.S. onshore unconventional resource plays with locations in many of the prolific basins with strong drilling activity, primarily with a focus on oil and liquids. Great White's services are targeted at drilling and completing the horizontal wells that are critical in increasing the ultimate recovery in unconventional basins. Great White operates 13 service centres strategically located around the unconventional plays in Michigan, Oklahoma, Texas, West Virginia, Colorado, Arkansas and Wyoming and are highly complementary to Archer's existing locations with minimal overlap and integration risk. Archer's new pressure pumping division and its expanded pressure control divisions will be headquartered in Oklahoma City. The results of operations for Great White have been included in Archer's consolidated financial statements from August 25, 2011.

X-it Casing Exit Systems

In April 2012, Archer Limited purchased X-it Energy Services for USD 6 million. X-it develop and manufacture proprietary single-trip milling systems used for casing exits including controlled directional, multi-lateral and sidetrack drilling. The results of operations of X-it Energy Services have been included in Archer's consolidated financial statements from April 2012.

11.2.4 Political, economical and other uncertainties

Archer's operations are subject to political, economic and other uncertainties. Archer's foreign operations are often subject to uncertainties of such nature that are not encountered in domestic operations, such as arbitrary taxation policies, onerous customs restrictions, unstable currencies, exchange rate fluctuations and the risk of asset expropriation due to foreign sovereignty over operating areas. Many aspects of Archer's operations are subject to governmental regulation in the areas of equipping and operating vessels, drilling practices and methods, and taxation. In addition many of the countries in which Archer operates have regulations relating to environmental protection and pollution control. Archer could become liable for damages resulting from pollution of offshore waters and may have to document financial responsibility in this regard.

The political and economical situation in Argentina has raised certain specific uncertainties for Archer's operating activities in that country. As further described in Section 2.1.25, Argentina took control over an oil company without providing immediate monetary compensation due to alleged failure from the old owner in investing sufficiently in Argentina. Argentina may continue to take such actions and this may affect Archer either directly, or indirectly through generally reduced activity levels in Argentina. Furthermore, Argentina has implemented a strict currency control regulation, which makes it difficult to have access to foreign currency. This imposes difficulties in settling invoices from foreign suppliers, whether 3rd party or intercompany or to pay dividend to its shareholder outside the country.

Archer considers itself to be in compliance in all material respects with the health, safety and environmental regulations affecting its operations in the countries and jurisdictions in which Archer operates.

Regulatory compliance has not materially affected capital expenditures, earnings or competitive position to date, although such measures do increase costs of operations and may adversely affect operations. Further regulations may reasonably be anticipated, but any effects on Archer's operations cannot be accurately predicted.

In addition to the domestic and foreign regulations that directly affect Archer's operations, regulations associated with the production and transportation of oil and gas affect the operations of the Company's customers and thereby could potentially impact demand for Archer's services.

11.3 Application of critical accounting policies, estimates and judgments

Significant accounting policies are described in Note 2 to the 2011 consolidated financial statements, as included in Appendix 2. The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

11.4 Comments to the financial statements

The following discussion and analysis of Archer's financial condition and results of operation refers to the unaudited three and twelve months period ended December 31, 2012, and the audited annual periods ended December 31, 2011, 2010 and 2009, and should be read in conjunction with the financial statements incorporated by reference in Section 14.2 and appendix 1 and 2.

11.4.1 Results of operations three months ended December 31, 2012 compared to three months ended December 31, 2011

Total operating revenues

Total operating revenue and reimbursables for the three months ended December 31, 2012 amounted to USD 537.3 million, a decrease of 9.9% compared to USD 596.1 million for the three months ended December 31, 2011. The decrease in revenue is primarily attributable to a decline in utilization and pricing in North America.

Total operating expenses

Total operating expenses for the three months ended December 31, 2012 amounted to USD 434.9 million compared to USD 441.8 million for the three months ended December 31, 2011. Operating expenses were basically flat as both periods included all acquisitions and while revenue decreased in the three months ended 2012, the costs did not decrease proportionately.

Depreciation and amortization expenses for the three months ended December 31, 2011 amounted to USD 51.3 million, an increase of 8.5% compared to USD 47.3 million for the three months ended December 31, 2011. The increase is due to additional fixed assets and intangibles attributable to the capital expenditure spending during 2012. In addition, depreciation and amortization expense for the three months ended December 31, 2011 included USD 4.1 million in impairment on tangible fixed assets.

Impairment of goodwill and intangibles assets resulted in a noncash charge of USD 121.5 million in the three months ended December 31, 2011 and no charge for the three months ended December 31, 2012. The annual impairment testing of goodwill and intangibles in 2011 resulted in impairment expense in USD 99.0 million of goodwill impairment and USD 21.7 million of intangible impairment in Archer's drilling services segment related to operations acquired in the Allis-Chalmers merger. In addition Archer recorded a USD 0.9 million impairment on trade name shortly after the Great White acquisition as Archer decided to discontinue the use of certain acquired trade names. Please refer to Section 11.4.2 below for details of the impairment charge for the year ended December 31, 2012.

General and administrative expense for the three months ended December 31, 2012 amounted to USD 35.2 million, an increase of 19.3% compared to USD 29.5 million for the three months ended December 31, 2011. General and administrative expense as a percentage of total revenues was 6.6% for the three months ended December 31, 2012 and 4.9% for the three months ended December 31, 2011.

Total Financial Items

Interest expense for the three months ended December 31, 2012 amounted to USD 13.7 million, an increase of 10.5% compared to USD 12.4 million for the three months ended December 31, 2011. Long-term interest bearing debt was USD 1.2 billion at December 31, 2012 compared to USD 1.1 billion at December 31, 2011. The increase in debt is primarily related to cash overdraft borrowings and the permanent financing of the modular rig.

Other financial items for the three months ended December 31, 2012 amounted to USD 4.7 million of gain compared to USD 14.8 million of expense for the three months ended December 31, 2011. Other financial items consist mainly of foreign exchange losses arising on settlement of transaction loans denominated in currencies other than the functional currency.

Income Taxes

Total income tax charges were USD 9.2 million for the three months ended December 31, 2012, mainly related to operations in Europe and Latin America, compared to a tax benefit of USD 3.2 million for the same period of the preceding year.

Net financial loss for the three months ended December 31, 2012 amounted to USD 41.0 million compared to a net loss of USD 111.8 million for the three months ended December 31, 2011.

11.4.2 Results of operations twelve months ended December 31, 2012 compared to twelve months ended December 31, 2011

Total operating revenues

Total operating revenue and reimbursables for the year ended December 31, 2012 amounted to USD 2,190.5 million, an increase of 18.1% compared to USD 1,854.6 million for the year ended December 31, 2011. The additional revenue is primarily attributable to the acquired activities of Allis-Chalmers, Great White and growth in Archer's oil tools division.

Total operating expenses

Total operating expenses for the year ended December 31, 2012 amounted to USD 1,724.7 million, an increase of 25.2% compared to USD 1,377.7 million for the year ended December 31, 2011. Operating expenses increased primarily due to acquired operations of Allis-Chalmers, Great White and growth in Archer's oil tools division.

Depreciation and amortization expenses for the year ended December 31, 2012 amounted to USD 205.0 million, an increase of 39.4% compared to USD 147.1 million for the year ended December 31, 2011. The increase is due to additional fixed assets and intangibles attributable to the acquisitions of Allis-Chalmers, Great White and additional investment in fixed assets over the last two years. In addition, depreciation and amortization expense for the year ended December 31, 2011 included USD 4.1 million in impairment on tangible fixed assets.

Impairments resulted in a noncash charge of USD 338.7 million in the year ended December 31, 2012 compared to USD 126.6 million in the year ended December 31, 2011. During the third quarter of 2012, the level of The Company's stock price, the loss of several large customers in North America as well as the significant decline in Archer's 2012 forecasted results compared to forecasts prepared at the time of the 2011 goodwill impairment testing, were considered to be circumstances, which more likely than not, would reduce the fair value of a reporting unit below its carrying amount. As consequence, Archer prepared a comprehensive impairment test for long lived assets, including intangibles and goodwill, which results in the following impairments: An impairment of goodwill, amounting to USD 207.6 million, an impairment of fixed assets amounting to USD 66.6 million, an impairment of intangibles amounting to USD 57.5 million, an impairment of investments in associates totalling USD 4.9 million and an impairment of inventory of USD 2.1 million. The annual impairment testing of goodwill and intangibles in 2011 resulted in impairment expense in USD 99.0 million of goodwill impairment and USD 21.7 million of intangible impairment in Archer's drilling services segment related to operations acquired in the Allis-Chalmers merger. In addition Archer recorded a USD 5.1 million impairment on trade name shortly after the Allis-Chalmers merger and a USD 0.9 million impairment on trade name shortly after the Great White acquisition. In both instances, Archer decided to discontinue the use of certain acquired trade names.

General and administrative expense for the year ended December 31, 2012 amounted to USD 131.1 million, an increase of 42.3% compared to USD 92.1 million for the year ended December 31, 2011. The growth in the Company and the diversity in product offerings resulted in the increase. In addition, general and administrative expenses for the year ended December 31, 2011 included USD 15.2 million of acquisition costs related primarily to the acquisitions of Allis-Chalmers and Great White. General and administrative expense as a percentage of total revenues was 6.0% for the year ended December 31, 2012 and 5.0% for the year ended December 31, 2011.

Total Financial Items

Interest expense for the year ended December 31, 2011 amounted to USD 61.5 million, an increase of 32.5% compared to USD 46.4 million for the year ended December 31, 2011. Long-term interest bearing debt was USD 1.2 billion at December 31, 2011 compared to USD 1.1 billion at December 31, 2011. The increase in debt is primarily related to cash overdraft borrowings and the permanent financing of the first modular rig.

Other financial items for the year ended December 31, 2011 amounted to USD 17.5 million of gain compared to USD 1.0 million of expense for the year ended December 31, 2011. Other financial items consist mainly of foreign exchange losses arising on settlement of transaction loans denominated in currencies other than the functional currency.

Income Taxes

Total income tax charges for 2011 amounted to USD 10.4 million, mainly related to operations in Europe and Latin America, compared to USD 14.5 million for 2011.

Net financial loss for the year ended December 31, 2012 amounted to USD 375.1 million compared to a net loss of USD 77.0 million for the year ended December 31, 2011. No dividends have been proposed for the year ending December 31, 2012.

Balance sheet

Total current assets were USD 639.4 million at December 31, 2012 and consisted primarily of trade accounts receivables. Total non-current assets were USD 1.9 billion at December 31, 2012 and consisted primarily of fixed assets used in Archer's operations, goodwill and other intangibles. As of December 31, 2012, total assets amounted to USD 2.6 billion compared to USD 2.8 billion at December 31, 2011. The decrease in assets is primarily attributable to the impairments recorded in 2012. Total current liabilities were USD 685.1 million at December 31, 2012 and consisted primarily of current portion of long term debt, accounts payable and accrued expenses. Total non-current liabilities were USD 1.0 billion at December 31, 2012 and consisted primarily of long-term interest bearing debt. Total equity has decreased to USD 926.9 million at December 31, 2012 compared to USD 1.3 billion at December 31, 2011. The decrease in equity is primarily attributable to the net loss incurred for the year ending December 31, 2012.

Cash flow

Description of the cash flow for the year ended December 31, 2012 is described in Section 11.5 below.

Share capital

In 2012 a total of 249,998 shares were issued in relation to exercise of options, and a total of 11,500 shares were issued to a former stockholder and director of Allis-Chalmers who did not receive such shares following the merger due to a ministerial error on the part of Allis-Chalmers.

A total of 366,659,120 shares of par value USD 2.00 each were issued and outstanding as of December 31, 2012, corresponding to a share capital of USD 733,318,240. In addition, a total of 10,033,905 options were outstanding as of December 31, 2012.

11.4.3 Results of operations 2011 compared to 2010 — consolidated results

Total operating revenues

Total operating revenue and reimbursables for the year ended December 31, 2011 amounted to USD 1,854.6 million, an increase of 158.1% compared to USD 718.7 million for the year ended December 31, 2010. The additional revenue is primarily attributable to the acquired activities of Allis-Chalmers, Great White, Gray Wireline and Universal Wireline and growth in Archer's oil tools division.

Total operating expenses

Total operating expenses for the year ended December 31, 2011 amounted to USD 1,377.7 million, an increase of 173.2% compared to USD 504.3 million for the year ended December 31, 2010. Operating expenses increased primarily due to acquired operations of Allis-Chalmers, Great White, Gray Wireline and Universal Wireline, and growth in Archer's oil tools division.

Depreciation and amortization expenses for the year ended December 31, 2011 amounted to USD 147.1 million, an increase of 550.9% compared to USD 22.6 million for the year ended December 31, 2010. The increase is due to additional fixed assets and intangibles attributable to the acquisitions of Allis-Chalmers, Great White, Gray Wireline and Universal Wireline. In addition, depreciation and amortization expense for the year ended December 31, 2011 included USD 4.1 million in impairment on tangible fixed assets.

Impairment of goodwill and intangibles assets resulted in a noncash charge of USD 126.6 million in the year ended December 31, 2011 and no charge for the year ended December 31, 2010. The annual impairment testing of goodwill and intangibles in 2011 resulted in impairment expense in USD 99.0 million of goodwill impairment and USD 21.7 million of intangible impairment related to operations acquired in the Allis-Chalmers merger. In addition Archer recorded a USD 5.1 million impairment on trade name shortly after the Allis-Chalmers merger and a USD 0.9 million impairment on trade name shortly after the Great White acquisition. In both instances, Archer decided to discontinue the use of certain acquired trade names.

General and administrative expense for the year ended December 31, 2011 amounted to USD 92.1 million, an increase of 265.5% compared to USD 25.2 million for the year ended December 31, 2010. The growth in the Company and the diversity in product offerings resulted in the increase. In addition, general and administrative expenses for the year ended December 31, 2011 included USD 15.2 million of acquisition costs related primarily to the acquisitions of Allis-

Chalmers and Great White. General and administrative expense as a percentage of total revenues was 5.0% for the year ended December 31, 2011 and 3.5% for the year ended December 31, 2010.

Total Financial Items

Interest expense for the year ended December 31, 2011 amounted to USD 46.4 million, an increase of 109.0% compared to USD 22.2 million for the year ended December 31, 2010. Long-term interest bearing debt was USD 1.1 billion at December 31, 2011 compared to USD 194.2 million at December 31, 2010. The increase in debt is primarily related to the acquisitions of Allis-Chalmers and Great White. The Allis-Chalmers merger was funded primarily with stock but as part of the acquisition, Archer acquired approximately USD 450 million of debt and the Great White initial purchase price of USD 630 million was funded with cash.

Other financial items for the year ended December 31, 2011 amounted to USD 1.0 million of expense compared to USD 15.3 million of expense for the year ended December 31, 2010. Other financial items consist mainly of foreign exchange losses arising on settlement of transaction loans denominated in currencies other than the functional currency.

Income Taxes

Total income tax charges for 2011 amounted to USD 14.5 million, mainly related to operations in Europe and Latin America, compared to USD 15.3 million for 2010.

Net financial loss for the year ended December 31, 2011 amounted to USD 77.0 million compared to a net profit of USD 12.3 million for the year ended December 31, 2010. No dividends were paid for the year ending December 31, 2011.

Balance sheet

Total current assets were USD 638.4 million at December 31, 2011 and consisted primarily of trade accounts receivables. Total non-current assets were USD 2.2 billion at December 31, 2011 and consisted primarily of fixed assets used in Archer's operations, goodwill and other intangibles. As of December 31, 2011, total assets amounted to USD 2.8 billion compared to USD 1.0 billion at December 31, 2010. The growth in assets is primarily attributable to the acquisitions of Allis-Chalmers and Great White in 2011. Total current liabilities were USD 466.5 million at December 31, 2011 and consisted primarily of current portion of long term debt, accounts payable and accrued expenses. Total non-current liabilities were USD 1.1 billion at December 31, 2011 and consisted primarily of long-term interest bearing debt. Total equity has increased to USD 1.3 billion at December 31, 2011 compared to USD 557.9 million at December 31, 2010. The increase in equity is primarily attributable to shares issued in the acquisition of Allis-Chalmers and shares issued via private placements, partly offset by the 2011 loss.

Cash flow

Description of the cash flow for the year ended December 31, 2011 is described in Section 11.5 below.

Share capital

A total of 140,997,572 fully paid shares were issued during 2011.

On March 4, 2011, 97,071,710 Shares were issued in connection with the merger with Allis-Chalmers. In addition the Company issued 12.7 million Shares on August 31, 2011, following a private placement on August 26, 2011 directed towards its two largest shareholders, Seadrill and Lime Rock Partners. Furthermore, Archer issued 30 million Shares on September 6, 2011, following another private placement on August 31, 2011. A total of 997,242 Shares were issued during 2011 as options were exercised, and a further 228,620 Shares were issued in relation to settlement with dissenting shareholders from the merger with Allis-Chalmers.

At December 31, 2011 the number of Shares issued was 366,397,622 each of par value USD 2.00, corresponding to a share capital of USD 732,795,244. In addition, a total of 12,812,572 options were outstanding as of December 31, 2011.

11.4.4 Results of operations 2010 compared to 2009 — consolidated results

Total operating revenues

Total operating revenues increased from NOK 3,824.8 million in the year ended December 31, 2009 to NOK 4,328.9 million in the year ended December 31, 2010, reflecting an increase of NOK 378.2 million in total operating revenues for the North Sea segment, and a NOK 125.9 million increase in total operating revenues in the Emerging Markets & Technology segment.

The North Sea segment's total operating revenues increased from NOK 3,199.4 million in the year ended December 31, 2009 to NOK 3,577.6 million in the year ended December 31, 2010. The increase in total operating revenues in the North Sea segment reflects a NOK 444.7 million increase in operating revenues partially offset by a decline in reimbursables of NOK 66.5 million. The increase in operating revenues was due to an increase in Archer's platform drilling operating revenues associated with the start up of the Statoil-Peregrino drilling services contract in Brazil and the ConocoPhillips Ekofisk contract in the North Sea. Reimbursables declined from NOK 684.8 million to NOK 618.3 million consistent with the decline in reimbursables expenses described below.

Total operating revenues for the Emerging Markets & Technology segment increased from NOK 625.4 million in the year ended December 31, 2009 to NOK 751.3 million in the year ended December 31, 2010. The increase in total operating revenues in the Emerging Markets & Technology segment reflects a NOK 149.4 million increase in operating revenues offset by a decline in reimbursables of NOK 23.5 million. The increase in operating revenues for the Emerging Markets & Technology segment was due to an increase in operating revenues for both the well intervention services and oilfield technology divisions. The increase in well intervention services operating revenues reflects an increase of NOK 69.9 million in wireline services operating revenues associated with high utilization under a newly awarded five year contract for all of ConocoPhillips' wireline work and the acquisition of Gray Wireline Services in December 2010 as well as an increase of NOK 52.4 million in cased hole investigation services revenues associated with the completion of jobs utilizing the new Well Performance Eye tool and its new caliper job capabilities. The increase in oilfield technology operating revenues of NOK 27.1 million reflects an increase in the provision of Peak C-Flex smart cementing completion services and in VMB plug operations. Reimbursables declined from NOK 38.8 million to NOK 15.3 million consistent with the decline in reimbursables expenses described below.

Total operating expenses

Total operating expenses increased from NOK 3,465.5 million for the year ended December 31, 2009 to NOK 3,943.2 million for the year ended December 31, 2010, reflecting a NOK 379.9 million increase in total operating expenses for the North Sea segment, and a NOK 97.9 million increase in total operating expenses for the Emerging Markets & Technology segment.

The North Sea segment's total operating expenses increased from NOK 2,914.8 million in the year ended December 31, 2009 to NOK 3,294.7 million in the year ended December 31, 2010. The increase in total operating expenses in the North Sea segment reflects a NOK 398.8 million increase in operating expenses and a NOK 34.2 million increase in general and administrative expenses partially offset by a NOK 53.1 million decline in reimbursables expenses and a NOK 0.1 million decline in depreciation and amortization. The decline in the North Sea segment's reimbursables expenses reflects a higher level of modification work on the Statfjord field as well as completion of the Gullfaks minimum pressure drilling project in 2009 and the loss of the BP Clair platform drilling contract in the UK. Operating expenses consist primarily of onshore and offshore personnel expenses, and repair and maintenance expenses. Operating expenses increased from NOK 2,134.0 million in the year ended December 31, 2009 to NOK 2,532.9 million in the year ended December 31, 2010 consistent with the increase in North Sea operating revenues described above.

Total operating expenses for the Emerging Markets & Technology segment increased from NOK 550.6 million in the year ended December 31, 2009 to NOK 648.5 million in the year ended December 31, 2010. The increase in total operating expenses in the Emerging Markets & Technology segment reflects a NOK 100.8 million increase in operating expenses, a NOK 4.6 million increase in depreciation and amortization and a NOK 14.7 million increase in general and administrative expenses offset by a NOK 22.3 million decline in reimbursables expenses. Operating expenses increased from NOK 404.3 million in the year ended December 31, 2009 to NOK 505.1 million in the year ended December 31, 2010 consistent with the increase in Emerging Markets & Technology operating revenues described above. The decline in depreciation and amortization was primarily due to investment in new VMB plugs. The decline in reimbursables expenses was primarily due to completion of the Statoil contract at the end of 2009.

Total Financial Items

Interest income for the year ended December 31, 2010 was NOK 9.3 million compared to NOK 5.6 million for 2009. The increase in interest income reflects an increase in Archer's consolidated cash balances due to a private placement made in August 2010.

Interest expenses increased from NOK 96.8 million in the year ended December 31, 2009 to NOK 132.9 million in the year ended December 31, 2010. The increase in interest expense was primarily due to the payment of arrangement fees related to funding expensed in 2010 offset by a decrease in the amount outstanding under the Credit Facility with Fokus Bank as well as the settlement of the subordinated loan from Seadrill.

Share of result in associated company was a net loss of NOK 1.9 million in the year ended December 31, 2010, compared to no share of result in associated company in the year ended December 31, 2009. The loss of NOK 1.9 million in 2010 is related to Archer's share of result in the C6 joint venture. In the year ended December 31, 2010, Archer recorded a loss of NOK 93.8 million related to other financial items. The loss was primarily due to unrealized foreign exchange losses based on an ending FX rate of NOK 5.85 to USD 1.00.

Income Taxes

Income taxes for the year ended December 31, 2010 were NOK 92.6 million compared to NOK 60.6 million for the year ended December 31, 2009. The effective tax rate increased from 25.8% in the year ended December 31, 2009 to 55.7% in the year ended December 31, 2010, principally reflecting an increase in operations in countries with higher corporate tax rates, in particular, the start up of the Brazilian operations, which are subject to a tax rate of 34%, an unrealized foreign exchange loss on Bermuda which has a statutory tax rate of 0% and a tax loss in the United States that was not recognized.

Balance sheet

As of December 31, 2010, total assets amounted to NOK 5,723.1 million, of which NOK 2,363.2 million related to current asset and NOK 3,359.9 million related to non current asset. Current asset consist in all material aspect of cash and cash equivalents, restricted cash, accounts receivable and other current asset. Non current asset consist in all material aspect of drilling equipment, asset under construction, deferred tax asset, other intangible asset and goodwill.

Total non current liabilities amounted to NOK 1,482.1 and consist in all material aspect of long term interest bearing debt to the bank syndicate and pension liability. Total current liabilities amounted to NOK 967.1 and consist of current portion of long term debt and other non interest bearing current liabilities.

Cash flow

Description of the cash flow for the year ended December 31, 2010 is described in Section 11.5 below.

Share capital

A total of 115,400,000 fully paid shares were issued during 2010 in connection with a private placement.

A total of 225,400,050 shares, each of par value USD 2.00 were issued and outstanding as of December 31, 2010. In addition, a total of 6,507,000 options were outstanding as of December 31, 2010.

11.5 Liquidity and capital resources

11.5.1 Liquidity and cash requirements

The Archer Group operates in a capital intensive industry and has historically financed the purchase of its equipment through a combination of operational cash flow and third party borrowings from commercial banks.

In addition to buying equipment for its operations, the Company, as part of its strategy, has acquired other businesses and companies. Depending on the size of such acquisitions, financing is arranged through cash flow from operations, debt financing and the issuance of equity or a combination of all before mentioned sources.

As such the overall liquidity requirements of the Archer Group relate to funding capital expenditures, mergers and acquisitions, working capital, servicing its debt obligations and maintaining cash reserves against fluctuations in operating cash flows.

The short-term liquidity requirements relate to funding operational expenses and working capital requirements, capital expenditures and servicing its debt requirements. Sources of short-term liquidity include cash balances, short-term investments, available amounts under overdraft and revolving credit facilities and collections from customers.

On March 7, 2013, the Company entered into a third amendment and restatement agreement in respect of its main credit facility. The amended and restated main credit facility is described in more detail in Section 11.6.2.

Please refer to Section 11.9 below, for more details of the Company's working capital statement.

As of the date of this Prospectus, the Company expects that apart from the financing for the second modular rig the existing cash, operational cash flow and the negotiated credit lines are sufficient to fund Archer's other current capital requirements. The Company is confident that it will be able to secure financing for the second modular rig through shareholder loans or third party financing or a combination of both within the periods due.

As of December 31, 2012 working capital, which is defined as current assets less current liabilities, totaled (net assets) of USD (45.7) million (December 31, 2011: USD 171.9). This includes USD 250 million of debt facilities, which has been extinguished using the proceeds from the Private Placement.

Restrictions to transfer cash from the subsidiaries to the parent company

Archer have operations in countries where there are restrictions to transfer cash from the subsidiary to the mother company, or another company in the group. Such constraints include exchange controls and taxation consequences of transfers. This is particularly an issue among the companies in the Archer Group that are located in South America, where capital restrictions on international cash transfer are strict. These restrictions have not had and are not expected to have an impact on the Company's ability to meet its obligations.

11.5.2 Long term liquidity and cash requirements

The Company does not have any binding long term capital investment plans and apart from financing of the second modular rig, working capital requirements, lease obligations as described in more detail in 11.6.2, regular investments for the replacement of fixed assets and its obligations resulting from debt financing has no additional funding requirements.

During the month of February 2013, the Company completed the Private Placement of 208.3 million common shares at a price of USD 1.2 per share, raising net proceeds of approximately USD 248.0 million (gross proceeds of USD 250 million). The proceeds from the Private Placement have been applied towards the prepayment of the USD 100 million installment due in November 2013 under tranche B (the term loan facility) of the Company's main credit facility, prepayment and cancellation of USD 95 million relating to tranche A (the revolving credit facility) under the Company's main credit facility in addition to repaying a subordinated loan of USD 55 million to Seadrill.

On March 7, 2013, following such repayment and cancellation, the Company entered into a third amendment and restatement agreement in respect of its main credit facility, which is described in more detail in Section 11.6.2.

As at December 31, 2012, the Company's cash and cash equivalents excluding restricted cash was USD 58.2 million. Subsequent to December 31, 2012 and to the date of this Prospectus the Company made the following significant payments and receipts:

- In February 2013, the Company received USD 250 million reflecting the gross proceeds from the Private Placement, excluding associated professional fees and costs of approximately USD 2.0 million.
- In February 2013, the Company prepaid a total of USD 195.0 million under its main credit facility to the bank syndicate as further described above.
- In February 2013, the subordinated debt of USD 55 million from Seadrill was repaid.

11.5.3 Overview of liquidity and capital resources

Archer's historical sources of liquidity have been cash generated from operations, credit facilities provided by major financial institutions, equity issuances and shareholder loans. Cash generated from operations continues to be Archer's primary source of funds to finance operating needs, capital expenditures and debt service. Archer had cash and cash equivalents excluding restricted cash of USD 58.2 million as of December 31, 2012, compared to USD 37.3 million at December 31, 2011. Cash and cash equivalents include cash on hand and on deposit at banking institutions as well as highly liquid short-term securities with original maturities of three months or less.

Archer has entered into a building contract with Max Streicher for the construction of a second modular rig. A portion of the building cost will need to be financed through new debt. Please also refer to Section 6.13.4.

Financial ratios

See Section 10.1.2 and 10.1.3 above for details regarding financial key figures.

11.5.4 Cash flows from operating activities

Net cash provided by operating activities during the year ended December 31, 2012 was USD 168.8 million, compared to USD 91.5 million for the year ended December 31, 2011, USD 50.5 million for the year ended December 31, 2010 and USD 61.0 million for the year ended December 31, 2009. Operating cash flows are affected primarily by EBITDA and movement in working capital. The increase in cash flows from operating activities has increased over the period as Archer has acquired several smaller and larger companies which have contributed to the increase.

11.5.5 Cash flows from investing activities

Net cash used in investing activities was USD 249.7 million for the year ended December 31, 2012 and USD 855.1 million for the year ended December 31, 2011. The cash outflow for the year ended December 31, 2012 was considerably lower than for the year ended December 31, 2011 primarily due to large acquisitions of subsidiaries in 2011. Investments in fixed assets were higher in 2012 than in the preceding years.

Net cash used in investing activities was USD 190.5 million for the year ended December 31, 2010 and USD 26.8 million for the year ended December 31, 2009. The cash outflow for the year ended December 31, 2010 was substantially higher than that for the year ended December 31, 2009, mainly due to the acquisitions of Rig Inspection Services, Romeg Holdings and Gray Wireline in 2010. In 2009, the net cash outflows were primarily related to routine purchases of drilling equipment.

11.5.6 Cash flows from financing activities

Net cash provided by financing activities was USD 101.3 million for the year ended December 31, 2012, as compared to USD 627.6 million in the year ended December 31, 2011. The large cash flow from financing activities in the year ended December 31, 2011 is mainly due to borrowings under the multi-currency and term facility partially offset by repayment of debt issued by Allis-Chalmers upon closing of the Merger. In addition, USD 247.3 million was raised from the issuance of new equity in private placement to assist in the funding of the Great White acquisition in 2011.

In 2010, net cash flow from financing activities was USD 270.4 million which was mainly from the issuance of new equity in a private placement. In 2009, net cash used in financing activities was USD 30.9 million.

Recent developments

See Section 11.5.2 above for details relating to financing activities after December 31, 2012.

11.5.7 Treasury and funding policy

The treasury activities are conducted within corporate financing and cash management policies. The overall objective outlined in these policies is to secure sufficient funding and keeping adequate liquidity reserves and available credit lines for the short and long term capital requirements, while generating satisfactory returns on excess funds. Cash and cash equivalents are held primarily in USD and NOK with some balances held in GBP, SGD, BRL ARS and EUR. The Archer Group has historically not made use of derivative instruments other than for interest rate and currency risk management purpose. At the date of this prospectus, the Archer Group has not entered into any derivative instruments in order to hedge currency or interest rate risks.

11.6 Capitalization and indebtedness

11.6.1 Capitalization

The tables below should be read in conjunction with the information included elsewhere in this Prospectus, including Section 10 and Section 11 and the financial statements and related notes of the Archer Group, included in this Prospectus by reference.

The following table sets forth information about Archer Group's consolidated capitalization as of December 31, 2012.

Figures in USD million	**Unaudited December 31, 2012**	**Unaudited December 31, 2012, adjusted**
Indebtedness		
Total current financial debt	329.5	79.5
Guaranteed	—	—
Secured[(1)]	273.7	23.7
Unguaranteed/unsecured	55.8	55.8
Total non-current debt (excluding current portion of long –term debt)	889.8	889.8
Guaranteed[(2)]	—	100.0
Secured	889.8	789.8
Unguaranteed/unsecured	—	—
Total indebtedness	**1,219.3**	**969.3**
Shareholders' equity		
Share capital	733.3	579.2
Legal reserve	779.6	1,183.7
Other reserve	-586.0	-586.0
Total equity	**926.9**	**1,176.9**
Total capitalization	**2,146.2**	**2,146.2**

The "December 31, 2012, adjusted" column reflects the private placements in of USD 250 million and the subsequent prepayment of USD 195 million of bank loans and repayment of subordinated debt to Seadrill of USD 55 million in February 2013.

1) See Section 6.12 for the description of the secured portion of the non-current financial debt.
2) See Section 8.1.3 for details relating to the guaranteed portion of the non-current debt.

The following table sets forth information about the Archer's net indebtedness as of December 31, 2012.

Figures in USD 1,000	**Unaudited December 31, 2012**	**Unaudited December 31, 2012, adjusted**
Net indebtedness		
(A) Cash	58.2	58.2
(B) Cash equivalents[1]	—	—
(C) Trading securities	—	—
(D) Liquidity (A) + (B) + (C)	**58.2**	**58.2**
(E) Current financial receivables[2]...	**569.3**	**569.3**
(F) Current bank debt..	65.7	65.7
(G) Current portion of non-current debt.......................................	208.8	13.8
(H) Other current financial debt[3]..	410.6	355.6
(I) Current financial debt (F) + (G) + (H)	**685.1**	**435.1**
(J) Net current financial indebtedness (I) - (E) - (D)	**57.6**	**-192.4**
(K) Non-current bank loans...	880.1	880.1
(L) Bonds issued	—	—
(M) Other non-current loans[4]...	92.2	92.2
(N) Non-current financial indebtedness (K) + (L) + (M)	**972.4**	**972.4**
(O) Net financial indebtedness (J) + (N)	**1,030.0**	**780.0**

The "December 31, 2012, adjusted" column reflects the private placements in of USD 250 million and the subsequent prepayment of USD 195 million of bank loans and repayment of subordinated debt to Seadrill of USD 55 million in February 2013.

1) Cash equivalent does not include restricted cash
2) Current financial receivables include accounts receivable and other current asset
3) Other current financial debt include accounts payable and other short term debt
4) Other non current loans include other non current liabilities, i.e. pension liability and deferred taxes

Since December 31, 2012 to the date of this Prospectus, there have been no events materially affecting the above tables, except for what has been adjusted for in the table as described in Section 11.6 below.

11.6.2 Description of indebtedness

Multicurrency term and revolving facility agreement

The Company entered, on March 7, 2013, into a third amendment and restatement agreement in respect of the Company's USD 1,187.5 million multicurrency term and revolving facility agreement with a syndicate of banks, of which 1,171.9 million was committed by the lenders. This agreement was entered into following the prepayment of USD 195 million to the bank syndicate in February 2013 from the proceeds of the Private Placement. The total amount available under the multicurrency term and revolving facility agreement, the Company's main credit facility, has been reduced from USD 1,171.9 million to USD 876.9 million. The amended and restated multicurrency term and revolving facility agreement (the "Multicurrency Term and Revolving Facility Agreement"), is divided into two tranches. The total amount available under tranche A (the revolving credit facility) has been reduced from USD 493.4 million to USD 398.4 million and the total amount available under tranche B (the term loan facility) has been reduced from USD 678.5 million to USD 478.5 million. The final maturity date of the tranches is November 11, 2015. The interest rate of the tranches is the aggregate of 1, 3 or 6 month NIBOR, LIBOR or EURIBOR, plus between 3.00% and 3.95% per annum, depending on the net interest bearing debt to EBITDA, in addition to mandatory cost, if any.

As of March 15, 2013, a total of USD 845.8 million has been drawn under the Multicurrency Term and Revolving Facility Agreement, of which USD 367.3 million has been drawn under tranche A and USD 478.5 million, has been drawn under tranche B.

The two tranches made under the Multicurrency Term and Revolving Facility Agreement is secured by pledges over shares in material subsidiaries, and assignment over intercompany debt, as well as by guarantees issued by the material subsidiaries. In addition, Seadrill has granted an on-demand guarantee of USD 100 million in favour of the lenders under the Multicurrency Term and Revolving Facilities and the lenders of the overdraft facilities, securing the obligations of Archer in respect of tranche A, tranche B and the overdraft facility agreements. The Archer entities that are organized under the laws of the United States of America and parties to the Multicurrency Term and Revolving Facility Agreement have further executed general security agreements in respect of their assets as security thereunder.

The Multicurrency Term and Revolving Facility Agreement contain certain financial covenants, including, among others:

- The Company's total consolidated net interest bearing debt shall not exceed 4.75x of last twelve months EBITDA until September 30, 2013, with a subsequent reduction of 0.25x per quarter to 3.25x from March 31, 2015 and onwards.
- The Company's minimum ratio of equity to total assets of at least 30.0%
- The Company is to maintain the higher of USD 30 million and 5% of interest bearing debt in freely available cash (including undrawn committed credit lines).
- The Company shall ensure that the capital expenditure of the Archer Group (on a consolidated basis) measured at the end of each financial year after 2012 shall not exceed USD 150,000,000, plus any capital expenditure relating to the modular rigs.

The Multicurrency Term and Revolving Facility Agreement contains events of default which include payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, insolvency, illegality, unenforceability, curtailment of business, claims against an obligor's assets, appropriation of an obligor's assets, failure to maintain exchange listing, material adverse effect, repudiation and material litigation. In addition there are cross default clauses in the event of the obligor defaulting on other issued debt.

Hermes covered term loan

On January 18, 2012 Archer Emerald Ltd., a wholly owned subsidiary of the Company, signed a €29.5 million Hermes covered term loan agreement for the modular rig Archer Emerald. The facility is secured by a pledge over the shares in Archer Emerald Ltd, a floating charge over Archer Emerald Ltd's assets, an assignment of insurances and an earnings account charge. The facility is repayable in semi-annual instalments in March and September through March 2017. The interest rate is 1.3% above 6 month EURIBOR. At December 31, 2012, the equivalent of USD 34.9 million was outstanding under this facility.

Other loans and capital leases

The Company has two USD 50.0 million cash overdraft facilities and at December 31, 2012, net borrowings under these facilities were USD 55.8 million. In addition Archer had borrowed USD 9.9 million under cash overdraft facilities in Argentina. Archer has a USD 25.0 million import facility in Argentina, which had an outstanding balance at December 31, 2012 of USD 2.9 million. Archer also has capital leases covering both real property and equipment and at December 31, 2012, the net balance due under these arrangements was USD 11.8 million. In Argentina, Archer has a USD 4.0 million term loan facility, which had an outstanding balance at December 31, 2012 of USD 1.7 million. In addition, Archer has several equipment financing obligations that in aggregate had a balance due of USD 0.2 million at December 31, 2012. The interest rate on these loans and capital leases varies between the aggregate of 1 month NIBOR, LIBOR or EURIBOR plus a margin of 1.25% and up to approximately 17% per annum.

Indirect or contingent debt

The Company does not have any indirect or contingent debt.

Off-balance sheet arrangements

Historically, Archer has not used special-purpose vehicles or similar financing arrangements. In addition, Archer does not have any off-balance sheet arrangements with any of its affiliates or with any unconsolidated entities.

Contractual obligations

As of December 31, 2012, Archer's unaudited contractual debt obligations for future periods were as follows:

	Payments Due						
(USD in millions)	**2013**	**2014**	**2015**	**2016**	**2017**	**After 2017**	**Total**
Debt Obligations......................	327.4	108.2	759.7	7.6	4.5	-	**1,207.5**
Finance Lease Obligations	2.5	1.9	1.6	1.6	0.9	3.6	**11.8**
Operating Lease Obligations.....	14.6	12.5	10.7	8.6	5.2	14.2	65.8
Purchase Obligations	65.0	55.0	-	-	-	-	120.0
Total	**409.5**	**177.6**	**772.0**	**17.8**	**10.6**	**17.8**	**1,405.1**

11.6.3 Inflation

Archer's business transactions are denominated primarily in USD, NOK, GBP and ARS. Management believes that inflation has not had a material effect on Archer's results of operations.

11.6.4 Debt and lease restrictions

The existing financing agreements impose operating and financing restrictions on the Archer Group which may significantly limit or prohibit, among other things, the ability to incur additional indebtedness, create liens, sell shares of subsidiaries, make certain investments, engage in mergers and acquisitions, transfer funds from subsidiary companies to the Company or pay dividends without the consent of the lenders. In addition, the lenders and lessors may accelerate the maturity of indebtedness under the financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of default, including the failure to comply with any of the covenants contained in the financing agreements. The various debt and lease agreements of the Archer Group contain covenants that require compliance with certain financial ratios. Such ratios include equity ratios, gearing ratios and EBITDA to net debt ratio covenants, capital expenditure restrictions and minimum free liquidity restrictions in respect of the subsidiaries and the Company. With regards to minimum levels of free cash the Archer Group has covenanted to maintain at least USD 30 million of cash and cash equivalents on a consolidated group basis.

As of September 30, 2012 and December 31, 2012, Archer was not in compliance with the financial covenants set out in its credit facilities Archer's lenders were notified accordingly. As described in more detail in 11.6.2 Archer has entered into a revised agreement with its lenders under the main credit facility on March 7, 2013. As of the date of this prospectus Archer is in compliance with the covenants under the main credit facility.

Under the Archer Group's existing bank financing agreements, material restrictions exist over the ability of the Company's subsidiaries to transfer funds to the Company in the form of cash dividends, loans or advances. However, these restrictions only arise upon the occurrence of a breach of debt and lease covenants. As of the date of this Prospectus, the Archer Group complied with all covenants of the various debt and lease agreements. As of the date of this Prospectus, the Company does not anticipate breach of any of the Archer Group's various debt or lease covenants. For further details on debt covenant compliance, see Section 2 "Risk Factors" and Section 11.6.2 "Description of indebtedness" included in this prospectus.

In addition some of the debt is also collateralized through pledges of shares by guarantor subsidiaries of the Company and other security arrangements as further described in Section 11.6.2 "Description of indebtedness".

11.6.5 Derivatives

The Archer Group may from time to time use financial instruments to reduce the risk associated with fluctuations in interest rates. The Archer Group has currently not entered into any interest rate swap agreement. The Company will consider using these instruments to hedge interest rate fluctuation risk on a regular basis.

The Archer Group does not currently enter into foreign currency forward contracts in order to manage the exposure to the risk of movements in foreign currency exchange rate fluctuations. The Company will consider using these instruments to hedge currency fluctuation risk on a regular basis.

11.7 Significant change in the Archer Group's financial or trading position

In the period after the balance sheet day of December 31, 2012 and up to the date of this Prospectus, Archer has completed the following transactions.

First contract for the Archer Topaz Modular Rig with Statoil on the Heimdal field in the North Sea

The Company announced on January 31, 2013 that it has been awarded a second modular rig drilling contract from Statoil for the permanent plug and abandonment of twelve wells on the Heimdal platform. The start of operations is expected in the second half of 2014 and the contract duration is 34 months with four option periods of three months each.

The total firm period contract value, including start-up phase, operating phase, and decommissioning phase is estimated at USD 115 million, with an estimated annual EBITDA contribution of USD 30 million starting from Q4 2014.

USD 250 million private placement towards investors

On February 20, 2013, the Company received USD 250 million reflecting the gross proceeds from the Private Placement of 208.3 million shares, excluding associated professional fees and costs of approximately USD 2.0 million.

USD 195 million prepayment of loan

In February 2013, the Company prepaid a total of USD 195.0 million to the bank syndicate syndicate under its main credit facility.

USD 55 million repayment of subordinated debt from Seadrill

In February 2013, the subordinated debt of USD 55 million from Seadrill was repaid.

Other than this, there has been no significant change in the financial or trading position of Archer that has occurred since December 31, 2012.

11.8 Information on holdings

The Company does not have any ownership interests or investments other than those mentioned in 6.11, which are likely to have a significant effect on the assessment of the Company’s own assets and liabilities, financial position or profit or losses.

11.9 Working capital

As of the date of this Prospectus, the Company does not have sufficient working capital for its present requirements. Based on its latest estimates the Company does not have sufficient capital to fully finance the second Modular Rig for an estimated amount of USD 80 million, out of which approximately USD 25 million are payable in 2013, representing USD 21.2 million for the first installment due in the month of March 2013 and the remaining amounts are estimated to be equally spread over the rest of the year 2013. The remainder, totaling USD 55 million, is due in 2014, with USD 25 million (EUR 18.9 million) due in January 2014, another USD 25 million (EUR 18.9 million) due in the third quarter of 2014 and USD 5 million, representing contingency reserves, capitalized interest and internal project expenses equally spread over the first three quarters in 2014. The estimated total shortfall is approximately USD 50 million.

As explained in more detail in Section 6.13.4 financing related to the Archer Topaz is expected to be finalized during the second quarter of 2013. Until the new Hermes backed credit facility is concluded Archer expects to finance the installment payment due in March 2013 through a subordinated shareholder loan.

As of the date of this Prospectus, Archer expects that existing cash, operational cash flow and the negotiated credit lines are sufficient to fund Archer’s other current capital requirements. The Company is confident that it will be able to secure financing for the second Modular Rig through shareholder loans or third party financing or a combination of both within the periods due.

11.10 Dividend policy

The Company shareholders have a right to share in the Company’s profit through dividends. The Board may from time to time declare cash dividends (including interim dividends) or distributions out of contributed surplus to be paid to the Company’s shareholders according to their rights and interests as appear to the board to be justified by the position of the Company. The Company has not formalized a dividend policy. Such policy will be implemented in the future when the Company is in a position to declare cash dividends to the shareholders.

There are no dividend restrictions or specific procedures for non-Bermudian resident shareholders under Bermuda law or the Company’s Bye-laws and Memorandum of Association. The Multicurrency Term and Revolving Facility Agreement imposes certain restrictions prohibiting the Company from paying dividends to the Company’s shareholders in the event that the ratio of net interest bearing debt to EBITDA for the Archer Group measured at the end of each financial quarter on the basis of 12 months rolling EBITDA is above 3.00:1

The Company has not paid any dividend to its shareholders in the period from 2009 to the date of this Prospectus.

11.11 Quantitative and qualitative disclosure about market risk

11.11.1 Financial risk management objectives

Archer is exposed to various market risks, including foreign currency fluctuations, changes in interest rates, equity and credit risk. Archer's policy is to hedge its exposure to these risks where possible, within boundaries deemed appropriate by management. Archer seeks to accomplish this by from time to time entering into a variety of derivative instruments and contracts to maintain the desired level of risk exposure.

11.11.2 Market risk

Archer's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates as described below.

Foreign currency risk management

Archer and the majority of its subsidiaries use USD as their functional currency because the majority of their revenues and expenses are denominated in USD. Accordingly, Archer's reporting currency is also the USD. Archer does, however, earn revenue and incur expenses in other currencies and there is thus a risk that currency fluctuations could have an adverse effect on the value of Archer's cash flows. Archer's foreign currency risk arises from the measurement of debt and other monetary assets and liabilities denominated in foreign currencies converted to USD, with the resulting gain or loss recorded as "Other financial items" and the impact of fluctuations in exchange rates on the reported amounts of Archer's revenues and expenses which are contracted in foreign currencies.

Subsequent to its establishment in October 2007, Archer has not used any financial instruments to manage these foreign currency risks, but management is constantly monitoring the risks.

Interest rate risk

A significant portion of Archer's debt obligations and surplus funds placed with financial institutions are subject to movements in interest rates. It is management's policy to obtain the most favorable interest rates available without increasing Archer's foreign currency exposure. In keeping with this, Archer's surplus funds are placed with reputable financial institutions. The deposits generally have short-term maturities so as to provide Archer with the flexibility to meet working capital and capital investments.

As of March 15, 2013 a total of USD 845.8 million has been drawn under the main credit facility described in Section 11.6.2. The loan agreement is a multicurrency and revolving credit facility for a contractually specified period of time and at an interest rate determined with reference to LIBOR, LIBOR and EURIBOR or similar, depending on the currency in which the debt is drawn. Further details of this facility are set out in Section 10.6.2 above.

Archer had no significant interest bearing assets other than cash and cash equivalents; therefore its income and operating cash flows are substantially independent of changes in market interest rates.

Financial instruments

Archer may from time to time use interest rate swaps and foreign exchange derivatives to manage and mitigate financial risks. At the date of this Prospectus, Archer has not entered into any such agreement.

Concentration of credit risk

The market for Archer's services is the offshore oil and gas industry, and its customers consist primarily of major integrated oil companies, independent oil and gas producers and government-owned oil companies. Archer performs ongoing credit evaluations of its customers and generally does not require collateral in its business agreements. Reserves for potential credit losses are maintained when necessary.

The following table shows those of Archer's customers who have generated more than ten percent of Archer's contract revenues in one of the periods shown:

Customer	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Statoil	15%	19%	46%	51%
Conoco Phillips	8%	10%	16%	1%
Pan American Energy	12%	15%	-	-
British Petroleum	3%	-	7%	16%
Other customers	62%	56%	31%	32%
Total	100%	100%	100%	100%

Archer may also face credit related losses in the event that counterparties to its derivative financial instrument contracts do not perform according to the terms of the contract. The credit risk arising from these counterparties relates to unrealized profits from interest rate swaps. Archer generally does not require collateral for its financial instrument contracts. In the opinion of management, Archer's counterparties are creditworthy financial institutions, and management does not expect any significant loss to result from their non-performance. The credit exposure of interest rate swap agreements is represented by the fair value of contracts with a positive fair value at the end of each period.

Liquidity and capital risk management

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Archer regularly reviews the efficiency of its capital structure.

As of December 31, 2012 cash and cash equivalents amounted to USD 58.2 million, compared to USD 37.3 million as of December 31, 2011.

12 DESCRIPTION OF THE COMPANY'S COMMON SHARES

The Company is incorporated under the laws of Bermuda. Set out below is a description of the Archer common shares that does not purport to be complete and is qualified in its entirety by reference to, and should be read in conjunction with, the full text of the Company's memorandum of association (the "**Memorandum of Association**") and the amended and restated Bye-laws of the Company included in this prospectus by reference in Section 14.2 ("**Bye-laws**") and the applicable provisions of the Bermuda Companies Act 1981 (the "**Companies Act**").

12.1 Share capital

As at the date of this Prospectus, the Company's authorized share capital is USD 1,200,000,000, divided into 1,200,000,000 Shares each with a par value of USD 1.00. All Shares in the Company are of the same class.

As at the date of this Prospectus, the Company's issued share capital is USD 579,159,787, divided into 579,159,787 Shares, each with a par value of USD 1.00. The issued Shares are fully paid. There are no Shares not representing the capital in the Company. The Shares are equal in all respects, and each Share carries one vote at the Company's General Meeting. None of the Company's major shareholders or other shareholders have different voting rights.

12.2 Historical development of the issued share capital

The table below shows the historical development of the issued and fully paid share capital and the number of issued and fully paid outstanding shares in the Company:

Date	Transaction	Gross proceeds (NOK)*	Number of Shares	Par value (USD)	Share capital post transaction (USD)	Number of Shares post transaction
August 2007	Incorporation	USD 100	100	1.00	100	100**
September 2007	Consolidation	-	50	2.00	100	50**
October 2007	Acquisition of Seadrill's well service division	***	80,000,000	2.00	160,000,100	80,000,050
October 2007	Private Placement	275,000,000	20,000,000	2.00	200,000,100	100,000,050
April 2008	Private Placement	195,000,000	10,000,000	2.00	220,000,100	110,000,050
August 2010	Private Placement	2,654,200,000	115,400,000	2.00	450,800,100	225,400,050
February 2011	Merger with Allis-Chalmers	***	97,071,710	2.00	644,943,520	322,471,760
March – August 2011	Option Exercises	16,187,469	997,242	2.00	646,938,004	323,469,002
August 2011	Private Placement	444,500,000	12,700,000	2.00	672,338,004	336,169,002
August 2011	Private Placement	900,000,000	30,000,000	2.00	732,338,004	366,169,002
December 2011	Settlement shares	***	228,620	2.00	732.795.244	366,397,622
March 2012	Settlement shares	***	11,500	2.00	732,818,244	366,409,122
April – July 2012	Option Exercises	2,499,980	249,998	2.00	733,318,240	366,659,120
February 2013	Write down of par value	-	-	1.00	366,659,120	366,659,120
February 2013	Private Placement	USD 250,000,800	208,334,000	1.00	574,993,120	574,993,120
February 2013	Underwriting commission	USD 5,000,000	4,166,667	1.00	579,159,787	579,159,787

* Gross proceeds are represented in NOK unless otherwise indicated.

** The Company was incorporated on 31 August 2007 with an authorized share capital of USD 100.00, constituting 100 Shares, with a par value of USD 1.00. On September 18, 2007, the initial 100 Shares of par value USD 1.00 each were consolidated into 50 Shares of par value USD 2.00 each.

*** These Shares were issued against other consideration than cash accordingly more than 10% of the capital has been paid for with assets other than cash.

12.3 Authorized but unissued capital

The authorized share capital of the Company is USD 1,200,000,000.

The Board is entitled to propose and adopt increases in the issued share capital up to the size of the authorized share capital. The Board currently has no plans to issue additional shares, although such resolutions could be made on short notice.

Likewise, the Board is entitled to propose and issue options, warrants and loans convertible into shares up to the size of the authorized share capital. No such warrants or loans have been issued or proposed.

12.4 Treasury shares

The Board can approve the purchase of Archer common shares for cancellation or to be held as treasury shares in accordance with the Company's Bye-laws, subject to the rules, if applicable, of any stock exchange or quotation system upon which any of the Company's shares are listed at the time.

The Company does not currently hold any treasury shares.

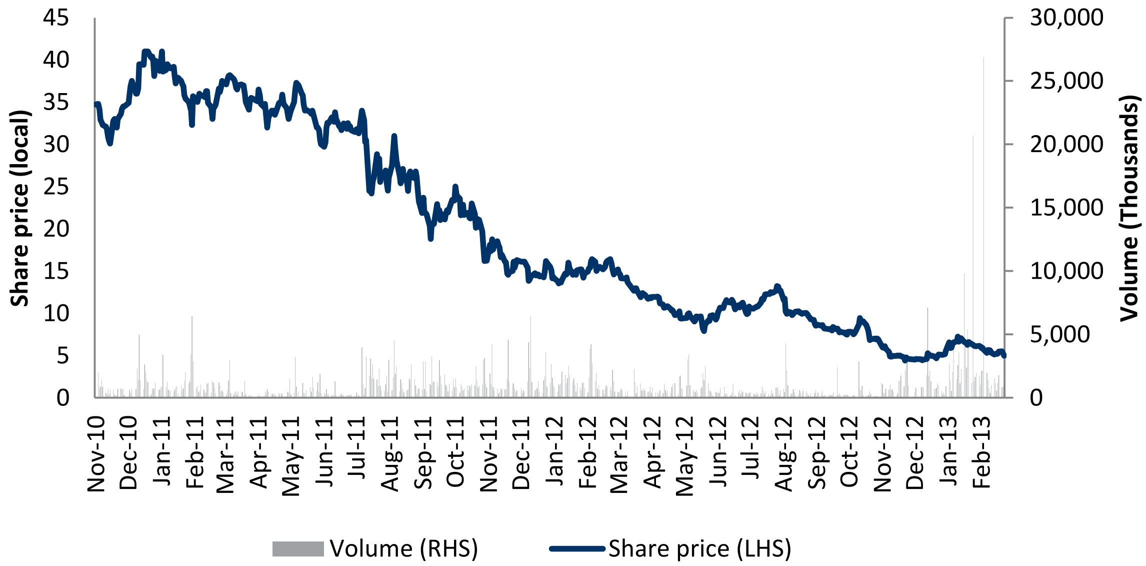
12.5 Rights to subscribe or acquire shares

With the exception of the share incentive program referred to in Section 12.8, neither the Company nor any of its subsidiaries has issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any shares in the Company or its subsidiaries. Furthermore, neither the Company nor any of its subsidiaries has issued subordinated debt or transferable securities other than the shares in the Company and the shares in Archer's subsidiaries which are held directly or indirectly by the Company.

12.6 Share price development

The Company has been listed on Oslo Børs since November 26, 2010. The graph below shows the development in trading price (closing price) and traded volume for the Shares in the period listed on Oslo Børs to March 20, 2013. The closing price on March 20, 2013 was NOK 4.98.

Archer share price development



Source: Bloomberg (March 20, 2013)

12.7 Major shareholders

As of March 20, 2013, the Company had a total of 3,729 registered shareholders in the VPS. There are no limits restricting foreign ownership of the Shares. The Shares carry equal rights in all respects. Each Share has the right to one vote at General Meetings.

The table below shows the 20 largest shareholders in the Company as registered in the VPS on March 20, 2013.

	Shareholder	**Number of Shares**	**%**
1	SEADRILL LTD	231,053,240	39.89%
2	LIME ROCK PARTNERS V L.P.	65,935,200	11.38%
3	HEMEN HOLDING LIMITED	42,813,170	7.39%
4	SKAGEN KON-TIKI	25,327,048	4.37%
5	EUROCLEAR BANK S.A./ 25% CLIENTS*	65,935,200	11.38%
6	JPMORGAN CHASE BANK NORDEA RE:NON-TREATY* ...	44,345,658	7.66%
7	STATE STREET BANK AN A/C CLIENT OMNIBUS D*	25,327,048	4.37%
8	THE NORTHERN TRUST C TREATY ACCOUNT*	19,690,102	3.40%
9	JP MORGAN CLEARING C A/C CUSTOMER SAFE KE*	13,334,076	2.30%
10	VARMA MUTUAL PENSION COMPANY	10,016,464	1.73%
11	CREDIT SUISSE SECURI (EUROPE) LTD./FIRMS	5,995,363	1.04%
12	JPMORGAN CHASE BANK EUROPEAN RESIDENT OM*	5,714,728	0.99%
13	SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT*	5,272,316	0.91%
14	VERDIPAPIRFONDET DNB	4,593,230	0.79%
15	STATOIL PENSJON C/O JP MORGAN CHASE	4,452,140	0.77%
16	THE NORTHERN TRUST C NORTHERN TRUST GUERN* ...	4,217,672	0.73%
17	DNB LIVSFORSIKRING A	4,133,053	0.71%
18	CLEARSTREAM BANKING	3,252,000	0.56%
19	ODIN OFFSHORE	3,195,317	0.55%
20	JPMORGAN CHASE BANK SPECIAL TREATY LENDI*	3,041,628	0.53%
	Total 20 largest shareholders	462,113,904	79.79%
	Other shareholders	117,045,883	20.21%
	Total shareholding	**579,159,787**	**100.00%**

* Registered as nominee shareholder with VPS.

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. Please refer to Section 12.12 below for a description of the disclosure obligations under the Norwegian Securities Trading Act. As of the date of this Prospectus the following investors own more than 5%:

	Shareholder	**Number of Shares**	**%**
1	SEADRILL LTD	231,053,240	39.89%
2	LIME ROCK PARTNERS V L.P.	65,935,200	11.38%
3	HEMEN HOLDING LIMITED	42,813,170	7.39%
4	TAUBE HODSON STONEX PARTNERS LLP	29,388,324	5.07%

The Company is not aware of any other persons or entities who, directly or indirectly, have an interest in 5% or more of the Shares.

Seadrill holds 231,053,240 of Archer's common shares as of the date of this Prospectus, which corresponds to 39.9% of the issued and fully paid shares. As a result of this substantial ownership interests in Archer, Seadrill has the ability to exert significant influence over certain actions requiring shareholder approval.

This influence must be exercised in accordance with the Bye-laws, applicable Bermuda law and the rules of Oslo Børs. Please see Section 12.9 for a summary of the Company's Bye-laws. Apart from the aforesaid, there are no specific measures in place regulating the exercise of the influence which follows from holding a majority of the shares in the Company.

The Company has not received any takeover bids during the last or current financial years.

See Section 7.8, for the total number of Shares held indirectly beneficially by Directors and the executive management team of the Archer Group, as of the date of this Prospectus.

As of the date of this Prospectus, to the knowledge of the Company, there are no arrangements or agreements, which may at a subsequent date result in a change of control in the Company.

12.8 Options

The Company has granted options to its Directors and to the executive management team and employees of the Archer Group, which provide the rights to subscribe for new shares.

The options awarded are subject to employment status and a change of control event. As of December 31, 2012, there were two option share programs, one in 2007 ("2007-Program") and one in 2010 ("2010-Program"), in addition to the two Allis-Chalmers Programs, ("Allis-Chalmers 2003-Program" and "Allis-Chalmers 2006-Program") that were continued in the Company after the merger with Allis-Chalmers. The Company has issued a total 10,565,000 options under these programs in the period 2009 to the date of this Prospectus, in addition to 2,012,481 options granted to Allis-Chalmers option holders. The details and terms of the options issued are as follows:

Award date	**2009 "2007-Program"**	**2010 "2007-Program"**	**2011 "2010-Program"**
Share options granted	2,100,000	460,000	5.905,000
Share options outstanding			
Directors	150,000	—	—
Chief Executive Officer of Archer Management Limited (UK)	—	—	—
Executive management team excl. Chief Executive Officer of Archer Management Limited (UK)	500,000	150,000	1,620,000
Other employees of Archer Group	780,000	135,000	2,699,000
	1,430,000	285,000	4,319,000
Last exercise date	December 31, 2015	December 31, 2015	December 31, 2017
Weighted average exercise price (NOK per share)	10.91	20.11	19.64

Award date	**2012 "2010-Program"**	**"Allis-Chalmers 2003-Program"**	**"Allis-Chalmers 2006-Program"**	**Total**
Share options granted	2,100,000	787,068	1,225,413	12,577,481
Share options outstanding				
Directors	—	—	—	150,000
Chief Executive Officer of Archer Management Limited (UK)	1,000,000	—	—	1,000,000
Executive management team excl. Chief Executive Officer of Archer Management Limited (UK)	500,000	—	—	2,770,000
Other employees of Archer Group	560,000	787,068	1,152,837	6,113,905
	2,060,000	787,068	1,152,837	10,033,905
Last exercise date	December 31, 2017	March 5, 2019	April 21, 2020	
Weighted average exercise price (NOK per share)	14.80	30.59	18.53	

Options issued in 2009 under the 2007-Program may be exercised up to December 31, 2015. These options expire in December 2015. As of December 31, 2012, all the options granted in 2009 under the 2007-Program were exercisable.

Options issued in 2010 under the 2007-Program may be exercised up to December 31, 2015. These options expire in December 2015. As of December 31, 2012, two third of the options granted in 2010 under the 2007-Program were exercisable.

Options issued in 2011 under the 2010-Program may be exercised up to December 31, 2017. The first options under this program expire in June 2013 and the last options expire in December 2017. As of December 31, 2012, 813,000 of the options granted in 2011 under the 2010-Program were exercisable.

Options issued in 2012 under the 2010 Program may be exercised up to December 31, 2017. The first options under this program expire in August 2013 and the last options expire in December 2017. As of December 31, 2012, 1,000,000 of the options granted in 2012 under the 2010-Program were exercisable.

Options issued under the Allis-Chalmers 2003-Program were converted to options in the Company in connection with the merger of Allis-Chalmers and the Company in February 2011. The first options under this program expire in December 2013 and the last options expire in March 2019. As of December 31, 2012, all of the options granted under the Allis-Chalmers 2003 Program are exercisable.

Options issued under the Allis-Chalmers 2006 Program were converted to options in the Company in connection with the merger of Allis-Chalmers and the Company in February 2011. The options under this program expire in March and

April 2020. As of December 31, 2012, all of the options granted under the Allis-Chalmers 2006 Program are exercisable.

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the time periods indicated:

Share options awarded in 2009 under the 2007-Program:	**Weighted average exercise price (NOK) per option**	**Number of shares**
Outstanding at January 1, 2009		
Options granted	10.62	2,100,000
Options exercised	—	—
Options forfeited	10.00	100,000
Outstanding at December 31, 2009	10.65	2,000,000
Outstanding at January 1, 2010	10.65	2,000,000
Options granted	—	—
Options exercised	—	—
Options forfeited	—	—
Outstanding at December 31, 2010	—	2,000,000
Outstanding at January 1, 2011	10.65	2,000,000
Options granted	—	—
Options exercised	10.00	53,333
Options forfeited	10.00	16,667
Outstanding at December 31, 2011	10.67	1,930,000
Outstanding at January 1, 2012	10.67	1,930,000
Options granted	—	—
Options exercised	10.00	249,998
Options forfeited	10.00	250,002
Outstanding at December 31, 2012	10.91	1,430,000

Share options awarded in 2010 under the 2007-Program:	**Weighted average exercise price (NOK) per option**	**Number of shares**
Outstanding at January 1, 2010	—	—
Options granted	19.00	460,000
Options exercised	—	—
Options forfeited	—	—
Outstanding at December 31, 2010	—	460,000
Outstanding at January 1, 2011	19.30	460,000
Options granted	—	—
Options exercised	18.00	25,000
Options forfeited	18.00	50,000
Outstanding at December 31, 2011	19.56	385,000
Outstanding at January 1, 2012	19.56	385,000
Options granted	—	—
Options exercised	—	—
Options forfeited	18.00	100,000
Outstanding at December 31, 2012	20.11	285,000

Share options awarded in 2011 under the 2010-Program:	Weighted average exercise price (NOK) per option	Number of shares
Outstanding at January 1, 2011	—	—
Options granted	34.56	5,575,000
Options exercised	—	—
Options forfeited	28.38	228,000
Outstanding at December 31, 2011	34.83	5,347,000
Outstanding at January 1, 2012	34.83	5,347,000
Options granted	15.40	330,000
Options exercised	—	—
Options forfeited	31.99	1,358,000
Outstanding at December 31, 2012*	19.64	4,319,000

* In 2012 4.305 million of the options granted in 2011 at NOK 34 were repriced to NOK 20

Share options awarded in 2012 under the 2010-Program:	Weighted average exercise price (NOK) per option	Number of shares
Outstanding at January 1, 2012	—	—
Options granted	14.80	2,100,000
Options exercised	—	—
Options forfeited	14.85	40,000
Outstanding at December 31, 2012	14.80	2,060,000

Share options awarded for Allis-Chalmers 2003 Program:	Weighted average exercise price (NOK) per option	Number of shares
Outstanding at January 1, 2011	—	—
Options granted	30.59	787,068
Options exercised	—	—
Options forfeited	—	—
Outstanding at December 31, 2011	30.59	787,068
Outstanding at January 1, 2012	30.59	787,068
Options granted	—	—
Options exercised	—	—
Options forfeited	—	—
Outstanding at December 31, 2012	30.59	787,068

Share options awarded for Allis-Chalmers 2006 Program:	Weighted average exercise price (NOK) per option	Number of shares
Outstanding at January 1, 2011	—	—
Options granted	18.53	1,225,413
Options exercised	18.48	72,576
Options forfeited	—	—
Outstanding at December 31, 2011	18.53	1,152,837
Outstanding at January 1, 2012	18.53	1,152,837
Options granted	—	—
Options exercised	—	—
Options forfeited	—	—
Outstanding at December 31, 2012	18.53	1,152,837

12.9 Summary of certain rights of the Company's shareholders under Bermuda law, the Memorandum of Association and Bye-laws

Summary of certain rights of the Company's shareholders under Bermuda law, the Memorandum of Association and Bye-laws:

Objects pursuant to the Memorandum of Association	Pursuant to clause 6 of the Company's Memorandum of Association, the objects for which the Company was formed and incorporated are unrestricted.
Special shareholder meetings	Under the Companies Act, a special general meeting of shareholders must be convened by the board of directors of a company on the requisition of shareholders holding not less than one-tenth of the paid-up capital of the company as at the date of the deposit carrying the right to vote at a general meeting. The Company's Bye-laws provide that the Board may whenever it thinks fit, and shall when required by the Companies Act, convene a special general meeting of the shareholders.
Shareholder action by written consent	The Companies Act provides that, except in the case of the removal of an auditor or director and subject to a company's bye-laws, anything which may be done by resolution of a company in a general meeting or by resolution of a meeting of any class of the members of a company, may be done by resolution in writing. Other than in respect of proposed variation of rights attaching to any class of Archer Shares, the Company's Bye-laws do not provide for action by written consent of shareholders.
Shareholder meeting quorum; voting requirement; voting rights	The Company's Bye-laws provide that save as otherwise provided by the Bye-laws that one or more shareholders, either present in person or represented by proxy, holding in the aggregate shares carrying 33 1/3% of the voting rights entitled to be exercised at any general meeting shall constitute a quorum for such meeting. Except where a greater majority is required by the Companies Act or the Bye-laws, any question proposed for consideration at any general meeting shall be decided on by a simple majority of votes cast. There is no cumulative voting. Every shareholder of the Company who is present in person or by proxy has one vote for every Archer Share of which he or she is the holder. However, the Company's Bye-laws establish a right to divide the share capital into different classes of shares with varied rights attached to the shares. An ordinary resolution passed by a simple majority of votes cast at a general meeting of shareholders of the Company is required for such alteration of the share capital.
Notice of shareholder meetings	The Companies Act requires that all companies hold a general meeting at least once in each calendar year (which meeting shall be referred to as the "annual general meeting") and that shareholders be given at least five days' advance notice of a general meeting, but the accidental omission to give notice to, or the non-receipt of a notice of a meeting by, any person entitled to receive notice does not invalidate the proceedings of the meeting. The Company's Bye-laws provide that an annual and special shareholder meeting shall be called by not less than 7 days notice in writing, and that the notice period shall be exclusive of the day on which the notice is served or deemed to be served and the day on which the meeting to which it relates is to be held. If a general meeting is called on shorter notice, it will be deemed to have been properly called if it is so agreed (i) in the case of a meeting called as an annual general meeting by all the shareholders entitled to attend and vote thereat; and (ii) in the case of any other meeting by a majority in number of the shareholders having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right. No shareholder is entitled to attend any general meeting by proxy unless a proxy signed by or on behalf of the shareholder addressed to the Company Secretary is deposited (by post, courier, facsimile transmission or other electronic means) at the Company's registered office at least 48 hours prior to the time appointed for holding the general meeting.
Notice of shareholder proposals	Under the Companies Act, shareholders holding not less than one-twentieth of the total voting rights of all shareholders having a right to vote at the meeting to which the requisition relates, or not less than 100 shareholders, may, as set forth below, at their own expense (unless the company otherwise resolves), require a company to give notice of any resolution which may

properly be moved and is intended to be moved at the next annual general meeting and/or to circulate a statement (of not more than 1000 words) in respect of any matter referred to in a proposed resolution or any business to be conducted at the annual general meeting.

Board meeting quorum; voting requirement	The Companies Act provides that, notwithstanding a company's bye-laws, a quorum for a board meeting shall not be less than two directors. The Company's Bye-laws provide that the board may, subject to the requirements of the Companies Act, fix the number of directors necessary to form a quorum and, unless so fixed by the board, a majority of the board present in person or by proxy shall constitute a quorum. Questions arising at any meeting of the Board shall be determined by a majority of votes cast. In the event of an equality of votes, the motion shall be deemed to have been lost.
Number of Directors	Under the Companies Act, the minimum number of directors on the board of directors of a company is two, although the minimum number of directors may be set higher, and the maximum number of directors may be set by the shareholders at a general meeting or in accordance with the Bye-laws of the company. The maximum number of directors is usually fixed by the shareholders in a general meeting. Only the shareholders may increase or decrease the number of directors' seats last approved by the shareholders. The Company's Bye-laws currently provide that the number of directors shall be such number not less than two as the shareholders by ordinary resolution may from time to time determine. At the September 24, 2010 annual general meeting of shareholders, shareholders of the Company approved an ordinary resolution to increase the maximum number of directors to 9. The Company board of directors currently consists of 7 directors.
Removal of Directors	Subject to the Company's Bye-laws, the Companies Act states that the shareholders of a company may, at a special general meeting called for that purpose, remove any director. Any director whose removal is to be considered at such a special general meeting is entitled to receive not less than 14 days notice and shall be entitled to be heard at the meeting. The Company's Bye-laws provide that a director may be removed from office at a special general meeting called for that purpose provided notice of any such special general meeting is served upon the director concerned not less than 14 days before the meeting. Such director is entitled to be heard at the meeting.
Newly created directorships and vacancies on the Board of Directors	Under the Companies Act, the directors shall be elected at each annual general meeting of the company or elected or appointed by the shareholders in such other manner and for such term as may be provided in the bye-laws. Additionally, a vacancy created by the removal of a director at a special general meeting may be filled at that meeting by the election of another director or in the absence of such election, by the other directors. Unless the Bye-laws of a company provide otherwise and provided there remains a quorum of directors in office, the remaining directors may fill a vacancy on the board. The Bye-laws provide that, so long as a quorum of directors remains in office, the Board has the power to fill casual vacancies on the Board. In addition, the Bye-laws provide that any vacancy created by the removal of a director at a special general meeting may be filled at the special general meeting by the election of another person as director or, in the absence of any such election, by the Board. Under the Company's Bye-laws, any vacancy in the board of directors may be filled by the election or appointment by the shareholders at a general meeting, and the board of directors may also fill any vacancy in the number left unfilled. A director so appointed holds office until the next annual general meeting.
Interested Directors	Under the Company's Bye-laws, any director, or any director's firm, may hold any other office or place of profit with the Company (except that of auditor) for such period and on such terms as the Board may determine and shall be entitled to remuneration as if such director were not a director. So long as, where it is necessary, a director declares the nature of his interest at the first opportunity at a meeting of the Company board of directors or by writing to the Company board of directors as required by the Companies Act, a director shall not by reason of his office be accountable to the Company for any benefit which he derives from any office or employment to which the Company's Bye-laws allow him to be appointed or from any transaction or

arrangement in which the Company Bye-laws allow him to be interested, and no such transaction or arrangement shall be liable to be avoided on the ground of any interest or benefit.

Duties of Directors

The Companies Act also imposes a duty on directors and officers of a Bermuda company to: (i) act honestly and in good faith with a view to the best interests of the company; and (ii) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Bye-laws provide that the Company's business is to be managed and conducted by the Board. At common law, members of a board of directors owe a fiduciary duty to the company to act in good faith in their dealings with or on behalf of the company and exercise their powers and fulfill the duties of their office honestly. This duty includes the following elements: (i) a duty not to make a personal profit from opportunities that arise from the office of director; (ii) a duty to avoid conflicts of interest; and (iii) a duty to exercise powers for the purpose for which such powers were intended.

The Companies Act provides that, if a director or officer has an interest in a material contract or proposed material contract with a company or any of its subsidiaries or has a material interest in any person that is a party to such a contract, the director or officer must disclose the nature of that interest at the first opportunity either at a meeting of directors or in writing to the board of directors.

In addition, the Companies Act imposes various duties on directors and officers of a company with respect to certain matters of management and administration of the company.

Director liability

The Companies Act permits a company to exempt or indemnify any director, officer or auditor from loss or liability in circumstances where it is permissible for the company to indemnify such director, officer or auditor, as indicated in "Indemnification of Officers and Directors " below.

Indemnification of Directors and officers

The Companies Act permits a company to indemnify its directors, officers and auditor with respect to any loss arising or liability attaching to such person by virtue of any rule of law concerning any negligence, default, breach of duty, or breach of trust of which the director, officer or auditor may be guilty in relation to the company or any of its subsidiaries; provided that the company may not indemnify a director, officer or auditor against any liability arising out of his or her fraud or dishonesty. The Companies Act also permits a company to indemnify a director, officer or auditor against liability incurred in defending any civil or criminal proceedings in which judgment is given in his or her favor or in which he or she is acquitted, or when the Supreme Court of Bermuda (the "Court") grants relief to such director, officer or auditor. The Companies Act permits a company to advance moneys to a director, officer or auditor to defend civil or criminal proceedings against them on condition that these moneys are repaid if the allegation of fraud or dishonesty is proved against them. The Court may relieve a director, officer or auditor from liability for negligence, default, breach of duty or breach of trust if it appears to the Court that such director, officer or auditor has acted honestly and reasonably and, having regard to all the circumstances of the case, ought fairly to be excused.

The Company's Bye-laws provide that the current and former directors of the Board, officers and members of board committees of the Company as well as current and former directors and officers of the Company's subsidiaries, shall be indemnified out of the funds of the Company from and against all civil liabilities, loss, damage or expense incurred or suffered by him as such director, officer or committee member of the Company, or as a director or officer of any of the Company's subsidiaries and the indemnity extends to any person acting as a director, officer or committee member of the Company, or as a director or officer of any of the Company's subsidiaries in the reasonable belief that he has been so appointed or elected notwithstanding any defect in such appointment or election. Such indemnity shall not extend to any matter which would render it void pursuant to the Companies Act.

Variation of shareholders rights

The Bye-laws provide that, subject to the Companies Act, all or any of the rights for attached to any class of shares for the time being issued may from time to time be altered or abrogated with the consent in writing of the holders of not less than 75% in nominal value of the issued shares of that class or with the sanction of a resolution passed by a majority of 75% of the votes cast at a separate general meeting of the holders of such shares voting in person or by proxy. As previously stated, the Company currently has one class of shares.

The Company's bye-laws specify that the rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking pari passu therewith.

Amendment of the Memorandum of Association

The Companies Act provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of shareholders of which due notice has been given.

Except in the case of an amendment that alters or reduces a company's share capital, the holders of an aggregate of not less than 20% in par value of a company's issued share capital or any class thereof, or the holders of not less than 20% of a company's debentures entitled to object to amendments to the memorandum of association, have the right to apply to the Court for an annulment of any amendment to the memorandum of association adopted by shareholders at any general meeting.

Upon such application, the alteration will not have effect until it is confirmed by the Court. An application for an annulment of an amendment to the memorandum of association passed in accordance with the Companies Act may be made on behalf of persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No application may be made by shareholders voting in favor of the amendment.

Amendment of the Bye-laws

Under Bermuda law, the adoption of a company's bye-laws and any rescission, alteration, or other amendment of the company's bye-laws must be approved by a resolution of the board of directors and by a resolution of the shareholders, provided that any such amendment shall only become operative to the extent that it has been confirmed by an ordinary resolution.

The Company's bye-laws provide that an ordinary resolution is required to approve the adoption or amendment of the Bye-Laws.

Inspection of books and records; shareholder lists

The Companies Act provides the general public with a right of inspection of a Bermuda company's public documents at the office of the Registrar of Companies in Bermuda. These documents include the Company's Memorandum of Association and all amendments to the Memorandum of Association. The Companies Act also provides shareholders of a Bermuda company with a right of inspection of a company's bye-laws, minutes of general (shareholder) meetings and the audited financial statements. The Bermuda register of shareholders is also open to inspection by the members of the public free of charge. A Bermuda company is required to maintain its share register at its registered office in Bermuda or upon giving notice to the Registrar of Companies at such other place in Bermuda. A company may, in certain circumstances, establish a branch register outside of Bermuda. A Bermuda company is required to keep at its registered office a register of its directors and officers that is open for inspection by members of the public without charge. The Companies Act does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

Amalgamations and business combinations

The Companies Act is silent on whether a company's shareholders are required to approve a sale, lease or exchange of all or substantially all of a company's property and assets. The Companies Act does require, however, that shareholders approve amalgamations.

Pursuant to the Companies Act, an amalgamation of two or more non-affiliated companies requires approval of the board of directors and the approval of the shareholders of each Bermuda company by a three-fourths majority, unless the bye-laws otherwise provide. The quorum for such a meeting must be two persons holding or representing by proxy more than one-third of the issued shares of the company. For purposes of approval of an amalgamation, all shares whether or not otherwise entitled to vote, carry the right to vote. A separate vote of a class of shares is required if the rights of such class would be altered by virtue of the amalgamation.

The Company's Bye-laws provide that the Board may, with the sanction of an ordinary resolution of the shareholders, amalgamate the Company with another company (whether or not the Company will be the surviving company and whether or not such an amalgamation involves a change in the jurisdiction of the Company).

Pursuant to the Companies Act, a company may be acquired by another company pursuant to a scheme of arrangement effected by obtaining the agreement of a company and of the holders of its shares, representing in the aggregate a majority in number and at least 75% in value of the shareholders (excluding shares owned by the acquirer, who would act as a separate class) present and voting at a court-ordered meeting held to consider the scheme of arrangement. The scheme of arrangement must then be sanctioned by the Court. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the Court order with the Bermuda Registrar of Companies, all holders of common shares could be compelled to sell their shares under the terms of the scheme of arrangement.

Appraisal rights

Under the Companies Act, a shareholder who did not vote in favor of an amalgamation between non-affiliated companies and who is not satisfied that he or she has been offered fair value for his or her shares may, within one month of the giving of the notice of the shareholders' meeting to consider the amalgamation, apply to the Court to appraise the fair value of his or her shares. If the Court appraised value is greater than the value received or to be received in the amalgamation, the acquiring company must pay the Court appraised value to the dissenting shareholder within one month of the appraisal, unless it decides to terminate the amalgamation.

Under another provision of the Companies Act, the holders (the purchasers) of 95% or more of the shares of a company may give notice to the remaining shareholders requiring them to sell their shares on the terms described in the notice. Within one month of receiving the notice, any remaining shareholder may apply to the Court for an appraisal of its shares. Within one month of the Court's appraisal, the purchasers are entitled to either acquire all shares involved at the price fixed by the Court or cancel the notice given to the remaining shareholders. Where shares had been acquired under the notice at a price less than the Court's appraisal, the purchasers must either pay the difference in price or cancel the notice and return to each shareholder concerned the shares acquired and each shareholder must repay the purchaser the purchase price.

Dissenter's rights

The Companies Act also provides that where an offer is made for shares or a class of shares in a company by another company not already owned by, or by a nominee for, the offeror or any of its subsidiaries and, within four months of the offer, the holders of not less than 90% in value of the shares which are the subject of the offer approve the offer, the offeror may by notice, given within two months from the date such approval is obtained, require the dissenting shareholders to transfer their shares on the same terms of the offer. Dissenting shareholders will be compelled to sell their shares to the offeror unless the Court, on application to the Court within a one month period from the date of such offeror's notice, orders otherwise.

Shareholder suits

Class actions and derivative actions are generally not available to shareholders under Bermuda law. Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it. However, generally a derivative action will not be permitted where there is an alternative action available that would provide an adequate remedy. Any property or damages recovered by derivative action go to the company, not to the plaintiff shareholders. When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the court, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company or that the company be wound up.

A statutory right of action is conferred on subscribers to shares of a Bermuda company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement contained in the prospectus, but this confers no right of action against the Bermuda company itself. In addition, an action can be brought by a shareholder on behalf of the company to enforce a right of the company (as opposed to a right of its shareholders) against its officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

Preemptive rights

Under the Companies Act, no shareholder has a pre-emptive right to subscribe for additional issues of a company's shares unless, and to the extent that, the right is expressly granted to the shareholder under the bye-laws of a company or under any contract between the shareholder and the company.

The Company's Bye-laws do not provide for pre-emptive rights.

Form and transfer of Shares

The shares in the Company are freely transferable and, subject to the Companies Act, the Company's Bye-laws and any applicable securities laws, there are no restrictions on trading in the Shares. The Board is however required by the Bye-laws to decline to register the transfer of any share, and is required to direct Nordea Bank Norge ASA (as registrar of the shares) (the "**Registrar**") to decline (and the Registrar must decline to register) the transfer of any Share, to a person where the Board is of the opinion that such transfer might breach any law or requirement of any authority or any stock exchange or quotation system upon which the shares of the Company are listed, from time to time, until it has received such evidence as the board may require to satisfy itself that no such breach would occur.

Issuance of common Shares

The Board's mandate to increase the Company's issued share capital is limited to the extent of the authorized share capital of the Company in accordance with its memorandum of association and Bye-laws, which are in accordance with Bermuda law.

The authorized share capital of the Company may be increased by an ordinary resolution passed by a simple majority of votes cast at a general meeting of the Company's shareholders.

Capital reduction

The Company may by ordinary resolution passed by a simple majority of votes cast at a general meeting of the Company's shareholders cancel Shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

Redeemable preference Shares

The Company's Bye-laws provide that, subject to the Companies Act, preference shares may, with the sanction of an ordinary resolution, be issued on terms that they are (a) to be redeemed on the happening of a specified event or an a given date; and/or (b) liable to be redeemed at the option of the Company; and/or (c) liable to be redeemed at the option of the holder. The terms and manner of redemption shall be either as the Company may determine by ordinary resolution or, in the event that the Company in general meeting may have so authorized, as the Board or any committee thereof may by resolution determine before the issuance of such shares.

The Company has not issued any redeemable preference shares as at the date of this Prospectus.

Annual accounts

The Board is required to cause to be kept accounting records sufficient to give a fair presentation in all material respects of the state of the Company's affairs. The accounting records are kept at the Company's registered office or at such other place(s) as the Board thinks fit. No shareholder has any right to inspect any accounting records of the Company except as required by law, a stock exchange or quotation system upon which the Company's shares or listed or as authorized by the Board or by ordinary resolution passed by a simple majority of votes cast at a general meeting of the Company's shareholders. A copy of every balance sheet and statement of income, which is to be presented before the Company in a general meeting, together with a copy of the auditor's report is to be sent to each the Company's shareholder in accordance with the requirements of the Company's Bye-laws and the Companies Act.

Dividends	The Company shareholders have a right to share in the Company's profit through dividends. The Board may from time to time declare cash dividends (including interim dividends) or distributions out of contributed surplus to be paid to the Company's shareholders according to their rights and interests as appear to the board to be justified by the position of the Company. The Board is prohibited by the Companies Act from declaring or paying a dividend, or making a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. The Board may deduct from a dividend or distribution payable to any shareholder all monies due from such shareholder to the Company on account of calls or otherwise. The Company's Bye-laws provide that any dividend or distribution out of contributed surplus unclaimed for a period of three years from the date of declaration of such dividend or distribution shall be forfeited and shall revert to the Company, and that the payment by the board of directors of any unclaimed dividend or distribution into a separate account shall not constitute the Company a trustee in respect thereof. There are no dividend restrictions or specific procedures for non-Bermudian resident shareholders under Bermuda law or the Company's Bye-laws and Memorandum of Association.
Winding up	In the event of the winding up and liquidation of the Company, the liquidator may, with the authority of an extraordinary resolution of the shareholders of the Company, such resolution requiring approval of not less than two-thirds of the votes cast at a general meeting of the Company, and any other sanction required by the Companies Act, divide among the shareholders in specie or kind all or any part of the assets of the Company and may for such purposes set such values as he deems fair upon any property to be divided and may determine how such division is to be carried out between the shareholders or different classes of shareholders. The liquidator may, with the like sanction, vest all or part of the Company's assets in trustees upon such trust for the benefit of the shareholders, however, no shareholder will be compelled to accept any shares or other assets in respect of which there is any liability.

12.10 Mandatory offer requirement

The Norwegian Securities Trading Act requires any person, entity or group consolidated pursuant to the Norwegian Securities Trading Act Section 6-5 cf. Section 2-5, that becomes the owner of shares representing more than one-third of the voting rights of a company primary listed on a Norwegian regulated market to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and Oslo Børs decides that this is regarded as an effective acquisition of the shares in question. The obligation applies to ownership in Norwegian and certain non-Norwegian companies listed on a Norwegian regulated market, including the Company, being a company registered in Bermuda and listed on Oslo Børs.

The mandatory offer obligation ceases to apply if the person, entity or such consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify Oslo Børs and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by Oslo Børs before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. However, if it is clear that that the market price was higher when the mandatory offer obligation was triggered, the offer price shall be at least as high as the market price. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, Oslo Børs may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a general meeting of the company's shareholders, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, Oslo Børs may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or such consolidated group that owns shares representing more than one-third of the votes in a company to which the Norwegian mandatory offer rules apply is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or such consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or such consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or such consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or such consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

12.11 Compulsory acquisition of Shares

Under Bermuda law, an acquiring party is generally able to acquire compulsorily the common shares of minority holders in the following ways:

By a procedure under the Companies Act known as a "scheme of arrangement". A scheme of arrangement could be effected by obtaining the agreement of the company and of holders of common shares, comprising in the aggregate a majority in number representing at least 75 percent in value of the shareholders (excluding shares owned by the acquirer) present and voting at a meeting ordered by the Bermuda Supreme Court held to consider the scheme of arrangement. Following such approval by the shareholders, the Bermuda Supreme Court may then sanction the scheme of arrangement. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the court order with the Registrar of Companies in Bermuda, all holders of common shares could be compelled to sell their shares under the terms of the scheme of arrangement.

Where a company (the "Acquiring Party") makes an offer in a scheme or contract for shares or class of shares in a company and the Acquiring Party receives acceptances, pursuant to the offer, for not less than 90 percent of the shares in issue (other than those already held by the Acquiring Party, its subsidiary or by a nominee for the Acquiring Party or its subsidiary as at the date of the offer) the Acquiring Party may, at any time within two months from the date the acceptance was obtained, give notice to any dissenting shareholder that it wishes to acquire his shares on the same terms as the original offer. The dissenting shareholders could be compelled to transfer their shares unless the Bermuda Supreme Court (on application made within a one-month period from the date of the offeror's notice of its intention to acquire such shares) orders otherwise.

The holders of not less than 95 percent of the shares or any class of shares of a company (the "Purchasers"), may give a notice to the remaining shareholders of the intention to acquire the shares of such remaining shareholders on the terms set out in the notice. When this notice is given, the Purchasers are entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice, unless a remaining shareholder, within one month of receiving such notice, applies to the Bermuda Supreme Court for an appraisal of the value of their shares. This provision only applies where the Purchaser offer the same terms to all holders of shares whose shares are being acquired.

12.12 Disclosure obligations

Pursuant to the Norwegian Securities Trading Act, a person, entity, or group consolidated pursuant to the Norwegian Securities Trading Act Section 4-2 cf. Section 2-5, that acquire or disposes of shares or rights to shares, i.e. convertible loans, subscription rights, options on the purchase of shares and similar rights to shares, which result in beneficial ownership, directly or indirectly, in the aggregate, reaching or exceeding or falling below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or a corresponding portion of the votes is obligated to notify Oslo Børs and the issuer immediately. Certain voting rights are counted on equal basis as shares and rights to shares. A change in ownership level due to other circumstances (i.e. other than acquisition or disposal) can also trigger the notification obligations when the said thresholds are passed, e.g. changes in the company's share capital.

12.13 Registration of the Shares

The Company's register of members is maintained in Bermuda at the Company's registered office at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda.

All shares admitted to trading on Oslo Børs must be registered in the VPS, which is Norway's paperless centralised securities registry. To achieve compatibility of the requirements of Bermuda company law as to the registration and transfer of shares with Norwegian requirements, the Shares will for the purpose of Bermuda company law, be entered in the Company's register of members in the name of the Registrar, which will hold such shares as nominee on behalf of the beneficial owners. For the purpose of enabling trading in the Shares on Oslo Børs, the Company will maintain a register in VPS operated by the Registrar as the Company's account operator, where the beneficial ownership interests in and transfer of the beneficial ownership interests in the Shares will be recorded. These arrangements are set out in a Registrar Agreement entered into between the Company and the Registrar (the "**Registrar Agreement**").

In accordance with market practice in Norway and system requirements of VPS and Oslo Børs, the investors will be registered in VPS as beneficial owners of the Shares and the instruments listed and traded on Oslo Børs will be referred to as shares in the Company. For the purpose of Bermuda law, the Registrar will, however, be regarded as the owner of the Shares and investors registered as owners of the Shares in VPS will have to exercise, indirectly through the Registrar as their nominee, all rights of ownership relating to the Shares. The investors registered as owners in VPS must look solely to the Registrar for the payment of dividends, for the exercise of voting rights attached to the Shares, and for all other rights arising in respect of the Shares. The Registrar Agreement provides that whenever the Registrar receives any notice, report, accounts, financial statements, circular or other similar document relating to the Company's affairs, including notice of a shareholders meeting, the Registrar shall ensure that a copy of such document is promptly sent to the investors registered as owners in VPS, along with any proxy card form or other relevant materials.

All transactions related to securities registered with the VPS must be recorded in the VPS and the transactions are recorded through computerised book-entries. No physical share certificates are or can be issued for securities registered with VPS. VPS confirms each entry by sending a notification of the transaction to the relevant investor, regardless of beneficial ownership. The evidence of ownership through the VPS is the only formality required in order to acquire and sell beneficial ownership of the Shares on Oslo Børs. To effect these entries, the investor must establish a securities account with a Norwegian account operator unless the investor's securities are registered in the name of a nominee. Norwegian banks, authorised investment firms in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account operators. Subject to the qualifications set out above, the entry of a transaction in VPS is under Norwegian law prima facie evidence in determining the legal rights of parties as towards the issuing company and against a third party claiming an interest in the security.

The Company may terminate the Registrar Agreement with 90 days prior written notice. The Registrar may terminate the Registrar Agreement with justifiable cause with 90 days prior written notice. Either the Company or the Registrar may terminate the Registrar Agreement immediately upon written notice of any material breach of the Registrar Agreement by the other party, unless such breach is rectified within 10 business days. The Company's failure to fulfil payment obligations shall always be considered a material breach of the Registrar Agreement. In the event the Registrar Agreement is terminated, the Company will use its reasonable best efforts to enter into a replacement agreement for the purposes of permitting the uninterrupted listing of the Shares on Oslo Børs. There can be no assurance however, that it would be possible to enter into such an agreement on substantially the same terms or at all. A termination of the Registrar Agreement could, therefore, adversely affect the Listing of the Shares on Oslo Børs.

The Registrar's liability for loss has been restricted under the Registrar Agreement. The Registrar has also disclaimed liability for any losses suffered as a result of VPS' errors or negligence. VPS is liable for any direct economic loss resulting from an error in connection with its registration activities unless the error is caused by matters outside the control of VPS and which VPS could not reasonably be expected to avoid or of which VPS could not reasonably be expected to overcome the consequences. VPS' liability is capped at NOK 500 million. The courts may reduce or set aside VPS' liability if the person who has suffered the loss has contributed to the loss wilfully or negligently.

The Shares are registered with VPS under the International Securities Identification Number (ISIN) BMG 0451H1097.

The Registrar for the shares is Nordea Bank Norge ASA, Verdipapirservice, Middelthunsgt, 17, 0107 Oslo, Norway.

13 TAXATION

13.1 Norwegian taxation

13.1.1 General

Below is a summary of certain Norwegian tax matters related to the purchase, holding and disposal of shares. The summary is based on Norwegian laws, rules and regulations applicable as of the date of this Prospectus, and is subject to any changes in law occurring after such date. Such changes could possibly be made on a retroactive basis. The summary does not address foreign tax laws. The summary is of a general nature and does not purport to be a comprehensive description of all the Norwegian tax considerations that may be relevant for a decision to acquire, own or dispose of the shares. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisers. Shareholders resident in jurisdictions other than Norway should consult with and rely upon local tax advisers with respect to the tax position in their country of residence. The statements only apply to shareholders who are beneficial owners of the shares.

For the purpose of the summary below, a reference to a Norwegian or foreign shareholder refers to the tax residency rather than the nationality of the shareholder.

Please note that special rules apply for shareholders that cease to be tax resident in Norway or that for some reason are no longer considered taxable to Norway in relation to their shareholding in the Company. Such shareholders are encouraged to consult their own tax advisors.

13.1.2 Taxation of dividends

Norwegian personal shareholders

Dividends received by Norwegian shareholders who are individuals ("Norwegian Personal Shareholders") from the Company are subject to tax in Norway as general income at a flat rate of 28%. Such shareholders are entitled to deduct a calculated allowance when calculating their taxable dividend income. The allowance is calculated on a share-by-share basis, and the allowance for each share is equal to the cost price of the share, multiplied by a risk free interest rate (the "Calculated Allowance"). The risk-free interest rate is based on the average interest rate after tax on 3-month treasury bills (Nw: *statskasseveksler*) in the relevant year. Any unused allowance on a share in one year can be carried forward and included in the basis for calculating the allowance for that share the next year, and can be set off against future dividends received on, or against gains upon the realisation of, the same share.

Norwegian corporate shareholders

Dividends distributed to Norwegian shareholders who are limited liability companies, equities funds, savings banks, mutual insurance companies or similar entities tax-resident in Norway ("Norwegian Corporate Shareholders") from the Company are subject to tax at a flat rate of 28% as Bermuda is regarded as a low tax jurisdiction situated outside the EEA.

Foreign shareholders

As a general rule, dividends received by foreign shareholders are not taxable in Norway. However, if a foreign shareholder is carrying on business activities in Norway and the shares are effectively connected with such business activities, the foreign shareholder will generally *be subject to the same dividend taxation as Norwegian* Corporate S*hareholders, as described above.*

13.1.3 Taxation of capital gains on realisation of shares

Norwegian Personal Shareholders

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a disposal of Shares in the Company is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal. The general income is taxable at a rate of 28%. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of. In case the loss exceeds the ordinary income of that year, the excess amount can be carried forward and set off against the next year's ordinary income.

The capital gain is calculated as the consideration received less the cost price of the share, generally including costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct any unused Calculated Allowance from previous years when calculating their taxable gain on realisation of the share, conf. 13.1.2 above. The Calculated Allowance may only be deducted in order to reduce a taxable gain, and may not be deducted in order to increase or produce a deductible loss. The Calculated Allowance is allocated to the personal shareholders holding shares at the expiration of each calendar year.

If the shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Norwegian Corporate Shareholders

A capital gain or loss derived by a Norwegian Corporate Shareholder from a disposal of Shares in the Company is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal at a rate of 28%. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of. In case the loss exceeds the ordinary income of that year, the excess amount can be carried forward and set off against the next year's ordinary income. If the shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Foreign shareholders

As a general rule, capital gains generated by foreign shareholders are not taxable in Norway. However, such gains may be subject to Norwegian taxation for foreign shareholders who hold the shares in connection with the conduct of a trade or business in Norway. The foreign shareholder will in such case generally be subject to the same capital gains taxation as Norwegian shareholders, as described above.

13.1.4 Controlled Foreign Corporation ("CFC") taxation

If Norwegian shareholders (and foreign shareholders that hold the shares in connection with a business that is taxable in Norway), in the aggregate, directly or indirectly own or control 50% or more of the share capital of a company resident in a low-tax jurisdiction at the beginning and end of a fiscal year, or more than 60% at the end of a fiscal year, then such shareholders may become subject to CFC taxation (NW:*NOKUS*) in Norway. A jurisdiction is considered a low tax jurisdiction if the general income tax on the company's total profits amount to less than two thirds of the tax that would be assessed on the company had it been a Norwegian resident company. Bermuda is currently on the list of countries that are generally considered low tax jurisdictions. In the event that CFC taxation applies, the relevant company's annual profits will be taxable (at a rate of 28%) for the Norwegian shareholders according to their proportionate share of the company's equity. CFC taxation applies regardless of whether - and to what extent - the profits are distributed to the Norwegian shareholders. The relevant company's profits will, for the purpose of the CFC taxation, be calculated according to Norwegian tax rules as if the relevant company was a Norwegian taxpayer.

For a Norwegian Corporate Shareholder who is subject to CFC taxation, dividends distributed from the relevant company are exempt from further taxation to the extent the dividends do not exceed such shareholder's taxable share of the relevant company's net income. For a Norwegian Personal Shareholder who is subject to CFC taxation, 72% of the dividends distributed from the relevant company will be taxable provided that such distributions exceed the calculated tax-free allowance (see "Taxation of dividends-Norwegian personal shareholders" 13.1.2 above). Shareholders subject to CFC taxation may generally deduct in the Norwegian tax a pro rata share of the taxes the Company has paid in the low tax jurisdiction.

Special rules may apply for Norwegian shareholders if a company subject to CFC taxation cease to be subject to CFC taxation. Special rules also apply to the calculation of taxable gains/losses upon realization of shares by a Norwegian Corporate Shareholder that is or has been subject to CFC taxation. Such rules will not be discussed further herein.

13.1.5 Net wealth tax

For Norwegian Personal Shareholders, shares will form part of their basis for calculation of Norwegian net wealth tax. Listed shares are valued at 100% of their quoted value as of January 1, in the assessment year (the year following the income year). The current marginal net wealth tax rate is 1.1% of the value assessed.

Norwegian Corporate Shareholders are not subject to Norwegian net wealth tax.

13.1.6 Inheritance tax

When shares are transferred either through inheritance or as a gift, such transfer may give rise to inheritance tax in Norway if the decedent, at the time of death, or the donor, at the time of the gift, is a resident or citizen of Norway, or if the shares are effectively connected with a business carried out in Norway. However, in the case of inheritance, if the decedent was a citizen but not a resident of Norway, Norwegian inheritance tax will not be levied if inheritance tax or a similar tax is levied by the decedent's country of residence.

The basis for the computation of inheritance tax is the market value at the time the transfer takes place. The rate is progressive from 0% to 15%. For inheritance and gifts from parents to children the maximum rate is 10%.

13.1.7 VAT and transfer taxes

No VAT, stamp or similar transfer taxes/duties are currently imposed in Norway on the transfer of shares whether on acquisition or disposal.

14 ADDITIONAL INFORMATION

14.1 Documents on display

Copies of the following documents will be available for inspection at the Company's registered office during normal business hours from Monday to Friday each week (except public holidays) for a period of 12 months from the date of this Prospectus:

i. the Memorandum of Association of the Company;

ii. the articles of association of the Company;

iii. Archer historical audited consolidated financial statements for the years ended December 31, 2011, 2010 and 2009, and unaudited interim consolidated financial statements fourth quarter and the twelve months ended December 31, 2012;

iv. the annual accounts for the Company's major subsidiaries for 2009-2011;

v. stock exchange notices, including quarterly reports, distributed by the Company through Oslo Børs' information system; and

vi. all reports, letters, and other documents and statements prepared by any expert at Archer's request any part of which is included or referred to in this Prospectus.

14.2 Documents incorporated by references

The below listed documents are incorporated by reference and are available at the Company's website:

Document:	Chapter in Prospectus:	Reference:	Internet:
Archer Limited Bye-laws.....................	Section 11	Company web-page	http://www.archerwell.com/page/53/bye-laws.htm
Archer Limited Unaudited Fourth quarter and twelve months 2012 results	Section 9 and 10	Company web-page	http://www.archerwell.com/documents/fourth-quarter-and-preliminary-2012-results.pdf
Archer Limited Annual report for 2011 results, including auditors report	Section 9 and 10	Company web-page	http://www.archerwell.com/documents/annualreport2011.pdf
Archer Limited, consolidated financial statements for the years ended December 31, 2010, 2009 and 2008, including auditors report	Section 9 and 10	Information Memorandum, dated 12 September 2011, Appendix 3, page A71-A90	http://www.archerwell.com/page/65/information-memorandum.htm
Archer Limited's prospectus dated 14 November 2011	Section 9.3	Prospectus dated 14 November 2011	http://www.archerwell.com/page/49/prospectus.htm
Seawell Limited (Archer), annual report for 2009, including auditors report...	Section 10.1	Company web-page	http://www.archerwell.com/financial-reports/42/financial-reports.htm
GWH's consolidated financial statements for the quarter and the six months ended June 30, 2011 and 2010 .	Section 12	Information Memorandum, dated 12 September 2011, Appendix 5, page A98-A100	http://www.archerwell.com/page/65/information-memorandum.htm
GWH's consolidated balance sheet as of 31 December 2010 and 2009 and the related statements of operation for the years ended December 31, 2010, 2009 and 2008, including auditors report	Section 12	Information Memorandum, dated 12 September 2011, Appendix 6, page A101	http://www.archerwell.com/page/65/information-memorandum.htm
Allis-Chalmers's Annual Report on Form 10-K for the year ended December 31, 2010, including auditors report...	Section 12	SEC Web site, www.sec.gov	http://www.sec.gov/Archives/edgar/data/3982/000095012311082119/0000950123-11-082119-index.htm

Allis-Chalmers Quarterly Report on Form 10-Q for the quarter ended June 30, 2010	Section 12	Prospectus, dated 25 November 2010, Appendix 5, page A58	http://www.archerwell.com/page/49/prospectus.htm
Allis-Chalmers's Annual Report on Form 10-K for the year ended December 31, 2009, including auditors report..	Section 12	Prospectus, dated 25 November 2010, Appendix 6, page A80	http://www.archerwell.com/page/49/prospectus.htm
Seawell Limited Registration Statement under the US Securities Act on Form F-4	Section 12	SEC Web site, www.sec.gov	http://www.sec.gov/Archives/edgar/data/1498927/000119312511012233/df4a.htm#toc77118_96
Archer Press release dated January 25, 2011	Section 12	Press release dated 25 January 2011	http://www.archerwell.com/news-release/22/seaw-merger-with-allis-chalmers-energy-inc.htm

15 DEFINITIONS AND GLOSSARY

The following definitions and glossary apply in this Prospectus unless dictated otherwise by the context, including the foregoing pages of this Prospectus.

Allis-Chalmers.........................	Allis-Chalmers Energy Inc.
Archer:	Archer Limited and its consolidated subsidiaries.
Archer common share(s)	"Archer common shares" means common shares in the capital of the Company, each with a par value of USD 1.00 and "Archer common share" means any one of them.
Archer Group:..........................	Archer Limited and its consolidated subsidiaries.
Archer Management (Bermuda):	Archer Management (Bermuda) Limited.
Board:	The board of directors of the Company.
Bye-laws:	The Company's Bye-laws as approved by the Company's general meeting.
Code:.......................................	Norwegian Code of Practice for Corporate Governance.
Companies Act:	The Bermuda Companies Act of 1981.
Company:	Archer Limited, a Bermuda public limited liability company with registration number 40612.
Director:	A director of the Company.
EBITDA:.................................	Earnings before interest, taxes, depreciation and amortization.
EEA:	European Economic Area.
General Management Agreement:..............................	The Company's general management agreement with Archer Management Bermuda as set out under Section 7.2.1.
Gray Wireline:	Gray Wireline Services Inc., a wholly owned subsidiary of the Company.
Great White:	The operating companies of Great White Energy Services, acquired by Archer.
Investors:.................................	The investors participating in the Private Placement excluding Seadrill, Lime Rock Partners and Hemen.
Listing:	The listing of the New Shares on Oslo Børs.
Managers:................................	The Joint Lead managers and joint bookrunners: RS Platou Markets AS, ("RS Platou Markets"), Carnegie AS, Danske Bank A/S ("Danske Bank"), Danish company no. 61126228, DNB Markets, a part of DNB Bank ASA, Nordea Markets, a part of Nordea Bank Norge ASA ("Nordea"), Pareto Securities AS and SEB Enskilda and Swedbank First Securities.
Memorandum of Association: ..	Memorandum of Association of Archer Limited dated August 31, 2007, as amended.
Multicurrency Term and Revolving Facility Agreement..	The Company's multicurrencyterm and revolving facility agreement with a syndicate of banks as amended and restated on March 7, 2013.
New Shares:	The 208,334,000 new shares issued in the Private Placement and 4,166,667 of the new Shares issued to the Underwriters as settlement of a USD 5 million underwriting commission.
NFSA:	The Norwegian Financial Supervisory Authority (Nw. "*Finanstilsynet*")
NOK :......................................	Norwegian Kroner, the lawful currency of Norway.
Norwegian Securities Trading Act:	The Norwegian Securities Trading Act of 29 June 2007, no. 75 (Nw. *verdipapirhandelloven*).
Oil Tools:	Peak Well Solutions AS, a wholly owned subsidiary of the Company, now renamed to Archer Oil Tools AS.
Oslo Børs:	Oslo Børs ASA (in English: "the Oslo Stock Exchange").
Private Placement:	The private placement of 208,334,000 new shares of USD 1 par value in the

	Company on Oslo Børs in February 2013.
Prospectus Directive:	Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 regarding information contained in prospectuses.
Prospectus:	This Prospectus, dated March 21, 2013.
Registrar Agreement:	The agreement between the Company and the Registrar wherein the Registrar undertakes to operate the Company's VPS register.
Registrar:.................................	Nordea Bank Norge ASA, Verdipapirservice, Middelthunsgt, 17, 0107 Oslo, Norway
Seadrill:...................................	Seadrill Limited, a Bermuda public limited liability company with registration number 36832.
Share(s):	"Shares" means common shares in the capital of the Company, each with a par value of USD 1.00 and "Share" means any one of them.
TecWel:...................................	TecWel AS, a wholly owned subsidiary of the Company.
U.S. Securities Act:..................	The U.S. Securities Act of 1933, as amended.
Underwriters:...........................	The Company's 5 largest shareholders who received an underwriting commission of USD 5 million which were settled through the issuance of 4,166,667 new Shares for fully underwriting the Private Placement.
US GAAP:...............................	The generally accepted accounting principles in the United States of America.
USD :	United States Dollars.
VMB:	V0 Mechanical Barrier.
VPS:..	The Norwegian Central Securities Depository (Nw. *Verdipapirsentralen* or *VPS*).

Appendix 1: Fourth Quarter Report for 2012

Archer Limited (ARCHER) Fourth Quarter and Preliminary 2012 Results

Fourth quarter 2012 highlights

- Fourth quarter revenue of $537.3 million.
- Fourth quarter EBITDA of $29.5 million including $13.1 million of exceptional costs.
- Net loss for the quarter of $41.0 million.
- Fourth quarter operational cash flow of $81.9 million.
- Net interest bearing debt reduced to $1,161.1 million at December 31, 2012.

Financial statements

Comparison of Three Months Ended December 31, 2012 to Three Months Ended September 30, 2012

Revenue for the fourth quarter 2012 was $537.3 million, compared to $551.9 million for the third quarter 2012. Earnings before Interest, Taxes, Depreciation and Amortization, or EBITDA, for the fourth quarter 2012 was $29.5 million, including exceptional costs of $13.1 million, compared to $53.9 million, including exceptional charges of $9.0 million, for the third quarter 2012. Detailed explanations for the fluctuations are provided in our operational review by area.

Net financial items amounted to a $10.0 million loss in the fourth quarter 2012 compared to a loss of $6.4 million in the third quarter 2012. Interest expenses for the fourth quarter 2012 amounted to $13.7 million, compared to $17.3 million in the third quarter of 2012. Other financial items amounted to $4.7 million income in the fourth quarter 2012 compared to $10.8 million income in the third quarter 2012. Other financial items represent predominantly unrealized foreign exchange gains related to loans or cash balances denominated in currencies other than the US dollar.

Comparison of Three Months Ended December 31, 2012 to the Three Months Ended December 31, 2011

Revenue of $537.3 million for the three months ended December 31, 2012 decreased 9.9% compared to revenue of $596.1 million for the fourth quarter of 2011. EBITDA of $29.5 million for the three months ended December 31, 2012 decreased 64.0% compared to $82.0 million, including $5.2 exceptional income, EBITDA for the fourth quarter of 2011. Excluding exceptional items for the fourth quarter 2011 and the fourth quarter 2012, EBITDA decreased by 44.5%.

Comparison of Twelve Months Ended December 31, 2012 and 2011

Revenue for twelve months ended December 31, 2012 was at $ 2,190.5 million, an increase of 18.1% compared to $ 1,854.6 million for the twelve months ended December 31, 2011 with additional revenue contributed through the acquisitions of Allis-Chalmers and Great White not accounted for a full

year in 2011. On a pro forma basis revenue decreased by 1.5% compared to $ 2,223.7 million for 2011, mainly as a result of lower activity in the North Sea Segment, as high revenue for the Statfjord Late Lift project in 2011 was not repeated in 2012.

Total loss for the twelve months period ended December 2011 amounted to $ 375.1 million, including a charge for impairments of $ 338.7 million. Depreciation and amortization expenses amounted for $ 205.0 million. Financial items for the total year totalled $ 42.5 million loss, representing predominantly interest costs amounting to $ 61.5 million. Total income tax charges for the year amounted to $ 10.4 million, predominantly related to operations in Latin America and Europe.

Attached to this quarterly report is an appendix with the reconciliation between GAAP results and non-GAAP measures.

Cash flow

Cash and cash equivalents, excluding restricted cash, amounted to $58.2 million at December 31, 2012, compared to $77.6 million at September 30, 2012.

Cash flow from operations for the three months ended December 31, 2012 was $81.9 million, which is comprised primarily of the net loss of $41.0 million with add backs for depreciation and amortization of $51.3 million, deferred taxes of $12.9 million and a decrease in trade receivables and other short-term assets of $69.6 million less a foreign currency gain of $5.3 million, decrease of $4.2 million in trade accounts payable and other short-term liabilities and an increase in inventories of $1.3 million.

As of September 30, 2012 and December 31, 2012, we were not in compliance with the financial covenants set out in our credit facilities and notified our lenders accordingly. In February 2013 we reached an agreement with our lending banks to amend the existing facility agreement following a $250 million equity raise. The proceeds of this additional equity were used to prepay the $100 million installment due in November 2013, prepay $95 million relating to the revolving debt facility under the multicurrency loan agreement and repay $ 55 million related to the subordinated debt with Seadrill. The amendment resulted in an increase in interest margin of 20 basis points, which as per the revised agreement now ranges between 3.0% and 3.95% per annum, depending on the net interest bearing debt to EBITDA ratio. The interest rate of the facilities is LIBOR, NIBOR or EURIBOR plus the respective margin. The leverage ratio covenant in the amended agreement, which is calculated as net interest bearing debt divided by twelve months rolling pro forma EBITDA, has been revised to 5.00x for December 31, 2012 and to not exceed 4.75x until September 30, 2013, with a subsequent reduction of 0.25x per quarter to 3.25x from March 31, 2015 and onwards.

At the time of this report we have budgeted capital expenditures of approximately $110 million for 2013, excluding any capital expenditures related to our second modular rig, which are estimated at approximately $30 million. We are currently in negotiations with lenders to finance the second modular rig and we are confident that we will be able to secure such financing.

Total net interest bearing debt at December 31, 2012 was $1,161.1 million compared to $1,189.3 million as of September 30, 2012.

Share capital

The total number of issued and fully paid shares of par value $2.00 outstanding at December 31, 2012 was 366,659,120. A total of 10,049,905 options were outstanding as of December 31, 2012.

Fourth quarter 2012 operating results by Area

Starting January 1, 2012, we have been organized in four Areas. Our operational comments for the fourth quarter are presented by Area below.

	Revenues Q4 2012	Revenues Q3 2012	Revenues Variance	EBITDA Q4 2012	EBITDA Q3 2012	EBITDA Variance
North America	$ 148.9	$ 166.6	$ (17.7)	$ 12.1	$ 15.2	$ (3.1)
Latin America	151.5	146.0	5.5	8.4	16.1	(7.7)
North Sea	156.1	159.0	(2.9)	0.3	10.0	(9.7)
Emerging Markets	80.8	80.3	0.5	8.7	12.6	(3.9)
	$ 537.3	$ 551.9	$ (14.6)	$ 29.5	$ 53.9	$ (24.4)

North America

Revenue for the fourth quarter 2012 was $148.9 million, a reduction of 10.6% compared to the third quarter 2012. The reduction was related to our Pressure Control, Directional Drilling and Frac Valve operations, partly offset by an increase in Pressure Pumping revenue. Our December revenue was our lowest monthly revenue for the 2012 year and reflected the impact of holidays and a curtailment of customer spending to align with their 2012 budgets. EBITDA for the fourth quarter 2012 was $12.1 million, a reduction of $3.1 million, or 20.4% compared to the third quarter 2012.

The average United States land-based rig count dropped by 95 rigs, or 5% sequentially, and by 213, or 10%, compared to the same period in the previous year. Our results are negatively impacted by this drop in activity as it results in significant pricing pressure and decreased utilization throughout most of our business lines.

Our Pressure Control Division marketed 24 Coiled Tubing units. The average pricing for coiled tubing services declined approximately 8% compared to the previous quarter. Utilization reduced from 54% in the third quarter 2012 to 43% in the fourth quarter. While other areas were also impacted the majority of the decline in pricing and utilization occurred in the North East United States as well as in East and South Texas. During the quarter we reduced our cost structure to adapt to the lower utilization.

Demand for directional drilling services has declined as the number of rigs drilling directionally decreased 73 rigs, or 6% sequentially, and by 95 rigs, or 7%, compared to the same period in the previous year. Our operating days for directional services dropped 20% compared to the third quarter. In addition to the activity related reduction, results were negatively impacted by pricing pressure that resulted in a 4% reduction in revenue per job. During the quarter we reduced our cost structure to reflect the lower utilization and as a result realized a modest improvement in EBITDA on lower revenue.

In our Pressure Pumping Division we fracked 780 stages this quarter compared to 278 stages in the third quarter. We had four fleets operating for all of the fourth quarter and will have a fifth fleet operating in the first quarter of 2013. Utilization increased to 77% in the fourth quarter compared to 31% in the previous quarter but margins remain depressed with pricing of new contracts close to breakeven levels. At the end of December we have a total capacity of 160,000 HHP. As of the date of this report approximately 60% of our Pressure Pumping units are under contract or long-term service commitments for the first half of 2013.

Our Frac Valve operation experienced a 35% reduction in revenue due to an industry slowdown during the quarter and increased foreign competition. This is being somewhat mitigated by an increased focus on part sales as well as service and repair activity.

We expect revenue in the first quarter 2013 to increase with higher activity. However as some of this increased activity carries lower margins, EBITDA is expected to be below the fourth quarter 2012.

Latin America

Revenue in the fourth quarter 2012 totalled $151.5 million, an increase of $5.5 million, or 3.8% compared to last quarter. The increase was primarily due to retroactive billings related to our platform drilling operation which were partly offset by a major customer releasing 15 rigs on December 7th. Those rigs were part of the 19 rigs which were on standby. Rig utilization in the fourth quarter was 78.1% compared to 84.9% in the third quarter, reflecting mainly the status of the 15 rigs. EBITDA for the three months ended December 31, 2012 was $8.4 million, a decrease of $7.7 million, or 47.8%, compared to the third quarter 2012. The drop in EBITDA is a result of the release of the 15 rigs in December as well as the impact of the standby rate on 19 rigs prior to the release, partially offset by the margin for retroactive billings in platform drilling operations.

We expect first quarter revenue to be down due to the absence of retroactive billings at the end of 2012. However EBITDA for Latin America is estimated to be comparable to the results in the fourth quarter of 2012. We are in advanced discussions with a major customer in Argentina, which will bring the 15 idled rigs back into operations over the coming months and we are confident that an agreement will be reached before the end of the first quarter 2013.

North Sea

Fourth quarter 2012 revenue was $156.1 million, a decrease of $2.9 million, or 1.8%, compared to the third quarter 2012. The decreased revenue reflects the loss of the platform drilling contract on the Gullfaks platform partly offset by $10 million related to the sale of equipment as well as increased reimbursables and new contracts in the UK. As announced in our Q3 press release, Gullfaks accounted for a $20 million revenue decrease quarter over quarter. EBITDA for the three months ended December 31, 2012 was $0.3 million, a decrease of $9.7 million, or 97.0%, compared to the third quarter 2012. The decreased EBITDA is related to a platform drilling and engineering contract in Alaska where we incurred significant costs with no offsetting revenue during the three months ended December 31, 2012. In December we terminated this customer agreement due to non-payment of overdue invoices. While we have filed a lawsuit demanding payment of approximately $8.0 million owed and we strongly believe that all outstanding amounts are rightfully due.

The Emerald Modular Rig was under an installation rate for two months during the third quarter and one month in the fourth quarter, which allowed for the compensation of the majority of the costs incurred during the third quarter but resulted in negative EBITDA in the fourth quarter. The rig has commenced operations in January 2013. During the quarter we were awarded a two and half year contract for a second modular rig by Statoil and its partners to be deployed in the fourth quarter of 2014 on the Heimdal platform performing plug and abandonment services.

We expect our North Sea revenue for the first quarter 2013 to be approximately 15 to 20% below our fourth quarter primarily due to the non-recurring nature of the equipment sales, seasonally lower activity and exceptionally high reimbursable revenue recognized in the fourth quarter. We expect EBITDA in the first quarter 2013 to improve from the fourth quarter due to the non-recurring costs related to the Alaska project and a full three months of revenue on the modular rig, partly offset by lower margins due to seasonally lower activity.

Emerging Markets & Technologies

Revenue for the fourth quarter 2012 was flat compared to the three months ended September 30, 2012. Revenue for our Oil Tools operations increased as a result of increased acceptance of C-flex in the Gulf of Mexico, but our North American Wireline operations more than offset this increase. Demand for our wireline services in North America was negatively impacted by holidays and customer curtailments to comply with their 2012 budgets. EBITDA for the fourth quarter 2012 of $8.7 million, a decrease of $3.9

million, or 31.0% compared to the third quarter 2012. The decrease in EBITDA is primarily related to the reduced revenue in the United States, increased costs to build our infrastructure in the Eastern Hemisphere and an unfavourable sales mix for the quarter, as we experienced a shift of revenue to the lower margin mechanical Wireline jobs.

We expect first quarter revenue and EBITDA to be slightly improved compared to the fourth quarter as we expect our North American Wireline operation to rebound in the latter part of the first quarter.

Summary outlook

The fourth quarter of 2012 was characterized by continued deterioration of pricing and asset utilization in North America and Latin America.

Overall we expect first quarter 2013 revenue to be down due to the reasons addressed above in the Latin America and North Sea segments partially offset by North America, where we expect a marginally increased activity in particular in Pressure Pumping. Compared to the fourth quarter 2012 EBITDA of $29.5 million we expect an increased EBITDA in the first quarter 2013, although margins in North America remain depressed with continued pressure on pricing.

Cautionary statement regarding forward-looking statements

In addition to historical information, this press release contains statements relating to our future business and/or results. These statements include certain projections and business trends that are "forward-looking". All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including statements preceded by, followed by or that include the words "estimate," "plan," project," "forecast," "intend," "expect," "predict," "anticipate," "believe," "think," "view," "seek," "target," "goal," or similar expressions; any projections of earnings, revenues, expenses, synergies, margins or other financial items; any statements of the plans, strategies and objectives of management for future operations, including integration and any potential restructuring plans relating to the merger; any statements concerning proposed new products, services, developments or industry rankings; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements do not guarantee future performance and involve risks and uncertainties. Actual results may differ materially from projected results as a result of certain risks and uncertainties. Further information about these risks and uncertainties are set forth in our most recent annual report for the year ending December 31, 2011. These forward-looking statements are made only as of the date of this press release. We do not undertake any obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

ARCHER LIMITED

INDEX TO UNAUDITED FOURTH QUARTER FINANCIAL STATEMENTS

ARCHER LIMITED
Consolidated Statements of Operations
(Unaudited)

(In millions, except per share data)	Note	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Years Ended December 31, 2012	Years Ended December 31, 2011
Revenues					
Operating revenues		$ 499.5	$ 551.4	$ 2,071.6	$ 1,720.8
Reimbursable revenues		37.8	44.7	118.9	133.8
Total revenues		**537.3**	**596.1**	**2,190.5**	**1,854.6**
Expenses					
Operating expenses		434.9	441.8	1,724.7	1,377.7
Reimbursable expenses		37.7	42.8	113.2	127.0
Depreciation and amortization		51.3	47.3	205.0	147.1
Impairments	3	-	121.5	338.7	126.6
General and administrative expenses		35.2	29.5	131.1	92.1
Total expenses		**559.1**	**682.9**	**2,512.7**	**1,870.5**
Operating loss		**(21.8)**	**(86.8)**	**(322.2)**	**(15.9)**
Financial items					
Interest income		(1.2)	0.2	1.7	3.7
Interest expenses		(13.7)	(12.4)	(61.5)	(46.4)
Share of results in associated company		0.2	(1.2)	(0.2)	(2.9)
Other financial items	4	4.7	(14.8)	17.5	(1.0)
Total financial items		**(10.0)**	**(28.2)**	**(42.5)**	**(46.6)**
Loss before income taxes		**(31.8)**	**(115.0)**	**(364.7)**	**(62.5)**
Income tax benefit (expense)	5	(9.2)	3.2	(10.4)	(14.5)
Net loss		**$ (41.0)**	**$ (111.8)**	**$ (375.1)**	**$ (77.0)**
Basic loss per share	**6**	**$ (0.11)**	**$ (0.31)**	**$ (1.02)**	**$ (0.24)**
Diluted loss per share	**6**	**$ (0.11)**	**$ (0.31)**	**$ (1.02)**	**$ (0.24)**
Weighted average number of shares outstanding					
Basic		366.7	366.2	366.6	322.4
Diluted		366.7	366.2	366.6	322.4

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

ARCHER LIMITED
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(In millions)	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Years Ended December 31, 2012	Years Ended December 31, 2011
Net loss	**$ (41.0)**	**$ (111.8)**	**$ (375.1)**	**$ (77.0)**
Other comprehensive income (loss)				
Currency exchange differences	(2.6)	(2.5)	(5.0)	(17.5)
Actuarial gain (loss) relating to pension	14.4	(15.3)	14.4	(15.3)
Change in valuation of interest swap	0.8	0.5	1.2	0.7
Other comprehensive income (loss)	**12.6**	**(17.3)**	**10.6**	**(32.1)**
Total comprehensive loss	**$ (28.4)**	**$ (129.1)**	**$ (364.5)**	**$ (109.1)**

Accumulated Other Comprehensive Income (Loss)
(Unaudited)

(In millions)	Pension – Unrecognized Gains/(Losses)	Currency Exchange Differences	Other Comprehensive Gains/(Losses)	Total
Balance at December 31, 2011	**$ (21.6)**	**$ 14.2**	**$ (1.2)**	**$ (8.6)**
Currency exchange differences	-	(5.0)	-	(5.0)
Actuarial gain relating to pension	14.4	-	-	14.4
Change in valuation of swap	-	-	1.2	1.2
Balance at December 31, 2012	**$ (7.2)**	**$ 9.2**	**$ -**	**$ 2.0**

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

ARCHER LIMITED
Consolidated Balance Sheets

(In millions)	Note	December 31, 2012 (Unaudited)	December 31, 2011 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		$ 58.2	$ 37.3
Restricted cash		11.9	13.3
Accounts receivable		420.3	432.0
Inventories	7	64.3	58.2
Other current assets		84.7	97.6
Total current assets		**639.4**	**638.4**
Noncurrent assets			
Investments in associates	8	2.4	7.4
Property plant and equipment, net		1,059.4	1,044.1
Deferred income tax asset		29.1	10.3
Goodwill	9	706.1	898.9
Other intangible assets, net	10	129.6	203.3
Deferred charges		18.4	12.3
Total noncurrent assets		**1,945.0**	**2,176.3**
Total assets		**$ 2,584.4**	**$ 2,814.7**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of long-term debt	11	$ 329.5	$ 108.4
Accounts payable		142.9	143.1
Other current liabilities		212.7	215.0
Total current liabilities		**685.1**	**466.5**
Noncurrent liabilities			
Long-term interest-bearing debt	11	889.8	977.8
Deferred taxes		42.4	16.3
Other noncurrent liabilities		40.2	67.3
Total noncurrent liabilities		**972.4**	**1,061.4**
Commitments and contingencies			
Shareholders' equity			
Common shares of par value $2.00 per share: 600,000,000 shares authorized: 366,659,120 outstanding shares at December 31, 2012 (December 31, 2011: 366,397,622)		733.3	732.8
Additional paid in capital		779.6	775.5
Accumulated deficit		(382.9)	(7.8)
Accumulated other comprehensive income (loss)		2.0	(8.6)
Contributed deficit		(205.1)	(205.1)
Total shareholders' equity		**926.9**	**1,286.8**
Total liabilities and shareholders' equity		**$ 2,584.4**	**$ 2,814.7**

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

ARCHER LIMITED
Consolidated Statements of Cash Flow
(Unaudited)

(In millions)	Years Ended December 31, 2012	2011
Cash Flows from Operating Activities		
Net loss	$ (375.1)	$ (77.0)
Adjustment to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	205.0	147.1
Share-based compensation expenses	4.1	4.9
Impairment charges	338.7	126.6
Loss on property, plant and equipment disposals	3.3	-
Equity in loss of unconsolidated affiliates	0.2	2.9
Gain on debt redemption	(4.7)	-
Amortization of loan fees and senior note premium	5.9	-
Deferred income taxes	(7.6)	(18.4)
Foreign currency gain	(13.7)	(6.1)
Changes in operating assets and liabilities, net of acquisitions		
Decrease (increase) in trade accounts receivable and other short-term receivables	30.3	(55.6)
Increase in inventories	(13.1)	(10.7)
Increase (decrease) in trade accounts payable and other short-term liabilities	3.5	(4.1)
Other, net	(8.0)	(18.1)
Net cash provided by operating activities	**168.8**	**91.5**
Cash Flows from Investing Activities		
Additions to property plant and equipment	(266.2)	(166.2)
Proceeds from disposal of property, plant and equipment	15.1	3.4
Acquisition of subsidiaries, net of cash	(0.9)	(695.4)
Net change in restricted cash	2.3	3.1
Net cash used in investing activities	**(249.7)**	**(855.1)**
Cash Flows from Financing Activities		
Net borrowings under revolving facilities	55.2	-
Proceeds from related party debt	75.0	-
Repayment on related party debt	(20.0)	-
Proceeds from long-term debt	434.8	903.3
Repayment of long-term debt	(439.8)	(523.0)
Debt issuance costs	(4.3)	-
Proceeds from issuance of equity, net	0.4	247.3
Net cash provided by financing activities	**101.3**	**627.6**
Effect of exchange rate changes on cash and cash equivalents	0.5	(1.1)
Net increase (decrease) in cash and cash equivalents	**20.9**	**(137.1)**
Cash and cash equivalents at beginning of the year	37.3	174.4
Cash and cash equivalents at the end of the year	**$ 58.2**	**$ 37.3**
Interest paid	$ 65.1	$ 49.5
Taxes paid	$ 38.8	$ 25.2

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

ARCHER LIMITED
Consolidated Statement of Changes in Shareholders' Equity
(Unaudited)

(In millions)	Share Capital	Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Contributed Deficit	Total Shareholders' Equity
Balance at December 31, 2011	**$ 732.8**	**$ 775.5**	**$ (7.8)**	**$ (8.6)**	**$ (205.1)**	**$ 1,286.8**
Net loss	-	-	(375.1)	-	-	(375.1)
Share options exercised	0.5	-	-	-	-	0.5
Stock based compensation	-	4.1	-	-	-	4.1
Other comprehensive income	-	-	-	10.6	-	10.6
Balance at December 31, 2012	**$ 733.3**	**$ 779.6**	**$(382.9)**	**$ 2.0**	**$ (205.1)**	**$ 926.9**

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

ARCHER LIMITED
Notes to Unaudited Interim Consolidated Financial Statements

Note 1 – Summary of business and significant accounting policies

Description of business

Archer Limited is an international oilfield service company providing a variety of oilfield products and services through its Area organization. Services include platform drilling, land drilling, directional drilling, underbalanced drilling, modular rigs, engineering services, equipment rentals, wireline services, pressure control, pressure pumping, production monitoring, well imaging and integrity management tools.

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

We employed approximately 8,300 skilled and experienced people at December 31, 2012.

Archer was incorporated in Bermuda on August 31, 2007 and conducted operations as Seawell Ltd until May 16, 2011 when shareholders approved a resolution to change the name to Archer Limited.

Basis of presentation

The unaudited Fourth Quarter 2012 interim consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States of America (US GAAP). The unaudited Fourth Quarter 2012 interim consolidated financial statements do not include all of the disclosures required in complete annual financial statements. These Fourth Quarter interim financial statements should be read in conjunction with our financial statements as at December 31, 2011. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included.

In conjunction with organizational changes made at the end of 2011, we reviewed the presentation of our reporting segments during the first quarter of 2012 and determined that change in reporting segments was necessary. Our historical segment data previously reported for the three months and year ended December 31, 2011 and as of December 31, 2011, has been restated to conform to the new presentation (See Note 13).

Use of estimates

In accordance with accounting principles generally accepted in the United States of America, the preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be perceived with certainty. Accordingly, our accounting estimates require the exercise of judgment. While management believes that the estimates and assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ from those estimates. Estimates are used for, but are not limited to, determining the following: allowance for doubtful accounts, recoverability of long-lived assets, goodwill and intangibles, useful lives used in depreciation and amortization, income taxes, valuation allowances and purchase price allocations. The accounting estimates used in the preparation of the consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes.

Significant accounting policies

The accounting policies utilized in the preparation of the unaudited Fourth Quarter interim financial statements are consistent with those followed in the preparation of our annual consolidated financial statements and accompanying notes for the year ended December 31, 2011.

Recently issued accounting pronouncements

In July 2012, the Financial Accounting Standards Board, or FASB, issued Accounting Standard Update ("ASU") No. 2012-02, "Intangibles – Goodwill and Other (Topic 350)." The amendments in this ASU allow an entity to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that an indefinite-lived intangible asset is impaired. If an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount in accordance with Subtopic 350-30. This ASU is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The requirements of this ASU were adopted during our quarter ended September 30, 2012 and did not have a significant impact on our disclosures.

In September 2011, the FASB issued ASU No. 2011-08, "Intangibles – Goodwill and Other (Topic 350)". The amendments in this ASU allow an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the first step of the two-step impairment test. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the entity must perform additional impairment testing. Otherwise, performing the two-step impairment test is not necessary. This ASU is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The requirements of this ASU were adopted during the year.

Note 2 – Acquisitions

Universal Wireline

On January 27, 2011, we announced the acquisition of Universal Wireline for $25.5 million on an interest bearing debt and cash free basis. Following the acquisition, we merged Universal Wireline with our existing operations of Gray Wireline expanding the capabilities of the largest pure play cased hole wireline company in the United States.

The purchase price has been allocated as follows *(in millions):*

Drilling equipment and other fixed asset	$ 19.1
Goodwill	6.4
Total purchase price	$ 25.5

Allis-Chalmers Energy Inc.

On February 23, 2011, we completed the merger with Allis-Chalmers Energy Inc., or Allis-Chalmers. Allis-Chalmers conducted land drilling operations in Argentina, Brazil and Bolivia and provided directional drilling, coiled tubing, underbalanced drilling, casing and tubing and rental services primarily in the United States. Allis-Chalmers also manufactured and sold frac valves in the United States.

The purchase price comprised both cash and equity payments to the shareholders of Allis-Chalmers, which resulted in us acquiring 100% of the share capital in Allis-Chalmers in exchange for Archer shares, in a ratio of 1.15 shares to each Allis-Chalmers share, or a cash settlement of $4.25 per share. 95.3% of Allis-Chalmers shareholders elected to take Archer stock in the above ratio as consideration, with the remainder receiving cash. The total purchase price, which includes an adjustment pertaining to the exchange of Allis-Chalmers share options, to Archer share options, was $600.9 million.

The net assets acquired as a result of the merger are listed below *(in millions)*:

Current assets	$ 232.5
Property and equipment	655.5
Intangible assets (excluding goodwill)	105.8
Goodwill	298.6
Total assets acquired	**1,292.4**
Current liabilities	148.4
Long-term debt, less current portion	460.8
Other long-term liabilities	82.3
Total liabilities acquired	**691.5**
Total purchase price	**$ 600.9**

We applied the purchase method of accounting to this business combination (per ASC topic 805). The resulting acquired goodwill recognized in the combined balance sheet is attributable to the acquired workforce, expected synergies and other acquired intangible assets which cannot be separately identified. The allocation of the purchase price of Allis-Chalmers has been based upon fair values studies.

Great White Energy Group

On August 24, 2011, we completed the acquisition of all the operating companies of Great White Energy Group, or Great White, in a transaction valued at $630 million on a cash and debt free basis, which was changed to $668.3 million including agreed upon working capital adjustments. Great White provides directional drilling, coiled tubing, snubbing and pressure pumping services in the United States.

The net assets acquired as a result of the acquisition are listed below *(in millions):*

	Fair Value / Allocation of Purchase Price at December 31, 2011	**Adjustments to Preliminary Fair Values**	**Fair Value / Final Allocation of Purchase Price at December 31, 2012**
Current assets	$ 98.9	$ -	$ 98.9
Property and equipment	192.5	1.0	193.5
Intangible assets (excluding goodwill)	92.1	0.2	92.3
Acquired Goodwill	338.1	(6.4)	331.7
Total assets acquired	**721.6**	**(5.2)**	**716.4**
Current liabilities	41.4	-	41.4
Other long-term liabilities	6.7	-	6.7
Total liabilities acquired	**48.1**	**-**	**48.1**
Total purchase price	**$ 673.5**	**$ (5.2)**	**$ 668.3**

We applied the purchase method of accounting to this business combination (per ASC topic 805). The resulting acquired goodwill recognized in the consolidated balance sheets is attributable to the acquired workforce, expected synergies, and other acquired intangible assets which cannot be separately identified.

The allocation of the purchase price of Great White was based upon fair values studies. The table above summarizes the preliminary acquisition date fair value of the asset acquired and liabilities assumed, as at December 31, 2011 and changes to those preliminary valuations. The adjustments to preliminary fair values at December 31, 2011 resulted from agreed up adjustments to the closing balance sheet of Great White. The resulting changes summarized above have decreased the value of goodwill acquired by $6.4 million and resulted in a return of $5.2 million in cash from the sellers.

X-it Energy Services Limited

On April 4, 2012, we completed the acquisition of all of the outstanding stock of X-it Energy Services Limited, or X-it, for $6.0 million in cash. X-it specializes in the sales, service and rental of casing exit equipment.

The net assets acquired as a result of the acquisition are listed below *(in millions)*:

Preliminary Allocation	**Fair Value / Allocation of Purchase Price at December 31, 2012**
Current assets	$ 1.2
Intangible assets (excluding goodwill)	5.2
Acquired Goodwill	1.9
Total assets acquired	**8.3**
Current liabilities	0.9
Deferred tax liabilities	1.4
Total liabilities acquired	**2.3**
Total purchase price	**$ 6.0**

We applied the purchase method of accounting to this business combination (per ASC topic 805). The resulting acquired goodwill recognized in the consolidated balance sheet is attributable to expected synergies, and other acquired intangible assets which cannot be separately identified.

The allocation of the purchase price of X-it has been based upon preliminary fair value estimates. Estimates and assumptions are subject to change upon management's review of the final valuations.

Wellbore Solutions

In April 2012, we acquired the remaining 57.4% of Wellbore Solutions, or Wellbore, for $397,520. Previously we owned 42.6% of Wellbore but we had consolidated the financial statements of Wellbore as we had control over the company through a shareholder agreement which gave us the power to vote for 50.1% of the shares.

The purchase price was allocated to goodwill.

Note 3 – Impairments

During the third quarter of 2012, the level of our stock price, the loss of several large customers in North America as well as the significant decline in our 2012 forecasted results compared to forecasts prepared at the time of the 2011 goodwill impairment testing, were considered to be circumstances, which more likely than not, would reduce the fair value of a reporting unit below its carrying amount. As consequence, we prepared a comprehensive impairment test for long lived assets, including intangibles and goodwill, which results in the following impairments: An impairment of goodwill, amounting to $207.6 million (See Note 9), an impairment of fixed assets amounting to $66.6 million, an impairment of intangibles amounting to $57.5 million (See Note 10), an impairment of investments in associates totalling $4.9 million (See Note 8) and an impairment of inventory of $2.1 million.

In the fourth quarter of 2011, as a result of our annual goodwill impairment test, we concluded that the fair value was below our carrying value for certain reporting units and we impaired $99.0 million of goodwill and $21.7 million of intangibles. In addition, we decided to discontinue the usage of the Great White Pressure Pumping brand name and therefore impaired $0.9 million for that asset during the fourth quarter of 2011. In the first quarter of 2011 an impairment of $5.1 million was made to certain of the acquired brand names in the Allis-Chalmers merger. We made the decision to discontinue certain brand names and replace with the Archer brand name.

Please refer to Note 9 for further details on the calculation of impairments.

Note 4 – Financial items

	Three Months Ended December 31,		**Years Ended December 31,**	
(In millions)	**2012**	**2011**	**2012**	**2011**
Foreign exchange differences	$ 5.3	$ (10.0)	$ 13.7	$ 6.1
Gain on redemption of debt	-	-	4.7	-
Other items	(0.6)	(4.8)	(0.9)	(7.1)
Total other financial items	**$ 4.7**	**$ (14.8)**	**$ 17.5**	**$ (1.0)**

Financial items consist mainly of foreign exchange gains (losses) arising in respect of loans or cash balances denominated in currencies other than the recording company's functional currency. The redemption of the Allis-Chalmers senior notes in the first quarter of 2012 generated a gain of $4.7 million (See Note 11).

Note 5 – Income taxes

Tax expense (benefit) can be split in the following geographical areas:

	Three Months Ended December 31,		Years Ended December 31,	
(In millions)	2012	2011	2012	2011
United States	$ 2.5	$ (4.6)	$ (9.1)	$ 1.9
South America	6.4	(2.8)	10.7	(4.7)
Europe	0.6	4.2	8.5	(11.7)
Others	(0.3)	-	0.3	-
Total	**$ 9.2**	**$ (3.2)**	**$ 10.4**	**$ (14.5)**

Our effective tax rate is impacted by the derecognition of some of our deferred tax assets as we do not expect to utilize these in the foreseeable future. We have booked valuation allowances against most of our net operating losses and foreign tax credits in the United States, Brazil and Canada. The effective tax rate is also mainly impacted by our impairment on intangibles which is a permanent difference for tax purposes. Foreign tax credits and state taxes related to the United States and Canada increases the effective tax rate. The effective tax rate is impacted by income in Bermuda where Archer has a tax exemption.

The following table shows a reconciliation of the expected tax rate to the effective tax rate.

	Years Ended December 31,	
	2012	2011
Expected tax rate	38.9%	26.8%
Goodwill impairment	(11.1)	(50.2)
Other non-deductible expenses	(1.1)	(3.9)
Tax exempted income and credits	0.3	4.9
Foreign tax rate differences	2.7	10.5
Valuation allowances	(32.7)	(12.8)
Other	0.1	1.5
Effective tax rate	**(2.9)%**	**(23.2)%**

Note 6 – Earnings per share

The computation of basic 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.

	Three Months Ended December 31,		Years Ended December 31,	
(In millions, except per share amounts)	2012	2011	2012	2011
Numerator				
Net loss	**$ (41.0)**	**$ (111.8)**	**$ (375.1)**	**$ (77.0)**
Denominator				
Weighted-average common shares outstanding	366.7	366.2	366.6	322.4
Effect of potentially dilutive common shares:				
Share based compensation shares	-	-	-	-
Weighted-average common shares outstanding and assumed conversions	**366.7**	**366.2**	**366.6**	**322.4**
Net loss per common share				
Basic	$ (0.11)	$ (0.31)	$ (1.02)	$ (0.24)
Diluted	$ (0.11)	$ (0.31)	$ (1.02)	$ (0.24)

Share-based compensation of approximately 18,487 and 151,022 shares were excluded from the computation of diluted earnings per share for the three and twelve months ended December 31, 2012, respectively, as the effect would have been anti-dilutive due to the net loss for the period. Shared-based compensation of approximately 760,000 shares were excluded from the computation of diluted earnings per share for both the three and twelve months ended December 31, 2011.

Note 7 – Inventories

(In millions)	December 31, 2012	December 31, 2011
Manufactured		
Finished goods	$ 6.8	$ 4.7
Work in progress	3.6	3.6
Raw materials	6.6	5.9
Total manufactured	17.0	14.2
Drilling supplies	25.2	17.6
Chemicals	8.1	9.3
Other items and spares	14.0	17.1
Total Inventories	**$ 64.3**	**$ 58.2**

Note 8 – Investment in joint ventures

(In millions)	December 31, 2012	December 31, 2011
C6 Technologies AS	$ 2.4	$ 2.4
Rawabi Allis-Chalmers Company Ltd	-	5.0
Equity in net assets of non-consolidated investees	**$ 2.4**	**$ 7.4**

During the third quarter of 2012, we wrote off our investment in Rawabi Allis-Chalmers Company Ltd due to sustained historical losses and limited potential for prospective future earnings. The impairment recorded was $4.9 million.

Note 9 – Goodwill

Goodwill represents the excess of purchase price over the fair value of tangible and identifiable intangible assets acquired.

(In millions)	
Net book balance at December 31, 2011	**$ 898.9**
Goodwill acquired during the year	2.3
Impairments	(207.6)
Currency adjustments	18.9
Other adjustments	(6.4)
Net book balance at December 31, 2012	**$ 706.1**

The acquisitions of X-it and Wellbore during 2012 both had a purchase price in excess of the fair value of tangible and identifiable intangible assets acquired (See Note 2).

The adjustment to goodwill during the measurement period related to a working capital adjustment on the Great White acquisition (See Note 2).

We test goodwill for impairment on an annual basis during the fourth quarter and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The testing of the valuation of goodwill involves significant judgement and assumptions to be made in connection with the future performance of the various components of our business operations.

During the third quarter of 2012, the level of our stock price, the loss of a large customers in North America as well as the significant decline in our 2012 forecasted results compared to forecasts prepared at the time of the 2011 goodwill impairment testing, were considered to be interim triggering events and therefore we performed an interim goodwill impairment assessment. We considered the key assumptions including long term market growth predictions, the discount rate to be applied and potential tax effects. As a consequence, we concluded at the end of that quarter that our carrying value exceeded the fair value and we recorded a goodwill impairment of $207.6 million.

In the fourth quarter 2012 we updated our goodwill impairment assessment, including our valuation and consideration of several qualitative factors. Compared to the end of the third quarter 2012, no significant changes to the assumptions were identified which give rise to an additional impairment at this point in time.

The fair value calculations are particularly sensitive to assumptions concerning revenue growth, EBITDA margin, terminal value growth and the discount factor, with greatest impact in the North American segment. The fair value has been modeled under a range of scenarios to which a probability of likelihood had been applied; on average these show a marked improvement in EBITDA margin from current low rates over the next few years and 2% growth rate in the terminal value. Should these revenue and margin improvements and growth rates not be obtained over the forecast period, significant additional levels of impairment could be required. The impact of an assumed 1% lower future revenue growth and a margin reduction of 1% for the North American reporting units would have an impact of approximately $50 million and $40 million, respectively.

Note 10 – Intangible assets

(In millions)	Cost	Accumulated Amortization	Net
Balance at December 31, 2011	**$ 259.8**	**$ (56.5)**	**$ 203.3**
Additions – acquisitions	5.4	-	5.4
Deletions	(36.7)	36.7	-
Impairments	-	(57.5)	(57.5)
Amortization	-	(22.4)	(22.4)
Currency adjustments	0.9	(0.1)	0.8
Balance at December 31, 2012	**$ 229.4**	**$ (99.8)**	**$ 129.6**

The net book value at December 31, 2012 consisted of customer relationships of $103.8 million, identified technology of $8.2 million, trademarks of $9.6 million, patents of $7.9 million and noncompete arrangement of $0.1 million.

Due to certain trigger events recognized in the three months ended September 30, 2012, we performed impairment assessments on our long-lived amortizable intangibles and impaired $44.5 million of customer relationship value in our Pressure Pumping business. Those same trigger events caused us to perform impairment assessment of goodwill and we determined that our Land Drilling business carrying value was in excess of the fair value and since Land Drilling had no remaining goodwill we impaired all of its associated intangibles, consisting of $10.0 million of customer relationships and $1.6 million for trademark. In addition, this same impairment testing resulted in an impairment for our Directional Drilling business in excess of its goodwill value, therefore customer relationships were impaired by the $1.4 million overage.

In the fourth quarter 2012 we updated our impairment assessment of intangible assets, including consideration of several qualitative factors. Compared to the end of the third quarter 2012, no significant changes to the assumptions were noted which would give rise to an additional impairment at this point in time. (See Note 9)

Note 11 – Long-term, interest-bearing debt

(In millions)	December 31, 2012	December 31, 2011
$1,171.9 multi-currency term and revolving facility	$ 1,047.1	$ 774.1
Related party subordinated loan	55.0	-
Hermes covered term loan	34.9	-
Allis-Chalmers 2014 senior note	-	99.2
Allis-Chalmers 2017 senior note	-	197.4
Other loans and capital lease liability	82.3	15.5
Total loans and capital lease liability	**1,219.3**	**1,086.2**
Less: current portion	(329.5)	(108.4)
Long-term portion of interest bearing debt	**$ 889.8**	**$ 977.8**

$1,171.9 million multi-currency term and revolving facility

On December 22, 2011, Archer entered into an Amended and Restated $1,121.9 million multi-currency term and revolving facility agreement adding two new banks to the syndicate. In January 2012, Citi was added to the facility, bringing the total facility to $1,171.9 million.

The facility is divided into two tranches. Tranche A, a revolving facility, is for $493.4 million and Tranche B, a term loan, amounting to $678.5 million. The final maturity date of the tranches is November 11, 2015. The interest rate as of December 31, 2012 of the tranches is LIBOR, NIBOR or EURIBOR, plus between 2.25% and 3.75% per annum, depending on the net interest bearing debt to EBITDA ratio, plus mandatory costs, if any. An annual instalment of $100.0 million is payable in November each year, and the remainder is payable upon final maturity of the facility, if not refinanced. The first instalment of $100.0 million was paid in November 2012, bringing the facility amount available on Tranche B to $578.5 million.

The tranches made under the $1,171.9 million multi-currency term and revolving facility agreement are secured by pledges over shares in material subsidiaries, and assignment over intercompany debt, as well as by guarantees issued by the material subsidiaries.

Archer's multicurrency term and revolving facility agreement contains certain financial covenants, including, among others:

- Our total consolidated net interest bearing debt shall not exceed 3.5x twelve months rolling pro forma EBITDA until September 30, 2012, and 3.0x thereafter
- Our minimum ratio of equity to total assets of at least 30.0%
- We are to maintain the higher of $30 million and 5% of interest bearing debt in freely available cash (including undrawn committed credit lines)

The multi-currency term and revolving facility agreement contains events of default which includes payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, insolvency, illegality, unenforceability, curtailment of business, claims against an obligor's assets, appropriation of an obligor's assets, failure to maintain exchange listing, material adverse effect, repudiation and material litigation.

As of December 31, 2012, we were not in compliance with the financial covenants set out in our credit facilities.

In February 2013 we reached an agreement with our lending banks to amend the existing facility agreement following a $250 million equity raise. The proceeds of this additional equity were used to prepay the $100 million installment due in November 2013, prepay $95 million relating to the revolving debt facility under the multicurrency loan agreement and repay $ 55 million related to the subordinated debt with Seadrill. At year end these amounts were classified within the current portion of long term debt. The amendment resulted in an increase in interest margin of 20 basis points, which as per the revised agreement now ranges between 3.0% and 3.95% per annum, depending on the net interest bearing debt to EBITDA ratio. The interest rate of the facilities is LIBOR, NIBOR or EURIBOR plus the respective margin. The leverage ratio covenant in the amended agreement, which is calculated as net interest bearing debt divided by twelve months rolling pro forma EBITDA, has been revised to 5.00x for December 31, 2012 and to not exceed 4.75x until September 30, 2013, with a subsequent reduction of 0.25x per quarter to 3.25x from March 31, 2015 and onwards. As of December 31, 2012 we were in compliance with the revised covenants.

Related party subordinated loan

On November 12, 2012, Seadrill Limited, a related party, provided Archer with a $55.0 million subordinated term loan facility that is repayable by February 28, 2013. Once repaid the amount is not available for reborrowing. The loan provides for interest at LIBOR + 5%. In November 2012, we borrowed the full $55.0 million and applied it to our annual principal payment of $100 million due under the multi-currency term and revolving facility along with using part of our existing cash balances on hand. Subsequent to year end this subordinated term loan was settled in full.

Hermes covered term loan

On January 18, 2012 Archer Emerald Ltd., a wholly owned subsidiary of Archer Limited, signed a €29.5 million Hermes covered term loan agreement for the modular rig Archer Emerald. The facility is repayable in semi-annual instalments in March and September through March 2017. The interest rate is 1.3% above EURIBOR. At December 31, 2012, the equivalent of $34.9 million was outstanding under this facility.

Allis-Chalmers senior notes

Archer had, through the acquisition of Allis-Chalmers, two senior notes outstanding at December 31, 2011. The first senior notes were due in January 15, 2014 and had interest at 9.0%. Total outstanding of these notes at December 31, 2011 was $97.7 million. The 2014 notes were recorded in the balance sheet at 101.6% of the total outstanding amount. The second senior notes were due March 1, 2017 and had interest at 8.5%. Total outstanding of these notes at December 31, 2011 was $186.1 million. The 2017 notes were recorded in the balance sheet at 106.1% of the total outstanding amount.

Archer redeemed all outstanding 2014 and 2017 senior notes on March 1, 2012. The 2014 notes were redeemed at a redemption price of 100.0% of the outstanding aggregate principal amount, plus accrued and unpaid interest. The 2017 notes were redeemed at a redemption price of 104.25% of the outstanding aggregate principal amount, plus accrued and unpaid interest. The redemption of this debt generated a gain of $4.7 million for the year ended December 31, 2012.

Other loans and capital leases

We have two $50.0 million cash overdraft facilities and at December 31, 2012, net borrowings under these facilities were $55.8 million in aggregate. In addition we have borrowed $9.9 million under cash overdraft facilities in Argentina. We have a $25.0 million import facility in Argentina, which had an outstanding balance at December 31, 2012 of $2.9 million. We also have capital leases covering both real property and equipment and at December 31, 2012, the net balance due under these arrangements was $11.8 million. We have a $4.0 million term loan facility in Argentina, which had an outstanding balance at December 31, 2012 of $1.7 million. In addition, we have several equipment financing obligations that in aggregate had a balance due of $0.2 million at December 31, 2012.

Note 12 – Supplemental cash flow information

During 2012, we financed equipment purchases of $3.9 million through capitalized leases. We also utilized lease incentives to finance $1.5 million of leasehold improvements that were capitalized in 2012.

The merger with Allis-Chalmers in 2011 was primarily financed by the issue of Archer shares to Allis-Chalmers shareholders (See Note 2).

Note 13 – Segment information

In conjunction with organizational changes made at the end of 2011, we reviewed the presentation of our reporting segments during the first quarter of 2012 and determined that our operational performance aligned with the following four segments effective January 1, 2012:

- North America (NAM)
- Latin America (LAM)
- North Sea (NRS)
- Emerging Markets & Technologies (EMT)

The split of our organization and aggregation of our business into four segments is based on differences in management structure and reporting, location of regional management and assets, economic characteristics, customer base, asset class and contract structure. The accounting principles for the segments are the same as for our consolidated financial statements. Our historical segment data previously reported for the three months and year ended December 31, 2011 and as of December 31, 2011, have been restated to conform to the new presentation. Presented below and on the following page are the revenues, depreciation and amortization, operating income, capital expenditures, goodwill and total assets by segment.

(In millions)	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Years Ended December 31, 2012	Years Ended December 31, 2011
Revenues from external customers				
North America	$ 148.9	$ 180.9	$ 683.1	$ 443.0
Latin America	151.5	147.8	585.3	467.5
North Sea	156.1	189.0	599.6	651.3
Emerging Markets & Technologies	80.8	78.4	322.5	292.8
Total	**$ 537.3**	**$ 596.1**	**$ 2,190.5**	**$ 1,854.6**
Depreciation and amortization				
North America	$ 31.0	$ 26.1	$ 125.6	$ 69.3
Latin America	8.7	10.4	37.4	36.4
North Sea	3.0	1.8	9.8	8.4
Emerging Markets & Technologies	8.6	9.0	32.2	33.0
Total	**$ 51.3**	**$ 47.3**	**$ 205.0**	**$ 147.1**

(In millions)	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Years Ended December 31, 2012	Years Ended December 31, 2011
Operating income (loss) to net loss				
North America	$ (18.7)	$ (8.4)	$ (318.9)	$ 21.3
Latin America	-	(101.5)	(44.4)	(95.2)
North Sea	(2.4)	18.0	20.1	56.7
Emerging Markets & Technologies	0.1	6.4	25.0	23.9
Stock compensation costs	(0.8)	(1.3)	(4.0)	(4.9)
Merger and acquisition costs	-	-	-	(17.7)
Operating loss	**(21.8)**	**(86.8)**	**(322.2)**	**(15.9)**
Total financial items	(10.0)	(28.2)	(42.5)	(46.6)
Income taxes	(9.2)	3.2	(10.4)	(14.5)
Net loss	**$ (41.0)**	**$(111.8)**	**$ (375.1)**	**$ (77.0)**
Capital expenditures				
North America	$ 14.1	$ 26.9	$ 147.9	$ 58.2
Latin America	9.4	28.9	43.8	52.5
North Sea	19.0	3.9	48.2	40.8
Emerging Markets & Technologies	8.1	2.6	31.7	14.7
Total	**$ 50.6**	**$ 62.3**	**$ 271.6**	**$ 166.2**

(In millions) **Goodwill**	North America	Latin America	North Sea	Emerging Markets & Technologies	Total
Balance at December 31, 2011	**$ 538.5**	**$ -**	**$ 132.4**	**$ 228.0**	**$ 898.9**
Goodwill acquired	-	-	-	2.3	2.3
Impairments	(207.6)	-	-	-	(207.6)
Adjustments to goodwill during measurement period	(6.4)	-	-	-	(6.4)
Currency adjustments	-	-	9.0	9.9	18.9
Balance at December 31, 2012	**$ 324.5**	**$ -**	**$ 141.4**	**$ 240.2**	**$ 706.1**

(In millions)	December 31, 2012	December 31, 2011
Total assets		
North America	$ 1,114.9	$ 1,386.8
Latin America	496.4	521.7
North Sea	461.5	385.5
Emerging Markets & Technologies	511.6	520.7
Total	**$ 2,584.4**	**$ 2,814.7**

Note 14 – Fair value of financial instruments

The estimated fair value and the carrying value of our financial instruments are as follows:

(In millions)	December 31, 2012 Fair Value	December 31, 2012 Carrying Value	December 31, 2011 Fair Value	December 31, 2011 Carrying Value
Non-derivatives				
Cash and cash equivalents	$ 58.2	$ 58.2	$ 37.3	$ 37.3
Restricted cash	11.9	11.9	13.3	13.3
Current portion of long-term debt	329.5	329.5	108.4	108.4
Long-term interest bearing debt	889.8	889.8	963.9	977.8
Derivatives				
Interest rate swap agreements	-	-	1.2	1.2

The aforementioned financial assets and liabilities are measured at fair value on a recurring basis as follows:

(In millions)	December 31, 2012 Fair Value	Fair Value Measurements at Reporting Date Using Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 58.2	$ 58.2	-	-
Restricted cash	11.9	11.9	-	-
Liabilities				
$1,171.9 Multicurrency Term and Revolving Facility, excluding current portion	852.1	-	852.1	-
Other loans and capital leases, excluding current portion	37.7	-	37.7	-

Level 1: Quoted prices in active markets for identical assets
Level 2: Significant other observable inputs
Level 3: Significant unobservable inputs

We used a variety of methods and assumptions, which are based on market conditions and risks existing at the time, to estimate the fair value of our financial instruments. For certain instruments, including cash and cash equivalents it is assumed that the carrying amount approximated fair value due to the short-term maturity of those instruments.

The fair value of the current portion of long-term debt is estimated to be equal to the carrying value, since it is repayable within twelve months. The fair value of the long-term portion of floating rate debt is estimated to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis. This debt is not freely tradable and we cannot purchase them at prices other than the outstanding balance plus accrued interest.

The fair values of interest rate swaps are calculated using well-established independent market valuation techniques applied to contracted cash flows and NIBOR interest rates.

Note 15 – Legal proceedings

From time to time, we are involved in litigation, disputes and other legal proceedings arising in the normal course of their business.

We insure against the risks arising from these legal proceedings to the extent deemed prudent by our management and to the extent insurance is available, but no assurance can be given that the nature and amount of that insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain deductibles or self-insured retentions in amounts we deem prudent and for which we are responsible for payment. If there is a claim, dispute or pending litigation in which we believe a negative outcome is probable and a loss by the Company can be reasonably estimated, we record a liability for the expected loss. At December 31, 2012, we are not aware of any such expected loss which would be material to our financial position and results of operations. In addition we have certain claims, disputes and pending litigation in which we do not believe a negative outcome is probable or for which the loss cannot be reasonably estimated.

We are also named from time to time in legal proceedings related to activities that occurred prior to of one of our predecessor's bankruptcy in 1988 (Allis-Chalmers). However, we believe that we were discharged from liability for all such claims in the bankruptcy and believe the likelihood of a material loss relating to any such legal proceeding is remote.

The case of *Cudd Pressure Control, Inc. vs. Great White Pressure Control, LLC, et. al*., one of our subsidiaries, pre-dates Archer's acquisition of the Great White group. The plaintiff, Cudd Pressure Control, alleges several causes of action relating to Great White Pressure Control's employment of former Cudd employees. Although the case was filed in 2006 and the relevant events date back more than five years, the case was just recently tried in Texas state district court with the jury returning a verdict in favor of the defendants. Although the plaintiff will likely appeal the jury verdict, we believe any such appeal will be unsuccessful.

A class action was filed in Corpus Christi, Texas against one of our subsidiaries alleging violations of the Fair Labor Standards Act (FLSA) relating to non-payment of overtime pay. The court has conditionally certified a class of potential class members and the opt-in period has expired. The plaintiffs have filed an Amended Petition adding additional subsidiaries as defendants. We continue to engage in settlement discussions with counsel for plaintiffs. While we believe that a negative outcome is reasonably possible, we have not been able to predict any such amount with any degree of certainty at this time with respect to all of the potential and putative class members. We have, however, received an assessment of potential liabilities from outside counsel which has allowed us to assess a contingency reserve in accordance with US GAAP.

A class action was filed in Houston, Texas against another one of our subsidiaries alleging violations of the FLSA relating to non-payment of overtime pay. After significant negotiation, the parties reached settlement terms. The Court granted final approval of the settlement terms in December 2012. The settlement amount has been fully accrued.

Three class actions have recently been filed against a number of our subsidiaries all alleging violations of FLSA relating to non-payment of overtime pay. These cases are in the early stages of discovery and, although litigation is inherently uncertain, management believes these cases are highly defensible.

Other than the above, we are not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had in the recent past, significant effects on our financial position or profitability.

Note 16 – Related parties

In the normal course of business, we transact business with related parties.

We were established at the end of the third quarter of 2007, as a spin-off of Seadrill Limited's Well Service division. We acquired the shares in the Seadrill Well Service division entities on October 1, 2007 for $449.1 million. The acquisition has been accounted for as a common control transaction with the asset and liabilities acquired recorded by us at the historical carrying value of Seadrill Limited, or Seadrill. The excess consideration over the net asset and liabilities acquired has been recorded as adjustment to equity of $205.1 million. Seadrill currently owns 39.9% of our stock.

During the year ended December 31, 2012, we supplied Seadrill Limited and affiliates with services amounting to $16.1 million, including reimbursable material. This amount has been included in operating revenues. At December 31, 2012, Seadrill owed us $2.2 million related to these services.

In June 2012, Seadrill provided Archer with a $20.0 million subordinated term-loan facility to provide a contingency in case of a potential breach of covenants. As the covenants were met without this loan all amounts were repaid in August along with $0.1 million of interest. The loan was due June 30, 2018 and had interest at LIBOR plus 4.5%. In November 2012, Seadrill provided Archer with a $55.0 million subordinated term-loan facility to assist in the funding of a required $100 million principal payment on multi-currency term and revolving facility. At December 31, 2012, we owed Seadrill the $55.0 million of principal and $0.4 million of accrued interest which was settled subsequent to year end.

The following related parties, being companies in which Archer's principal shareholders, Seadrill and/or Hemen Holding Ltd have a significant interest:

- Frontline Management (Bermuda) Limited, or Frontline
- North Atlantic Drilling Ltd, or NADL

Frontline provides management support and administrative services to us, and we have recorded fees of $0.5 million for these services in the year ended December 31, 2012. These amounts are included in "General and administrative expenses" in the Consolidated Statement of Operations. At December 31, 2012, we owe Frontline $0.4 million related to these services.

During the year ended December 31, 2012, we supplied NADL with services amounting to $3.7 million, including reimbursable material. This amount has been included in operating revenues. At December 31, 2012, NADL owed us $0.6 million related to these services.

In addition, one of our largest customers is Pan American Energy, or PAE, which we also consider to be a related party. One of the principal shareholders of PAE is Bridas Corporation, Bridas Corporation is owned 50% by Bridas Energy Holdings Ltd and at the end of December 31, 2012, 50% by CNOOC International Limited. Alejandro P. Bulgheroni, one of the directors of Archer, may be deemed to indirectly beneficially own 50% of the outstanding capital stock of Bridas Energy Holdings Ltd and is a member of the Management Committee of PAE.

We had revenue for the year ended December 31, 2012 from PAE of approximately $268.7 million, or 12.3%, of our consolidated revenues for the period. At December 31, 2012, we had trade receivables and other receivables with PAE of $42.5 million.

Note 17 – Subsequent events

Subsequent events have been incorporated in related notes where appropriate (See Note 11 and 16). Other subsequent events are disclosed in this note.

In February 2013, we issued 208,334,000 new shares resulting in gross proceeds of $250.0 million (the "Private Placement"). Those proceeds were used to prepay the $100.0 million installment due in November 2013 under our multi-currency facility, $95 million relating to the revolving debt facility under the multicurrency loan agreement and $55.0 million related to the subordinated loan facility from Seadrill. The Private Placement was underwritten by our five largest shareholders together holding approximately 68% of our issued and outstanding share capital. The underwriters received an underwriting commission of $5.0 million which was settled through the issuance of 4,166,667 new shares in Archer. The new shares issued in the Private Placement are not tradable on the Oslo Stock Exchange until a prospectus has been approved by the Norwegian Financial Supervisory Authority. In order to facilitate immediate settlement and delivery of freely tradable shares to the subscribers, other than Seadrill, Lime Rock Partners and Hemen Holdings, in the Private Placement, existing and tradable shares were made available through a share loan arrangement with Seadrill. The share lending arrangement was settled through the issuance of the new shares from the Private Placement to Seadrill.

In February 2013, we were awarded a Statoil drilling contract for our second modular rig with operations expected in the second half of 2014. The contract is for 34 months on the Heimdal platform in the North Sea.

At a special general meeting on February 13, 2013, we reduced the par value of our stock from $2.00 to $1.00 and increased the number of authorized shares from 600 million to 1.2 billion. Following the par value reduction and the issuance of new shares Archer has 579,159,787 fully paid shares of par value of $1.00 each.

Appendix to Archer fourth quarter report 2012

We report our financial results in accordance with generally accepted accounting principles (GAAP). However, Archer's management believes that certain non-GAAP performance measures and ratios may provide users of this financial information additional meaningful comparison between current results and results in prior operating periods. One such non-GAAP financial measure we use is earnings before interest, taxes, depreciation, and amortization (EBITDA), adjusted for special charges or amounts. This adjusted income amount is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for operating income, net income or other income data prepared in accordance with GAAP. See the table below for supplemental financial data and corresponding reconciliations to GAAP financial measures for the three months ended December 31, 2012, September 30, 2012, June 30, 2012, March 31, 2012, December 31, 2011 and September 30, 2011. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP.

The unaudited pro forma statements of operations below gives effect to the acquisition of Great White (which was acquired in the third quarter of 2011), as if it had occurred at the beginning of 2011 using the historical pre-acquisition results of the acquiree. This pro forma data is presented for informational purposes only and does not purport to be indicative of the results of future operations, or of the results that would have occurred had the acquisition taken place at the beginning of 2011.

ARCHER LIMITED
Condensed Consolidated Statement of Operations
(Unaudited)

	Three Months Ended					
(In millions)	December 31 2012	September 30 2012	June 30 2012	March 31 2012	December 31 2011	September 30 2011
Revenue	537.3	551.9	555.0	546.3	596.1	505.4
Cost and expenses						
Operational Costs	559.1	550.0	535.4	529.5	561.4	441.0
Impairments	-	338.7	-	-	121.5	-
Merger & Integration expenses	-	-	-	-	-	31.5
Net financial items	10.0	6.4	30.2	(4.1)	28.2	(23.7)
Income/(loss) before income taxes	**(31.8)**	**(343.2)**	**(10.6)**	**20.9**	**(115.0)**	**56.6**
Income tax expense (benefit)	9.2	(1.9)	(2.8)	5.9	(3.2)	11.0
Total net income / (loss)	**(41.0)**	**(341.3)**	**(7.8)**	**15.0**	**(111.8)**	**45.6**

ARCHER LIMITED
Reconciliation of GAAP to non-GAAP Measures
(Unaudited)

	Three Months Ended					
(In millions)	December 31 2012	September 30 2012	June 30 2012	March 31 2012	December 31 2011	September 30 2011
Total net income / (loss)	(41.0)	(341.3)	(7.8)	15.0	(111.8)	45.6
Depreciation, amortization and impairments	51.3	390.7	51.3	50.4	168.8	43.2
Net financial items	10.0	6.4	30.2	(4.1)	28.2	(23.7)
Taxes on Income	9.2	(1.9)	(2.8)	5.9	(3.2)	11.0
EBITDA	**29.5**	**53.9**	**70.9**	**67.2**	**82.0**	**76.1**
EBITDA for acquired companies						
Great White [1]	-	-	-	-	-	(9.6)
Merger, transaction and listing expenses [2]	-	-	-	-	-	31.5
Adjusted EBITDA	**29.5**	**53.9**	**70.9**	**67.2**	**82.0**	**98.0**

Note 1: Represents 56 days of Great White's EBITDA in the third quarter 2011.
Note 2: Merger, transaction and listing (M&A) expenses are considered one-time items on a pro forma basis. Great White incurred $26.5 million of M&A expenses in the third quarter 2011prior to the closing of the acquisition.

The merger, transaction and listing expenses for Archer on a pro forma basis companies can be broken down as follows.

(In millions)	**Three Months Ended** December 31 2012	September 30 2012	June 30 2012	March 31 2012	December 31 2011	September 30 2011
Severance and other compensation costs	-	-	-	-	-	24.9
Professional fees	-	-	-	-	-	5.5
Other merger and integration cost	-	-	-	-	-	1.1
Total merger, transaction and listing expenses	**-**	**-**	**-**	**-**	**-**	**31.5**

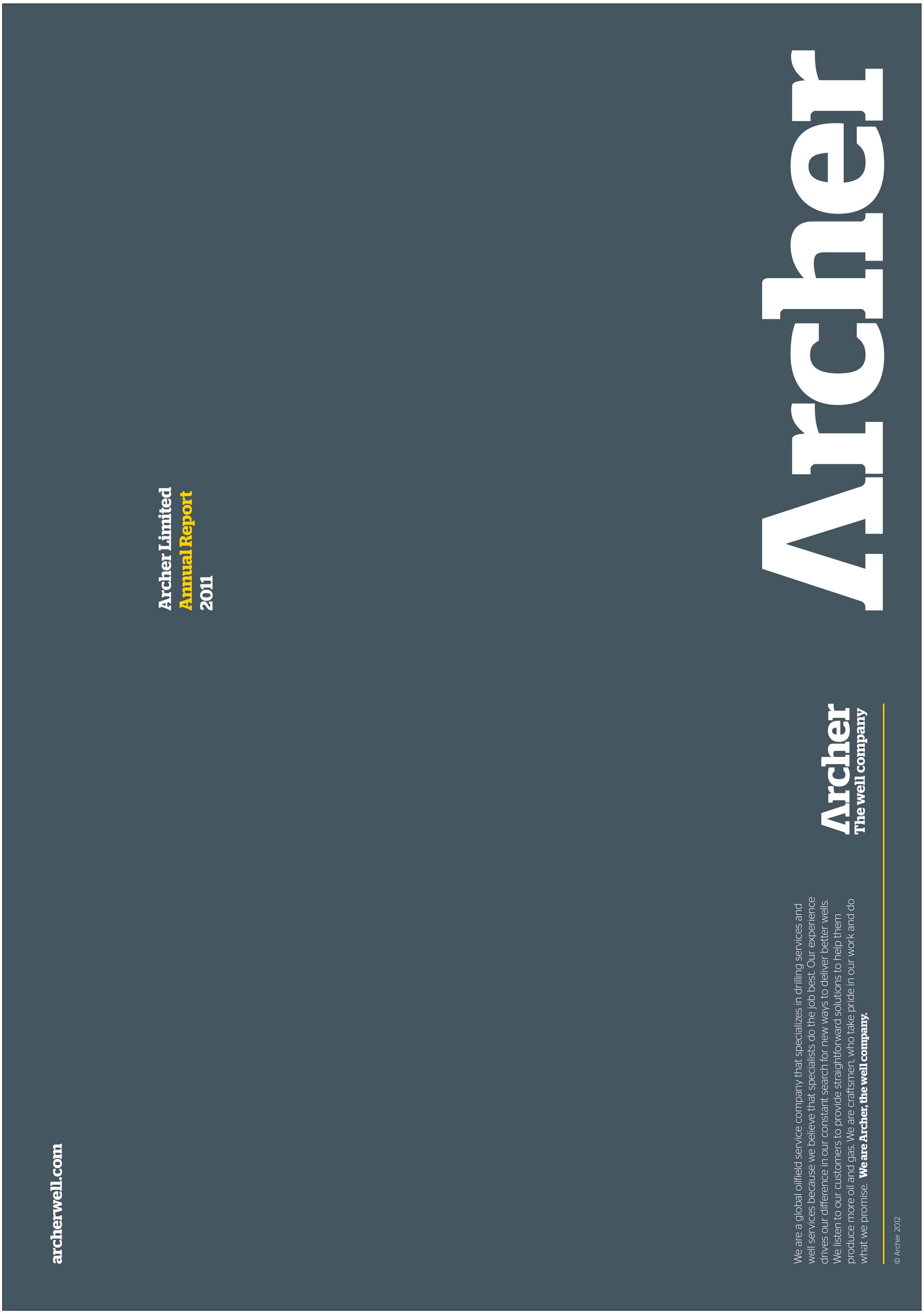
Pro Forma Revenue by Geographic and Strategic Areas
(Unaudited)

(In millions)	**Three Months Ended** December 31 2012	September 30 2012	June 30 2012	March 31 2012	December 31 2011	September 30 2011
North America (NAM)	148.9	166.6	184.3	183.3	180.9	196.5
Latin America (LAM)	151.5	146.0	148.7	139.1	147.8	138.6
North Sea (NRS)	156.1	159.0	140.0	144.5	189.0	154.3
Emerging Markets & Technologies (EMT)	80.8	80.3	82.0	79.4	78.4	76.2
Pro Forma Revenue	**537.3**	**551.9**	**555.0**	**546.3**	**596.1**	**565.6**

ARCHER LIMITED
Pro Forma EBITDA by Geographic and Strategic Areas
After regional and global allocations
(Unaudited)

(In millions)	**Three Months Ended** December 31 2012	September 30 2012	June 30 2012	March 31 2012	December 31 2011	September 30 2011
North America (NAM)	12.1	15.2	31.5	27.6	28.7	53.4
Latin America (LAM)	8.4	16.1	15.5	9.7	18.7	15.0
North Sea (NRS)	0.3	10.0	6.4	12.2	19.5	13.8
Emerging Markets & Technologies (EMT)	8.7	12.6	17.5	17.7	15.1	15.8
Pro Forma EBITDA	**29.5**	**53.9**	**70.9**	**67.2**	**82.0**	**98.0**

Appendix 2: Annual Report for 2011



In 2011, Archer has established itself as an international oilfield services company specializing in drilling and well services.

Contents

We are confident that these changes give the Company a solid long-term foundation

Letter to Shareholders

In 2011 we transformed our business by bringing together Seawell, Allis-Chalmers, Gray Wireline, Great White Energy Services and several other subsidiary companies to create Archer. Our first year as Archer was fast paced and challenging, we acquired the assets required to establish ourselves as an international oilfield service provider; expanded our global footprint and broadened our service offering to meet the needs of our customers.

From a financial perspective, revenue grew from $719 million to $1.9 billion and EBITDA also grew from $87 million in 2010 to $258 million in 2011. The Company reported a net loss of $77 million overall, compared to a profit of $12 million in 2010. While we are dissatisfied with our short term financial performance, steps have been taken to improve it.

We have integrated and restructured the business to focus on organic growth and delivery and are positioned to react swiftly to our customer's needs and drive operational performance. As a result, we have entered 2012 as one group, aligned around four key geographic areas; North Sea, North America, Latin America and Emerging Markets & Technologies.

We are confident these changes give the Company a solid long-term foundation. We are now firmly established as an integrated organization and we look forward to delivering for our customers and improving our financial performance in 2012 and the years to come.

Fredrik Halvorsen

Fredrik Halvorsen
Chief Executive Officer & Vice Chairman

Board of Director's Report
Company overview and history

We have become Archer with the merger of Seawell Limited with Allis-Chalmers Energy Inc., or Allis-Chalmers, and subsequent acquisition of Great White Energy Group, or Great White. Archer has established itself as an international oilfield services company specializing in drilling and well services. Archer is the coming together of several companies, each with a deep heritage in providing services to the oil and gas industry in four continents.

Archer milestones in 2011

- In January 2011 the Company acquired Universal Wireline, or Universal, for $25.5 million. Universal operated in the United States and complements our wireline services.
- In February 2011 the Company closed its previously announced merger with Allis-Chalmers by issuing 97,071,710 shares and paying approximately $18 million to the former Allis-Chalmers shareholders. Allis-Chalmers conducts land drilling operations in Argentina, Brazil and Bolivia and provides directional drilling, coiled tubing, underbalanced drilling, casing and tubing and rental services primarily in the US. Allis-Chalmers also manufactures and sell frac valves in the US.
- In May 2011 the Company changed its name from Seawell Limited to Archer Limited.
- In August 2011 the Company entered into an agreement to acquire the business operations of Great White for $630 million prior to a working capital adjustment. Great White operates in the United States and provides pressure pumping, directional drilling, snubbing and coiled tubing services.
- In August 2011 the Company raised gross proceeds of $82.8 million through the issuance of 12.7 million Shares at NOK 35 (equivalent to $6.55).
- In August 2011 the Company raised gross proceeds of $167 million through the issuance of 30.0 million Shares at NOK 30 (equivalent to $5.62).

Archer is the coming together of several companies, each with a deep heritage in providing services to the oil and gas industry in four continents.

Archer, previously named Seawell Limited, was incorporated on August 31, 2007, with registration number 40612, as an exempted limited company and is organized and exists under the laws of Bermuda.

The Company's registered office is at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda and the office of Archer Management Limited (UK) is in 2 Basil Street, London SW3 1AA, Great Britain, telephone: +44 207 590 1590. The Company is listed on the Oslo stock exchange under the ticker symbol ARCHER.NO and the company's web site is www.archerwell.com

Board of Director's Report
Business overview

Service and product offering

Archer provides a broad range of drilling and well services for the oil and gas industry, helping our customers by delivering better wells to maximize production of hydrocarbons from their reservoirs.

Underpinned by experience and an outstanding record for safety and efficiency, Archer's drilling services include platform drilling, where Archer supplies experienced personnel and processes for drilling and other technical operations on more than 30 offshore platforms in the North Seas; land drilling, through our fleet of 78 rigs, including 30 drilling rigs and 48 service rigs; and Archer has built its first modular offshore drilling unit, the ARCHER EMERALD, which will start operations in 2012. Drilling services also include engineering services covering detailed design, construction, commissioning and maintenance of drilling facilities; directional and underbalanced drilling operations; tubular services; rental equipment for both onshore and offshore operations; and hammer drill bits are also a part of our portfolio of drilling services helping our customers in the well construction process.

Archer will continue to aggressively invest in its well services business with specific focus on international expansion as well as enhancing its technology portfolio.

Archer well specialists leverage experience and the right tools to improve well integrity and performance, extending the productive life of these vital assets. Our well services capabilities include a variety of wireline logging and intervention services, including supporting customers with our proprietary technology to complete and maintain their wells. Pressure control products and services, including coiled tubing, snubbing, and nitrogen services and frac valve products support our customers in well completion and intervention. Following the acquisition of Great White, Archer also provides pressure pumping services featuring hydraulic fracturing, a service used to enable production of hydrocarbons from unconventional reservoirs such as shale.

Principal markets

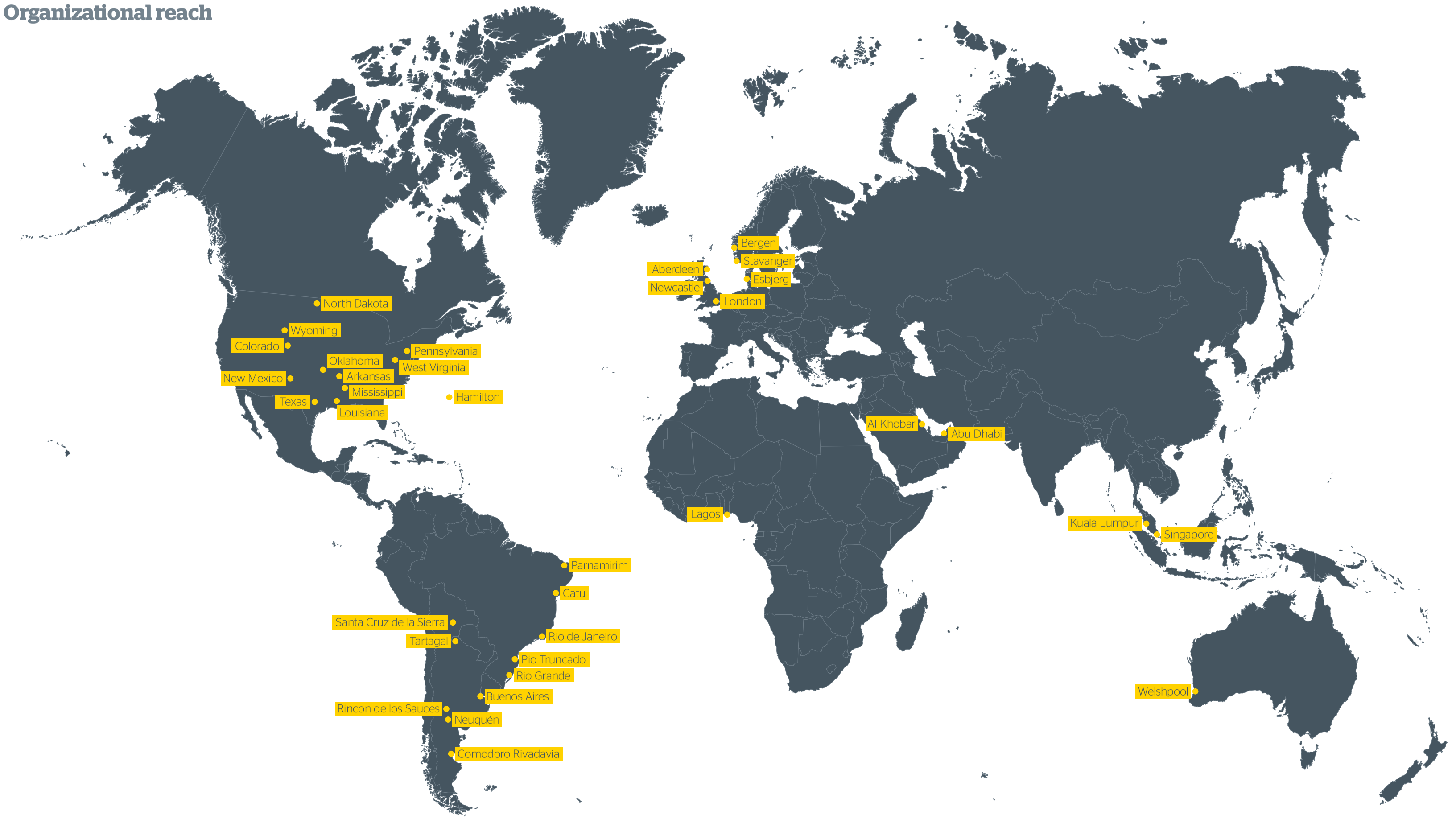
The demand for Archer's products and services is driven by the price for hydrocarbons in the countries we operate. As such we believe that the long-term fundamentals for the services we provide are sound and give the Company a good basis to grow. The immediate prospects in 2012 remain uncertain due to the low price for natural gas in the United States as well as the uncertainty created for exploration and production companies by the cancellation of the Oil Plus and Refinery Plus programs in Argentina.

As part of the growth in 2011, Archer now operates in Argentina, Australia, Bolivia, Brazil, Denmark, Egypt, Malaysia, Norway, Qatar, Saudi Arabia, Singapore, Thailand, United Arab Emirates, United Kingdom, and the United States. Archer has facilities and offices in Argentina, Bolivia, Brazil, Norway, Singapore, the United Kingdom, and the United States.

Strategy

Archer is in the early phase of becoming a mid-sized oilfield service company with a presence around the world. Following two large acquisitions in 2011, our primary objectives for Archer in the short-term are to consolidate the various businesses, improve its operational performance and asset utilization, and expand its services throughout a selected list of countries within our existing footprint. Archer will continue to aggressively invest in its well services business with specific focus on international expansion as well as enhancing its technology portfolio.

Board of Director's Report
Organizational reach



Board of Director's Report
Financial review

2011 Operating results
Total operating revenue and reimbursables for the twelve months ended December 31, 2011 amounted to $1,854.6 million, an increase of 158.1% compared to $718.7 million for the twelve months ended December 31, 2010. The additional revenue is primarily attributable to the acquired activities of Allis-Chalmers, Great White, Gray Wireline and Universal Wireline and growth in our oil tools division.

Total operating expenses for the year ended December 31, 2011 amounted to $1,377.7 million, an increase of 173.2% compared to $504.3 million for the year ended December 31, 2010. Operating expenses increased primarily due to acquired operations of Allis-Chalmers, Great White, Gray Wireline and Universal Wireline, and growth in our oil tools division.

Depreciation and amortization expenses for the year ended December 31, 2011 amounted to $147.1 million, an increase of 550.9% compared to $22.6 million for the year ended December 31, 2010. The increase is due to additional fixed assets and intangibles attributable to the acquisitions of Allis-Chalmers, Great White, Gray Wireline and Universal Wireline. In addition, depreciation and amortization expense for the year ended December 31, 2011 included $4.1 million in impairment on tangible fixed assets.

Impairment of goodwill and intangibles assets resulted in a non-cash charge of $126.6 million in the year ended December 31, 2011 and no charge for the year ended December 31, 2010. The annual impairment testing of goodwill and intangibles in 2011 resulted in impairment expense in $99.0 million of goodwill impairment and $21.7 million of intangible impairment in our drilling services segment related to operations acquired in the Allis-Chalmers merger. In addition we recorded a $5.1 million impairment on trade name shortly after the Allis-Chalmers merger and a $0.9 million impairment on trade name shortly after the Great White acquisition. In both instances, Archer decided to discontinue the use of certain acquired trade names.

General and administrative expense for the year ended December 31, 2011 amounted to $92.1 million, an increase of 265.5% compared to $25.2 million for the year ended December 31, 2010. The growth in the Company and the diversity in product offerings resulted in the increase. In addition, general and administrative expenses for the year ended December 31, 2011 included $15.2 million of acquisition costs related primarily to the acquisitions of Allis-Chalmers and Great White. General and administrative expense as a percentage of total revenues was 5.0% for the year ended December 31, 2011 and 3.5% for the year ended December 31, 2010.

Interest expense for the year ended December 31, 2011 amounted to $46.4 million, an increase of 109.0% compared to $22.2 million for the year ended December 31, 2010. Long-term interest bearing debt was $1.1 billion at December 31, 2011 compared to $194.2 million at December 31, 2010. The increase in debt is primarily related to the acquisitions of Allis-Chalmers and Great White. The Allis-Chalmers merger was funded primarily with stock but as part of the acquisition, we acquired approximately $450 million of debt and the Great White initial purchase price of $630 million was funded with cash.

Significant growth in 2011 as a result of a series of acquisitions. Net Income was negatively impacted by the one-time non cash charge for the impairment of goodwill and intangibles of $126.6 million

Other financial items for the year ended December 31, 2011 amounted to $1.0 million of expense compared to $15.3 million of expense for the year ended December 31, 2010. Other financial items consist mainly of foreign exchange losses arising on settlement of transaction loans denominated in currencies other than the functional currency.

Total income tax charges for 2011 amounted to $14.5 million, mainly related to operations in Europe and Latin America, compared to $15.3 million for 2010.

Net financial loss for the twelve-month period ended December 31, 2011 amounted to $77.0 million compared to a net profit of $12.3 million for the twelve months ended December 31, 2010.. No dividends have been proposed for the year ending December 31, 2011.

Balance sheet
Total current assets were $638.4 million at December 31, 2011 and consisted primarily of trade accounts receivables.

Total non-current assets were $2.2 billion at December 31, 2011 and consisted primarily of fixed assets used in our operations, goodwill and other intangibles.

As of December 31, 2011, total assets amounted to $2.8 billion compared to $1.0 billion at December 31, 2010. The growth in assets is primarily attributable to the acquisitions of Allis-Chalmers and Great White in 2011.

Total current liabilities were $466.5 million at December 31, 2011 and consisted primarily of current portion of long term debt, accounts payable and accrued expenses.

Total non-current liabilities were $1.1 billion at December 31, 2011 and consisted primarily of long-term interest bearing debt.

Total equity has increased to $1.3 billion at December 31, 2011 compared to $557.9 million at December 31, 2010. The increase in equity is primarily attributable to shares issued in the acquisition of Allis-Chalmers and shares issued via private placements, partly offset by the 2011 loss.

Cash flow
Cash and cash equivalents, excluding restricted cash, amounted to $37.3 million as of December 31, 2011, compared to $174.4 million as of December 31, 2010.

Capital expenditures amounted to $166.2 million for 2011 representing predominantly investments in new drilling, pressure pumping and pressure control equipment.

On December 22, 2011, the company entered into an amended and re-stated multicurrency term and revolving facility agreement. The $1,121.9 million facility is split into 2 tranches and has a maturity in November 2015.

Parent company results 2011
Net loss for the year was $77.0 million, corresponding to a net loss per share of $0.24.

Going concern
The Board of Directors confirms their assumption of the Company as a going concern. This assumption is based on the market outlook for oil service sector as per December 31, 2011. The Company's economic and financial situation is sound. The Board believes that the annual report provides a correct outline of the Company's assets and debt, financial position and financial performance.

Key figures

	2011	2010
Revenue *In $ millions*	1,855	719
EBITDA *In $ millions*	258	87
Net income/(loss) *In $ millions*	(77)	12
Net interest bearing debt *In $ millions*	1,049	20
Employees at December 31	8.500	3.200

Board of Director's Report
Health, safety and environment

Archer conducts business in accordance with a well-defined set of processes. Archer's Health, Safety and Environmental, or HSE, philosophy is to establish and maintain a culture where there are no accidents, injuries or losses. Management believes that a good working environment is a prerequisite for achieving good safety results and that sincere commitment from senior management is a key factor in reaching the goal of no accidents, injuries or losses. At Archer, line management is responsible for the implementation of systematic and preventive HSE work, as well as encouraging and promoting a sound health, environment and safety culture. In addition, Archer has implemented targeted programs in each area of operation to encourage and stress each individual's responsibility for and commitment to HSE matters. This program includes seminars, on-the-job training, best practice campaigns and a focus on leadership.

For example in the North Sea, Archer's management system has been certified according to ISO 9001:2008, Quality Management. In addition, the North Sea management system has met the requirements of ISO 14001:2006, Environmental Management Standards, for several years and Archer's management is currently in the process of certifying other Archer operations according to these or other similar and locally accepted standards. Local authorities such as the Petroleum Safety Authority in Norway and the UK Health & Safety Executive have accepted Archer's North Sea management system through the Acknowledgement of Compliance and the Safety Case certification, respectively.

As a result of Archer's systematic and focused safety management program, improvements have been shown in most safety statistics. However, despite our efforts we unfortunately encountered incidents with the potential to harm our employees or the environment and although the majority of those incidents had a very low potential for serious personal injuries, spills or emissions to the environment or economic losses, we are taking those incidents very seriously. Archer is actively working to prevent damage to the environment as a result of it's operations. This includes the systematic registration of emissions and discharges and pre-emptive action in selecting chemicals that cause minimum harm to the environment.

Archer is committed to a culture in which everyone works together to ensure good health and a sound working environment with no accidents, injuries or losses and business activities conducted in an environmentally sustainable manner. Archer's policies can be found on Archer's webpage: www.archerwell.com.

As this was the first year of Archer, combining several companies operating in different markets and with a diverse cultural heritage, we spent a lot of time promoting a focused approach when it comes to the health of our employees, a safe work environment and the protection of the environment we work in. The result of these efforts is clearly visible in our statistics as well as through the feedback we received from employees and customers.

Tragically two of our employees in the United States lost their lives in a car accident while driving to a job site. In addition we regrettably experienced twenty-six lost time injuries in 2011 throughout the company during a total of 17.8 million man hours-worked in the field. The statistics by geographic Area are as follows:

Area	Injuries	Incidents
North Sea	5	9
North America	16	45
Latin America	7	37
Rest of the world	0	2
Archer Total	28	93

As part of our proactive program to improve our safety performance and avoid incidents to the maximum extent possible, we encourage employees and contractors to proactively report and participate in the improvement of our safety. As part of this program Archer collected and analyzed over 385,000 observations in 2011.

The recorded sick leave for the entire company was 3.2% in 2011 compared to 4.2% in 2010. The combination of several companies with operations in several continents complicates the measurement as rules and regulations differ from country to country. It has to be noted that the sick leave of Archer's operations in Norway is higher compared to other areas of operation and as such the improvement is mainly due to the inclusion of the statistics from other countries such as the United States. A specific program has been implemented in Norway during 2011, which helped us to reduce the sick leave and we continue to closely monitor this statistic.

We were very successful in our efforts related to the environment and we had no environmental spill in 2011. We also dedicated a significant portion of our efforts to reducing our consumption of energy, the handling and disposal of waste and the substitution of hazardous chemicals through more environmentally friendly products.

Board of Director's Report
Employees and diversity

With the rapid expansion in 2011, we grew from a company being predominantly focused on the North Sea to a truly international company operating in 5 continents. In 2011, we combined employees with different cultural backgrounds, languages and business heritage. Not surprisingly, this brought a lot of challenges in 2011 and some will naturally remain going forward. However, it has allowed us to broaden our technical capabilities and our pool of resources, which will become an ever more important aspect of our business in the future. We are proud to employ 8,500 employees at the end of December 2011.

Being a service company means that we rely on the quality of our employees and the work they perform for our customers. It is mainly our employees who differentiate us from our competition and as such, having a diverse workforce means we will be more competitive. In Archer there are equal employment opportunities and fair treatment to all individuals regardless of race, color, religion, gender, national origin, age, disability or any other status protected by law. This commitment applies to all employment decisions in all the countries in which we operate.

In 2011, we combined employees with different cultural backgrounds, languages and business heritage. Being a service company means that we rely on the quality of our employees and the work they perform for our customers. It is mainly our employees who differentiate us from our competition and as such having a diverse workforce means we will be more competitive.

Board of Director's Report
Risk factors

Market risk

Global political, economic and market conditions could negatively impact Archer's business.

Archer's operations are affected by global political, economic and market conditions. A worldwide economic downturn could reduce the availability of liquidity and credit to fund business operations worldwide. This could adversely affect the operations of Archer's customers, suppliers and lenders that in turn could affect demand for and delivery of Archer's services. In addition, an economic downturn could reduce demand for drilling and well services, negatively impact Archer's activity levels and pricing of its services and thus adversely affect Archer's financial condition and results of operations. A decline in energy consumption following an economic downturn would materially and adversely affect Archer's operating results. Continued hostilities in the Middle East and West Africa and the occurrence or threat of terrorist attacks against the United States or other countries could contribute to a downturn in the economies of countries in which Archer operates. A sustained or deep recession could further limit economic activity and thus result in an additional decrease in energy consumption, which in turn could cause Archer's revenues and margins to decline and limit Archer's future growth prospects.

Archer's business depends on the level of activity in the exploration and production industry, which is significantly affected by volatile oil and natural gas prices.

Archer's business depends on the level of activity of oil and natural gas exploration, development and production in the North Sea, the United States and other markets where we maintain critical mass and in particular, the level of exploration, development and production expenditures of Archer's customers. Demand for Archer's drilling and well services is adversely affected by declines in exploration, development and production activity associated with depressed oil and natural gas prices. Even the perceived risk of a decline in oil or natural gas prices often causes exploration and production companies to reduce their spending. Higher prices do not necessarily translate into increased drilling activity since Archer's client's expectations about future commodity prices typically drive demand for Archer's services. Oil and natural gas prices are extremely volatile. On July 2, 2008 natural gas prices were $13.31 per million British thermal unit, or MMBtu, at the Henry Hub. They subsequently declined sharply, reaching a low of $1.88 per MMBtu at the Henry Hub on September 4, 2009. As of December 30, 2011, the closing price of natural gas at the Henry Hub was $2.98 per MMBtu. The spot price for West Texas intermediate crude has in the last few years ranged from a high of $145.29 per barrel as of July 3, 2008, to a low of $33.87 per barrel as of December 19, 2008, with a closing price of $98.83 per barrel as of December 30, 2011. Oil and natural gas prices are affected by numerous factors, including the following:

- the demand for oil and natural gas in Europe, the United States and elsewhere;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- political, economic and weather conditions in Europe, the United States and elsewhere;
- advances in exploration, development and production technology;
- the ability of the Organization of Petroleum Exporting Countries, commonly called OPEC, to set and maintain oil production levels and pricing;
- the level of production in non-OPEC countries;
- domestic and international tax policies and governmental regulations;
- the development and exploitation of alternative fuels, and the competitive, social and political position of natural gas as a source of energy compared with other energy sources;
- the policies of various governments regarding exploration and development of their oil and natural gas reserves;
- the worldwide military and political environment and uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East, West Africa and other significant oil and natural gas producing regions; and
- acts of terrorism or piracy that affect oil and natural gas producing regions, especially in Nigeria, where armed conflict, civil unrest and acts of terrorism have recently increased.

Archer's industry is highly competitive, with intense price competition. Archer's inability to compete successfully may reduce its profitability.

Archer's industry is highly competitive. Archer's contracts are traditionally awarded on a competitive bid basis, with pricing often being the primary factor in determining which qualified contractor is awarded a job, although each contractor's technical capability, product and service quality and availability, responsiveness, experience, safety performance record and reputation for quality can also be key factors in the determination.

Several other oilfield service companies are larger than Archer and have resources that are significantly greater than our own. Furthermore, Archer competes with several smaller companies capable of competing effectively on a regional or local basis. These competitors may be able to better withstand industry downturns, compete on the basis of price and acquire new equipment and technologies, all of which could affect Archer's revenues and profitability. These competitors compete with Archer both for customers and for acquisitions of other businesses.

This competition may cause Archer's business to suffer. Archer's management believes that competition for contracts will continue to be intense in the foreseeable future.

In addition, some exploration and production companies have begun performing hydraulic fracturing and directional drilling on their wells using their own equipment and personnel. Any increase in the development and utilization of in-house fracturing and directional drilling capabilities by Archer's customers could decrease the demand for Archer's services and have a material adverse impact on Archer's business.

The oilfield service industry is highly cyclical and lower demand and pricing could result in declines in Archer's profitability.

Historically, the oilfield service industry has been highly cyclical, with periods of high demand and favorable pricing often followed by periods of low demand and sharp reduction in pricing power. Periods of decreased demand or increased supply intensify the competition in the industry. As a result of the cyclicality of Archer's industry, management expects Archer's results of operations to be volatile and to decrease during market declines.

Archer has historically been dependent on a few customers and the loss of one or more customers could adversely affect our financial condition and results of operations.

In 2011, three customers accounted for nearly 50% of the Archer's revenue and in 2010, one customer accounted for nearly 50% of Archer's revenue. This concentration of customers may also increase our overall exposure to credit risk. Our customers will likely be similarly affected by changes in economic and industry conditions. Our financial condition and results of operations will be materially adversely affected if one or more of our significant customers fails to pay us or ceases to contract with us for our services on terms that are favorable to us or at all.

Operational risk

Archer's growth strategy includes making acquisitions, but Archer may be unable to complete and finance future acquisitions on acceptable terms.

As part of its growth strategy, Archer may consider future acquisitions that could involve the payment by Archer of a substantial amount of cash, the incurrence of a substantial amount of debt, the issuance of a substantial amount of equity or a combination of the foregoing. If Archer is restricted from using cash or incurring debt to fund a potential acquisition, Archer may not be able to issue, on terms it finds acceptable, sufficient equity to complete an acquisition or investment.

If Archer is unable to renew or obtain new and favorable contracts for rigs whose contracts are expiring or are terminated, Archer's revenues and profitability could be materially reduced.

Archer has a number of contracts that will expire. Archer's ability to renew these contracts or obtain new contracts and the terms of any such contracts will depend on market conditions. Archer may be unable to renew its expiring contracts or obtain new contracts for the rigs and the day rates under any new contracts may be substantially below the existing day rates, which could materially reduce Archer's revenues and profitability.

Archer's inability to effectively integrate the business and operations of acquired companies with its own could disrupt its operations and force Archer to incur unanticipated costs.

Archer's ability to integrate acquired companies' operations with its own will be important to the future success of Archer. Successful integration is subject to numerous conditions beyond Archer's control, including adverse general and regional economic conditions, general industry trends and competition. The successful integration of acquired companies' business will require Archer to, among other things, retain key employees. Archer's failure to retain and successfully integrate these new employees, or otherwise effectively integrate the operations of acquired companies with its own, could disrupt Archer's on-going business, force Archer to incur unanticipated costs and adversely affect the trading price of Archer common shares.

Archer does business in jurisdictions whose political and regulatory environments and compliance regimes differ.

Risks associated with Archer's operations in foreign areas include, but are not limited to:

- political, social and economic instability, war and acts of terrorism;
- potential seizure, expropriation or nationalization of assets;
- damage to Archer's equipment or violence directed at its employees, including kidnappings and piracy;
- increased operating costs;
- complications associated with repairing and replacing equipment in remote locations;
- repudiation, modification or renegotiation of contracts, disputes and legal proceedings in international jurisdictions;
- limitations on insurance coverage, such as war risk coverage in certain areas;
- import-export quotas;
- confiscatory taxation;
- work stoppages or strikes;
- unexpected changes in regulatory requirements;
- wage and price controls;

Board of Director's Report
Risk factors

- imposition of trade barriers;
- imposition or changes in enforcement of local content laws;
- the inability to collect or repatriate currency, income, capital or assets;
- foreign currency fluctuations and devaluation; and
- other forms of government regulation and economic conditions that are beyond Archer's control.

Part of Archer's strategy is to prudently and opportunistically acquire businesses and assets that complement Archer's existing products and services and to expand Archer's geographic footprint. If Archer makes acquisitions in other countries, Archer may increase its exposure to the risks discussed above.

We are subject to numerous governmental laws and regulations, some of which may impose significant liability on us for environmental and natural resource damages.
We are subject to various federal, state, local and foreign laws and regulations, including those relating to the energy industry in general and the environment in particular and may be required to make significant capital expenditures to comply with laws and the applicable regulations and standards of governmental authorities and organizations. Moreover, the cost of compliance could be higher than anticipated. Our operations are subject, as applicable, to various anti-bribery laws, including the Norway Penal Code Against Corruption, the U.K. Bribery Act and the U.S. Foreign Corrupt Practices Act, as well as certain international conventions and the laws, regulations and standards of the countries in which we operate. It is also possible that existing and proposed governmental conventions, laws, regulations and standards, including those related to climate and emissions of "greenhouse gases," may in the future add significantly to our operating costs or limit our activities or the activities and levels of capital spending by our customers.

In addition, many aspects of our operations are subject to laws and regulations that relate, directly or indirectly, to the oilfield services industry, including laws requiring us to control the discharge of oil and other contaminants into the environment or otherwise relating to environmental protection. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and even criminal penalties, the imposition of remedial obligations and the issuance of injunctions that may limit or prohibit our operations. Laws and regulations protecting the environment have become more stringent in recent years and may, in certain circumstances, impose strict liability, rendering us liable for environmental and natural resource damages without regard to negligence or fault on our part. These laws and regulations may expose us to liability for the conduct of, or conditions caused by, others or for acts that were in compliance with all applicable laws at the time the acts were performed. The application of these requirements, the modification of existing laws or regulations, or the adoption of new laws or regulations curtailing exploration and production activity could materially limit our future contract opportunities, materially increase our costs or both.

The scope of regulation of our industry and our products and services may increase further following the April 2010 accident in the Gulf of Mexico. In addition, members of the U.S. Congress, the U.S. Environmental Protection Agency and various agencies of several states within the U.S. are reviewing more stringent regulation of hydraulic fracturing, a technology employed by our pressure pumping business. Regulators are investigating whether there is a link between the fracturing process and ground water or soil contamination. A significant portion of North American service activity today is directed at prospects that require hydraulic fracturing in order to produce hydrocarbons and additional regulation could increase the costs of conducting our business. Our business opportunities and revenues could be impacted if our customers decrease their levels of activity in response to such regulation.

We may be subject to claims for personal injury and property damage, which could materially adversely affect our financial condition and results of operations.
Substantially all of our operations are subject to hazards that are customary for exploration and production activity including blowouts, reservoir damage, loss of well control, cratering, oil and gas well fires and explosions, natural disasters, pollution, and mechanical failure. Any of these risks could result in damage to or destruction of drilling equipment, personal injury and property damage and suspension of operations or environmental damage. We may also be subject to property, environmental and other damage claims by oil and natural gas companies and other businesses operating offshore and in coastal areas. Litigation arising from an accident at a location where our products or services are used or provided may cause us to be named as a defendant in lawsuits asserting potentially large claims. Generally, our contracts provide for the division of responsibilities between us and our customers and, consistent with standard industry practice, our clients generally assume and indemnify us against, some of these risks. In particular, contract terms generally provide that our customer, the operator, will retain liability and indemnify us for (i) environmental pollution caused by any oil, gas, water or other fluids and pollutants originating from below the surface or seabed, as applicable, (ii) damage to customer and third-party equipment and property including any damage to the sub-surface and reservoir, and (iii) personal injury to or death of customer personnel. There can be no assurance, however, that these clients will necessarily be financially able to indemnify us against all risks. Also, we may be effectively prevented from enforcing these indemnities because of the nature of our relationship with some of our larger clients. Additionally, from time to time we may not be able to obtain agreement from our customers to indemnify us for such damages and risks.

To the extent that we are unable to transfer such risks to customers by contract or indemnification agreements, we generally seek protection through customary insurance to protect our business against these potential losses. However, we have a significant amount of self-insured retention or deductible for certain losses relating to general liability and property damage. There is no assurance that such insurance or indemnification agreements will adequately protect us against liability from all of the consequences of the hazards and risks described above. The occurrence of an event for which we are not fully insured or indemnified against, or the failure of a customer or insurer to meet our indemnification or insurance obligations, could result in substantial losses.

Severe weather could have a material adverse impact on Archer's business.
Archer's business could be materially and adversely affected by severe weather. Repercussions of severe weather conditions may include:

- curtailment of services;
- weather-related damage to facilities and equipment resulting in suspension of operations;
- inability to deliver materials to job sites in accordance with contract schedules; and
- loss of productivity.

A substantial portion of Archer's revenue from operations is generated from work performed in the North Sea. Adverse weather conditions during the winter months in the North Sea usually result in low levels of offshore activity. Adverse seasonal weather conditions in the United States and in Argentina may limit Archer's access to job sites and its ability to service wells in affected areas. These constraints and the resulting shortages or high costs could delay Archer's operations and materially increase Archer's operating and capital costs in general or for the affected regions.

Financial risk

Archer's results of operations may be adversely affected by currency fluctuations.
Due to its international operations, Archer may experience currency exchange losses when revenues are received and expenses are paid in nonconvertible currencies or when Archer does not hedge an exposure to a foreign currency. Archer may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation, controls over currency exchange or controls over the repatriation of income or capital. Archer attempts to limit the risks of currency fluctuation and restrictions on currency repatriation where possible by obtaining contracts providing for payment of a percentage of the contract indexed to the U.S. dollar exchange rate. To the extent possible, Archer seeks to limit its exposure to local currencies by matching the acceptance of local currencies to Archer's local expense requirements in those currencies. Archer may not be able to take these actions in the future, thereby exposing it to foreign currency fluctuations that could cause Archer's results of operations, financial condition and cash flows to deteriorate materially.

Archer has a significant level of debt and could incur additional debt in the future, which could have significant consequences for its business and future prospects.
As of December 31, 2011, Archer had total outstanding debt of approximately $1,086.2 million. This debt represented approximately 38.6% of Archer's total book capitalization. Archer's debt and the limitations imposed on Archer by its existing or future debt agreements could have significant consequences for Archer's business and future prospects, including the following:

- Archer may not be able to obtain necessary financing in the future for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;
- Archer will be required to dedicate a substantial portion of its cash flow from operations to payments of principal and interest on its debt;
- Archer could be more vulnerable during downturns in its business and be less able to take advantage of significant business opportunities and to react to changes in Archer's business and in market or industry conditions; and
- Archer may have a competitive disadvantage relative to its competitors that have less debt.

Archer's ability to make payments on and to refinance its indebtedness and to fund planned capital expenditures will depend on Archer's ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond Archer's control. Archer's earnings and cash flow may vary significantly from year to year due to the cyclical nature of the oilfield services industry. As a result, Archer's future cash flows may be insufficient to meet all of its debt obligations and other commitments and any insufficiency could negatively impact Archer's business. To the extent Archer is unable to repay its indebtedness as it becomes due or at maturity

Board of Director's Report
Risk factors

with cash on hand, Archer will need to refinance its debt, sell assets or repay the debt with the proceeds from equity offerings. Additional indebtedness or equity financing may not be available to Archer in the future for the refinancing or repayment of existing indebtedness, and Archer may not be able to complete asset sales in a timely manner sufficient to make such repayments.

Archer's credit facility imposes restrictions on Archer that may limit the discretion of management in operating Archer's business and that, in turn, could impair Archer's ability to meet its obligations.
Archer's credit facility contains various restrictive covenants that limit management's discretion in operating its business. In particular, these covenants limit its ability to, among other things:
- make certain types of loans and investments;
- incur or guarantee additional indebtedness;
- pay dividends, redeem or repurchase stock, prepay, redeem or repurchase other debt or make other restricted payments;
- use proceeds from asset sales, new indebtedness or equity issuances for general corporate purposes or investment into its business;
- place restrictions on Archer's subsidiaries' ability to make dividends or other payments to Archer;
- invest in joint ventures;
- create or incur liens;
- enter into transactions with affiliates;
- sell assets or consolidate or merge with or into other companies; and
- enter into new lines of business.

The credit facility also imposes additional covenants and restrictions, including the imposition of a requirement to maintain a minimum equity ratio at all times. Archer's ability to comply with these financial covenants and restrictions may be affected by events beyond Archer's control. Archer's credit facility requires that Archer meet certain financial ratios and tests and there can be no assurance that Archer will be able to comply with the financial covenants. Reduced activity levels in the exploration and production industry could adversely impact Archer's ability to comply with such covenants in the future. Archer's failure to comply with such covenants would result in an event of default under the credit facility, which could result in Archer having to immediately repay all amounts outstanding under the credit facility and in foreclosure of liens on Archer's assets.

These covenants could materially and adversely affect Archer's ability to finance its future operations or capital needs. Furthermore, they may restrict Archer's ability to expand, to pursue its business strategies and otherwise to conduct its business. A breach of these covenants could result in a default under Archer's credit facility. If there were to be an event of default under the credit facility, the affected creditors could cause all amounts borrowed under the facility to be due and payable immediately. Additionally, if Archer fails to repay indebtedness under its credit facility when it becomes due, the lender under the credit facility could proceed against the assets which Archer has pledged as security. Archer's assets and cash flow might not be sufficient to repay its outstanding debt in the event of a default.

Archer's operations are subject to a significant number of tax regimes, and changes in legislation or regulations in any one of the countries in which Archer operates could negatively and adversely affect Archer's results of operations.
Archer's operations are carried out in several countries across the world, and Archer's tax filings are therefore subject to the jurisdiction of a significant number of tax authorities and tax regimes, as well as cross-border tax treaties between governments. Furthermore, the nature of Archer's operations means that Archer routinely has to deal with complex tax issues (such as transfer pricing, permanent establishment or similar issues) as well as competing and developing tax systems where tax treaties may not exist or where the legislative framework is unclear. In addition, Archer's international operations are taxed on different bases that vary from country to country, including net profit, deemed net profit (generally based on turnover) and revenue based withholding taxes based on turnover.

Archer's management determines its tax provision based on its interpretation of enacted local tax laws and existing practices and uses assumptions regarding the tax deductibility of items and recognition of revenue. Changes in these assumptions and practices could impact the amount of income taxes that Archer provides for in any given year and could negatively and adversely affect the result of Archer's operations.

The Company has recorded substantial goodwill as the result of recent acquisitions and as such goodwill is subject to periodic reviews of impairment.
Archer performs purchase price allocations to intangible assets when accounting for a business combination. The excess of the purchase price after allocation of fair values to tangible assets is allocated to identifiable intangibles and thereafter to goodwill. Periodic reviews of goodwill for impairment in value are conducted at least annually. Any impairments would result in a non-cash charge against earnings in the period reviewed, which may or may not create a tax benefit, and would have a corresponding decrease in stockholders' equity. The testing of the valuation of goodwill involves significant judgement and assumptions to be

made in connection with the future performance of the various components of Archers business operations.

We reviewed goodwill at December 31, 2010 and recorded no impairment but based on our review of goodwill at December 31, 2011 we recorded an impairment of $99.0 million, which relates to goodwill acquired on the merger with Allis-Chalmers. The testing of the valuation of goodwill involves significant judgement and assumptions to be made in connection with the future performance of the various components of Archers business operations. In the event that market conditions deteriorate or other circumstances arise which result in changes to these estimates and assumptions, we may be required to record an additional impairment of goodwill and such impairment could be material.

Risks related to shares

Archer common shares may trade at low volumes that could have an adverse effect on the resale price, if any, of the Archer common shares.
An active trading market may not prevail on Oslo Børs. Active and liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If an active trading market for the Archer common shares does not prevail, the price of the shares may be more volatile and it may be more difficult to complete a buy or sell order for Archer common shares.

Even if an active public trading market prevails, there may be little or no market demand for the Archer common shares, making it difficult or impossible to resell the shares, which would have an adverse effect on the resale price, if any, of the Archer common shares. Archer cannot predict the price, if any, at which Archer common shares will trade.

The price of Archer's common shares has been, and may continue to be, volatile.
The trading price of Archer common shares as registered on Oslo Børs has historically fluctuated. The volatility of the price of Archer's common shares depends upon many factors including:
- decreases in prices for oil and natural gas resulting in decreased demand for Archer's services;
- variations in Archer's operating results and failure to meet expectations of investors and analysts;
- increases in interest rates;
- illiquidity of the market for Archer's common shares;
- sales of common shares by existing shareholders;
- Archer's substantial indebtedness; and
- other developments affecting Archer or the financial markets.

A reduced share price may result in a loss to investors and will adversely affect Archer's ability to issue common shares to fund Archer's activities.

Archer is a Bermuda company and being a shareholder of a Bermuda company involves different rights and privileges than being a stockholder of a corporation registered in Norway.
The rights of Archer shareholders of Archer are governed by the law of Bermuda, Archer's memorandum of association and its amended and restated bye-laws. Bermuda law extends to shareholders certain rights and privileges that may not exist under Norwegian law, conversely, does not extend rights and privileges extended by Norwegian law.

Because Archer is organized under the laws of Bermuda, investors may face difficulties in protecting their interests, and their ability to protect their rights through courts may be limited.
It may be difficult to bring and enforce suits against Archer because Archer is organized under the laws of Bermuda. Some of Archer's directors reside in various jurisdictions outside Norway. As a result, it may be difficult for investors to affect service of process within Norway upon Archer's non-Norwegian directors or within other jurisdictions outside the relevant director's country of residence. Equally it may be difficult for investors to enforce judgments obtained in the Norwegian courts or courts of other jurisdictions outside Bermuda or the relevant director's country of residence against Archer or its non-Norwegian directors. In addition, there is some doubt as to whether the courts of Bermuda and other countries would recognize or enforce judgments of foreign courts obtained against Archer or its directors or officers or would hear actions against Archer or those persons based on foreign laws. Archer has been advised by its legal advisors in Bermuda that Norway and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Some remedies available under the laws of Norway, may not be allowed in Bermuda courts as contrary to that jurisdiction's public policy. Therefore, a final judgment for the payment of money rendered by any federal or state court in Norway based on civil liability would not automatically be enforceable in Bermuda.

Archer may not have sufficient capital in the future to meet its needs. Future financings to provide this capital may dilute shareholders' ownership in the combined company.
Archer may raise additional capital in the future through public or private debt or equity financings by issuing additional common shares or other preferred financing shares, debt or equity securities convertible into common or preferred shares, or rights to acquire these securities. Archer may need to raise this

additional capital in order to (among other things):

- take advantage of expansion or acquisition opportunities;
- acquire, form joint ventures with or make investments in complementary businesses, technologies or products;
- develop new products or services;
- respond to competitive pressures;
- repay debt; or
- respond to a difficult market climate.

Archer's board may issue additional equity securities to fund the potential acquisition of additional businesses and pursuant to employee benefit plans. Archer may also issue additional equity securities for other purposes. These securities may have the same rights as Archer's common shares or, alternatively, may have dividend, liquidation, or other preferences to Archer's common shares. The issuance of additional equity securities will dilute the holdings of existing shareholders and may reduce the price of Archer's common shares.

Seadrill Limited and Lime Rock Partners V L.P. currently control a substantial ownership stake in Archer and such interests could conflict with those of Archer's other shareholders.
Seadrill Limited, or Seadrill and Lime Rock Partners V L.P., or Lime Rock, held 146,238,446 and 45,101,867 respectively of Archer's common shares as of December 31, 2011, which corresponds to 39.9% and 12.3% of the issued and fully paid shares.

As a result of these substantial ownership interests in Archer, Seadrill and Lime Rock have the ability to exert significant influence over certain actions requiring shareholder approval, including, but not limited to, increasing or decreasing the authorized share capital of Archer (and disapplying pre-emptive rights), the election of directors, declaration of dividends, the appointment of management and other policy decisions. While transactions with a controlling shareholder could benefit Archer, the interests of these significant shareholders could at times conflict with the interests of other holders of Archer's common shares. Although Archer has in the past sought and continues to seek to conclude all related party transactions on an arm's-length basis, and Archer has adopted procedures for entering into transactions with related parties, conflicts of interest may arise between Archer and Archer's principal shareholders or their respective affiliates, resulting in the conclusion of transactions on terms not determined by market forces. Any such conflicts of interest could adversely affect Archer's business, financial condition and results of operations, and therefore the value of its shares.

Board of Director's Report
Share capital issues

At December 31, 2011 the Company's authorized share capital is $1,200,000,000, divided into 600,000,000 Shares each with a par value of $2.00. All Shares in the Company are of the same class.

A total of 225,400,050 shares were issued and outstanding at December 31, 2010.

Archer issued a total of 97,071,710 common shares in connection with the merger with Allis-Chalmers on March 4, 2011.

Archer issued 12.7 million new shares on August 31, following a Private Placement directed towards its two largest shareholders, Seadrill and Lime Rock. Seadrill was allocated 10.8 million of the shares while Lime Rock was allocated the remaining 1.9 million shares. The proceeds were used to partly finance the acquisition of Great White.

Archer issued 30 million new shares on September 6, following a Private Placement on August 31, 2011. The proceeds were used to partly finance the acquisition of Great White.

A total of 997,242 shares was issued during 2011 in relation to exercise of options, and a further 228,620 shares were issued in relation to settlement with dissenting shareholders from the merger with Allis-Chalmers.

At December 31, 2011 the number of shares issued is 366,397,622 corresponding to a share capital of $732,795,244. The issued shares are fully paid. There are no shares not representing the capital in the Company. The shares are equal in all respects, and each share carries one vote at the Company's General Meeting. None of the Company's shareholders have different voting rights.

All of the Company's issued shares are listed on the Oslo Stock Exchange and the split of the shareholders was as per the graph below:

Shareholder overview

Seadrill	39.9%
Lime Rock	12.3%
Hemen Holdings	6.6%
Others	41.1%

Board of Director's Report
Corporate governance

The Board has reviewed the compliance of the Company with various rules and regulations, such as Norwegian Accounting Act, the Norwegian Code of Practice for Corporate Governance as well as the respective Bermuda law. A detailed discussion of each item can be found in the compliance section of this annual report in Appendix A. The Board believes that, in general, the Company is in compliance with most rules and regulations. The compliance section outlines the parts where the Company is not in compliance and the reasons for this non-compliance.

Board of Director's Report
Board of Directors

Composition of the Board
Overall responsibility for the management of the Company and its subsidiaries rests with the Board. The Company's bye-laws provide that the Board shall consist of minimum two and maximum nine directors.

The Company's business address at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda, serves as c/o addresses for the members of the Board in relation to their directorships of the Company.

Saad Bargach
Chairman
Mr. Bargach has served as Chairman of the Board since February 2011, following the merger with Allis-Chalmers. Prior to the merger, Mr. Bargach served as a director of Allis-Chalmers from June 2009 to February 2011. Mr. Bargach is a managing director at Lime Rock Partners. Prior to joining Lime Rock Partners, Mr. Bargach worked for more than 25 years at Schlumberger. Most recently, he served as Schlumberger's chief information officer and from July 2004 to March 2006, as president, well completions & productivity group which included artificial lift, completions, testing, subsea and sand management services. During his career at Schlumberger, Mr. Bargach also served as president of consulting & systems integration for SchlumbergerSema in several European locations; the president of the drilling & measurements division with worldwide responsibility for drill bits, directional drilling, measurements-while-drilling, and logging-while-drilling services; and the Cairo-based president, oilfield services for Africa and Near East. He is also a member of the board of the American Productivity and Quality Center and currently serves on the board of directors of Artificial Lift Company (Chairman), a U.S. based oil services company, Gas2 Limited, an Aberdeen-based oil service technology company, Tiway Oil, a Dubai-based oil and gas producing company, Expert Petroleum, a Bucharest-based production enhancement company, DHS Oil (Chairman), a Dubai based oil service company, OilSERV, an Iraq-based service company, Tercel Oilfield Products, a Dubai-based oilfield services technology company, TGT Oil and Gas Services (Chairman), a Dubai-based oil services company, Xtreme Oil Drilling, an Alberta-based oil services technology provider, GEODynamics (Chairman), a U.S. based oil services company specializing in the manufacturing, assembly and sale of high performance perforating systems. He previously served on the board of directors of ITS Energy Services. Mr. Bargach has a bachelor's degree in electrical engineering and a master's degree in control systems. Mr. Bargach is a British citizen, resident in Dubai.

Fredrik Halvorsen
Vice Chairman and CEO
Fredrik Halvorsen has served as a Director since October 2010 and was appointed Vice Chairman of the Board in February 2011. Mr. Halvorsen is a director of Deep Sea Supply Plc., where he has served since October 2010. Mr. Halvorsen's experience includes the position as chief executive officer of Tandberg ASA and, subsequently, senior vice president of Cisco Systems Inc. Prior to that he was the leader of McKinsey's South East Asia corporate finance practice. Mr. Halvorsen is currently employed by Frontline Corporate Services Ltd, and holds a degree in Business Administration from The Norwegian School of Economics and Business Administration, with majors in finance and economics. The Finance major was obtained at the J.L. Kellogg Graduate School of Management. Mr. Halvorsen is a Norwegian citizen, resident in the UK.

Kate Blankenship
Director
Kate Blankenship has served as a Director since its incorporation in August 2007. Mrs. Blankenship has also served as a director of Seadrill since 2005, Frontline Ltd. since 2004, Ship Finance International Limited since October 2003, Independent Tankers Corporation Limited since February 2008, Golar LNG Limited since July 2003, Golden Ocean Group Limited since November 2004 and North Atlantic Drilling Ltd since 2011. Mrs. Blankenship has also served as chief accounting officer and secretary of Frontline Limited between 1994 and 2005, as chief financial officer of Knightsbridge Tankers Limited from April 2000 until September 2007 and was secretary of Knightsbridge Tankers Limited from December 2000 until March 2007. Mrs. Blankenship is a member of the Institute of Chartered Accountants in England and Wales. Ms. Blankenship is a British citizen, resident in France.

Alejandro P. Bulgheroni
Director
Alejandro P. Bulgheroni was appointed as a Director in February 2011. Mr. Bulgheroni serves as the chairman of the Management Committee of Pan American Energy LLC since 1997. He also serves as chairman, president and chief executive officer of Associated Petroleum Investors Ltd., an international oil and gas holding company, as chairman and president of Global Oilfield Holdings Ltd., as chairman of Beusa Holdings, Inc., as chairman of Becana Holdings Corporation, as vice-president and chief executive officer of Samconsult S.A. and as president and chief executive officer of Nuevo Manantial S.A. and Agroland S.A. Mr. Bulgheroni is a member of the Petroleum and Gas Argentine Institute and of the Society of Petroleum Engineers (USA), vice-president of the Argentine Chamber of Hydrocarbons Producers, vice-president of the Argentine-Uruguayan Chamber of Commerce, counsellor of the Buenos Aires Stock Exchange, member of the Latin America Conservation Council, counsellor of the Argentine Business Council for Sustainable Development and vice-president of the Educando Foundation (Argentina). Mr. Bulgheroni is a graduate of the University of Buenos Aires with a degree in industrial engineering. Mr. Bulgheroni is an Argentinean/Italian citizen, resident in Argentina.

Cecilie Fredriksen
Director
Cecilie Fredriksen has served as a Director since September 2008. Ms. Fredriksen has been employed by Frontline Corporate Services Limited in London since 2007 where she has served as an investment director. Ms. Fredriksen has been a director of Aktiv Kapital ASA since 2006, Golden Ocean Group Limited, since September 2008 and Ship Finance International Limited, since November 2008, Frontline Ltd since September 2010 and North Atlantic Drilling Ltd since 2011. Ms. Fredriksen also serves as a director of Marine Harvest ASA and Marine Harvest Ireland and has been a director of Northern Offshore Ltd. since February 2010. She received a BA in Business and Spanish from the London Metropolitan University in 2006. Ms. Fredriksen is a Norwegian citizen, resident in the UK

Giovanni Dell' Orto
Director
Giovanni Dell' Orto was appointed as a Director in February 2011. Mr. Dell' Orto was president and chief executive officer of DLS Drilling, Logistics and Services from 1994 to August 2006. He is member of the board of Energy Developments and Investments Corporation (EDIC), supervising EDIC's gas marketing activities in Europe and other upstream projects in North Africa. He is also a nonexecutive member of the board of directors of Gas Plus S.p.a., an Italian company listed on the Milan Stock Exchange. Mr. Dell' Orto has also served as chairman and chief executive officer of Saipem and was a board member of Agip and Snam. Mr. Dell'Orto is an Argentinean citizen, resident in Argentina.

John Reynolds
Director
John Reynolds was appointed as a Director in February 2011. Mr. Reynolds co-founded Lime Rock Partners in 1998 and is currently a managing director of Lime Rock Partners. Mr. Reynolds remains an active member of the Lime Rock Partners investment team, investigating and executing primarily energy service investment opportunities worldwide. Prior to co-founding Lime Rock Partners, Mr. Reynolds worked at Goldman Sachs where he spent six years in the investment research department and had senior analyst responsibility for global oil service sector research and was one of the top-rated analysts in the sector. He currently serves on the board of directors of Tesco Corporation, EnerMech Ltd., Revelation Energy Holdings LLC, Tercel Oilfield Products, and VEDCO Holdings Inc. He previously served on the board of directors of Hercules Offshore Inc., Eastern Drilling ASA, IPEC Ltd., Noble Rochford Drilling Ltd., Patriot Drilling, Roxar ASA, Sensa Ltd., and Torch Offshore Inc. Mr. Reynolds is a U.S. citizen, resident in the United States.

Tor Olav Trøim
Director
Tor Olav Trøim has served as a Director since its incorporation in August 2007. Mr. Trøim is vice president and director of Seadrill, where he has served since May 2005. Mr. Trøim graduated as M.Sc Naval Architect from the University of Trondheim, Norway in 1985. From 1987 to 1990, Mr. Trøim served as portfolio manager equity for Storebrand ASA and from 1992 to 1995 he was chief executive officer of Norwegian Oil Company DNO AS. Mr. Trøim serves as a director of three companies listed on Oslo Børs: Golden Ocean Group Limited, Golar LNG Energy Limited, and Aktiv Kapital ASA, as well as being an alternate director in Marine Harvest ASA. In addition he is currently the chairman of Independent Tankers Corporation Limited. Mr. Trøim served as a director of Frontline Ltd from November 1997 until February 2008 and now serves as a consultant to the board of Frontline Ltd. He also has acted as chief executive officer for Knightsbridge Tankers Limited, a Bermuda company listed on the NASDAQ Global Select Market, until September 2007 and for Golar LNG Limited until April 2006. Mr. Trøim is a Norwegian citizen, resident in the UK.

Board independence
Except for Mr. Halvorsen, all other directors are independent from the executive management team and Archer's material business relations, and four of the eight directors (Alejandro P. Bulgheroni, Fredrik Halvorsen, Giovanni Dell' Orto, and Cecilie Fredriksen) are independent from shareholders holding 10% or more of the shares in the Company. Thus, as a whole the Board complies with the independency requirements of Oslo Børs listing rules and the Norwegian corporate governance code.

Board of Director's Report
Senior management

Kjetil Bjornson
President North Sea and Executive Vice President
Mr. Bjornson has held been President North Sea since January 2012. Mr. Bjornson started working for Seawell in July 2010 having previously held the role of Senior VP of Human Resources with Seadrill. He has held several senior positions with Schlumberger Limited both in Europe and in the U.S. Mr. Bjornson has also held senior positions in the CHC Helicopter Services Company.

Prior to his career in the offshore industry, Mr. Bjørnson served for several years on submarines. He completed the Submarine Commanding Officers Training in 1987 and graduated from the Royal Norwegian Naval Academy in 1989.

Mr. Bjornson is a Norwegian citizen and resides in Sandnes, Norway.

Ronney Coleman
President North America and Executive Vice President
Mr. Coleman has been President North America since January 2012. Mr. Coleman came to Archer following a year with Select Energy Services were he served as Chief Operating Officer and a 33 year career at BJ Services where he established himself as a leader in the oil and gas industry. Mr. Coleman joined BJ Services in 1977 and over the course of his career, he served in various capacities, beginning as an equipment operator and culminating as the Vice President for North America Pressure Pumping Services in 2007. Prior to being promoted to Vice President for North America, he was the Vice President for U.S./Mexico Operations from 1998 through 2007. He previously held various management positions within U.S./Mexico sales and operations groups.

Mr. Coleman graduated from the University of Texas – Permian Basin. He is a US citizen, a native Texan, and resides in Houston, Texas.

Thorleif Egeli
President Latin America, Corporate Marketing and Executive Vice President
Mr. Egeli has held the position as President Latin America since January 2012. Prior to this, Mr. Egeli held the position as CEO of Seawell from October 2009 becoming Chief Operating Officer on the launch of Archer in February 2011. Prior to this, Mr. Egeli was employed by Schlumberger Limited for 16 years. His professional experience includes serving in a range of positions in Europe, North Africa, North and South America, and Asia. From 2007 to 2009 he served as Vice President, Schlumberger North America, from 2004 to 2007 he served as Marketing Director North Sea and has previously held management positions as Managing Director Dowell Norge A.S., QHSE Manager East Asia, and served as country manager in well services and drilling fluids.

Mr. Egeli holds a degree in mechanical engineering from the Norwegian Technical University and an MBA from Erasmus school of Management, Rotterdam. He is a Norwegian citizen and resides in Houston, Texas.

Olivier Muller
President Emerging Markets & Technologies and Executive Vice President
Mr. Muller has been President Emerging Markets & Technologies, since January 2012. Before joining Archer, Mr. Muller was CEO for C6 Technologies, an Archer technology Joint Venture. His experience includes 18 years with Schlumberger Limited serving in a range of positions across Europe and Africa. Amongst others he was Vice President of the global perforation business including R&E and Manufacturing, Vice President and Managing Director of oilfield operations in North Africa and General Manager for wireline operations in Scandinavia. He later served as Vice President and General Manager of the Areva mining business in Niger, Africa.

Mr. Muller holds a Masters degree in Mechanical Engineering from the Lille University in France. He is a French citizen and resides in Stavanger, Norway.

Fredrik Halvorsen
Vice Chairman and CEO
See above section 10.1.

Christoph Bausch
Chief Financial Officer and Executive Vice President
Mr. Bausch has been the Executive Vice President and Chief Financial Officer since May 2011. Before joining Archer, Mr. Bausch was global director finance at Transocean. Prior to this, he had a 20-year career in Schlumberger, where he held various financial positions around the world. After several financial positions in Germany, he started his international career in 1996 as region controller for Sedco Forex Contract Drilling Services in South America. From 1998 until 2000, Mr. Bausch was responsible for the financial integration of Camco International Inc. into Schlumberger. Mr. Bausch also worked as financial controller responsible for Mexico & Central America and Middle East & Asia. From 2006 to 2010 he was based in Houston as the worldwide controller for research, engineering and manufacturing activities in Schlumberger.

Mr. Bausch studied at the University of Mannheim, where he obtained a degree in Masters of Business Administration. Mr. Bausch is a German citizen based in the UK.

Max L. Bouthillette
General Counsel and Executive Vice President
Mr. Bouthillette has been the Executive Vice President and General Counsel since August 2010. Mr. Bouthillette was previously employed for 16 years with BJ Services, Schlumberger Limited and the U.S. law firm of Baker Hostetler LLP. His professional experience includes serving as chief compliance officer and associate general counsel for BJ Services from 2006 to 2010, as a partner with Baker Hostetler LLP from January 2004 to 2006, and in several positions with Schlumberger in North America, Asia, and Europe from 1998 to December 2003.

Mr. Bouthillette holds a degree in accounting from Texas A&M University and a Juris Doctorate from the University of Houston Law Center. Mr. Bouthillette is a U.S. citizen, and resides in Houston, Texas.

Board of Director's Report
Responsibility statement

We confirm to the best of our knowledge, that the financial statements for the year ending December 31, 2011 have been prepared in accordance with accounting principles generally accepted in the United States, or US GAAP and give a true and fair view of the Company's consolidated assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the year-end Director's Report includes a fair review of important events that have occurred during the financial year and their impact on the set of consolidated financial statements and a description of the principal risks and uncertainties.

April 30, 2012
The Board of Archer Limited

Saad Bargach
(Chairman)

Fredrik Halvorsen
(Vice Chairman)

Kate Blankenship
(Director)

Cecilie Fredriksen
(Director)

Tor Olav Trøim
(Director)

Alejandro P. Bulgheroni
(Director)

Giovanni Dell' Orto
(Director)

John Reynolds
(Director)

Financial Statements 2011

Report of Independent Auditors

To the Board of Directors and Shareholders of Archer Limited:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive (loss) income, changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Archer Limited and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for the years then ended in accordance with the applicable law in Bermuda and in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit of these statements in accordance with the auditing standards generally accepted in the United States of America. Those 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 90 of The Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

PricewaterhouseCoopers LLP

London
United Kingdom
April 30, 2012

PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH
T: +44 (0) 20 7583 5000, F: +44 (0) 20 7212 4652, www.pwc.co.uk

Archer Limited and Subsidiaries
Consolidated statement of operations

(In millions of $, except share and per share data)	YEAR ENDED DECEMBER 31	
	2011	2010
Revenues		
Operating revenues	1,720.8	612.0
Reimbursable revenues	133.8	106.7
Total revenues	**1,854.6**	**718.7**
Expenses		
Operating expenses	1,377.7	504.3
Reimbursable expenses	127.0	102.7
Depreciation and amortization	147.1	22.6
Impairment of goodwill and intangible assets	126.6	-
General and administrative expenses	92.1	25.2
Total expenses	**1,870.5**	**654.8**
Operating (loss) / income	**(15.9)**	**63.9**
Financial items		
Interest income	3.7	1.5
Interest expenses	(46.4)	(22.2)
Share of results in associated company	(2.9)	(0.3)
Other financial items	(1.0)	(15.3)
Total financial items	**(46.6)**	**(36.3)**
(Loss) / income before income taxes	**(62.5)**	**27.6**
Income taxes	(14.5)	(15.3)
Net (loss) / income	**(77.0)**	**12.3**
Net (loss) / income attributable to controlling interests	**(77.0)**	**12.4**
Net (loss) / income attributable to non-controlling interests	**-**	**(0.1)**
Basic earnings per share ($)	**(0.24)**	**0.08**
Diluted earnings per share ($)	**(0.24)**	**0.08**
Weighted average number of shares outstanding		
Basic	322,420,262	152,049,913
Diluted	322,420,262	155,930,383

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

Archer Limited and Subsidiaries
Consolidated statement of comprehensive (loss) / income

(In millions of $)	YEAR ENDED DECEMBER 31	
	2011	2010
Net (loss) / income	(77.0)	12.3
Other comprehensive (loss) / income net of tax		
Change in unrealized loss/gain related to pension	(15.3)	(11.2)
Change in unrealized foreign exchange differences	(17.5)	30.0
Interest swap gain / (loss)	0.7	(0.9)
Other comprehensive loss	**(32.1)**	**17.9**
Total comprehensive loss / income (net of tax)	**(109.1)**	**30.2**

Archer Limited and Subsidiaries
Accumulated other comprehensive (loss) / income

	PENSION - UNRECOGNIZED GAINS/LOSSES	CHANGE IN UNREALIZED FOREIGN EXCHANGE DIFFERENCES	OTHER COMPREHENSIVE GAINS/LOSSES	TOTAL
Balance at December 31, 2009	**4.9**	**1.7**	**(1.0)**	**5.6**
Net change in gains and losses and prior service cost	(11.2)	-	-	(11.2)
Interest swap loss	-	-	(0.9)	(0.9)
Foreign exchange differences	-	30.0	-	30.0
Balance at December 31, 2010	**(6.3)**	**31.7**	**(1.9)**	**23.5**
Net change in gains and losses and prior service cost	(15.3)	-	-	(15.3)
Interest swap gain	-	-	0.7	0.7
Foreign exchange differences	-	(17.5)	-	(17.5)
Balance at December 31, 2011	**(21.6)**	**14.2**	**(1.2)**	**(8.6)**

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

Archer Limited and Subsidiaries
Consolidated balance sheet

(In millions of $)	DECEMBER 31	
	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	37.3	174.4
Restricted cash	13.3	12.2
Accounts receivables, net of allowance for doubtful accounts of 3.4 and 1.1 respectively.	432.0	151.6
Inventories	58.2	0.1
Other current assets	97.6	64.4
Total current assets	**638.4**	**402.7**
Non-current assets		
Investments in associates	7.4	5.3
Property plant and equipment	1,044.1	142.3
Deferred income tax asset	10.3	5.4
Goodwill	898.9	356.4
Other intangible assets	203.3	58.6
Deferred charges	12.3	4.6
Total non-current assets	**2,176.3**	**572.6**
Total assets	**2,814.7**	**975.3**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of long term debt	108.4	1.9
Other current liabilities	358.1	162.9
Total current liabilities	**466.5**	**164.8**
Non-current liabilities		
Long-term interest bearing debt	977.8	192.4
Deferred taxes	16.3	12.8
Other non-current liabilities	67.3	47.4
Total non current liabilities	**1,061.4**	**252.6**
Commitments and contingencies		
Shareholders' equity		
Common shares of par value $2.00 per share: 600,000,000 shares authorized: 366,397,622 outstanding shares at December 31, 2011 (December, 31 2010: 225,400,050)	732.8	450.8
Additional paid in capital	775.5	219.4
(Accumulated deficit)/retained earnings	(7.8)	69.2
Accumulated other comprehensive income/ (loss)	(8.6)	23.5
Contributed deficit	(205.1)	(205.1)
Non-controlling interest	-	0.1
Total shareholders' equity	**1,286.8**	**557.9**
Total liabilities and shareholders' equity	**2,814.7**	**975.3**

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

Archer Limited and Subsidiaries
Consolidated statement of cash flows

(In millions of $)	YEAR ENDED DECEMBER 31	
	2011	2010
Cash Flows from Operating Activities		
Net (loss) / income	(77.0)	12.3
Adjustment to reconcile net (loss)/income to net cash provided/(used) by operating activities:		
Depreciation and amortization	147.1	22.6
Share-based compensation expenses	4.9	(1.6)
Change in pension liability	(15.3)	(1.4)
Impairment of goodwill and intangibles	126.6	-
Deferred income taxes	(18.4)	2.7
Unrealized foreign currency gain (loss)	(6.1)	6.1
Changes in operating assets and liabilities, net of acquisitions		
(Decrease)/increase in other non current assets	(2.6)	9.7
Increase in other non current liabilities	-	8.7
Increase in trade accounts receivable and other short-term receivables	(55.6)	(64.7)
(Decrease)/increase in trade accounts payable and other short-term liabilities	(4.1)	57.4
Increase in inventories	(10.7)	-
Change in other operating assets and liabilities, net	2.7	(1.3)
Net cash provided by operating activities	**91.5**	**50.5**
Cash Flows from Investing Activities		
Additions to property plant and equipment	(166.2)	(27.8)
Sale of property, plant and equipment	3.4	3.2
Acquisition of subsidiaries, net of cash	(695.4)	(162.6)
Net change in restricted cash	3.1	(3.3)
Net cash used in investing activities	**(855.1)**	**(190.5)**
Cash Flows from Financing Activities		
Proceeds from debt	903.3	-
Repayment of debt	(523.0)	(18.8)
Proceeds from issuance of equity, net	247.3	289.2
Net cash provided by financing activities	**627.6**	**270.4**
Effect of exchange rate changes on cash and cash equivalents	(1.1)	2.9
Net (decrease) increase in cash and cash equivalents	**(137.1)**	**133.3**
Cash and cash equivalents at beginning of the period	174.4	41.1
Cash and cash equivalents at the end of the period	**37.3**	**174.4**
Interest paid	(49.5)	(9.4)
Taxes paid	(25.2)	(5.9)

The merger with Allis-Chalmers Energy Inc. was primarily financed by the issue of Archer shares to Allis-Chalmers shareholders. The merger is described in detail in Note 3.

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

Archer Limited and Subsidiaries
Consolidated statement of changes in shareholders' equity

(In millions of $)	SHARE CAPITAL	ADDITIONAL PAID IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	(ACCUMULATED DEFICIT) RETAINED EARNINGS	CONTRIBUTED DEFICIT	NON-CONTROLLING INTEREST	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2009	**220.0**	**31.2**	**5.6**	**56.9**	**(205.1)**	**0.0**	**108.6**
Private Placement	230.8	189.8	-	-	-	-	420.6
Foreign exchange differences	-	-	30.0	-	-	-	30.0
Interest swap loss	-	-	(0.9)	-	-	-	(0.9)
Pension – unrecognized loss	-	-	(11.2)	-	-	-	(11.2)
Options issued	-	(1.6)	-	-	-	-	(1.6)
Net income	-	-	-	12.3	-	0.1	12.4
Balance at December 31, 2010	**450.8**	**219.4**	**23.5**	**69.2**	**(205.1)**	**0.1**	**557.9**
Shares issued on Merger with Allis-Chalmers	194.6	389.6	-	-	-	-	584.2
Private Placement	85.4	161.9	-	-	-	-	247.3
Foreign exchange differences	-	-	(17.5)	-	-	(0.1)	(17.6)
Interest swap gain	-	-	0.7	-	-	-	0.7
Pension – unrecognized loss	-	-	(15.3)	-	-	-	(15.3)
Options issued	2.0	4.6	-	-	-	-	6.6
Net loss	-	-	-	(77.0)	-	-	(77.0)
Consolidated Balance at December 31, 2011	**732.8**	**775.5**	**(8.6)**	**(7.8)**	**(205.1)**	**-**	**1,286.8**

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

Archer Limited and Subsidiaries
Notes to consolidated financial statements

Note 1 - General Information
Archer Limited is an international oilfield service company providing drilling services, including platform drilling, land drilling, directional drilling, modular rigs, fluids, drill bits, engineering and equipment rentals, as well as a select range of well delivery support services and products, including well intervention using wireline, tractors and coiled tubing, pressure control and pressure pumping, production monitoring, well imaging and integrity management tools.

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

Archer was incorporated on August 31, 2007 and conducted operations as Seawell Ltd, or Seawell, until May 16, 2011 when shareholders approved a resolution to change the name to Archer Limited.

Basis of presentation
The financial statements are presented in accordance with generally accepted accounting principles in the United States of America (US GAAP). The amounts are presented in United States Dollars, or USD, or $ rounded to the nearest million, unless otherwise stated.

Until December 31, 2010, Archer (reporting as Seawell) historically presented its consolidated financial statements in Norwegian krone or "NOK". In February 2011, the Company closed on its previously announced merger with Allis-Chalmers Energy, Inc., or Allis-Chalmers, The merger significantly increased the scale of the Company's operations with the main expansion being in the United States. As a result of the significant increase in the proportion of our business being conducted in USD in 2011 compared to 2010, our reporting currency was changed from the NOK to USD with effect from January 1, 2011.

Any future dividend declaration will be denominated in NOK.

For the purposes of comparative figures included in our 2011 financial statements, the historical audited financial statements of Seawell have been converted to USD. The income and cash flow statements have been translated by applying average periodic exchange rates. Assets and liabilities have been converted at exchange rates prevailing at the balance sheet dates. The cumulative components of stockholders equity as at December 31, 2010 have been converted at the exchange rate for that date.

Prior period cumulative balances for stockholders equity have been calculated by translating period movements and the average rate for the relevant period, or using a spot rate for material, identifiable individual transactions.

The following table lists exchange rates applied to our historical NOK financial statements. Rates for NOK to USD

PERIOD	PERIOD END DATE	AVERAGE RATE FOR PERIOD	RATE AT PERIOD END DATE
	December 31, 2007		5.3868
Three months	March 31, 2008	5.2948	5.0623
Three months	June 30, 2008	5.0678	5.0448
Three months	September 30, 2008	5.3464	5.7865
Three months	December 31, 2008	6.7775	7.0000
Year	December 31, 2008	5.5216	7.0000
Three months	March 31, 2009	6.8519	6.6589
Three months	June 30, 2009	6.4807	6.3809
Three months	September 30, 2009	6.1035	5.8077
Three months	December 31, 2009	5.6647	5.7639
Year	December 31, 2009	6.2752	5.7639
Three months	March 31, 2010	5.8396	5.9794
Three months	June 30, 2010	6.2059	6.4642
Three months	September 30, 2010	6.1532	5.8551
Three months	December 31, 2010	5.9109	5.8679
Year	December 31, 2010	6.0274	5.8679

In accordance with US GAAP, the Company's acquisition of Gray Wireline group, or Gray, in 2010, its merger with Allis-Chalmers in 2011 and its acquisition of the Great White Energy Services group of companies, or Great White, in 2011, have been accounted for as purchases in accordance with Accounting Standards Codification (ASC) Topic 805 "Business Combinations". The fair value of the assets acquired and liabilities assumed were included in the Company's consolidated financial statements beginning on the date when control was achieved.

Archer Limited and Subsidiaries
Notes to consolidated financial statements

The accounting policies set out below have been applied consistently to all periods in these consolidated financial statements.

Basis of consolidation
Investments in companies in which Archer directly or indirectly holds more than 50% of the voting control are consolidated in the financial statements. In addition Archer consolidates the financial statements of Wellbore Solutions AS in which Archer owns 42.6% of the voting shares. This entity is consolidated due to the fact that Archer is considered to have control over the company through a shareholder agreement which gives Archer the power to vote for 50.1% of the shares.

Entities in which the Company does not have a controlling interest, but over which it has significant influence are accounted for under the equity method of accounting. The Company's share of after-tax earnings of equity method investees are reported under Share of results of associated companies.

A list of all significant consolidated subsidiaries is attached – see Appendix B

Intercompany transactions and internal sales have been eliminated on consolidation.

Reclassification
Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

Note 2 - Accounting Policies
Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, as well as the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty. Accordingly, our accounting estimates require the exercise of judgment. While management believes that the estimates and assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ from those estimates. Estimates are used for, but are not limited to, determining the following: allowance for doubtful accounts, recoverability of long-lived assets, goodwill and intangibles, useful lives used in depreciation and amortization, income taxes and valuation allowances and purchase price allocations. The accounting estimates used in the preparation of the consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes.

Revenue recognition
The Company recognizes revenue for services and products when purchase orders, contracts or other persuasive evidence of an arrangement with the customer exist, the price is fixed or determinable, collectability is reasonably assured and services have been performed, or the product delivered. Contracts for equipment rental, drilling services or well services are provided to our customers at various contractual rates. Revenue from contract services performed on an hourly, daily or monthly rate basis is recognized as the service is performed based on the number of days completed at fixed rates stipulated by the contract. Revenues contracted on a per job basis are recognized on a percentage completion basis, calculated with reference to time recorded against the project, budgeted total time for the project, and budgeted daily rates.

For certain contracts we receive lump-sum payments and other fees for equipment and mobilization costs. Mobilizations fees and related costs are deferred and amortized over the contract term.

Reimbursements for the purchase of supplies, equipment, personnel services, and other services provided at the request of the Company's customers in accordance with a contract or agreement are recorded as revenue when incurred. The related costs are recorded as reimbursable expenses when incurred.

All known or anticipated losses on contracts are provided for when they become evident.

Foreign currencies
As of December 31, 2011 most of the Company's subsidiaries have functional currency in USD. For subsidiaries that have functional currencies other than USD, the Company uses the current method of translation whereby the statements of operations are translated using the average exchange rate for the month and the assets and liabilities are translated using the year end exchange rate. Foreign currency translation gains or losses are recorded as a separate component of other comprehensive income in shareholders' equity.

Transactions in foreign currencies during the year are translated into functional currency at the specific entity at the rates of exchange in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign currency transaction gains or losses are included in the consolidated statements of operations.

Current and non-current classification
Assets and liabilities are classified as current assets and liabilities respectively, if their maturity is within one year of the balance sheet date. Assets and liabilities not maturing within one year are classified as long-term.

Cash and cash equivalents
Cash and cash equivalents consist of cash, demand deposits and highly liquid financial instruments purchased with maturity of three months or less, and exclude restricted cash.

Restricted cash
Restricted cash consists of bank deposits arising from advance employee tax withholdings.

Receivables
Accounts receivable are recorded in the balance sheet at their full amount less allowance for doubtful receivables. The Company establishes reserves for doubtful receivables on a case-by-case basis. In establishing these reserves, the Company considers changes in the financial position of the customer as well as customer payment history. Uncollectible trade accounts receivables are written off when a settlement is reached for an amount that is less than the outstanding historical balance, or when they are considered unrecoverable.

Bad debt expense for 2011 was $1.7 million. There was no bad debt expense in 2010.

Inventories
Inventories are valued at the lower of first-in, first-out cost or market. On a regular basis, the Company evaluates its inventory balances for excess quantities and obsolescence by analyzing demand, inventory on hand, sales levels and other information. Based on these evaluations, inventory balances are written down, if necessary.

Property, plant and equipment
Property, plant and 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 economic useful lives of the Company's fixed assets are in the following ranges;

- Land and buildings 3-40 years
- Drilling and well service equipment 2-12 years
- Office furniture and fixtures 3-10 years
- Motor vehicles 3-7 years

The Company evaluates the remaining useful life of its property, plant and equipment on a periodic basis to determine whether events and circumstances warrant a revision.

Expenditures for replacements or improvements are capitalized. Maintenance and repairs are charged to operating expenses as incurred.

Fully depreciated assets are retained in property, plant and equipment and accumulated depreciation until disposal. Upon sale or retirement, the cost of property and equipment, related accumulated depreciation and write-downs are removed from the balance sheet, and the net amount, less any proceeds from disposal, is charged or credited to the consolidated statement of operations.

Asset under construction
The carrying value of assets under construction ("New builds") represents the accumulated costs at the balance sheet date and are included in property, plant and equipment on the face of the balance sheet. Cost components include payments for 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 new builds has been completed and it is ready for its intended use.

Capitalized interest
Interest expenses are capitalized during construction of long-lived assets based on accumulated expenditures for the applicable project at the Company's current rate of borrowing. The amount of interest expense capitalized in an accounting period shall be determined by applying an interest rate ("the capitalization rate") to the average amount of accumulated expenditures for the asset during the period. The capitalization rates used in an accounting period shall be based on the rates applicable to borrowings outstanding during the period. The Company does not capitalize amounts beyond the actual interest expense incurred in the period.

If the Company's financing plans associate a specific new borrowing with a qualifying asset, the Company uses the rate on that borrowing as the capitalization rate to be applied to that portion of the average accumulated expenditures for the asset that does not exceed the amount of that borrowing. If average accumulated expenditures for the asset exceed the amounts of specific new borrowings associated with the asset, the capitalization rate to be applied to such excess shall be a weighted average of the rates applicable to other borrowings of the Company.

Capital leases
The Company leases office space and equipment at various locations. Where the company has substantially all the risks and rewards of ownership, the lease is classified as a capital lease. Capital leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Each lease payment is allocated between the corresponding capital lease liability and finance charges so as to achieve a constant rate on the liability outstanding. The interest element of the capital cost is charged to the income statement over the lease period.

Depreciation of assets held under capital leases is reported within "Depreciation and amortization expense" in the consolidated statement of operations. Capitalized leased assets are depreciated on a straight-line basis over the estimated useful economic lives of the assets or a straight-line basis over the lease term, whichever is shorter.

Archer Limited and Subsidiaries
Notes to consolidated financial statements

Intangible assets
Intangible assets are recorded at historical cost less accumulated amortization. The cost of intangible assets are generally amortized on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful lives of the Company's intangible assets ranges from 1 year to 20 years. The Company evaluates the remaining useful life of its intangible assets on a periodic basis to determine whether events and circumstances warrant a revision of the remaining amortization period.

Trade names under which the Company intends to trade for the foreseeable future are not amortized. In circumstances where management decide to phase out the use of a trade name, the relevant cost is amortized to zero over the remaining estimated useful life of the asset.

Acquired technology is not amortized until ready for marketing.

Goodwill
The Company allocates the cost of acquired businesses to the identifiable tangible and intangible assets and liabilities acquired, with any remaining amount being capitalized as goodwill. Goodwill is not amortized but is tested for impairment at least annually. The Company tests goodwill, by reporting unit, for impairment on an annual basis, and between annual tests if an event occurs, or circumstances change, that would more likely than not, reduce the fair value of a reporting unit below its carrying amount. The reporting units have been identified in accordance with Accounting Standards codification 350-20 "Intangible Assets – Goodwill" as the business components one level below the reporting segments each of which we identified as

- constituting a business,
- for which discrete financial information is available, and
- whose operating results are reviewed regularly by segment management

We aggregated components with similar economic characteristics.

The goodwill impairment test involves a two-step process. The first step is a comparison of each reporting unit's fair value to its carrying value. If the reporting unit's fair value exceeds its carrying value, no further procedures are required. However, if a reporting unit's fair value is less than its carrying value, an impairment of goodwill may exist, requiring a second step to measure the amount of impairment loss.

The Company estimates the fair value of each reporting unit using the income approach. The income approach incorporates the use of a discounted cash flow method in which the estimated future cash flows and terminal values for each reporting unit are discounted to a present value. Cash flow projections are based on management's estimates of economic and market conditions that drive key assumptions of revenue growth rates, operating margins, capital expenditures and working capital requirements. The discount rate is based on the Company's specific risk characteristics, its weighted average cost of capital and its underlying forecasts. There are inherent risks and uncertainties involved in the estimation process, such as determining growth and discount rates.

Impairment of long-lived assets and intangible asset
The carrying values of long-lived assets, including intangible assets, that are held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposal. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Research and development
All research and development expenditures ("R&D") are expensed as incurred. Under the provisions of ASC 805, 'Business Combinations', acquired in-process R&D that meet the definition of an intangible asset are capitalized and amortized.

Defined benefit pension plans
The Company has several defined benefit plans that provide retirement, death, and termination benefits. The Company's net obligation is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their cumulative service.

The projected future benefit obligation is discounted to its present value, and the fair value of any plan assets is deducted. The discount rate is the market yield at the balance sheet date on government bonds in the currency and based on terms consistent with the post-employment benefit obligations. The retirement benefits are generally a function of years of employment and amount of compensation. The plans are primarily funded through payments to insurance companies. The Company records its pension costs in the period during which the services are rendered by the employees. Actuarial gains and losses are recognized in the income statement when the net cumulative unrecognized actuarial gains or losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected remaining working lives of the employees participating in the plans. Otherwise, recognition of actuarial gains and losses is not recognized in the income statement. The Company has adopted amended recognition and disclosures provisions, which requires the recognition of the funded status of the plan in the balance sheet with a corresponding adjustment to accumulated other comprehensive income. The adjustment to other comprehensive income represents the net unrecognized actuarial losses and unrecognized prior service costs, all of which were previously netted against the plans' funded status on the balance sheet. These amounts will continue to be recognized as net periodic pension cost pursuant to our historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in accumulated other comprehensive income.

Income taxes
Archer is a Bermuda company. Under current Bermuda law, Archer is not required to pay taxes in Bermuda on either income or capital gains. Archer has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, Archer will be exempted from taxation until year 2035.

Certain of our subsidiaries operate in other jurisdictions where taxes are imposed, mainly Norway, the United States, Argentina, Brazil, and the United Kingdom. For legal entities operating in taxable jurisdictions, the Company computes tax on income in accordance with the tax rules and regulations of the taxing authority where the income is earned. The income tax rates imposed by these authorities vary. Taxable income may differ from pre-tax income for accounting purposes. To the extent that differences are due to revenues or expense items reported in one period for tax purposes and in another period for financial accounting purposes, an appropriate provision for deferred taxes is made. A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized. When it is more likely than not that a portion or all of a deferred tax asset will not be realized in the future, the Company provides a valuation allowance against that deferred tax asset. 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 changes to income tax rates or tax law is recognized in periods when the change is enacted.

Significant judgment is involved in determining the provision for income taxes. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. The Company's tax filings are subject to regular audit by the tax authorities in most of the jurisdictions in which it conducts its business. These audits may result in assessments for additional taxes which are resolved with the authorities or, potentially, through the courts. The Company recognizes the impact of a tax position in its financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The level of judgment involved in estimating such potential liabilities and the uncertain and complex application of tax regulations, may result in liabilities on the resolution of such audits, which are materially different from the Company's original estimates. In such an event, any additional tax expense or tax benefit will be recognized in the year in which the resolution occurs.

Earnings per share, or EPS
Basic earnings per share is calculated based on the income 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. The determination of dilutive earnings per share requires the Company to potentially make certain adjustments to net income and to the weighted average shares outstanding used to compute basic earnings per share unless anti-dilutive.

Deferred charges
Loan related costs, including debt arrangement fees, incurred on the initial arrangement are capitalized and amortized over the term of the related loan using the straight-line method, which approximates the interest method. Amortization of loan related costs is included in interest expense. Subsequent loan costs in respect of existing loans, such as commitment fees, are recognized in the income statement within other financial items in the period in which they are incurred.

Share-based compensation
The Company has established a stock option plan under which employees, directors and officers of the Group may be allocated options to subscribe for new shares in Archer.

The fair value of the share options issued under the Company's employee share option plans is determined at grant date taking into account the terms and conditions upon which the options are granted, and using a valuation technique that is consistent with generally accepted valuation methodologies for pricing financial instruments, and that incorporates all factors and assumptions that knowledgeable, willing market participants would consider in determining fair value. The fair value of the share options is recognized as personnel expenses with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the options. Compensation cost is initially recognized based upon options expected to vest with appropriate adjustments to reflect actual forfeitures. National insurance contributions arising from such incentive programs are expensed when the options are exercised.

Financial Instruments
The Company enters into interest rate swaps in order to manage floating interest rates on debt. The Company's interest-rate swap agreements are recorded at fair value in the balance sheet. A hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability may be designated as a cash flow hedge.

When the interest swap qualifies for hedge accounting the Company formally designates the swap instrument as a hedge of cash flows to be paid on the underlying loan, and in so far as the hedge is effective, the change in the fair value of the swap each period are recognized in the "Accumulated other comprehensive loss" line of the Consolidated Balance Sheet. Changes in fair value of any ineffective portion of the hedges are charged to the income statement in Other Financial Items. Changes in the fair value of interest-rate swaps are otherwise recorded as a gain or loss under Other Financial Items in the statement of operations where those hedges are not designated as cash flow hedges.

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Segment reporting
A segment is a distinguishable component of the Company that is engaged in business activities from which it earns revenues and incur expenses whose operating results are regularly reviewed by the chief operating decision maker, and which is subject to risks and rewards that are different from those of other segments.

For the purposes of this annual report, segmental data, in note 21 is presented under the two segments existing as of December 31, 2011.

Related party transactions
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.

Recently issued accounting pronouncements
In October 2009, the Financial Accounting Standards Board, or FASB, issued authoritative guidance that amends earlier guidance addressing the accounting for contractual arrangements in which an entity provides multiple products or services (deliverables) to a customer. The amendments address the unit of accounting for arrangements involving multiple deliverables and how arrangement consideration should be allocated to the separate units of accounting, when applicable, by establishing a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific nor third-party evidence is available. The amendments also require that arrangement consideration be allocated at the inception of an arrangement to all deliverables using the relative selling price method. The guidance is effective for fiscal years beginning on or after June 15, 2010, with earlier application permitted. We adopted the guidance effective January 1, 2011, which did not have a material effect on our financial statements.

In January 2010, the FASB issued authoritative guidance that changes the disclosure requirements for fair value measurements using significant unobservable inputs (Level 3). The updated guidance requires that Level 3 disclosures present information about purchases, sales, issuances, and settlements on a gross basis. The disclosure requirements for the treatment of purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company adopted the guidance in the first quarter 2011, which did not have an impact on its financial position, results of operations or cash flows.

In December 2010, the FASB issued authoritative guidance that modifies the requirements of step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The Company adopted this guidance in the first quarter of fiscal year 2011. The adoption of this guidance did not have a material impact on our financial statements.

In December 2010, the FASB amended guidance on business combinations that requires a public entity to disclose pro forma information for business combinations that occurred in the current reporting period. The disclosures include pro forma revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period, and when comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period. The guidance was effective for annual reporting periods beginning on or after December 15, 2010. The Company has adopted this guidance and has included proforma information in Note 25 to the financial statements.

In April 2011, the FASB issued authoritative guidance to clarify when a modification or restructuring of a receivable constitutes a troubled debt restructuring. In evaluating whether such a modification or restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that two conditions exist: (1) the modification or restructuring constitutes a concession and (2) the debtor is experiencing financial difficulties. The guidance was effective for our interim and annual reporting periods beginning after June 15, 2011 and was applied retrospectively to the beginning of the annual period of adoption. The adoption of this newly issued guidance has not had a material impact on our consolidated financial statements.

In May 2011, the FASB amended existing guidance to achieve consistent fair value measurements and to clarify certain disclosure requirements for fair value measurements. The new guidance includes clarification about when the concept of highest and best use is applicable to fair value measurements, requires quantitative disclosures about inputs used and qualitative disclosures about the sensitivity of recurring Level 3 measurements, and requires the classification of all assets and liabilities measured at fair value in the fair value hierarchy including those assets and liabilities which are not recorded at fair value but for which fair value is disclosed. The guidance will be effective for our interim and annual reporting periods beginning after December 15, 2011. We are evaluating the impact of the adoption of this newly issued guidance but we do not expect it to have a material impact on our consolidated financial statements.

In June 2011, the FASB amended guidance on the presentation of comprehensive income in the financial statements. The new guidance allows entities to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate but consecutive statements and removes the current option to report other comprehensive income and its components in the statement of changes in equity. Under the two-statement approach, an entity is required to present components of net income and total net income in the statement of net income. The amendments in this update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is also permitted. Our financial statements currently provide a two-statement disclosure and we do not expect the amended guidance to have a material impact on our future consolidated financial numbers.

In September 2011, the FASB issued an accounting update that gives companies the option to make a qualitative evaluation about the likelihood of goodwill impairment. Companies will be required to perform the two-step impairment test only if it concludes that the fair value of a reporting unit is more likely than not less than its carrying value. The accounting update is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The company has not applied the new guidance for the year ended December 31, 2011. Application of the guidance would not have had a material affect on our goodwill impairment testing for this period.

In December 2011, the FASB issued accounting standards update "Disclosures about Offsetting Assets and Liabilities" in order to standardize the disclosure requirements under US GAAP and International Financial Reporting Standards relating to both instruments and transactions eligible for offset in financial statements. The update is applicable for annual reporting periods beginning on or after January 1, 2013. Its adoption is not expected to have a material impact on the Company's disclosures.

Note 3 – Acquisitions and Non-controlling Interest

Acquisitions in 2010:

Viking Intervention Technology AS
On April 30, 2010 the Company announced the acquisition of Viking Intervention Technology AS for a consideration of $11.6 million. Viking Intervention Technology is a company developing an integrated carbon cable intervention system and was acquired for its complimentary product portfolio.

Joint Venture with IKM
In November 2010, the Company closed an agreement with the IKM Group, pursuant to which IKM Group acquired 50% of the shares in C6 Technologies AS through an equity issue, and C6 Technologies AS simultaneously purchased 100% of the shares in Viking Intervention Technology AS. These transactions were completed under the same terms as the initial share purchase agreement.

Following the loss of control in C6 Technologies AS and Viking Intervention Technology AS, the Company deconsolidated C6 Technologies AS, and has accounted for the investment in C6 Technologies AS as an investment in associates in the balance sheet. See note 9.

Rig Inspection Services Limited
On August 5, 2010, the Company entered into a Sale and Purchase agreement with the shareholders of Rig Inspection Services Limited (RIS), a private company based in Singapore and Australia, for a price of $9.1 million, with $3.4 million considered contingent based on financial performance over the next two years. The addition of RIS compliments the the Company's drilling facility engineering capabilities and allows us to offer our clients a very broad range of inspection services on rigs, risers and drilling equipment on a global basis.

Gray Wireline
On December 16, 2010 the Company acquired Gray Wireline Service, Inc. for a consideration of $163.2 million. Gray Wireline is the largest independent cased hole wireline company in the United States and its acquisition is an important step in our product and service expansion.

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The purchase price of these acquisitions has been allocated as follows:

($ in millions)	VIKING INTERVENTION TECHNOLOGY AS	RIG INSPECTION SERVICES LTD.	GRAY WIRELINE SERVICES, INC.	TOTAL
Current assets				
Cash and cash equivalents	-	0.6	2.7	3.3
Accounts receivable	0.5	2.4	17.5	20.4
Deferred tax asset	-	-	11.6	11.6
Other current assets	0.8	0.2	3.7	4.7
Total current assets	**1.3**	**3.2**	**35.5**	**40.0**
Non-current assets				
Drilling equipment and other fixed asset	0.8	0.1	44.3	45.2
Other intangible asset	11.7	2.3	35.5	49.5
Goodwill	3.6	4.4	80.8	88.8
Total non-current assets	**16.1**	**6.8**	**160.6**	**183.5**
Current liabilities				
Accounts payable	-	0.5	6.0	6.5
Other current liabilities	1.1	0.4	1.8	3.3
Total current liabilities	**1.1**	**0.9**	**7.8**	**9.8**
Deferred taxes	3.1	-	25.1	28.2
Other non-current liabilities	1.6	-	-	1.6
Total non-current liabilities	**4.7**	**-**	**25.1**	**29.8**
Total purchase price (fair value)	**11.6**	**9.1**	**163.2**	**183.9**

Acquisitions in 2011:

Universal Wireline
On January 27, 2011 the Company announced the acquisition of Universal Wireline for $ 25.5 million on an interest bearing debt and cash free basis. Universal Wireline has been merged with Gray following purchase expanding the capabilities of the largest pure play cased hole wireline company in the US.

The purchase price has been allocated as follows:

Allocation ($ in millions)	UNIVERSAL WIRELINE
Non-current assets	
Drilling equipment and other fixed asset	19.1
Goodwill	6.4
Total non-current assets	**25.5**
Total purchase price (fair value)	**25.5**

Allis-Chalmers
On February 23, 2011 the Company completed the merger with Allis-Chalmers, which was previously announced in August 2010. Allis-Chalmers conducts land drilling operations in Argentina, Brazil and Bolivia and provides directional drilling, coiled tubing, underbalanced drilling, casing and tubing and rental services primarily in the US. Allis-Chalmers also manufactures and sell frac valves in the US.

The purchase price comprised both cash and equity payments to the shareholders of Allis-Chalmers, which resulted in us acquiring 100% of the share capital in Allis-Chalmers in exchange for Archer shares, in a ratio of 1.15 shares to each Allis-Chalmers share, or a cash settlement of $4.25 per share. 95.3% of Allis-Chalmers shareholders elected to take Archer stock in the above ratio as consideration, with the remainder receiving cash. The total purchase price, which includes an adjustment pertaining to the exchange of Allis-Chalmers share options, to Archer share options, was $600.9 million.

The net assets acquired as a result of the merger are listed below:

Allocation ($ in millions)	ALLIS-CHALMERS ENERGY INC		
	FAIR VALUE/ALLOCATION OF PURCHASE PRICE AS AT 31 MARCH 2011	ADJUSTMENTS TO PRELIMINARY FAIR VALUES	FAIR VALUE/ALLOCATION OF PURCHASE PRICE AS AT 31 DECEMBER 2011
Current assets	239.0	(6.5)	232.5
Property and equipment	682.4	(26.9)	655.5
Intangible assets (excluding goodwill)	105.8	0	105.8
Goodwill	215.0	83.6	298.6
Other non-current assets	44.9	(50.2)	(5.3)
Total Assets acquired	**1,287.1**	**0**	**1,287.1**
Current liabilities	148.4	0	148.4
Long-term debt, less current portion	460.8	0	460.8
Other long-term liabilities	77.0	0	77.0
Total liabilities acquired	**686.2**	**0**	**686.2**
Net assets acquired (purchase price)	**600.9**	**0**	**600.9**

We have applied the purchase method of accounting to this business combination (per ASC topic 805). The resulting acquired goodwill recognized in the combined balance sheet is attributable to the acquired workforce, expected synergies and other acquired intangible assets which can not be separately identified.

The allocation of the purchase price of Allis-Chalmers has been based upon fair values studies. The table above summarizes the preliminary acquisition date fair value of the asset acquired and liabilities assumed, as at December 31, 2011 and changes to those preliminary valuations. The valuations of Allis Chalmers fixed assets have changed following a review of the underlying assumptions. The resulting changes summarized above have increased the value of goodwill acquired by $ 83.6 million.

Great White
On August 24, 2011 the Company completed the acquisition of all the operating companies of Great White in a transaction valued at $ 630 million on a cash and debt free basis, which was changed to $ 673.5 million including agreed working capital adjustments at closing of the acquisition.

The net assets acquired as a result of the acquisition are listed below:

PRELIMINARY ALLOCATION ($ IN MILLIONS)	GREAT WHITE		
	FAIR VALUE/ALLOCATION OF PURCHASE PRICE AS AT 30 SEPTEMBER 2011	ADJUSTMENTS TO PRELIMINARY FAIR VALUES	FAIR VALUE/ALLOCATION OF PURCHASE PRICE AS AT 31 DECEMBER 2011
Current assets	98.9	-	98.9
Property and equipment	192.9	(0.4)	192.5
Intangible assets (excluding goodwill)	92.1	-	92.1
Acquired Goodwill	337.7	0.4	338.1
Other non-current assets	0.0	-	0.0
Total Assets acquired	**721.6**	**0.0**	**721.6**
Current liabilities	41.4	-	41.4
Long-term debt, less current portion	0.0	-	0.0
Other long-term liabilities	6.7	-	6.7
Total liabilities acquired	**48.1**	**0.0**	**48.1**
Net assets acquired (purchase price)	**673.5**	**0.0**	**673.5**

We have applied the purchase method of accounting to this business combination (per ASC topic 805). The resulting acquired goodwill recognized in the combined balance sheet is attributable to the acquired workforce, expected synergies, and other acquired intangible assets which can not be separately identified.

The allocation of the purchase price of Great White has been based upon preliminary fair values studies. Estimates and assumptions are subject to change upon management's review of the final valuations. The table above summarizes the preliminary acquisition date fair value of the asset acquired and liabilities assumed, as at December 31, 2011 and changes to those preliminary valuations. The valuations of Great White fixed assets have changed following a review of the underlying assumptions. The resulting changes summarized above have increased the value of goodwill acquired by $ 0.4 million.

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Note 4 – Other Financial Income / (Expense)

	YEARS ENDED DECEMBER 31	
($ in millions)	2011	2010
Foreign exchange differences	6.1	(14.0)
Other items	(7.1)	(1.3)
Total other financial items	**(1.0)**	**(15.3)**

The other financial items consist mainly of foreign exchange losses arising on settlement of transactions loans denominated in currencies other than USD. In 2011, the loss is mainly due to the weakening of the NOK against the USD, and relates to unrealized exchange losses on intercompany loans and bank deposits.

Note 5 – Taxes
The income taxes consist of the following:

	YEARS ENDED DECEMBER 31	
($ in millions)	2011	2010
Current tax expense:	24.2	15.4
Deferred tax expense:	(9.7)	(0.1)
Total expense	**14.5**	**15.3**

The effective tax rate is impacted by the de-recognition of some deferred tax assets as we do not expect to utilize these in the foreseeable future. Archer has booked valuation allowances against some net operating losses and foreign tax credits in United States and Brazil. The effective tax rate is also impacted by foreign exchange gains and losses in Bermuda where Archer has a tax exemption. In addition it is impacted by goodwill impairment which is a permanent difference for tax purposes.

Taxes expense (income) can be split in the following geographical areas:

	YEARS ENDED DECEMBER 31	
($ in millions)	2011	2010
United States	(1.9)	0.2
South America	4.7	-
Europe	11.7	13.7
Others	-	1.4
Total	**14.5**	**15.3**

The following table shows a reconciliation of the expected tax rate to an effective tax rate:

	YEARS ENDED DECEMBER 31	
	2011	2010
Expected tax rate	26.8%	28.8%
Goodwill impairment	-50.2%	-
Other non deductible expenses	-3.9%	2.9%
Tax exempted income and credits	6.4%	-
Foreign tax rate differences	10.4%	19.1%
Valuation allowances	-12.8%	4.9%
Effective tax rate	**-23.3%**	**55.7%**

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. The net deferred tax assets (liabilities) consist of the following:

	DECEMBER 31	
($ in millions)	2011	2010
Pension	16.9	10.0
Tax loss carry forward	103.7	10.1
Provisions	33.7	3.4
Other	2.4	-
Gross deferred tax asset	**156.7**	**23.5**
Drilling equipment and other fixed assets	67.7	8.7
Deferred tax on excess values	28.8	22.5
Other	0.4	0.6
Gross deferred tax liability	**96.9**	**31.8**
Gross deferred tax asset / (liability)	**59,8**	**(8.3)**
Valuation allowance	(66.0)	-
Net deferred tax liability	**(6.2)**	**(8.3)**

Gross tax losses of $ 226 million originate in the United States, and expire over a period of 20 years. Additional tax losses of $ 70 million originate from Brazil. These losses do not expire and can be forward ad infinitum.

The deferred tax liability in respect of the timing differences in the depreciation of fixed assets increased significantly in 2011, mainly due to the acquisitions of Allis-Chalmers and Great White both of which have significant assets in the form of land drilling rigs and pressure control equipment.

The gross deferred tax liability for 2011 includes $ 28.8 million in respect of surplus values recognized in the purchase price allocations of the acquisitions of Allis-Chalmers and Great White in 2011 and previous purchases of Noble Corporation's North Sea Platform Division, Peak Well Solutions AS, TecWel AS, Rig Inspection Services Ltd., Romeg Holdings Pty, and Gray.

The valuation allowance relates to tax operating losses and foreign tax credits brought forward in the Allis-Chalmers financial statements, for which we do not, at the balance sheet date, have a sufficiently documented tax strategy for their realization.

Deferred taxes are classified as follows:

	DECEMBER 31	
($ in millions)	2011	2010
Short-term deferred tax asset	1.7	1.7
Long-term deferred tax asset	10.3	5.4
Short-term deferred tax liability	(1.9)	(2.6)
Long-term deferred tax liability	(16.3)	(12.8)
Net deferred tax liability	**(6.2)**	**(8.3)**

Note 6 – Earnings Per Share
The components of the numerator for the calculation of basic EPS and diluted EPS for net (loss) / income are shown below.

The components of the denominator for the calculation of basic EPS and diluted EPS are as follows:

	NET INCOME ALLOCATED TO MAJORITY SHAREHOLDERS *($ in millions)*	WEIGHTED AVERAGE SHARES OUTSTANDING	(LOSS) PER SHARE (IN $)
2011			
Basic loss per share	(77.0)	322,420,262	(0.24)
Effect of dilutive options*		-	-
Diluted loss per share	(77.0)	322,420,262	(0.24)

**Loss per share not adjusted for dilutive, in the money share options*

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	NET INCOME ALLOCATED TO MAJORITY SHAREHOLDERS ($ in millions)	WEIGHTED AVERAGE SHARES OUTSTANDING	EARNINGS PER SHARE (IN $)
2010			
Basic earnings per share	12.4	152,049,913	0.08
Effect of dilutive options		3,880,470	
Diluted earnings per share	12.4	155,930,383	0.08

Note 7 – Inventories
Prior to the merger with Allis-Chalmers and the acquisition of Great White in 2011, the Company did not hold a significant amount of inventory. Inventories comprise the following:

($ in millions)	DECEMBER 31 2011	2010
Manufactured:		
Finished goods	4.7	-
Work in Progress	3.6	-
Raw materials	5.9	-
Total manufactured	**14.2**	**-**
Drilling supplies	17.6	-
Chemicals	9.3	-
Other items and spares	17.1	0.1
Total inventories	**58.2**	**0.1**

Note 8 – Other Current Assets
Other current assets include:

($ in millions)	DECEMBER 31 2011	2010
Unbilled and accrued revenue	15.5	11.0
Prepaid expenses	58.5	28.6
VAT receivable	6.2	4.0
Deferred tax assets	1.7	1.7
Other short term receivables	15.7	19.1
Total other current assets	**97.6**	**64.4**

Other short term receivables are interest free.

Note 9 – Investments in Associates
The Company had the following participation in investments that are recorded using the equity method:

	2011	2010
C6 Technologies AS	50.00%	50.00%
Rawabi Allis-Chalmers Company Ltd	50.00%	-

The carrying amounts of the Company's investments in its equity method investment are as follows:

($ in millions)	DECEMBER 31 2011	2010
C6 Technologies AS	2.4	5.3
Rawabi Allis-Chalmers Company Ltd	5.0	-
Equity in net assets of non-consolidated investees	**7.4**	**5.3**

The components of equity in net assets of non-consolidated investees are as follows:

($ in millions)	2011 C6	2011 RAWABI	2010 C6	2010 RAWABI
Cost	5.6	5.2	5.6	-
Equity in net earnings of investees	(3.2)	(0.2)	(0.3)	-
Equity in net assets of non-consolidated investees	**2.4**	**5.0**	**5.3**	**-**

Quoted market prices for C6 Technologies AS and Rawabi Allis-Chalmers Company Limited are not available because shares are not publicly traded.

Rawabi Allis-Chalmers Company Limited
Rawabi Allis-Chalmers Limited or "Rawabi JV" is a joint venture between Archer's 100% owned subsidiary Allis-Chalmers Inc., and an unrelated Saudi company, Rawabi Holding Company Ltd. The joint venture was formed to provide oilfield services, including directional drilling, tubular services, under-balanced services and production services, and rental, drilling and completion services in Saudi Arabia. Currently, the joint venture is providing rental services in Saudi Arabia.

The Company has determined that Rawabi JV is a variable interest entity under the terms of its joint venture agreement that does not allow either shareholder, acting alone, to control the entity's operations. While Archer is not the primary beneficiary under the joint venture agreement, the Company is able to materially influence the operational and financial decisions of Rawabi JV and has accounted for its investment using the equity method.

C6 Technologies AS
On April 30, 2010 the Company announced the acquisition of Viking Intervention Technology AS (VIT). VIT is a company developing an integrated carbon cable intervention system and was acquired for its complimentary product portfolio. In November 2010 the Company closed an agreement with the IKM Group, pursuant to which IKM Group acquired 50% of the shares in C6 Technologies AS through an equity issue, and C6 Technologies AS simultaneously purchased 100% of the shares in Viking Intervention Technology AS. These transactions were completed under the same terms as the initial share purchase agreement.

Following the loss of control in C6 Technologies AS and Viking Intervention Technology AS, the Company deconsolidated C6 Technologies AS, and has accounted for the investment in C6 Technologies AS as an investment in associates.

Note 10 – Property Plant and Equipment

($ in millions)	OPERATIONAL EQUIPMENT	OTHER FIXED ASSETS OWNED	OTHER FIXED ASSETS LEASED	ASSETS UNDER CONSTRUCTION	TOTAL
As at December 31, 2011					
Cost	1,053.1	132.1	7.7	90.9	1,283.8
Accumulated depreciation and impairments	(197.0)	(40.8)	(1.9)	-	(239.7)
Net book value	**856.1**	**91.3**	**5.8**	**90.9**	**1,044.1**
Depreciation and amortization for 2011	102.7	21.7		–	124.4
As at December 31, 2010					
Cost	173.8	61.2	-	31.4	266.4
Accumulated depreciation and impairments	(99.4)	(24.7)	-	-	(124.1)
Net book value	**74.4**	**36.5**	**-**	**31.4**	**142.3**
Depreciation and amortization for 2010	14.4	3.9	-	–	18.3

- Operational equipment includes drilling rigs and equipment and well services equipment.
- Other fixed assets include office fixtures, furniture and equipment and motor vehicles.
- The balance of assets under construction includes the cumulative costs of the modular rig, ARCHER EMERALD, which was ordered in February 2008 and completed in the first quarter of 2012. During the year ended December 31, 2011 the Company capitalized interest costs amounting to $1.8 million in the cost of ARCHER EMERALD (Interest of $0.8 million was capitalized in 2010). As at December 31, 2011 the balance comprises $52.0 million in respect of ARCHER EMERALD and $ 38.9 million relating to purchases of, or deposits on, long-term assets that have not yet been deployed as they await modification or additional parts.
- The leased assets were acquired with the acquisition of Great White.

We reviewed our long-lived assets for impairment as of December 31, 2011 and we have recognized impairments totalling $4.1 million in respect of tangible fixed assets.

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Note 11 - Intangible Assets
The following table discloses the Company's intangible assets:

($ in millions)	TECHNOLOGY	CUSTOMER RELATIONSHIPS	TRADE NAMES	PATENTS	ORDER BACKLOG	TOTAL
Estimated useful lives	8-10 years	4-11 years	5 years	9-20 years	2 years	
Remaining average amortization period, December 31, 2011	5.8 years	8.5 years	0.8 years	16.3 years	0.9 years	
As of December 31, 2011						
Cost	13.7	225.1	13.1	5.6	2.3	259.8
Accumulated amortization and impairments	(4.0)	(46.5)	(2.9)	(0.3)	(2.1)	(55.8)
Currency adjustment	(0.7)	-	-	-	-	(0.7)
Net book value	**9.0**	**178.6**	**10.2**	**5.3**	**0.2**	**203.3**
Amortization and impairments for 2011	1.2	40.0	6.6	0.4	2.1	50.3
As of December 31, 2010						
Cost	13.7	47.3	8.0	-	-	69.0
Accumulated amortization and impairments	(3.0)	(7.4)	-	-	-	(10.4)
Net book value	**10.7**	**39.9**	**8.0**	**-**	**-**	**58.6**
Amortization for 2010	1.2	3.0	0.1	-	-	4.3

In the first quarter of 2011 an impairment of $ 5.1 million was made to the Allis Chalmers brand name and in the fourth quarter of 2011, an impairment of $ 0.9 million was made to the brand name of Great White Pressure Pumping as we do not believe the brand names will have any value for the Archer Group going forward. In December 2011, an impairment review of intangibles was undertaken and as a result there was an impairment of intangibles of the drilling service assets of $ 21.7 million.

Future amortization of intangible asset as of December 31, 2011 is as follows:

($ in millions)	2012	2013	2014	2015	2016 AND THEREAFTER	ASSETS NOT CURRENTLY BEING AMORTIZED	TOTAL
Intangible assets							
Customer relationships	21.3	20.9	20.9	20.9	94.6	-	178.6
Technology	1.4	1.4	1.4	1.4	2.3	1.1	9.0
Trade names	0.6	-	-	-	-	9.6	10.2
Patents	0.4	0.4	0.4	0.4	3.7	-	5.3
Order backlog	0.2	-	-	-	-	-	0.2
Total intangible amortizations	**23.9**	**22.7**	**22.7**	**22.7**	**100.6**	**10.7**	**203.3**

We acquired technology with the acquisition of Welbore Solutions and will not begin amortizing until the technology is ready for marketing. We are not currently amortizing the trade names of Gray Wireline, acquired by Archer in 2010 and DLS Drilling and Logistic Services, acquired on the merger with Allis-Chalmers in 2011 as we intend to continue to trade under these brands for the foreseeable future. We review all our intangible assets at least annually to ensure the carrying value remains justifiable.

Note 12 - Goodwill
The goodwill acquired during 2011 and 2010 represents the excess of purchase price over the fair value of tangible and identifiable intangible asset acquired, which represents primarily intangible assets pertaining to the acquired workforce of Gray, Great White, Allis Chalmers and Universal Wireline and their expected fu-ture synergies.

	DECEMBER 31	
($ in millions)	2011	2010
Net book balance at beginning of period	356.4	275.8
Goodwill acquired during the period	560.4	84.7
Adjustments to goodwil during the measurement period	85.4	-
Impairments of goodwill	(99.0)	-
Currency adjustments	(4.3)	(4.1)
Net book balance at end of period	**898.9**	**356.4**

The Company initiated its annual goodwill analysis in the fourth quarter of 2011 and concluded that the fair value was below carrying value for certain reporting units. Archer management believes that the decline in the estimated fair values of these reporting segments during 2011 was a result of a number of factors, including:

- Since the beginning of 2011 there has been a significant drop in the price of natural gas, which has lead to a shift in production from gas to oil. This has adversely affected the demand for the services provided by the Under-balance division of our Drilling segment, which is predominantly involved in gas extraction.
- Changes in customer behavior and in regulations following the Macondo incident have resulted in some of our rental equipment being unable to realize the operating returns originally anticipated.
- Operational issues and inflationary pressures in Argentina and Brazil have adversely affected the performance of our Land Drilling division.

The resulting impairment adjustments are disclosed in the table above, and comprise a $99 million impairment of goodwill in relation to the Drilling Services segment. The evaluation of the goodwill and quantification of any impairment was conducted by reporting unit, an organizational level below the reporting segment.

Note 13 - Long-term Interest Bearing Debt

	DECEMBER 31	
($ in millions)	2011	2010
Long-term debt:		
$ 1,121.9 multicurrency term and revolving facility	774.1	189.0
Allis-Chalmers 2014 senior note	99.2	-
Allis-Chalmers 2017 senior note	197.4	-
Other loans and capital lease liability	15.5	5.3
Total loans and capital lease liability	**1,086.2**	**194.3**
Less: current portion	(108.4)	(1.9)
Long-term portion of interest bearing debt	**977.8**	**192.4**

$ 1,121.9 million multicurrency term and revolving facility
On December 22, 2011 Archer entered into an amended and restated $ 1,121.9 million multicurrency term and revolving facility agreement adding two new banks to the syndicate. The purpose of the facility was to replace the existing $ 1,187.5 million term and revolving facility entered into August 22, 2011. The $ 1,178.5 million facility replaced the $550 million multicurrency term and revolving credit facility which comprised the $189 million balance as of December 31, 2010.

The facility is divided into two tranches. Tranche A, a revolving facility, is for $ 472.4 million, and Tranche B, a term loan, is for $ 649.5 million. The final maturity date of the tranches is November 11, 2015. The interest rate of the tranches is the aggregate of LIBOR, NIBOR or EURIBOR, plus between 2.25% and 3.25% per annum, depending on the net interest bearing debt to EBITDA, plus mandatory costs, if any. An annual installment of $ 100 million is payable in November each year, and the remaining is payable upon final maturity of the facility, if not refinanced.

The multicurrency term and revolving facility agreement is secured by pledges over shares in material subsidiaries, and assignment over intercompany debt, as well as by guarantees issued by the material subsidiaries. Archer's multicurrency term and revolving facility agreement contains certain financial covenants, including, among others:

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- The Company's total consolidated net interest bearing debt shall not exceed 3.5x twelve months rolling proforma EBITDA until December 31, 2011 and 3.0x thereafter
- The Company's minimum ratio of equity to total assets of at least 30.0%
- The Company is to maintain the higher of $ 30 million and 5% of interest bearing debt in freely available cash (including undrawn committed credit lines)

The multicurrency term and revolving facility agreement contains events of default which includes payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, insolvency, illegality, unenforceability, curtailment of business, claims against an obligor's assets, appropriation of an obligor's assets, failure to maintain exchange listing, material adverse effect, repudiation and material litigation.

As of December 31, 2011 the Company was in compliance with all of the covenants under its long-term facilities.

Allis-Chalmers senior notes
Archer has, through the acquisition of Allis-Chalmers, two senior notes outstanding. The first senior notes are due in January 15, 2014 and bear interest at 9.0%. Total outstanding of these notes are $ 97.7 million. The 2014 notes are recorded in the balance sheet at 101.6% of the total outstanding amount, which was the fair value at the time of the Allis-Chalmers acquisition. The second senior notes are due in March 1, 2017 and bear interest at 8.5%. Total outstanding of these notes are $ 186.1 million. The 2017 notes are recorded in the balance sheet at 106.1% of the total outstanding amount, which was the fair value at the time of the Allis-Chalmers acquisition.

During 2011, Allis-Chalmers repurchased a total of $ 19.8 million of its outstanding 2017 notes, and $ 126.8 million of its outstanding 2014 notes, in open market repurchases.

Any premiums of the booked value of the 2014 and 2017 notes, arising on the revaluation at the time of the merger and subsequent re-purchases are deferred and amortized as a reduction in the interest expenses over the course of the remaining lifetime of the notes.

These notes were all retired in March 2012 at a rate less than the fair value at the time of the Allis-Chalmers acquisition, with 2014 notes redeemed at 100% and the 2017 notes redeemed at 104.25%. The retirement of the notes was financed by a drawing on Archer's multicurrency term and revolving facility.

Capital leases
The Company has capital leases for properties rented for its well services segment. The leases commenced in 2007 and 2008 and have lease terms of 20 years with options for two five-year extensions. The aggregate monthly lease payments are $54,922 and provide for annual lease escalation based on increases in the consumer price index.

The Company leases certain equipment under a capital lease. The lease terms are 42 months at an aggregate monthly payment of $16,724. Ownership of the assets transfers at expiration of the lease but purchase of the assets, at a prescribed formula, can be accelerated at lessee's option at any time.

The Company leases certain equipment under a capital lease. The lease terms are 12 months at an aggregate monthly payment of $135,324. Ownership of the assets transfers at expiration of the lease.

The Company leases certain vehicles under a capital lease. The terms are 36 months at an aggregate monthly payment of $16,104.

Other debt
The Company also has two $50 million cash overdraft facilities available and letters of credit totaling $4.7 million outstanding at December 31, 2011.

The Company's outstanding debt as of December 31, 2011 is repayable as follows:

($ in millions)	
Year ending December 31	
2012	108.5
2013	105.2
2014	200.5
2015	474.5
2016	0.1
2017	197.4
Total debt	**1,086.2**

Note 14 – Other Current Liabilities

Other current liabilities are comprised of the following:

	DECEMBER 31	
($ in millions)	**2011**	**2010**
Accounts payable	143.1	22.4
Taxes payable	28.6	15.8
Employee withheld taxes, social security and vacation payment	57.8	45.0
Accrued expenses and prepaid income	85.1	51.3
Current portion of capital lease obligations	0.5	-
Other current liabilities	43.0	28.4
Total other current liabilities	**358.1**	**162.9**

Note 15 – Other Non-current Liabilities
Other non-current liabilities are comprised of the followings:

	DECEMBER 31	
($ in millions)	**2011**	**2010**
Accrued pension and early retirement obligation	57.5	35.7
Capital lease obligations, non-current	5.9	-
Other non-current liabilities	3.9	11.7
Total other non-current liabilities	**67.3**	**47.4**

Note 16 – Commitments and Contingencies
Purchase commitments
As of December 31, 2011 the Company has committed to purchase obligations in respect of capital expenditure amounting to $56.0 million, all of which is payable in 2012.

Guarantees
The Company has issued guarantees in favor of third parties as follows, which is the maximum potential future payment for each type of guarantee:

	DECEMBER 31	
($ in millions)	**2011**	**2010**
Guarantees to customers of the Company's own performance	30.8	31.5
Guarantee in favor of banks	4.7	0.5
Other guarantees	-	0.3
	35.5	**32.3**

Legal Proceedings
From time to time, the Company is involved in litigations, disputes and other legal proceedings arising in the normal course of their business.

We insure against the risks arising from these legal proceedings to the extent deemed prudent by our management and to the extent insurance is available, but no assurance can be given that the nature and amount of that insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain deductibles or self-insured retentions in amounts we deem prudent and for which we are responsible for payment. If there is a claim, dispute or pending litigation in which we believe a negative outcome is probable and a loss by the Company can be reasonably estimated, we record a liability for the expected loss but at this time any such expected loss are immaterial to our financial condition and results of operations. In addition we have certain claims, disputes and pending litigation in which we do not believe a negative outcome is probable or for which the loss cannot be reasonably estimated.

Shortly following the announcement of the Merger Agreement with Allis-Chalmers in August 2010 multiple stockholder class-action lawsuits were filed in Delaware and in Texas against various combinations of Allis-Chalmers, members of its board of directors and the Archer parties to the Merger Agreement. These lawsuits had challenged the Merger and generally alleged that Allis-Chalmers directors had breached their fiduciary duties owed to its public stockholders by approving the Merger and failing to take steps to maximize Allis-Chalmers value to its public stockholders. In February 2011 the Delaware court denied plaintiffs' request for an injunction and the Merger closed on February 23, 2011. After the Merger, the consolidated Delaware lawsuit was dismissed and now all of the Texas lawsuits have also been dismissed.

The Company is also named from time to time in legal proceedings related to activities that occurred prior to of one of our predecessor's bankruptcy

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in 1988 (Allis-Chalmers). However, we believe that we were discharged from liability for all such claims in the bankruptcy and believe the likelihood of a material loss relating to any such legal proceeding is remote.

The case of Cudd Pressure Control, Inc. vs. Great White Pressure Control, LLC, et al, one of our subsidiaries, pre-dates Archer's acquisition of the Great White group and is currently pending in Texas state district court. Plaintiff Cudd Pressure Control alleges several causes of action relating to Great White Pressure Control's employment of former Cudd employees. While the events relevant to the case date more than five years, the case remains in the discovery phase. Litigation is inherently uncertain and with the current case still in the discovery phase, management cannot determine the amount of loss, if any that might result.

A class action lawsuit was filed in Pennsylvania in 2010 against one of our subsidiaries alleging violations of the U.S. Fair Labor Standards Act (FLSA) relating to non-payment of overtime pay. The parties have agreed to a conditional certification of potential class members, and the case recently completed the opt-in period for potential class members. The case remains in the discovery phase with no set court date. However, management believes there is a reasonable probability of a negative outcome and have recorded an accrual of $996,000 in accordance with U.S. GAAP.

Two other similar class action lawsuits have been filed in Texas against two of our other subsidiaries, again alleging violations of the FLSA relating to non-payment of overtime pay. In the first of the two Texas cases, the court conditionally certified a class of potential class members on February 8, 2012 and set a deadline of April 17, 2012 for potential class members to opt-in. The second Texas case is in the very early stages. While we believe that a negative outcome is reasonably possible, for both cases, we cannot predict any such amounts with any degree of certainty at this time.

Other than the above, the Company is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

Note 17 – Share Capital

	DECEMBER 31			
	2011		2010	
	All shares are common shares of $2.00 par value each			
	SHARES	$ MILLION	SHARES	$ MILLION
Authorized share capital	600,000,000	1,200.0	600,000,000	1,200.0
Issued, outstanding and fully paid share capital	366,397,622	732.8	225,400,050	450.8

The Company's shares are traded on the Oslo Börs under the symbol "ARCHER.OL".

The Company was incorporated in 2007 and 50 ordinary shares were issued. In October 2007, the company also issued of 100,000,000 shares. In April 2008 there was an equity issue of 10,000,000 shares. There were no new shares issued in 2009. At December 31, 2009, there were 110,000,050 shares issued and outstanding.

In August 2010 the Company completed a private placement of 115.4 million shares.

On March 4, 2011, the Company issued a total of 97,071,710 common shares in connection with the merger with Allis-Chalmers.

On August 31, 2011, the Company issued 12.7 million new shares, following a Private Placement directed towards its two largest shareholders, Seadrill Limited, or Seadrill, and Lime Rock Partners V. L.P., or Lime Rock. Seadrill was allocated 10.8 million of the new shares while Lime Rock was allocated the remaining 1.9 million shares. The proceeds were used to partly finance the acquisition of Great White.

In August 2011, Archer completed a private placement of 30.0 million shares. The proceeds were used to partly finance the acquisition of Great White.

A total of 997,242 shares was issued during 2011 in relation to exercise of options, and a further 228,620 shares were issued in relation to settlement with dissenting shareholders from the merger with Allis-Chalmers.

Note 18 – Share Option Plans

Options on Archer shares:

Archer has granted options to senior management and directors of the Company that provide the employee with the right to subscribe for new shares. The options are not transferable and may be withdrawn upon termination of employment under certain conditions. Options granted under the scheme will vest at a date determined by the board of directors. The options granted under the plan to date vest over a period of one to five years.

As of December 31, 2011 there were five option programs: one in 2007, one in 2009 one in 2010 and two options programs which were acquired in and have been continued following the merger with Allis-Chalmers.

Accounting for share-based compensation

The fair value of the share options granted is recognized as personnel expenses. During 2011, $ 5.0 million has been expensed in the income statement ($ 0.7 million in 2010). There were no effects on taxes in the financial statements. If the option will be exercised social security related to the exercise will be expensed at the exercise date.

The following summarizes share option transactions related to the Archer Schemes in 2011 and 2010:

	2011		2010	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE NOK	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE NOK
Outstanding at beginning of year	6,507,000	14.79	6,147,000	13.76
Granted	5,575,000	34.00	460,000	19.30
Granted in respect of ALY merger	2,012,481	23.25	-	
Exercised	(997,242)	16.26	-	
Forfeited	(284,667)	23.21	(100,000)	10.00
Outstanding at end of year	**12,812,572**	19.75	**6,507,000**	14.79
Exercisable at end of year	6,548,900	17.89	3,398,000	15.16

$ 4.9 million was received in 2011 as a result of share options being exercised ($0 in 2010).

Options issued under the 2007 Program may be exercised up to October 5, 2012. The exercise price is initially NOK 13.75 per share increasing by 6 percent per anniversary. Options issued under the 2007 Program may be exercised by one third per year, first time on January 1, 2009. At December 31. 2011 a total of 3,200,667 option were outstanding and exercisable under the 2007 Program.

Options issued in 2009 may be exercised up to December 31, 2015. The exercise price is between NOK 10 and NOK 12 per share, and may be exercised one third each year beginning twelve months after they where granted. At December 31, 2011 a total of 1,930,000 options were outstanding under the 2009 Program, of which two thirds were exercisable.

Options issued under the 2010 program have exercise prices between NOK 18 and NOK 36. They may be exercised by one third or one fifth each year beginning 12 months after they were granted, and expire between December 31, 2015 and February 28, 2017. Subsequent to December 31, 2011, 4.3 million of the 5.6 million of options granted in 2011 at NOK 34 were repriced to NOK 20. At December 31, 2011 5,742,000 options under the 2010 Program were outstanding and approximately 2.2% were exercisable.

Options issued under the Allis-Chalmers 2003 Program have exercise prices between NOK 6.03 and NOK 72.26. At December 31, 2011 all 787,068 outstanding options under the Allis-Chalmers 2003 Program were exercisable.

Options issued under the Allis-Chalmers 2006 Program have exercise prices between NOK 18.48 and NOK 19.22. At December 31, 2011 all 1,152,837 options outstanding under the Allis-Chalmers 2006 Program were exercisable.

The weighted average grant-date fair value of options granted during 2011 is NOK 14.01 per share (2010: NOK 7.56 per share per share)

As of December 31, 2011 total unrecognized compensation costs related to all unvested share-based awards totalled NOK 44.7 million, which is expected to be recognized as expenses in 2012, 2013, 2014, 2015 and 2016 by, NOK 17.3 million, NOK 13.4 million, NOK 8.7 million, NOK 5.0 million and NOK 0.3 million, respectively.

The weighted average remaining contractual life of outstanding options are 45 months (2010: 36 months) and their weighted average fair value was NOK 9.29 per option (2010: NOK 4.56 per option).

The Company will pay employers' national insurance contributions related to the options, while the option holders will be charged for the individual income taxes.

When stock options are exercised the Company intends to settle the obligation by issuing new shares.

Valuation:

Archer uses the Black-Scholes pricing model to value stock options granted. The fair value of options granted is determined based on the expected term, risk-free interest rate, dividend yield and expected volatility. The expected term is based on historical information of past employee behavior regarding exercises and forfeiture of options. The risk-free interest rate assumption is based upon the published Norwegian treasury yield curve in effect at the time of grant for instruments with a similar life. The dividend yield assumption is based on Archer's history and expectation of dividend payouts.

The Company uses a blended volatility for the volatility assumption, to reflect the expectation of how the share price will react to the future cyclicality of the

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Company's industry. The blended volatility is calculated using two components. The first component is derived from volatility computed from historical data for a period of time approximately equal to the expected term of the stock option, starting from the date of grant. The second component is the implied volatility derived from the Company's "at-the-money" long-term call options. The two components are equally weighted to create a blended volatility.

The parameters used in calculating these weighted fair values are as follows:
- average risk-free interest rate 2.8% (2010: 4.8%);
- volatility 50% (2010: 38.7 %);
- dividend yield 0% (2010: 0%);
- option holder retirement rate 10% (2010: 10%) and
- expected term 3.89 years (2010: 5.62 years)

Note 19 - Pension Benefits
Defined benefits plan
The Company has a defined benefit pension plan covering substantially all Norwegian employees as of December 31, 2011. A significant part of this plan is administered by a life insurance company.

The primary benefits for the onshore employees in Norway are a retirement pension of approximately 66 percent of salary at retirement age of 67 years, together with a long-term disability pension. The retirement pension per employee is capped at an annual payment of 66 percent of the total of 12 times the Norwegian Social Security Base. Most employees in this group may choose to retire at 62 years of age on a pre-retirement pension. Offshore employees in Norway have retirement and long-term disability pension of approximately 60 percent of salary at retirement age of 67. Offshore employees on fixed installations have the same pre-retirement pension, but the employees may not retire until they are 62 years of age.

The pension obligations were originally transferred from the Seadrill group to the Seawell group in connection with the spin-off and transfer of Seadrill Well Service companies from Seadrill in 2007. One pension contract was split between Seadrill and Seawell, as only some of the participants in the pension contract were transferred to Seawell. The obligations related to retired persons as of October 1, 2007 participating in this contract were not transferred and are a Seadrill obligation.

Annual pension cost

($ in millions)	2011	2010
Benefits earned during the year	11.6	8.3
Interest cost on prior years' benefit obligation	4.3	3.7
Gross pension cost for the year	**15.9**	**12.0**
Expected return on plan assets	(3.6)	(3.1)
Administration charges	0.3	0.2
Net pension cost for the year	**12.6**	**9.1**
Social security cost	1.8	1.3
Amortization of actuarial gains/losses	0.1	-
Amortization of prior service cost	0.3	(1.8)
Amortization of net transition assets	-	(1.1)
Total net pension cost	**14.8**	**7.5**

The funded status of the defined benefit plan

	DECEMBER 31	
($ in millions)	2011	2010
Projected benefit obligations	125.5	90.0
Plan assets at market value	(75.1)	(58.7)
Accrued pension liability exclusive social security	**50.4**	**31.3**
Social security related to pension obligations	7.1	4.4
Accrued pension liabilities	**57.5**	**35.7**

Change in benefit obligations

	DECEMBER 31	
($ in millions)	2011	2010
Benefit obligations at beginning of year	90.0	73.2
Interest cost	4.3	3.7
Current service cost	11.6	8.3
Acquisitions	0.3	(1.5)
Benefits paid	(1.2)	(0.9)
Change in unrecognized actuarial gain	25.5	8.0
Translation adjustments	(4.9)	(0.8)
Benefit obligations at end of year	**125.6**	**90.0**

Change in pension plan assets

	DECEMBER 31	
($ in millions)	2011	2010
Fair value of plan assets at beginning of year	58.8	54.3
Estimated return	3.6	3.1
Contribution by employer	11.0	7.3
Administration charges	(0.3)	(0.2)
Benefits paid	(0.5)	(0.4)
Change in unrecognized actuarial gain	5.3	(4.5)
Translation adjustments	(2.7)	(0.8)
Fair value of plan assets at end of year	**75.2**	**58.8**

Pension obligations are actuarially determined and are affected by assumptions including expected return on plan assets, discount rates, compensation increases and employee turnover rates. The Company evaluates the assumptions periodically and makes adjustments to these assumptions and the recorded liabilities as necessary.

Two of the most critical assumptions used in calculating the Company's pension expense and liabilities are the expected rate of return on plan assets and the assumed discount rate. The Company evaluates assumptions regarding the estimated rate of return on plan assets based on historical experience and future expectations on investment returns, which are calculated by a third party investment advisor utilizing the asset allocation classes held by the plan's portfolios. In determining the discount rate Seawell utilized the Norwegian government 10 year-bond effective yield plus 0.3-0.5 percent. Changes in these and other assumptions used in the actuarial computations could impact the projected benefit obligations, pension liabilities, pension expense and other comprehensive income.

Assumptions used in calculation of pension obligations

	2011	2010
Rate of compensation increase at the end of year	3.50%	4.00%
Discount rate at the end of year	3.80%	4.60%
Prescribed pension index factor	2.50%	2.50%
Expected return on plan assets for the year	4.10%	5.40%
Turnover	4.00%	4.00%
Expected increases in Social Security Base	3.25%	3.75%
Expected annual early retirement from age 60/62:		
Offshore personnel fixed installations	30.0%	30.0%
Offshore personnel and onshore employees	50.0%	50.0%

The asset allocation of funds related to the Company's defined benefit plan was as follows:

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Pension benefit plan assets

	DECEMBER 31	
	2011	2010
Equity securities	19.5%	15.6%
Debt securities	47.2%	49.1%
Real estate	17.0%	16.1%
Money market	13.3%	13.2%
Other	3.0%	6.0%
Total	**100.0%**	**100.0%**

The investment policies and strategies for the pension benefit plan funds do not use target allocations for the individual asset categories. The investment objectives are to maximize returns subject to specific risk management policies. The Company addresses diversification by the use of domestic and international fixed income securities and domestic and international equity securities. These investments are readily marketable and can be sold to fund benefit payment obligations as they become payable. The estimated yearly return on pension assets was 4.1 percent in 2011. (5.4 percent in 2010).

Cash flows - Benefits expected to be paid
The table below shows the Company's expected annual pension plan payments under defined benefit plans for the years 2012-2021. The expected payments are based on the assumptions used to measure the Company's obligations at December 31, 2011 and include estimated future employee services.

($ in millions)	
2012	12.4
2013	13.3
2014	14.6
2015	15.8
2016	14.6
2017-2021	105.7
Total payments expected during the next 10 years	**176.4**

Defined Contributions Plans
The Company contributes to a private contributory defined contribution pension plan, for the UK based employees, which is administered by a private pensions broker on behalf of the Company. Eligible employees may contribute a minimum of 2% of their salary to the scheme, and the Company contributes between 5% and 7.5% to participants' plans. In 2011 Archer contributed $0.5 million (2010:$0.4 million) to the plan.

The Company also contributes to the 401(k) Profit Sharing Plan adopted for the US employees. The plan is a defined contribution savings plans designed to provide retirement income to eligible employees. It is funded by voluntary pre-tax contributions from employees up to statutory limits based on percentage of salary. The Company funds the plans with matching contributions. In 2011 Archer has contributed $2.1 million to 401(k) plans for its employees. In 2010 Archer contributions totalled $0.3 million. The increase in 2011 compared to 2010, results from the expansion in US operations following the acquisitions of Allis-Chalmers and Great White.

Note 20 – Related Party Transactions
The Company transacts business with the following related parties, being companies in which our parent company's principal shareholders Hemen Holding Ltd and Farahead Investments Inc (hereafter jointly referred to as "Hemen") and companies associated with Hemen have a significant interest:

- Seadrill Limited ("Seadrill")
- Frontline Management (Bermuda) Limited ("Frontline")
- North Atlantic Drilling Ltd ("NADL")

The Company was established at the end of the third quarter of 2007 as a spin-off of Seadrill's Well Service division. The Company acquired the shares in the Seadrill Well Service division entities on October 1, 2007. The consideration for the shares was $ 449.1 million. The acquisition has been accounted for as a common control transaction with the asset and liabilities acquired recorded by the Company at historical carrying value of Seadrill. The excess of consideration of the net asset and liabilities acquired has been recorded as adjustment to equity of $ 205.1 million.

Some of the Company's senior management and directors also have options in Seadrill. The option agreement provides the option holder with the right to subscribe for new shares in Seadrill. The fair value of these options is recognized as personnel expenses in the Company's financial statements and amounted to $0.1 million in both the years ended December 31, 2011 and 2010.
Seadrill Management AS, a company within the Seadrill Group has not charged the Company a fee for services during 2011. In 2010 the Company was

invoiced $ 0.5 million for management support and administrative services. Frontline provides management support and administrative services for the Company, and charged the Company fees of $ 0.7 million for these services in the twelve months ended December 31, 2011 and $ 0.3 million for the twelve months ended December 31, 2010. These amounts are included in "General and administrative expenses" in the Consolidated Statement of Operations.

The Company also supplied Seadrill with engineering services amounting to $ 8.0 million including reimbursable material for the year to date ending December 31, 2011 ($ 3.6 million in 2010). This amount has been included in operating revenue.

In order to secure timely delivery and earlier tradability of the 30.0 million shares that were to be issued, in the private placing at NOK 30 a share on the August 31, 2011, Archer borrowed shares from Seadrill pursuant to a share lending agreement.

As of December 31, 2010 $ 0.5 million of the current liabilities stated in the balance sheet is related to short term loans to Seadrill. The interest rate on these loans was three month LIBOR plus 1.25% margin. These loans have been repaid in 2011. No interest was accrued during 2011 on these loans. $ 0.7 million interest was recorded in the twelve months ended December 31, 2010.

The Company also supplied NADL with engineering services amounting to $ 1.1 million including reimbursable material for the year to date ending December 31, 2011. This amount has been included in operating revenue. There were no transactions with NADL in 2010.

The Company also transacts business with the following related parties, being companies in which some of Archer's directors may be deemed to indirectly beneficially own 50% of, or control:

- Pan American Energy, or PAE
- BEUSA Energy, Inc, or BEUSA

One of our largest customers is PAE, which is a joint venture by Bridas Corporation and CNOC International Limited. One of Archer's directors, Alejandro P. Bulgheroni, indirectly beneficially owns 50% of the share of the Bridas Corporation and is a member of the management committee of PAE. Since the merger of Allis-Chalmers, PAE represented 14.7% of our consolidated revenues for the year ended December 31, 2011. At December 31, 2011, the Company had trade receivables and other receivables with PAE of $55.5 million.

In the twelve months ended December 31, 2011 we derived revenue of approximately $3.7 million from BEUSA, a company controlled by Alejandro P. Bulgheroni. At December 31, 2011 we had trade receivables from BEUSA of approximately $0.5 million.

The relationships with PAE and BEUSA arose from the merger with Allis-Chalmers. Archer therefore had no transactions with these related parties in 2010.

Note 21 – Reporting and Geographical Segment Information
Up to and including 2011, the Company had two segments, drilling services and well services. The split of our organization and aggregation of our business into two segments was based on differences in management structure and reporting, economic characteristics, customer base, asset class and contract structure. Although the Company's segments are generally influenced by the same economic factors, each represents a distinct service to the oil and gas industry. There have not been any intersegment sales during the periods presented. Segment results are evaluated based on operating income. The accounting principles for the segments are the same as for the Company's consolidated financial statements. Indirect general and administrative expenses are allocated to each segment based on estimated use.

- Drilling Services: The Company performs platform drilling, modular rig activities, land drilling, horizontal and directional drilling, drill bits and drilling and completion fluids, tubular services, under balanced services, rentals, and engineering services on several fixed installations in North and South America and in the North Sea; and
- Well Services: The Company performs wireline intervention, wireline logging, coiled tubing, completion services and pressure control, pressure pumping, fishing and specialist intervention, frac valves, cementing tools, and plugs and packers.

Following the significant expansion of the business in 2011, the management structure of the group has been reorganized in 2012 with focus on four geographic and strategic areas: North America, Latin America, North Sea and Emerging Markets and Technologies. The new structure will increase our operational focus and consolidate activities by geographical areas. The new reorganization will take effect from January 1, 2012.

The following segmental information reflects the two reporting segments as they existed as at December 31, 2011.

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($ in millions)	FOR THE YEARS ENDED DECEMBER 31	
	2011	2010
Revenues from external customers		
Drilling Services	1,381.6	593.9
Well Services	473.0	124.8
Total	**1,854.6**	**718.7**
Depreciation and amortization		
Drilling Services	91.7	8.9
Well Services	55.4	13.7
Total	**147.1**	**22.6**
Operating income (loss) - net income (loss)		
Drilling Services	(41.1)	46.9
Well Services	45.3	17.0
Stock compensation costs	(4.9)	-
Merger and acquisition costs	(15.2)	-
Operating income / (loss)	**(15.9)**	**63.9**
Total financial items	(46.6)	(36.3)
Income taxes	(14.5)	(15.3)
Net (loss) / income attributable to the parent	**(77.0)**	**12.3**
Capital expenditures - fixed assets		
Drilling Services	114.8	16.5
Well Services	51.4	11.3
Total	**166.2**	**27.8**

($ in millions)	AS OF DECEMBER 31	
	2011	2010
Total assets		
Drilling Services	1,421.7	453.3
Well Services	1,393.0	522.0
Total	**2,814.7**	**975.3**

Goodwill

($ in millions)	DRILLING SERVICES	WELL SERVICES	TOTAL
Balance at December 31, 2009	**137.6**	**138.2**	**275.8**
Acquisitions	4.6	79.5	84.1
Changes to goodwill	-	0.6	0.6
Exchange rate fluctuations on goodwill measured in foreign currency	(2.8)	(1.3)	(4.1)
Balance at December 31, 2010	**139.4**	**217.0**	**356.4**
Acquisitions	239.6	404.8	644.4
Changes to goodwill	-	1.6	1.6
Impairment	(99.0)	-	(99.0)
Exchange rate fluctuations on goodwill measured in foreign currency	(3.4)	(1.1)	(4.5)
Balance at December 31, 2011	**276.6**	**622.3**	**898.9**

Geographic information by country

($ in millions)	FOR THE YEARS ENDED DECEMBER 31	
	2011	2010
Revenue		
Norway	641.2	531.1
United States	605.0	-
Argentina	359.2	-
United Kingdom	134.0	139.3
Other	115.2	48.3
Total	**1,854.6**	**718.7**

Property plant and equipment

($ in millions)	AS OF DECEMBER 31	
	2011	2010
United States	603.7	45.7
Argentina	170.1	-
Norway	67.0	62.5
Brazil	85.6	1.4
Other	117.7	32.7
Total	**1,044.1**	**142.3**

Note 22 - Risk Management and Financial Instruments

The company's reporting currency is US Dollars. The Company has operations and assets in a number of countries worldwide, and receives revenues and incurs expenditure in other currencies, causing its results from operations to be affected by fluctuations in currency exchange rates, primarily relative to the Norwegian krone and British pounds. The Company is also exposed to changes in interest rates on variable interest rate debt, and to the impact of changes in currency exchange rates on debt denominated in Norwegian krone, Euros and British pounds. There is thus a risk that currency and interest rate fluctuations will have a negative effect on the value of the Company's cash flows.

Interest rate risk management

The Company's exposure to interest rate risk relates mainly to its variable interest rate debt and balances of surplus funds placed with financial institutions, and this is managed through the use of interest rate swaps and other derivative arrangements. The Company's policy is to obtain the most favorable interest rate borrowings available without increasing its foreign currency exposure. Surplus funds are generally placed in fixed deposits with reputable financial institutions, yielding higher returns than are available on cash at bank. Such deposits generally have short-term maturities, in order to provide the Company with flexibility to meet requirements for working capital and capital investments.

The extent to which the Company utilizes interest rate swaps and other derivatives to manage its interest rate risk is determined by reference to its net debt exposure and its views regarding future interest rates. At December 31, 2011 the Company had outstanding interest rate swap agreements covering

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NOK 490 million of its NOK interest bearing debt (2010: NOK 715 million), effectively fixing the interest rate on approximately 8% of the debt (2010: 63%). These agreements qualify for hedge accounting, and accordingly any changes in the fair values of the swap agreements are included in the Consolidated Balance Sheet under "Other Comprehensive Income". The total fair value gain relating to interest rate swaps in 2011 amounted to $ 0.7 million.

Any change in fair value resulting from hedge ineffectiveness is recognized immediately in earnings. The Company recognized a $ 0.6 million loss related to the interest swap agreement prior to the start up of the hedging period. Other then this, the Company has not recognized any gain or loss due to hedge ineffectiveness in the consolidated financial statements during the year ended December 31, 2011.

The Company's interest rate swap agreement as at December 31 2011, was as follows:

NOTIONAL AMOUNT	RECEIVE RATE	PAY RATE	LENGTH OF CONTRACT
(NOK in millions)			
490	3 month NIBOR	3.355%	April 30, 2009 - October 31, 2012

The counterparties to the above contract are Fokus Bank. Credit risk exists to the extent that the counterpar-ties are unable to perform under the contracts, but this risk is considered remote as the counterparties are all banks which have provided the Company with loan finance and the interest rate swaps are related to those financing arrangements.

Foreign currency risk management
The Company is exposed to foreign currency exchange movements in both transactions that are denominated in currency other than usd, and in translating consolidated subsidiaries who do not have a functional currency of usd, which is the reporting currency for the Company. Transaction losses are recognized in Other Financial Items in the period to which they relate. Translation differences are recognized as a component of equity. The total transaction loss relating to foreign exchange movements recognized in the consolidated statement of operations in 2011 amounted to $ 17.5 million (2010: 14.7 million).

Credit risk management
The Company has financial assets, including cash and cash equivalents, other receivables and certain amounts receivable on derivative instruments, mainly interest rate swaps. These assets expose the Company to credit risk arising from possible default by the counterparty. The Company considers the counterparties to be creditworthy financial institutions and does not expect any significant loss to result from non-performance by such counterparties. The Company, in the normal course of business, does not demand collateral. The credit exposure of interest rate swap agreements is represented by the fair value of contracts with a positive fair value at the end of each period, reduced by the effects of master netting agreements. It is the Company's policy to enter into master netting agreements with the counterparties to derivative financial instrument contracts, which give the Company the legal right to discharge all or a portion of amounts owed to a counterparty by offsetting them against amounts that the counterparty owes to the Company.

Fair values
The carrying value and estimated fair value of the Company's financial instruments at December 31, 2011 and December 31, 2010 are as follows:

($ in millions)	DECEMBER 31			
	2011		2010	
	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE
Non-Derivatives				
Cash and cash equivalents	37.3	37.3	174.4	174.4
Restricted cash	13.3	13.3	12.2	12.2
Current portion of long term floating rate debt	108.4	108.4	1.9	1.9
Long term interest bearing debt	963.9	977.8	192.4	192.4
Interest rate swap agreement – long term liability	1.2	1.2	1.9	1.9

The above financial assets and liabilities are measured at fair value on a recurring basis as follows:

($ in millions)	DECEMBER 31 2011	FAIR VALUE MEASUREMENTS AT REPORTING DATE USING: QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Assets:				
Cash and cash equivalents	37.3	37.3	-	-
Restricted cash	13.3	13.3	-	-
Liabilities:				
Allis-Chalmers 2014 note	96.3	96.3	-	-
Allis-Chalmers 2017 note	186.5	186.5	-	-
$1,121.9 million multicurrency term revolving facility	774.1	-	774.1	-
Other loans and capital leases, excluding current portion	15.4	-	15.4	-
Interest rate swap contacts – short term payables	1.2	-	1.2	-

Level 1: Quoted prices in active markets for identical assets
Level 2: Significant other observable inputs
Level 3: Significant unobservable inputs

The Company has used a variety of methods and assumptions, which are based on market conditions and risks existing at the time, to estimate the fair value of the Company's financial instruments as of December 31, 2011 and 2010. For certain instruments, including cash and cash equivalents, receivables and accounts payable, it is assumed that the carrying amount approximated fair value due to the short-term maturity of those instruments.

The fair value of the current portion of long-term debt is estimated to be equal to the carrying value, since it is repayable within twelve months. The fair value of the 2014 and 2017 notes are based on the last trading prices of the notes in December 2011.

The fair value of the long-term portion of floating rate debt is estimated to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis. This debt is not freely tradable and cannot be purchased by the Company at prices other than the outstanding balance plus accrued interest.

The fair values of interest rate swaps are calculated using well-established independent market valuation techniques applied to contracted cash flows and NIBOR interest rates as at December 31, 2011 and 2010.

Retained risk
The Company retains the risk, through self-insurance, for the deductibles relating to physical damage insurance on the Company's capital equipment, currently a maximum of $ 1.0 million per occurrence. In the opinion of management, adequate provisions have been made in relation to such exposures, based on known and estimated losses.

Concentration of risk
The following table summarizes revenues from major customers as a percentage of total revenues (revenues in excess of 10 percent for the period):

CUSTOMER	2011	2010
StatoilHydro	19%	46%
Pan American Energy	15%	-
ConocoPhillips	10%	16%
Customer <10%	56%	38%
Total	**100%**	**100%**

Figures in the table are total operating revenues, and include reimbursables.

Note 23 – Lease Obligations

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Operating leases
The Company has signed operating leases for certain premises, office equipment and operating equipment. The most significant lease agreements are related to offices in the United States, Norway and United Kingdom. Rental expenses amounted to $ 11.0 in 2011 ($ 8.6 million for 2010).

Estimated future minimum rental payments are as follows:

YEAR	AMOUNT ($ IN MILLIONS)
2012	10.9
2013	10.8
2014	10.2
2015	9.1
2016	8.6
Thereafter	18.7
Total	**68.3**

Note 24 – Subsequent Events
Subsequent events have been incorporated to related notes where appropriate. Other subsequent events are disclosed in this note .

Archer and the lenders of the multicurrency term and revolving facility agreed on April 25, 2012 that for the quarters ending March 31, June 30 and September 30, 2012, the ratio of Net Interest Bearing Debt to EBITDA for the Group (on a consolidated basis) shall not exceed 3.50. From the quarters ending December 31, 2012 and thereafter, the ratio of Net Interest Bearing Debt to EBITDA for the Group (on a consolidated basis) shall not exceed 3.00. The margin has been amended to be between 2.25% and 3.75% per annum, depending on the net interest bearing debt to EBITDA, plus mandatory costs, if any.

Note 25 – Supplemental Pro Forma Data (Unaudited)
The unaudited pro forma statement of operations data below gives effect to the acquisitions of Great White and Allis-Chalmers, both acquired during 2011 and Gray Wireline acquired in 2010, as if all acquisitions had occurred at the beginning of 2010. The following data includes the amortization of purchased intangible assets. This pro forma data is presented for informational purposes only and does not purport to be indicative of the results of future operations or of the results that would have occurred had the acquisitions taken place at the beginning of 2010.

(In millions of $s)	YEAR ENDED DECEMBER 31	
	2011	2010
Pro forma net revenue	2,223.7	1,681.1
Pro forma net (loss)	(72.6)	(119.1)

Appendices

Appendix A
Corporate governance

The Norwegian Code of Practice for Corporate Governance (the "Code") applies to the Company to the extent that the provisions of this code do not conflict with the legislation of its national jurisdiction. The Code is a "comply or explain" guideline and the Company generally aims at complying with the recommendations of the Code. However, the Company will to some extent deviate from certain recommendations of the Code, partly due to different practice and principles under which Bermuda companies operate. The status of non-compliance and the explanations therefore is set out below.

The Code is available in its entirety at the Oslo Stock Exchange website (www.ose.no) and the website of The Norwegian Corporate Governance Board (www.nues.no).

Section 1
The Board has reviewed its corporate governance for the financial year 2011 and, in line with the Code, it will cover the compliance with each section of the code below.

Section 2
In accordance with normal practice for Bermuda companies, the Company's bye-laws do not include a specific description of the Company's business. According to the memorandum of association, no restrictions apply as to the purpose of the company and the reasons for its incorporation. As a Bermuda incorporated company, the Company has chosen to establish the constitutional framework in compliance with the normal practice of Bermuda and accordingly deviate from section 2 of the Code.

Section 3
The Company's equity capital is at a level appropriate to its objectives, strategy, and risk profile. In accordance with Bermuda law, the Board is authorised to repurchase treasury shares, and to issue any unissued shares within the limits of the authorised share capital. These authorities are neither limited to specific purposes nor to a specific period as recommended in section 3 of the Code. While the Company aims at providing competitive long-term return on the investments for its shareholders, it does not currently have a formal dividend policy.

Section 4
In accordance with the company laws of Bermuda, the shareholders can resolve an amount of authorised capital within which the Board may decide to increase the issued capital at its discretion without further shareholder approval. There is no legal framework providing for specific time limited or purpose limited authorisations to increase the share capital. The Board will propose to the shareholders that they consider and, if necessary, resolve to increase the authorised capital of the Company that will allow the Board some flexibility to increase the number of issued shares without further shareholder approval. As such, the Company may deviate from the Code's recommendation in section 4 to limit such authorisation to 10% of the issued share capital. Any increase of the authorized capital is, however, subject to approval by the shareholders by 2/3 majority of the votes cast. Neither the Company's bye-laws nor Bermuda company laws include regulation of pre-emptive rights for shareholders in connection with share capital increases. The Company's bye-laws provide for the Board in its sole discretion to direct a share issue to existing shareholders at par value or at a premium price.

Section 5
The Company is subject to the general principle of equal treatment of shareholders under the Norwegian Securities Trading Act section 5-14. The Board will in connection with any future share issues on a case-by-case basis evaluate whether deviation from the principle of equal treatment is justified. The Board will consider and determine on a case-by-case basis whether independent third party evaluations are required if entering into agreements with close associates in accordance with the Code section 5. The Board may decide, however, due to the specific agreement or transaction, to deviate from this recommendation if the interests of the shareholders in general are believed to be maintained in a satisfactory manner through other measures.

Section 6
As a Bermuda registered Company, the general meetings of the Company can be conducted through proxy voting. The VPS registered shareholders are holders of interests in the shares and thus represented by the VPS Registrar in the general meetings and not through their own physical presence. This is in line with the general practise of other non-Norwegian companies listed on Oslo Børs. The Company complies in all other respects with the recommendations for general meetings as set out in of the Code.

Section 7
The Company has not established a nomination and remuneration committee as recommended by the Code section 7. In lieu of a nomination committee comprised of independent directors, the Board is responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees.

Section 8
The Chairman of our eight-member board has been elected by the Board and not by the shareholders as recommended in the Code. This is in compliance with normal procedures under Bermuda law. The Company is not fully in compliance with section 8 with respect to independence of board members. The Code recommends that the board should not include executive personnel and that the majority of the shareholder-elected board members should be independent of the company's executive personnel and material business contacts. The Code also recommends that at least two of the members of the board should be independent of the company's main shareholders. Fredrik Halvorsen, a director since October 2010, currently serves as the Company's interim Chief Executive Officer. No other executive also serves as a director. Four of our eight directors, Alejandro P. Bulgheroni, Giovanni Dell' Orto, Cecilie Fredriksen, and Fredrik Halvorsen are independent of the Company's two largest shareholders, Lime Rock Partners and Seadrill. Two of our directors, Tor Olav Trøim and Kate Blankenship, may be deemed affiliated, under the Code, with our largest shareholder, Seadrill. Our chairman Saad Bargach and director John Reynolds are affiliated with our second largest shareholder, Lime Rock Partners. The Company accordingly deviates from the Code section 8.

Section 9
The Board annually sets a plan for its work in December for the following year which includes a review of strategy, objectives and their implementation, the review and approval of the annual budget and review and monitoring of the Company's current year financial performance. The Board meets at least four times a year, with further meetings being held as required to react to operational or strategic changes in the market and company circumstances. The board receives frequent and relevant information to carry out its duties. It has delegated authority to the Management by the means of a delegation of authority guideline. The board has established an HSE committee, which reviews the Company's performance related to health, safety and environment. It has also established an audit committee, which reviews the financial information and confirms to the board that it has been prepared in line with the adopted accounting policies.

The Company's Board acknowledges its responsibility for the Company's system of internal control and for reviewing its effectiveness. The Company's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

Section 10
The Board has established an audit committee, which has formal charter and terms of reference approved by the Board. The audit committee, which is comprised of two directors, Kate Blankenship and John Reynolds, is responsible for ensuring that Archer has an independent and effective internal and external audit system. The audit committee supports the Board in the administration and exercise of its responsibility for supervisory oversight of financial reporting and internal control matters and to maintaining appropriate relationships with the Company's auditors. Appointment of the auditor for audit services is approved at the Company's annual general meeting and the Board is given authority to approve the fees to be paid to the auditor. The Company's auditor meets the audit committee annually regarding the preparation of the annual accounts and also to present their report on the internal control procedures. The audit committee holds separate discussions with the Company's external auditor on a quarterly basis without executive management being present. The scope, resources, and the level of fees proposed by the external auditor in relation to Archer's audit are approved by the audit committee.

The Company has in place clearly defined lines of responsibility and limits of delegated authority. Comprehensive procedures provide for the appraisal, approval, control and review of expenditures. The senior management team meets with its geographic and divisional leadership on a regular basis to discuss particular issues affecting each region and business unit, including their key risks, health and safety statistics and legal and financial matters.

Section 11
There is no obligation to present the guidelines for remuneration of the board of directors to the shareholders of a Bermuda incorporated company. The Company will provide information to its shareholders regarding remuneration of the Board in compliance with US GAAP, but will not implement procedures that are not generally applied under Bermuda law. The Company thus deviates from this part of section 11 of the Code. For 2011, remuneration to directors was $75,000 per director. There are no service contracts between the Company and any of our directors providing for benefits upon termination of their service.

Section 12
There is no obligation to present the guidelines for remuneration of the executive management to the shareholders of a Bermuda incorporated company. The Company provides information to its shareholders regarding remuneration of the executive management in compliance with US GAAP, but will not implement procedures that are not generally applied under Bermuda law. In the view of the Company there is sufficient transparency and simplicity in the remuneration structure that the information provided through the annual report and accounts are sufficient to keep shareholders adequately informed. The Company thus deviates from this part of section 12 of the Code.

Section 13
The Board of Directors has established guidelines requiring the Company to report interim financial information on a quarterly basis according to a financial calendar that is publically available. It has also asked the Company to hold a quarterly financial results conference call, which is accessible to all participants in the securities market. Timing and venue for such events are announced through public press releases. For specific events the Board of Directors asks the Company to hold investor meetings allowing for more detailed information. The information shared in such meetings are published on the Company's investor relations website.

Section 14
The Board of Directors has adopted all recommendation related to take-overs, which requires that all shareholders are given sufficient information and time to form an independent view of a potential take over offer.

Norwegian Accounting Act Section 3-3 b
In addition to the Norwegian Code of Practice for Corporate Governance, the Norwegian Accounting Act has set out additional requirements for corporate governance. The Company has established a set of guidelines related to internal control and corporate governance.

Risk Oversight
It is management's responsibility to manage risk and bring the most material risks to the Company to the attention of the Board of Directors. The Board of Directors has delegated to the Audit Committee the responsibility to discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures, including the Company's risk assessment and risk management policies. The Audit Committee reports as appropriate to the full Board. Each operational division head is responsible to report risks related to each segment to the chief executive officer, who in turn reports to the Board.

Appendix A
Corporate governance

Internal control
Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with United States generally accepted accounting principles. Our control environment is the foundation for our system of internal control over financial reporting and is an integral part of our Code of Business Ethics and Conduct for the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, which sets the tone of our company. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Audit committee
The Audit Committee currently consists of two directors, Kate Blankenship and John Reynolds. The Audit Committee assists our Board of Directors in fulfilling its oversight responsibility by overseeing and evaluating (i) the conduct of our accounting and financial reporting process and the integrity of our financial statements; (ii) the functioning of our systems of internal accounting and financial controls; (iii) the performance and independence of our internal audit function and (iv) the engagement, compensation, performance, qualifications and independence of our independent auditors.

The independent auditors have unrestricted access and report directly to the Audit Committee. The Audit Committee meets privately with, and has unrestricted access to, the independent auditors and all of our personnel.

Compensation committee
The Compensation Committee currently consists of three directors, Tor Olav Troim, Fredrik Halvorson and Saad Bargach. The Compensation Committee formulates and oversees the execution of our compensation strategies, including making recommendations to our Board of Directors with respect to compensation arrangements for senior management, directors and other key employees. The Compensation Committee also administers our stock compensation plans.

Health, Safety and Environment Committee
The Health, Safety and Environment Committee currently consists of two directors, Alejandro P. Bulgheroni and Gianni del Orto. The Health, Safety and Environmental Committee directs management to conduct the Company's business with no accidents, injuries or losses in an environmental sustainable manner. The committee reviews material incidents and discusses appropriate actions to mitigate future occurrences.

Communications with the Board of Directors
Stockholders and other interested parties wishing to communicate with the Board of Directors, the non-management directors or any individual director, including the presiding director, should send any communication to Corporate Secretary, Archer Well Limited, 10613 W Sam Houston Parkway N, Suite 600, Houston, Texas 77064. Any such communication must state the number of shares beneficially owned by the stockholder making the communication. The Corporate Secretary will forward such communication to the director or directors to whom the communication is directed, unless the Corporate Secretary determines that the communication does not relate to the business or affairs of the Company or the functioning or constitution of the Board of Directors or any of its committees, relates to routine or insignificant matters that do not warrant the attention of the Board of Directors, is an advertisement or other commercial solicitation or communication, is frivolous or offensive, or is otherwise not appropriate for delivery to directors.

Communication from the Company
Information of relevance to the Company's share price is communicated through the Company's website, and includes information relating to results and economic development. The Company's policy is to comply with all applicable standards aimed at securing a good information flow.

Archer Limited publishes annual and quarterly reports at its website. The Company acknowledges the importance of providing shareholders, and the equity market in general, with correct and relevant information about the Company and its activities.

Related party transaction approval policy
Our Board of Directors has adopted a written policy relating to the approval of transactions with related persons. For purposes of this policy, a related person transaction is one in which the Company was, is or will be a participant and the amount involved exceeds $120,000, and in which any related person had, has or will have a direct or indirect material interest. Pursuant to the policy, all related party transactions must be reviewed and approved by the Audit Committee of our Board of Directors.

Other than the ones mentioned above, the Company has not established any further guidelines regulating the work of the Board and its committees.

Appendix B
List of significant subsidiaries

Company Name	Percent holding	Nature of Company
Allis-Chalmers Energy Inc.	100%	Holding Company
Allis-Chalmers Holdings Inc.	100%	Holding Company
Allis-Chalmers Management LLC	100%	Provides management services
Archer (UK) Ltd.	100%	Drilling and well service operations
Archer AS	100%	Drilling and well service operations
Archer Asset UK Ltd.	100%	Holding Company
Archer BCH (Canada) Ltd	100%	Holding Company
Archer Consulting Resources Ltd.	100%	Provides management services
Archer Directional Drilling Services LLC	100%	Drilling Service operations
Archer DLS Corporation	100%	Holding Company
Archer do Brazil Servicos de Petroleo Ltda	100%	Drilling Service operations
Archer Drilling LLC	100%	Drilling Service operations
Archer Emerald (Bermuda)Ltd.	100%	Owns and operates modular rig
Archer Logistica y servicos de Mexico	100%	Drilling Service operations
Archer Management (Bermuda) Ltd.	100%	Provides management services
Archer Management (US) LLC	100%	Provides management services
Archer Management AS	100%	Provides management services
Archer Management LLC	100%	Provides management services
Archer Management Ltd.	100%	Provides management services
Archer Norge AS	100%	Drilling and well service operations
Archer Offshore Denmark AS	100%	Well Service operations
Archer Oil Tools (Bermuda) Ltd.	100%	Well Service operations
Archer Oil Tools AS	100%	Well Service operations
Archer Overseas Contracting Ltd	100%	Provides crewing services
Archer Pressure Pumping LLC	100%	Well Service operations
Archer Production and Completion Services LLC	100%	Well Service operations
Archer Rental Services LLC	100%	Drilling Service operations
Archer Services Limited	100%	Well Service operations
Archer Tubular Services LLC	100%	Drilling Service operations
Archer Underbalanced Services LLC	100%	Drilling Service operations
Archer Well Co (Australia) Pty Ltd	100%	Well Service operations
Archer Well Co (M) Sdn Bhd	100%	Well Service operations
Archer Well Co (Singapore) Pte Ltd	100%	Well Service operations
Archer Well Company Inc	100%	Holding Company
AWC Frac Valves Inc.	100%	Well Service operations
BCH Energy do Brazil Servicos de Petroleo Ltda	100%	Drilling Service operations
DLS Argentina Limited	100%	Drilling Service operations
Gray Wireline Service Inc.	100%	Well Service operations
Great White Directional Services LLC	100%	Drilling Service operations
Great White Pressure Control LLC	100%	Well Service operations
Peak well Solutions AS	100%	Well Service operations
Rig Inspection Services (US) LLC	100%	Well Service operations
Rig Inspection Services Pte Ltd	100%	Well Service operations
Seawell DO Brazil Servicos de Petroleo Ltda	100%	Drilling and well service operations
Seawell Drilling Ltd. (UK)	100%	Dormant
Seawell Engineering AS	100%	Drilling and well service operations
Tanus Argentina S.A	100%	Drilling Service operations
Tecwel (UK) Limited	100%	Well Service operations
Tecwel AS	100%	Well Service operations
Tecwel Inc.	100%	Well Service operations
Tecwel Telemetri AS	100%	Well Service operations
Viking intervention Technology (UK) Ltd.	100%	Well Service operations
Viking Intervention Technology AS	100%	Well Service operations
Wellbore Solutions AS	100%	Well Service operations

Report of Independent Auditors

To the Board of Directors and Shareholders of Archer Limited:

We have audited the accompanying balance sheets of Archer Limited (parent company alone) as of December 31, 2011 and 2010, and the related statements of operations, comprehensive (loss) income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those 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. We believe that our audit provides a reasonable basis for our opinion.

The Company publishes consolidated financial statements, which are its primary financial statements. The financial statements of Archer Limited (parent company alone) have been prepared solely to comply with the reporting requirements of Section 5.5 of the Norwegian Securities Trading Act.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 90 of The Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Archer Limited (parent company alone) at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

London
United Kingdom
April 30, 2012

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Appendix C
Supplemental parent company only information

Archer Limited Statement of Operations

(In millions of $, except share and per share data)	YEAR ENDED DECEMBER 31	
	2011	2010
Revenues		
Operating revenues	-	-
Total revenues	**-**	**-**
Expenses		
General and administrative expenses	(13.4)	(6.6)
Impairment of investments	(99.0)	-
Total expenses	**(112.4)**	**(6.6)**
Operating loss	**(112.4)**	**(6.6)**
Financial items		
Interest income	0.7	0.7
Interest expenses	(12.7)	(9.1)
Share of profit from subsidiaries	44.7	49.3
Other financial items	2.7	(22.0)
Total financial items	**35.4**	**18.9**
(Loss) / income before income taxes	**(77.0)**	**12.3**
Income taxes	-	-
Net (loss) / income	**(77.0)**	**12.3**
Basic earnings / (loss) per share	**(0.24)**	**0.08**
Diluted earnings / (loss) per share	**(0.24)**	**0.08**
Weighted average number of shares outstanding		
Basic	322,420,262	152,049,913
Diluted	322,420,262	155,930,383

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

Appendix C
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Archer Limited Statement of Comprehensive Income

(In millions of $)	YEAR ENDED DECEMBER 31 2011	2010
Net income (loss)	(77.0)	12.3
Other comprehensive (loss)		
Change in unrealized loss relating to subsidiary pension plans	(15.3)	(11.2)
Change in unrealized foreign exchange differences	(17.5)	30.0
Interest swap gain / (loss)	0.7	(0.9)
Other comprehensive (loss) / income	**(32.1)**	**17.9**
Total comprehensive (loss) / income	**(109.1)**	**30.2**

Accumulated Other Comprehensive Income

	Subsidiary pension plans-unrecognised gains / losses	Change in unrealized foreign exchange differences	Other comprehensive gains/losses	Total
Balance at December 31, 2009	**4.9**	**1.7**	**(1.0)**	**5.6**
Net changes in gains and losses and prior service costs	(11.2)	-	-	(11.2)
Interest swap gain (loss)	-	-	(0.9)	(0.9)
Foreign exchange differences	-	30.0	-	30.0
Balance at December 31, 2010	**(6.3)**	**31.7**	**(1.9)**	**23.5**
Net changes in gains and losses and prior service costs	(15.3)	-	-	(15.3)
Interest swap gain (loss)	-	-	0.7	0.7
Foreign exchange differences	-	(17.5)	-	(17.5)
Balance at December 31, 2011	**(21.6)**	**14.2**	**(1.2)**	**(8.6)**

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

Archer Limited Balance Sheet

(In millions of $)	DECEMBER 31 2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	1.6	127.3
Amounts owed from subsidiaries	219.1	411.0
Other current assets	4.8	25.6
Total current assets	**225.5**	**563.9**
Non-current assets		
Capitalized debt fees	7.1	4.7
Amounts due from subsidiaries, long-term	480.0	0.1
Investments in subsidiaries	764.8	181.3
Total non-current assets	**1,251.9**	**186.1**
Total assets	**1,477.4**	**750.0**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Due to subsidiaries	2.9	0.2
Other current liabilities	3.1	3.0
Total current liabilities	**6.0**	**3.2**
Non-current liabilities		
Long-term interest bearing debt	184.6	189.0
Total non-current liabilities	**184.6**	**189.0**
Commitments and contingencies		
Shareholders' equity		
Common shares of par value $2.00 per share: 600,000,000 shares authorized: 366,397,622 outstanding shares at December 31, 2011 (December, 31 2010: 225,400,050)	732.8	450.8
Additional paid in capital	775.5	219.4
(Accumulated deficit) / retained earnings	(7.8)	69.2
Accumulated other comprehensive income / (loss)	(8.6)	23.5
Contributed deficit	(205.1)	(205.1)
Total shareholders' equity	**1,286.8**	**557.8**
Total liabilities and shareholders' equity	**1,477.4**	**750.0**

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

Appendix C
Supplemental parent company only information

Archer Limited Statement of Cash Flows for the years ended December 31, 2011 and 2010

(In millions of $)	YEAR ENDED DECEMBER 31 2011	2010
Cash Flows from Operating Activities		
Net (loss) / income	**(77.0)**	**12.3**
Adjustment to reconcile net income to net cash provided by operating activities:		
Impairment of investments	99.0	-
Amortization of deferred debt costs	4.4	0.2
Unrealized foreign currency losses	(4.4)	(4.6)
Changes in operating assets and liabilities, net of acquisitions		
Decrease / (increase) in amounts owed by subsidiaries	201.0	(163.0)
Change in other operating assets and liabilities, net	(11.1)	19.5
Net cash provided by (used in) operating activities	**211.9**	**(135.6)**
Cash Flows from Investing Activities		
Acquisition of subsidiaries	(98.3)	(29.5)
Net cash used in investing activities	**(98.3)**	**(29.5)**
Cash Flows from Financing Activities		
Repayment of debt	-	(17.0)
Debt fees paid	(6.8)	(4.9)
Loans advanced to subsidiaries	(479.9)	-
Repayment of subordinated loan to shareholder	-	(106.5)
Proceeds from issuance of equity, net	247.4	420.6
Net cash provided by (used in) financing activities	**(239.3)**	**292.2**
Effect of exchange rate changes on cash and cash equiva-lents		
Net (decrease) increase in cash and cash equivalents	**(125.7)**	**127.1**
Cash and cash equivalents at beginning of the period	127.3	0.2
Cash and cash equivalents at the end of the period	**1.6**	**127.3**
Interest paid	12.7	9.1
Taxes paid	-	-

The merger with Allis-Chalmers Energy Inc. was primarily financed by the issue of Archer shares to Allis-Chalmers shareholders. The merger is described in detail in Note 6.

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

Archer Limited Statement of Changes in Shareholders' Equity for the years ended December 31, 2011 and 2010

(In millions of $)	SHARE CAPITAL	ADDITIONAL PAID IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	(ACCUMULATED DEFICIT)RETAINED EARNINGS	CONTRIBUTED DEFICIT	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2009	**220.0**	**31.2**	**5.6**	**56.9**	**(205.1)**	**108.6**
Private Placement	230.8	189.8	-	-	-	420.6
Foreign exchange differences	-	-	30.0	-	-	30.0
Interest swap loss	-	-	(0.9)	-	-	(0.9)
Pension – unrecognized loss	-	-	(11.2)	-	-	(11.2)
Options issued	-	(1.6)	-	-	-	(1.6)
Net income	-	-	-	12.3	-	12.3
Balance at December 31, 2010	**450.8**	**219.4**	**23.5**	**69.2**	**(205.1)**	**557.8**
Shares issued on Merger with Allis-Chalmers	194.6	389.6	-	-	-	584.2
Private Placement	85.4	161.9	-	-	-	247.3
Foreign exchange differences	-	-	(17.5)	-	-	(17.5)
Interest swap gain	-	-	0.7	-	-	0.7
Pension – unrecognized loss	-	-	(15.3)	-	-	(15.3)
Options issued	2.0	4.6	-	-	-	6.6
Net loss	-	-	-	(77.0)	-	(77.0)
Consolidated Balance at December 31, 2011	**732.8**	**775.5**	**(8.6)**	**(7.8)**	**(205.1)**	**1,286.8**

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

Appendix C
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Archer Limited Notes to the supplemental parent only financial information

Note 1 - General information
Archer Limited Is a holding company and was previously named Seawell Ltd, or Seawell. The formal name change from Seawell to Archer Limited was approved in a shareholder resolution on May 16, 2011.

As used herein, unless otherwise required by the context, the terms "Archer", "Company", "we", "our" and words of similar import refer to Archer Limited. The use herein of such terms as group, organization, we, us, our and its, or references to specific entities, is not intended to be a precise description of corporate relationships.

The Company was incorporated on August 31, 2007.

Archer's shares are traded on the Oslo Börs under the symbol "ARCHER.OL".

Any future dividend declaration will be denominated in NOK.

Basis of presentation
Archer is a limited company that conducts substantially all of its business through its subsidiaries. This supplemental information has been presented on a "parent company only" basis to comply with Norwegian regulations..

The financial statements are presented in accordance with generally accepted accounting principles in the United States of America (US GAAP). The amounts are presented in United States Dollars, or USD, or $ rounded to the nearest million, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods in these financial statements.

Note 2 - Accounting Policies
Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, as well as the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty. Actual results could differ from those estimates.

Foreign currencies
With effect from October 1, 2011, Archer's functional currency was changed from the NOK to USD. This followed the acquisition of Great White, by one of Archer's subsidiaries after which the majority of revenues generated by the Company's subsidiaries, and thus ultimately remitted to it by way of dividend, are received in USD.

For the purposes of comparative figures included in our 2011 financial statements, our historical financial statements have been converted to USD. The income and cash flow statements have been translated by applying average periodic exchange rates. Assets and liabilities have been converted at exchange rates prevailing at the balance sheet dates. The cumulative components of stockholders equity as at December 31, 2010 have been converted at the exchange rate for that date.

Prior period cumulative balances for stockholders equity have been calculated by translating period movements and the average rate for the relevant period, or using a spot rate for material, identifiable individual transactions.

The following table lists exchange rates applied to our historical NOK financial statements. Rates for NOK to USD

Period	Period end date	Average rate for period	Rate at period end date
	December 31, 2007		5.3868
Three months	March 31, 2008	5.2948	5.0623
Three months	June 30, 2008	5.0678	5.0448
Three months	September 30, 2008	5.3464	5.7865
Three months	December 31, 2008	6.7775	7.0000
Year	December 31, 2008	5.5216	7.0000
Three months	March 31, 2009	6.8519	6.6589
Three months	June 30, 2009	6.4807	6.3809
Three months	September 30, 2009	6.1035	5.8077
Three months	December 31, 2009	5.6647	5.7639
Year	December 31, 2009	6.2752	5.7639
Three months	March 31, 2010	5.8396	5.9794
Three months	June 30, 2010	6.2059	6.4642
Three months	September 30, 2010	6.1532	5.8551
Three months	December 31, 2010	5.9109	5.8679
Year	December 31, 2010	6.0274	5.8679

Current and non-current classification
Assets and liabilities are classified as current assets and liabilities respectively, if their maturity is within one year of the balance sheet date. Assets and liabilities not maturing within one year are classified as long-term.

Cash and cash equivalents
Cash and cash equivalents consist of cash, demand deposits and highly liquid financial instruments purchased with maturity of three months or less, and exclude restricted cash.

Capitalized debt fees
Loan related costs, including debt arrangement fees, incurred on the initial arrangement of loan finance, are capitalized and amortized over the term of the related loan using the straight-line method, which approximates the interest method. Amortization of loan related costs is included in interest expense. Subsequent loan costs in respect of existing loans, such as commitment fees, are recognized in the income statement within other financial items in the period in which they are incurred.

Investment in subsidiaries
The Company's investment in its subsidiaries are presented under the equity method of accounting. Under the equity method of accounting, the investment is initially recorded at cost and is subsequently adjusted to reflect the Company's share of the net profit or loss of the associate. Distributions received from the investee reduce the carrying amount of the investment.

Impairment of long-lived assets
The carrying values of long-lived assets that are held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposal. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value

Income taxes
Archer Limited is a Bermuda company. Under current Bermuda law, Archer is not required to pay taxes in Bermuda on either income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until year 2035.

The impact of changes to income tax rates or tax law is recognized in periods when the change is enacted.

Earnings per share, or EPS
Basic earnings per share is calculated based on the income 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. The determination of dilutive earnings per share requires the Company to potentially make certain adjustments to net income and to the weighted average shares outstanding used to compute basic earnings per share unless anti-dilutive.

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Financial Instruments
The Company enters into interest rate swaps in order to manage floating interest rates on debt. The Company's interest-rate swap agreements are recorded at fair value in the balance sheet. A hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability may be designated as a cash flow hedge.

When the interest swap qualifies for hedge accounting the Company formally designates the swap instrument as a hedge of cash flows to be paid on the underlying loan, and in so far as the hedge is effective, the change in the fair value of the swap each period are recognized in the "Accumulated other comprehensive loss" line of the Balance Sheet. Changes in fair value of any ineffective portion of the hedges are charged to the income statement in Other Financial Items. Changes in the fair value of interest-rate swaps are otherwise recorded as a gain or loss under Other Financial Items in the statement of operations where those hedges are not designated as cash flow hedges.

Segment reporting
A segment is a distinguishable component of the Company that is engaged in business activities from which it earns revenues and incur expenses whose operating results are regularly reviewed by the chief operating decision maker and which is subject to risks and rewards that are different from those of other segments.

The Company has one reportable business segment, which is being a holding company.

Related party transactions
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.

Recently issued accounting pronouncements
In January 2010, the Financial Accounting Standards Board, or FASB, issued authoritative guidance that changes the disclosure requirements for fair value measurements using significant unobservable inputs (Level 3). The updated guidance requires that Level 3 disclosures present information about purchases, sales, issuances, and settlements on a gross basis. The disclosure requirements for the treatment of purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company adopted the guidance in the first quarter 2011, which did not have an impact on its financial position, results of operations or cash flows.

In December 2010, the FASB issued authoritative guidance that modifies the requirements of step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The Company adopted this guidance in the first quarter of fiscal year 2011. The adoption of this guidance did not have a material impact on our financial statements.

In May 2011, the FASB amended existing guidance to achieve consistent fair value measurements and to clarify certain disclosure requirements for fair value measurements. The new guidance includes clarification about when the concept of highest and best use is applicable to fair value measurements, requires quantitative disclosures about inputs used and qualitative disclosures about the sensitivity of recurring Level 3 measurements, and requires the classification of all assets and liabilities measured at fair value in the fair value hierarchy including those assets and liabilities which are not recorded at fair value but for which fair value is disclosed. The guidance will be effective for our interim and annual reporting periods beginning after December 15, 2011. We are evaluating the impact of the adoption of this newly issued guidance but we do not expect it to have a material impact on our financial statements.

In June 2011, the FASB amended guidance on the presentation of comprehensive income in the financial statements. The new guidance allows entities to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate but consecutive statements and removes the current option to report other comprehensive income and its components in the statement of changes in equity. Under the two-statement approach, an entity is required to present components of net income and total net income in the statement of net income. The amendments in this update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is also permitted. Our financial statements currently provide a two-statement disclosure and we do not expect the amended guidance to have a material impact on our future financial numbers.

In September 2011, the FASB issued an accounting update that gives companies the option to make a qualitative evaluation about the likelihood of goodwill impairment. Companies will be required to perform the two-step impairment test only if it concludes that the fair value of a reporting unit is more likely than not less than its carrying value. The accounting update is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The company has not applied the new guidance for the year ended December 31, 2011. Application of the guidance would not have had a material affect on our goodwill impairment testing for this period.

In December 2011, the FASB issued accounting standards update "Disclosures about Offsetting Assets and Liabilities" in order to standardize the disclosure requirements under US GAAP and International Financial Rreporting Standards relating to both instruments and transactions eligible for offset in financial statements. The update is applicable for annual reporting periods beginning on or after January 1, 2013. Its adoption is not expected to have a material impact on the Company's disclosures.

Note 3 – Impairment of Investments
As a result of impairment charges recognized by our subsidiaries in conjunction with their annual impairment testing of long-lived assets, the Company became aware of a triggering event that its carrying value of investments in subsidiaries may be impaired. After performing the required impairment testing, the company recorded a $99.0 million impairment of its investment.

Note 4 – Earnings Per share
The components of the denominator for the calculation of basic EPS and diluted EPS are as follows:

	NET LOSS	WEIGHTED AVERAGE SHARES OUTSTANDING	(LOSS) PER SHARE (IN $)
2011			
(Loss) per share	(77.0)	322,420,262	(0.24)
Effect of dilution:			
Options*		-	-
Diluted earnings per share	(77.0)	322,420,262	(0.24)

*Loss per share not adjusted for dilutive, in the money share options

(in $ millions)	NET INCOME	WEIGHTED AVERAGE SHARES OUTSTANDING	EARNINGS PER SHARE (IN $)
2010			
Earnings per share	12.4	152,049,913	0.08
Effect of dilution:			
Options		3,880,470	
Diluted earnings per share	12.4	155,930,383	0.08

Note 5 – Other current assets

Other current assets include:

($ in millions)	DECEMBER 31	
	2011	2010
Prepaid expenses	2.1	1.2
Other short term receivables	2.7	24.4
Total other current assets	**4.8**	**25.6**

Other short term receivables are interest free.

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Note 6 – Investments in subsidiaries
The Company had the following direct participation in investments:

COMPANY NAME	PERCENT HOLDING AS OF DECEMBER 31	
	2011	2010
Archer Management AS	100%	100%
Archer Management Ltd.	100%	100%
Archer Well Co (Singapore) Pte Ltd	100%	100%
Archer Management (US) LLC	100%	100%
Archer Asset UK Ltd.	100%	100%
Archer Consulting Resources Ltd.	100%	100%
Archer Overseas Contracting Ltd	100%	100%
Rig Inspection Services Pte Ltd	100%	100%
Allis-Chalmers Energy Inc.	100%	-

Allis-Chalmers Energy, Inc.
On February 23, 2011 the Company completed the merger with Allis-Chalmers Energy Inc, or Allis-Chalmers, which was previously announced in August 2010. Allis-Chalmers conducts land drilling operations in Argentina, Brazil and Bolivia and provides directional drilling, coiled tubing, underbalanced drilling, casing and tubing and rental services primarily in the US. Allis-Chalmers also manufactures and sell frac valves in the US. The purchase price comprised both cash and equity payments to the shareholders of Allis-Chalmers, which resulted in us acquiring 100% of the share capital in Allis-Chalmers in exchange for Archer shares, in a ratio of 1.15 shares to each Allis-Chalmers share, or a cash settlement of $4.25 per share. 95.3% of Allis-Chalmers shareholders elected to take Archer stock in the above ratio as consideration, with the remainder receiving cash. The total purchase price, which includes an adjustment pertaining to the exchange of Allis-Chalmers share options, to our share options, was $600.9 million.

The components of equity in net assets of non-consolidated investees are as follows:

($ in millions)	2011	2010
Cost	771.9	92.3
Equity in net earnings of investees	(7.1)	89.0
Equity in net assets of non-consolidated investees	**764.8**	**181.3**

Note 7 – Long-term interest bearing debt

	DECEMBER 31	
($ in millions)	2011	2010
Long-term debt:		
$ 1,121.9 multicurrency term and revolving facility	184.6	189.0
Total long-term debt	**184.6**	**189.0**
Less: current portion	-	-
Long-term portion of interest bearing debt	**184.6**	**189.0**

$ 1,121.9 million multicurrency term and revolving facility

On December 22, 2011, Archer entered into an amended and restated $ 1,121.9 million multicurrency term and revolving facility agreement adding two new banks to the syndicate. The purpose of the facility was to replace the existing $ 1,187.5 million term and revolving facility entered into August 22, 2011. The $ 1,178.5 million facility replaced the $550 million multicurrency term and revolving credit facility which comprised the $189 million balance as of December 31, 2010.

The facility is divided into two tranches. Tranche A, a revolving facility, is for $ 472.4 million, and Tranche B, a term loan, is for $ 649.5 million. The final maturity date of the tranches is November 11, 2015. The interest rate of the tranches is the aggregate of LIBOR, NIBOR or EURIBOR, plus between 2.25% and 3.25% per annum, depending on the net interest bearing debt to EBITDA, plus mandatory costs, if any. An annual instalment of $ 100 million is payable in November each year, and the remaining is payable upon final maturity of the facility, if not refinanced.

As of December 31, 2011, $774.1 million is drawn under this facility of which $184.6 million is attributable to the Company.

The multicurrency term and revolving facility agreement is secured by pledges over shares in material subsidiaries, and assignment over intercompany debt, as well as by guarantees issued by the material subsidiaries. Archer's multicurrency term and revolving facility agreement contains certain financial covenants, including, among others:

- Archer Limited and subsidiaries' total consolidated net interest bearing debt shall not exceed 3.5x twelve months rolling proforma EBITDA until December 31, 2011, and 3.0x thereafter
- Archer Limited and subsidiaries' minimum ratio of equity to total assets of at least 30.0%
- Archer Limited and subisidiaries are to maintain the higher of $ 30 million and 5% of interest bearing debt in freely available cash (including undrawn committed credit lines)

The multicurrency term and revolving facility agreement contains events of default which includes payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, insolvency, illegality, unenforceability, curtailment of business, claims against an obligor's assets, appropriation of an obligor's assets, failure to maintain exchange listing, material adverse effect, repudiation and material litigation.

As of December 31, 2011, the Company was in compliance with all of the covenants under its long-term facilities.

Archer Limited's outstanding debt as of December 31, 2011 is repayable as follows:

($ in millions)	
Year ending December 31	
2012	-
2013	-
2014	-
2015	184.6
Total debt	**184.6**

Note 8 – Other current liabilities

Other current liabilities comprise the following:

($ in millions)	DECEMBER 31	
	2011	2010
Accounts payable	0.7	-
Accrued expenses	1.2	1.1
Interest rate swap	1.2	1.9
Total other current liabilities	**3.1**	**3.0**

Note 9 – Commitments and contingencies

Guarantees
The Company has issued guarantees in favor of third parties as follows, which is the maximum potential future payment for each type of guarantee:

($ in millions)		
	DECEMBER 31	
	2011	2010
Guarantees to customers of the Company's own performance	30.8	31.5
Guarantee in favor of banks	4.7	0.5
Other guarantees	-	0.3
	35.5	**32.3**

Legal Proceedings
From time to time, Archer is involved in litigations, disputes and other legal proceedings arising in the normal course of their business.

We insure against the risks arising from these legal proceedings to the extent deemed prudent by our management and to the extent insurance is available, but no assurance can be given that the nature and amount of that insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain deductibles or self-insured retentions in amounts we deem prudent

Appendix C
Supplemental parent company only information

and for which we are responsible for payment. If there is a claim, dispute or pending litigation in which we believe a negative outcome is probable and a loss by the Company can be reasonably estimated, we record a liability for the expected loss but at this time any such expected loss are immaterial to our financial condition and results of operations. In addition we have certain claims, disputes and pending litigation in which we do not believe a negative outcome is probable or for which the loss cannot be reasonably estimated.

Note 10 - Share capital

	DECEMBER 31			
	2011		2010	
All shares are common shares of $2.00 par value each	SHARES	$ MILLION	SHARES	$ MILLION
Authorized share capital	600,000,000	1,200.0	600,000,000	1,200.0
Issued, outstanding and fully paid share capital	366,397,622	732.8	225,400,050	450.8

The Company was incorporated in 2007 and 50 ordinary shares each were issued. In October 2007, the company also issued of 100,000,000 shares In April 2008 there was an equity issue of 10,000,000 shares. There were no new shares issued in 2009. At December 31, 2009, there were 110,000,050 shares issued and outstanding.

In August 2010 the Company completed a private placement of 115.4 million shares.

On March 4, 2011, the Company issued a total of 97,071,710 common shares in connection with the merger with Allis-Chalmers.

On August 31, 2011, the Company issued 12.7 million new shares, following a Private Placement directed towards its two largest shareholders, Seadrill Limited, or Seadrill, and Lime Rock Partners V. L.P., or Lime Rock. Seadrill was allocated 10.8 million of the new shares while Lime Rock was allocated the remaining 1.9 million shares. The proceeds were used to partly finance the acquisition of Great White.

In August 2011, Archer completed a private placement of 30.0 million shares. The proceeds were used to partly finance the acquisition of Great White.

A total of 997,242 shares was issued during 2011 in relation to exercise of options, and a further 228,620 shares were issued in relation to settlement with dissenting shareholders from the merger with Allis-Chalmers.

Note 11 - Share option plans
Options on Archer shares:

Archer has granted options to senior management and directors of the Company and its subsidiaries, that provide the grantee with the right to subscribe for new shares. The options are not transferable and may be withdrawn upon termination of employment under certain conditions. Options granted under the scheme will vest at a date determined by the board of directors. The options granted under the plan to date vest over a period of one to five years.

As of December 31, 2011 there were five option programs: one in 2007, one in 2009, one in 2010 and two options programs which were acquired in, and have been continued following, the merger with Allis-Chalmers.

The following summarizes share option transactions related to the Archer Schemes in 2011, and 2010:

	2011		2010	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE NOK	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE NOK
Outstanding at beginning of year	6,507,000	14.79	6,147,000	13.76
Granted	5,575,000	34.00	460,000	19.30
Granted in respect of ALY merger	2,012,481	23.25	-	
Exercised	(997,242)	16.26	-	
Forfeited	(284,667)	23.21	(100,000)	10.00
Outstanding at end of year	**12,812,572**	**19.75**	**6,507,000**	**14.79**
Exercisable at end of year	6,548,900	18.55	3,398,000	15.16

$ 4.9 million was received in 2011 as a result of share options being exercised ($0 in 2010).

Options issued under the 2007 Program may be exercised up to October 5, 2012. The exercise price is initially NOK 13.75 per share increasing by 6 percent per anniversary. Options issued under the 2007 Program may be exercised by one third per year, first time on January 1, 2009. At December 31. 2011 a total of 3,200,667 option were outstanding and exercisable under the 2007 Program.

Options issued in 2009 may be exercised up to December 31, 2015. The exercise price is between NOK 10 and NOK 12 per share, and may be exercised one third each year beginning twelve months after they where granted. At December 31, 2011 a total of 1,930,000 options were outstanding under the 2009 Program, of which two thirds were exercisable.

Options issued under the 2010 program have exercise prices between NOK 18 and NOK 36. They may be exercised by one third or one fifth each year beginning 12 months after they were granted, and expire between December 31, 2015 and February 28, 2017. Subsequent to December 31, 2011, 4.3 million of the 5.6 million of options granted in 2011 at NOK 34 were repriced to NOK 20. At December 31, 2011 5,742,000 options under the 2010 Program were outstanding and approximately 2.2% were exercisable.

Options issued under the Allis-Chalmers 2003 Program have exercise prices between NOK 6.03 and NOK 72.26. At December 31, 2011 all 787,068 outstanding options under the Allis-Chalmers 2003 Program were exercisable.

Options issued under the Allis-Chalmers 2006 Program have exercise prices between NOK 18.48 and NOK 19.22. At December 31, 2011 all 1,152,837 options outstanding under the Allis-Chalmers 2006 Program were exercisable.

When stock options are exercised the Company intends to settle the obligation by issuing new shares.

Note 12 - Risk management and financial instruments

Interest rate risk management
The Company's exposure to interest rate risk relates mainly to its variable interest rate debt and balances of surplus funds placed with financial institutions, and this is managed through the use of interest rate swaps and other derivative arrangements. The Company's policy is to obtain the most favorable interest rate borrowings available without increasing its foreign currency exposure. Surplus funds are generally placed in fixed deposits with reputable financial institutions, yielding higher returns than are available on cash at bank. Such deposits generally have short-term maturities, in order to provide the Company with flexibility to meet requirements for working capital and capital investments.

The extent to which the Company utilizes interest rate swaps and other derivatives to manage its interest rate risk is determined by reference to its net debt exposure and its views regarding future interest rates. At December 31, 2011, the Company had outstanding interest rate swap agreements covering NOK 490 million of its NOK interest bearing debt (2010: NOK 715 million), effectively fixing the interest rate on approximately 8% of the debt (2010: 63%). These agreements qualify for hedge accounting, and accordingly any changes in the fair values of the swap agreements are included in the Balance Sheet under "Other Comprehensive Income ". The total fair value gain relating to interest rate swaps in 2011 amounted to $ 0.7 million.

Any change in fair value resulting from hedge ineffectiveness is recognized immediately in earnings. The Company recognized a $ 0.6 million loss related to the interest swap agreement prior to the start up of the hedging period. Other than this, the Company has not recognized any gain or loss due to hedge ineffectiveness in the financial statements during the year ended December 31, 2011.

The Company's interest rate swap agreement as at December 31, 2011 was as follows:

NOTIONAL AMOUNT	RECEIVE RATE	PAY RATE	LENGTH OF CONTRACT
(NOK in millions)			
490	3 month NIBOR	3.355%	April 30, 2009 - October 31, 2012

The counterparties to the above contract are Fokus Bank. Credit risk exists to the extent that the counterparties are unable to perform under the contracts, but this risk is considered remote as the counterparties are all banks which have provided the Company with loan finance and the interest rate swaps are related to those financing arrangements.

Credit risk management
The Company has financial assets, including cash and cash equivalents, other receivables and certain amounts receivable on derivative instruments, mainly interest rate swaps. These assets expose the Company to credit risk arising from possible default by the counterparty. The Company considers the counterparties to be creditworthy financial institutions and does not expect any significant loss to result from non-performance by such counterparties. The Company, in the normal course of business, does not demand collateral. The credit exposure of interest rate swap agreements is represented by the fair value of contracts with a positive fair value at the end of each period, reduced by the effects of master netting agreements. It is the Company's policy to enter into master netting agreements with the counterparties to derivative financial instrument contracts, which give the Company the legal right to discharge all or a portion of amounts owed to a counterparty by offsetting them against amounts that the counterparty owes to the Company.

Appendix C
Supplemental parent company only information

Fair values
The carrying value and estimated fair value of the Company's financial instruments at December 31, 2011 and December 31, 2010 are as follows:

	DECEMBER 31,			
($ in millions)	2011		2010	
	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE
Non-Derivatives				
Cash and cash equivalents	1.6	1.6	127.3	127.3
Long term interest bearing debt	184.6	184.6	189.0	189.0
Interest rate swap agreement – long term liability	1.2	1.2	1.9	1.9

The above financial assets and liabilities are measured at fair value on a recurring basis as follows:

		FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS
($ in millions)	DECEMBER 31, 2011	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Assets:				
Cash and cash equivalents	1.6	1.6	-	-
Liabilities:				
$1,121.9 million multicurrency term revolving facility	184.6	-	184.6	-
Interest rate swap contacts – short term payables	1.2	-	1.2	-

Level 1: Quoted prices in active markets for identical assets
Level 2: Significant other observable inputs
Level 3: Significant unobservable inputs

The Company has used a variety of methods and assumptions, which are based on market conditions and risks existing at the time, to estimate the fair value of the Company's financial instruments as of December 31, 2011 and 2010. For certain instruments, including cash and cash equivalents, receivables and accounts payable, it is assumed that the carrying amount approximated fair value due to the short-term maturity of those instruments.

The fair value of the long-term portion of floating rate debt is estimated to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis. This debt is not freely tradable and cannot be purchased by the Company at prices other than the outstanding balance plus accrued interest.

The fair values of interest rate swaps are calculated using well-established independent market valuation techniques applied to contracted cash flows and NIBOR interest rates as at December 31, 2011 and 2010.

Note 13 – Subsequent Events
Archer and the lenders of the multicurrency term and revolving facility agreed on April 25, 2012 that, for the quarters ending March 31, June 30 and September 30, 2012, the ratio of Net Interest Bearing Debt to EBITDA for the Group (on a consolidated basis) shall not exceed 3.50. From the quarters ending December 31, 2012 and thereafter, the ratio of Net Interest Bearing Debt to EBITDA for the Group (on a consolidated basis) shall not exceed 3.00. The margin has been amended to be between 2.25% and 3.75% per annum, depending on the net interest bearing debt to EBITDA, plus mandatory costs, if any.

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15 DEFINITIONS AND GLOSSARY

The following definitions and glossary apply in this Prospectus unless dictated otherwise by the context, including the foregoing pages of this Prospectus.

Allis-Chalmers.........................	Allis-Chalmers Energy Inc.
Archer:	Archer Limited and its consolidated subsidiaries.
Archer common share(s)	"Archer common shares" means common shares in the capital of the Company, each with a par value of USD 1.00 and "Archer common share" means any one of them.
Archer Group:..........................	Archer Limited and its consolidated subsidiaries.
Archer Management (Bermuda):	Archer Management (Bermuda) Limited.
Board:	The board of directors of the Company.
Bye-laws:	The Company's Bye-laws as approved by the Company's general meeting.
Code:.......................................	Norwegian Code of Practice for Corporate Governance.
Companies Act:	The Bermuda Companies Act of 1981.
Company:	Archer Limited, a Bermuda public limited liability company with registration number 40612.
Director:	A director of the Company.
EBITDA:.................................	Earnings before interest, taxes, depreciation and amortization.
EEA:	European Economic Area.
General Management Agreement:..............................	The Company's general management agreement with Archer Management Bermuda as set out under Section 7.2.1.
Gray Wireline:	Gray Wireline Services Inc., a wholly owned subsidiary of the Company.
Great White:	The operating companies of Great White Energy Services, acquired by Archer.
Investors:.................................	The investors participating in the Private Placement excluding Seadrill, Lime Rock Partners and Hemen.
Listing:	The listing of the New Shares on Oslo Børs.
Managers:................................	The Joint Lead managers and joint bookrunners: RS Platou Markets AS, ("RS Platou Markets"), Carnegie AS, Danske Bank A/S ("Danske Bank"), Danish company no. 61126228, DNB Markets, a part of DNB Bank ASA, Nordea Markets, a part of Nordea Bank Norge ASA ("Nordea"), Pareto Securities AS and SEB Enskilda and Swedbank First Securities.
Memorandum of Association: ..	Memorandum of Association of Archer Limited dated August 31, 2007, as amended.
Multicurrency Term and Revolving Facility Agreement..	The Company's multicurrencyterm and revolving facility agreement with a syndicate of banks as amended and restated on March 7, 2013.
New Shares:	The 208,334,000 new shares issued in the Private Placement and 4,166,667 of the new Shares issued to the Underwriters as settlement of a USD 5 million underwriting commission.
NFSA:	The Norwegian Financial Supervisory Authority (Nw. "*Finanstilsynet*")
NOK :......................................	Norwegian Kroner, the lawful currency of Norway.
Norwegian Securities Trading Act:	The Norwegian Securities Trading Act of 29 June 2007, no. 75 (Nw. *verdipapirhandelloven*).
Oil Tools:	Peak Well Solutions AS, a wholly owned subsidiary of the Company, now renamed to Archer Oil Tools AS.
Oslo Børs:	Oslo Børs ASA (in English: "the Oslo Stock Exchange").
Private Placement:	The private placement of 208,334,000 new shares of USD 1 par value in the

	Company on Oslo Børs in February 2013.
Prospectus Directive:	Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 regarding information contained in prospectuses.
Prospectus:	This Prospectus, dated March 21, 2013.
Registrar Agreement:	The agreement between the Company and the Registrar wherein the Registrar undertakes to operate the Company's VPS register.
Registrar:.................................	Nordea Bank Norge ASA, Verdipapirservice, Middelthunsgt, 17, 0107 Oslo, Norway
Seadrill:..................................	Seadrill Limited, a Bermuda public limited liability company with registration number 36832.
Share(s):	"Shares" means common shares in the capital of the Company, each with a par value of USD 1.00 and "Share" means any one of them.
TecWel:..................................	TecWel AS, a wholly owned subsidiary of the Company.
U.S. Securities Act:..................	The U.S. Securities Act of 1933, as amended.
Underwriters:...........................	The Company's 5 largest shareholders who received an underwriting commission of USD 5 million which were settled through the issuance of 4,166,667 new Shares for fully underwriting the Private Placement.
US GAAP:...............................	The generally accepted accounting principles in the United States of America.
USD :	United States Dollars.
VMB:	V0 Mechanical Barrier.
VPS:.......................................	The Norwegian Central Securities Depository (Nw. *Verdipapirsentralen* or *VPS*).

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