NorAm Drilling Company

Annual Report 2018

NorAm Drilling Company AS

Contents

General Information

This report contains forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements may be identified by the use of forward-looking terminology such as "believes", "experts", "predicts", "may", "will continue", "should", "would be", "seeks" or "anticipates" or similar expressions or comparable terminology, or by discussions of plans, intentions and strategy.

Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise. The Company or its officers assumes no obligation that such expectations will prove to be correct. These forward-looking statements are subject to risks and uncertainties that could cause actual results to vary materially from such forward-looking statements.

Accounting and Auditing

NorAm Drilling Company AS is audited by KPMG Norway. The accounting is outsourced to Amesto Business Partner, Norway.

NorAm Drilling Company performs its own accounting.

THIS IS NORAM DRILLING GROUP

NorAm Drilling Company AS ("the Group", "NorAm" or "the Company") owns and operates a quality rig portfolio of "super spec" advanced high-end AC driven rigs tailored for the drilling of horizontal wells in the US land drilling market. These rigs are designed to combine the cost efficiency of a compact rig with the versatility of different rig classes, enabling the rigs to cover a broad range of wells for both liquids and gas.

Established in 2007, the Company owns and finances companies operating onshore oil and gas drilling rigs. In 2016, the Group changed its name from Global Rig Company to NorAm Drilling Company.

At year-end 2018, the Group's fleet consisted of 11 rigs located in the Permian Basin. Nine rigs were operating and two rigs, acquired on December 6, 2018, were undergoing upgrades to "super spec" status. Three SuperTech rigs were delivered in 2010 (Rig 21-23). In 2011, three Ideal rigs were delivered (Rig 24-26). In September 2014, Rig 24 was replaced with a delivery of a new rig and renamed as Rig 30. Two more Ideal rigs were delivered in late 2014 (Rig 27 and 28). Rig 29, Ideal, was delivered in January 2015. The two rigs (Rig(s) 32 and 34) purchased in December 2018 were built by IDE Sparta in 2014.

The Company Structure

The parent company NorAm Drilling Company AS owns 100% of NorAm Drilling Company, Texas Corp., a US-based drilling contractor, located in Houston, Texas.

NorAm Drilling Company owns all eleven rigs and is financed through a combination of equity investments and intercompany loans, at arm's length terms, from its parent. NorAm Drilling Company is staffed with competent, local personnel that perform all aspects of a contract drilling company. NorAm Drilling Company AS consists mainly shares in and loans to its US subsidiary.

Our Offices

NorAm Drilling Company AS head office is in Oslo, Norway. The office is located at Bryggegata 3, 0112 Oslo, Norway.

NorAm Drilling Company is headquartered in Houston, Texas. NorAm Drilling Company has yard facilities in Odessa, Texas.

Organization and Operations

Marty Jimmerson has served as Interim Chief Executive Officer and Chief Financial Officer since joining the Company in January 2017. Thomas Taylor has served as Chief Operating Officer since November 2014 and has been with the Company for 10 years. Mr. Jimmerson and Mr. Taylor fulfil their roles for both NorAm Drilling Company AS and NorAm Drilling Company.

The executive team is supported with a compliment of business development, safety, operations (including electricians, mechanics and equipment specialists) and accounting functions. Each rig is supported by crews that work on 2-week hitches. Each hitch is staffed with crews working 12-hour shifts. The rig is managed by a rig manager and each hitch is typically staffed with a minimum of a driller, derrickman, motorman and two floormen.

Board of Director's Report

Nature of the business activities and where these are conducted

NorAm Drilling Company AS (herein called "Company") and its subsidiaries (herein called "Group") were established on February 19, 2007.

The Group's executive management team is based out of Houston, Texas with administrative functions located in both Houston and Oslo, Norway.

The Group consists of the Norwegian parent company NorAm Drilling Company AS and operating subsidiary NorAm Drilling Company, Texas Corporation. The Group invests, owns and operates eleven onshore oil and gas well drilling rigs currently operating in the Permian Basin in the United States. The Group has established a solid foothold in the lower US, with significant operating experience in Louisiana, New Mexico, Oklahoma and Texas.

The Group currently focuses solely on the US land drilling market. The Group is well positioned for the ongoing US land rig upgrade cycle, which involves the phasing out older conventional rigs drilling vertical wells and the shift in focus towards more technologically advanced compact high-end AC driven rigs drilling horizontal wells.

The Group has a rig portfolio of eleven advanced high-end AC-driven rigs tailored for the drilling of horizontal wells. These rigs are designed to combine the cost efficiency of a compact rig with the versatility of different rig classes, enabling the rigs to cover a broad range of wells for both liquids and gas. We commenced a rig upgrade program on nine rigs in 2016 which was completed in 2017, adding all the "super spec" requirements to meet the current market demands for longer lateral drilling. In late 2018, we purchased two additional AC rigs from an operator that combined with planned upgrades would meet the "super spec" requirements of our existing fleet. We completed one rig upgrade in 1Q 2019, and that rig was place in service April 1, 2019. The second rig upgrades are expected to be completed and this rig will be available for service before July 2019. All of our rigs have walking systems, except for one which can be upgraded.

Analysis of the annual accounts

2018 Developments

Oil prices were stable and continued to increase during the first nine months of 2018. During the last three months of 2018 oil prices dropped significantly before starting to recover at yearend. During 2018, The Group renewed all of its expiring contracts continued to increase dayrates throughout 2018. The Group's rig utilization rate for 2018 was 99.6% compared to 99.3% in 2017. The Group maintained its focus on safety and continued to outperform the industry averages.

Market and contracts

US West Texas Intermediate (WTI) crude oil prices started 2018 trading at around $60.00 per barrel, increased steadily to a high near $76.00 in October 2018 and then incurred a significant decline closing at a low for the year of $42.53 on December 24, 2018. WTI recovered slightly closing at $45.41 on December 31, 2018.

During 2018, the active US land drilling rig count increased from 911 active rigs at December 31, 2017 to 1,056 active rigs at December 31, 2018.

Rig counts in the Permian Basin, where all of our rigs are currently working or being upgraded, continued to represent the highest share of activity in the US. During 2018, the Permian Basin rig count increased from 398 (43.5% of the active rig count) rigs at December 31, 2017 to 486 (46.0% of the active rig count) rigs as of December 31, 2018.

US crude inventory storage levels and US production continues to remain high. Crude storage and production levels are up by approximately 8.1% and 17.8% respectively, from 1 year ago. US natural gas also has excess supply. With less than 20% of the wells drilled today being gas wells, US natural gas is still not a significant driver in the US land drilling market. Despite a current global oversupply of crude oil, historic levels of US crude oil inventory and excess US natural gas, US operators continued to add onshore drilling rigs in 2018 as a result of stable and higher oil prices and increases in their capital expenditure budgets for 2018.

We are working principally for US operators with extensive crude oil drilling programs. As of December 2018, ten of our eleven rigs were under contract. Three rigs had contracts with at least one year remaining and the other eight contracts expire at various stages from February to April 2019.

Company development, results and financing

NorAm had revenue of MUSD 79.8 in 2018 compared to MUSD 63.5 in 2017.

During 2018 we generated an operating profit of MUSD 8.3 compared to an operating loss of MUSD 1.9 in the same period of 2018. The improvement in operating profit was the result of the higher average day rates earned as market conditions continued to improve. Net profit before tax was a negative MUSD 2.6 in 2018 compared to a pre-tax loss of MUSD 12.9 in 2017

During 2018 we generated EBITDA of MUSD 23.3 compared to MUSD 12.7 in the same period 2017. Increased EBITDA in 2018 was a result of higher dayrates.

Key financial figures:

MUSD	2018	2017
Revenue	79.8	63.4
Operating Profit	8.3	-1.9
Net Profit before Tax	-2.6	-12.9
EBITDA	23.3	12.7

Financing

On the balance sheet, the Group has equity of MUSD 661.2 equivalent to an equity ratio of 37.6% at year-end 2018, compared to MUSD 42.4 of equity and a 28.3% equity ratio at year-end 2017.

The Company's balance sheet at yearend 2018 had equity of MUSD 129 and an equity ratio of 57.7%, compared to MUSD 104.6 of equity and a 50.9% equity ratio at yearend 2017.

The Board considers the equity for both the Company and Group to be in compliance with the requirement for sufficient equity under the Norwegian Limited Liability Companies Act.

The Company and Group is financed through equity and a bond loan, see note 9 to the Financial Statement. The bond loan outstanding as of December 31, 2018 was MUSD 90.0.

In October, NorAm entered into a conditional purchase and sale agreement to acquire two land rigs from a third party. The transaction closed in December 2018 and expands our "super spec" fleet from 9 to 11 rigs after required upgrades and modifications.

In connection with the acquisition and upgrade of these 2 additional rigs, NorAm completed an equity raise of NOK 200mm, or approximately MUSD 22.9 (net of expenses) from its existing shareholders, certain employees and directors in November 2018. Prior to the completion of the equity raise, NorAm completed a share consolidation in the ratio of 20:1, and NorAm issued an additional 10,000,000 shares at a price of NOK 20 per share in connection with the equity raise. After the rights issue, NorAm had 23,392,317 issued and outstanding shares, each with a nominal value of NOK 2.

Additionally, the Company agreed with its bond holders in November to the following changes: (i) an extension of the maturity date by two years (to June 2021), (ii) adjust the semi-annual installments in June and December to USD $5,000,000, (iii) certain call options for the Company, (iv) change the equity ratio covenant to 30% through 2019 and 35% thereafter, (v) change the liquidity covenant to USD 5.0 million through 2019 and USD 10.0 million thereafter and (vi) certain adjustments to permit the acquisitions of the two new rigs and to incur additional debt against the security over the new rigs. The bond holders received an amendment fee of USD 1.0 million in connection with the changes to the terms of the bond issue.

The Group is financed through equity and a bond loan. A waiver given in November 2017 reduced our minimum required cash to MUSD 5.0 and a required rate of equity to 25 % effective January 1, 2018. This waiver expired June 30, 2018. An additional waiver was granted in May 2018 that reduced the minimum cash required to MUSD 5.0 and the rate of equity to 23.5 % effective July 1, 2018 through January 1, 2019 in exchange for a MUSD 0.2 amendment fee and a one-time principal payment of MUSD 2.0 on July 31, 2018 in exchange for the elimination of the scheduled principal payment of MUSD 6.0 on June 3, 2018.

The Board of Directors confirm that it is expected that the Company and Group will be compliant with all other covenants set out in the bond loan agreement through 2019.

Cash flow and liquidity

The cash position for the Group increased from MUSD 7.8 as of December 31, 2017 to MUSD 13.5 as of December 31, 2018 mainly due to its November 2018 equity raise of MUSD 22.9 and EBITDA of MUSD 23.3 offset by capital expenditures of MUSD 21.2 and bond payments of MUSD 15.0, including principal and interest. The Group invested MUSD 21.2 in capital expenditures in 2018 including MUSD $19.2 for the purchase and commencement of upgrades of 2 rigs purchased in 4Q 2018 as discussed further herein.

Key risks and uncertainties

The Group and the Company are exposed to a number of risk factors when performing its activities, such as market risk, operational risk, credit risk and liquidity risk. The Company's and the Group's key operational risks are comprised to a large extent of (i) oil and gas prices, (ii) number of rigs available for drilling in the US and the rig count (rigs employed), and (iii) risk related to suppliers and clients.

Global oil and gas prices have been historically and will likely continue to be volatile for the foreseeable future. Global demand and supply of oil; levels of exploration and production by oil and gas companies operating in the United States; worldwide political, regulatory, economic and military events as well as natural disasters have contributed to oil and gas volatility and are likely to continue to do so in the future. The US land drilling market is strongly related to energy prices. Day rates and utilization levels of the Group's rigs correlate with the price of oil and natural gas. An increase in oil price requires supply reductions or increases in demand. The Group's income is the most sensitive factor, and a reduction either in utilization or day rates compared to budget has clear negative effects on the result. Conversely, higher rates and utilization have very positive effects on our results. The cost level will vary with constraints in the market for input factors.

The client risk of the Group varies, and even though the Group targets blue-chip E&P clients with extensive operations, contracts may also be signed with smaller companies to increase utilization of the rigs. In such cases, a review of financial statements or payment references is performed to reduce risk of non-payment.

Supplier and client risks are also present in the market in which the Group is operating. Even if the Group targets contracts with larger and financially solid partners, the contracts will be subject to uncertainty with regards to the suppliers' or the clients' ability to meet their commitments, as they, too, on a general basis also will be subject to market and financial risk. Idle rigs will lead to significant loss of income.

In addition, there could be stacking expenses during weak periods of demand for rigs resulting on loss of work. Such expenses are modest in terms of influence on the result. The Group is also exposed to changes in the regulatory and fiscal frameworks in Norway and the USA.

Business outlook

The Group will continue its focus on operating its premium rig fleet and evaluate opportunities to build a larger US presence by further developing our US subsidiary. The foundation has been laid over the years; building strong inhouse drilling competences and safety records, a flat organization with focus on training and motivation of our drilling crews, effective corporate routines and strong client relationships.

By growing the Group's rig fleet from three rigs in 2009 to eleven rigs by the end of 2018, the Group has taken important steps forward to become an important player in the US onshore drilling industry. Additionally, the Group has upgraded nine of its rigs to "Super-Spec" requirements and expects to complete the "Super Spec" upgrades of its remaining two rigs in 2Q 2019.

The Group has an ongoing dialogue with its existing customers as well as potential new customers about rig performance and contracts. The Board emphasizes the importance of new, efficient rigs and trained personnel as a powerful combination for reaching our drilling, safety and utilization targets and winning new contracts with quality clients.

A key driver for financial results in 2019 will ultimately be the continued price development of crude oil and natural gas prices which impacts capital spending by the US energy producers.

Key targets for 2019:

- Ensure continued high safety standard in line with our historical performance

- Continue to operate our rigs with an industry leading effectiveness and efficiency
- Maintain and develop customer relationships in order to obtain higher dayrates contracts with reputable clients

Future development

Dayrates and utilization outlook

Today, all eleven rigs are currently located in the Permian Basin. Our current drilling contract status is as follows:

- Rig 21 – on contract through July 2019
- Rig 22 – on contract through January 2020
- Rig 23 – undergoing 10-year certification and available from 3Q 2019
- Rig 25 – on contract through June 2019
- Rig 26 – on contract through June 2019
- Rig 27 – on contract through July 2019
- Rig 28 – on contract through December 2019
- Rig 29 – on contract through July 2019
- Rig 30 – on a contract through December 2019
- Rig 32 – available and expected to be operational in 2Q 2019
- Rig 34 – on contract through March 2020

It is anticipated that demand for US land rigs, especially "Super Spec" rigs, should remain steady and start to improve in the last half of 2019, subject to any significant volatility in WTI oil prices. We expect our two current available rigs will be contracted and operational before the end of 2Q 2019. Dayrates in the near term could decline based upon customer equipment needs and the availability of rig supply.

The Board expects to maintain the Group's strong safety record and low TRIR consistent or better than industry averages.

Operating expenses

Combined with focus on our rig personnel staffing levels and effectively managing our other daily operating costs we were able to maintain rig operating costs during 2018 and in line with our historical performance. Assuming dayrates remain stable, near 100 % utilization and effective management of our operating and supporting rig costs we expect our rig margin contributions compared to prior periods to be in line or slightly better.

Liquidity/Cash flow

The Company and Group is financed through equity and a bond loan, see note 9 to the Financial Statement. The Bond Loan outstanding as of December 31, 2018 was MUSD 90.0.

In connection with the acquisition and upgrade of these 2 additional rigs, NorAm completed an equity raise of NOK 200mm, or approximately MUSD 22.9 (net of expenses) from its existing shareholders, certain employees and directors in November 2018. Prior to the completion of the equity raise, NorAm completed a share consolidation in the ratio of 20:1, and NorAm issued an additional 10,000,000 shares at a price of NOK 20 per share in connection with the equity raise. After the rights issue, NorAm had 23,392,317 issued and outstanding shares, each with a nominal value of NOK 2.

See discussion above in Financing for further discussion of the (i) November 2018 equity raise, share consolidation and bond agreement amendments and (ii) additional bond waivers obtained in 2017 and 2018.

The Board of Directors confirm that it is expected that the Company and Group will be compliant with all other covenants set out in the bond loan agreement through 2019.

Research and development activities

Neither the Company nor the Group had research and development expenses in 2018.

Going concern

The Board considers the Financial Statements for 2018 to represent a true and fair view of the development and results of the Company's and Group's operations and accounts as of December 31, 2018. The Board confirms that going concern assumptions are satisfied as to the standards set by the Norwegian Accounting Act and which has formed the basis for the financial statements presented herein for the Company and the Group.

Working environment

As of December 31, 2018, NorAm Drilling Company had an operational organization of 267 people including five working at the administration office in Houston.

The Board considers the working environment in the Company and the Group to be good.

Management consists of the Acting Chief Executive Officer / Chief Financial Officer and a Chief Operating Officer. Apart from these individuals, the Company uses external advisors for accounting, legal affairs and other professional services.

The Group had 275 employees at the end of 2018. The absentee rate was minimal. There were no property damage incidents in 2018.

The Company has no employees during 2018, hence no sick leave. No serious occupational accidents or incidents have been experienced over the year, whether in the parent company or in the subsidiaries.

Equal opportunities

Women will be encouraged to apply for posted available positions in order to increase the representation of both sexes in the organization. At the end of 2018, the Group had two women employed. There will be no discrimination between men and women regarding recruitment, salaries in relation to position/competence, or promotion, or any other aspect of the Group's activities.

The NorAm Drilling Company AS Board consists of three men. NorAm Drilling Company Inc. has the same board as NorAm Drilling Company AS.

Non-discrimination and accessibility

The Group and the Company target to be an employer to promote equality for all employees' regardless of nationality, sex, skin color, language or religion. This is true for recruiting new people, for salary and bonus schemes, working relations, promotions and protection against harassment.

External environment

NorAm Drilling Company AS has limited activity and does not pollute the external environment. The Group undertakes activities that are potentially polluting. The oil and gas well drilling business, by its very nature, can, if proper procedures are not followed adversely impact the environment. This can range from blowouts of wells or pollution of the area surrounding the drilling activities.

NorAm Drilling Company takes all reasonable precautions by assuring proper equipment and maintenance and that the rig personnel are all properly trained. Also, NorAm Drilling conducts standard procedures beyond regulations to ensure not to pollute. Other actions taken by NorAm Drilling is converting engine system into Dual Gas system allowing our engines to run on natural gas at a lower cost and generating less pollution.

NorAm Drilling has implemented Health, Environment and Safety services to support the company's activities and the rig crew is trained in Occupational Safety and Health Administration (OSHA) HSE regulations in the US. The focus is to train all site personnel in their daily routines to act safely and to prevent unwanted occurrences with the rigs.

NorAm Drilling complies with US state and federal regulations in its activities, including environmental protection regulation. The operator carries the main responsibility regarding the external environment when drilling a well under standard daywork drilling contracts.

Signature of the Board, May 29, 2019

Ole B. Hjertaker Chairman	Kristian Melhuus Board member	Herman Flinder Board member

NorAm Drilling Company

Financial Statements 2018

For NorAm Drilling Company AS and Group

CONSOLIDATED 2018 REPORT

NorAm Drilling Company

NorAm Drilling Company AS — INCOME STATEMENT — Group

(Amounts in USD 1,000)

2018	2017	Note		Note	2018	2017
-	-	13	Sales	13	79 789	63 459
160	231		Other operating income		-	-
160	**231**		**Total operating income**		**79 789**	63 459
242	208	2	Payroll Expences	2	27 565	24 244
-	-		Depreciation of tangible and intangible assets	8	15 041	14 602
-	-		Write-down tangible assets	8	-	-
-	-		Rig mobilization, service and supplies		15 875	13 590
-	-		Insurance rigs and employees	10	4 296	4 284
-	-		Internal operating expenses		-	-
638	986	2, 10	Other operating expenses	2, 10	8 753	8 619
880	**1 194**		**Total operating expenses**		**71 529**	65 338
					-	-
-720	**-963**		**Operating profit (+) / loss (-)**		**8 260**	-1 879
14 507	14 609	6, 12	Interest income from group companies			
1	1	12	Other interest income	12	1	1
395	103	12	Other financial income		395	103
8 591	8 730	9, 12	Other interest expenses	9, 12	8 640	8 760
2 622	2 352	12	Other financial expenses	12	2 622	2 365
3 690	**3 631**		**Net financial items**		**-10 865**	-11 020
2 971	**2 668**		**Profit(+)/Loss(-) before income tax**		**-2 605**	-12 899
1 704	**110**	3	**Income tax expense**	3	**1 692**	-63
1 266	**2 558**		**Net profit(+)/Loss(-)**		**-4 297**	-12 836
1 266	**2 558**	5	**Transferred to other equity**	5	**-4 297**	-12 836

NorAm Drilling Company

NorAm Drilling Company AS **BALANCE SHEET** **Group**

(Amounts in USD 1,000)

2018	2017	Note		Note	2018	2017
			ASSETS			
			Non-current assets			
			Intangible assets			
-	-	3	Deferred tax assets	3	-	-
-	-		Total intangible assets		-	-
			Tangible assets			
-	-	8	Rigs and accessories	8	135 802	129 843
-	-		Other tangible assets	8	539	346
-	-		Total tangible assets		136 340	130 189
			Financial assets			
33 143	9 579	7	Investment in subsidiaries		0	0
178 493	183 486	6	loan to group companies		0	0
211 636	193 065		Total financial assets		0	0
211 636	**193 065**		**Total Non-current Assets**		**136 340**	**130 189**
			Current assets			
			Receivable			
9 848	10 010		Accounts receivable		11 365	9 633
422	1 372		Other receivable		1 489	2 334
10 271	11 382		Total receivable		12 854	11 967
			Cash and cash equivalent			
1 803	894	4	Bank deposit/cash	4	13 473	7 768
1 803	894		Total cash and cash equivalents		13 473	7 768
12 074	**12 276**		**Total current assets**		**26 326**	**19 735**
223 710	**205 341**		**TOTAL ASSETS**		**162 667**	**149 924**

CONSOLIDATED 2018 REPORT

NorAm Drilling Company

NorAm Drilling Company AS **BALANCE SHEET** **Group**

(Amounts in USD 1,000)

2018	2017	Note		Note	2018	2017
			EQUITY & LIABILITIES			
			Equity			
			Owners equity			
15 932	13 590	5	Share capital	5	15 932	13 590
94 860	74 327	5	Share premium	5	94 860	74 327
439	439	2, 5	Other paid in capital	2, 5	369	369
111 232	88 356		Total owners equity		111 162	88 286
			Accumulated profits			
17 476	16 209	5	Other equity	5	-50 199	-45 902
17 476	16 209		Total accumulated profits		-50 199	-45 902
128 707	**104 565**		**Total equity**		**60 962**	**42 384**
			Liabilities			
3 674	1 970	3	Deferred tax	3	3 581	1 797
3 674	1 970		Total deferred tax		3 581	1 797
			Non-current liabilities			
90 000	97 000	9	Bond Issue	9	90 000	97 000
0	0		Other long term liabilities	9	812	763
90 000	97 000		Total non-current liabilities		90 812	97 763
			Current liabilities			
492	27		Accounts payable		1 964	3 733
0	0	3	Tax payable	3	0	0
151	191		Public duties payable		151	191
686	1 589	9	Other current liabilities	9	5 196	4 055
1 329	1 807		Total current liabilities		7 311	7 980
95 003	**100 776**		**Total liabilities**		**101 704**	**107 540**
223 710	**205 341**		**TOTAL EQUITY & LIABILITIES**		**162 667**	**149 924**

Oslo, 22.05.2019

Ole B. Hjertaker

Ole Bjarte Hjertaker
Chairman

Hermann Refsum Flinder
Board member

Kristian Melhuus
Board member

Marty Jimmerson
CEO

CONSOLIDATED 2018 REPORT

NorAm Drilling Company

NorAm Drilling Company AS | **STATEMENT OF CASH FLOW** | **Group**

(Amounts in USD 1,000)

2018	2017		2018	2017
3 007	2 668	Pre-tax profit/loss	-2 605	-12 899
-	-	Tax paid for the period	-	-
-	-	Depreciation of fixed assets	15 033	14 602
-	-	Change in accounts receivable	-1 732	-3 353
-	-	Change in accounts payable	-1 769	-707
-	741	Write-down investments in shares	-	-
6 023	-10 853	Change in other current balance sheet items	2 208	1 088
8 598	-7 444	Net cash flow from operational activities	11 134	-1 269
-	-	Proceeds from the sale of tangible fixed assets	34	308
-	-	Purchase of tangible fixed assets	-21 218	-9 911
-23 564	-	Investment in subsidiaries	-	-
-23 564	-	Net cash flow from investing activities	-21 184	-9 603
-	-	Proceeds from issuance of short term debt	1 957	-
-	-	Proceeds from issuance of long term debt	-	-
-7 000	-	Downpayments of long term debt	-9 078	320
22 876	-	Issue of share capital	22 876	-
-	-	Effect merger	-	-
15 876	-	Net cash flow from financing activities	15 755	320
909	-7 444	Net change in cash and cash equivalent	5 705	-10 553
894	8 337	Cash and cash equivalents jan 01	7 768	18 320
1 803	894	Cash and cash equivalents dec 31	13 473	7 768

NorAm Drilling Company AS

Notes to Financial Statement

Note 1 - Accounting Principles

The Financial Statements include Profit and Loss statement, Balance Sheet, Cash Flow Statement and Note Disclosures. The Financial Statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

The Financial Statements are based on the basic principles, and the classification of Assets and Liabilities is according to the definitions of the Norwegian Accounting Act. In application of the accounting principles and presentation of transactions and other information, emphasis has been put not only on legal form, but on economic reality. Conditional losses that are probable and quantifiable are expensed. There have been no changes in the accounting principles used.

During 2016 the group changed their legal structure and the parent kompany Global Rig Company AS has changed name to NorAm Drilling Company AS. As a consequence of the the sale of rigs from the Global Rig Active-companies late 2015, all Global Rig Active-companies has been merged into NorAm Drilling Company AS.

1-1 Basis for consolidation

The Group's consolidated financial statements comprise Noram Drilling Company AS and companies in which Noram Drilling Company AS has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50% of the shares in the company and can exercise control over the company. Minority interests are included in the Group's equity. Transactions between Group companies have been eliminated in the consolidated financial statement. The consolidated financial statement has been prepared in accordance with the same accounting principles for both parent and subsidiary.

1-2 Use of estimates

Management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with Norwegian generally accepted accounting principles.

1-3 Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into USD using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into USD using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

1-4 Revenue recognition and operational costs

Income from sale of goods and services are recognised at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales are taken to income when the company has delivered its products to the customer and there are no unsatisfied commitments which may influence the customer's acceptance of the product. Delivery is not completed until the products have been sent to the agreed place, and risks relating to loss and obsolescence have been transferred to the customer.

NorAm Drilling Company Group revenue relates to rental of rig capacity and sale of drilling services from the US based subsidiary NorAm Drilling Company. Sales regarding rental of rig is invoiced and booked in line with actual contract and the period of delivering the services, while drilling services are invoiced and booked in the same period as the services has been provided.

Expenses are recognized with the income to which the expenses relate. Expenses that may not be related to income are recognized when accrued.

1-5 Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 22%/23% of temporary differences and losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

1-6 Balance sheet classification

Current assets and short term liabilities consist of receivables and payables due within one year, and items connected to the flow of goods. Other balance sheet items are classified as fixed assets / long-term liabilities.

Current assets are valued at the lower of cost and fair value. Short-term liabilities are recognized at nominal value at the time they incur.

Fixed assets are valued at cost, less depreciation and impairment losses. Long-term liabilities are recognized at nominal value.

1-7 Property, plant and equipment

Property, plant and equipment are capitalized and depreciated over the estimated useful life. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property, plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realizable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are used. Operational leasing is expensed as ordinary rental expense and classified as an ordinary operating expense. Equipment leased on terms that transfer practically all economic rights and obligations to the company (financial leasing) is depreciated as a capital asset, and is included as a liability under interest bearing debt at the present value of minimum rental expense.

1-8 Subsidiaries

Subsidiaries are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions are recognized in the same year as they are recognized in the subsidiary financial statement. If dividends / group contribution exceed withheld profits after acquisition, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the investment in the balance sheet for the parent company.

1-9 Accounts receivable and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

1-11 Pension obligations and expenses

Noram Drilling Company AS has a deposit-based pension plan. Yearly payments to the insurance company are expensed as pension costs.

1-12 Cash Flow Statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

NorAm Drilling Company AS

Notes to Financial Statement

Note 2 - Payroll expenses / Number of Employees / Remuneration/ Auditor's Fee

	2018		2017	
Payroll expenses etc. (in USD)	**NDC AS**	**Group**	**NDC AS**	**Group**
Salaries	198 386	25 161 962	176 603	22 156 459
Payroll tax/Social Security	28 159	2 019 116	25 503	1 711 273
Pension costs	-23 944	380 747	4 243	373 867
Other benefits	3 098	3 098	2 106	2 106
Payroll expenses etc.	**205 699**	**27 564 921**	**208 454**	**24 243 705**
Number of man-labour years	1	267	1	264

Management Remuneration - Noram Drilling Company AS (USD)

			2018		
Company officers	**Period**	**Salaries**	**Pensions**	**Other benefits**	**Total**
Marty Jimmerson	01.01 - 31.12	459 730	-	7 000	466 730
Board	**Period**	**Salaries**	**Pensions**	**Other benefits**	**Total**
Henrik Tangen (Chairman)	01.01 - 21.06	127 072	-	-	127 072
Ole Bjarte Hjertaker (Board member/Chairman)	01.01 - 31.12	36 306	-	-	36 306
Hermann Refsum Flinder (Board member)**	01.01 - 31.12	36 306	-	-	36 306
Kristian Melhuus (Board member)	21.06 - 31.12	20 529	-	-	20 529
Espen W. Marcussen (Deputy Board member)	21.06 - 31.12	-	-	-	-
Total Officers		**459 730**	**-**	**7 000**	**466 730**
Total Board		**220 215**	**-**	**-**	**220 215**
Total Remuneration Board and Management		**679 945**	**-**	**7 000**	**686 945**

*Marty Jimmerson received salary from Noram Drilling Comp.

** Herman R. Flinder has been paid board remuneration from the US subsidiary NorAm Drilling Compan.

CEO Marty Jimmerson has a 1 year rolling basis for his employment agreement. In addition to a base salary he is also entitled to a bonus subject to the company's performance.

Mr. Jimmerson is entitled to (i) one-year base salary; (ii) annual cash bonus up to 33% of annual salary and (iii) group health coverage benefits for up to 18 months in the event of a change in control of if his employment contract is terminated for anything other than cause. The CEO is also entitled to a 3-month notice period prior to termination.

It has not been given loan or security for the CEO, CFO, COO, directors or shareholders

Management Remuneration - Group (USD)

		2018		
Company officers	**Salary**	**Pension costs**	**Other**	**Total**
Noram Drilling Company AS	-	-	-	-
Subsidiaries	459 730	-	7 000	466 730
Board				
Noram Drilling Company AS	220 215	-	-	220 215
Subsidiaries	-	-	-	-
Total Officers	**459 730**	**-**	**7 000**	**466 730**
Total Board	**220 215**	**-**	**-**	**220 215**
Remuneration Board and Management (excl. Share based)	**679 945**	**-**	**7 000**	**686 945**

The Company established in 2007 an OTP-plan (Mandatory Occupational Pension) according to the Norwegian Mandatory Occupational Pension Act. The group has established a 501K plan for US subsidiary employees

NorAm Drilling Company AS
Notes to Financial Statement

Noram Drilling Company AS Share-Based Payment
During the period ended 31 December 2018, the Company had two share-based payment arrangement, which is described below.

Marty Jimmerson, CEO
Thomas Taylor, COO

Option Plan 2018-2021	
Type of arrangement	Equity Based
Options granted 30.04.2018	50 000 for Jimmerson 50 000 for Taylor
Vesting conditions	The option vest as follow for both Jimmerson and Taylor: 1/3 on 15.02.19, 1/3 on 15.02.20 and 1/3 on 15.01.21

Fair value of granted options is calculated using the Black-Scholes-Merton option pricing model.
Recognized cost in 2018 relating the share options are USD 9 663

Historical details for the option plans are as follows:

	01.01.2018 - 31.12.2018		**01.01.2017 - 31.12.2017**	
	Options	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**
Outstanding at the beginning of period	150 000	3,50	300 000	3,50
Granted*	100 000	20,00	-	-
Exercised	-	-	-	-
Terminated**	-	-	150 000	3,50
Forfeited	150 000	3,50	-	-
Expired	-	-	-	-
Outstanding at the end of period	100 000	20,00	150 000	3,50
Vested options	-	-	150 000	3,50

* The company has performed a share consolidation with a ratio of 20/1 in 2018. Granted options have been adjusted accordingly in the table.
**In connection with Dale Wilhelm leaving the company in 2017, his option agreement was terminated.

Auditors remuneration (USD, excl. MVA (VAT))	**2018**		**2017**	
	NCD AS	**Group**	**NCD AS**	**Group**
Ordinary audit	60 333	136 103	83 505	83 505
Other confirmation services	-	-	29 001	29 001
Tax advisory services	5 179	5 179	29 383	29 383
Other non audit services	11 488	11 488	6 181	6 181
Total	**77 000**	**152 770**	**148 070**	**148 070**

The ordinary audit expense includes fees for auditing the US subsidiary for the Group consolidated accounts.

Note 3 - Tax

(USD)	jan 01 - dec 31, 2018		jan 01 - dec 31, 2017	
	NDC AS	Group	NDC AS	Group
Tax base calculation				
Profit (+)/ Loss (-) before income tax	2 970 562	-2 605 020	2 667 607	-12 899 164
Permanent differences	5 244 317	5 958 634	-2 247 684	-2 092 658
Temporary differences	6 387 951	-9 820 777	6 541 262	-18 172 053
Losses carried forward	-14 602 830	-3 240 931	-7 430 961	19 795 560
Limited deduction on interests			76 114	12 974 653
Foreign exchange differences			393 663	393 663
Tax base	-	-	-	-
Tax 21/22 %	-	-	-	-
Income Tax Payable this year	-	-	-	-
Income Tax Expense:				
Income Tax Payable this year	0	-92 328		
Changes in deferred tax	1 703 884	1 703 884	109 628	-62 842
Currency effects	-	80 507		
Total Income Tax Expense	**1 703 884**	**1 692 063**	**109 628**	**-62 842**
Income Tax Payable:				
Income Tax Payable this year	-	-	-	-
AMT Credit Refund	-	-92 328	-	-
Prepaid tax	-	-	-	-
Total Income Tax Payable	-	**-92 328**	-	-
Specification of Basis for Deferred Tax Asset:				
Differences to be balanced				
Fixed assets	-45 850	77 501 733	-60 423	63 934 180
Current assets	-		-	-192 707
Deferred gain carried forward	25 597 653	25 597 653	33 734 152	33 734 152
Other differences	-		-	-4 197 015
Total temporary differences	**25 551 804**	**103 099 387**	**33 673 728**	**93 278 610**
NOL's carried forward	-9 776 371	**-122 330 383**	-23 378 861	-124 570 786
Interest limitation carried forward	-1 642 421	**-38 810 141**	-1 731 587	-31 617 966
Basis for calculation of deferred tax asset/liability	**14 133 012**	**-58 041 137**	8 563 281	-62 910 142
Deferred tax asset (-) /liability (+)	**3 673 811**	**-12 724 479**	1 969 555	-13 326 924
Valuation allowance	-	**16 305 953**	-	15 124 009
Deferred tax asset (-) /liability (+)	**3 673 811**	**3 581 476**	1 969 555	1 797 085
Deferred tax/tax asset (22%/ 23%) not recorded in balance	-	**16 305 953**	-	**15 124 009**

Deferred tax/ deferred tax asset

Estimated deferred tax asset in subsidiary NorAm Drilling Company is not recorded in the balance sheet due to uncertainty related to valuation of this asset.

Note 4 - Restricted bank accounts

(USD)	2018 Noram Drilling Company AS	2018 Group	2017 Noram Drilling Company AS	2017 Group
Restricted cash related to debt service on Bond loan	874 988	874 988	750 000	750 000
Employees tax deduction, deposited in a separate bank account	5 555	5 555	13 362	13 362
Secure deposit office leasing and credit cards	11 796	11 796	9 590	9 590
Total	**892 339**	**892 339**	**772 952**	**772 952**

Note 5 - Equity and Shareholder Information

Share Capital Noram Drilling Company AS and the Group

	2018 No. of shares	2018 Face value NOK	2018 Book value NOK	2017 No. of shares	2017 Face value NOK	2017 Book value NOK
Ordinary shares	23 392 317	2,00	46 784 634	267 846 340	0,10	26 784 634
Total	23 392 317		46 784 634	267 846 340		26 784 634

Equity (USD) **Noram Drilling Company AS**	Share Capital	Share Premium	Other paid in capital	Other Equity	Total
Equity Dec 31, 2017	13 589 616	74 327 089	438 907	16 209 391	104 565 003
Rights issue	2 342 646	20 533 287			22 875 933
Profit (+)/Loss (-)				1 266 306	1 266 306
Equity Dec 31, 2018	**15 932 262**	**94 860 376**	**438 907**	**17 475 697**	**128 707 242**

Equity **Group**	Share Capital	Share Premium	Other Equity Contributed	Other Equity	Total
Equity Dec 31, 2017	13 589 616	74 327 089	369 053	-45 902 166	42 383 592
Rights issue	2 342 646	20 533 287			22 875 933
Profit (+)/Loss (-)				-4 297 083	-4 297 083
Stock option agreement			-	-	-
Equity Dec 31, 2018	**15 932 262**	**94 860 376**	**369 053**	**-50 199 249**	**60 962 442**

Issued capital consists only of ordinary shares

10 Largest Shareholders as per des 31, 2018	Noram Drilling Company AS and Group Number of shares	Share (%):
Geveran Trading Co Ltg	15 842 707	67,7 %
Pactum AS	2 673 034	11,4 %
Ship Finance Interna	1 266 225	5,4 %
Camaca AS	537 112	2,3 %
Thabo Energy AS	450 000	1,9 %
Øglend Eiendom AS	321 593	1,4 %
Jahrman AS	264 590	1,1 %
Robert Wood Johnson The Bank of New York	235 385	1,0 %
Næringslivets Hovedorganisasjon	197 301	0,8 %
Damima Invest	163 042	0,7 %
Other	1 441 328	6,2 %
Total	**23 392 317**	**100 %**

Note 6 Intercompany Balances

(USD)	Per Dec 31, 2018	Per Dec 31, 2017
Noram Drilling Company AS		
Loan to NorAm Drilling Company	178 493 474	183 486 318
Loan from NorAm Drilling Company	343 421	861 051
Noram Drilling Company AS receivables from Noram Drilling Company	9 848 422	11 306 305
	-	-
Group		
Noram Drilling Company AS loan to NorAm Drilling Company	178 493 474	183 486 318
NorAm Drilling Company loan to Noram Drilling Company AS	343 421	861 051
Noram Drilling Company AS receivables form Noram Drilling Company	9 848 422	11 306 305

Note 7 Shares in Subsidiaries

(USD) Company	Balance value	Shares	Share of voting rights	Equity 2018	Result 2018	Main Office
2017						
NorAm Drilling Company	33 143	100 %	100 %	-34 801 715	-5 599 695	Houston

Note 8 Tangible assets

Group

Property, plant and equipment (USD)	Rigs and accessories	Vehicles and Office Equipment	Land	Total
Acquisition cost at 01.01.2018	160 297 944	1 456 591	-	161 754 536
Additions	20 766 390	410 924		21 177 314
Disposals				
Acquisition cost at 31.12.2017	181 064 334	1 867 515	-	182 931 849
Accumulated depreciation 31.12.2017	45 262 625	1 328 995	-	46 591 620
Net carrying value at 31.12.2016	135 801 709	538 520	-	136 340 229
Depreciation for the year	14 791 466	249 690	-	15 041 156
Impairment loss for the year	-	-	-	-

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

The useful economic life is estimated to be:	Years
* Buildings and other real estate	20-50
* Machinery and equipment	3-15
* Land	Indefinite

Note 9 Short-term and long-term liabilities

(USD)	2018 NDC AS	2018 Group	2017 NDC AS	2017 Group
Short term liabilities				
Other short term liabilities	686 164	5 195 875	1 588 551	4 055 380
Long term liabilities				
Bond	90 000 000	90 000 000	97 000 000	97 000 000
Other long term liabilities	-	811 917	-	763 198
Total	90 686 164	96 007 792	98 588 551	101 818 578

Bond

June 3rd, 2014, the Group issued a new Bond loan of USD 120 000 000 with 5 years maturity. This agreement has been amended at several occation, latest on 30 November 2018.
Maturity date for the bond loan is 3 June 2021

The Group has a Bond loan as of 31.12.18

Outstanding as of 31.03.19	90 000 000
Maturity date on bond loan	03.06.2021
Repayment during 2019	10 000 000

The Bond Loan includes several financial covenants, including

- Equity Ratio > 30% for period up to 31.12.19 and > 35% for remaining period
- Liquidity – The Group's liquidity should be held at MUSD 5 for period up to 31.12.19 and thereafter MUSD 10 for the reminding period.
- Current Ratio – Minimum 1:1
- Asset Coverage Ratio - The Issuer shall ensure that the sum of the Account Amount and the Market Value of the Rigs at any time is minimum 130% of the total par value of the Outstanding Bonds.

Waiver on financial covenants

At year-end 2015 we agreed to amend the equity ratio covenants requirement as necessary for a period lasting until at least January 1, 2017. In September 2016, a formal waiver on the Equity Ratio and the Liquidity covenants was agreed. The waiver state that the Equity Ratio covenant was waived and that the minimum liquidity was reduced from MUSD 10 to MUSD 7 for a period lasting until 30 June 2017. Based on this, the Group complied with the financial covenants as of year-end 31.12.16.

Although market conditions have improved, the Company determined that it would be unable to meet the repayment terms and various covenants of the Bond loan throughout 2017. Accordingly, in May 2017, the bondholders agreed to depart from scheduled pricipal repayments in 2017 of MUSD 12.0 and extend the waiver of both the Equity Ratio covenant and minimum cash requirements of MUSD 7.0 until January 1, 2018, in exchange for a one-time payment of MUSD 1.2.

A waiver given in November 2017 reduced our minimum required cash to MUSD 5.0 and a required rate of equity to 25% effective January 1, 2018. The waiver expires June 30, 2018. An additional waiver was granted in May 2018 that reduced the minimum cash required to MUSD 5.0 and the rate of equity to 23,5% effective July 1, 2018 through January 1, 2019 in exchange for a MUSD 0.2 amendment fee and a one-time principal payment of MUSD 2.0 on July 31, 2018 in exchange for the elimination of the scheduled principal payment of MUSD 6.0 on June 3, 2018

The Group complied with the financial covenants as of year-end December 31, 2018.

Other long-term liabilities

Other long-term debt is related to NorAm Drilling Company's purchase of vehicles, yard and warehouse including offices. The debt has security in the assets.

	2018 NDC AS	2018 Group	2017 NDC AS	2017 Group
Secured debt:	90 000 000	90 811 917	97 000 000	97 763 198
Pledged assets:				
Assets in subsidiaries	135 801 709	135 801 709	129 843 069	129 843 069
Yard and vehicles	538 520	538 520	345 963	345 963
Total	136 340 229	136 340 229	130 189 032	130 189 032

Note 10 - Related Parties

The Company signed in 2009 a consultancy services with Henrik Tangen who is chairman of the company. The agreement includes services like IR, strategy, organizational development assistance, analytical support and communication support. The agreement on a 20% engagement basis and the fee is NOK 50,000 per month. Payroll tax is paid on the amount, but no other social taxes or benefits. The ageement with Henrik Tangen was terminated in June 2018.

Note 11 - Earnings per share

	2018		2017	
(USD)	**NDC AS**	**Group**	**NDC AS**	**Group**
Result after income tax	1 266 306	-4 297 083	2 557 979	-12 836 323
Shares	23 392 317	23 392 317	267 846 340	267 846 340
Warrants	100 000	100 000	150 000	150 000
EPS	0,05	-0,18	0,01	-0,05
EPS (incl. Options)	0,05	-0,18	0,01	-0,05

Note 12 Net Financial Items

	2018		2017	
	NDC AS	**Group**	**NDC AS**	**Group**
Financial income				
Interest income from group companies	14 507 156	0	14 608 616	-
Other interest income				
Interest income bank	1 004	1 004	1 328	1 328
Other financial income				
Currency gains	395 348	395 348	103 044	103 044
Total financial income	14 903 508	396 352	14 712 988	104 372
Financial expenses				
Other interest expenses				
Interest expense bond loan	8 591 099	8 591 099	8 730 002	8 730 002
Other interest expenses		48 605	-	30 123
Other financial expenses				
Other financial expense	2 102 440	2 102 440	2 088 925	2 101 590
Write-down investments in subsidiaries				-
Currency losses	519 886	519 886	263 007	263 007
Total Financial expenses	11 213 425	11 262 030	11 081 934	11 124 722
Net financial items	**3 690 084**	**-10 865 678**	**3 631 054**	**-11 020 351**

Note 13 – Segment and Geographic Information

The Company does not operate in different market segments.

The Group owns and operates land-based oil & gas drilling rigs. All drilling operations in 2018 were in the US.
In 2015 the US subsidiary bought all of the rigs from the Norwegian subsidiaries.

2018 (USD)	Noram Drilling Company AS	Drilling service NorAm	Group
Sales income from third parties	-	79 789 427	79 789 427
Sales income from other segments	160 257	-	-
Depreciation	-	15 041 156	15 041 156
Other operating expenses	879 777	55 608 128	56 487 905
Operating profit	**-719 520**	**9 140 143**	**8 260 365**
Financial expenses	11 213 425	0	11 213 425
Financial expenses other segments	-	14 507 156	-
Financial income	396 425	-	396 352
Financial income other segments	14 507 156	-	-
Net financial items	**3 690 156**	**-14 507 156**	**-10 817 073**
Taxes	1 704 256	-12 193	1 692 063
Assets	223 710 188	150 592 794	162 666 652
Interest bearing debt third parties	90 000 000	811 917	90 811 917
Interest bearing debt other segments		178 493 474	-

2017 (USD)	Noram Drilling Company AS	Drilling service NorAm	Group
Sales income from third parties	-	63 459 048	63 459 048
Sales income from other segments	230 627	-	-
Depreciation		14 601 833	14 601 833
Other operating expenses	1 194 074	50 736 026	50 736 026
Operating profit	**-963 447**	**-1 878 814**	**-1 878 814**
Financial expenses	14 712 988	14 651 404	11 124 722
Financial expenses other segments	-	-	-
Financial income	11 081 934	-	104 372
Financial income other segments	-	-	-
Net financial items	**-3 631 054**	**-14 651 404**	**-11 020 350**
Taxes	109 628	147 637 365	149 923 856
Assets	-	147 367 365	149 923 856
Interest bearing debt third parties	97 000 000	763 198	97 763 198
Interest bearing debt other segments		182 625 267	-

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To the General Meeting of Noram Drilling Company AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Noram Drilling Company AS showing a profit of USD 1 266 000 in the financial statements of the parent company and loss of USD 4 297 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company Noram Drilling Company AS (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Noram Drilling Company AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the

Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 11 June 2019
KPMG AS

Ståle Christensen
State Authorised Public Accountant