



NorAm Drilling Company

Annual Report 2021

NorAm Drilling Company AS

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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”, “expects”, “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.

Alternative Performance Measurement (APM)

In the report we refer to the APM EBITDA; Earnings Before Interest, Tax, Depreciation and Amortization.

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. At year-end 2021, the Group’s fleet consisted of 11 “super spec” rigs located in the Permian Basin.

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 Bryggegate 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 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 13 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 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.

2021 Developments

MARKET and CONTRACTS

As a result of the COVID – 19 pandemic, changes in global oil supplies and demand and the recent Russian invasion of Ukraine, oil prices remain volatile. Since August 2020, WTI oil prices and US land rig counts have steadily increased indicating that the US drilling industry bottomed in 3Q 2020.

Since October 2020, WTI has continued to improve. WTI began 2021 around \$50 per barrel and finished 2021 near \$75 per barrel. WTI is currently trading above \$100 per barrel.

As of May 20, 2022, the US land drilling active rig count and Permian rig count was 709 and 343, respectively. As of December 31, 2021, the US land drilling active rig count and Permian rig count was 570 and 293, respectively. In comparison, as of December 31, 2020, the US land drilling active rig count and Permian rig count was 332 and 175, respectively. We currently have all eleven rigs under contract.

CARES ACT

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” On May 5, 2020, we entered into an unsecured loan in the aggregate principal amount of MUSD 5.5 pursuant to the Paycheck Protection Program which is part of the CARES Act Initiatives. This loan was forgiven in full on May 11, 2021.

On December 27, 2020, an additional COVID-19 Pandemic Relief Bill was approved. This bill authorized another round of PPP loans (“second draw PPP loans”). On February 5, 2021, we entered

into a second PPP loan in the aggregate principal amount of MUSD \$2.0. This loan was forgiven in full in October 2021.

As a result of the COVID-19 pandemic, and as part of the Cares act, NorAm Drilling applied for support relating to the Employee Retention Tax Credit (ERTC) which is a payroll credit available from March 12, 2020 through September 30, 2021 for a total amount of approximately MUSD 4.0. The company has not received confirmation that the application is approved, nor received confirmation that they comply with the requirements for receiving the payroll credit. Due to this, there is significant uncertainty if the company will receive any support through this public system, hence no payroll credit has been recognized in the Annual Report for 2021.

BOND AMEDMENTS

On May 16, 2022, the Company and holders of the Bond loan agreed to the following amendments: (i) extend the maturity date from June 3, 2022, to June 3, 2023; (ii) schedule a principal installment of MUSD 5.0 on December 3, 2022; (iii) amend the prepayment structure to allow for partial prepayments at par value at a minimum of MUSD 5.0; and (iv) pay an amendment fee of USD 400,000.

COMPANY DEVELOPMENT, RESULTS and FINANCING

NorAm had revenue of MUSD 50.4 during the twelve months of 2021 compared to MUSD 54.7 during the twelve months of 2020. During the twelve months of 2021 we generated an operating loss of MUSD 12.3 compared to an operating loss of MUSD 8.2 in the twelve months of 2020. During the twelve months of 2021 we generated EBITDA of MUSD 6.0 compared to MUSD 9.8 in the twelve months of 2020. The decrease in operating profit and EBITDA is primarily due to lower average dayrates and fleet utilization as well as costs incurred associated with warm stacking rigs to ensure reactivation costs would be minimized upon reactivations.

Capital expenditures were MUSD 3.4 in the twelve months of 2021, compared to MUSD 2.5 in 2020. As of December 31, 2021, our cash position was MUSD 12.8, and we had MUSD 80.0 of outstanding bonds payable to 3rd parties.

The parent company NorAm Drilling Company AS had total operating income of MUSD 0.1 in 2021, the same as for 2020. Operating expenses were reduced from MUSD 1.7 in 2020, to MUSD 0.7 in 2021, mainly due to bond amendment fees and cost saving initiatives. The company had a net loss before tax of MUSD 7.8 in 2021, compared to MUSD 9.3 in 2020. The main driver for the negative result is due to interest expenses on the Bond Loan.

In May 2021, the Company entered into an amendment of its Revolving Credit Facility that (i) extends the maturity date to the earlier of June 2023 and the maturity date of the Bond Loan, and (ii) allows for borrowings for financing capital expenditures. As of yearend 2021, there were no borrowings outstanding under this facility.

KEY FINANCIAL FIGURES

	<u>2021</u>	<u>2020</u>
MUSD		
Revenue	50.4	54.7
Operating Profit	(12.3)	(8.2)
Net Profit before Tax	(19.5)	(16.0)
EBITDA	6.0	9.8

IMPAIRMENT ON FIXED ASSETS

Due to the uncertain market conditions, resulting from COVID-19 pandemic and oil production changes, we have reviewed assumptions for the carrying values of our assets. This includes assumptions for development in dayrates, OPEX and other critical inputs were adjusted. The development in dayrates and rig utilization during 2020 and early 2021 was considered as temporary setbacks, and not permanent changes, hence this is reflected in the company's impairment model.

There is significant uncertainty relating to the recovery of the market, and the key inputs are therefore uncertain. The conclusion on the impairment calculation, based on information available and that dayrates and utilization have been better than projected, is that there is no need for impairment charges during 2021 or as of December 31, 2021. As of May 2022, all of our rigs were under contract. The timing of our rig reactivations, actual dayrates and margins being earned on current contracts and the near term outlook as a result of oil prices are all favorable compared to the assumptions used in our impairment analysis. Management and the board of directors will continue to follow the developments in the market closely and assess impairment continuously if expected future market conditions change.

FINANCING

On the balance sheet, the Group has equity of MUSD 33.7 equivalent to an equity ratio of 27.6% at year-end 2021, compared to MUSD 45.1 of equity and a 32.4% equity ratio at year-end 2020.

The Company's balance sheet at year end 2021 had equity of MUSD 120.0 and an equity ratio of 58.7%, compared to MUSD 124.2 of equity and a 59.0% equity ratio at yearend 2020.

In Q4 2021 the parent company refinanced the US subsidiary by converting MUSD 51.2 from debt to equity to ensure better financing of the US subsidiary.

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, 2021, was MUSD 80.0. The bond loan agreement includes a set of covenants, that NorAm reports on. The Board of Directors confirm, based upon current market assumptions, that it is expected that the Company and Group will be compliant with all other covenants set out in the bond loan agreement through 2022.

On May 16, 2022, the Company and holders of the Bond loan agreed to the following amendments: (i) extend the maturity date from June 3, 2022, to June 3, 2023; (ii) schedule a principal installment of MUS\$ 5.0 on December 3, 2022; (iii) amend the prepayment structure to allow for partial prepayments at par value at a minimum of MUS\$ 5.0; and (iv) pay an amendment fee of USD 400,000.

CASH FLOW and LIQUIDITY

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, 2021, was MUS\$ 80.0.

The cash position for the Group decreased from MUS\$ 16.3 as of December 31, 2020, to MUS\$ 12.8 as of December 31, 2021, mainly attributable to the Group investing MUS\$ 3.4 in capital expenditures in 2021.

For the Norwegian parent company, the cash position increased from MUS\$ 1.0 to MUS\$ 1.4.

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), (iii) risk related to suppliers and clients, (iv) ability to recruit and retain employees and (v) ability to pass along increases in labor and rig expenses to our customers.

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 "Super Spec" rigs by 2021, the Group has taken important steps forward to become an important player in the US onshore drilling industry.

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 modern, 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 2022 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 2022:

- Ensure continued high safety standard in line with our historical performance
- Continue to operate our rigs with an industry leading effectiveness and efficiency
- Scale our operations and overhead in response to the decline in rig activity, stacking our rigs in a manner that allows us to return to work without incurring substantial costs or delays when the market recovers
- Maintain and develop customer relationships in order to obtain higher dayrates contracts with reputable clients

FUTURE DEVELOPMENT

Dayrates and utilization outlook

All eleven rigs are currently located in the Permian Basin. Our current drilling contract status as of May 24, 2022 is as follows:

- Rig 21 – on contract pad-pad
- Rig 22 – on contract through July 2022
- Rig 23 – on contract pad-pad
- Rig 25 – on contract through November 2022
- Rig 26 – on contract through September 2022
- Rig 27 – on contract through August 2022
- Rig 28 – on contract through November 2022
- Rig 29 – on contract pad-pad
- Rig 30 – on contract pad-pad
- Rig 32 – on contract through September 2022

- Rig 34 – on contract through June 2022

We expect market conditions to remain volatile in the near term. Subject to key risks and uncertainties mentioned in this report we currently expect continued demand for high end “super spec” drilling rigs. Currently, dayrates for high end “super spec” drilling rigs continue to improve primarily due to the lack of available rig supply, operator and drilling contractor financial discipline and supply chain constraints for both labor and supplies.

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 2021 and in line with our historical performance. In response to the significant reduction in crude oil prices in 2020 and the resulting fall in demand for drilling services in North America, we took decisive action to quickly scale down our expenses and conserve liquidity including: (i) lowering our direct field level personnel as rigs are released, (ii) implemented wage reductions for all employees and Board of Director fees, (iii) suspended our employer 401K match, (iv) working with our vendor partners for best pricing on goods and services and (v) eliminated all non-essential capital expenditures.

During 2021, we reinstated the wage reduction implemented in 2020. Additionally, we increased wages on January 1, 2022 in order to retain and recruit employees and remain competitive with other drilling contractors’ pay rates. We have also experienced price increases during 2022 in other rig supplies as supply chain constraints have increased. We have successfully passed along these increases in labor and rig supplies to our customers. We expect costs could continue to increase in the near future. While our contracts generally allow us to pass along cost increases we can not be certain that any future increases in costs will not negatively impact our operating margins and/or rig activity.

RESEARCH and DEVELOPMENT ACTIVITIES

Neither the Company nor the Group had research and development expenses in 2021.

GOING CONCERN

The Board considers the Financial Statements for 2021 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, 2021. 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. This is based on the Boards expectations relating to market conditions going forward, with increased dayrates and utilization expected to continue to gradually recover over the next few years and to at least same levels experienced before COVID-19.

WORKING ENVIRONMENT

As of December 31, 2021, the Group had an operational organization of 243 people including three 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 absentee rate was minimal. There were no property damage incidents in 2021.

NorAm Drilling Company AS has no employees during 2021, 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

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. 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 2021, 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 group has conducted a high-level salary analysis showing that on average, men has higher salary than women. The main reason for this is that the management group consist of only men, and management level has higher average salary than the employees working on the rigs. Among employees working on the rigs, there is no indication on significant differences in average salary between men and women with the same experience etc.

During 2021 the group has had no involuntary part-time employees, and no persons have been on leave of absence.

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

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 includes converting engine systems into Dual Gas system, whereby our customers agree, 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 24, 2022

Ole B. Hjertaker
Chairman

Gunnar Eliassen
Board member

Christopher Baker
Board member

Marty Jimmerson
Chief Executive Officer

Signature of the Board, May 24, 2022



Ole B. Hjertaker
Chairman



Gunnar Eliassen
Board member



Christopher Baker
Board member



Marty Jimmerson
Chief Executive Officer



NorAm Drilling Company



Financial Statements 2021

For NorAm Drilling Company AS and Group

CONSOLIDATED 2021 REPORT



NorAm Drilling Company AS

INCOME STATEMENT
(Amounts in USD 1,000)

Noram Group

2021	2020	Note	Note	2021	2020	
-	-	12	Sales	12	50 382	54 659
110	110		Other operating income		-	-
110	110		Total operating income		50 382	54 659
77	67	2	Payroll Expences	2	19 751	18 758
-	-		Depreciation of tangible and intangible assets	8	18 307	18 041
-	-		Rig mobilization, service and supplies		16 388	14 662
-	-		Insurance rigs and employees		3 959	3 492
575	1 609	2	Other operating expenses	2	4 281	7 897
652	1 676		Total operating expenses		62 687	62 851
-542	-1 567		Operating profit (+) / loss (-)		-12 305	-8 192
-	-	6, 11	Interest income from group companies		-	-
0	7	11	Other interest income	11	0	7
49	39	11	Other financial income		49	39
7 200	7 395	9, 11	Other interest expenses	9, 11	7 200	7 427
66	376	11	Other financial expenses	11	79	391
-7 217	-7 725		Net financial items		-7 229	-7 772
-7 759	-9 291		Profit(+)/Loss(-) before income tax		-19 534	-15 964
-686	-2 520	3	Income tax expense	3	-701	-2 385
-7 073	-6 771		Net profit(+)/Loss(-)		-18 834	-13 579
-7 073	-6 771	5	Transferred to other equity	5	-18 834	-13 579



NorAm Drilling Company AS BALANCE SHEET
(Amounts in USD 1,000)

Group

2021	2020	Note	Note	2021	2020
ASSETS					
Non-current assets					
Intangible assets					
-	-			-	-
Tangible assets					
-	-		8	101 918	116 804
-	-		8	170	215
-	-			102 087	117 019
Financial assets					
84 557	33 143	7		-	-
118 307	166 326	6		-	-
202 864	199 468			-	-
202 864	199 468			102 087	117 019
Current assets					
Receivable					
-	10 067	6		6 143	4 423
14	426			1 060	1 191
14	10 493			7 203	5 614
Cash and cash equivalent					
1 445	969	4	4	12 782	16 337
1 445	969			12 782	16 337
1 458	11 462			19 985	21 951
204 322	210 930			122 073	138 971

NorAm Drilling Company AS BALANCE SHEET
(Amounts in USD 1,000)

2021	2020	Note	Note	2021	2020
EQUITY & LIABILITIES					
Equity					
Owners equity					
8 839	15 932	5	5	8 839	15 932
94 860	94 860	5	5	94 860	94 860
439	439	2, 5	2, 5	369	369
104 138	111 232	Total owners equity		104 068	111 162
Accumulated profits					
15 897	15 877	5	5	-70 339	-66 099
15 897	15 877	Total accumulated profits		-70 339	-66 099
120 035	127 108	Total equity		33 729	45 062
Liabilities					
1 314	1 988	3	3	1 962	2 651
1 314	1 988	Total deferred tax		1 962	2 651
Non-current liabilities					
80 000	80 000	9	9	80 000	80 000
0	0		9	0	5 718
80 000	80 000	Total non-current liabilities		80 000	85 718
Current liabilities					
2 160	51	6		2 996	1 330
-	3	3	3	-	3
151	150			151	150
662	1 631			3 236	4 055
2 973	1 835	Total current liabilities		6 382	5 539
84 287	83 822	Total liabilities		88 344	93 908
204 322	210 930	TOTAL EQUITY & LIABILITIES		122 073	138 971

Oslo, 24.05.2022

Ole Bjarte Hjertaker
Chairman

Christopher Baker
Board member

Gunnar Eliassen
Board member

Marty Jimmerson
CEO

CONSOLIDATED 2021 REPORT

NorAm Drilling Company AS **BALANCE SHEET**
(Amounts in USD 1,000)



2021	2020	Note	Note	2021	2020
EQUITY & LIABILITIES					
Equity					
Owners equity					
8 839	15 932	5	5	8 839	15 932
94 860	94 860	5	5	94 860	94 860
439	439	2, 5	2, 5	369	369
104 138	111 232			104 068	111 162
Accumulated profits					
15 897	15 877	5	5	-70 339	-66 099
15 897	15 877			-70 339	-66 099
120 035	127 108			33 729	45 062
Liabilities					
1 314	1 988	3	3	1 962	2 651
1 314	1 988			1 962	2 651
Non-current liabilities					
80 000	80 000	9	9	80 000	80 000
0	0	9	9	0	5 718
80 000	80 000			80 000	85 718
Current liabilities					
2 160	51	6		2 996	1 330
-	3	3	3	-	3
151	150			151	150
662	1 631			3 236	4 055
2 973	1 835			6 382	5 539
84 287	83 822			88 344	93 908
204 322	210 930			122 073	138 971

Oslo, 24.05.2022

Ole Bjarte Hjertaker
Chairman

Gunnar Eliassen
Board member

Christopher Baker
Board member

Marty Jjimerson
CEO



NorAm Drilling Company AS

STATEMENT OF CASH FLOW
(Amounts in USD 1,000)

Group

2021	2020		2021	2020
-7 759	-9 291	Pre-tax profit/loss	-19 534	-15 964
-	-	Tax paid for the period	425	-412
-	-	Depreciation of fixed assets	18 307	18 041
-1 028	-110	Change in accounts receivable	-1 720	9 583
2 109	-724	Change in accounts payable	1 665	-5 424
-546	993	Change in other current balance sheet items	-1 104	319
-7 224	-9 132	Net cash flow from operational activities	-1 961	6 143
-	-	Purchase of tangible fixed assets	-3 376	-2 460
7 700	8 875	Received payment on loans to group companies	-	-
7 700	8 875	Net cash flow from investing activities	-3 376	-2 460
-	-	Downpayments of long term debt	1 782	4 737
-	-	Net cash flow from financing activities	1 782	4 737
476	-257	Net change in cash and cash equivalent	-3 555	8 420
969	1 227	Cash and cash equivalents opening balance	16 337	7 917
1 445	969	Cash and cash equivalents closing balance	12 782	16 337

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.

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%/21% (Norway/USA) 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.

Temporary differences in jurisdictions with other currency than USD, is calculated using local currency and converted to USD at foreign exchange rate at the balance sheet.

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.

NorAm Drilling Company AS

Notes to Financial Statement

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.

1-10 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.

1-11 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.

1-12 Functional Currency and Presentational Currency

Functional and presentation currency is for NorAm Drilling Company AS and the NorAm Drilling Group is USD. This is based on the following rationale;

Noram Drilling Company AS

All significant P/L transactions is denominated in USD (Interest income from group companies, Other interest expenses)

All significant Balance Sheet items is denominated in USD (Loan to group companies, accounts receivables, Cash and Bond Loan)

Noram Drilling Group

All significant P/L transactions is denominated in USD (Sales, Payroll, Operating expenses from US subsidiary and Other interest expenses)

All significant Balance Sheet items is denominated in USD (Fixed assets, Accounts receivables, cash, Bond Loan, Accounts Payable and other current liabilities)

NorAm Drilling Company AS

Notes to Financial Statement

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

Payroll expenses etc. (in USD)	2021		2020	
	NDC AS	Group	NDC AS	Group
Salaries	67 520	18 328 595	59 302	17 223 539
Payroll tax/Social Security	9 520	1 422 897	7 979	1 324 994
Pension costs	-	-	-	209 700
Other benefits	-	-	-	-
Payroll expenses etc.	77 041	19 751 492	67 281	18 758 233
Number of man-labour years	0	218	0	215

Management Remuneration - Noram Drilling Company AS (USD)

Company officers	Period	2021			Total
		Salaries	Pensions	Other benefits	
Marty Jimmerson	01.01 - 31.12	401 995	-	2 322	404 317
Board	Period	Salaries	Pensions	Other benefits	Total
Ole Bjarte Hjertaker (Board member/Chairman)	01.01 - 31.12	32 315	-	-	32 315
Hermann Refsum Flinder (Board member)**	01.01 - 31.12	32 835	-	-	32 835
Kristian Melhuus (Board member)	01.01 - 10.08	18 709	-	-	18 709
Gunnar Eliassen (Board member)	10.08 - 31.12	13 350	-	-	13 350
Christopher Baker (Board member)	-	-	-	-	-
Espen W. Marcussen (Deputy Board member)	01.01 - 31.12	5 669	-	-	5 669
Total Officers		401 995	-	2 322	404 317
Total Board		102 879	-	-	102 879
Total Remuneration Board and Management		504 874	-	2 322	507 196

*Marty Jimmerson received salary from US subsidiary Noram Drilling Company

** Herman R. Flinder has been paid board remuneration from the US subsidiary NorAm Drilling Company
Herman R. Flinder was replaced as board member 15 March 2022.

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)

Company officers	2021			Total
	Salary	Pension costs	Other	
Noram Drilling Company AS	-	-	-	-
Subsidiaries	401 995	-	2 322	404 317
Board				
Noram Drilling Company AS	102 879	-	-	102 879
Subsidiaries	-	-	-	-
Total Officers	401 995	-	2 322	404 317
Total Board	102 879	-	-	102 879
Remuneration Board and Management (excl. Share based)	504 874	-	2 322	507 196

Noram Drilling Company AS Share-Based Payment

During the period ended 31.12.21, the Company had two share-based payment arrangement, which is described below.

Marty Jimmerson, CEO
Thomas Taylor, COO

NorAm Drilling Company AS

Notes to Financial Statement

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 2021 relating the share options are USD 14 494.

Historical details for the option plans are as follows:

	01.01.2021 - 31.12.2021		01.01.2020 - 31.12.2020	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at the beginning of period	100 000	20,00	100 000	20,00
Granted			-	-
Exercised			-	-
Terminated			-	-
Forfeited			-	-
Expired			-	-
Outstanding at the end of period	100 000	20,00	100 000	20,00
Vested options	100 000	20,00	-	-

The Option Holder may exercise the vested portion of the options at any time from the date of vesting and until 15 February 2022. Any Options not exercised by 15 February 2022 will automatically become void and lapse without compensation to the Option Holder. As of 15 February 2022 no options were exercised.

New sharebased payment agreement 2022

On 28 February 2022 the Company issued a new option agreement with Marty Jimmerson and Thomas Taylor. The new agreement consist of 150.000 options for each, with vesting dates for 1/3 of the options on 28 February in 2023, 2024 and 2025. The option holder may, on certain conditions, exercise the vested portion of the Options at any time from the date of vesting and until 28 February 2027. Any Options not exercised by 28 February 2027 will automatically become void and lapse without compensation to the Option Holder.

Auditors remuneration (USD, excl. MVA (VAT))

	2021		2020	
	NCD AS	Group	NCD AS	Group
Ordinary audit	66 662	66 662	65 571	151 148
Other confirmation services	-	-	-	-
Tax advisory services	4 298	4 298	13 207	13 207
Other non audit services	33 434	33 434	31 294	31 294
Total	104 394	104 394	110 072	195 649

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

NorAm Drilling Company AS

Notes to Financial Statement

Note 3 - Tax

(USD)	2021		2020	
	NDC AS	Group	NDC AS	Group
Tax base calculation				
Profit (+)/ Loss (-) before income tax	-7 758 983	-19 534 127	-9 291 378	-15 964 094
Permanent differences	2 911 548	2 911 548	-1 544 117	-1 544 117
Temporary differences	3 304 634	3 289 292	3 778 679	3 959 101
Losses carried forward	-	-	-	-
Tax refund 2019 COVID-19 effect	-	-	1 944 566	1 944 566
Foreign exchange differences	111 265	111 265	-557 192	-557 192
Tax base	-1 431 536	-13 222 022	-5 669 442	-12 161 736
Tax	-	-	-	-
Income Tax Payable this year	-	-	-	-
Income Tax Expense:				
Income Tax Payable this year	-	-	-	-45 190
Changes in deferred tax	-1 102 455	-1 117 797	-1 676 265	-1 495 775
Currency effects	-	-	-	-
Tax refund 2019 COVID-19 effect	-12 317	-12 317	-415 484	-415 484
Total Income Tax Expense	-1 114 772	-1 130 114	-2 091 749	-1 956 449
Deviation in FS 2020 due to error in NOL's carried forward	428 696	428 696	-428 696	-428 696
Total Income Tax Expense in P&L	-686 076	-701 418	-2 520 445	-2 385 145
Income Tax Payable:				
Income Tax Payable this year	-	-	-	-
AMT Credit Refund	-	-	-	-
Prepaid tax	-	-	-	-
Total Income Tax Payable	-	-	-	-
Specification of Basis for Deferred Tax Asset:				
Differences to be balanced				
Fixed assets	-23 127	86 396 455	-29 881	95 053 003
Current assets	-	-	-	-
Deferred gain carried forward	12 911 476	12 911 476	16 682 411	16 682 411
Other differences	-	-	-	-
Total temporary differences	12 888 349	99 307 931	16 652 530	111 735 414
NOL's carried forward	-6 916 420	-158 224 728	-5 669 442	-147 890 832
Interest limitation carried forward	-1 618 044	-32 395 321	-1 672 489	-39 037 062
Basis for calculation of deferred tax asset/liability	4 353 885	-91 312 118	9 310 599	-75 192 481
Deferred tax asset (-) /liability (+)	957 855	-18 469 942	2 048 332	-14 895 890
Valuation allowance	355 970	20 431 914	367 948	17 975 658
Deferred tax asset (-) /liability (+) after valuation allowance	1 313 824	1 961 971	2 416 279	3 079 768
Deviation in FS 2020 due to error in NOL's carried forward	-	-	-428 696	-428 696
Deferred tax asset (-) /liability (+) in balance sheet	1 313 824	1 961 971	1 987 583	2 651 072
Deferred tax/tax asset not recorded in balance	355 970	20 431 914	367 948	17 975 658

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)	2021		2020	
	Noram Drilling Company AS	Group	Noram Drilling Company AS	Group
Restricted cash related to debt service on Bond loan	759 314	759 314	759 314	759 314
Employees tax deduction, deposited in a separate bank account	5 799	5 799	5 033	5 033
Secure deposit office leasing and credit cards	15 090	15 090	15 090	15 090
Total	780 203	780 203	779 437	779 437

Note 5 - Equity and Shareholder Information

Share Capital Noram Drilling Company AS and the Group

	2021			2020		
	No. of shares	Face value NOK	Book value NOK	No. of shares	Face value NOK	Book value NOK
Ordinary shares	23 392 317	2,00	46 784 634	23 392 317	2,00	46 784 634
Total	23 392 317		46 784 634	23 392 317		46 784 634

Equity (USD)

Noram Drilling Company AS

	Share Capital	Share Premium	Other paid in capital	Other Equity	Total
Equity 31.12.2020	15 932 262	94 860 376	438 907	15 876 734	127 108 279
Adjustment prior period error*	-7 093 307	-	-	7 093 307	-
Restated equity 31.12.2020	8 838 955	94 860 376	438 907	22 970 040	127 108 279
Profit (+)/Loss (-)				-7 072 908	-7 072 908
Equity 31.12.2021	8 838 955	94 860 376	438 907	15 897 132	120 035 319

Equity

Group

	Share Capital	Share Premium	Other Equity Contributed	Other Equity	Total
Equity 31.12.2020	15 932 262	94 860 376	369 053	-66 099 197	45 062 494
Adjustment prior period error*	-7 093 307	-	-	7 093 307	-
Restated equity 31.12.2020	8 838 955	94 860 376	369 053	-59 005 890	45 062 494
Debt forgiveness				7 500 000	7 500 000
Profit (+)/Loss (-)				-18 833 585	-18 833 585
Equity 31.12.2021	8 838 955	94 860 376	369 053	-70 339 475	33 728 909

* Adjustment prior period error relates to a classification error between share capital and other equity. The error occurred due to translation differences from NOK to USD after a capital reduction on 2016. The net effect on equity is 0. Therefore the error is deemed not material and comparable numbers in the balance sheet is not restated. Issued capital consists only of ordinary shares

10 Largest Shareholders as per 31.12.2021

Noram Drilling Company AS and Group

	Number of shares	Share (%):
Geveran Trading Ltd	15 842 707	67,7 %
Pactum AS	2 673 034	11,4 %
SFL Corporation Ltd.	1 266 225	5,4 %
Camaca AS	537 112	2,3 %
Thabo Energy AS	450 000	1,9 %
Prima Green Investment AS	321 593	1,4 %
Jahrmann AS	264 590	1,1 %
Robert Wood Johnson Foundation	235 385	1,0 %
Naeringslivet Hovedorganisasjon	197 301	0,8 %
MMP Invest AS	150 000	0,7 %
Other	1 454 370	6,2 %
Total	23 392 317	100 %

NorAm Drilling Company AS

Notes to Financial Statement

Note 6 Intercompany Balances

(USD)	2021	2020
Noram Drilling Company AS		
Loan to NorAm Drilling Company (subsidiary)	118 306 926	166 325 630
Loan from NorAm Drilling Company (subsidiary)		
Accounts payable to NorAm Drilling Company (subsidiary)	2 162 639	50 832
Noram Drilling Company AS receivables from NorAm Drilling Company (subsidiary)	-	10 067 167

Due to the difficulties in the market following COVID-19, Noram Drilling Company AS has given its subsidiary a temporary relief of any interest on intercompany loan.

Note 7 Shares in Subsidiaries

(USD) Company	Book value	Shares	Share of voting rights	Equity 2021	Result 2021	Main Office
Noram Drilling Company	84 556 593	100 %	100 %	-1 749 859	-11 760 677	Houston

On December 23, 2021, the parent company converted part of its debt against its US Subsidiary NorAm Drilling Corp. The capital increase is done by issuance of 218.000 shares to a total amount of USD 51 413 737.

Impairment trigger analysis and impairment assessment for investments in subsidiaries

Book value of investment in subsidiary exceeds booked value of equity in the subsidiary. Based on this, management has tested shares in subsidiaries for impairment. The test is based on value in use test for fixed assets in the subsidiaries, adjusted for net interest bearing debt. See note 8. No impairment is recognized in 2021.

The changes in the impairment calculations has not resulted in any impairment expenses as of year-end 2021, and the headroom is in line with 2020.

There are always uncertainty relating to future changes in the market, hence the result of the calculation could change with other inputs. The most sensitive inputs to the impairment calculations is expected dayrates, OPEX, utilization and discount rate. Based on a small headroom in calculated NPV, small adjustment on key inputs, would lead to an impairment in shares.

For changes in estimated due to events after the reporting day, please see note 14

Note 8 Tangible assets

Group

Property, plant and equipment (USD)	Rigs and accessories	Vehicles and Office Equipment	Land	Total
Acquisition cost at 01.01	196 730 386	2 135 326	-	198 865 712
Additions	3 375 729	-	-	3 375 729
Disposals				
Acquisition cost at 31.12	200 106 115	2 135 326	-	202 241 441
Accumulated depreciation 31.12	98 188 493	1 965 552	-	100 154 045
Net carrying value at 31.12	101 917 622	169 774	-	102 087 396
Depreciation for the year	18 262 379	45 015	-	18 307 394
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 8 Tangible assets continues

Impairment trigger analysis and impairment assessment on tangible assets

Due to the uncertain market conditions, resulting from COVID-19 pandemic and oil production changes, we have reviewed assumptions for the carrying values of our assets. This includes assumptions for development in dayrates, OPEX and other critical inputs were adjusted. The development in dayrates and rig utilization during 2020 and early 2021 was considered as temporary setbacks, and not permanent changes, hence this is reflected in the company's impairment model

There is significant uncertainty relating to the recovery of the market, and the key inputs are therefore uncertain.

The conclusion on the impairment calculation, based on information available and that dayrates and utilization have been better than projected, is that there is no need for impairment charges during 2021 or as of December 31, 2021. As of May 2022, all of our rigs were under contract. The timing of our rig reactivations, actual dayrates and margins being earned on current contracts and the near term outlook as a result of oil prices are all favorable compared to the assumptions used in our impairment analysis. Management and the board of directors will continue to follow the developments in the market closely and assess impairment continuously if expected future market conditions change.

For changes in estimated due to events after the reporting day, please see note 15

Note 9 Liabilities

(USD)	2021		2020	
	NDC AS	Group	NDC AS	Group
Long term liabilities with maturity before 5 years				
Bond	80 000 000	80 000 000	80 000 000	80 000 000
Other long term liabilities	-	-	-	5 718 136
Total	80 000 000	80 000 000	80 000 000	85 718 136

Bond

03.06.2014 the Group issued a new Bond loan of USD 120 000 000 with 5 years maturity. This agreement has been amended at several occasions, latest on 16 May 2022, please see further details in note 15.

The Group has a Bond loan as of 31.12.21

Outstanding as of 31.12.21	80 000 000
Maturity date on bond loan	03.06.2022
Repayment during 2021	-

The Bond Loan includes several financial covenants, including

- Liquidity – The Group's liquidity should be held at MUSD 5
- 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.

The Group complied with the financial covenants as of 31.12.2021.

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.

	2021		2020	
	NDC AS	Group	NDC AS	Group
Secured debt:	80 000 000	80 000 000	80 000 000	85 718 136
Pledged assets:				
Assets in subsidiaries	101 917 622	101 917 622	116 804 272	116 804 272
Yard and vehicles	-	169 774	-	214 790
Total	101 917 622	102 087 396	116 804 272	117 019 061

Revolving Credit Facility

The company has an Revolving Credit Facility of MUSD 6 available for working capital and CAPEX upgrade purposes.

NorAm Drilling Company AS

Notes to Financial Statement

Note 10 - Earnings per share

(USD)	2021		2020	
	NDC AS	Group	NDC AS	Group
Result after income tax	-7 072 908	-18 833 585	-6 770 932	-13 578 948
Shares	23 392 317	23 392 317	23 392 317	23 392 317
Warrants	100 000	100 000	100 000	100 000
EPS	-0,30	-0,81	-0,29	-0,58
EPS (incl. Options)	-0,30	-0,80	-0,29	-0,58

Note 11 Net Financial Items

	2021		2020	
	NDC AS	Group	NDC AS	Group
Financial income				
<i>Interest income from group companies</i>	-	-	-	-
<i>Other interest income</i>				
Interest income bank	313	313	7 283	7 283
<i>Other financial income</i>				
Currency gains	49 232	49 232	38 950	38 950
Total financial income	49 545	49 545	46 233	46 233
Financial expenses				
<i>Other interest expenses</i>				
Interest expense bond loan	7 200 003	7 200 003	7 395 007	7 395 007
Other interest expenses	-	-	-	32 142
<i>Other financial expenses</i>				
Other financial expense	-	-	-	-
Write-down investments in subsidiaries	-	-	-	-
Currency losses	66 442	78 516	376 016	391 067
Total financial expenses	7 266 445	7 278 519	7 771 023	7 818 217
Net financial items	-7 216 900	-7 228 974	-7 724 790	-7 771 983

Note 12 – 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 2021 were in the US.

2021 (USD)	Noram Drilling		Group
	Company AS	Drilling service NorAm	
Sales income from third parties	-	50 381 654	50 381 654
Sales income from other segments	109 688	-	-
Depreciation	-	18 307 394	18 307 394
Other operating expenses	651 770	43 727 642	44 379 413
Operating profit	-542 082	-11 653 382	-12 305 152
Financial expenses	7 266 445	12 074	7 278 519
Financial expenses other segments	-	-	-
Financial income	49 545	-	49 545
Financial income other segments	-	-	-
Net financial items	-7 216 900	-12 074	7 228 974
Taxes	-686 075	-14 467	-700 542
Non Current Assets	202 863 519	102 087 396	102 087 396
Interest bearing debt third parties	80 000 000	-	80 000 000
Interest bearing debt other segments	-	118 306 926	-

Note 12 – Segment and Geographic Information continues

2020 (USD)	Noram Drilling Company AS	Drilling service NorAm	Group
Sales income from third parties	-	54 658 764	54 658 764
Sales income from other segments	109 688	-	-
Depreciation	-	18 041 199	18 041 199
Other operating expenses	1 676 276	43 133 399	44 809 675
Operating profit	-1 566 588	-6 515 834	-8 192 110
Financial expenses	7 771 023	47 194	7 818 217
Financial expenses other segments	-	-	-
Financial income	46 233	-	46 233
Financial income other segments	-	-	-
Net financial items	-7 724 790	-47 194	7 771 983
Taxes	-2 520 446	135 300	-2 385 146
Non Current Assets	199 468 486	117 019 061	117 019 061
Interest bearing debt third parties	80 000 000	5 718 136	85 718 136
Interest bearing debt other segments	-	166 325 630	-

Note 13 – Contingent assets

As a result of the COVID-19 pandemic, and as part of the Cares act, NorAm Drilling has applied for support relating to the Employee Retention Tax Credit (ERTC), which is a payroll credit available from March 12, 2020 through September 30, 2021 for a total amount of approximately MUSD 4. As of year end 2021 the company has not received confirmation that the application is approved, nor received confirmation that they comply with the requirements for receiving payroll credit. Due to this, there is significant uncertainty if the company will receive any support through this public system, hence no payroll credit is recognized in the Annual Report for 2021.

Note 14 – Cares act

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act". The CARES Act, among other things, included provisions relating to refundable payroll tax credit, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvements property.

On May 5, 2020 the company entered into an unsecured loan in the aggregate principal amount of MUSD 5,5 pursuant to the Paycheck Protection Program which is part of the CARES Act initiatives.

On October 16, 2020, we filed our final application for forgiveness requesting forgiveness of the entire MUSD 5.5 based upon the guidelines provided by the governing authorities. The loan was forgiven in full in May 2021.

On December 27, 2020, an additional COVID-19 Pandemic Relief Bill was approved. This bill both materially changed existing PPP loans and authorized another round of PPP loans ("second draw PPP loans").

On February 5, 2021, we entered into a second draw PPP loan in the aggregate principal amount of MUSD 2. The loan was forgiven in full in October 2021.

Note 15 – Subsequent events

Market & Activities

As a result of the COVID – 19 pandemics, changes in global oil supplies and demand and the recent Russian invasion of Ukraine, oil prices remain volatile. Since August 2020, WTI oil prices and US land rig counts have steadily increased indicating that the US drilling industry bottomed in 3Q 2020. Since October 2020, WTI has continued to improve. WTI began 2021 around \$50 per barrel and finished 2021 near \$75 per barrel. WTI is currently trading above \$100 per barrel.

As of May 20, 2022, the US land drilling active rig count and Permian rig count was 709 and 440, respectively. As of December 31, 2021, the US land drilling active rig count and Permian rig count was 570 and 293, respectively. In comparison, as of December 31, 2020, the US land drilling active rig count and Permian rig count was 332 and 175, respectively. We currently have all eleven rigs under contract.

Outlook

As of May 27, 2022, all of our rigs were under contract. The timing of our rig reactivations, actual dayrates and margins being earned on current contracts and the near term outlook as a result of oil prices are all favorable to our forecast.

We expect market conditions to remain volatile in the near term. The extent of a continued recovery in the US drilling industry cannot be reasonably predicted and is subject to many variables including, but not limited to:

- i. global oil demand
- ii. OPEC+ maintaining and complying with appropriate supply targets
- iii. Russian / Ukraine war
- iv. economic recovery as the COVID – 19 pandemic is mitigated
- v. possible economic recession in the US and around the globe
- vi. operator and drilling contractor discipline
- vii. labor and supply chain constraints
- viii. any possible regulatory changes issued by the US government

Subject to key risks and uncertainties mentioned above we currently expect continued demand for high end “super spec” drilling rigs. Currently, dayrates for high end “super spec” drilling rigs continue to improve primarily due to the lack of available rig supply, operator and drilling contractor financial discipline and supply chain constraints for both labor and supplies.

Bond amendments

On May 16, 2022, the Company and holders of the Bond loan agreed to the following amendments: (i) extend the maturity date from June 3, 2022, to June 3, 2023; (ii) schedule a principal installment of MUSD 5.0 on December 3, 2022; (iii) amend the prepayment structure to allow for partial prepayments at par value at a minimum of MUSD 5.0; and (iv) pay an amendment fee of USD 400,000.

New sharebased payment agreement 2022

On 28 February 2022 the Company issued a new option agreement with Marty Jimmerson and Thomas Taylor. For further information on the option agreement, see note 2.



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To the General Meeting of Noram Drilling Company AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Noram Drilling Company AS, which comprise:

- The financial statements of the parent company Noram Drilling Company AS (the Company), which comprise the balance sheet as at 31 December 2021, 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 2021, 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 comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 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 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Offices in:

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 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 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 a true and fair view.
- 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.

Bergen, 25 May 2022
KPMG AS

A handwritten signature in blue ink, appearing to read 'Ståle Christensen', written over a light blue horizontal line.

Ståle Christensen
State Authorised Public Accountant