



**INTERIM FINANCIAL INFORMATION**

**NORAM DRILLING AS**

**THIRD QUARTER 2022**

**21 November 2022**



## NORAM DRILLING AS REPORTS RESULTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2022

Oslo, Norway, November 21, 2022. NorAm Drilling AS (the “Company” or “NorAm”), today reported unaudited results for the three months and nine months ended September 30, 2022:

### HIGHLIGHTS

- Revenue increased to MUSD 26.5, up 19.1% from the previous quarter
- EBITDA increased to MUSD 8.5, up 104.2% from the previous quarter
- Fleet utilization increased to 98.9% compared to 94.8% in the second quarter 2022
- Average base dayrate <sup>(1)</sup> increased to \$25,200, up 17.3% from the second quarter 2022
- Current revenue backlog of MUSD 52.2 as of November 21, 2022

Marty L. Jimmerson, Chief Executive Officer & Chief Financial Officer of NorAm Drilling AS commented:

“NorAm is positioned as a leading and reliable operator of the US industry’s most advanced onshore drilling rigs and we were among the first to have all rigs reactivated after the market disruption caused by Covid-19. Our focus remains on the Permian Basin where approximately 60% of reserves in the U.S are located, and we have industry leading operating margins after maintenance capital expenditures.

We continue to see a tight supply/demand market and have executed five contracts subsequent to the third quarter with average base dayrates above \$31,000 per day. After prepaying the bond loan in November, NorAm is now debt free, and we look forward to executing on dividend strategy from December onwards.”

### SUMMARY

NorAm Drilling AS owns 100% of NorAm Drilling Company, a Texas corporation, collectively referred to as NorAm or the Company herein. NorAm 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. Currently, all eleven (11) of our rigs are under contract in the Permian Basin. 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.

## MARKET & ACTIVITIES

Demand for drilling rigs in the US and Permian Basin continued at a strong level despite WTI commencing the quarter above \$100 and finishing near \$80 per barrel. During the quarter, oil inventories increased 2.9%, daily production was essentially flat, the number of drilled but uncompleted wells in the Permian Basin continued to decline and oil companies continue to maintain oil production.

Dayrates for high end “super spec” drilling rigs continued to improve during the third quarter, primarily due to the lack of available rig supply, operator and drilling contractor financial discipline and supply chain constraints for both labor and supplies.

As of November 18, 2022, the US land drilling active rig count and Permian rig count was 762 and 349, respectively. As of December 31, 2021, the US land drilling active rig count and Permian rig count was 570 and 293, respectively.

## OPERATIONS

During Q3 2022, NorAm achieved a 98.9% utilization compared to 94.8% utilization in Q2 2022. In comparison, we achieved a utilization rate of 64.8% in Q3 2021.

Rig operating costs were in line with expectations during the first nine months of 2022 with strong focus on rig personnel staffing levels and management of other daily operating costs.

## FINANCIALS

NorAm had revenue of MUSD 26.5 during 3Q 2022 compared to MUSD 22.3 in 2Q 2022. We generated an operating profit of MUSD 3.7 in 3Q 2022 compared to an operating loss of MUSD 0.6 in 2Q 2022. The increase in revenue was the result of higher utilization and dayrates. Moreover, we generated an EBITDA of MUSD 8.5 in 3Q 2022 compared to MUSD 4.1 in 2Q 2022. 2Q 2022 EBITDA included MUSD 0.4 of expense related to a bond amendment fee. The increase in operating profit and EBITDA is due to higher utilization and dayrates.

Capital expenditures were MUSD 2.4 in the first nine months of 2022, including MUSD 0.5 in 3Q 2022. As of September 30, 2022, our cash position was MUSD 19.1, and we had MUSD 80.0 of outstanding bonds. See Subsequent Events for further discussion of full bond repayment. The Company provided notice and terminated its MUSD 6.0 Revolving Credit Facility effective September 22, 2022. There were no outstanding amounts under the revolving credit facility upon termination.

## CARES ACT

NorAm Drilling applied for support relating to the Employee Retention Tax Credit (ERTC), part of the CARES Act, 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 received approximately MUSD 1.0 in 2Q 2022 and MUSD 1.6 in 3Q 2022. The Company has not received confirmation that the remaining applications for MUSD 1.4 have been approved.

## OUTLOOK

Since August 2020, WTI oil prices and US land rig counts have steadily increased indicating that the US drilling industry bottomed in 3Q 2020. 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) Russian invasion of Ukraine, (iii) OPEC+ maintaining and complying with appropriate supply targets, (iv) economic recovery as the COVID - 19 pandemic is mitigated, (v) operating discipline demonstrated by US E&P operators, (vi) availability and costs of labor, equipment and rig supplies and (vii) any possible regulatory changes issued by the US government.

Subject to key risks and uncertainties mentioned in this report, we currently expect continued demand for high end “super spec” drilling rigs.

## SUBSEQUENT EVENTS

On October 7, 2022, the Company commenced trading on the Euronext Growth Oslo exchange under the ticker “NORAM” following the successful raise of approximately MUSD 75 of gross proceeds. The Company issued 19,670,000 of new shares in connection with this listing. On October 19, 2022, the Company received MUSD 0.3 from and issued 78,676 new shares to certain members of management. The Company utilized the proceeds from the listing with a combination of cash on hand to repay its outstanding bond of MUSD 80.0 and accrued interest of MUSD 3.2 on November 14, 2022. The Company is debt free and expects to pay dividends to its shareholders subject to maintaining a minimum level of liquidity with the first dividend expected in December 2022.

On November 21, 2022, the Company’s subsidiary entered into a loan agreement with a U.S. based bank that provides for a Revolving Promissory Note (“Revolver”) of MUSD 4.5. Use of proceeds for any borrowings under this Revolver are available for working capital and general corporate purposes based upon a borrowing base calculation equal to 70% of eligible accounts. Financial covenants include (i) a debt service coverage ratio of not less than 1.2 to 1; (ii) minimum liquidity requirement of MUSD 5.0 and (iii) a debt to EBITDA ratio of not more than 2.0 to 1.0. The Revolver is only secured by accounts receivable and is expected to be utilized to reduce the required level of liquidity on our balance sheet.

(1) Base dayrate includes contracted revenue divided by total operating days and excludes reimbursables for “out-of-pocket” expenses.

**Condensed consolidated Income Statement**

	Three Months Ended			Nine Months Ended	
	Sep 2022	June 2022	Sep 2021	Sep 2022	Sep 2021

(All amounts in USD 1000s)

**Revenue/Expense**

Sales	26,535	22,274	13,121	65,905	35,818
Other Income					

<b>Total Operating Income</b>	<b>26,535</b>	<b>22,274</b>	<b>13,121</b>	<b>65,905</b>	<b>35,818</b>
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Payroll Expenses	7,007	6,838	5,331	20,952	13,581
Depreciation of Tangible and Intangible Assets	4,769	4,700	4,569	14,109	13,693
Rig Mobilization, Service and Supplies	7,205	6,791	4,777	19,820	11,435
Insurance Rigs and Employees	1,750	1,579	1,130	4,216	2,529
Other Operating Expenses	2,101	2,917	1,080	6,584	3,836

<b>Total Operating Expenses</b>	<b>22,833</b>	<b>22,825</b>	<b>16,888</b>	<b>65,681</b>	<b>45,075</b>
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<b>Operating Profit (+)/ Loss (-)</b>	<b>3,703</b>	<b>-551</b>	<b>-3,767</b>	<b>224</b>	<b>-9,257</b>
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**Financial Income and Expenses**

Other Interest Income	60	3		64	
Other Financial Income	7		3	18	6
Other Interest Expenses	1,800	1,791	1,813	5,400	5,421
Other Financial Expenses	26	67	2	98	10

<b>Net Financial Items</b>	<b>-1,759</b>	<b>-1,855</b>	<b>-1,812</b>	<b>-5,417</b>	<b>-5,426</b>
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<b>Profit (+)/Loss(-) before Income Tax</b>	<b>1,944</b>	<b>-2,406</b>	<b>-5,578</b>	<b>-5,192</b>	<b>-14,682</b>
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Income Tax Expense	408	1,148	-440	1,131	-1,299
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<b>Net Profit (+)/Loss (-)</b>	<b>1,536</b>	<b>-3,554</b>	<b>-5,139</b>	<b>-6,323</b>	<b>-13,384</b>
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**Condensed consolidated Balance Sheet**

Notes

Sep 2022

Dec 2021

*(All amounts in USD 1000s)*
**Assets**
*Tangible Assets*

Rigs and Accessories	1	90,132	101,918
Vehicles and Office Equipment	1	282	170
<b>Total Tangible Assets</b>		<b>90,414</b>	<b>102,087</b>

**Current Assets**
*Receivable*

Accounts Receivable		10,636	6,143
Other Receivable		1,686	1,060
<b>Total Receivable</b>		<b>12,322</b>	<b>7,203</b>

*Cash and Cash Equivalents*

Bank Deposits/Cash	5	19,138	12,782
<b>Total Current Assets</b>		<b>31,459</b>	<b>19,985</b>

**Total Assets**
**121,873**
**122,073**

**Condensed consolidated Balance Sheet**

	Notes	Sep 2022	Dec 2021
<i>(All amounts in USD 1000s)</i>			
<b>Equity</b>			
<i>Owners Equity</i>			
Issued Capital	2	8,839	8,839
Share Premium	2	94,860	94,860
Other Shareholder Contribution	2	369	369
<b>Total Owners Equity</b>		<b>104,068</b>	<b>104,068</b>
<i>Accumulated Profits</i>			
Other Equity	2	-76,663	-70,339
<b>Total Accumulated Profits</b>		<b>-76,663</b>	<b>-70,339</b>
<b>Total Equity</b>		<b>27,405</b>	<b>33,729</b>
<b>Liabilities</b>			
Deferred Tax		3,093	1,962
<b>Total deferred tax</b>		<b>3,093</b>	<b>1,962</b>
<i>Non-Current liabilities</i>			
Liabilities to Financial Institutions			
Bond Loan	3		80,000
Other Long Term Liabilities			
<b>Total Non-Current Liabilities</b>		<b>0</b>	<b>80,000</b>
<i>Current Liabilities</i>			
Bond Loan	3	80,000	
Liabilities to Financial Institutions			
Accounts Payable		3,807	2,996
Tax Payable			
Public Duties Payable		30	151
Other Current Liabilities		7,537	3,236
<b>Total Current Liabilities</b>		<b>91,374</b>	<b>6,382</b>
<b>Total Liabilities</b>		<b>94,468</b>	<b>88,344</b>
<b>Total Equity &amp; Liabilities</b>		<b>121,873</b>	<b>122,073</b>

**Condensed Consolidated Statement of Cash Flow**

	Nine Months Ended		Year Ended
	Sep 2022	Sep 2021	Dec 2021
<i>(All amounts in USD 1000s)</i>			
Net Profit (+)/Loss (-)	-5,192	-14,670	-19,534
Tax paid for the period			425
Depreciation of fixed assets	14,109	13,693	18,307
Change in accounts receivable	-4,493	-1,051	-1,720
Change in accounts payable	811	840	1,665
Change in other current balance sheet items	3,556	1,838	-1,104
Net cash flow from operational activities	8,791	650	-1,961
Purchase of tangible fixed assets	-2,435	-1,237	-3,376
Net cash flow from investing activities	-2,435	-1,237	-3,376
Proceeds from issuance of long term debt		1,782	1,782
Net cash flow from financing activities	0	1,782	1,782
Net change in cash and cash equivalent	6,356	1,195	-3,555
Cash and cash equivalents opening balance	12,782	16,337	16,337
Cash and cash equivalents closing balance	19,138	17,532	12,782



### Note 1 - Accounting Principles

The condensed consolidated interim financial statement is prepared in accordance with the Norwegian accounting standard for interim financial statements, NRS 11.

Principles and policies are the same for the interim financial statements as in the last annual financial statements, that were prepared according to the Norwegian Accounting Act and generally accepted principles in Norway. For description of accounting principles we refer you the last issued Annual Financial Statement.

#### 1-1 Income tax

The tax expense for management reporting and interim reporting purposes is a simplified tax calculation where the tax rate in the different jurisdictions are applied to the net result in the different jurisdiction booked against deferred tax/deferred tax asset. If a jurisdiction has a negative result, and no deferred tax asset is expected to be capitalized, no tax expense is calculated for that jurisdiction.

#### 1-3 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 costs and depreciated with the related asset. If the 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 in use. In assessing value in use, the discounted estimated cash flows from the asset are used.

Estimated useful life for accounting purposes is defined for different categories of fixed assets:

	<b>Estimated Useful Life</b>
Rig	10 - 15 years
Rig related accessories	2 -15 years
Vehicles	3 -5 years
Office equipment	3 - 5 years

#### 1-4 Audit of management reporting/interim reporting

The interim financials are unaudited.

### Note 2 - Equity and Shareholders Information

	<b>Share capital</b>	<b>Share premium</b>	<b>Other paid in capital</b>	<b>Other equity</b>	<b>Total</b>
Equity 01.01.22	8,839	94,860	369	-70,339	33,729
Profit/loss in the period				-6,323	-6,323
<b>Equity September 2022</b>	<b>8,839</b>	<b>94,860</b>	<b>369</b>	<b>-76,663</b>	<b>27,405</b>

### Note 3 - Long term liabilities and covenants

#### Bond loan

The Group had a Senior Secure Bond loan as of September 2022

Outstanding as of September 2022	80,000,000
Maturity date on bond loan	6/3/22
Repayment from January 2022 - September 2022	-

Financial covenants;

- 1 Liquidity – The Group's liquidity should be held at minimum MUSD 5
- 2 Current Ratio – Minimum 1:1\*
- 3 Asset Coverage Ratio - The issuer shall ensure that the sum of the Account Amount and the Market Value of the Rigs at any times minimum 130% of the total par value of the Outstanding Bonds. \*\*

\* In the definition of current ratio, the current portion of the bond. Loan is excluded from the definition of current liability.

\*\* Account amount is defined as the total cash amount on the Accounts. Market Value of the Rigs is defined as the fair market value of the Rigs (including installed equipment) in USD determined on the basis of independent valuations of the Rigs obtained from an independent and well-reputed sale and purchase broker familiar with the market for the Rigs appointed by the Issuer and approved by the Bond Trustee in advance.

As of September 2022 the Group is compliant with existing covenants.

On 3 October 2022, the Company provided notice of exercise of its call option on the full bond loan. The bond loan and accrued interest totaling MUSD 83.2 were paid off on 14 November 2022.

#### Revolving Credit Facility

The company had an Revolving Credit Facility, with a maturity of June 2023 of MUSD 6 available for CAPEX upgrade purposes. The company provided notice that it was terminating the Revolving Facility effective 22 September 2022..

#### Note 4 - Key figures and ratios

<i>(USD mill)</i>	Q3		Q2		Q3		Nine Months Ended	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	26.5	22.3	13.1	13.1	65.9	65.9	35.8	35.8
Operating profit	3.7	-0.6	-3.8	-3.8	0.2	0.2	-9.3	-9.3
Net profit before tax	1.9	-2.4	-5.6	-5.6	-5.2	-5.2	-14.7	-14.7
EBITDA	8.5	4.1	0.8	0.8	14.3	14.3	4.4	4.4

	Nine Months Ended	
	2022	2021
Equity to asset ratio	22.5%	27.6%

	Q3		Nine Months Ended	
	2022	2021	2022	2021
Total number of shares	23,392,317	23,392,317	23,392,317	23,392,317
Earning per share	0.07	-0.22	-0.27	-0.57

#### Definitions

EBITDA - Earnings Before Interest, Tax, Depreciation and Amortization.

#### Note 5 - Bank

As of September 2022 USD of 759k bank deposits/cash on hand was restricted for debt service obligations related to the outstanding bond loan.

#### Note 6 - Investment in subsidiaries

On December 23, 2021, the parent company NorAm Drilling Company AS converted part of its debt against its US Subsidiary NorAm Drilling Comp. The capital increase is done by issuance of 218,000 shares, converted to an amount of USD 51,413,737. This conversion has no effect on the consolidated accounts.

**Note 7 - Subsequent events**

On 23 September 2022, the company announced it successfully completed raising gross proceeds for a private placement of MUSD 75. The net proceeds from the private placement and in combination with the company's available cash would be used to redeem the company's USD 80 million outstanding bond and facilitate dividend capacity going forward.

On 3 October 2022, the company provided notice of exercise of its call option on the full bond loan. The call option repayment date was 14 November 2022.

On 5 October 2022, the company announced that an extraordinary general meeting was held on 3 October 2022 and among other things the following resolutions were approved:

- (1) the new name of the company is NorAm Drilling AS, and
- (2) the company's new share capital is NOK 86,124,634 divided by 43,062,317, each with a nominal value of NOK 2,
- (3) the share capital may be increased by a total of up to NOK 2,000,000 divided by 1,000,000 shares, each with a par value of NOK 2 no later than 30 June 2023, and
- (4) the issuance of 19,670,000 new shares at NOK 40.

On 7 October 2022, NorAm Drilling AS with ticker code "NORAM" announced the public trading on Euronext Growth Oslo exchange following a successful private placement and share issue.

On 19 October 2022, Board of Directors approved the following:

- (1) the issuance of 78,676 new shares to certain members of management
- (2) the increase in share capital by NOK 157,352 to NOK 86,281,986 by issuance of 78,676 new shares, shares, each with a nominal value of NOK 2,
- (3) price of NOK 40 per share

On 21 November 2022, the Company's subsidiary entered into a Loan agreement with a U.S. based bank that provides for a Revolving Promissory Note ("Revolver") of MUSD 4.5. Use of proceeds for any borrowings under this Revolver are available for working capital and general corporate purposes based upon a borrowing base calculation equal to 70% of eligible accounts. Financial covenants include (i) a debt service coverage ratio of not less than 1.2 to 1; (ii) Minimum liquidity requirement of MUSD 5.0 and (iii) a debt to EBITDA ratio of not more than 2.0 to 1.0. The Revolver is secured only secured by accounts receivable and expected to be utilized to reduce the required level of liquidity on our balance sheet.