

NORAM DRILLING

ANNUAL REPORT 2022

NORAM DRILLING AS

24 May 2023

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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 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 ADJUSTED EBITDA; Earnings Before Interest, Tax, Depreciation and Amortization and noncash stock compensation expenses.

THIS IS NORAM DRILLING GROUP

NorAm Drilling 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.

The Company was established in 2007, and at year-end 2022 the Group’s fleet consisted of 11 “super spec” rigs located in the Permian Basin.

The Company Structure

The parent company NorAm Drilling 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. The assets of NorAm Drilling AS consists mainly of shares in and loans to its US subsidiary.

Our Offices

NorAm Drilling 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 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 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 shift 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 conducted

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

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

2022 Developments

MARKET and CONTRACTS

WTI began 2022 around \$75 per barrel and finished 2022 near \$80 per barrel. WTI reached a high of \$120 per barrel in June 2022 and a low of \$71 per barrel in early December 2022. WTI is currently trading around \$73 per barrel.

As of May 19, 2023, the US land drilling active rig count and Permian rig count was 697 and 349, respectively. As of December 31, 2022, the US land drilling active rig count and Permian rig count was 762 and 353, respectively. In comparison, as of December 31, 2021, the US land drilling active rig count and Permian rig count was 570 and 293, 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 received approximately MUSD 1.0 in 2Q 2022 and MUSD 1.6 in 3Q 2022. The Company received approximately MUSD 1.4 in January 2023 related to the final remaining outstanding ERTC payroll credit mentioned herein.

SHARE LISTING and DIVIDENDS

On October 7, 2022, the Company's shares commenced trading on the Euronext Growth Oslo exchange under the ticker "NORAM" following the successful equity raise of approximately MUSD 75 of gross proceeds. The Company issued 19,748,676 new shares in connection with the listing and receipt of gross proceeds. The proceeds from the listing in combination with cash on hand was used to repay an outstanding bond of MUSD 80.0 and accrued interest of MUSD 3.2 on November 14, 2022. The Company is debt free and paid its initial monthly dividend in December 2022 of MUSD 4.4 or NOK 1.00 per share in December 2022. The Company has also paid MUSD 22.5 or approximately NOK 5.50 per share after December 31, 2022. The dividend distributions were made from the Company's contributed surplus account which consists of previously paid in share premium transferred to the Company's share premium account. The Company intends to pay future dividends based upon maintaining a minimum liquidity of approximately MUSD 11.

COMPANY DEVELOPMENT, RESULTS and FINANCING

NorAm had revenue of MUSD 95.4 during the twelve months of 2022 compared to MUSD 50.4 during the twelve months of 2021. During the twelve months of 2022 we generated operating profit of MUSD 6.9 compared to an operating loss of MUSD 12.3 in the twelve months of 2021. During the twelve months of 2022 we generated ADJUSTED EBITDA of MUSD 26.1 compared to MUSD 6.0 in the twelve months of 2021. During the twelve months of 2022 we generated cash flow from operational activities of MUSD 16.0 compared to a negative MUSD 2.0 in the twelve months of 2021. The increase in revenue, operating profit, ADJUSTED EBITDA and cash flow from operational activities is primarily due to improvement in industry activity that commenced in late 2021 that resulted in higher average dayrates and fleet utilization in 2022 as we reactivated all of our rigs during 2022.

Capital expenditures were MUSD 3.4 in the twelve months of 2022, compared to MUSD 3.4 in 2021. As of December 31, 2022, our cash position was MUSD 13.1. As mentioned above, we raised approximately MUSD 75.0 of gross proceeds from the listing of our shares in October 2022 and in combination with cash on hand the listing proceeds were used to repay an outstanding bond of MUSD 80.0 and accrued interest of MUSD 3.2 in November 2022. The Company is debt free and paid its initial monthly dividend in December 2022 of NOK 1.00 per share.

On November 21, 2022, the Company's subsidiary entered into a loan agreement with a U.S. based bank 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. The Revolver is secured by accounts receivable and is expected to be utilized to reduce the Company's

need for liquidity on the balance sheet. There were no borrowings outstanding under the Revolver as of December 31, 2022.

The parent company NorAm Drilling AS had total operating income of MUSD 0.1 in 2022, the same as for 2021. Operating expenses increased to MUSD 1.2 in 2022 compared to MUSD 0.7 in 2021, primarily due to bond amendment fees. The company had a net income before tax of MUSD 10.2 in 2022, compared to a net loss of MUSD 7.8 in 2021. The main driver for the positive result is due to interest income on intercompany notes payable from its operating subsidiary and lower interest expense as a result of the repayment of its outstanding MUSD 80 bond.

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.

KEY FINANCIAL FIGURES

	<u>2022</u>	<u>2021</u>
MUSD		
Revenue	95.4	50.4
Operating Profit	6.9	(12.3)
Net Profit before Tax	3.0	(19.5)
ADJUSTED EBITDA (1)	26.1	6.0

(1) ADJUSTED EBITDA - Earnings Before Interest, Tax, Depreciation and Amortization plus noncash stock option expenses.

IMPAIRMENT ON FIXED ASSETS

Due to the uncertain market conditions, resulting from COVID-19 pandemic and oil production changes, we 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 in 2020/2021 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 2022. As of May 2023, all of our rigs were under contract. The 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 82.0 equivalent to an equity ratio of 70.8% at year-end 2022, compared to MUSD 33.7 of equity and a 27.6% equity ratio at year-end 2021.

The Company's balance sheet at year end 2022 had equity of MUSD 175.8 and an equity ratio of 87.3%, compared to MUSD 120.0 of equity and a 58.7% equity ratio at year-end 2021.

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 has previously been financed through equity and a bond loan, see note 9 to the Financial Statements. On October 7, 2022, the Company's shares 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 19,748,676 new shares in connection with the listing. The proceeds from the listing in combination with cash on hand was used to repay an outstanding bond of MUSD 80.0 and accrued interest of MUSD 3.2 in November 2022. The Company is debt free and paid its initial monthly dividend in December 2022 of NOK 1.00 per share. The dividend distributions were made from the Company's contributed surplus account which consists of previously paid in share premium transferred to the Company's share premium account.

On November 21, 2022, the Company's subsidiary entered into a loan agreement with a U.S. based bank 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. The Revolver is secured by accounts receivable and is expected to be utilized to reduce the Company's need for liquidity on the balance sheet. There were no borrowings outstanding under the Revolver as of December 31, 2022.

CASH FLOW and LIQUIDITY

The cash position for the Group increased from MUSD 12.8 as of December 31, 2021, to MUSD 13.1 as of December 31, 2022.

For the Norwegian parent company, the cash position increased from MUSD 1.4 to MUSD 1.7.

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. Dayrates for land rigs in the US improved significantly during the 2022 and continued to strengthen through Q1 2023. Despite possible near-term pressure on dayrates as a result of WTI and natural gas price volatility, while seeing some softness on recent contract renewals, we remain encouraged that market fundamentals are intact and will continue to improve later in 2023 and into 2024. The Company's and the Group's key operational risks are comprised to a large extent of (i) global oil demand, (ii) China reopening, (iii) Russian

invasion of Ukraine, (iv) OPEC+ maintaining and complying with appropriate supply targets, (v) operating discipline demonstrated by US E&P operators, (vi) supply and demand activity for US and Permian land rigs, (vii) availability and costs of labor, equipment and rig supplies and (viii) any possible regulatory changes issued by the US government.

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 2023 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 2023:

- 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 any change in rig activity
- 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 23, 2023 is as follows:

- Rig 21 – on contract pad-pad
- Rig 22 – on contract through July 2023
- Rig 23 – on contract through September 2023
- Rig 25 – on contract through June 2023
- Rig 26 – on contract through June 2023
- Rig 27 – on contract through August 2023
- Rig 28 – on contract through June 2023
- Rig 29 – on contract through June 2023
- Rig 30 – on contract pad-pad
- Rig 32 – on contract through June 2023
- Rig 34 – on contract through August 2023

Subject to key risks and uncertainties mentioned in this report, we currently expect continued strong demand for high end “super spec” drilling rigs in the Permian. Natural gas prices have declined from \$7.0 per MMBtu as of November 2022 to \$4.5 per MMBtu as of December 31, 2022. Natural gas prices have declined further in early 2023 and is currently trading at approximately \$2.35 per MMBtu. Current natural gas prices have resulted in some E&P operators reducing their near-term drilling plans which has resulted in some land rigs being released in gas plays such as the Haynesville and Eagle Ford basins. Some of these rig releases increased the available supply of “super spec” rigs in the Permian basin and could our impact the near-term outlook.

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 and maintenance capital expenditures during 2022 and in line with our expectations.

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 also experienced price increases during 2022 in other rig supplies as supply chain constraints increased. We have successfully passed along these increases in labor and rig supplies to our customers. Although supply chain issues have improved during 2022, we could incur additional increases in costs of supplies and challenges procuring supplies and materials in the near term. 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 2022.

GOING CONCERN

The Board considers the Financial Statements for 2022 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, 2022. 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.

WORKING ENVIRONMENT

As of December 31, 2022, the Group had an operational organization of 302 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 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 2022.

NorAm Drilling AS has no employees during 2022, 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 2022, the Group had three 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 2022 the group has had no involuntary part-time employees, and no persons have been on leave of absence.

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

EXTERNAL ENVIRONMENT

NorAm Drilling 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 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. The Company is also evaluating installing power converters whereby rigs may be connected to the electrical grid where feasible. This will further reduce emissions.

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.

The Group will publish a human rights statement in line with the Norwegian Transparency Act reporting requirements by 30th June 2023.

NorAm Drilling has a group insurance policy for the liability of the Company's and its subsidiaries' directors and officers. The insurance covers personal legal liabilities including legal costs for defense. The limit of liability is NOK 100 million per claim and in aggregate per year.

Signature of the Board, May 24, 2023


Ole B. Hjertaker
Chairman

Gunnar Eliassen
Board member

Christopher Baker
Board member

Marty Jimmerson
Chief Executive Officer

Signature of the Board, May 24, 2023


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Ole B. Hjertaker
Chairman

DocuSigned by:

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Gunnar Eliassen
Board member

DocuSigned by:

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Christopher Baker
Board member


Marty Jimmersen
Chief Executive Officer

NorAm Drilling AS

INCOME STATEMENT
(Amounts in USD 1,000)

NorAm Group

2022	2021	Note	Note	2022	2021
-	-	2 Sales	2	95,446	50,382
110	110	Other operating income		-	-
110	110	Total operating income		95,446	50,382
197	77	2 Payroll Expenses	2	29,449	19,751
-	-	Depreciation of tangible and intangible assets	8	18,879	18,307
-	-	Rig mobilization, service and supplies		26,096	16,388
-	-	Insurance rigs and employees		5,833	3,959
1,008	575	3 Other operating expenses	3	8,306	4,281
1,205	652	Total operating expenses		88,562	62,687
				-	-
-1,095	-542	Operating profit (+) / loss (-)		6,884	-12,305
15,274	-	4, 9 Interest income from group companies			
263	0	4 Other interest income	4	402	0
2,069	49	4 Other financial income		2,069	49
6,158	7,200	4 Other interest expenses	4	6,158	7,200
171	66	4 Other financial expenses	4	186	79
11,277	-7,217	Net financial items		-3,873	-7,229
10,182	-7,759	Profit(+)/Loss(-) before income tax		3,011	-19,534
-216	-686	5 Income tax expense	5	34	-701
10,398	-7,073	Net profit(+)/Loss(-)		2,978	-18,834

NorAm Drilling AS

BALANCE SHEET
(Amounts in USD 1,000)

NorAm Group

2022	2021	Note	Note	2022	2021
ASSETS					
Non-current assets					
Intangible assets					
-	-			-	-
Tangible assets					
-	-		7	86,312	101,918
-	-		7	258	170
-	-			86,569	102,087
Financial assets					
84,788	84,557	8		-	-
115,481	118,307	9		-	-
200,268	202,864			-	-
200,268	202,864			86,569	102,087
Current assets					
Receivable					
-	0			14,802	6,143
-768	14			1,336	1,060
-768	14			16,138	7,203
Cash and cash equivalent					
1,750	1,445	10	10	13,098	12,782
1,750	1,445			13,098	12,782
982	1,458			29,236	19,985
201,250	204,322			115,806	122,073

NorAm Drilling AS

BALANCE SHEET
(Amounts in USD 1,000)

NorAm Group

2022	2021	Note	Note	2022	2021
EQUITY & LIABILITIES					
Equity					
Owners equity					
12,547	8,839	11	11	12,547	8,839
136,573	94,860	11	11	136,573	94,860
439	439	11	11	369	369
149,559	104,138			149,489	104,068
Accumulated profits					
26,201	15,897	11	11	-67,456	-70,339
26,201	15,897			-67,456	-70,339
175,760	120,035	Total equity		82,033	33,729
Liabilities					
1,098	1,314	5	5	1,746	1,962
1,098	1,314			1,746	1,962
Non-current liabilities					
0	80,000	12	12	0	80,000
0	0		9	0	0
0	80,000			0	80,000
Current liabilities					
20	2,160			4,607	2,996
-	-	5	5	250	-
267	151			267	151
24,106	662	9	9	26,904	3,236
24,393	2,973			32,027	6,382
25,490	84,287	Total liabilities		33,773	88,344
201,250	204,322	TOTAL EQUITY & LIABILITIES		115,806	122,073

Oslo, 24.05.2023

Ole Bjarte Hjertaker
Chairman

Christopher Baker
Board member

Gunnar Eliassen
Board member

Marty Jimmerson
CEO

CONSOLIDATED 2022 REPORT



NorAm Drilling AS

BALANCE SHEET
(Amounts in USD 1,000)

NorAm Group

2022	2021	Note	Note	2022	2021
EQUITY & LIABILITIES					
Equity					
Owners equity					
12,547	8,839	11	11	12,547	8,839
136,573	94,860	11	11	136,573	94,860
439	439	11	11	369	369
149,559	104,138			149,489	104,068
Accumulated profits					
26,201	15,897	11	11	-67,456	-70,339
26,201	15,897			-67,456	-70,339
175,760	120,035	Total equity		82,033	33,729
Liabilities					
1,098	1,314	5	5	1,746	1,962
1,098	1,314			1,746	1,962
Non-current liabilities					
0	80,000	12	12	0	80,000
0	0		9	0	0
0	80,000			0	80,000
Current liabilities					
20	2,160			4,607	2,996
-	-	5	5	250	-
267	151			267	151
24,106	662	9	9	26,904	3,236
24,393	2,973			32,027	6,382
25,490	84,287	Total liabilities		33,773	88,344
201,250	204,322	TOTAL EQUITY & LIABILITIES		115,806	122,073

Oslo, 24.05.2023

DocuSigned by:

Ole Bjarne Hjertaker

Chairman

DocuSigned by:

Gunnar Eliassen

Board member

DocuSigned by:

Christopher Baker

Board member

Marty Jimmerson

CEO

NorAm Drilling AS		STATEMENT OF CASH FLOW	NorAm Group	
		(Amounts in USD 1,000)		
2022	2021		2022	2021
10,182	-7,759	Profit(+)/Loss(-) before income tax	3,011	-19,534
-	-	Tax paid for the period	-	425
-	-	Depreciation of fixed assets	18,879	18,307
-	-	Change in accounts receivable	-8,659	-1,720
2,140	2,109	Change in accounts payable	1,611	1,665
-2,472	-1,574	Change in other current balance sheet items	1,206	-1,104
9,850	-7,224	Net cash flow from operational activities	16,048	-1,961
-	-	Purchase of tangible fixed assets	-3,361	-3,376
2,826	7,700	Received payment on loans to group companies	-	-
2,826	7,700	Net cash flow from investing activities	-3,361	-3,376
72,004	-	Issued capital	72,004	-
-4,375	-	Dividends	-4,375	-
-80,000	-	Repayment of long term debt	-80,000	1,782
-12,371	-	Net cash flow from financing activities	-12,371	1,782
305	476	Net change in cash and cash equivalent	316	-3,555
1,445	969	Cash and cash equivalents opening balance	12,782	16,337
1,750	1,445	Cash and cash equivalents closing balance	13,098	12,782

Note 1 - Accounting Principles

The Financial Statements include Income statement, Balance Sheet, Statement of Cash Flow 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 AS and companies in which Noram Drilling 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 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 current 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 non-current assets / non-current liabilities.

Current assets are valued at the lower of cost and fair value. Current liabilities are recognized at nominal value at

Fixed assets are valued at cost, less depreciation and impairment losses. Non-current 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.

1-10 PENSION OBLIGATIONS AND EXPENSES

Noram Drilling AS has a contribution-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)

Note 2 – Segment and Geographic Information

2022			
(USD)	Noram Drilling AS	Noram Drilling Company	Group
Sales income from third parties	-	95,446,106	95,446,106
Sales income from other segments	109,688	-	-
Depreciation	-	18,879,303	18,879,303
Write-down tangible assets	-	-	-
Other operating expenses	1,204,958	68,477,725	69,682,684
Operating profit	-1,095,270	8,089,078	6,884,120
Financial expenses	6,328,481	15,184	6,343,666
Financial expenses other segments	-	15,273,577	-
Financial income	2,332,132	-	2,470,942
Financial income other segments	-	-	-
Net financial items	-3,996,349	-15,288,761	3,872,724
Taxes	-216,106	250,000	33,894
Non Current Assets	200,268,209	86,569,418	86,569,418
Interest bearing debt third parties	-	-	-
Interest bearing debt other segments	-	115,480,503	-
2021			
(USD)	Noram Drilling AS	Noram Drilling Company	Group
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
Write-down tangible assets	-	-	-
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 3 - Payroll expenses / Number of Employees / Remuneration/ Auditor's Fee

Payroll expenses etc. (in USD)	2022		2021	
	Noram Drilling AS	Group	Noram Drilling AS	Group
Salaries	59,163	29,395,271	67,520	18,328,595
Payroll tax/Social Security	8,342	-425,303	9,520	1,422,897
Pension costs	-	-	-	-
Other benefits	129,870	478,540	-	-
Payroll expenses etc.	197,375	29,448,508	77,041	19,751,492
Number of man-labour years	0	343	0	218

Management Remuneration - Noram Drilling AS (USD)

Company officers	Period	2022			Total	2021 Total
		Salaries	Pensions	Other benefits		
Marty Jimmerson	01.01 - 31.12	497,379	-	-	497,379	404,317
Board						
Ole Bjarte Hjertaker (Board member/Chairman)	01.01 - 31.12	27,053	-	-	27,053	32,315
Hermann Refsum Flinder (Board member)**	01.01 - 15.03	6,982	-	-	6,982	32,835
Kristian Melhuus (Board member)	-	-	-	-	-	18,709
Gunnar Eliassen (Board member)	01.01 - 31.12	27,053	-	-	27,053	13,350
Christopher Baker (Board member)**	15.03 - 31.12	9,641	-	-	9,641	-
Espen W. Marcussen (Deputy Board member)	01.01 - 31.12	3,043	-	-	3,043	5,669
Total Officers		497,379	-	-	497,379	404,317
Total Board		73,772	-	-	73,772	102,879
Total Remuneration Board and Management		571,151	-	-	571,151	507,196

*Marty Jimmerson received salary from US subsidiary Noram Drilling Company

** Herman R. Flinder and Christopher Baker 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 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 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)**

	2022			Total	2021 Total
	Salary	Pension costs	Other		
Company officers					
Noram Drilling AS	-	-	-	-	-
Subsidiaries	497,379	-	-	497,379	404,317
Board					
Noram Drilling AS	73,772	-	-	73,772	102,879
Subsidiaries	-	-	-	-	-
Total Officers	497,379	-	-	497,379	404,317
Total Board	73,772	-	-	73,772	102,879
Remuneration Board and Management (excl. Share based)	571,151	-	-	571,151	507,196

Noram Drilling AS Share-Based Payment

On 15.02.22, Marty Jimmerson, CEO, and Thomas Taylor, COO, had 50 000 options each that expired with an exercise price of NOK 20.00.

On 28.02.22, Marty Jimmerson and Thomas Taylor were granted 150 000 options each. The grant was Equity Based and vest equally on February 28, 2023, 2024 and 2025. The grant expires on 28.02.27. The strike price is NOK 9. Fair value of granted options is calculated using the Black-Scholes-Merton option pricing model.

On 01.09.22, each Board of Director and certain members of management were granted a total of 300 000 options. The grant was Equity Based and vest equally on September 1, 2024, 2025 and 2026. The grant expires on 01.09.27. The strike price is NOK 40. Fair value of granted options is calculated using the Black-Scholes-Merton option pricing model.

The strike price for all granted options shall be reduced by any declared and paid dividends. In December 2022, the company declared and paid a dividend of NOK 1 per share.

Recognized cost in 2022 relating the share options are USD 360 984.

Historical details for the option plans are as follows:

	01.01.2021 - 31.12.2021		01.01.2021 - 31.12.2021	
	Options	Weighted Average Exercise Price (NOK)	Options	Weighted Average Exercise Price (NOK)
Outstanding at the beginning of period	100,000	20.00	100,000	20.00
Granted	600,000	24.50		
Exercised				
Terminated				
Forfeited				
Expired	(100,000)	20.00		
Outstanding at the end of period	600,000	23.50	100,000	20.00
Vested options	100,000	8.00	100,000	20.00

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

	2022		2021	
	Noram Drilling AS	Group	Noram Drilling AS	Group
Ordinary audit	57,605	57,605	66,662	66,662
Other confirmation services	4,408	4,408	-	-
Tax advisory services	2,802	2,802	4,298	4,298
Other non audit services	76,348	76,348	33,434	33,434
Total	141,163	141,163	104,394	104,394

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

Note 4 Net Financial Items

	2022		2021	
	NorAm Drilling AS	Group	NorAm Drilling AS	Group
Financial income				
<i>Interest income from group companies</i>	15,273,577	-	-	-
<i>Other interest income</i>				
Interest income bank	262,901	401,711	313	313
<i>Other financial income</i>				
Currency gains	2,069,231	2,069,231	49,232	49,232
Total financial income	17,605,709	2,470,942	49,545	49,545
Financial expenses				
<i>Other interest expenses</i>				
Interest expense bond loan	6,157,754	6,157,754	7,200,003	7,200,003
Other interest expenses	-	-	-	-
<i>Other financial expenses</i>				
Other financial expense	-	-	-	-
Write-down investments in subsidiaries	-	-	-	-
Currency losses	170,727	185,912	66,442	78,516
Total Financial expenses	6,328,481	6,343,666	7,266,445	7,278,519
Net financial items	11,277,228	-3,872,724	-7,216,900	-7,228,974

Note 5 - Tax

(USD)	2022		2021	
	NorAm Drilling AS	Group	NorAm Drilling AS	Group
Tax base calculation				
Profit (+)/ Loss (-) before income tax	10,181,957	3,011,396	-7,758,983	-19,534,127
Permanent differences	2,911,548	2,911,548	2,911,548	2,911,548
Temporary differences	3,304,634	3,213,915	3,304,634	3,289,292
Losses carried forward	-	-	-	-
Tax refund 2019 COVID-19 effect	-	-	-	-
Foreign exchange differences	-14,818,279	-14,818,279	111,265	111,265
Tax base	1,579,860	9,323,500	-1,431,536	-13,222,022
NOL Utilization	-1,579,860	9,073,500	-	-
Tax	-	250,000	-	-
Income Tax Payable this year	-	250,000	-	-
Income Tax Expense:				
Income Tax Payable this year	-	250,000	-	-
Changes in deferred tax	-216,106	-216,105	-1,102,455	-1,117,797
Currency effects	-	-	-	-
Tax refund 2019 COVID-19 effect	-	-	-12,317	-12,317
Total Income Tax Expense	-216,106	33,895	-1,114,772	-1,130,114
Deviation in FS 2020 due to error in NOL's carried forward	-	-	428,696	428,696
Total Income Tax Expense in P&L	-216,106	33,895	-686,076	-701,418
Income Tax Payable:				
Income Tax Payable this year	-	250,000	-	-
AMT Credit Refund	-	-	-	-
Prepaid tax	-	-	-	-
Total Income Tax Payable	-	250,000	-	-
Specification of Basis for Deferred Tax Asset:				
Differences to be balanced				
Fixed assets	-16,553	74,307,125	-23,127	86,396,455
Current assets	-	-	-	-
Deferred gain carried forward	9,241,595	9,241,595	12,911,476	12,911,476
Other differences	-120,618	-120,618	-	-
Total temporary differences	9,104,424	83,428,102	12,888,349	99,307,931
NOL's carried forward	-4,114,793	-139,461,095	-6,916,420	-158,224,728
Interest limitation carried forward	-1,447,676	-32,224,953	-1,618,044	-32,395,321
Basis for calculation of deferred tax asset/liability	3,541,955	-88,257,946	4,353,885	-91,312,118
Deferred tax asset (-) /liability (+)	779,230	-18,648,567	957,855	-18,469,942
Valuation allowance	318,489	20,394,433	355,970	20,431,914
Deferred tax asset (-) /liability (+) after valuation allowance	1,097,719	1,745,866	1,313,824	1,961,971
Deviation in FS 2020 due to error in NOL's carried forward	-	-	-	-
Deferred tax asset (-) /liability (+) in balance sheet	1,097,719	1,745,867	1,313,824	1,961,971
Deferred tax/tax asset not recorded in balance	318,489	20,394,433	355,970	20,431,914

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 6 - Earnings per share

(USD)	2022		2021	
	NorAm Drilling AS	Group	NorAm Drilling AS	Group
Result after income tax	10,398,063	2,977,502	-7,072,908	-18,833,585
Weighted number of shares	28,042,843	28,042,843	23,392,317	23,392,317
Options	600,000	600,000	100,000	100,000
EPS	0.37	0.11	-0.30	-0.81
Diluted EPS (incl. Options)	0.36	0.10	-0.30	-0.80

Note 7 Tangible assets

Group

Property, plant and equipment (USD)	Rigs and rig related accessories	Vehicles and Office Equipment	Total
Acquisition cost at 01.01	199,912,627	2,328,815	202,241,441
Additions	3,171,666	189,686	3,361,352
Disposals	-	-	-
Acquisition cost at 31.12	203,084,292	2,518,500	205,602,793
Accumulated depreciation 31.12	116,772,727	2,260,621	119,033,348
Accumulated impairment loss 31.12.201	-	-	-
Reversed impairment loss 31.12.2016	-	-	-
Net carrying value at 31.12	86,311,566	257,879	86,569,445
Depreciation for the year	18,761,437	117,866	18,879,303
Impairment loss for the year			
The useful economic life is estimated to be	3-15 years	3-5 years	

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

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 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 2022. As of May 2023, all of our rigs were under contract. The 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.

Note 8 Shares in Subsidiaries

(USD) Company	Book value	Shares	Share of voting rights	Equity 2022	Result 2022	Main Office
NorAm Drilling Company	84,787,707	100%	100%	-9,170,420	-231,114	Houston

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

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 7. No impairment is recognized in 2022.

The changes in the impairment calculations has not resulted in any impairment expenses as of year-end 2022, and the headroom is in line with 2021.

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.

Note 9 Intercompany Balances

(USD)	2022	2021
Noram Drilling AS		
Loan to NorAm Drilling Company (subsidiary)	115,480,503	118,306,926
Loan from NorAm Drilling Company (subsidiary)		
Accounts payable to NorAm Drilling Company (subsidiary)	19,861	2,162,639
Noram Drilling AS receivables from NorAm Drilling Company (subsidiary)	-	-

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

Note 10 - Restricted bank accounts

(USD)	2022		2021	
	Noram Drilling AS	Group	Noram Drilling AS	Group
Restricted cash related to debt service on Bond loan	-	-	759,314	759,314
Employees tax deduction, deposited in a separate bank account	2,339	2,339	5,799	5,799
Secure deposit office leasing and credit cards	-	21,590	-	15,090
Total	2,339	23,929	780,203	780,203

Note 11 - Equity and Shareholder Information

Share Capital Noram Drilling AS and the Group

	2022			2021		
	No. of shares	Face value NOK	Book value NOK	No. of shares	Face value NOK	Book value NOK
Ordinary shares	43,140,993	2.00	86,281,986	23,392,317	2.00	46,784,634
Total	43,140,993		86,281,986	23,392,317		46,784,634

Equity (USD)	2022			2021		
Noram Drilling AS	Share Capital	Share Premium	Other paid in capital	Other Equity	Total	
Equity 31.12.2021	8,838,955	94,860,376	438,907	15,897,132	120,035,371	
Share subscription	3,708,393	68,295,331			72,003,724	
Profit (+)/Loss (-)				10,398,063	10,398,063	
Dividends paid		-4,374,704			-4,374,704	
Dividends payable		-22,542,704			-22,542,704	
Stock option agreement		334,448		-94,082	240,366	
Equity 31.12.2022	12,547,348	136,572,748	438,907	26,201,114	175,760,117	

Equity Group	Share Capital	Share Premium	Other Equity Contributed	Other Equity	Total
Equity 31.12.2021	8,838,955	94,860,376	369,053	-70,339,475	33,728,909
Share subscription	3,708,393	68,295,331			72,003,724
Profit (+)/Loss (-)				2,977,502	2,977,502
Dividends paid		-4,374,704			-4,374,704
Dividends payable		-22,542,704			-22,542,704
Stock option agreement		334,448		-94,082	240,366
Equity 31.12.2022	12,547,348	136,572,748	369,053	-67,456,055	82,033,094

The company declared and paid dividends of MUSD 22.5 subsequent to December 31, 2022 through the date of the issuance of this report.

10 Largest Shareholders as per 31.12.2022

	Noram Drilling AS and Group	
	Number of shares	Share (%):
Geveran Trading Ltd	20,818,658	48.3 %
Seabulk AS	2,673,034	6.2 %
Euroclear Bank S.A.	1,573,141	3.6 %
Merrill Lynch Prof. Clearing Corp.	1,404,217	3.3 %
SFL Corporation Ltd	1,266,225	2.9 %
The Bank of New York Mellon S.A.	992,153	2.3 %
Danske Bank A/S	953,113	2.2 %
Danske Bank A/S	950,000	2.2 %
Verdipapirfondet DNB SMB	918,976	2.1 %
The Bank of New York Mellon	700,000	1.6 %
Other	10,891,476	25.2 %
Total	43,140,993	100%

Note 12 Liabilities

(USD)	2022		2021	
	NorAm Drilling AS	Group	NorAm Drilling AS	Group
Long term liabilities with maturity before 5 years				
Bond	-	-	80,000,000	80,000,000
Other long term liabilities	-	-	-	-
Total	-	-	80,000,000	80,000,000

Bond

On 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.

On 3 October 2022, the Company provided notice of exercise of its call option on the full bond loan. The Company paid off the bond loan of MUSD 80 and accrued interest of MUSD 3.2 on 30 November 2022.

On 21 November 2022, the Company's subsidiary ("Borrower") 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 by accounts receivable and expected to be utilized to reduce the required level of liquidity on our balance sheet.

Definitions:

Debt Service Coverage Ratio - Borrower will maintain, as of the last day of each fiscal year, a ratio of (a) net income after taxes plus depreciation, amortization and other non-cash expenses, less any distributions during such fiscal year, to (b) current maturities of long-term debt and long-term leases of not less than 1.2 to 1.0.

Minimum Liquidity - maintain, as of the last day of each quarter, Liquidity of at least MUSD 5.0. Liquidity means total market value of Unencumbered Liquid Assets. Unencumbered Liquid Assets means assets owned by Borrower which are not subject to any lien (other than a lien in favor of Lender): (1) cash or cash equivalents held in the United States; and (ii) funds available to be advanced under the note.

Debt to EBITDA Ratio - Borrower will maintain, as of the last day of each fiscal year, a ratio of (a) Debt to (b) EBITDA of not more than 2.0 to 1.0. Notes Payable and other debt payable to NorAm Drilling AS will not be included as "Debt".

Distributions - mean all dividends and other distributions made by Borrower to its shareholder.

EBITDA - Borrower's combined earnings before interest expense, income taxes, depreciation and amortization.

The Group complied with the financial covenants as of 31.12.2022.

Note 13 – 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.

During 2020, the company entered into two separate unsecured loans totaling MUSD 7.5. Both loans were forgiven in full in 2021.

The company also 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 received approximately MUSD 1.4mm in January 2023 related to the final remaining outstanding ERTC payroll credit.

Note 14 – Subsequent events

Market & Activities

WTI began 2022 around \$75 per barrel and finished 2022 near \$80 per barrel. WTI reached a high of \$120 per barrel in June 2022 and a low of \$71 per barrel in December 2022. WTI is currently trading around \$73 per barrel.

As of May 19, 2023, the US land drilling active rig count and Permian rig count was 697 and 349, respectively. As of December 31, 2022, the US land drilling active rig count and Permian rig count was 762 and 353, respectively. In comparison, as of December 31, 2021, the US land drilling active rig count and Permian rig count was 570 and 293, respectively. We currently have all eleven rigs under contract.

Outlook

Dayrates for land rigs in the US improved significantly during 2022 and continued to strengthen during 1Q 2023. 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) China reopening, (iii) Russian invasion of Ukraine, (iv) OPEC+ maintaining and complying with appropriate supply targets, (v) operating discipline demonstrated by E&P operators, (vi) supply and demand activity for US and Permian land rigs, (vii) availability and costs of labor, equipment and rig supplies and (viii) any possible regulatory changes issued by the US government.

Subject to key risks and uncertainties mentioned herein, we currently expect continued strong demand for our high end "super spec" drilling rigs. Natural gas prices have declined from \$7.0 MMBtu as of November 2022 to \$4.5 per MMBtu as of December 31, 2022. Natural gas prices have declined further in early 2023 and is currently trading at approximately \$2.30 per MMBtu. Current natural gas prices have resulted in some E&P operators reducing their near-term drilling plans which has resulted in some land rigs being released in gas plays such as the Haynesville and Eagle Ford basins. Some of these rig releases increased the available supply of "super spec" rigs in the Permian basin and could impact our near-term outlook.

The company declared and paid dividends of MUSD 22.5 subsequent to December 31, 2022 through the date of the issuance of this report.



To the General Meeting of NorAm Drilling AS

Independent Auditor's Report

Opinion

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

- the financial statements of the parent company NorAm Drilling AS (the Company), which comprise the balance sheet as at 31 December 2022, 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 AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2022, 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 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with 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 relevant laws and regulations in Norway 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.

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 statutory 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 and 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's 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, 24 May 2023
KPMG AS

Bjart Roger Vie
State Authorised Public Accountant
(This document is signed electronically)

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Bjart Roger Vie

Oppdragsansvarlig revisor

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