INTERIM FINANCIAL INFORMATION

NORAM DRILLING AS

FOURTH QUARTER 2023

22 February 2024

NORAM DRILLING AS REPORTS RESULTS FOR THE FOURTH QUARTER ENDED DECEMBER 31, 2023

Oslo, Norway, February 22, 2024. NorAm Drilling AS (the "Company" or "NorAm"), today reported unaudited results for the three and twelve months ended December 31, 2023:

HIGHLIGHTS

- Reported Revenues of MUSD 24.0, down 10% from the previous quarter
- Adjusted EBITDA(1) of MUSD 5.4 down 22% from the previous quarter
- Fleet utilization was 82.3% compared to 77.3% in the previous quarter
- Average base dayrate(2) of $26,900, down 11% from the previous quarter
- Current revenue backlog of MUSD 27.6 as of February 22, 2024

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

During the fourth quarter, the drilling industry experienced declines in WTI, Natural Gas and active rig counts in both the US and Permian. Despite these headwinds we reactivated two rigs during the quarter and finished with only one stacked rig. The market continues to be impacted by reduced drilling demand after substantial consolidation activity among private and public operators in addition to disciplined production plans demonstrated by most E&Ps.

With our industry low-cost base and zero debt, we continue to return capital to shareholders despite market headwinds and this demonstrates the strength of our unique model. We paid MUSD 5.3 or NOK 1.32 per share in monthly dividends in the quarter and have declared two additional dividends after quarter end. Our rigs are among the very top performers measured in feet drilled per day in the US shale market, and NorAm should be well positioned for getting the idle rigs back to work in a market recovery.

(1) Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization plus non-cash stock option expense.
(2) Base dayrate includes contracted revenue while on operating time and mobilizations divided by the total operating and move days and excludes add-ons for equipment rentals, additional crew, overtime and reimbursables.

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, ten of our eleven rigs are under contract in the Permian Basin and the remaining rig is hot stacked and actively being marketed. We currently anticipate two rigs will be released within the next three months and are actively marketing both rigs. 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 started to decline in the first half of 2023 in a response to lower natural gas and WTI prices. WTI began the fourth quarter trading around $88 and finished the fourth quarter trading around $72 and is currently trading at $78. During the fourth quarter, US and Permian land rigs decreased 7 and 10, respectively. During the quarter, oil inventories decreased 5%, daily production in the Lower 48 increased 3% to 12.9 million barrels per day and the number of drilled but uncompleted wells in the Permian Basin were down slightly.

Dayrates for high end “super spec” drilling rigs in Permian started to soften during the second quarter of 2023 as some rigs were mobilized from the Haynesville as a result of low natural gas prices and operators started to release rigs in the Permian as a result of lower WTI prices. Recent mergers and acquisitions among E&Ps have led to lower active rig counts and put pressure on dayrates.

As of February 16, 2024, the US land drilling active rig count and Permian rig count was 602 and 313, respectively. As of December 29, 2023, the US land drilling active rig count and Permian rig count was 601 and 307, respectively.

OPERATIONS

During 4Q 2023, NorAm achieved an 82.3% utilization compared to 77.3% utilization in 3Q 2023.

Rig operating costs were in line with expectations with strong focus on rig personnel staffing levels, management of other daily operating costs and controlling our maintenance capital expenditures. We also have low general and administrative costs and maintenance capital expenditures and believe this provides us with the lowest fully-burdened cost base per operating day in the industry.

FINANCIALS

NorAm had revenue of MUSD 24.0 during 4Q 2023 compared to MUSD 26.6 during 3Q 2023. We generated an operating profit of MUSD 0.5 in 4Q 2023 compared to an operating profit of MUSD 2.0 in 3Q 2023. The decrease in revenue was the primarily the result of lower dayrates offset by higher utilization. We generated Adjusted EBITDA of MUSD 5.4 in 4Q 2023 compared to 6.9 in 3Q 2023.

NorAm had revenue of MUSD 118.3 during the twelve months ended December 2023 compared to MUSD 95.4 during the twelve months ended December 2022. We generated an operating profit of MUSD 22.1 during the twelve months ended December 2023 compared to MUSD 6.9 during the twelve months ended December 2022. We generated Adjusted EBITDA of MUSD 41.5 during the twelve months ended December 2023 compared to MUSD 26.2 during the twelve months ended December 2022. The increases in revenue, operating profit and Adjusted EBITDA were the primarily the result of higher dayrates and higher utilization. Net cashflow from operational activities increased to MUSD 46.5 for the twelve months ended December 2023 from MUSD 16.0 for the twelve months ended December 2022.

Capital expenditures were MUSD 0.7 and MUSD 5.0 during the fourth quarter and year to date, respectively. We spent MUSD 0.2 on upgrades and MUSD 0.5 on maintenance capital expenditures in the fourth quarter of 2023. During the twelve months ended December 31, 2023, we spent MUSD 3.8 on upgrades and MUSD 1.2 on maintenance capital expenditures. Our equipment upgrades mainly relate to completion of the remaining requirements for all our rigs to meet our ultra “super spec” specifications and construction of transformers to allow our rigs to connect to high line power.

The Company is debt free, and we paid MUSD 5.3 or NOK 1.32 per share in monthly dividends to our shareholders in the fourth quarter of 2023. We paid MUSD 42.5 or NOK 10.35 per share in monthly dividends to our shareholders in the twelve months ended December 2023.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 continue paying future dividends based upon earned free cash flow and maintaining a minimum liquidity of approximately MUSD 11.0.

The Company has MUSD 4.5 available under a Revolving Promissory Note (“Revolver”) with a U.S. based bank for working capital and general corporate purposes. There were no borrowings outstanding under the Revolver as of December 31, 2022.

OUTLOOK

Subject to key risks and uncertainties included in our 2022 Annual Report and recent declines in rig counts, we continue to expect strong demand for our high end “super spec” drilling rigs.

Based upon current commodity prices and discussions with operators who have been focused on budgets and production discipline, we expect that the recent decline in the Permian rig count has reached or is near a bottom and could start to increase during the remainder of 2024. We also expect shale oil production levels to grow at a substantially reduced pace, if at all, with the recent decline in completions, active rig counts and frac fleets.

Recent E&P acquisition announcements will continue to influence dayrates and rig counts and could impact our ability to renew working rigs and reactivate stacked rigs. As E&P operators remain focused on maintaining current production levels and with drilling but uncompleted (DUCs) wells at decade lows in the Permian basin, we believe “super spec” rigs will remain in high demand in the Permian basin and see increasing incoming interest for rigs later in 2024.

NORAM DRILLING

Unaudited

Condensed consolidated Income Statement

(All amounts in USD 1000s)	Quarter Ended		Twelve Months Ended	
	Dec 2023	Dec 2022	Dec 2023	Dec 2022
Revenue/Expense				
Sales	24,034	29,541	118,293	95,446
Other Income				
Total Operating Income	**24,034**	**29,541**	**118,293**	**95,446**
Payroll Expenses	8,128	8,496	31,487	29,449
Depreciation of Tangible and Intangible Assets	4,796	4,771	18,937	18,879
Rig Mobilization, Service and Supplies	6,540	6,276	28,506	26,096
Insurance Rigs and Employees	1,819	1,617	6,252	5,833
Other Operating Expenses	2,237	1,721	10,970	8,306
Total Operating Expenses	**23,519**	**22,881**	**96,152**	**88,562**
Operating Profit (+)/ Loss (-)	**515**	**6,660**	**22,141**	**6,884**
Financial Income and Expenses				
Other Interest Income	168	338	507	402
Other Financial Income	158	2,051	294	2,069
Other Interest Expenses	30	758	55	6,158
Other Financial Expenses	37	88	385	186
Net Financial Items	**258**	**1,544**	**360**	**-3,873**
Profit (+)/Loss(-) before Income Tax	**773**	**8,204**	**22,502**	**3,011**
Income Tax Expense	2,990	-1,097	3,583	34
Net Profit (+)/Loss (-)	**-2,216**	**9,301**	**18,919**	**2,978**

NORAM DRILLING

Unaudited

Condensed consolidated Balance Sheet	Notes	Dec 2023	Dec 2022
(All amounts in USD 1000s)			
Assets			
Tangible Assets			
Rigs and Accessories	1	72,061	86,312
Vehicles and Office Equipment	1	553	258
Total Tangible Assets		**72,615**	**86,569**
Current Assets			
Receivable			
Accounts Receivable		11,297	14,802
Prepaid Expenses and Other Current Assets		1,367	1,336
Total Receivable and Other		**12,664**	**16,138**
Cash and Cash Equivalents			
Bank Deposits/Cash		12,139	13,098
Total Current Assets		**24,804**	**29,236**
Total Assets		**97,418**	**115,806**

Unaudited

Condensed consolidated Balance Sheet

	Notes	Dec 2023	Dec 2022
(All amounts in USD 1000s)			
Equity			
Owners Equity			
Issued Capital	2	12,547	12,547
Share Premium	2	112,765	136,573
Other Shareholder Contribution	2	369	369
Total Owners Equity		**125,681**	**149,489**
Accumulated Profits			
Other Equity	2	-48,538	-67,456
Total Accumulated Profits		**-48,538**	**-67,456**
Total Equity		**77,143**	**82,033**
Liabilities			
Deferred Tax		5,055	1,746
Total deferred tax		**5,055**	**1,746**
Current Liabilities			
Accounts Payable		4,388	4,607
Tax Payable		326	250
Public Duties Payable		268	267
Other Current Liabilities		10,237	26,904
Total Current Liabilities		**15,220**	**32,027**
Total Liabilities		**20,275**	**33,773**
Total Equity & Liabilities		**97,418**	**115,806**

NORAM DRILLING

Unaudited

Condensed Consolidated Statement of Cash Flow	YTD	
	Dec 2023	Dec 2022
(All amounts in USD 1000s)		
Net Profit (+)/Loss (-)	22,228	3,011
Tax paid for the period	76	
Depreciation of fixed assets	18,937	18,879
Change in accounts receivable	3,505	-8,659
Change in accounts payable	-218	1,611
Change in other current balance sheet items	1,993	1,206
Net cash flow from operational activities	46,521	16,048
Purchase of tangible fixed assets	-4,982	-3,361
Net cash flow from investing activities	-4,982	-3,361
Repayment of long term debt		-80,000
Issued capital		72,004
Dividends	-42,497	-4,375
Net cash flow from financing activities	-42,497	-12,371
Net change in cash and cash equivalent	-959	316
Cash and cash equivalents opening balance	13,098	12,782
Cash and cash equivalents closing balance	12,139	13,098

NOTE DISCLOSURE

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 are 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 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:

	Estimated Useful Life
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

	Share capital	Share premium	Other paid in capital	Other equity	Total
Equity December 2022	12,547	136,573	369	-67,456	82,033
Profit/loss in the period				18,920	18,920
Dividends		-24,227			-24,227
Stock option program		419			419
Equity December 2023	**12,547**	**112,765**	**369**	**-48,538**	**77,143**

The Company had MUSD 22.5 and MUSD 4.2 of dividends accrued as of December 31, 2022 and December 31, 2023, respectively. The Company declared and paid dividends of MUSD 40.7 for the 12 months ended December 31, 2023. The company declared and paid dividends of MUSD 4.3 subsequent to December 31, 2023. The dividend distributions were from the Company's contributed surplus account which consists of previously paid in share premium transferred to the Company's share premium account.

Note 3 - Long term liabilities and covenants

Bond loan

The Company paid off its outstanding 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. As of 30 June 2023, there were no borrowings outstanding on the Revolver.

Note 4 - Cares Act

The Company received approximately MUSD 1.4 in January 2023 related to its final outstanding payroll credit refund application associated with the Employee Retention Tax Credit ("ERTC").

Note 5 - Key figures and ratios

(USD mill)	Q4		YTD	
	2023	**2022**	**2023**	**2022**
Revenue	24.0	29.5	118.3	95.4
Operating profit	0.5	6.7	22.1	6.9
Net profit before tax	0.8	8.2	22.5	3.0
EBITDA	5.3	11.4	41.1	14.3
ADJUSTED EBITDA	5.4	11.4	41.3	14.3

	December	
	2023	**2022**
Equity to asset ratio	79.2%	70.8%

	Q4		YTD	
	2023	**2022**	**2023**	**2022**
Total number of shares	43,140,993	41,841,774	43,140,993	28,042,843
EPS	-0.05	0.27	0.44	0.33
Diluted EPS (Including options)	-0.05	0.27	0.43	0.33

Definitions

EBITDA - Earnings Before Interest, Tax, Depreciation and Amortization.
ADJUSTED EBITDA - Earnings Before Interest, Tax, Depreciation and Amortization plus non cash stock option expenses.