

NORAM **DRILLING**

INTERIM FINANCIAL INFORMATION

NORAM DRILLING AS

FIRST QUARTER 2024



NORAM DRILLING AS REPORTS RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2024

Oslo, Norway, May 21, 2024. NorAm Drilling AS (the “Company” or “NorAm”), today reported unaudited results for the three months ended March 31, 2024:

HIGHLIGHTS

- Reported Revenues of MUSD 25.0, up 4% from the previous quarter
- Adjusted EBITDA⁽¹⁾ of MUSD 6.7 up 24% from the previous quarter
- Fleet utilization was 87.5% compared to 82.3% in the previous quarter
- Average base dayrate⁽²⁾ of \$26,300, down 2% from the previous quarter
- Current revenue backlog of MUSD 24.5 as of May 21, 2024

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

Despite WTI increasing 15% during the first quarter, rig counts in the US were essentially flat and rig counts in the Permian only increasing modestly. 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 6.4 or NOK 1.57 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 U.S shale market, and NorAm should be well positioned 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. 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

WTI began the first quarter trading around \$72 and finished the quarter trading around \$82 and is currently trading at \$79. During the first quarter, US land rig counts were flat and Permian land rigs increased by 8. During the quarter, oil inventories increased by 3%, daily production in the Lower 48 increased by 2% to 12.7 million barrels per day and the number of drilled but uncompleted wells in the Permian Basin were flat.

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 additional pressure on dayrates.

As of May 21, 2024, the US land drilling active rig count and Permian rig count was 584 and 312, respectively. As of December 29, 2023, the US land drilling active rig count and Permian rig count was 601 and 307, respectively.

OPERATIONS

During 1Q 2024, NorAm achieved an 87.5% utilization compared to 82.3% utilization in 4Q 2023.

Rig operating costs were in line with expectations with strong focus on rig personnel staffing levels, management of other daily operating costs. 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 25.0 during 1Q 2024 compared to MUSD 24.0 during 4Q 2023. We generated an operating profit of MUSD 1.8 in 1Q 2024 compared to an operating profit of MUSD 0.5 in 4Q 2023. The increase in revenue was primarily the result of higher utilization offset by lower dayrates. We generated Adjusted EBITDA of MUSD 6.7 in 1Q 2024 compared to MUSD 5.4 in 4Q 2023.

Net cashflow from operational activities was MUSD 6.1 for the three months ended March 31, 2024 compared to MUSD 2.8 for the three months ended December 31, 2023. Capital expenditures were MUSD 1.3 during the first quarter.

The Company is debt free, and we paid MUSD 6.4 or NOK 1.57 per share in monthly dividends to our shareholders in the first quarter of 2024. 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 free cash flow and maintaining minimum available 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 March 31, 2024.

OUTLOOK

Subject to key risks and uncertainties included in our 2023 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 Permian rig counts have reached or are near a bottom and could start to increase during the remainder of 2024 and into 2025. We also expect shale oil production levels to grow at a substantially reduced pace, if at all, with the recent decline in well completions, active rig counts and frac fleets.

Recent E&P consolidation will likely continue to influence dayrates and rig counts and could impact our ability to renew working rigs and reactivate any stacked rigs. As E&P operators remain focused on maintaining current production levels and with drilled 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. We therefore hope to secure employment for the last idle rig later in 2024.

Condensed consolidated Income Statement

	Quarter Ended		Twelve Months Ended
	Mar 2024	Mar 2023	Dec 2023
<i>(All amounts in USD 1000s)</i>			
Revenue/Expense			
Sales	25,036	32,684	118,293
Other Income			
Total Operating Income	25,036	32,684	118,293
Payroll Expenses	7,955	6,897	31,355
Depreciation of Tangible and Intangible Assets	4,850	4,759	18,937
Rig Mobilization, Service and Supplies	7,478	6,972	28,506
Insurance Rigs and Employees	1,170	1,644	6,252
Other Operating Expenses	1,768	2,391	10,970
Total Operating Expenses	23,222	22,663	96,020
Operating Profit (+)/ Loss (-)	1,815	10,022	22,273
Financial Income and Expenses			
Other Interest Income	104	110	507
Other Financial Income		12	294
Other Interest Expenses	19		55
Other Financial Expenses	88	171	385
Net Financial Items	-2	-49	360
Profit (+)/Loss(-) before Income Tax	1,812	9,972	22,633
Income Tax Expense		393	3,409
Net Profit (+)/Loss (-)	1,812	9,579	19,225

Condensed consolidated Balance Sheet

	Notes	Mar 2024	Dec 2023
<i>(All amounts in USD 1000s)</i>			
Assets			
<i>Tangible Assets</i>			
Rigs and Accessories	1	68,368	72,061
Vehicles and Office Equipment	1	722	553
Total Tangible Assets		69,090	72,615
Current Assets			
<i>Receivable</i>			
Accounts Receivable		11,405	11,297
Prepaid Expenses and Other Current Assets		764	1,367
Total Receivable and Other		12,169	12,664
<i>Cash and Cash Equivalents</i>			
Bank Deposits/Cash		10,544	12,139
Total Current Assets		22,714	24,804
Total Assets		91,804	97,418

Condensed consolidated Balance Sheet

	Notes	Mar 2024	Dec 2023
<i>(All amounts in USD 1000s)</i>			
Equity			
<i>Owners Equity</i>			
Issued Capital	2	12,547	12,547
Share Premium	2	107,245	107,185
Other Shareholder Contribution	2	369	369
Total Owners Equity		120,161	121,827
<i>Accumulated Profits</i>			
Other Equity	2	-46,446	-48,258
Total Accumulated Profits		-46,446	-48,258
Total Equity		73,716	73,569
Liabilities			
<i>Deferred Tax</i>			
Deferred Tax		4,881	4,881
Total deferred tax		4,881	4,881
<i>Current Liabilities</i>			
Accounts Payable		5,228	4,388
Tax Payable		326	326
Public Duties Payable		160	163
Other Current Liabilities		7,492	15,817
Total Current Liabilities		13,207	18,968
Total Liabilities		18,088	23,849
Total Equity & Liabilities		91,804	97,418

Condensed Consolidated Statement of Cash Flow

Quarter Ended

Mar 2024 Mar 2023

(All amounts in USD 1000s)

Net Profit (+)/Loss (-)	1,812	9,972
Tax paid for the period		-26
Depreciation of fixed assets	4,850	4,759
Change in accounts receivable	-108	400
Change in accounts payable	840	-469
Change in other current balance sheet items	-1,258	257
Net cash flow from operational activities	6,136	14,894
Purchase of tangible fixed assets	-1,326	-2,144
Net cash flow from investing activities	-1,326	-2,144
Repayment of long term debt		
Issued capital		
Dividends	-6,406	-13,152
Net cash flow from financing activities	-6,406	-13,152
Net change in cash and cash equivalent	-1,595	-402
Cash and cash equivalents opening balance	12,139	13,098
Cash and cash equivalents closing balance	10,544	12,696

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 2023	12,547	107,185	369	-48,258	71,843
Profit/loss in the period				1,812	1,812
Dividends					
Stock option program		60			60
Equity March 2024	12,547	107,245	369	-46,447	73,715

The Company had MUS\$ 9.9 and MUS\$ 3.4 of dividends accrued as of December 31, 2023 and March 31, 2024, respectively. The company declared and paid dividends of MUS\$ 9.9 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

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 March 31, 2024, 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)

	Q1	
	2024	2023
Revenue	25.0	32.7
Operating profit	1.8	10.0
Net profit before tax	1.8	10.0
EBITDA	6.7	14.8
ADJUSTED EBITDA	6.7	15.0

	Q1	
	2024	2023
Equity to asset ratio	80.3%	75.5%

	Q1	
	2024	2023
Total number of shares	43,140,993	43,140,993
EPS	0.04	0.22
Diluted EPS (Including options)	0.04	0.22

Definitions

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

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