Preliminary earnings release

Q3 2024

DOLPHIN DRILLING AS

Preliminary Results as of Third Quarter 2024

Oslo, Norway, 27 November, 20241.

Dolphin Drilling AS (Dolphin Drilling, OSE: DDRIL) today announced its preliminary financial results for the three months ended 30 September 2024

Q3 2024 highlights and subsequent events

- **Q3 2024 results and highlights:** Operating revenues of USD 16.5 million and EBITDA of USD (22.1) million. Earnings per share of USD (0.10) in the third quarter of 2024.
- **Paul B. Loyd, Jr, strong uptime**: In her second full quarter under Dolphin Drilling operations and responsibility Paul B. Loyd, Jr successfully completed operations at Harbour Energy's North West Seymour well. The rig moved to the Gilderoy well to commence exploration works. Recorded average uptime for the quarter was 96%
- **Blackford Dolphin enroute to India and contract start in Q4:** In October 2024 Blackford Dolphin arrived in India for its next drilling campaign after departing Nigeria in July. Following customs clearance and client acceptance the Blackford Dolphin commenced contract on 11 November 2024. The contract includes a USD 12.0 million mobilisation fee which is due to Dolphin in before the end of 2024.
- **Borgland Dolphin contract cancelled for convenience:** As notified on 20 November**,** EnQuest elected to terminate for convenience the contract for the Borgland Dolphin. An agreement was reached to pay USD 20.75 million to Dolphin which was received on 25 November. The Borgland Dolphin is currently located in Las Palmas Gran Canaria and is being actively tendered to multiple opportunities across geographies.
- **Sale of Dolphin Leader:** The cold-stacked Dolphin Leader was sold in July 2024 resulting in a net USD 5.9 million cash to the company, a decision influenced by the increasing uncertainty surrounding future activity levels in the UK. The rig shall be recycled in a responsible manner.
- **Firm revenue backlog of USD 371 million as of reporting date**. USD 153.8 million Oil India contract was confirmed in an official signing ceremony in India during July 2024, the same value was previously recorded in backlog as a Letter of Award. The value associated with the Borgland EnQuest contract has been removed.

Financial review

The company reported total revenues of USD 16.5 million in the third quarter of 2024. This is compared to USD 16.4 million in the second quarter of 2024. No revenue for Blackford Dolphin or Borgland Dolphin has been recognised in the quarter and all charter revenues relate to Paul B. Loyd, Jr. Total revenues include other revenues of USD 0.5 million being the rental of certain equipment to third parties as well as costs rechargeable to clients.

In the third quarter, Dolphin Drilling had total rig operating expenses of USD 33.2 million, which is higher than the previous quarter of USD 20.9 million. The quarter included net USD 13.0 million in costs related to the mobilisation of the Blackford Dolphin, taking total costs incurred through the end of the third quarter to net USD 17.0 million for the mobilisation project. Repair and maintenance costs were also higher in the quarter due to essential maintenance and other end of well requirements for Paul B. Loyd, Jr.

G&A remained steady at USD 5.3 million in the current quarter. The company continue to book higher legal fees as part of the ongoing arbitration in Nigeria and the HMRC tax claim leaving us with an underlying quarterly G&A cost of approximately USD 4.0million, in line with previous quarters.

Reported net loss for the quarter was USD 30.2 million, or USD 0.10 loss per share.

Rig operational update

Dolphin Drilling had one rig on contract in the third quarter of 2024. Paul B. Loyd, Jr. demonstrated strong performance under Dolphin Drilling's operations. The rig successfully completed its operations at Harbour Energy’s North West Seymour well and moved to the Gilderoy well to commence exploration works on which the client has subsequently reported a discovery. The rig recorded an impressive average uptime of 96% for the quarter.

The company did not record any revenues on Blackford Dolphin in the third quarter. Blackford was in transit to India starting its journey on July 1st. The rig made several scheduled stops for crew changes, refuelling and ordinary maintenance works. Firstly stopping in Namibia, thereafter South Africa, followed by Mauritius, Sri Lanka and finally arriving at Port Blair in early October. Post completing customs clearance and client acceptance testing the Blackford Dolphin commenced its exploration drilling contract with Oil India Limited on 11 November 2024.

The Borgland Dolphin spent the entire quarter at Las Palmas, Gran Canaria Island, undergoing preparations for its planned class renewal and subsequent contract start-up in the UK. Following the cancellation of the EnQuest contract the class renewal works have been paused, and will be restarted when a suitable contract has been secured for Borgland Dolphin.

The arbitration vs GHL in Nigeria continued throughout the quarter, updates will be provided to the market as required.

Financing and capital expenditure

As of 30 September 2024, the company had approximately USD 37.6 million of cash and cash equivalents, including restricted cash amounts of approximately USD 5.6 million. A USD 3.0 million bond related to the importation permit for the Blackford to Nigeria was released and the subsequent cash amount previously blocked in a bank account in Norway was released back to free funds within the company. Current restricted cash of USD 5.6 million relates to various outstanding bid and performance bonds that support ongoing contracts and marketing initiatives.

For the first nine months of 2024 the company has recorded USD 54.0 million in capital expenditures. Most of the investments relates to the purchase of the two rigs Paul B. Loyd Jr and Dolphin Leader during the first quarter of 2024. Capital expenditure on the Borgland Dolphin accounted for USD 11.3 million the majority of which relates to the relocation of the unit to Las Palmas and project capex for her special periodic survey. The remainder is primarily operational capex requirements on Blackford Dolphin. During 2024 the Bideford was sold for a net USD 4.1 million and USD 5.9 million was collected for the sale of Dolphin Leader.

A USD 65.0 million loan provided by Maritime Asset Partners is fully drawn with amortisation commencing in January 2025 and maturity in September 2027. The facility includes a USD 6.5 million debt service coverage balance which is recorded as a current asset in the balance sheet. The shareholder loan facility of USD 15.0 million has been extended to a maturity date of 30 November 2025.

Contingent liability

The company is in a legal process with the UK Tax Authorities (“HMRC”). Following two rulings in favour of the company, the Court of Appeal found in favour of HMRC in January 2024. During May 2024 the company was granted permission to appeal to the Supreme Court and the case will be heard in February 2025. No payments to HMRC are anticipated in the interim period and the outcome of the case remains uncertain.

Strategy and outlook

Dolphin Drilling is a prominent offshore drilling company with a global operational track record, owning and operating drilling rigs since 1965. As one of the earliest drilling rig contractor pioneers, the company has consistently provided exceptional services for the offshore oil and gas industry. The company's drilling rig fleet currently consists of three conventional harsh environment moored semisubmersible drilling rigs: Borgland Dolphin, Blackford Dolphin, and Paul B. Loyd Jr. These rigs are well-maintained and marketed to most offshore basins, capable of drilling in water depths ranging from 65 to 1,829 meters (213 to 6,000 feet).

The company maintains offshore and onshore offices and operations in the UK, Norway, Brazil and India. Dolphin Drilling's extensive drilling experience and worldwide operational track record have enabled it to maintain drilling licenses in numerous offshore basins globally. This capability allows the company to bid its own rig fleet as well as manage rigs for other owners in most offshore basins worldwide, which Dolphin Drilling considers a vital asset.

Dolphin Drilling currently has two of three rigs on hire and generating cash flow for the company. We are actively pursuing opportunities for the Borgland Dolphin in various offshore basins while carefully managing costs on the unit. We remain cautious on obtaining additional work in the UK due to the ongoing uncertainty brought about by recent changes to the fiscal regime.

In our opinion, the medium-term outlook for the international moored offshore floater rig segment remains attractive from an overall rig supply point of view, but timing of actual commitments to move forward with drilling plans remains uncertain.

Accounting items

<u>Accounting for provisions v contingent liabilities</u>

The company is in a legal process with the UK Tax Authorities (HMRC) – The company discloses in its financial statements a contingent liability in accordance with IAS 37 as the outcome of the case is still unknown.

<u>IFRS 15 Revenue from contracts with customers</u>

In H1 2024, the continued provision of service by Blackford Dolphin in Nigeria falls outside of the scope of IFRS 15 as the company is required to re-assess the probability of collection of consideration from the customer. No revenue is recognised for 2024 activity under the contract.

<u>IFRS 3 Business combination – purchase of Paul B Loyd Jr</u>

The company has assessed the purchase of Paul B. Loyd Jr as a business combination and will account for the purchase in conjunction with IFRS 3 using the ‘acquisition method’.

<u>Accounting for project cost – recertification of Borgland Dolphin</u>

Expenditure for major replacement and renewal that significantly increase the service life on an asset are capitalised. The capital expenditure incurred on the Borgland Dolphin represents investment towards future economic benefit and a five-year class renewal.

<u>Accounting for project cost – mobilisation of Blackford Dolphin</u>

In connection with some contracts, lump-sum fees or similar compensation for the mobilisation of equipment and personnel prior to the commencement of drilling services are received. Mobilisation fees received and costs incurred are deferred and recognised on a straight-line basis over the period that the related drilling services are performed. To the extent that costs outweigh income the loss on mobilisation is recorded in full as soon as able to be estimated reliably. At 30 September 2024 USD 12 million was deferred in respect of mobilisation costs and an estimated loss of USD 17 million was recorded in the income statement.

Cautionary statement regarding forward looking statements

This Operating and Financial Review contains certain forward-looking statements that involve risks and uncertainties. Forward-looking statements are sometimes, but not always, identified by such phrases as “will”, “expects”, “is expected to”, “should”, “may”, “is likely to”, “intends” and “believes”. These forward-looking statements reflect current views with respect to future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. These statements are based on various assumptions, many of which are based, in turn, upon further assumptions, including an examination of historical operating trends. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including the competitive nature of the offshore drilling industry, oil and gas prices, technological developments, government regulations, changes in economic conditions or political events, the inability of the Company to obtain financing on favourable terms, changes of the spending plan of our customers, changes in the Company’s operating expenses including crew wages, insurance, dry-docking, repairs and maintenance, failure of shipyards to comply with delivery schedules on a timely basis and other important factors mentioned from time to time in our report.

DOLPHIN DRILLING AS Income Statement ($ in millions)	2024 3 months ended Sep 24	2024 3 months ended Jun 24	2024 9 months ended Sep 24
Charter Revenue	**16.1**	**16.0**	**38.9**
Total Other Revenue	**0.5**	**0.4**	**4.1**
Total Revenue	**16.5**	**16.4**	**43.0**
Total Rig Operating Expenses	**(17.0)**	**(14.2)**	**(44.3)**
Total Project Costs	**(15.8)**	**(4.0)**	**(22.8)**
Total Lay-up Expense	**(0.4)**	**(2.7)**	**(7.0)**
Total Operating Expense	**(33.2)**	**(20.9)**	**(74.2)**
Total G&A	**(5.3)**	**(5.3)**	**(16.0)**
Other	(0.1)	3.5	2.0
EBITDA	**(22.1)**	**(6.3)**	**(45.3)**
D&A	(3.7)	(3.7)	(10.6)
EBIT	**(25.7)**	**(10.0)**	**(55.9)**
Net finance (cost) / income	(4.4)	(3.7)	(4.6)
EBT	**(30.1)**	**(13.7)**	**(60.5)**
Taxes	(0.1)	(0.4)	(0.6)
Net Income (Loss)	**(30.2)**	**(14.1)**	**(61.1)**

Balance Sheet ($ in millions)	30-Sep-24	31-Dec-23
Current Assets:		
Unrestricted Cash & Cash Equivalents	32.0	24.5
Restricted Cash	5.6	9.5
Total Cash	**37.6**	**34.0**
Accounts Receivable	5.2	11.0
Inventory	33.1	30.4
Other Current Assets	20.4	16.2
Total Current Assets	**96.3**	**91.5**
Non-Current Assets:		
Tangible	88.3	72.9
Intangible	27.4	1.4
Total Assets	**$ 212.1**	**$ 165.8**
Current Liabilities		
Accounts Payables	20.3	7.2
Accrued Interest	1.8	0.8
Accrued Expenses	17.7	18.5
Current Portion of Debt	15.0	15.0
Other Current Liabilities	3.6	10.7
Total Current Liabilities	**58.4**	**52.3**
Other Non Current Liabilities	3.6	4.1
Non Current Portion of Debt	65.0	-
Total Liabilities	**127.0**	**56.4**
Shareholders Equity	85.1	109.4
Total Liabilities & Shareholders' Equity	**$ 212.1**	**$ 165.8**

Statement of Cash Flows ($ in millions)	9 months ended Sep 24	9 months ended Sep 23
Operating Cash Flows		
Net Income	(61.1)	(22.8)
Add-Back: Depreciation and Amortization	10.6	6.6
Less gain / Add loss on disposal of assets	1.5	-
Impairment reversal	-	-
Change in Accounts Receivable	5.8	(39.8)
Change in Inventory	(2.8)	(0.6)
Change in Other Current Assets	(9.8)	(2.4)
Change in Accounts Payable	13.1	(3.8)
Change in Accrued Interest	1.0	0.5
Change in Accrued Expenses	(0.9)	0.7
Change in Other Current Liabilities	(7.1)	18.8
Change in Non Current Liabilities	(0.5)	(0.6)
Net Change in Working Capital	**(1.1)**	**(27.2)**
Cash Flow from Operations	**(50.1)**	**(43.4)**
Cash Flow From Investing	**(48.1)**	**(13.7)**
Free Cash Flow Before Financing Activities	**(98.2)**	**(57.1)**
Cash Flow from Financing	**101.8**	**81.2**
Net Change in Cash	**3.6**	**24.2**