

NORAM **DRILLING**

INTERIM FINANCIAL INFORMATION

NORAM DRILLING AS

THIRD QUARTER 2024



NORAM DRILLING AS REPORTS RESULTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2024

Oslo, Norway, November 13, 2024. NorAm Drilling AS (the “Company” or “NorAm”), today reported unaudited results for the three and nine months ended September 30, 2024:

HIGHLIGHTS

- Reported Revenues of MUSD 26.5
- Adjusted EBITDA⁽¹⁾ of MUSD 6.0
- Improved fleet utilization by 3.4% to 89.3%
- Current revenue backlog of MUSD 26.6

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

During the third quarter, rig counts in the US and Permian were essentially flat. The US rig market has been impacted by reduced drilling demand after substantial consolidation activity among operators; continued production discipline being demonstrated by most E&Ps and near-term uncertainties regarding global demand for oil. On the other hand, we expect the results of the recent US election to increase focus on US energy production and drilling demand should be positively impacted in the medium to long term horizon.

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 5.2 or NOK 1.30 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 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 third quarter trading around \$82 and finished the quarter trading around \$68. The high and low of WTI in the third quarter was \$84 and \$66, respectively. WTI is currently trading at \$68. During the third quarter, US land rig counts were flat at 567 and Permian land rigs decreased by 1 to 307.

US and Permian activity continue to be impacted by operational discipline being demonstrated by E&Ps as well as mergers and acquisitions operators that have led to lower active rig counts and put additional pressure on dayrates.

As of November 8, 2024, the US land drilling active rig count and Permian rig count was 569 and 303, respectively. As of December 29, 2023, the US land drilling active rig count and Permian rig count was 601 and 307, respectively.

OPERATIONS

During 3Q 2024, NorAm achieved an 89.3% utilization compared to 85.9% utilization in 2Q 2024.

Rig operating costs have increased in 2024 as a result of repair and maintenance expenses attributable to equipment recertifications and other equipment repairs. We have low general and administrative costs and maintenance capital expenditures and believe this continues to provide us with the lowest fully burdened cost base per operating day in the industry.

FINANCIALS

NorAm had revenue of MUSD 26.5 during 3Q 2024 compared to MUSD 24.9 during 2Q 2024. We generated an operating profit of MUSD 1.0 in 3Q 2024 compared to an operating loss of MUSD 0.2 in 2Q 2024. We generated Adjusted EBITDA of MUSD 6.0 in 3Q 2024 compared to MUSD 4.8 in 2Q 2024. Revenue, operating profit and Adjusted EBITDA benefited from higher utilization.

Net cashflow from operational activities was MUSD 17.4 for the nine months ended September 30, 2024, compared to MUSD 43.7 for the nine months ended September 30, 2023. Capital expenditures were MUSD 0.7 during the third quarter and MUSD 2.4 for the nine months ended September 30, 2024.

The Company is debt free, and we paid MUSD 5.2 or NOK 1.30 per share in monthly dividends to our shareholders in the third 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 September 30, 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 to remain flat for the remainder of 2024. Looking forward into early 2025 we believe that market conditions will remain steady, and rig activity will be range bound. We expect shale oil production levels to grow at a substantially reduced pace 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.

Condensed consolidated Income Statement

	Quarter Ended		Nine Months Ended	
	Sept 2024	Sept 2023	Sept 2024	Sept 2023
<i>(All amounts in USD 1000s)</i>				
Revenue/Expense				
Sales	26,528	26,609	76,494	94,259
Other Income				
Total Operating Income	26,528	26,609	76,494	94,259
Payroll Expenses	8,862	8,039	24,769	23,359
Depreciation of Tangible and Intangible Assets	4,943	4,711	14,709	14,141
Rig Mobilization, Service and Supplies	7,833	7,678	23,836	21,967
Insurance Rigs and Employees	1,499	1,347	3,969	4,433
Other Operating Expenses	2,420	2,792	6,580	8,734
Total Operating Expenses	25,557	24,568	73,862	72,633
Operating Profit (+)/ Loss (-)	970	2,041	2,632	21,626
Financial Income and Expenses				
Other Interest Income	98	123	309	339
Other Financial Income	50	9	89	137
Other Interest Expenses	22	19	48	25
Other Financial Expenses	43	111	143	348
Net Financial Items	83	3	206	102
Profit (+)/Loss(-) before Income Tax	1,053	2,044	2,838	21,728
Income Tax Expense	353		603	593
Net Profit (+)/Loss (-)	700	2,044	2,235	21,135

Condensed consolidated Balance Sheet

	Notes	Sept 2024	Dec 2023
<i>(All amounts in USD 1000s)</i>			
Assets			
<i>Tangible Assets</i>			
Rigs and Accessories	1	59,660	72,061
Vehicles and Office Equipment	1	641	553
Total Tangible Assets		60,301	72,615
Current Assets			
<i>Receivable</i>			
Accounts Receivable		11,965	11,297
Prepaid Expenses and Other Current Assets		1,732	1,367
Total Receivable and Other		13,698	12,664
<i>Cash and Cash Equivalents</i>			
Bank Deposits/Cash		10,370	12,139
Total Current Assets		24,068	24,804
Total Assets		84,368	97,418

Condensed consolidated Balance Sheet

	Notes	Sept 2024	Dec 2023
<i>(All amounts in USD 1000s)</i>			
Equity			
<i>Owners Equity</i>			
Issued Capital	2	12,569	12,547
Share Premium	2	100,403	107,185
Other Shareholder Contribution	2	369	369
Total Owners Equity		113,341	120,102
<i>Accumulated Profits</i>			
Other Equity	2	-46,023	-48,258
Total Accumulated Profits		-46,023	-48,258
Total Equity		67,318	71,843
Liabilities			
<i>Deferred Tax</i>			
Deferred Tax		4,825	4,881
Total deferred tax		4,825	4,881
<i>Current Liabilities</i>			
Accounts Payable		5,102	4,388
Tax Payable		695	326
Public Duties Payable		159	163
Other Current Liabilities		6,269	15,817
Total Current Liabilities		12,225	20,694
Total Liabilities		17,050	25,575
Total Equity & Liabilities		84,368	97,418

Condensed Consolidated Statement of Cash Flow

YTD

Sept 2024 Sept 2023

(All amounts in USD 1000s)

Net Profit (+)/Loss (-)	2,235	21,528
Tax paid for the period	369	4
Depreciation of fixed assets	14,709	14,141
Change in accounts receivable	-668	4,935
Change in accounts payable	713	1,686
Change in other current balance sheet items	38	1,419
Net cash flow from operational activities	17,397	43,714
Purchase of tangible fixed assets	-2,394	-4,271
Net cash flow from investing activities	-2,394	-4,271
Repayment of long term debt		
Issued capital	21	
Dividends	-16,793	-37,219
Net cash flow from financing activities	-16,772	-37,219
Net change in cash and cash equivalent	-1,769	2,223
Cash and cash equivalents opening balance	12,139	13,098
Cash and cash equivalents closing balance	10,370	15,321

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				2,235	2,235
Dividends		-6,941			-6,941
Stock option program		159			159
Issued Capital	21				21
Equity September 2024	12,569	100,403	369	-46,023	67,318

The Company had MUSD 9.9 of dividends accrued as of December 31, 2023. The company declared and paid dividends of MUSD 18.5 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.

On 24 July 2024, Thomas Taylor, the Company's Chief Operating Officer, exercised 100,000 stock options. Due to prior cash distribution adjustments, the strike price per share option was negative NOK 5.6412. To account for the negative share price, the Company settled the net difference in additional 14,103 shares based upon its market value by applying the volume weighted average price of NOK 40.0004 on 24 July 2024.

Note 3 - Long term liabilities and covenants

The Company's subsidiary ("Borrower") has 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 September 2024, there were no borrowings outstanding on the Revolver.

NOTE DISCLOSURE**Note 4 - Cares Act**

The Company received approximately MUS\$ 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)

	Q3		YTD	
	2024	2023	2024	2023
Revenue	26.5	26.6	76.5	94.3
Operating profit	1.0	2.0	2.6	21.6
Net profit before tax	1.1	2.0	2.8	21.7
EBITDA	5.9	6.8	17.3	35.8
ADJUSTED EBITDA	6.0	6.9	17.5	36.0

	Q3	
	2024	2023
Equity to asset ratio	79.8%	82.6%

	Q3		YTD	
	2024	2023	2024	2023
Total number of shares	43,225,330	43,140,993	43,169,311	43,140,993
EPS	0.02	0.05	0.05	0.49
Diluted EPS (Including options)	0.02	0.05	0.05	0.48

Definitions

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

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