

# **NORAM** **DRILLING**

**INTERIM FINANCIAL INFORMATION**

**NORAM DRILLING AS**

**FOURTH QUARTER 2024**



## NORAM DRILLING AS REPORTS RESULTS FOR THE FOURTH QUARTER ENDED DECEMBER 31, 2024

Oslo, Norway, February 19, 2025. NorAm Drilling AS (the “Company” or “NorAm”), today reported unaudited results for the three and twelve months ended December 31, 2024:

### HIGHLIGHTS

- Reported Revenues of MUSD 26.6
- Adjusted EBITDA<sup>(1)</sup> of MUSD 6.6
- Fleet utilization of 90.6%
- Current revenue backlog of MUSD 30.3

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

During the fourth quarter, the Company executed well and achieved modest increases in financial performance led by improved utilization. The US and Permian rig counts were essentially flat during the fourth quarter. Market sentiment remained cautious as a result of economic and geopolitical uncertainties and E&Ps continued demonstration of operational and production discipline.

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 5.1 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 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 fourth quarter trading around \$67 and finished the quarter trading around \$71. During the fourth quarter, US land rig counts increased 7 to 573 and Permian land rigs decreased by 3 to 304.

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.

## OPERATIONS

During 4Q 2024, NorAm achieved an 90.6% utilization compared to 89.3% utilization in 3Q 2024.

Rig operating costs increased in 2024 as a result of repair and maintenance expenses attributable to equipment recertifications and other equipment repairs, however, our fourth quarter results benefited from slightly lower 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 26.6 during 4Q 2024 compared to MUSD 26.5 during 3Q 2024. We generated an operating profit of MUSD 1.6 in 4Q 2024 compared to an operating profit of MUSD 1.0 in 3Q 2024. We generated Adjusted EBITDA of MUSD 6.6 in 4Q 2024 compared to MUSD 6.0 in 3Q 2024. Revenue, operating profit and Adjusted EBITDA benefited from higher utilization and slightly lower repair expenses.

Net cashflow from operational activities was MUSD 15.1 for the twelve months ended December 31, 2024, compared to MUSD 46.5 for the twelve months ended December 31, 2023. Capital expenditures were MUSD 1.0 during the fourth quarter and MUSD 3.4 for the twelve months ended December 31, 2024.

The Company is debt free, and we paid MUSD 5.1 or NOK 1.32 per share in monthly dividends to our shareholders in the fourth 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 December 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 to remain flat during the first half of 2025. Looking forward, 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		Twelve Months Ended	
	Dec 2024	Dec 2023	Dec 2024	Dec 2023
<i>(All amounts in USD 1000s)</i>				
<b>Revenue/Expense</b>				
Sales	26,604	24,034	103,098	118,293
Other Income				
<b>Total Operating Income</b>	<b>26,604</b>	<b>24,034</b>	<b>103,098</b>	<b>118,293</b>
Payroll Expenses	8,775	8,128	33,543	31,355
Depreciation of Tangible and Intangible Assets	4,970	4,796	19,678	18,937
Rig Mobilization, Service and Supplies	7,578	6,540	31,413	28,506
Insurance Rigs and Employees	1,601	1,819	5,570	6,252
Other Operating Expenses	2,040	2,237	8,620	10,970
<b>Total Operating Expenses</b>	<b>24,964</b>	<b>23,519</b>	<b>98,826</b>	<b>96,020</b>
<b>Operating Profit (+)/ Loss (-)</b>	<b>1,641</b>	<b>515</b>	<b>4,272</b>	<b>22,273</b>
<b>Financial Income and Expenses</b>				
Other Interest Income	107	168	416	507
Other Financial Income	13	158	103	294
Other Interest Expenses	36	30	84	55
Other Financial Expenses	111	37	254	385
<b>Net Financial Items</b>	<b>-26</b>	<b>258</b>	<b>180</b>	<b>360</b>
<b>Profit (+)/Loss(-) before Income Tax</b>	<b>1,614</b>	<b>773</b>	<b>4,452</b>	<b>22,633</b>
Income Tax Expense	1,596	2,990	2,198	3,409
<b>Net Profit (+)/Loss (-)</b>	<b>19</b>	<b>-2,216</b>	<b>2,254</b>	<b>19,225</b>

Condensed consolidated Balance Sheet

	Notes	Dec 2024	Dec 2023
<i>(All amounts in USD 1000s)</i>			
<b>Assets</b>			
<i>Tangible Assets</i>			
Rigs and Accessories	1	55,732	72,061
Vehicles and Office Equipment	1	569	553
<b>Total Tangible Assets</b>		<b>56,301</b>	<b>72,615</b>
<b>Current Assets</b>			
<i>Receivable</i>			
Accounts Receivable		12,339	11,297
Prepaid Expenses and Other Current Assets		1,673	1,367
<b>Total Receivable and Other</b>		<b>14,012</b>	<b>12,664</b>
<i>Cash and Cash Equivalents</i>			
Bank Deposits/Cash		8,365	12,139
<b>Total Current Assets</b>		<b>22,377</b>	<b>24,804</b>
<b>Total Assets</b>		<b>78,678</b>	<b>97,418</b>

**Condensed consolidated Balance Sheet**

	Notes	Dec 2024	Dec 2023
<i>(All amounts in USD 1000s)</i>			
<b>Equity</b>			
<i>Owners Equity</i>			
Issued Capital	2	12,569	12,547
Share Premium	2	91,802	107,185
Other Shareholder Contribution	2	369	369
<b>Total Owners Equity</b>		<b>104,739</b>	<b>120,102</b>
<i>Accumulated Profits</i>			
Other Equity	2	-46,004	-48,258
<b>Total Accumulated Profits</b>		<b>-44,706</b>	<b>-48,258</b>
<b>Total Equity</b>		<b>58,735</b>	<b>71,843</b>
<b>Liabilities</b>			
Deferred Tax		5,234	4,881
<b>Total deferred tax</b>		<b>5,234</b>	<b>4,881</b>
<i>Current Liabilities</i>			
Accounts Payable		3,616	4,388
Tax Payable		1,781	326
Public Duties Payable		169	163
Other Current Liabilities		9,143	15,817
<b>Total Current Liabilities</b>		<b>14,710</b>	<b>20,694</b>
<b>Total Liabilities</b>		<b>19,943</b>	<b>25,575</b>
<b>Total Equity &amp; Liabilities</b>		<b>78,678</b>	<b>97,418</b>

**Condensed Consolidated Statement of Cash Flow**

YTD

Dec 2024    Dec 2023

*(All amounts in USD 1000s)*

Net Profit (+)/Loss (-)	2,254	22,633
Tax paid for the period	-743	76
Depreciation of fixed assets	19,678	18,937
Change in accounts receivable	-1,042	3,505
Change in accounts payable	-771	-218
Change in other current balance sheet items	-4,238	1,588
<b>Net cash flow from operational activities</b>	<b>15,138</b>	<b>46,521</b>
Purchase of tangible fixed assets	-3,365	-4,982
<b>Net cash flow from investing activities</b>	<b>-3,365</b>	<b>-4,982</b>
Repayment of long term debt		
Issued capital	21	
Dividends	-15,568	-42,497
<b>Net cash flow from financing activities</b>	<b>-15,547</b>	<b>-42,497</b>
<b>Net change in cash and cash equivalent</b>	<b>-3,774</b>	<b>-959</b>
<b>Cash and cash equivalents opening balance</b>	<b>12,139</b>	<b>13,098</b>
<b>Cash and cash equivalents closing balance</b>	<b>8,365</b>	<b>12,139</b>



## 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:

	<b>Estimated Useful Life</b>
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				2,254	2,254
Dividends		-15,568			-15,568
Stock option program		184			184
Issued Capital	21				21
<b>Equity December 2024</b>	<b>12,569</b>	<b>91,802</b>	<b>369</b>	<b>-46,004</b>	<b>58,735</b>

The Company had MUSD 9.9 of and MUSD 3.8 of dividends accrued as of December 31, 2023 and December 31, 2024. The company declared and paid dividends of MUSD 21.4 for the 12 months ended December 31, 2024. The company declared and paid dividends of MUSD 3.8 subsequent to December 31, 2024. 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 31 December 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)

	Q4		YTD	
	2024	2023	2024	2023
Revenue	26.6	24.0	103.1	118.3
Operating profit	1.6	0.5	4.3	22.1
Net profit before tax	1.6	8.0	4.5	22.5
EBITDA	6.6	5.3	24.0	41.1
ADJUSTED EBITDA	6.6	5.4	24.1	41.3

	Q4	
	2024	2023
Equity to asset ratio	74.7%	73.7%

	Q4		YTD	
	2024	2023	2024	2023
Total number of shares	43,255,096	43,140,993	43,190,874	43,140,993
EPS	0.00	-0.05	0.05	0.45
Diluted EPS (Including options)	0.00	-0.05	0.05	0.44

**Definitions**

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

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