



## **INTERIM FINANCIAL INFORMATION**

**NORAM DRILLING AS**

**FIRST QUARTER 2025**



## NORAM DRILLING AS REPORTS RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2025

Oslo, Norway, May 28, 2025. NorAm Drilling AS (the “Company” or “NorAm”), today reported unaudited results for the three months ended March 31, 2025:

### HIGHLIGHTS

- Reported Revenues of MUSD 25.8
- Adjusted EBITDA<sup>(1)</sup> of MUSD 6.7
- Fleet utilization of 89.7%
- Current revenue backlog of MUSD 17.6

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

During the first quarter, the Company continued to execute well despite Permian land rig counts declining slightly. 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 5.2 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, nine of our eleven rigs are under contract in the Permian Basin and the remaining rigs are stacked and actively being marketed. Our 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 \$71 and finished the quarter trading around \$71. WTI is currently trading around \$62. During the fourth quarter, US land rig counts increased 3 to 576 and Permian land rigs decreased by 4 to 300. US land rig counts and Permian land rigs are currently 553 and 279, respectively.

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

## OPERATIONS

During 1Q 2025, NorAm achieved an 89.7% utilization compared to 90.6% utilization in 4Q 2024.

Rig operating costs declined in 1Q 2025 compared to the prior quarter primarily due to lower repair and maintenance expenditures. We have low general and administrative costs and maintenance capital expenditures and believe this continues to provide us with the lowest cash break even per operating day in the industry.

## FINANCIALS

NorAm had revenue of MUSD 25.8 during 1Q 2025 compared to MUSD 26.6 during 4Q 2024. The decrease in revenue is primarily attributable to lower utilization. We generated an operating profit of MUSD 5.2 in 1Q 2025 compared to an operating profit of MUSD 1.6 in 4Q 2024. The improvement in operating profit is directly attributable to lower depreciation related to revising our remaining useful life estimates on our rig and rig related accessories effective January 1, 2025. We generated Adjusted EBITDA of MUSD 6.7 in 1Q 2025 compared to MUSD 6.6 in 4Q 2024.

Net cashflow from operational activities was MUSD 9.5 for the three months ended March 31, 2025, compared to MUSD 6.1 for the three months ended March 31, 2024. Capital expenditures were MUSD 0.6 during the first quarter of 2025.

The Company is debt free, and we paid MUSD 5.2 or NOK 1.32 per share in monthly dividends to our shareholders in the first quarter of 2025. 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, 2025.

## OUTLOOK

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.

Based upon current commodity prices and discussions with operators who have been focused on budgets and production discipline, current activity reflects near-term softening compared to the first quarter activity levels. If oil prices remain at current levels or continue to decline, we could see more customers reduce activity and operating budgets in the Permian. We believe shale oil production levels in the US have likely peaked given the current rig counts.

# Condensed consolidated Income Statement

	Quarter Ended		Twelve Months Ended
	Mar 2025	Mar 2024	Dec 2024

(All amounts in USD 1000s)

## Revenue/Expense

Sales	25,786	25,036	103,098
Other Income			

<b>Total Operating Income</b>	<b>25,786</b>	<b>25,036</b>	<b>103,098</b>
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Payroll Expenses	8,660	7,955	33,543
Depreciation of Tangible and Intangible Assets	1,453	4,850	19,678
Rig Mobilization, Service and Supplies	6,673	7,478	31,413
Insurance Rigs and Employees	1,877	1,170	5,570
Other Operating Expenses	1,921	1,768	8,620
<b>Total Operating Expenses</b>	<b>20,583</b>	<b>23,222</b>	<b>98,826</b>

<b>Operating Profit (+)/ Loss (-)</b>	<b>5,203</b>	<b>1,815</b>	<b>4,272</b>
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## Financial Income and Expenses

Other Interest Income	62	104	416
Other Financial Income	159		103
Other Interest Expenses	22	19	84
Other Financial Expenses	49	88	254
<b>Net Financial Items</b>	<b>150</b>	<b>-2</b>	<b>180</b>

<b>Profit (+)/Loss(-) before Income Tax</b>	<b>5,352</b>	<b>1,812</b>	<b>4,452</b>
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Income Tax Expense	200		2,198
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<b>Net Profit (+)/Loss (-)</b>	<b>5,152</b>	<b>1,812</b>	<b>2,254</b>
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# Condensed consolidated Balance Sheet

	Notes	Mar 2025	Dec 2024
<i>(All amounts in USD 1000s)</i>			
<b>Assets</b>			
<i>Tangible Assets</i>			
Rigs and Accessories	1	54,992	55,732
Vehicles and Office Equipment	1	497	569
<b>Total Tangible Assets</b>		<b>55,490</b>	<b>56,301</b>
<b>Current Assets</b>			
<i>Receivable</i>			
Accounts Receivable		11,111	12,339
Prepaid Expenses and Other Current Assets		932	1,673
<b>Total Receivable and Other</b>		<b>12,043</b>	<b>14,012</b>
<i>Cash and Cash Equivalents</i>			
Bank Deposits/Cash		12,064	8,365
<b>Total Current Assets</b>		<b>24,108</b>	<b>22,377</b>
<b>Total Assets</b>		<b>79,597</b>	<b>78,678</b>

# Condensed consolidated Balance Sheet

	Notes	Mar 2025	Dec 2024
<i>(All amounts in USD 1000s)</i>			
<b>Equity</b>			
<i>Owners Equity</i>			
Issued Capital	2	12,580	12,569
Share Premium	2	86,554	86,538
Other Shareholder Contribution	2	369	369
<b>Total Owners Equity</b>		<b>99,503</b>	<b>99,475</b>
<i>Accumulated Profits</i>			
Other Equity	2	-40,852	-46,004
<b>Total Accumulated Profits</b>		<b>-40,852</b>	<b>-46,004</b>
<b>Total Equity</b>		<b>58,651</b>	<b>53,471</b>
<b>Liabilities</b>			
<i>Deferred Tax</i>			
Deferred Tax		5,234	5,234
<b>Total deferred tax</b>		<b>5,234</b>	<b>5,234</b>
<i>Current Liabilities</i>			
Accounts Payable		5,410	3,617
Tax Payable		1,981	1,781
Public Duties Payable		66	169
Other Current Liabilities		8,255	14,406
<b>Total Current Liabilities</b>		<b>15,712</b>	<b>19,973</b>
<b>Total Liabilities</b>		<b>20,946</b>	<b>25,207</b>
<b>Total Equity &amp; Liabilities</b>		<b>79,597</b>	<b>78,678</b>

# Condensed Consolidated Statement of Cash Flow

## Quarter Ended

Mar 2025    Mar 2024

(All amounts in USD 1000s)

Net Profit (+)/Loss (-)	5,152	1,812
Tax	-51	
Depreciation of fixed assets	1,453	4,850
Change in accounts receivable	1,228	-108
Change in accounts payable	1,792	840
Change in other current balance sheet items	-26	-1,258
Net cash flow from operational activities	9,549	6,136
Purchase of tangible fixed assets	-641	-1,326
Net cash flow from investing activities	-641	-1,326
Repayment of long term debt		
Issued capital	12	
Dividends	-5,220	-6,406
Net cash flow from financing activities	-5,208	-6,406
Net change in cash and cash equivalent	3,700	-1,595
Cash and cash equivalents opening balance	8,365	12,139
Cash and cash equivalents closing balance	12,064	10,544



## 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

Effective 1 January 2025, the Company evaluated and changed the remaining estimated useful life to 10 years on the remaining carrying values of its Rig and Rig related accessories.

### 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 2024	12,569	86,538	369	-46,004	53,471
Profit/loss in the period				5,152	5,152
Stock option program		16			16
Issued Capital	12				12
<b>Equity March 2025</b>	<b>12,580</b>	<b>86,554</b>	<b>369</b>	<b>-40,852</b>	<b>58,651</b>

The Company had MUSD 9.9 of and MUSD 8.7 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 8.7 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 28 February 2025, Thomas Taylor, the Company's Chief Operating Officer, exercised 50,000 stock options. Due to prior cash distribution adjustments, the strike price per share option was negative NOK 8.7212. To account for the negative share price, the company settled the net difference in additional 12,861 shares based upon its market value by applying the volume weighted average price of NOK 33.9053 on 28 February 2025.

## 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 March 2025, there were no borrowings outstanding on the Revolver.

## Note 4 - Key figures and ratios

(USD mill)	Q1	
	2025	2024
Revenue	25.8	25.0
Operating profit	5.2	1.8
Net profit before tax	5.4	1.8
EBITDA	6.7	6.7
ADJUSTED EBITDA	6.7	6.7
Equity to asset ratio	73.7 %	80.3 %
Weighted number of shares	43,277,447	43,140,993
EPS	0.12	0.04
Diluted EPS (Including options)	0.12	0.04

### Definitions

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

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