Dolphin Drilling

DELIVERING SAFE AND EFFICIENT DRILLING OPERATIONS

ANNUAL REPORT

2023

Dolphin Drilling

WHAT WE STAND FOR

VISION

To be the most trusted drilling services team, delivering unmatched levels of customer service, innovation and performance.

MISSION

We work hand in hand with our customers and continue to move the industry forward, delivering operational excellence by exploring new ways of working together. We will continue to champion innovative technologies that bring responsible solutions to the world's energy challenges.

CORE VALUES

Trust

Our relationships are built on trust and honesty. We are relied upon to do the 'right' thing and to do what we say we will do.

Excellence

We are passionate about delivering excellence in all that we do. We are relentless in our pursuit to be the best and continuously improve.

Accountability

We own and take full responsibility for the work that we do. We have truly open and honest conversations to ensure we deliver the best results for our clients.

Momentum

We act at pace; always moving forward. We are energetic and resilient in the face of adversity and solve problems as a team.

Content

Letter from the CEO

2023 was a year of significant milestones and accomplishments for our company. As we reflect on the past year, it is with immense pride and gratitude that we acknowledge the collective efforts of our dedicated team whose commitment and hard work have propelled us forward despite the challenges faced.

The year began with the recertification of the Blackford Dolphin in Las Palmas before deployment to Nigeria. The SPS recertification was completed with no recordable safety incidents and was achieved on time and budget, a result of which we are very proud. The Blackford commenced operations with General Hydrocarbons Limited (GHL) in late March 2023, and successfully drilled its first target well.

One of the key highlights of 2023 was the agreement to acquire the Paul B. Loyd Jr. and Transocean Leader rigs. The agreement was a strategic move that substantially bolstered our operational capabilities and expanded our presence in the UK. The acquisition was completed in February 2024, and not only enhances our operational footprint and scale but also reinforces our commitment to delivering top-tier services to E&P clients in the North Sea.

As part of the acquisition process, we were thrilled to secure a significant extension to the contract of Paul B. Loyd Jr with Harbour Energy. This demonstrates the trust and confidence that major industry players place in our expertise and reliability. This significant milestone not only solidifies our position as a preferred semisubmersible drilling contractor but also serves as a testament to the exceptional value we bring to our client's projects.

I am also pleased to share that Dolphin Drilling secured a notable contract award from Oil India Limited for the Blackford Dolphin in India, further diversifying and expanding our operational reach. India has ambitious growth targets with regards to energy demand and local consumption for the next decade and we look forward to playing our part in that journey.

Looking ahead, we remain optimistic about the prospects of the oil and gas industry. Despite the evolving landscape and shifting dynamics, the global demand for oil and gas continues to exhibit resilience, underpinned by growing global energy needs. Specific geo-political fiscal policy setting continues to impact client decision timelines and we will maintain a disciplined approach to our markets and clients. We are pleased to have secured a contract with EnQuest PLC within the UK for the Borgland Dolphin in 2025, and we have separately announced the removal of the Bideford Dolphin from the fleet.

As we navigate through these exciting times, Dolphin Drilling is well-positioned to capitalise on emerging opportunities and deliver sustained value to our stakeholders.

Our values "TEAM" – Trust, Excellence, Accountability, and Momentum – continue to be deeply rooted in our organisation. The TEAM is what you meet when you meet people from Dolphin Drilling.

I trust that 2024 will be another successful year building Dolphin Drilling with three drillings rigs in operation or planning for operations. I extend my appreciation to our clients, shareholders and employees for their continuous support and dedication. Together, we have achieved remarkable success, and I am confident that with our collective efforts, Dolphin Drilling will continue to thrive in the years to come.

Sincerely,

Bjørnar Iversen
CEO, Dolphin Drilling

Directors' Report

Financial Results and Dividends

2023 represents the second period of trading of the Dolphin Drilling Group under parent company Dolphin Drilling AS. The group traces its history back to 1965 during which time it has successfully completed over 175 equivalent years of offshore activity in multiple segments of the market, mainly focusing on harsh environment semi-submersible drilling operations.

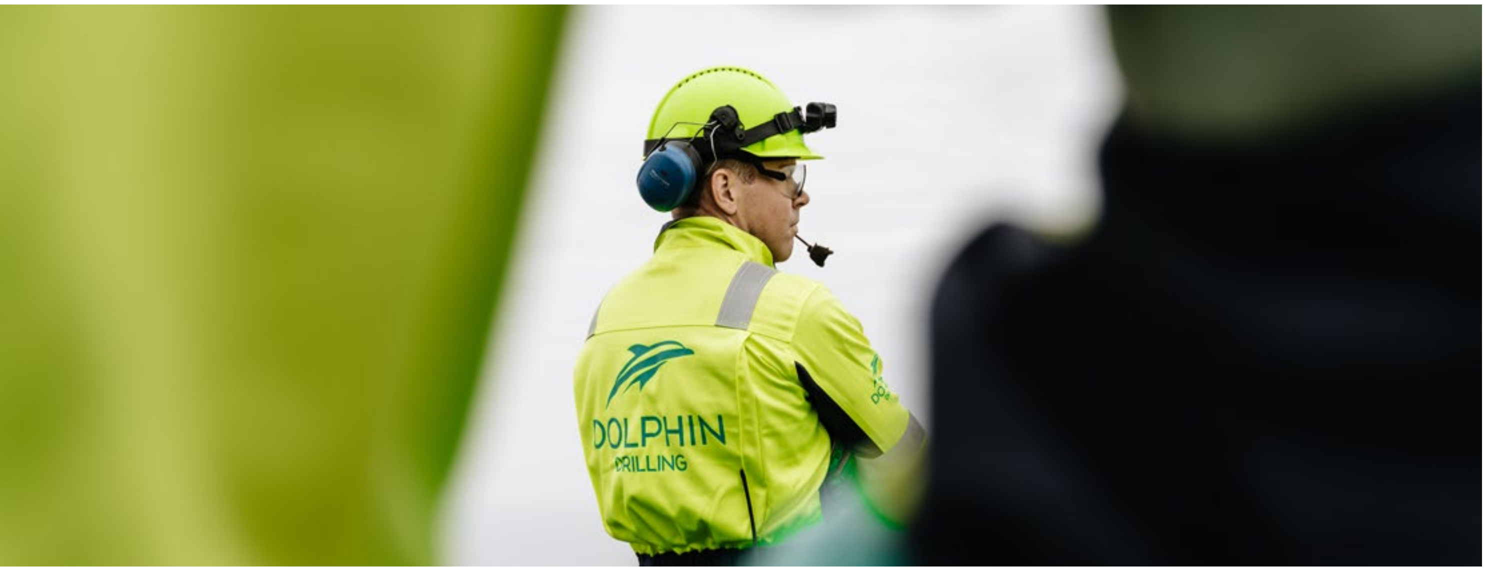
The financial performance of the Group in 2023 presents nine months of drilling work and income from one rig along with the running costs of the three units in various states of fully operational, standby, mobilisation and stacking during the same time period. The operational result (before impairment provision associated with trade and other receivables) reflects operating activity and stable administrative expenses in 2023 compared to 2022. Significant impairments recorded in 2021 were partially reversed by USD 22.3 million in 2023 under IAS 36 following a signed contract award and Letter of Intent (LOI) for operations for Borgland Dolphin in the UK.

The fleet and revenue backlog were strengthened following the announcement in June 2023 to acquire two semi-submersible rigs, the Paul B. Loyd Jr and the Transocean Leader. The Group raised USD 64.9 million in a private placement during the period, and the company's largest shareholders, Strategic Value Partners and S.D. Standard ETC, provided the Group with a loan facility of USD 15 million which was fully drawn during the year.

The Group held cash and cash equivalents of USD 34.0 million on 31st December 2023. Cashflows from financing activities support cash used in operating activities of USD 72.4 million and investing activities of USD 14.1 million, primarily related to Blackford Dolphin (see Business Review and Market), and a deposit payment for the acquisition of the two rigs. The acquisition was completed fully post year end.

The par value of the Group's shares changed from NOK 10 to NOK 1 per share. Following this, there were separate share issues of 84,471,200 and 11,100,000. The total number of shares in issue is now 219,890,099.

No dividend is proposed.



Business Review and Market

Dolphin Drilling AS is the parent company of the Dolphin Drilling Group. In 2023 the Group owned and operated three Mobile Offshore Drilling Units (MODU's)/rigs, the Blackford Dolphin, Borgland Dolphin and Bideford Dolphin, all harsh environment semi-submersible drilling units.

Blackford Dolphin completed its recertification for a new five-year period and commenced a one year contract with General Hydrocarbons Limited (GHL) in March 2023. There have been repeated delays in cash collections on this contract which is reflected in a significant increase in trade and other receivables and has required a provision for impairment. Management continues to engage in robust dialogue with GHL and its financiers on resolution of the payment issues and completion of the contract and further payments were received post year end. The Blackford Dolphin will mobilise to India to commence a contract in the second half of 2024.

The Borgland Dolphin has been smart stacked in 2023. The Borgland Dolphin is scheduled to start a drilling campaign in the UK in April 2025 following a signed contract award. Prior to contract commencement, the rig will undergo reactivation, upgrades and renewal of class certificates. During 2023, management committed to a plan to sell the Bideford Dolphin, it was classified as held for sale at 31 December 2023 and post year end was sold.

Following the announcement of the intention to acquire two semi-submersible rigs, Paul B. Loyd Jr and Transocean Leader, the Group secured an extension of the existing contract with Harbour Energy for the Paul B. Loyd Jr which adds firm backlog on the unit through February 2028, with options for a further five years thereafter.

The Group signed a loan agreement for a loan facility of USD 65.0 million. The loan facility has been secured by a first lien mortgage on the rig Paul B. Loyd Jr. Please see note 16.

Market and Market Risks

The Group operates in various geographies around the globe with a historical focus on the North Sea. Fiscal policies in all countries continue to have an influence over the demand levels, and on project sanctioning and commencement timelines. International markets have recovered significantly since the lows of 2020 and 2021.

Pricing continues to strengthen alongside improved demand for offshore rigs. Conversely the offshore drilling rig supply has declined since 2014, with a significant number of assets retired, re-purposed or scrapped. With only a limited of number of new rigs entering the global fleet during the same period there has been a significant tightening of the market. Brent oil prices traded at an average price of USD 83 per barrel in 2023, stabilising from a higher average of USD 100 per barrel in 2022. After several years of consistently low investment budgets, oil companies have indicated increasing expenditure for 2023 and beyond. Specifically within the UK the Energy Profits Levy (EPL) continues to have a negative impact upon project timing and sanctioning with several operators highlighting the tax as a reason for the cancellation or delay of projects.

The Group is well-positioned to secure contracts at attractive levels, benefiting from current market improvements, warm rigs, and an attractive positioning in the niche moored semisubmersible market. The management recognise that few rigs are generally bid into tenders and for some planned work scopes, no rigs are bid at all. Consequently, oil companies are often required to adjust and amend rig tenders causing a delay to final awards. Overall, the outlook appears robust for the offshore drilling segments for the foreseeable future, based on a balanced rig demand and supply situation.

Health, Safety, Environment and Quality Management (HSEEQ)

Maintaining a safe and healthy working environment for our employees is critical to Dolphin Drilling and our stakeholders. Safe operations are at the core of our overall approach, and we continually work to ensure that employees are safe at work and that our operations don't leave a negative impact on the environment.

To achieve these goals, Dolphin Drilling has established an integrated HSEEQ Management System, as a means of ensuring that all services provided meet specified health, safety, environmental, energy and quality requirements. The Integrated HSEEQ Management System has also been designed to assure that services provided by Dolphin Drilling's approved suppliers shall be subject to adequate control to ensure that these conform to drilling industry and legislative requirements.

All employees have access to the Integrated Management System and are encouraged to make suggestions that can improve aspects in the overall system. Documents have also been translated depending on where current operations are globally.

Dolphin Drilling continually reviews the documents in the management system, which include experienced learnings, regulatory, client and code updates. The system is certified to the following standards:

- ISO 9001:2015 – Quality Management Systems
- ISO 14001:2015 – Environmental Management Systems
- ISO 50001:2018 – Energy Management Systems
- ISM Code – International Safety Management Code
- ISPS Code – International Ship and Port Facility Security Code

To support and measure the performance of the management system, Dolphin Drilling have implemented an HSEEQ Program that details the company's objectives and corresponding KPI's and EnPI's. These are reviewed during Monthly Management KPI Review Meetings to ensure that they are still valid and to confirm if implemented improvement initiatives are working effectively.

There were zero fatalities from work-related injuries in 2023, and two work-related injuries that resulted in LTI's, both of which were hand injuries. There were no restricted work cases (RWC), medical treatment cases (MTC) or first aid cases recorded in 2023. Dolphin Drilling continue to utilise its behavioural safety 'Observation Card' system where safe and unsafe observations and conditions are recorded and then input into the computerised HSEEQ Reporting System.

Dolphin Drilling has taken several measures to prevent spills, protect endangered plants and animal species, and to reduce emissions and energy consumption. We follow the requirements of the International Convention for the Prevention of Pollution from ships, and personnel are encouraged to report any potential sources of spills. Our rigs are required to have Environmental Permits in place and to be approved by national regulators before operations can commence to avoid harm and prevent the extinction of species. As reducing emissions from our energy-intensive operations are of high priority, we are adopting best practices, exploring new technologies, and collaborating with partners to minimise our environmental footprint.

No spills to sea were recorded throughout the Dolphin Drilling fleet in 2023. Overall emissions from operations were reduced in 2023 compared to the previous year. Going forward, the focus will be on energy reduction and installing 'Real Time fuel and power' control systems to measure energy usage more accurately and to more effectively measure where improvements can be made.

Employees

Our employees and their motivation and retention are key to the delivery of safe and efficient operations and fundamental to our success. The health, safety and wellbeing of our employees are of the highest consideration in the way in which we conduct business. We strive to ensure regular employee communication and engagement across our entire workforce.

In 2023 the Group employed 111 men and 22 women. We encourage equality, diversity, and inclusion among our workforce, and eliminate unlawful discrimination. We always strive towards a working environment that provides equality, fairness and respect for all individuals engaged by the company.

The average total sickness absence for the Group was 2% in 2023.

ESG

Sustainability in Dolphin Drilling is anchored at the highest corporate level through our Board of Directors' (the Board) appointment of a designated Environment, Social and Governance (ESG) committee, mandated through a specific charter of terms and reporting directly to the Board. The core of the ESG committee's mandate is to review and support our ongoing commitment to matters relating to the environment, health and safety, corporate social responsibility, corporate governance, and sustainability. In addition, the ESG committee reviews other public policy matters, for example annual sustainability reporting which is based on applicable regulatory requirements for our industry.

Dolphin Drilling AS has produced a sustainability report for the 2023 year and a statement on the Norwegian Transparency Act is available on the company website.

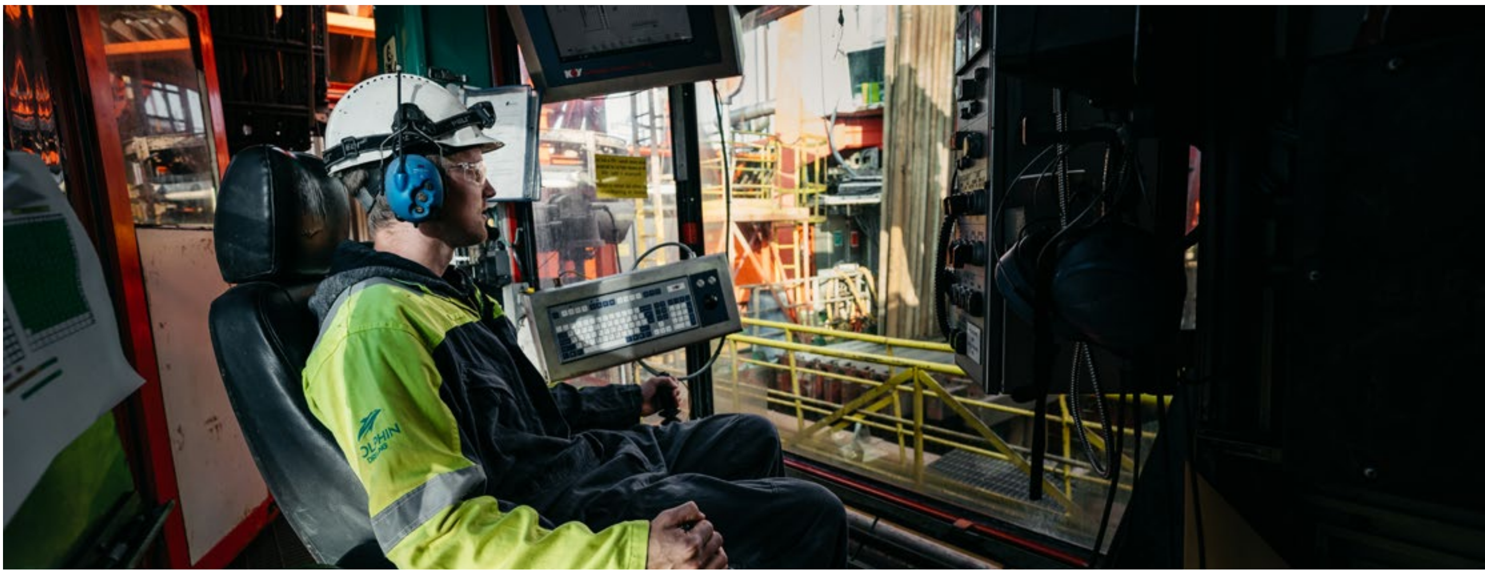
Corporate Governance

Dolphin Drilling AS is incorporated in Norway and in 2022 was admitted to trading on the Oslo Euronext Growth. The Company seeks to comply with the applicable legal framework for companies listed on the Oslo Stock Exchange and endorses the Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board.

Dolphin Drilling aims to achieve a high standard of Corporate Governance by ensuring the appropriate division of roles between shareholders, the Board of Directors and Executive Management, to ensure the interests of all stakeholders are being achieved.

The Board has three appointed sub-committees with specific responsibilities concerning the areas of Audit, Executive Remuneration and ESG. Each committee has a charter defining roles and responsibilities.

Directors and Officers' insurance has been secured towards possible liability towards third parties. This protection provides cover-up to a limit of USD 15.0 million.



Going Concern

The Directors have undertaken an assessment of going concern and liquidity over a period of at least 12 months from the date of approval of these financial statements including performing sensitivity analyses to reflect reasonably possible downsides. The assessment is based on current backlog, considering future financial performance and liquidity including sources of potential future liquidity. These financial statements have been prepared on a going concern basis notwithstanding the Group's loss for the year of USD 44.0 million. Removing non-cash items for depreciation, amortisation and impairment reversal of fixed assets and inventories of USD (13.4) million and an expected credit loss ("ECL") against sums due from one customer of USD 42.6 million, the Group's operating loss is USD 11.7 million. Despite challenges in timely cash collection the customer has continued to engage in a repayment plan and make contractual payments post year end. At the year end, the Group had cash at bank of USD 34.0 million, including raising USD 79.9 million in equity and debt.

The Group's cash flows are earned from drilling rig charters and management contracts. The nature of the Group's business is such that there can be considerable, unpredictable variation in agreeing customer drilling contracts and the timing of cash inflows. The Group's strategy is to maintain a disciplined approach to achieving long-term drilling contract work for all of the Group's owned rigs in the context of increased oil and gas market activity in 2023-2024 and tightening moored semi-sub rig availability. This objective is principally subject to the risk of securing long-term drilling contracts for all our rigs which are currently stacked and would require investment to reactivate. The uncertainties and volatility in the market represent a risk for the Group.

The Directors believe that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Subsequent events

Following two successful appeals defending the Group's position in the first-tier tax tribunal in November 2020, and against HMRC's appeal to upper tribunal in August 2022, a judgement handed down by the Court of Appeal in January 2024 has found in favour of HMRC. The group submitted an application to appeal to the supreme court in February 2024 and awaits a formal ruling.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Stavanger, 29 April 2024
Board of Directors Dolphin Drilling AS

Martin Nes
Chairman

Øystein Stray Spetalen
Director

Alf Ragnar Løvdal
Director

Paul James Marchand
Director

Bjørnar Iversen
CEO

Consolidated Statement of Profit and Loss

for the year ended 31 December

In thousands of USD	Note	2023	2022*
Revenue	4	**73,496**	21,005
Cost of sales		**(70,802)**	(59,658)
Gross profit / (loss)		**2,694**	(38,653)
Administrative expenses	5	**(22,949)**	(20,906)
Impairment loss on trade receivables and accrued income	5	**(42,590)**	-
Other expenses	5	**(521)**	(5,014)
Other operating income		**22,506**	334
Operating (loss)		**(40,860)**	(64,239)
Interest payable and similar expenses	8	**(3,853)**	(3,638)
Interest receivable and similar income	8	**1,733**	187
Loss before taxation		**(42,980)**	(67,690)
Taxation	9	**(982)**	(711)
Loss for the financial year		**(43,962)**	(68,401)
Earnings per share – basic / diluted		**(0.26)**	(1.12)

** The Dolphin Drilling AS Group was formed in September 2022 as part of a reorganisation, information presented prior to this date is for Dolphin Drilling Holdings Limited (previous parent company) and subsidiaries*

Consolidated Statement of Comprehensive Loss

for the year ended 31 December

In thousands of USD	2023	2022*
Loss for the year	**(43,962)**	(68,401)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on foreign operations	**4,176**	1,539
Items that will not be reclassified to profit or loss:		
Remeasurement defined benefit pension plan	**(182)**	(4)
Other comprehensive income for the year, net of income tax	**3,994**	1,535
Total comprehensive loss for the year	**(39,968)**	(66,866)

** The Dolphin Drilling AS Group was formed in September 2022 as part of a reorganisation, information presented prior to this date is for Dolphin Drilling Holdings Limited (previous parent company) and subsidiaries (refer to note 1)*

Consolidated Statement of Financial Position

at 31 December

In thousands of USD	Note	2023	2022
Non-current assets			
Intangible assets	10	**1,379**	1,974
Tangible assets	11	**72,638**	60,185
Deferred tax asset	17	**32**	35
		74,049	62,194
Current assets			
Inventories	12	**30,357**	20,278
Trade and other receivables	13	**20,190**	12,376
Income taxes receivable		**1,732**	2,963
Cash and cash equivalents	14	**33,959**	35,751
Assets held for sale	23	**5,519**	-
		91,757	71,368
Total assets		**165,806**	133,562
Capital and reserves	19	**109,371**	84,418
Current liabilities			
Trade and other payables	15	**32,460**	32,091
Contract liabilities	15	**3,000**	11,850
Financial liabilities – loans and borrowings	16	**16,868**	690
		52,328	44,631
Non-current liabilities			
Employee benefits	18	**3,286**	3,325
Financial liabilities – loans and borrowings	16	**821**	1,188
		4,107	4,513
Total liabilities		**56,435**	49,144
Total equity and liabilities		**165,806**	133,562

These financial statements were approved by the Board of Directors on 29 April 2024:

Martin Nes
Chairman

Øystein Stray Spetalen
Director

Alf Ragnar Løvdal
Director

Paul James Marchand
Director

Bjørnar Iversen
CEO

Consolidated Statement of Changes in Equity

for the year ended 31 December

In thousands of USD	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 31 December 2021*	16	239,457	(3,286)	(217,483)	18,704
Transactions with owners, recorded directly into equity					
Issue of shares by Dolphin Drilling Holdings Limited – cash consideration	222	20,390	-	-	20,612
Issue of shares by Dolphin Drilling Holdings Limited – debt for equity conversion	304	68,721	-	-	69,025
Deemed share issue on formation of new group and recapitalisation of equity	85,486	(314,592)	-	229,106	-
Share issue by Dolphin Drilling AS net of related costs	38,712	4,231	-	-	42,943
	124,740	18,207	(3,286)	11,623	151,284
Total comprehensive loss for the year					
Loss for the year	-	-	-	(68,401)	(68,401)
Other comprehensive income	-	-	1,539	(4)	1,535
	-	-	1,539	(68,405)	(66,866)
Balance at 31 December 2022	**124,740**	**18,207**	**(1,747)**	**(56,782)**	**84,418**
Change in nominal value of share capital	(104,990)	104,990	-	-	-
Share issue by Dolphin Drilling AS net of related costs	8,944	55,977	-	-	64,921
	28,694	179,174	(1,747)	(56,782)	149,339
Total comprehensive loss for the year					
Loss for the year	-	-	-	(43,962)	(43,962)
Other comprehensive income	-	-	4,176	(182)	3,994
	-	**-**	**4,176**	**(44,144)**	**(39,968)**
Balance at 31 December 2023	**28,694**	**179,174**	**2,429**	**(100,926)**	**109,371**

** The Dolphin Drilling AS Group was formed in September 2022 as part of a reorganisation, information presented prior to this date is for Dolphin Drilling Holdings Limited (previous parent company) and subsidiaries*

Consolidated Statement of Cash Flows

for the year ended 31 December

In thousands of USD	Note	2023	2022*
Cash generated from operating activities			
Loss before taxation		**(42,980)**	(67,690)
Adjustments for:			
Depreciation, amortisation and impairment reversal	5	**(13,440)**	10,577
Net finance costs		**2,120**	3,451
Loss on disposal of fixed assets		**-**	727
Changes in working capital:			
(Increase) in inventories		**(88)**	(776)
(Increase) / Decrease in trade and other receivables		**(6,577)**	31,134
(Decrease) / Increase in trade and other payables		**(10,933)**	4,893
		(71,898)	(17,684)
Tax paid		**(456)**	(546)
Net cash used in operating activities		**(72,354)**	(18,230)
Cash flows from investing activities			
Purchases of property, plant and equipment	11	**(14,169)**	(14,629)
Proceeds from sale of property, plant and equipment		**-**	674
Net cash used in investing activities		**(14,169)**	(13,955)
Cash flows from financing activities			
Issue of new share capital net of related costs		**64,921**	63,555
Draw of borrowings	16	**15,000**	-
Repayment in receivables factoring arrangements		**(153)**	(19,497)
Payment of liabilities from long term leases		**(570)**	(348)
Net interest received / (paid)		**1,529**	(54)
Net cash generated from financing activities		**80,727**	43,656
Net change in cash and bank		**(5,796)**	11,471
Effect of changes in exchange rates		**4,004**	1,017
Cash and cash equivalents opening balance		**35,751**	23,263
Cash and cash equivalents at 31 December		**33,959**	35,751

** The Dolphin Drilling AS Group was formed in September 2022 as part of a reorganisation, information presented prior to this date is for Dolphin Drilling Holdings Limited (previous parent company) and subsidiaries (refer to note 1)*

Notes to the financial statements

1 Basis of preparation

Dolphin Drilling AS is a limited liability company incorporated, domiciled and registered in Norway, registration address Vestre Svanholmen 12, N-4313 Sandnes, Norge. The company was registered on 01 April 2022.

The financial statements are for the year ended 31 December 2023. The Dolphin Drilling AS Group was formed in September 2022 as part of a reorganisation, information presented prior to this date is for Dolphin Drilling Holdings Limited (previous parent company) and subsidiaries.

These financial statements have been prepared in accordance with IFRS Accounting Standards and IFRS Interpretations Committee. The financial statements have been prepared under the historical cost convention with the exception of certain financial instruments and balances required to be measured at fair value.

The Group financial statements are presented in United States Dollars (USD). USD is the prevalent currency used within the oil industry and the Group has a significant level of USD cash flows, assets and liabilities. All amounts are presented to the nearest USD 1,000 ($000) except when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

The consolidated financial statements include the results, cash flows, assets and liabilities of Dolphin Drilling AS and its subsidiaries. The financial statements of subsidiaries are prepared for the same reporting year as the Group using consistent accounting policies.

A subsidiary is an entity controlled by the Group, where control is the power to direct relevant activities, exposure or rights to variable returns and the ability to use power to affect returns. The results of acquisitions are included in the Group's results from the effective date on which control is transferred to the Group. The results of a subsidiary sold during the year are included in the Group's results up to the effective date on which control is transferred out of the Group. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. These estimates are based on management's best knowledge of the amount, event or actions and actual results ultimately may differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed in note 2.

Going concern

The Directors have undertaken an assessment of going concern and liquidity over a period of at least 12 months from the date of approval of these financial statements including performing sensitivity analyses to reflect reasonably possible downsides. The assessment is based on current backlog, considering future financial performance and liquidity including sources of potential future liquidity. These financial statements have been prepared on a going concern basis notwithstanding the Group's loss for the year of USD 44.0 million. Removing non-cash items for depreciation, amortisation and impairment reversal of fixed assets and inventories of USD (13.4) million and an expected credit loss ("ECL") against sums due from one customer of USD 42.6 million, the Group's operating loss is USD 11.7 million. Despite challenges in timely cash collection the customer has continued to engage in a repayment plan and make contractual payments post year end. At the year end, the Group had cash at bank of USD 34.0 million, including raising USD 79.9 million in equity and debt.

The Group's cash flows are earned from drilling rig charters and management contracts. The nature of the Group's business is such that there can be considerable, unpredictable variation in agreeing customer drilling contracts and the timing of cash inflows. The Group's strategy is to maintain a disciplined approach to achieving long-term drilling contract work for all of the Group's owned rigs in the context of increased oil and gas market activity in 2023-2024 and tightening moored semi-sub rig availability. This objective is principally subject to the risk of securing long-term drilling contracts for all our rigs which are currently stacked and would require investment to reactivate. The uncertainties and volatility in the market represent a risk for the Group.

The Directors believe that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2 Significant accounting estimates and judgements

2.1 Useful lives of tangible fixed assets

Tangible fixed assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

The useful lives of drilling rigs are inherently difficult to estimate due to a variety of factors, including technological advances that impact the methods or cost of oil and natural gas exploration and development, changes in market or economic conditions and changes in laws or regulations affecting the drilling industry. Some of these factors are also relevant to climate risk. Our industry is subject to significant impact from physical, regulatory, technological, market and reputational risks all associated with climate change which ultimately present challenges and opportunities in the market and for demand. To the extent climate risk factors contribute to, positively or negatively, the burden of cost to maintain and refurbish assets and / or impact demand / charter rate pricing achievable in the market, this in turn affects the continued evaluation of economic value.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

At the end of 2022, the remaining useful life of the Blackford Dolphin rig was extended with two years as a result of the five-year class renewal survey performed at the end of 2022. The effect of this is reduced depreciation by USD 1.2 million. At the end of 2023, as a result of reversal of impairment (refer to note 2.2) the remaining useful life of Borgland Dolphin was extended by three years which has the effect to reduce depreciation in future years by USD 1.4 million.

2.2 Impairment indicators and recoverable amount of rigs

An impairment of an asset's carrying value exists when the carrying value of a cash generating unit exceeds its recoverable amount, which is the higher of its value in use or fair value less costs to sell. When applicable, the group uses cash flows derived from the budget for the next five years with inflationary growth only for subsequent years.

Increased oil and gas prices, and recent evidence of steady increased demand for offshore rigs has created further volatility to the industry. Price and demand continue to also be affected by climate risk. The Group has formed an ESG committee which reviews and takes action towards a variety of concerns including climate risk. As noted at 2.1 above regulatory, reputational and market areas in the climate change realm present risk and opportunity for the oil and gas industry and the Group.

Commodity prices and the impact to charter day rates and contract activity are therefore critical considering whether an impairment trigger exists.

The recoverable amount is most sensitive to the expected future cash-inflows arising from rig utilisation and day rates, the discount rate used and the growth rate used for extrapolation purposes.

At 31 December 2021 the Group recorded an impairment charge relating to the Borgland Dolphin and Bideford Dolphin. The impairment charge was to write down both rigs to their residual value on the basis that the timing and duration of any future charters for each rig is uncertain. No depreciation was recorded in 2022. Due to the economic outlook and backlog for Borgland Dolphin, the impairment was reversed in 2023. Bideford Dolphin is held for sale at 31 December 2023 and was sold post year end (note 28).

2.3 Tax positions and deferred tax assets

The Group operates in a number of territories worldwide with complex local and international tax legislation. The tax estimate is prepared prior to the tax return being filed with the relevant tax authority and significantly in advance of any position being agreed with the relevant authority. The estimation of tax liabilities and assets therefore involves both estimates and judgment, particularly in jurisdictions where the application of tax legislation is less established.

Details of contingent tax liabilities are disclosed in note 9 and 28.

Deferred tax is provided on temporary differences and tax assets to the extent it is probable that future taxable profits will be available against which the temporary difference or tax asset could be utilised. This requires management to make estimates and judgments on future profits. Deferred tax is disclosed in note 17.

2.4 Expected credit loss ("ECL")

Judgement is required to determine an ECL against trade receivables, accrued income and contract assets. Whilst the Group have historically a positive collection record (refer to note 22) a large impairment provision has been booked in the year related to one customer based on a combination of factors (refer to note 13).

3 Significant accounting policies

3.1 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Income statements of entities whose functional currency is not the United States Dollar are translated into United States Dollars at average rates of exchange for the year and assets and liabilities are translated into United States Dollars at the rates of exchange ruling at the consolidated statement of financial position date. Exchange differences arising on translation of net assets in such entities held at the beginning of the year, together with those differences resulting from the restatement of profits and losses from average to year end rates are recognised in other comprehensive income.

3.2 Segment Reporting

For management and monitoring purposes, the Group is organised into one segment; drilling services to the offshore oil and gas offshore industry.

3.3 Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement
Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at:

Amortised cost;
Fair value through other comprehensive income (FVOCI);
Fair value through profit and loss (FVPL).

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(b) Subsequent measurement and gains and losses

Financial assets at FVPL – these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost – These assets are subsequently measured at amortised cost using the effective interest (EIR) method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(iii) Impairment

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

3.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Fixtures and fittings 3 to 10 years
- Drilling rigs 3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each statement of financial position date.

3.5 Impairment excluding inventories and deferred tax assets

The carrying amounts of the company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and typically includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses. Allowance is made for obsolete and slow-moving items, based upon annual usage.

3.7 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is stated net of sales taxes (such as VAT) and discounts.

Revenue recognition is based on the existence of a valid contract, the determination and allocation of performance obligations and the transaction price of the services, and the satisfaction of the performance obligations contained in the contract Revenue is recognised when or as the performance obligations are satisfied.

Revenue from rendering of services
The rendering of services in a contract are normally assessed to meet the series guidance and accounted for as a single performance obligation for which revenue is recognised over time. The rate per hour of service is specifically allocated to the distinct hour within the series. As there is a right to bill the customer for each hour of service, which correspond directly with the value to the customer for the performance completed to date, revenue is recognised in the amount to which the entity has a right to invoice.

In connection with some contracts, the Group receives lump-sum fees or similar compensation for the mobilisation of equipment and personnel prior to the commencement of drilling services or the demobilisation of equipment and personnel upon contract completion. Fees received for the mobilisation or demobilisation of equipment and personnel are included in revenue. The costs incurred in connection with the mobilisation and demobilisation of equipment and personnel are included in contract drilling expense.

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. Demobilisation fees expected to be received upon contract completion are estimated at contract inception and recognised on a straight-line basis over the contract term. Where demobilisation fees are contingent upon the occurrence or non-occurrence of a future event this may result in adjustments upon changes of estimate during the contract term. Costs associated with the mobilisation of equipment and personnel to more promising market areas without contracts are expensed as incurred.

Revenue from reimbursable expenditure
Revenue for the purchases of certain supplies, personnel services and other services provided on behalf of and at the request of customers in accordance with a contract or agreement for which the Group is principal are recognised as revenue under IFRS 15 and accounted for separately when enforceable rights and obligations arise. The list prices for these goods and services are representative of the standalone selling price.

3.8 Share capital

The company has one class of ordinary shares that are classified as equity with a par value of Norwegian Kroner (NOK) 1.

3.9 Taxation

Tax on the profit or loss for the year comprises current and deferred corporate tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on tax assets and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are not discounted.

3.10 Disclosure of impact of future accounting standards – New and amended standards and interpretations

All new and amended standards and interpretations not yet effective are not material or applicable to the Group.

4 Segmental reporting and contract balances

The Group has one segment, providing drilling services to the offshore oil and gas industry.

No split of revenue from contracts with customers and lease income has been prepared as it has an immaterial impact on income, balance sheet or disclosures.

In thousands of USD	2023	2022
Operating revenues by geographical location		
Nigeria	**73,137**	-
Norway	**346**	7,241
Mexico	**13**	13,764
Total operating revenues	**73,496**	21,005

The revenue allocation is based on place of operation of the rig

In thousands of USD	2023	2022
Operating revenues by major customers (>10% of revenues)		
Nigeria	**73,137**	-
Mexico	**-**	13,764
Norway	**-**	7,618

Segment assets were based on the geographic location of the assets

In thousands of USD	2023	2022
Total assets by geographical location		
Norway	**21,595**	61,292
UK	**52,422**	867

The following table provides information about receivables and contract assets from contracts with customers:

In thousands of USD	2023	2022
Receivables	**11,008**	1,066
Contract liabilities / deferred income	**(3,000)**	(11,850)

Contract liabilities are related to the advance consideration received from customers.

5 Operating loss

In thousands of USD	2023	2022
Operating loss is stated after charging / (crediting):		
Depreciation tangible fixed assets – owned	**8,045**	8,529
Depreciation tangible fixed assets – leased	**329**	469
Amortisation of intangible assets	**515**	562
Loss on foreign exchange	**4,421**	1,174
Loss on sale of tangible and intangible assets	**-**	727
(Impairment reversal) / impairment of tangible assets	**(12,338)**	653
(Impairment reversal) / impairment of inventories	**(9,992)**	211
Impairment of trade receivables and accrued income	**42,590**	-
Impairment of assets held for sale	**-**	153
Cost related to short term leases and low value assets	**71**	78

Other (income)/expenses

The Group separately discloses certain items which are considered 'out of the ordinary'. These are items which, in management's judgement, need to be disclosed by virtue of their size or incidence in order to obtain a proper understanding of the financial information in the year. This disclosure is based on management internal information and is a non-IFRS disclosure. For the year ended 31 December 2023 and 2022, the following amounts were reported within loss before taxation from continuing operations which relate to strategic projects and/or non-core activity:

In thousands of USD	2023	2022
(Impairment reversal) / impairment of tangible assets	**(12,338)**	653
(Impairment reversal) / impairment of inventories	**(9,992)**	211
Legal and professional costs	**521**	3,270
Impairment of assets held for sale	**-**	153
Loss on sale of tangible assets	**-**	727
	(21,809)	5,014

6 Auditor's remuneration

The following table shows Auditor's remuneration exclusive of VAT:

In thousands of USD	2023	2022
Audit fee, including that of subsidiary undertakings	**467**	406
Other advisory services	**100**	75
	567	481

7 Employee benefits and management remuneration

The average number of persons employed by the Group (including Directors) during the year was as follows:

	2023	2022
Average number of people employed during the year	**139**	262

The aggregate payroll costs of these persons were as follows:

In thousands of USD	2023	2022
Wages and salaries	**24,948**	27,459
Social security costs	**2,135**	4,056
Retirement benefit expense	**1,468**	2,271
	28,551	33,786

The aggregate payroll costs of executive personnel were as follows:

In thousands of USD	2023	2022
Wages and salaries	**633**	709
Social security costs	**152**	214
Retirement benefit expense	**13**	12
	798	935

In 2023 the Board of Directors did not receive remuneration for their services provided in role as Directors of the company, except for one Non-Executive Director who received payment for services from a subsidiary of the company.

8 Net finance expense

In thousands of USD	2023	2022
Interest payable and similar expenses		
Interest on loans and borrowings	**3,712**	2,331
Finance charges on lease	**141**	77
Other financial expenses	**-**	1,230
	3,853	3,638
Interest receivable and similar income		
Bank interest	**(1,733)**	(187)
	2,120	3,451

9 Taxation

Recognised in the income statement

In thousands of USD	2023	2022
Current tax:		
Norway tax on income for the year	**-**	42
Foreign tax on income for the year	**983**	622
Adjustment relating to prior year	**(6)**	29
Total current tax charge	**977**	693
Deferred tax:		
Origination and reversal of temporary differences	**5**	18
Total deferred income tax	**5**	18
Total tax expense	**982**	711

The standard rate of current tax for the year, based on the Norway standard rate of corporation tax, is 22% (2022: 22%).

Factors affecting the tax expense for the year
The tax assessed for the year differs from the Norway statutory rate of corporation tax. The differences are explained below:

In thousands of USD	2023	2022
Loss for the year	**(42,980)**	(67,690)
Tax at statutory rate of corporation tax in Norway 22% (PY 22%)	**(9,456)**	(14,892)
Effects of:		
Non-deductible expenses	**(215)**	4,149
Difference in foreign tax rates	**22**	1,532
Permanent Items	**162**	-
Foreign tax suffered	**983**	46
Tax exempt losses	**5,208**	2,763
Prior year adjustment	**(6)**	(8)
Deferred tax asset not recognised	**4,284**	7,121
Total tax expense	**982**	711

Uncertain tax position

Dolphin Drilling Limited, one of the Group's subsidiaries, has a tax related contingency due to a dispute with the UK Government HMRC department regarding the treatment of a vessel for the purposes of Part 8ZA CTA 2010 (being the oil contractor legislation). The estimated possible unprovided tax exposure arising from this issue is of the order of GBP 9.9 million. Post year end (note 28), following two successful appeals defending the Group's position in the first-tier tax tribunal in November 2020, and against HMRC's appeal to upper tribunal in August 2022, a judgement handed down by the Court of Appeal in January 2024 has found in favour of HMRC. The Group has submitted an application to appeal to the supreme courts in February 2024 and awaits a formal ruling. No provision has been made as the Group believe that the amount remains contingent.

The Group has a number of historic open tax inquires which are contingent liabilities and contingent claims held in the Group's subsidiary in Brazil, Dolphin Drilling Perfuração Brasil Ltda. The Group's operations and trading in Brazil ended in 2014. Tax inquiries and appeals relating to the period 2012 to 2014 continue to be in progress. No provision has been recorded in these financial statements or in prior periods on the basis that any economic outflow is considered remote and in any case limited to the capacity of the subsidiary entity which is minimal. Dolphin Drilling Perfuração Brasil Ltda also has a number of separate claims in Brazil to recover taxes suffered in the same periods which are contingent and will not be recognised as assets unless they are received.

10 Intangible assets

In thousands of USD	
Cost	
Balance at 31 January 2021	**3,079**
Exchange movement	(297)
Balance at 31 December 2022	**2,782**
Exchange movement	(61)
Balance at 31 December 2023	**2,721**
Depreciation and impairment	
Balance at 31 December 2021	**257**
Depreciation charge for the year	562
Exchange movement	(11)
Balance at 31 December 2022	**808**
Depreciation charge for the year	515
Exchange movement	19
Balance at 31 December 2023	**1,342**
Net book value	
At 31 December 2023	**1,379**
At 31 December 2022	1,974

Intangibles assets relate to third party costs incurred in the implementation of an enterprise resource planning (ERP) solution.

11 Tangible fixed assets

In thousands of USD	Drilling Rigs	Machinery & Equipment	Leased Buildings	Total
Cost				
Balance at 31 December 2021	**152,108**	**1,123**	**1,026**	**154,257**
Additions	13,684	13	932	14,629
Impairment	(653)	-	-	(653)
Disposals	-	(655)	-	(655)
Reclassification	25	(25)	-	-
Exchange movement	(213)	(17)	¬(77)	(307)
Balance at 31 December 2022	**164,951**	**439**	**1,881**	**167,271**
Additions	14,051	118	-	14,169
Reclassification to asset held for sale	(5,519)	-	-	(5,519)
Exchange movement	(116)	(2)	¬(15)	(133)
Balance at 31 December 2023	**173,367**	**555**	**1,866**	**175,788**
Depreciation and impairment				
Balance at 31 December 2021	**97,606**	**739**	**299**	**98,644**
Depreciation charge for the year	8,674	90	234	8,998
Disposals	-	(464)	-	(464)
Exchange movement	(88)	(1)	(3)	(92)
Balance at 31 December 2022	**106,192**	**364**	**530**	**107,086**
Depreciation charge for the year	7,996	49	329	8,374
Impairment reversal	(12,338)	-	-	(12,338)
Exchange movement	21	1	6	28
Balance at 31 December 2023	**101,871**	**414**	**865**	**103,150**
Net book value				
At 31 December 2023	**71,496**	**141**	**1,001**	**72,638**
At 31 December 2022	58,759	75	1,351	60,185

Fixed assets are assessed for impairment at least annually. No impairment indication was identified at 31 December 2023. Following contract award there is evidence to support reversal of previous year impairment provision against Borgland Dolphin. There was no evidence to suggest reversal or further impairment of Bideford Dolphin. This rig is now held for sale. The value in use of Blackford and Borgland rig cash generating unit includes forecast revenues for 2024 which are currently contracted (including some secured post year end, refer to note 28) and those dependent on market demand in the future. The recoverable amount of all rigs, as assessed by the Directors, is subject to significant estimation uncertainty. Critical assumptions subject to estimation (to the extent not reflective of secured contracts) are principally charter hire day rates, rig utilisation and operating costs, which vary depending on the jurisdiction of operation. In addition climate risk factors can impact both cost and pricing measures. The discount rate applied was 12.7% (2022: 21.5%). For Blackford Dolphin, an increase in the discount rate of 5%, reduction in projected charter revenue pricing by 10% or projected operating cost increase of 15% (all other factors remaining unchanged) would not result in an impairment charge at 31 December 2023. For Borgland Dolphin, an increase in the discount rate of 20%, reduction in projected charter revenue pricing by 25% or projected operating cost increase of 65% (all other factors remaining unchanged) would not result in an impairment charge at 31 December 2023.

At 31 December 2023, a previous impairment charge of USD 12.3 million for the Borgland Dolphin was reversed following a contract award. The recoverable amount at 31 December 2023 was USD 5.5 million for Bideford Dolphin. During 2023 the board committed to a plan to sell the Bideford Dolphin (note 23).

Tangible fixed assets includes right of use assets with a net book value of USD 1.1 million (2022: USD 1.7 million). These relate to land and buildings and lifeboats on drilling vessels. The cash flow statement includes total cash outflows of USD 0.6 million (2022: USD 0.3 million) relating to leases.

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12 Inventories

In thousands of USD	2023	2022
Spare parts	**31,057**	38,864
Less: provision for impairment	**(700)**	(18,586)
	30,357	20,278

Alongside the reversal of the previous impairment for Borgland to inventory, during 2023 the board committed to a plan to sell the Bideford (note 23), therefore the inventory and provision for impairment for the Bideford rig has been considered as part of the asset held for sale.

13 Trade and other receivables

In thousands of USD	2023	2022
Trade debtors	**52,079**	1,066
Less: provision for impairment	**(41,071)**	-
Prepayments and other receivables	**9,147**	10,468
VAT receivable	**35**	842
	20,190	12,376
Accrued income	**6,847**	-
Less: provision for impairment	**(6,847)**	-
	20,190	12,376

The Group applies lifetime expected credit losses ("ECLs") to trade receivables, accrued income and contract assets by each entity within the Group assessing the need for an ECL and with the use of provision matrices. Receivables are appropriately grouped by a combination of factors, including geographical region, service offered or type of customer when possible. Given the small customer base at any one time, assessments are usually possible at an individual level. Actual credit loss experience using historical and forward-looking information is adjusted to reflect differences in economic conditions over the expected life of the receivable. Unbilled revenue has the same risk characteristics as the trade receivable customer to which it relates and therefore it has been concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for associated accrued income and contract assets.

The Group has previously not recognised an ECL against any financial assets due to the assessment of ageing, profile of payments, nature of service and /or nature of customer.

Reflecting collectively, since 31 December 2022 there has been a significant increase in the amount of overdue receivables. 99.8% of total trade and other receivables, subject to review for ECL, relate to one customer, and of this balance 92.6% of the net to receive on invoices issued is out with the payment terms.

The maximum exposure to credit risk is the carrying amount of each class of financial assets mentioned above (refer to note 22).

An ECL of 100% has been assessed due a number of factors but principally due to the proportion of consideration received versus value of services transferred in the accounting period. Risk of default is considered significant. Impairment loss or subsequent recovery will be set as utilised or unused provisions in the income statement in future periods. Receivables are written off when there is no reasonable expectation of recovery. As the customer has continued to engage in a repayment plan, make contractual payments post year end and is not in administration no write off and derecognition event has been considered to occur.

14 Cash and cash equivalents

In thousands of USD	2023	2022
Cash at bank and in hand	**33,959**	35,751

The Group's only short-term deposits are the cash at bank balances. Interest is received on these balances at different rates up to a maximum of 5.45%. Cash at bank and in hand includes USD 9.5 million which is not immediately available for general business use.

15 Trade and other payables and contract liabilities

In thousands of USD	2023	2022
Trade creditors	**7,215**	8,849
Other taxes and social security	**2,476**	1,684
Accruals	**19,615**	21,558
Other creditors	**3,154**	-
	32,460	32,091
Contract liabilities	**3,000**	11,850
	35,460	43,941

16 Loans and borrowings

In thousands of USD	2023	2022
Non-current borrowings (falling due within two to five years):		
Lease liabilities	**821**	1,188
Current borrowings:		
Shareholder loan	**15,000**	-
Capitalised shareholder loan interest	**1,431**	-
Receivables factoring liability	**-**	153
Lease liabilities	**437**	537
	17,689	1,878

a) Shareholder loan
In 2023, the company's largest shareholders, Strategic Value Partners and S.D. Standard ETC PLC, committed to provide the company with a loan of USD 15.0 million with interest rate of 8.5%. The loan maturity date is May 2025, extended post year end (refer to note 28), from May 2024.

b) Leases
The Group have assessed that based on the terms of the leases, there is an immaterial difference between contractual and present value of the minimum future lease payments.

c) Receivables factoring arrangements
Certain of the Group's subsidiaries, led by Dolphin Drilling Limited, participate in a facility to factor its various receivables. During 2023 the factoring facility was closed.

d) Loan facility
The Group secured a loan facility of USD 65.0 million with interest rates at 9.75%. The loan has been secured by a first lien mortgage on the rig Paul B. Loyd Jr with a maturity date in the second half of 2027. There are various financial and non-financial covenants associated with this facility. At year end there was no draw from the facility and no covenant breach had been reported.

17 Deferred tax assets and tax liabilities

The Group has an unrecognised deferred tax asset in relation to accelerated capital allowances in the UK of USD 37.6 million (2022: USD 31.8 million), tax losses of USD 122.5 million (2022: USD 118.6 million) and interest restriction of USD 2.2 million (2022: USD 2.1 million).

The Group also has a deferred tax asset in relation to Norwegian unused tax losses of USD 115.9 million (2022: USD 116.1 million), Norwegian interest restriction of USD 2.9 million (2022: USD 3.0 million) and deductible temporary differences of USD 2.1 million liability (2022: USD 4.2 million asset). The Group has a deferred tax asset in relation to Norwegian accelerated capital allowances of USD 0.7 million (2022: USD 5.7 million).

These deferred tax assets have not been recognised, as, based on future profit projections, the Directors believe that its recovery is uncertain in the foreseeable future. The majority of the assets will not expire, other than the Norwegian interest restriction that expires after 10 years. The Group recognises a deferred tax asset of USD 32k which arises as a result of the legacy defined benefit pension plans.

In thousands of USD	At 1 January 2023	Recognised in income statement	Recognised in equity	Foreign exchange movement	At 31 December 2023
Employee benefits	**35**	**-**	**-**	**(3)**	**32**

18 Employee benefits

Defined contribution plans

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for the year represents contributions payable by the Group to the fund and amounted to USD 1.1 million. There were no outstanding or prepaid contributions at the end of either financial year.

Defined benefit plans

The Group contributes to a number of post-employment defined benefit plans in Norway. These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

The Group expects to pay USD 0.2 million in contributions to its legacy defined benefit plans in 2024.

In thousands of USD	2023	2022
Net defined benefit liability	**3,286**	3,325
Total employee benefit liability	**3,286**	3,325

The following table shows a reconciliation from the opening balances to the closing balances for the net benefit liability:

In thousands of USD	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at 31 December 2022	**3,325**	-	**3,325**
Impact of foreign exchange rate revaluation	**(118)**	-	**(118)**
Included in the income statement:			
Interest cost / income	**94**	-	**94**
Included in other comprehensive loss:			
Actuarial gain / loss	**182**	-	**182**
Contributions paid by the employer			
Benefits paid	**(197)**	-	**(197)**
Balance at 31 December 2023	**3,286**	-	**3,286**

The following were the principal actuarial assumptions at the reporting date (expressed as averages):

	2023	2022
Interest rate	**3.00%**	3.00%
Assumed salary growth	**0.00%**	0.00%
Discount rate	**3.00%**	3.00%
Turnover	**2.29%**	2.29%
Social security costs on future payments	**14.10%**	14.10%

19 Share capital and share premium

In thousands of USD	2023	2022
Allotted, called up and fully paid of Dolphin Drilling AS		
Issued: 219,890,099 ordinary shares of NOK1 each (2022: 124,318,899 - NOK 10 each)	**28,694**	124,740
Share premium of Dolphin Drilling AS	**179,174**	18,207

The following table shows the issuance of share capital of the legal parent Dolphin Drilling AS from the date of its incorporation on 1 April 2022:

Date of registration	Type of change	Change in share capital (NOK)	Nominal value (NOK)	Number of shares
April 2022	Incorporation	30,000	10.00	3,000
September 2022	Issuance of new shares in a share-swap	857,342,000	10.00	85,737,200
September 2022	Issuance of new shares in a private placement	385,816,990	10.00	124,318,899
July 2023	Change in nominal value	-	1.00	124,318,899
July 2023	Issuance of new shares in a private placement	84,471,200	1.00	208,790,099
September 2023	Issuance of new shares in a private placement	11,100,000	1.00	219,890,099

20 Earnings per share

Earnings per share are calculated by dividing the net loss by the weighted average number of ordinary shares outstanding during the year. The weighted average number of shares is determined by taking the number of outstanding shares and multiplying it by the percentage of the period for which that number applies. The earnings per share is based on Dolphin Drilling AS outstanding shares following the Group reorganisation. Diluted earnings per share are calculated by dividing net loss by the weighted average number of shares after adjustment of the effects of all dilutive potential ordinary shares.

	2023	2022
Net (loss)	**(43,962)**	(68,401)
Weighted average number of outstanding shares	**168,554,169**	61,190,165
Basic earnings per share*	**(0.26)**	(1.12)
Weighted average number of outstanding shares	**168,554,169**	61,190,165
Diluted earnings per share*	**(0.26)**	(1.12)

** Due to the Dolphin Drilling AS Group being formed in September 2022 as part of a reorganisation, the calculation of the basic and diluted earnings per share for prior year has been restated based on Dolphin Drilling AS's number of shares.*

21 Largest shareholders as at 31 December 2023

	No of Shares	Percentage
STRATEGIC VALUE PARTNERS	61,517,493	28.0 %
S.D.STANDARD ETC PLC	41,451,373	18.9 %
GOLDMAN SACHS INTERNATIONAL*	14,985,539	6.8 %
SKANDINAVISKA ENSKILDA BANKEN AB*	9,801,654	4.5 %
MORGAN STANLEY & CO. INT. PLC.*	8,925,527	4.1 %
MERRILL LYNCH PROF. CLEARING CORP.*	6,196,238	2.8 %
EUROCLEAR BANK S.A/N.V.*	5,264,916	2.4 %
HELLESUND HOLDING LIMITED	3,162,937	1.4 %
SONGA CAPITAL AS	2,921,154	1.3 %
VERDIPAPIRFONDENT DNB SMB	2,851,611	1.3 %
FERNCLIFF TIH AS	2,572,116	1.2 %
B.O. STEEN SHIPPING AS	2,476,700	1.1 %
JEFFERIES LLC*	2,028,650	0.9 %
GM CAPITAL AS	2,000,000	0.9 %
SURFSIDE HOLDING AS	2,000,000	0.9 %
APOLLO ASSET LIMITED	1,985,663	0.9 %
SEB CMU/SECFIN POOLED ACCOUNT	1,852,024	0.8 %
AQILA HOLDINGS INVESTMENT AS	1,714,568	0.8 %
MOSVOLD RUUD-PEDERSEN AS	1,700,000	0.8 %
CLEARSTREAM BANKING AS*	1,699,786	0.8 %
Total 20 largest shareholders/groups of shareholder	**177,107,949**	**80.5%**
Total number of shares	**218,890,099**	**100.0%**

**= Nominee account*

22 Financial instruments

Market risk

Foreign exchange risk – The Group has a number of subsidiary companies whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through deposits denominated in the relevant foreign currencies. The quantitative data as reported to management of the Group regarding the exposure of each subsidiary company to currency risk is based on each subsidiary companies functional currency and is summarised as follows

In thousands	US Dollar	Norwegian Kroner	Great British Pound	Mexican Pesos	Nigerian Naira	Other
31 December 2023						
Cash and bank in hand	**11,118**	**1,064**	**1,489**	**129**	**522,592**	**1**
Trade receivables	**4,487**	**194**	**67**	**2,170**	**(569,280)**	**-**
Loans receivable	**81,028**	**4,102**	**-**	**-**	**-**	**-**
Trade creditors	**(1,536)**	**(50,664)**	**(1,326)**	**(5,455)**	**(885,069)**	**(141)**
Loans payable	**(17,931)**	**(54,250)**	**(4,102)**	**-**	**-**	**-**
Lease liabilities	**-**	**-**	**(694)**	**-**	**-**	**-**
Net statement of financial position exposure	**77,166**	**(99,554)**	**(4,566)**	**(3,156)**	**(931,757)**	**(140)**
31 December 2022						
Cash and bank in hand	8,628	1,891	1,020	737	-	24
Trade receivables	1,393	5,624	39	2,170	-	-
Loans receivable	-	99,750	3,930	-	-	-
Trade creditors	(25,305)	(80,777)	(3,037)	(5,708)	-	(1,138)
Loans payable	(15,700)	-	(3,930)	-	-	-
Lease liabilities	-	-	(777)	-	-	-
Net statement of financial position exposure	(30,984)	26,488	(2,755)	(2,801)	-	(1,114)

At 31 December 2023, if the USD had strengthened by 5% against NOK, post tax loss of the Group would have increased by USD 1,596k. At 31 December 2023, if the USD had strengthened by 1% against NOK, post tax loss of the Group would have increased by USD 319k.

Interest rate risk – The Group is exposed to interest rate risk on its interest-bearing borrowings. The Group's policy is to protect itself where against this risk where practical. This debt is denominated in USD, reflecting the magnitude of underlying cash flows of the business in this currency.

Price risk – The Group is not exposed to any significant price risk in relation to its financial instruments.

Credit risk

The Group's credit risk relates primarily to its trade debtors and other receivables. The Group has a number of customers who are primarily either well established international or national companies, or joint ventures thereof. An evaluation is carried out of the credit risk of each new customer, and when appropriate, suitable protections put in place through the use of trade finance instruments. In addition to this, all customers are subject periodic review based on individual current trading circumstances.

On a continual basis, management review an aged debtor analysis and focus on a variety of factors including debts which are overdue for payment. The assessment of the exposure to the Group associated with the risk of default within financial assets is disclosed in note 13. A significant ECL was recorded in the year related to one customer. Third party receivables out with terms were USD 51.9 million at year end (PY: USD 180k). The Group's policy is to deposit cash at institutions with an acceptable credit rating. All cash held on deposit at 31 December 2023 was held with such institutions.

The maximum exposure to credit risk at the statement of financial position for financial instruments (by class) and contract assets was

In thousands of USD	2023	2022
Accrued income	**6,847**	-
Trade debtors	**52,079**	1,066
Cash and bank in hand	**33,959**	35,751

Liquidity risk

The Group actively seeks to maintain a mixture of long-term and short-term committed facilities that are to ensure that the Group has sufficient available funds for operations. The Group has extinguished its factoring arrangement. In 2023 the Group secured debt support to May 2024 in a USD 15.0 million loan facility from majority shareholders. In addition, the Group secured a loan facility of USD 65.0 million providing extra cash liquidity. The Group is exposed to short-term downside cashflow risk if its customer(s) don't pay on time and this is challenged further by a lack of diverse funding sources.

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest contractual interest payments and exclude the effect of netting agreements.

In thousands of USD	Carrying amount	Contractual cash flow	Less than one year**	1 to 2 years	2 to 5 years	Greater than 5 years
31 December 2023						
Trade payable and other payables	**32,460**	**32,460**	**32,460**	**-**	**-**	**-**
Loans	**16,431**	**16,928**	**16,928**	**-**	**-**	**-**
Lease liabilities	**1,258**	**1,201**	**508**	**392**	**300**	**-**
	50,149	**50,589**	**49,896**	**392**	**300**	**-**
31 December 2022						
Trade payable and other payables	32,091	32,091	32,091	-	-	-
Lease liabilities	1,725	1,823	594	502	727	-
Receivables factoring liability*	153	153	153	-	-	-
	33,969	34,067	32,838	502	727	-

**Reflects the net balance owed to the factor balance as at 31 December 2022 inclusive of amounts borrowed, amounts returned and outstanding interest*

***Cash contractual cash flows with a maturity date less than one year are primarily due within 0-3 months. The lease liability of USD 0.5 million (PY: USD 0.6 million) matures evenly on a quarterly or monthly basis within one year.*

Capital management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt of which remaining borrowings are disclosed in note 16, cash at bank and in hand and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Fair value of non-derivative financial assets and financial liabilities
The fair value of short-term borrowings, trade and other payables, trade and other receivables and cash at bank and in hand approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments.

The interest rate applied to borrowings will remain constant regardless of the Group's leverage performance. The fair value of the fixed rate element of the debt facility is considered to be the same as its book value. As the current interest profile of the Group has not significantly changed since the inception of the debt facilities, there is no material difference between the book value and fair value.

Net debt
The below is an analysis of changes in net debt from the beginning to the end of the current and prior reporting year

In thousands of USD	Borrowings due within one year	Borrowings due after one year	Obligations under finance lease liabilities	Subtotal	Cash and cash equivalents	Net debt
Net debt analysis						
Balance at 1 January 2023	(153)	-	(1,725)	**(1,878)**	35,751	**33,873**
Cash flows	(14,847)	-	570	**(14,277)**	(5,836)	**(20,113)**
Other non-cash changes	(1,431)	-	(103)	**(1,534)**	-	**(1,534)**
Recognition of movements in foreign exchange	-	-	-	**-**	4,044	**4,044**
Balance as at 31 December 2023	**(16,431)**	**-**	**(1,258)**	**(17,689)**	**33,959**	**16,270**

23 Assets held for sale

During 2023, management committed to a plan to sell the Bideford Dolphin, which completed post year end (refer to note 28). The rig's value is based on quotes received for the rig's steel, and estimated second hand market value of the rig's equipment.

In thousands of USD	2023	2022
Asset held for sale	**5,519**	-

24 Commitments

At 31 December 2023, the Group had capital commitments of USD 0.4 million (2022: USD 9.4 million).

25 Related party transactions

Ultimate controlling party and affiliates

Prior to admission to the Euronext Growth, the ultimate controlling party is Strategic Value Partners Global (SVP) by virtue of it's majority shareholding in Dolphin Drilling Holdings Limited (the previous ultimate parent of the Group). The Dolphin Drilling AS Group was formed as part of a reorganisation following admission to the Euronext Growth (refer to note 1). The largest shareholders of Dolphin Drilling AS are SVP and S.D. Standard ETC PLC (Standard).

The Dolphin Drilling AS Group is the largest group in which the results of the company are consolidated.

Related party transactions

There were no sale of goods and services and related receivables arising from transactions with related parties in the year. Purchase of services, in respect of reimbursable expenses, were incurred and paid during the year to 31 December 2023 USD nil (2022 USD nil).

During 2023, SVP and Standard provided the Group with a loan facility of USD 15.0 million. In 2022 SVP participated in an external debt agreement held by the Group which was converted to equity in May 2022. The total movement on loan facilities is noted below:

In thousands of USD	2023	2022
Opening / Advanced during the year – Term Loan	-	23,057
Opening / Advanced during the year – Revolving Credit Loan	-	45,000
Conversion to equity / borrowings repaid	-	(68,057)
Opening / Advanced during the year – Shareholder loan	**15,000**	-
Interest charged	**1,431**	904
Interest paid	-	(164)

Key management

Shares owned/controlled by members of the Directors and senior management are as follows

	2023	2022
CEO	**544,624**	**477,048**
CFO	**377,949**	**342,472**

26 Principal subsidiary undertakings

	Location	Registered address	% of ordinary shares or equity held by the Group (%)
Dolphin Drilling Holding Limited	Jersey	22 Grenville Street St Helier Jersey JE4 8PX	100
Dolphin Drilling Fleetco Limited	Jersey	22 Grenville Street St Helier Jersey JE4 8PX	100
Dolphin Drilling Offshore AS	Norway	Vestre Svanholmen 12 Norway 4313	100
Dolphin Drilling Operations AS	Norway	Vestre Svanholmen 12 Norway 4313	100
Dolphin Drilling Limited	UK	New Kings Court Tollgate Chandlers Ford Eastleigh, Hampshire England SO53 3LG	100
Dolphin Drilling Offshore Limited	UK	New Kings Court Tollgate Chandlers Ford Eastleigh, Hampshire England SO53 3LG	100
DD Offshore West Africa Limited	Nigeria	13 Sumbo Jibowu St, Ikoyi, 101233, Lagos, Nigeria	100

Dolphin Drilling AS owns, directly or indirectly, 100% of all entities within the Group.

All subsidiaries provided drilling rig operations with the exception of Dolphin Drilling Holdings Limited and Dolphin Drilling Fleetco Limited which are intermediary investment and financing companies.

27 Contingent liabilities

In December 2023, one of the Group's subsidiaries received service of a court action in Nigeria. The claims made in the court action centre on a dispute as to whether the subsidiary was entitled to terminate a client contract. The subsidiary does not believe that the claims have any merit. A court date is pending to assign a judge to this case before the process can progress further. As any obligation is dependent upon the outcome of the court process no provision has been made at 31 December 2023.

28 Subsequent events

Post year end the Group successfully completed the rig acquisition of Paul B. Loyd Jr and Dolphin Leader. The rigs were purchased for USD 50.0 million.

Following two successful appeals defending the Group's position in the first-tier tax tribunal in November 2020, and against HMRC's appeal to upper tribunal in August 2022, a judgement handed down by the Court of Appeal in January 2024 has found in favour of HMRC. The Group submitted an application to appeal to the supreme court in February 2024 and awaits a formal ruling.

The Bideford Dolphin, held for sale at 31 December 2023, was sold in March 2024.

The shareholder loan agreement was extended from May 2024 to May 2025.

In April 2024, the company raised gross proceeds of NOK 432 million by a Private Placement offering allocating 72,000,000 shares at a fixed price of NOK 6 per share.

Parent Company Accounts

as at and for the year ended 31 December 2023

Company Income Statement

for the year/period to 31 December

In thousands of NOK	Note	2023	1.4.2022 – 31.12.2022
Other income		**9,576**	4,341
Administrative expenses	2	**(42,202)**	(4,974)
Operating loss		**(32,626)**	(633)
Interest receivable and similar income	3	**42,128**	-
Interest payable and similar expenses	3	**(13,509)**	(1)
Loss before taxation		**(4,007)**	(634)
Taxation	4	**-**	-
Loss for the financial year		**(4,007)**	(634)
Allocation of net loss			
To retained earnings		**(4,007)**	(634)
Total		**(4,007)**	(634)

Company Statement of Financial Position

at 31 December

In thousands of NOK	Note	2023	2022
Non-current assets			
Investments in subsidiaries	5	**1,341,636**	1,341,636
Loan to subsidiaries	6	**738,018**	59,144
		2,079,654	1,400,780
Current assets			
Trade and other receivables	7	**45,238**	4,870
Cash and cash equivalents	8	**158,987**	21,513
		204,225	26,383
Total assets		**2,283,879**	1,427,163
Capital and reserves			
Called up share capital		**219,890**	1,243,189
Share premium		**1,896,842**	179,833
Reserves		**(4,641)**	(634)
		2,112,091	1,422,388
Current liabilities			
Trade and other payables	9	**4,649**	4,775
Financial liabilities – loans and borrowings	10	**167,139**	-
		171,788	4,775
Total equity and liabilities		**2,283,879**	1,427,163

These financial statements were approved by the Board of Directors on 29 April 2024:

Martin Nes
Chairman

Øystein Stray Spetalen
Director

Alf Ragnar Løvdal
Director

Paul James Marchand
Director

Bjørnar Iversen
CEO

Company Statement of Changes in Equity

for the year/period ended 31 December

In thousands of NOK	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total equity
Issue of shares at incorporation	30	-	-	-	30
Share issue as part of formation of Group	857,342	139,288	-	-	996,630
Share issue net of related costs	385,817	40,545	-	-	426,362
Total comprehensive loss for the period					
Loss for the period	-	-	-	(634)	(634)
	-	-	-	(634)	(634)
Balance at 31 December 2022	**1,243,189**	**179,833**	**-**	**(634)**	**1,422,388**
Change in nominal value of share capital	(1,118,870)	1,118,870	-	-	-
Share issue net of related costs	95,571	598,139	-	-	693,710
Total comprehensive loss for the year					
Loss for the year	-	-	-	(4,007)	(4,007)
	-	**-**	**-**	**(4,007)**	**(4,007)**
Balance at 31 December 2023	**219,890**	**1,896,842**	**-**	**(4,641)**	**2,112,091**

Company Statement of Cash Flows

for the year/period ended 31 December

In thousands of NOK	31 December 2023	For the period ended 31 December 2022
Cash generated from operating activities		
Loss before taxation	**(4,007)**	(634)
Adjustments for:		
Net finance (income) / costs	**(28,618)**	1
Changes in working capital:		
(Increase) in trade and other receivables	**(40,368)**	(4,870)
Increase in trade and other payables	**31,342**	4,774
	(41,651)	(729)
Tax (paid) / refund	**-**	-
Net cash used in operating activities	**(41,651)**	(729)
Cash flows from investing activities		
(Increase) in loan to subsidiaries	**(678,874)**	(59,144)
Capital (increase) in subsidiaries	**-**	(345,006)
Net cash used in investing activities	**(678,874)**	(404,150)
Cash flows from financing activities		
Issue of new share capital	**693,710**	426,392
Draw of borrowings	**152,586**	-
Net interest received	**11,703**	-
Net cash generated from financing activities	**857,999**	426,392
Net change in cash and bank	**137,474**	21,513
Cash and cash equivalents opening balance	**21,513**	-
Cash and cash equivalents at 31 December	**158,987**	21,513

Notes to the financial statements

1 Accounting policies

The financial statements are as at, and for the year ended 31 December 2023.

These financial statements have been prepared in accordance with EU-adopted International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention. The parent company financial statements should be read in conjunction with the consolidated accounts.

The Dolphin Drilling AS Group was formed in September 2022 as part of a reorganisation, information presented prior to this date is for Dolphin Drilling Holdings Limited (previous parent company) and subsidiaries.

The notes to the consolidated accounts provide additional information to the parent company's accounts which is not presented here separately. The company's functional currency is NOK and the financial statements are presented in NOK. Investments in subsidiaries are measured at historic cost, unless there is any indication of impairment. In case of impairment, an investment is written down to recoverable amount.

2 Operating loss

In thousands of NOK	2023	2022
Operating loss is stated after charging / (crediting):		
Audit fees	**2,070**	2,250
Legal and professional fees	**4,135**	80

3 Net finance income

In thousands of NOK	2023	2022
Interest receivable and similar income		
Inter-company interest	**(30,425)**	-
Bank interest	**(11,703)**	-
	(42,128)	-
Interest payable and similar expenses		
Interest on loans and borrowings	**13,509**	1

4 Taxation

Recognised in the income statement

In thousands of NOK	2023	2022
Current tax:		
Norway tax on income for the year	**-**	-
Total current tax charge	**-**	-
Deferred tax:		
Origination and reversal of temporary differences	**-**	-
Total deferred income tax / (credit)	**-**	-
Total tax expense	**-**	-

Factors affecting the tax credit for the year
Tax assessed for the year differs from the Norwegian statutory rate of corporation tax. The differences are explained below:

In thousands of NOK	2023	2022
Loss for the year	**(4,007)**	(634)
Tax at statutory rate of corporation tax in Norway 22%	**(882)**	(139)
Effects of:		
Non-deductible expenses	**(5,077)**	-
Deferred tax not recognised	**5,959**	139
Total tax expense	**-**	-

5 Shares in subsidiaries

In thousands of NOK	2023	2022
Dolphin Drilling Holdings Limited	**1,307,135**	1,307,135
Dolphin Drilling Midco Limited	**34,501**	34,501
	1,341,636	1,341,636

6 Loan to subsidiaries

In thousands of NOK	2023	2022
Loan to subsidiaries	**738,018**	59,144

a) Loans to subsidiaries
Loans to subsidiaries are to Dolphin Drilling Ltd for general working capital purposes. Interest is charged at the rate of SOFR + 5.5% per annum. The loan and any unpaid accrued interest mature will be repaid in June 2025.

7 Trade and other receivables

In thousands of NOK	2023	2022
Intercompany debtors	**41,320**	4,870
Prepayments and other receivables	**3,918**	-
	45,238	4,870

8 Cash and cash equivalents

In thousands of NOK	2023	2022
Cash at bank and in hand	**158,987**	21,513

9 Trade and other payables

In thousands of NOK	2023	2022
Trade creditors	**2,127**	-
Intercompany creditors	**120**	1,122
Accruals and other creditors	**2,402**	3,653
	4,649	4,775

10 Loans and borrowings

In thousands of NOK	2023	2022
Shareholder loan	**167,139**	-
	167,139	-

a) Shareholder loan

In 2023, the company's largest shareholders, Strategic Value Partners and S.D. Standard ETC, committed to provide the company with a loan of USD 15.0 million with interest rate of 8.5%. The loan maturity date at year end is May 2025, extended post year end (refer to note 14), from May 2024.

11 Share capital and share premium

In thousands of NOK	2023	2022
Allotted, called up and fully paid of Dolphin Drilling AS	**219,890**	1,243,188
Share premium of Dolphin Drilling AS	**1,896,842**	179,833

The following table shows the issuance of share capital of the legal parent Dolphin Drilling AS from the date of its incorporation on 1 April 2022:

Date of registration	Type of change	Change in share capital (NOK)	Nominal value (NOK)	Number of shares
April 2022	Incorporation	30,000	10.00	3,000
September 2022	Issuance of new shares in a share-swap	857,342,000	10.00	85,737,200
September 2022	Issuance of new shares in a private placement	385,816,990	10.00	124,318,899
July 2023	Change in nominal value	-	1.00	124,318,899
July 2023	Issuance of new shares in a private placement	84,471,200	1.00	208,790,099
September 2023	Issuance of new shares in a private placement	11,100,000	1.00	219,890,099

12 Financial instruments

Market risk

Foreign exchange risk – The company reports net assets which are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the company is managed primarily through deposits denominated in the relevant foreign currencies. The quantitative data as reported to management of the company regarding the exposure to currency risk is summarised as follows:

In thousands	US Dollar	Total
31 December 2023		
Cash and bank in hand	**10,876**	**10,876**
Trade receivables	**2,945**	**2,945**
Loans to subsidiaries	**67,218**	**67,218**
Trade creditors	**(30)**	**(30)**
Loans Payable	**(16,431)**	**(16,431)**
	64,578	**64,578**
31 December 2022		
Cash and bank in hand	2,182	2,182
Loans to subsidiaries	6,054	6,054
	8,236	8,236

Interest rate risk – The company is exposed to interest rate risk on its interest-bearing borrowings. The company's policy is to protect itself where against this risk where practical. This debt is denominated in USD, reflecting the magnitude of underlying cash flows of the business in this currency.

Credit risk

The company's credit risk relates to intercompany debtors and loans to subsidiaries. The company's policy is to deposit cash at institutions with an acceptable credit rating. All cash held on deposit at 31 December 2023 was held with such institutions.

In thousands of NOK	2023	2022
Cash and bank in hand	**158,987**	21,513
Intercompany debtors	**41,320**	4,870
Loans to subsidiaries	**738,018**	59,144

At 31 December 2023 the allowance for credit impairment in respect of all trade and other receivables was estimated at nil (2022: nil) based on the ageing and risk profile of all debtors.

Liquidity risk

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest contractual interest payments and exclude the effect of netting agreements.

In thousands of NOK	Carrying amount	Contractual cash flow	Less than one year*	1 to 2 years	2 to 5 years	Greater than 5 years
31 December 2023						
Trade payables and other payables	**4,529**	**4,529**	**4,529**	-	-	-
Intercompany creditors	**120**	**120**	**120**	-	-	-
Shareholder loan	**167,139**	**171,910**	**171,910**			
	171,788	**176,558**	**176,558**	-	-	-
31 December 2022						
Trade payables and other payables	3,653	3,653	3,653	-	-	-
Intercompany creditors	1,122	1,122	1,122	-	-	-
	4,775	4,775	4,775	-	-	-

**Cash contractual cash flows with a maturity date less than one year are due within 0-3 months.*

Capital risk

The company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance, cash at bank and in hand and equity attributable to equity holders of the parent, comprising issued capital and reserves.

Fair value of non-derivative financial assets and financial liabilities

The fair value of short-term borrowings, trade and other payables, trade and other receivables and cash at bank and in hand approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments.

13 Related party transactions

In thousands of NOK	2023	2022
Year-end current balances		
Dolphin Drilling Offshore AS – net	**2,666**	1,612
Dolphin Drilling Ltd - receivables	**38,533**	3,258
Dolphin Drilling Fleetco Ltd – loan	**-**	59,144
Dolphin Drilling Ltd – loan	**738,018**	-
Dolphin Drilling Offshore AS – payables	**-**	(1,122)

In thousands of NOK	2023	2022
Revenue from related parties		
Dolphin Drilling Offshore AS	**2,004**	1,612
Dolphin Drilling Ltd	**7,572**	2,729

In thousands of NOK	2023	2022
Expenses from related parties		
Dolphin Drilling Offshore AS	**420**	-

14 Subsequent events

The shareholder loan agreement was extended from May 2024 to May 2025.

In April 2024, the company raised gross proceeds of NOK 432 million by a Private Placement offering allocating 72,000,000 shares at a fixed price of NOK 6 per share.

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To the General Meeting of Dolphin Drilling AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Dolphin Drilling AS, which comprise:

- the financial statements of the parent company Dolphin Drilling AS (the Company), which comprise Company Statement of Financial Position as of 31 December 2023, Company Income Statement, Company Statement of Changes in Equity and Company Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policy information, and

- the consolidated financial statements of Dolphin Drilling AS and its subsidiaries (the Group), which comprise Consolidated Statement of Financial Position as of 31 December 2023, Consolidated Statement of Income, Consolidated Statement of Comprehensive Loss, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,

- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU, and

- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report, the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report and the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stavanger

KPMG AS

Mads Hermansen
State Authorised Public Accountant
(This document is signed electronically)

To be the most trusted drilling services team, delivering unmatched levels of customer service, innovation and performance.

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