

# Preliminary Earnings Release

Q1 2023



DOLPHIN DRILLING AS

## Preliminary Q1 2023 Results

Oslo, Norway, 9 May, 2023.

Dolphin Drilling AS (Dolphin Drilling, OSE: DDRIL) today announced its preliminary financial results for the quarter ended March 31, 2023.

### Q1 2023 Highlights

- The Blackford Dolphin completed its recertification for a new five-year period in Las Palmas, Spain. The maintenance and class work were conducted in line with budget and ended at USD 14.8 million. Dolphin Drilling was pleased to see a professional execution of the project in close dialogue with flag state, class, yard, key equipment vendors, and sub-contractors.
- Blackford Dolphin commenced the 12 months contract with General Hydrocarbon Limited in Nigeria on March 25.
- Blackford Dolphin signed a contract with Peak Petroleum for work in Nigeria in direct continuation of the 12-month contract with General Hydrocarbons Limited (GHL). The new contract has the potential to extend the backlog by a minimum of 120 and up to 485 days. The effective dayrate associated with the minimum firm period of the contract is USD 325,000, including the mobilization fee.
- The group's largest shareholders Strategic Value Partners and S.D. Standard ETC committed to provide the company with a Revolving Credit Facility of USD 15 million. Interest rate for the loan is 8.5% and expires in May 2024, with an option to extend subject to mutual acceptance by the owner and lenders.
- Total revenue backlog of USD 122 million (excluding options), effective at March 31, 2023.

### Subsequent events

- Received USD payment for March drilling days from GHL

### Financial Review

The company reported total revenues of USD 1.8 million in the first quarter of 2023, compared to USD 0.4 million in the previous quarter. The revenues reflect the commencement of operations in Nigeria of the Blackford Dolphin on March 25<sup>th</sup>. Revenues achieved were at standby rate being 95% of maximum charter rate based on awaiting client ready to drill. Other revenues of USD 0.2 million are fuel costs recharged to GHL from contract commencement.

Reported net loss for the current quarter was USD 19.8 million or USD 0.16 per share.

Total operating expenses for the quarter were USD 15.4 million, USD 3.2 million higher than the previous quarter, reflecting the commencement of operations in Nigeria on the Blackford Dolphin. Lay-up expenses remain consistent for the Borgland and Bideford while both remain in stacked mode. G&A costs reduced in Qtr 1 2023 to USD 3.4 million which represents a normalised level of

cost following various expenses incurred in Qtr 4 2022 relating to the IPO. No significant unusual costs were incurred in Q1 2023. Onshore personnel costs have been reduced reflecting a continued drive within the group to increase efficiencies and generate savings.

### **Business Update**

As of March 31, 2023, the estimated contractual backlog value was USD 122 million (excluding options). The backlog consists of two contracts for the Blackford Dolphin. The first with General Hydrocarbons Limited includes an option for the client to reduce the overall fixed charter period by six months up to 90 days after commencement of the contract. The second, with Peak Petroleum, consists of a minimum period of 120 days with options to extend up to 485 days. The Borgland Dolphin and Bideford Dolphin are actively bid to ongoing rig tenders. Moreover, the two semisubmersible CS60 Eco Aker MH rigs are marketed by Dolphin and active in commercial discussions. We remain in active dialogue for future contract awards in the North Sea and Internationally.

### **Financing and Capital Expenditure**

As of 31 March 2023, the company had approximately USD 21.7 million of cash and cash equivalents, including restricted cash amounts of approximately USD 4.2 million. USD 3.0 million of restricted cash relates to a standby letter of credit that supports the importation of the Blackford Dolphin to Nigeria. USD 8.0 million was drawn against the shareholder loan facility in late March to support the start-up activities of the Blackford and support efficient liquidity management through the cross boarder needs of the business.

During the quarter, capital expenditures of approximately USD 6.7 million were recorded, of which USD 5.7 million was directly attributable to the 5-year recertification of Blackford Dolphin. The remaining capex was primarily expenditure for other maintenance capex projects on the Blackford.

### **Contingent Liability**

As reported in the IPO information memorandum, the company is in a legal process with the UK Tax Authorities (HMRC). Following two rulings in favour of the company, HMRC were granted permission to further appeal the rulings by the Court of Appeal. The hearing is expected to take place in December 2023.

### **Strategy and Outlook**

Dolphin Drilling is a leading harsh environment drilling contractor for the offshore oil and gas industry. Dolphin Drilling owns a fleet of three high-technical standard 4th and 5th generation enhanced Aker H3 units, Borgland Dolphin, Blackford Dolphin, and Bideford Dolphin, operated by an experienced team with a strong operational track record. The company has offshore and onshore employees in Norway, Scotland, Brazil and Nigeria.

The company was successfully listed on Euronext growth in 2022, following a capital raise of USD 45 million. The company is well-positioned to secure contracts at attractive levels, benefitting from current market improvements and an attractive positioning in the niche moored semisubmersible market. In addition, the company is positioned to acquire and/or manage two latest generation harsh environment semisubmersibles as well as to manage and operate non-owned rigs provide attractive additional growth opportunities.

## **Accounting Items**

The company prepares its financial records in accordance with International Financial Reporting Standards (IFRS).

The 2022 audited financial statements were approved by the board and published on 25 April 2023.

Significant accounting items, estimates and judgements pertaining to 2023 include:

### Accounting for project cost – recertification of Blackford Dolphin

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. Expenses for normal maintenance and repairs are expensed on an ongoing basis. Expenditure for major replacement and renewal that significantly increase the service life on an asset are capitalised. The capital expenditure incurred on the Blackford Dolphin represent investment towards future economic benefit and a five-year class renewal. Depreciation is being calculated on the spend based on the five-year programme to next upgrade. As result of the class renewal investment the useful life of the Blackford Dolphin has been extended by two years.

### Accounting for project cost – mobilisation of Blackford Dolphin

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

## **Cautionary Statement Regarding Forward Looking Statements**

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

DOLPHIN DRILLING AS  
FIRST QUARTER 2023 REPORT (UNAUDITED)

| DOLPHIN DRILLING AS<br>Income Statement<br>(\$ in millions) | 2023<br>1st Qtr | 2022<br>4th Qtr | 2023<br>YTD   |
|---|-----------------|-----------------|---------------|
| Charter Revenue   | 1.5             | -               | 1.5           |
| Total Other Revenue   | 0.2             | 0.4             | 0.2           |
| <b>Total Revenue</b>  | <b>1.8</b>      | <b>0.4</b>      | <b>1.8</b>    |
| Total Rig Operating Expenses                                | (9.9)           | (6.9)           | (9.9)         |
| Total Project Costs   | (2.7)           | (2.7)           | (2.7)         |
| Total Lay-up Expense  | (2.8)           | (2.6)           | (2.8)         |
| <b>Total Operating Expense</b>                              | <b>(15.4)</b>   | <b>(12.2)</b>   | <b>(15.4)</b> |
| <b>Total G&amp;A</b>  | <b>(3.4)</b>    | <b>(5.8)</b>    | <b>(3.4)</b>  |
| Other   | 0.0             | 0.1             | 0.0           |
| <b>EBITDA</b>   | <b>(17.0)</b>   | <b>(17.6)</b>   | <b>(17.0)</b> |
| D&A   | (2.2)           | (4.6)           | (2.2)         |
| <b>EBIT</b>   | <b>(19.1)</b>   | <b>(22.2)</b>   | <b>(19.1)</b> |
| Net finance (cost) / income                                 | (0.5)           | 1.6             | (0.5)         |
| <b>EBT</b>  | <b>(19.6)</b>   | <b>(20.6)</b>   | <b>(19.6)</b> |
| Taxes   | (0.2)           | (0.5)           | (0.2)         |
| <b>Net Income (Loss)</b>                                    | <b>(19.8)</b>   | <b>(21.1)</b>   | <b>(19.8)</b> |

| Balance Sheet<br>(\$ in Millions)                   | 2023<br>1st Qtr | 2022<br>4th Qtr | 2023<br>YTD  |
|---|-----------------|-----------------|--------------|
| <b>Current Assets:</b>                              |                 |                 |              |
| Unrestricted Cash & Cash Equivalents                | 17.4            | 28.0            | 17.4         |
| Restricted Cash                                     | 4.2             | 7.8             | 4.2          |
| Total Cash  | 21.6            | 35.8            | 21.6         |
| Accounts Receivable                                 | 6.2             | 1.1             | 6.2          |
| Inventory   | 19.8            | 20.3            | 19.8         |
| Other Current Assets                                | 18.6            | 11.3            | 18.6         |
| <b>Total Current Assets</b>                         | <b>66.2</b>     | <b>68.4</b>     | <b>66.2</b>  |
| <b>Non-Current Assets:</b>                          |                 |                 |              |
| Net PP&E  | 66.7            | 62.2            | 66.7         |
| Other Assets  | -               | -               | -            |
| <b>Total Assets</b>                                 | <b>132.9</b>    | <b>130.6</b>    | <b>132.9</b> |
| <b>Current Liabilities</b>                          |                 |                 |              |
| Accounts Payables                                   | 14.2            | 8.8             | 14.2         |
| Accrued Expenses                                    | 7.3             | 12.3            | 7.3          |
| Other Current Liabilities                           | 33.4            | 20.6            | 33.4         |
| <b>Total Current Liabilities</b>                    | <b>54.8</b>     | <b>41.7</b>     | <b>54.8</b>  |
| Other Non Current Liabilities                       | 4.2             | 4.5             | 4.2          |
| Drawdown Facility                                   | 8.0             | -               | 8.0          |
| Term Loan   | (0.0)           | (0.0)           | (0.0)        |
| <b>Total Liabilities</b>                            | <b>67.1</b>     | <b>46.2</b>     | <b>67.1</b>  |
| Shareholders' Equity                                | 65.9            | 84.4            | 65.9         |
| <b>Total Liabilities &amp; Shareholders' Equity</b> | <b>132.9</b>    | <b>130.6</b>    | <b>132.9</b> |

| Statement of Cash Flows<br>(\$ in millions)       | 2023<br>1st Qtr | 2022<br>4th Qtr | 2023<br>YTD   |
|---|-----------------|-----------------|---------------|
| <b>Operating Cash Flows</b>                       |                 |                 |               |
| Net Income  | (19.8)          | (21.1)          | (19.8)        |
| Add-Back: Depreciation and Amortization           | 2.2             | 4.6             | 2.2           |
| Less gain on disposal of assets                   | -               | -               | -             |
| Change in restricted cash                         | 3.6             | (5.5)           | 3.6           |
| Change in Accounts Receivable                     | (5.1)           | (0.3)           | (5.1)         |
| Change in Inventory                               | 0.5             | (0.2)           | 0.5           |
| Change in Other Current Assets                    | (7.3)           | (6.2)           | (7.3)         |
| Change in Other Assets                            | -               | -               | -             |
| Change in Accounts Payable                        | 5.3             | 1.4             | 5.3           |
| Change in Accrued Interest                        | -               | (0.0)           | -             |
| Change in Accrued Expenses                        | (5.0)           | 6.4             | (5.0)         |
| Change in Other Current Liabilities               | 12.8            | 8.8             | 12.8          |
| Change in Non Current Liabilities                 | (0.3)           | 0.4             | (0.3)         |
| <b>Net Change in Working Capital</b>              | <b>4.6</b>      | <b>4.9</b>      | <b>4.6</b>    |
| <b>Cash Flow from Operations</b>                  | <b>(13.1)</b>   | <b>(11.6)</b>   | <b>(13.1)</b> |
| <b>Investing Cash Flows</b>                       |                 |                 |               |
| <b>Cash Flow From Investing</b>                   | <b>(6.7)</b>    | <b>(12.5)</b>   | <b>(6.7)</b>  |
| <b>Free Cash Flow Before Financing Activities</b> | <b>(19.8)</b>   | <b>(24.1)</b>   | <b>(19.8)</b> |
| <b>Financing Cash Flows</b>                       |                 |                 |               |
| <b>Cash Flow from Financing</b>                   | <b>9.3</b>      | <b>(2.6)</b>    | <b>9.3</b>    |
| <b>Net Change in Unrestricted Cash</b>            | <b>(10.5)</b>   | <b>(26.7)</b>   | <b>(10.5)</b> |