Dolphin Drilling

DELIVERING SAFE AND EFFICIENT DRILLING OPERATIONS

ANNUAL REPORT

2022

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

As we are entering a time where access to hydrocarbons is considered of increased importance, particularly for the energy security of the world, Dolphin Drilling is well positioned with 58 years of experience within offshore drilling to be the preferred supplier by being efficient and agile. With a proficient and committed workforce, we are well-prepared to handle a constantly evolving landscape.

Safety and security are at the forefront of our operations, and our topmost priority remains to ensure the well-being and protection of our personnel. In 2022, we had no significant incidents, and we remain committed to achieving our goal of zero injuries and failures as we strongly believe that all such incidents are preventable.

In 2022, we saw a significant shift in demand for drilling units worldwide post the COVID-19 pandemic and a return to higher energy prices. The oil price has remained high throughout the year, and we see an increased rig tender activity for midwater semisubmersible drilling rigs worldwide. Dolphin Drilling aims to centre on a fleet of mid-to-deepwater rigs focused on the standard segment globally, covering both the benign and harsh environment market.

In the first quarter, we finished a drilling campaign for Wellesley Petroleum and PGNiG in Norway with Borgland Dolphin. Additionally, the Blackford Dolphin successfully finalized a drilling campaign for Pemex in Mexico and underwent a Special Periodic Survey in Las Palmas before mobilising to Nigeria to commence its 12-month drilling contract for General Hydrocarbons, at notably improved dayrates. Furthermore, in the first quarter of 2023, we secured a contract with Peak

Petroleum on the neighbouring license in Nigeria. Following the contract awards for Blackford Dolphin, we have shifted our marketing efforts towards Borgland Dolphin and Bideford Dolphin, rigs that will be required to reactivate from the current stacked location in Flekkefjord, Norway. The market experiences an increased demand for rigs, in particular from mature offshore basins that we expect to be revitalised with life extensions and new exploration activities.

Apart from the favourable market situation, our company witnessed several exciting developments in 2022. We shifted to our new premises in Aberdeen, Scotland, after selling our previous building. The new site includes a real-time operations centre to support offshore activities, along with the existing centre in Stavanger, Norway. In October, yet another milestone was achieved as Dolphin Drilling returned with a public listing on Euronext Growth in Norway. The listing was a resounding success, with new capital provided initially by more than 190 investors. The offshore drilling sector is truly a capital-intensive industry and we have set high ambitions for becoming a highly transparent and shareholder-friendly company, offering high share liquidity in the stock.

Given the energy-intensive nature of our offshore operations, we have taken a structured approach to reduce the environmental impact and set targets to continuously improve our energy efficiency. In 2019, we became the first driller to implement the ISO 5001:2018 Energy Management Standard. We were also one of the early movers in implementing the ISO 14001:2015 Standard for Environmental Management.

Dolphin Drilling is committed to reduce our emissions and energy consumption through a variety of measures, such as investing in renewable energy sources, optimising our production processes, and encouraging sustainable behaviour among our employees and customers. We have also published our first sustainability report to remain transparent in our work and contribution to a more sustainable future for all.

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

I'm looking forward to 2023, as I believe it will be another successful year for Dolphin Drilling. It is important to underline the importance of the fantastic teams within the company, the support from business partners, investors, and the trust of our customers. I want to thank everyone involved in making Dolphin Drilling the successful company it has become, and I'm eager to see what the next year brings.

Sincerely,

Bjørnar Iversen
CEO, Dolphin Drilling

Directors' Report

2022 represents the first period of trading of the new 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.

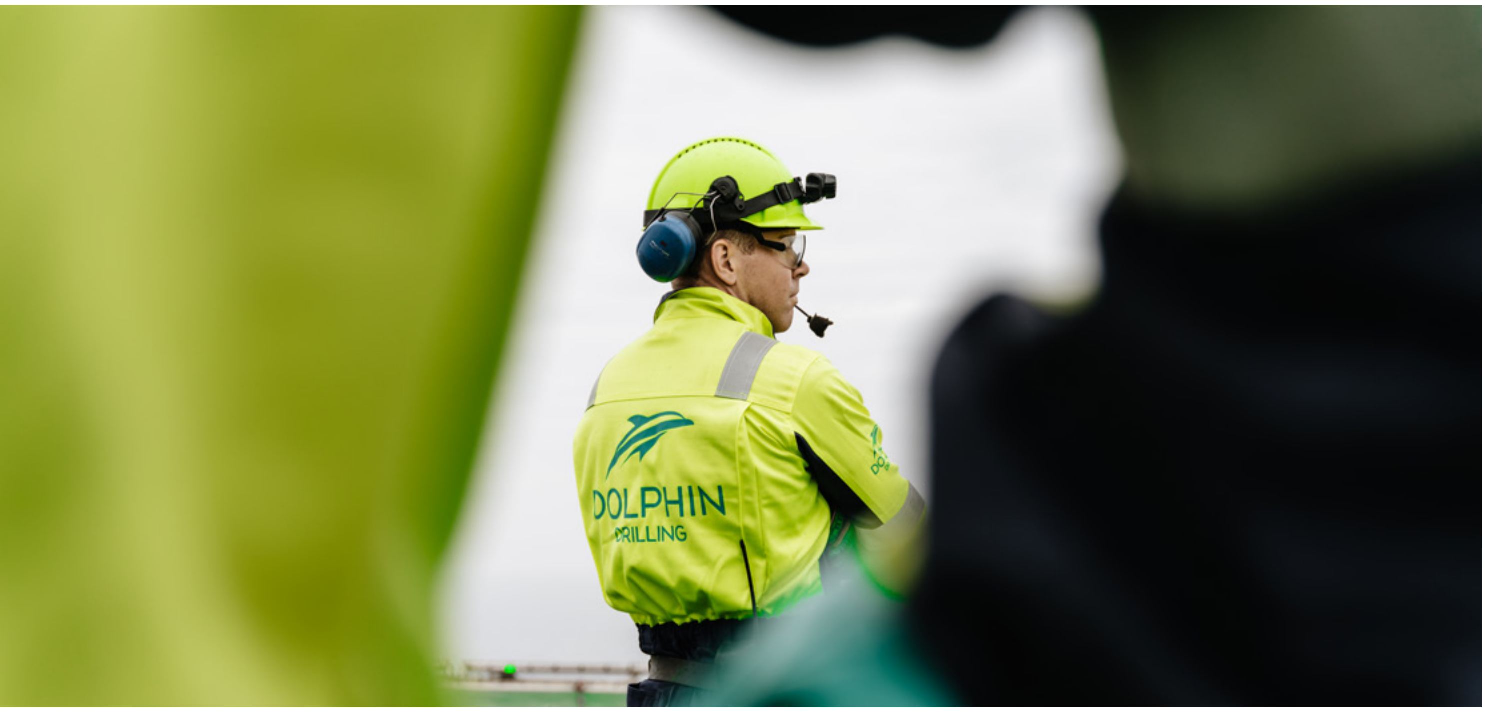
Financial results and dividends

The current Group was formed as further described in note 1 to the Financial Statements below. All information and commentary contained in this report discusses the business performance as if the Group existed in its current form throughout the period in question.

The financial performance of the Group in 2022 represents six months of drilling work and income 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 Loss recorded being a consequence of the reduced activity, with stable administrative expenses vs 2021 and no repeat of the significant impairments that were recorded in the prior year.

The new Group raised USD 45 million in a private placement during the period following investment earlier in the year, under the previous capital structure, of USD 20.6 million, and held cash and cash equivalents of USD 35.8 million at 31st December 2022. These cashflows from investing activities supported cash used in operating activities of USD 18.2 million and investing activities, primarily related to Blackford Dolphin (refer to Business review and market), of USD 14 million.

No dividend is proposed.



Business review and market

Dolphin Drilling AS is the parent company of the Dolphin Drilling Group. The Group owns and operates three Mobile Offshore Drilling Units (MODU's) or "rigs", the Blackford Dolphin, Borgland Dolphin and Bideford Dolphin, all harsh environment semi-submersible drilling units.

The Group had two rigs in operation in the first quarter of 2022. Blackford Dolphin in Mexico until March 2022 and Borgland Dolphin on the Norwegian continental shelf until February 2022.

Blackford Dolphin's contract with Pemex in Mexico expired on 30 March 2022. The rig subsequently obtained a contract with General Hydrocarbons Limited (GHL) in Nigeria for a 12-month period starting in the first quarter of 2023. The contract can be shortened by up to six months at the election of the client, which must be notified within the first 90 days of contract commencement. The rig also received a contract award from Peak Petroleum Industries Nigeria Limited, for a three-well contract (expected 100 - 120 days) starting immediately after GHL. Peak Petroleum holds options on the unit for up to a further one year of drilling operations after the initial period. The Blackford was mobilised from Mexico to Las Palmas for its five-year special periodic survey (SPS) in the fourth quarter of 2022.

The Borgland Dolphin completed operations and has been smart stacked in Norway since the second quarter of 2022.

The Group operates in various geographies around the globe with a historical focus on the North Sea. The North Sea market has been relatively stable from 2022 to 2023, with a total demand of 19 rigs, with a swing between activity levels increasing the UK sector and reducing in the Norwegian sector. Fiscal policies in both countries continue to have an influence over the demand levels, and of project sanctioning and commencement timelines. International markets have also recovered significantly since the lows of 2020 and 2021.

In terms of pricing, we have seen a marked improvement throughout the year. Dayrates achieved in our own contracts, and in those booked by industry peers, for all classes of mobile offshore units, have improved over the year and we expect to see a continued rise in the rate level in particular in the North Sea as more rigs leave the sector.

We have seen a steadily increasing demand for offshore rigs through 2022 and the outlook for the rig owners is very positive. Brent oil prices traded at an average price of USD 100 per barrel in 2022, an increase of 42% from 2021 and 140% from 2020. The price fell to USD 80-85 per barrel at the start of 2023 and market participants expect average prices of between USD 80-100 per barrel for the coming year. After several years of consistently low investment budgets, oil companies have indicated increasing expenditure for 2023 and beyond.

Health, Safety, Environment and Quality Management (HSEEQ)

Maintaining a safe and healthy working environment is critical to Dolphin Drilling and our stakeholders. Safe operations are at the core of our overall approach, and we continuously work to ensure that employees are safe at work.

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 and quality requirements. The system is the basis for the work we do in producing energy in a safe and sustainable manner. It covers all employees in the company and is translated into different languages. Necessary documentation is held electronically within the system database and is available to all Dolphin Drilling employees on the company intranet.

We continuously review the documents in the management system, which include experienced learnings, regulatory and code updates. The system is audited on an annual basis by DNV, an independent expert provider of assurance and risk management, to maintain our certificates. These are as follows:

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

An HSEEQ Program including objectives and corresponding leading and lagging KPIs are developed and used to monitor the HSEEQ status on a continuous basis.

There were zero fatalities from work-related injuries in 2022, and zero high-consequence work-related injuries. Dolphin Drilling registered six first aid cases in 2022, which typically were smaller finger injuries and a twisted ankle. The injuries did not require medical treatment and/or time off from work.

Reducing emissions is a top priority for Dolphin Drilling, given the energy-intensive nature of our offshore operations. Dolphin Drilling is committed to minimising the climate footprint of our industry by combining our experience in energy-efficient operations with the latest technology. We prioritise energy efficiency through digital planning, customised operations and smart energy management, recognising that efficient energy use is crucial for combating climate change and reducing our environmental impact.

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.

An energy management dashboard as part of our ISO 50001 certification allows us to measure fuel consumption and identify opportunities for reducing energy consumption. We did not achieve any reduction in energy consumption through efficiency initiatives in 2022, because the year was spent preparing for 2023 operations. However, we remain committed to continuously improving our energy performance and reducing our environmental impact.

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 2022 the Group employed 143 men and 25 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 3% in 2022.

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, like our annual sustainability reporting which is based on applicable regulatory requirements for our industry.

Dolphin Drilling AS has produced a sustainability report for the 2022 year and a statement on the Norwegian Transparency Act is available on the company website.

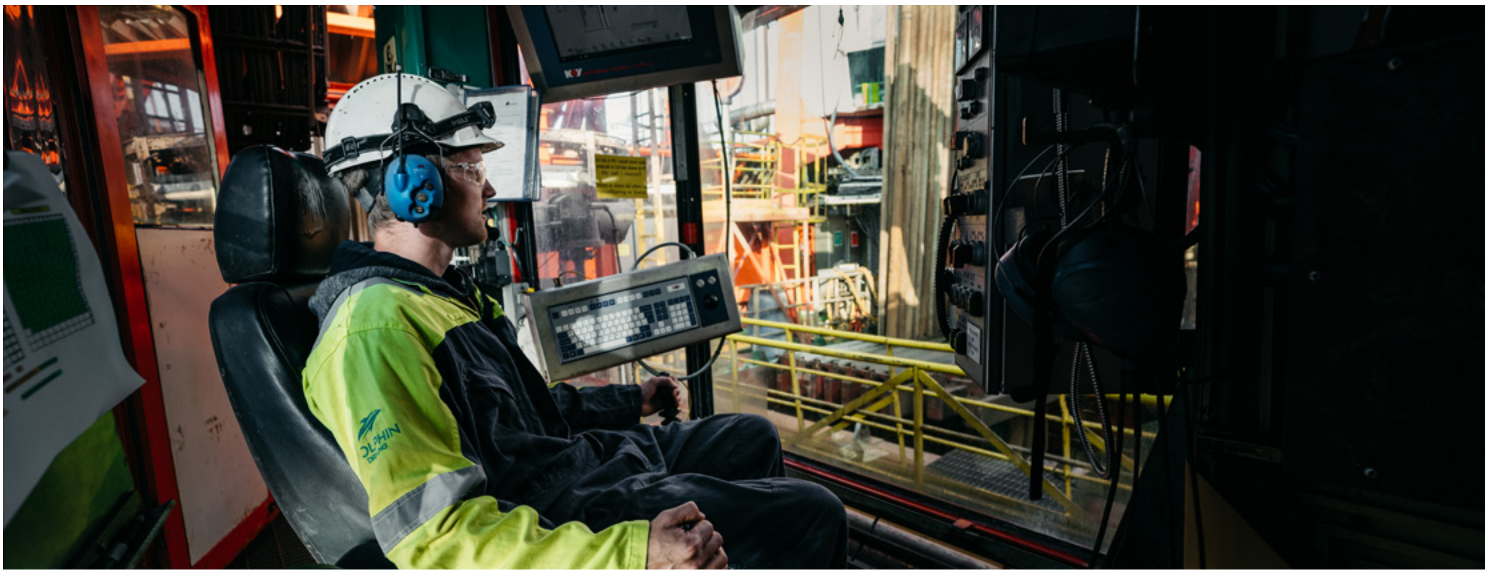
Corporate Governance

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 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 one rig in operation and the remaining two rigs stacked. The directors have considered the future financial performance, backlog and liquidity of the group headed by Dolphin Drilling AS. These financial statements have been prepared on a going concern basis notwithstanding the Group's loss for the year of USD 68.4 million including non-cash items for depreciation and impairment of USD 10.6 million. At the year end, the Group had no external long-term debt and cash at bank of USD 35.8 million including raising a gross USD 65.6 million in equity and being admitted to trading on the Oslo Stock Exchange Euronext Growth.

In the prior year, under parent company Dolphin Drilling Holdings Limited, the Group's strategy required new funding for reactivation costs, class survey for one of the rigs, and to fund operating costs and working capital. In 2022 the Group has secured this investment and capacity for potential future further capital via public markets. The Group's majority shareholders supported this approach and continue as part of the investor group under the reorganised Dolphin Drilling AS group.

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 achieve long-term drilling contract work for all three of the Group's owned rigs in the context of increased oil and gas market activity in 2022-2023 and tightening moored semi-sub rig availability. This objective is principally subject to the risk of securing long-term drilling contracts for two out of three 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.

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, 25 April 2023
Board of Directors Dolphin Drilling AS

Martin Nes Chairman	**Øystein Stray Spetalen** Director	**Alf Ragnar Løvdal** Director
Paul James Marchand Director	**Julius Adrian Kling** Director	**Bjørnar Iversen** CEO

Consolidated Statement of Income

for the years ended 31 December

In thousands of USD	Note	2022	2021*
Revenue	4	**21,005**	120,972
Cost of sales		**(59,658)**	(121,431)
Gross loss		**(38,653)**	(459)
Administrative expenses	5	**(20,906)**	(21,330)
Other expenses	5	**(5,014)**	(53,487)
Other operating income	5	**334**	3,626
Operating loss		**(64,239)**	(71,650)
Interest payable and similar expenses	8	**(3,638)**	(5,180)
Interest receivable and similar income	8	**187**	341
Loss before taxation		**(67,690)**	(76,489)
Taxation	9	**(711)**	(1,411)
Loss for the financial year		**(68,401)**	(77,900)
Earnings per share – basic / diluted		**(1.12)**	(32.1)

** 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 Comprehensive Loss

for the years ended 31 December

In thousands of USD	2022	2021*
Loss for the year	**(68,401)**	(77,900)
Other comprehensive loss		
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on foreign operations	**1,539**	211
Items that will not be reclassified to profit or loss:		
Remeasurement defined benefit pension plan	**(4)**	(247)
Other comprehensive loss for the year, net of income tax	**1,535**	(36)
Total comprehensive loss for the year	**(66,866)**	(77,936)

** 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	2022	2021*
Non-current assets			
Intangible assets	10	**1,974**	2,822
Tangible assets	11	**60,185**	55,613
Deferred tax asset	17	**35**	59
		62,194	58,494
Current assets			
Inventories	12	**20,278**	20,004
Trade and other receivables	13	**12,376**	40,479
Contract assets	13	**-**	5,036
Income taxes receivable		**2,963**	2,932
Cash and cash equivalents	14	**35,751**	23,263
		71,368	91,714
Assets held for sale	23	**-**	1,363
Total assets		**133,562**	151,571
Capital and reserves	19	**84,418**	18,704
Current liabilities			
Trade and other payables	15	**32,091**	39,274
Contract liabilities	15	**11,850**	848
Financial liabilities – loans and borrowings	16	**690**	20,071
		44,631	60,193
Non-current liabilities			
Employee benefits	18	**3,325**	3,856
Financial liabilities – loans and borrowings	16	**1,188**	68,818
		4,513	72,674
Total liabilities		**49,144**	132,867
Total equity and liabilities		**133,562**	151,571

** 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)*

These financial statements were approved by the Board of Directors on 25 April 2023:

Martin Nes
Chairman

Øystein Stray Spetalen
Director

Alf Ragnar Løvdal
Director

Paul James Marchand
Director

Julius Adrian Kling
Director

Bjørnar Iversen
CEO

Consolidated Statement of Changes in Equity

for the years ended 31 December

In thousands of USD	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 31 December 2020*	13	229,460	(3,497)	(139,336)	86,640
Transactions with owners, recorded direct-ly into equity					
Issue of shares	3	9,997	-	-	10,000
	3	9,997	-	-	10,000
Total comprehensive loss for the year					
Loss for the year	-	-	-	(77,900)	(77,900)
Other comprehensive loss	-	-	211	(247)	(36)
	-	-	211	(78,147)	(77,936)
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 Hold-ings 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 loss	-	-	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**

** 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 Cash Flows

for the years ended 31 December

In thousands of USD	Note	2022	2021*
Cash generated from operating activities			
Loss before taxation		**(67,690)**	(76,489)
Adjustments for:			
Depreciation, amortisation and impairment of assets	5	**10,577**	46,898
Impairment of asset held for sale		**-**	700
Net finance costs		**3,451**	4,839
Loss / (gain) on disposal of fixed assets		**727**	(3,500)
Changes in working capital:			
(Increase) / decrease in inventories		**(776)**	18,372
Decrease / (increase) in trade and other receivables		**31,134**	(4,069)
Increase / (decrease) in trade and other payables		**4,893**	(3,839)
		(17,684)	(17,088)
Tax (paid) / refund		**(546)**	(268)
Net cash used in operating activities		**(18,230)**	(17,356)
Cash flows from investing activities			
Purchases of property, plant and equipment	11	**(14,629)**	(11,130)
Purchases of intangible assets		**-**	(2,160)
Proceeds from sale of property, plant and equipment		**674**	3,510
Net cash used in investing activities		**(13,955)**	(9,780)
Cash flows from financing activities			
Issue of new share capital net of related costs		**63,555**	10,000
(Repayment) / draw of borrowings	16	**-**	(6,943)
(Repayment) / draw in receivables factoring arrangements		**(19,497)**	19,650
Payment of liabilities from long term leases		**(348)**	(422)
Net interest paid		**(54)**	(2,382)
Net cash generated from financing activities		**43,656**	19,903
Net change in cash and bank		**11,471**	(7,233)
Effect of changes in exchange rates		**1,017**	478
Cash and cash equivalents opening balance		**23,263**	30,018
Cash and cash equivalents at 31 December		**35,751**	23,263

** 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 2022. 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)

These financial statements have been prepared in accordance with EU-adopted International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations. 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.

Formation of the group

In September 2022, Dolphin Drilling AS (previously known as NHF 220436 AS) entered into an agreement to acquire, directly and indirectly, all shares of Dolphin Drilling Holdings Limited. Under the terms of the agreement Dolphin Drilling AS legally acquired Dolphin Drilling Holdings Limited and subsidiaries and the former shareholders of Dolphin Drilling Holdings Limited became shareholders in Dolphin Drilling AS. As consideration, the former Dolphin Drilling Holdings Limited shareholders received credit notes totalling USD 100,000,000.0796, which were later converted into new shares in the Dolphin Drilling AS.

The continuation of the Dolphin Drilling Holdings executive team in management of the company and that prior to the share exchange Dolphin Drilling AS did not meet the definition of a business, as defined by IFRS3 (Appendix A), the transaction cannot be accounted for as the acquisition of Dolphin Drilling Holdings Limited nor can it be accounted for as the reverse acquisition of Dolphin Drilling AS. The transaction has been accounted for, in the consolidated financial statements of Dolphin Drilling AS, the legal parent, as a continuation of Dolphin Drilling Holdings Limited.

As a result the absence of specific guidance on the matter and that no business combination has occurred, the reorganisation has been presented using the 'equity' of the continuing group recapitalised into the legal parent Dolphin Drilling AS's equity and reserve closing position.

The comparative periods and up to the date of the transaction present the results of Dolphin Drilling Holdings Limited.

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 one rig in operation and the remaining two rigs stacked. The directors have considered the future financial performance, backlog and liquidity of the group headed by Dolphin Drilling AS. These financial statements have been prepared on a going concern basis notwithstanding the Group's loss for the year of USD 68.4 million including non-cash items for depreciation and impairment of USD 10.6 million. At the year end, the Group had no external long-term debt and cash at bank of USD 35.8 million including raising gross USD 65.6 million in equity and being admitted to trading on the Oslo Stock Exchange Euronext Growth.

In the prior year, under parent company Dolphin Drilling Holdings Limited, the Group's strategy required new funding for reactivation costs, class survey for one of the rigs, and to fund operating costs and working capital. In 2022 the Group have secured this investment and capacity for potential future further capital via public markets. The Group's majority shareholders supported this approach and continue as part of the investor group under the reorganised Dolphin Drilling AS group.

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 achieve long-term drilling contract work for all three of the Group's owned rigs in the context of increased oil and gas market activity in 2022-2023 and tightening moored semi-sub rig availability. This objective is principally subject to the risk of securing long term drilling contracts for two out of three 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 to 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 beginning of 2021, the remaining useful life of the Dolphin Blackford rig was extended to 10 years (previously five years), the effect of this was to reduce depreciation per month by USD 0.5 million. This longer useful life requires a further five year class renewal survey is completed during this period. At the end of 2022, the remaining useful life of the Dolphin Blackford rig was extended with two years as a result of five year class renewal survey performed at the end of 2022. The effect of this will reduce depreciation in the future year by USD 1.2 million. At 31 December 2021 the Group recorded an impairment charge relating to the Borgland and Bideford rigs. 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.

2.2 Impairment indicators and recoverable amount of rigs

The global market for floating oil and gas drilling units has been challenging in recent years, the coronavirus Covid- 19 global pandemic and geopolitical events including the Russian invasion of Ukraine have had a significant impact on the macro-economic environment and global economy. 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.

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.

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.

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, including those determined in favour of the Group and subject to appeal, are disclosed in note 9.

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.

3 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.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

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 (other than derivatives designated as hedging instruments) 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 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.

Financial liabilities and equity
Financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

a. they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

b. where the instrument will or may be settled in the group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the group's own equity instruments or is a derivative that will be settled by the group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also 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
- Motor vehicles: 3 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 Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

IT software (Enterprise Resource Planning) - 5 years

3.6 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.

3.7 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.

3.8 Employee benefits

Defined contribution and defined benefit plans

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plans are accounted for in accordance with International Accounting Standard (IAS) 19. Pension obligations are calculated by actuarial accounting based on earnings, economic and demographic assumptions. Pension assets are measured at fair value. Net pension liabilities consist of gross pensions liabilities less the fair value of pension funds. Net pension costs, which are gross pension costs less estimated return on pension assets, are classified as ordinary operating expenses and are presented together with salaries and other benefits.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.9 Provisions

A provision is recognised in the statement of financial position when the group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

3.10 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 lease contracts
The group recognises revenue from lease arrangements on a systematic basis based on the benefits received from the leased assets. In the case of rigs the lease income is generally recognised on a straight line basis over the lease term. In cases where the consideration covers a general upgrade of a unit or equipment, which increases the value of the unit or equipment beyond the contract period, the consideration is recognised as revenue over the contract period, whereas the investment is depreciated over the remaining lifetime of the asset. In cases where the consideration covers specific upgrades or equipment specific to the contract, the consideration is recognised as revenue over the estimated contract period. The related investment is depreciated over the estimated contract period.

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.

3.11 Financial income and expense

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

3.12 Share capital

The company has one class of ordinary shares that are classified as equity with a par value of Norwegian Kroner (NOK) 10.

3.13 Leases

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. A single model for all leases is employed with the exception of leases for low-value assets or for periods of twelve months or less which are expensed to the income statement. The single model requires lessees to recognise most leases within the consolidated statement of financial position as lease liabilities. A corresponding right-of-use asset is recognised which represents the contractual right to use the leased asset for a period of time.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise,
- lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The group applies the exemption for leases of 'low-value' assets and short-term leases, recognising a cost of rental in the income statement in the year it occurs.

3.14 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.

3.15 Non-current assets held for sale

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

3.16 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	2022	2021
Operating revenues by geographical location		
Norway	**7,241**	57,856
Mexico	**13,764**	63,116
Total operating revenues	**21,005**	120,972

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

In thousands of USD	2022	2021
Operating revenues by major customers (>10% of revenues)		
Mexico	**13,764**	62,835
Norway	**7,618**	-
Norway	**-**	31,889
Norway	**-**	16,224
Segment assets were based on the geographic location of the assets		
Total assets by geographical location		
Norway	**61,292**	58,214
UK	**867**	221

Segment assets were based on the geographic location of the assets

In thousands of USD	2022	2021
Total assets by geographical location		
Norway	**61,292**	58,214
UK	**867**	221

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

In thousands of USD	2022	2021
Receivables	**1,066**	25,194
Contract assets / accrued income	**-**	5,036
Contract liabilities / deferred income	**(11,850)**	(848)

The contract assets in the prior year primarily relate to the group's rights to consideration for work completed but not billed at the reporting date for drilling services. The contract assets are transferred to receivables when the rights become unconditional. Contract liabilities are related to the advance consideration received from customers.

5 Operating loss

In thousands of USD	2022	2021
Operating loss is stated after charging / (crediting):		
Depreciation tangible fixed assets – owned	**8,529**	13,440
Depreciation tangible fixed assets – leased	**469**	418
Amortisation of intangible assets	**562**	263
Loss on foreign exchange	**1,174**	26
Loss / (gain) on sale of tangible and intangible assets	**727**	(3,626)
Impairment of tangible assets	**653**	32,777
Impairment of inventories	**211**	18,375
Impairment of assets held for sale	**153**	700
Cost related to short term leases and low value assets	**78**	151

Other 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 2022 and 2021, 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	2022	2021
Legal and professional costs	**3,270**	1,635
Impairment of tangible assets	**653**	32,777
Impairment of inventories	**211**	18,375
Impairment of assets held for sale	**153**	700
Loss on sale of tangible assets	**727**	-
	5,014	53,487

6 Auditor's remuneration

Services provided by the group's auditors and member firms:

In thousands of USD	2022	2021
Audit fee, including that of subsidiary undertakings	**406**	397
Tax advisory services	**-**	31
Other tax advisory services	**75**	44
	481	472

7 Employee benefits and management remuneration

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

In thousands of USD	2022	2021
Average number of people employed during the year	**262**	299

The aggregate payroll costs of these persons were as follows:

In thousands of USD	2022	2021
Wages and salaries	**27,459**	44,272
Social security costs	**4,056**	5,233
Retirement benefit expense	**2,271**	3,734
	33,786	53,239

In 2022 the Board of Director's did not receive remuneration for their services provided in role as directors of the company; one Non-Executive Director received payment for services to a subsidiary of the company for services as an 'Advisor to the Board' of that subsidiary.

8 Net finance expense

In thousands of USD	2022	2021
Interest payable and similar expenses		
Interest on loans and borrowings	**2,331**	5,111
Finance charges on lease	**77**	69
Other financial expenses	**1,230**	-
	3,638	5,180
Interest receivable and similar income		
Other net financial income	**(187)**	(341)
	3,451	4,839

9 Taxation

Recognised in the income statement

In thousands of USD	2022	2021
Current tax:		
Norway tax on income for the year	**42**	47
Foreign tax on income for the year	**622**	919
Adjustment relating to prior year	**29**	6
Total current tax charge	**693**	972
Deferred tax:		
Origination and reversal of temporary differences	**18**	439
Total deferred income tax	**18**	439
Total tax expense	**711**	1,411

The standard rate of current tax for the year, based on the Norway standard rate of corporation tax, is 22% (2021: UK 19%).

Factors affecting the tax expense for the year

The tax assessed for the year differs from the Norway statutory rate of corporation tax (PY: UK). The differences are explained below:

In thousands of USD	2022	2021
Loss for the year	**(67,690)**	(76,489)
Tax at statutory rate of corporation tax in Norway 22% (PY UK 19%)	**(14,892)**	(14,533)
Effects of:		
Non-deductible expenses	**4,149**	9,993
Difference in foreign tax rates	**1,532**	(756)
Foreign tax suffered	**46**	919
Tax exempt losses	**2,763**	259
Prior year adjustment	**(8)**	6
Deferred tax asset not recognised	**7,121**	5,523
Total tax expense	**711**	1,411

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. The Group successfully defended its position at the First Tier Tribunal in September 2020 and at further appeal in August 2022. HMRC have been granted a further appeal to this ruling. Based on professional advice it has received and the finding in its favour on both occasions to date, the group continue to believe that no further tax liability will arise.

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 December 2020	-
Additions	2,160
Reclassification from tangible assets	950
Exchange movement	(31)
Balance at 31 December 2021	3,079
Exchange movement	(297)
Balance at 31 December 2022	2,782
Depreciation and impairment	
Balance at 31 December 2020	-
Depreciation charge for the year	263
Exchange movement	(6)
Balance at 31 December 2021	257
Depreciation charge for the year	562
Exchange movement	(11)
Balance at 31 December 2022	808
Net book value	
At 31 December 2022	1,974
At 31 December 2021	2,822

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	Motor Vehicles	Total
Cost					
Balance at 31 December 2020	**141,063**	**2,281**	**1,060**	**90**	**144,494**
Additions	11,115	15	-	-	11,130
Disposals	-	(10)	-	(1)	(11)
Reclassification	-	(861)	-	(89)	(950)
Exchange movement	(70)	(302)	(34)	-	(406)
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**
Depreciation and impairment					
Balance at 31 December 2020	**51,774**	**805**	**132**	**18**	**52,729**
Depreciation charge for the year	13,523	160	175	-	13,858
Impairment	32,777	-	-	-	32,777
Disposals	-	-	-	(1)	(1)
Reclassification	-	17	-	(17)	-
Exchange movement	(468)	(243)	(8)	-	(719)
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**
Net book value					
At 31 December 2022	**58,759**	**75**	**1,351**	**-**	**60,185**
At 31 December 2021	54,502	384	727	-	55,613

Fixed assets are assessed for impairment at least annually. An impairment indicator was identified at 31 December 2022 due to continuing volatility in the industry. There was no evidence to support further or reversal of prior year impairment provision against stacked rigs. The value in use of the Blackford rig cash generating unit includes forecast revenues for 2023 which are currently contracted (including some secured post year end, refer to note 27) 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 21.5%. An increase in the discount rate of 5%, reduction in base case charter revenue pricing by 5% or base case operating cost increase of 7.5% (all other factors remaining unchanged) would not result in an impairment charge at 31 December 2022.

In the prior year, an impairment indicator was identified as a result of the volatility of oil prices in the year, caused in part by the macro-economic impact of the Covid-19 pandemic and geo-political events. The directors assessed the recoverable amount of each of three rig cash generating units, including related inventory, using forecast post-tax discounted cash flows for terms up to seven years. The cost of major overhauls necessary for rigs to operate during the forecast period have been included. A discount rate of 19% was used.

At 31 December 2021, the Group recorded an impairment charge of USD 32.8 million relating to the Borgland and Bideford rig cash generating units. The recoverable amount at 31 December 2021 and 2022 was USD 7.5 million and USD 5.5 million respectively. An inventory provision of USD 18.4 million was also recorded relating to all rigs (note 12).

Tangible fixed assets includes right of use assets with a net book value of USD 1.7 million (2021: USD 1.4 million). These relate to land and buildings and lifeboats on drilling vessels. The cash flow statement includes total cash outflows of USD 348k (2021: USD 422k) relating to leases.

12 Inventories

In thousands of USD	2022	2021
Spare parts	**38,864**	38,379
Less: provision for impairment	**(18,586)**	(18,375)
	20,278	20,004

13 Trade and other receivables and contract assets

In thousands of USD	2022	2021
Trade debtors	**1,066**	25,194
Contract assets	**-**	5,036
	1,066	30,230
Prepayments and other receivables	**10,468**	15,285
VAT receivable	**842**	-
	12,376	45,515

At 31 December 2022 and 31 December 2021 the allowance for credit impairment in respect of all trade and other receivables was estimated at USD nil based on the ageing and risk profile of all debtors.

14 Cash and cash equivalents

In thousands of USD	2022	2021
Cash at bank and in hand	**35,751**	23,263

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 4.55%. Cash at bank and in hand includes USD 7.8 million which is not immediately available for general business use.

15 Trade and other payables and contract liabilities

In thousands of USD	2022	2021
Trade creditors	**8,849**	14,546
Other taxes and social security	**1,684**	1,839
VAT payable	**-**	654
Accruals	**21,558**	22,235
	32,091	39,274
Contract liabilities	**11,850**	848
	43,941	40,122

16 Loans and borrowings

In thousands of USD	2022	2021
Non-current borrowings (falling due within two to five years):		
Lease liabilities	**1,188**	761
Term loan facility	**-**	23,057
Revolving credit facility	**-**	45,000
Current borrowings:		
Receivables factoring liability	**153**	19,650
Lease liabilities	**537**	421
	1,878	88,889

a) Term loan facility and revolving credit facility
In 2022, the USD 23 million term loan and USD 45 million revolving credit facility reported in the prior year has been extinguished in full by means of a debt for equity swap.

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 2022, amounts outstanding in 2021 were repaid to the factor. A contractual facility fee remains outstanding.

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 31,826k (2021: USD 38,774k), tax losses of USD 118,649k (2021: USD 109,311k) and interest restriction of USD 2,087k (2021: USD 1,586k).

The group also has a deferred tax asset in relation to Norwegian unused tax losses of USD 116,116k (2021: USD 102,519k), Norwegian interest restriction of USD 3,023k (2021: USD 3,379k) and deductible temporary differences of USD 4,237k (2021: USD 4,610k). The group has a deferred tax asset in relation to Norwegian accelerated capital allowances of USD 5,743k (2021: liability USD 764k).

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. These assets will not expire. The group recognises a deferred tax asset of USD 35k which arises as a result of the defined benefit pension plan.

In thousands of USD	At 1 January 2022	Recognised in income statement	Recognised in equity	Acquired in business combination	Foreign exchange movement	At 31 December 2022
Employee benefits	59	(24)	-	-	-	35

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 1,898k. There were no outstanding or prepaid contributions at either the end of the 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 176k in contributions to its defined benefit plans in 2023.

In thousands of USD	2022	2021
Net defined benefit liability	**3,325**	3,856
Total employee benefit liability	**3,325**	3,856

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 2021	**3,856**	-	**3,856**
Impact of foreign exchange rate revaluation	**(407)**	-	**(407)**
Included in the income statement:			
Interest cost / income	**64**	-	**64**
Included in other comprehensive loss:			
Actuarial gain / loss	**4**	-	**4**
Contributions paid by the employer:			
Benefits paid	**(192)**	-	**(192)**
Balance at 31 December 2022	**3,325**	-	**3,325**

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

	2022	2021
Assumed salary growth	**0%**	0%
Discount rate	**3.00%**	1.9%
Interest rate	**3.00%**	1.9%
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	2022	2021
Allotted, called up and fully paid of Dolphin Drilling AS (PY: Dolphin Drilling Holding Ltd)		
Issued: 124,318,899 ordinary shares of NOK10 each (2021: 12,742 - GBP 1 each)	**124,740**	16
Share premium of Dolphin Drilling AS (PY: Dolphin Drilling Holding Ltd)		
Arising during the year	**18,207**	239,457

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

**Transaction costs of USD 2 million have been deducted from equity related to the new share issue raising gross USD 45 million.*

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.

	2022	2021
Net (loss)	**(68,401)**	(77,900)
Weighted average number of outstanding shares	**61,190,165**	2,426,642
Basic earnings per share*	**(1.12)**	(32.1)
Weighted average number of outstanding shares	**61,190,165**	2,426,642
Diluted earnings per share*	**(1.12)**	(32.1)

** 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 current and prior year has been presented/restated based on Dolphin Drilling AS's number of shares.*

21 Largest shareholders as at 31 December 2022

	No of Shares	Percentage
STRATEGIC VALUE PARTNERS	43,215,400	34.8 %
S.D. STANDARD ETC PLC	31,596,400	25.4 %
CLEARSTREAM BANKING S.A.	5,443,611	4.4 %
VERDIPAPIRFONDET DNB SMB	3,042,562	2.4 %
Euroclear Bank S.A./N.V.	2,785,401	2.2 %
SONGA CAPITAL AS	2,750,133	2.2 %
Skandinaviska Enskilda Banken AB	2,643,163	2.1 %
FERNCLIFF TIH AS	2,572,116	2.1 %
DNB Markets Aksjehandel/-analyse	1,880,177	1.5 %
Goldman Sachs & Co. LLC	1,868,694	1.5 %
CARBON TRANSITION INVESTMENT AS	1,714,568	1.4 %
CAPITAL MARITIME & TRADING CORP	1,500,401	1.2 %
TIGERSTADEN AS	1,500,000	1.2 %
The Bank of New York Mellon SA/NV	1,461,359	1.2 %
Danske Invest Norge Vekst	1,457,532	1.2 %
MUSTANG CAPITAL AS	960,000	0.8 %
TITAN VENTURE AS	857,372	0.7 %
GM CAPITAL AS	801,236	0.6 %
Apollo Asset Limited	700,000	0.6 %
MOSVOLD RUUD-PEDERSEN AS	624,539	0.5 %
Total 20 largest shareholders/groups of shareholder	**109,374,664**	**88.0%**
Total number of shares	**124,318,899**	**100.0%**

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 of USD	US Dollar	Norwegian Kroner	Great British Pound	Mexican	Percentage
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)**	**(2,802)**	**(1,114)**
31 December 2021					
Cash and bank in hand	701	264	158	28,103	116
Trade receivables	3,924	7,857	75	100	-
Loans receivable	-	76,750	3,930	-	-
Trade creditors	(6,252)	(96,813)	(1,995)	(9,025)	(200)
Loans payable	(1,500)	(3,930)	-	-	-
Net statement of financial position exposure	(3,127)	(15,873)	2,168	19,178	(84)

At 31 December 2022, if the USD had strengthened by 5% against NOK, post tax loss of the group would have decreased by USD 1,632k. At 31 December 2022, if the USD had strengthened by 1% against NOK, post tax loss of the group would have decreased by USD 330k.

Interest rate risk – The group was previously exposed to interest rate risk on its interest-bearing borrowings. This debt was 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 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. Third party receivables out with terms were USD 180k at year end (PY: USD 10,349k). The group's policy is to deposit cash at institutions with an acceptable credit rating. All cash held on deposit at 31 December 2022 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	2022	2021
Contract assets	-	5,036
Trade debtors	**1,066**	25,194
Cash and bank in hand	**35,751**	23,263

Liquidity risk

The group actively seeks to maintain a mixture of long-term and short-term committed facilities that are designed to ensure that the group has sufficient available funds for operations. At 31 December 2022, the group had extinguished its previous long-term debt arrangement by virtue of an equity swap. At the statement of financial position date the group had no undrawn borrowing facilities. The Group has retained its factoring arrangement which, subject to certain conditions, allows acceleration of receivables for short-term working capital requirements. In addition, post year end (refer to note 27) the group secured debt support to May 2024 in a USD 15 million revolving facility from majority shareholders to further support managing operating cost. The group is exposed 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. Equally the group benefits from the flexibility of its current arrangements and lack of commitments to review the options available in the market.

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 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**	**-**
31 December 2022						
Trade payable and other payables	38,620	38,620	38,620	**–**	–	**–**
Loans	68,057	69,190	69,190	**–**	–	**–**
Lease liabilities	1,182	1,374	419	**419**	536	**–**
Receivables factoring liability*	19,650	20,190	20,190	**–**	–	**–**
	127,509	**129,374**	**128,419**	**419**	**536**	**–**

**Reflects the net balance owed to the factor balance as at 31 December 2021 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 594k (PY: USD 419k) matures evenly on a quarterly basis within one year. In the prior year the loan liability was classified as due within one year as it was extinguished in full post year end.*

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 (extinguished in the year), 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 2022	(19,650)	(68,057)	(1,183)	**(88,890)**	23,263	**(65,627)**
Cash flows	19,497	-	348	**19,845**	11,471	**31,316**
Other non-cash changes	-	68,057	(890)	**67,167**	-	**67,167**
Recognition of movements in foreign exchange	-	-	-	**-**	1,017	**1,017**
Balance as at 31 December 2022	**(153)**	**-**	**(1,725)**	**(1,878)**	**35,751**	**33,873**

23 Assets held for sale

In November 2020, management committed to a plan to sell a facility of one of the group subsidiaries. During 2022, the facility was sold and disposed.

In thousands of USD	2022	2021
Asset held for sale	-	1,363

24 Commitments

At 31 December 2022, the group held capital commitments of USD 9.4 million (2021: USD 1.9 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 top co 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 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 SVP in the year. Purchase of services, in respect of reimbursable expenses, were incurred and paid during the year to 31 December 2022 USD nil (2021 USD nil).

At the 31 December 2021 SVP participated in the external debt agreement held by the group which was converted to equity in May 2022. The total movement in this facility is noted below:

In thousands of USD	2022	2021
Opening / Advanced during the year – Term Loan	**23,057**	30,000
Opening / Advanced during the year – Revolving Credit Loan	**45,000**	45,000
Conversion to equity / borrowings repaid	**(68,057)**	(6,943)
Interest charged	**904**	2,600
Interest paid	**(164)**	(2,552)
At 31 December	**-**	68,105

In 2021, by virtue of common control by SVP, the Dolphin Drilling Holdings Limited group has a related party relationship from trading transactions with Bolette Holdco Limited and subsidiaries. The Bolette Holdco Limited group was dissolved in the period. All transactions in the year are described below:

In thousands of USD	2022	2021
Sale of services	**-**	4,269
Closing Accounts receivable balance	**-**	-

Key management

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

	2022
CEO	**477,048**
CFO	**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
Blackford Mexico S. R.L. de C.V.	Mexico	Bosque de Ciruelos 180 PP Col. Bosques de las Lomas, CP 11700, CDMX	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 is are intermediary investment and financing companies.

27 Subsequent events

Post year end a subsidiary of Dolphin Drilling AS signed a contract for further drilling operations for up to 16 months in Nigeria with Peak Petroleum Industries Nigeria Limited for the Blackford rig.

Furthermore in March 2023, the group's largest shareholders Strategic Value Partners and S.D. Standard ETC PLC committed to provide the parent company a revolving credit facility of USD 15 million for a term out to May 2024.

Parent Company Accounts

as at and for the 9 month period ended 31 December 2022

Company Income Statement

for the period to 31 December 2022

In thousands of USD	Note	2022
Other Income	2	**4,341**
Administrative expenses		**(4,974)**
Operating loss		**(633)**
Interest payable and similar expenses	3	**(1)**
Loss before taxation		**(634)**
Taxation		**-**
Loss for the financial year	4	**(634)**
Allocation of net loss		
To retained earnings		**(634)**
Total		**(634)**

Company Statement of Financial Position

at 31 December 2022

In thousands of USD	Note	2022
Non-current assets		
Investments in subsidiaries	5	**1,341,636**
		1,341,636
Current assets		
Trade and other receivables	6	**4,870**
Loan to subsidiaries	7	**59,144**
Cash and cash equivalents	8	**21,513**
		85,527
Total assets		**1,427,163**
Capital and reserves		
Called up share capital		
Share premium		**1,243,189**
Reserves		**179,833**
		(634)
		1,422,388
Current liabilities		
Trade and other payables	9	**4,775**
		4,775
Total equity and liabilities		**1,427,163**

These financial statements were approved by the Board of Directors on 25 April 2023:

Martin Nes
Chairman

Øystein Stray Spetalen
Director

Alf Ragnar Løvdal
Director

Paul James Marchand
Director

Julius Adrian Kling
Director

Bjørnar Iversen
CEO

Company Statement of Changes in Equity

for the period 1 April 2022 to 31 December 2022

In thousands of USD	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 year					
Loss for the year	-	-	-	(634)	(634)
	-	-	-	(634)	(634)
Balance at 31 December 2022	**1,243,189**	**179,833**	**-**	**(634)**	**1,422,388**

Company Statement of Cash Flows

for the period 1 April 2022 to 31 December 2022

In thousands of USD	For the period ended 31 December 2022
Cash generated from operating activities	
Loss before taxation	(634)
Adjustments for:	
Net finance costs	1
Changes in working capital:	
(Increase) in trade and other receivables	(4,870)
Increase in trade and other payables	4,774
	(729)
Tax (paid) / refund	-
Net cash used in operating activities	(729)
Cash flows from investing activities	
(Increase) in loan to subsidiaries	(59,144)
Capital (increase) in subsidiaries	(345,006)
Net cash used in investing activities	(404,150)
Cash flows from financing activities	
Issue of new share capital	426,392
Net cash generated from financing activities	426,392
Net change in cash and bank	21,513
Cash and cash equivalents opening balance	-
Cash and cash equivalents at 31 December	21,513

Notes to the financial statements

at 31 December 2022

1 Accounting policies

The financial statements are as at, and for the nine-month period ended 31 December 2022.

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 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.

Formation of the group
In September 2022, Dolphin Drilling AS (previously known as NHF 220436 AS) entered into an agreement to acquire, directly and indirectly, all shares of Dolphin Drilling Holdings Limited. Under the terms of the agreement Dolphin Drilling AS legally acquired Dolphin Drilling Holdings Limited and subsidiaries and the former shareholders of Dolphin Drilling Holdings Limited became shareholders in Dolphin Drilling AS. As consideration, the former Dolphin Drilling Holdings Limited shareholders received credit notes totalling USD 100,000,000.0796, which were later converted into new shares in the Dolphin Drilling AS. Dolphin Drilling AS is now the legal parent of the Dolphin Drilling group.

IAS 27.13 describes that the cost of the investment, when a parent reorganises the group by establishing a new entity as its parent, as the carrying amount of its share of the 'equity items' shown in the separate financial statements of the original parent at the date of the reorganisation. In accordance with IAS 27.13 Dolphin Drilling AS records its investment in Dolphin Drilling Holdings Limited as i) share capital issued 85,734,200 @ NOK 10 of NOK 857,342,000; ii) share premium of NOK 139,288,001 and iii) no resulting adjustment to equity as the value of total equity is equal to the carrying amount of the investment acquired.

2 Operating loss

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

3 Finance expense

In thousands of USD	2022
Interest payable and similar expenses	
Other financial expenses	**1**

4 Taxation

Recognised in the income statement

In thousands of USD	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

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

In thousands of USD	2022
Loss for the year	**(634)**
Tax at statutory rate of corporation tax in Norway 22%	**(139)**
Effects of:	
Non-deductible expenses	-
Difference in foreign tax rates	-
Depreciation not qualifying	-
Foreign tax suffered	-
Tax exempt losses	-
Deferred tax not recognised	**139**
Total tax expense	-

5 Shares in subsidiaries

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

6 Trade and other receivables

In thousands of USD	2022
Intercompany debtors	**4,870**

7 Loan to subsidiaries

In thousands of USD	2022
Loan to subsidiaries	**59,144**

8 Cash and cash equivalents

In thousands of USD	2022
Cash at bank and in hand	**21,513**

9 Trade and other payables

In thousands of USD	2022
Intercompany creditors	**1,122**
Other taxes and social security	**(30)**
Accruals and deferred income	**3,683**
	4,775

10 Share capital and share premium

In thousands of USD	2022
Allotted, called up and fully paid of Dolphin Drilling AS	**1,243,188**
Share premium of Dolphin Drilling AS	**179,833**

The following table shows the development in the company's share capital from the date of its incorporation on 1 April 2022:

Date of registration	Type of change	Change in share capital	Nominal value (NOK)	New number of shares
April 2022	Incorporation	30,000	10.00	3,000
September 2022	Reorganisation share-swap	857,342,000	10.00	85,737,200
September 2022*	Issuance of new shares in the private placement	385,816,990	10.00	124,318,899

**Transaction costs of 22.1 million NOK have been deducted from equity related to the new share issue raising gross USD 45 million.*

11 Financial instruments

Market risk

Foreign exchange risk – The company has reports net assets which are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations 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 of USD	US Dollar	Total
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 and price risk – The group is not exposed to any significant interest rate and price risk in relation to its financial instruments.

Credit risk

The company's credit risk relates to intercompany debtors. The company's policy is to deposit cash at institutions with an acceptable credit rating. All cash held on deposit at 31 December 2022 was held with such institutions.

In thousands of USD	2022
Cash and bank in hand	**21,513**
Intercompany debtors	**4,870**

At 31 December 2022 the allowance for credit impairment in respect of all trade and other receivables was estimated at USD 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 USD	Carrying amount	Contractual cash flow	Less than one year*	1 to 2 years	2 to 5 years	Greater than 5 years
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.

12 Related party transactions

In thousands of NOK	2022
Year-end current balances	
Dolphin Drilling Offshore AS – receivables	**1,612**
Dolphin Drilling Ltd - receivables	**3,258**
Dolphin Drilling Fleetco Ltd – loan	**59,144**
Dolphin Drilling Offshore AS – payables	**(1,122)**

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

13 Subsequent events

Subsequent to the year end, the group's largest shareholders Strategic Value Partners and S.D. Standard ETC PLC committed to provide the parent company a revolving credit facility of USD 15 million for a term out to May 2024.

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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 at 31 December 2022, 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 policies, and

- the consolidated financial statements of Dolphin Drilling AS and its subsidiaries (the Group), which comprise Consolidated Statement of Financial Position as at 31 December 2022, 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 a summary of significant accounting policies.

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 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting 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 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting 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 and 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 and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or 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 International Financial Reporting 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, April 2023
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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