

Preliminary earnings release

Q4 2023



DOLPHIN DRILLING AS

Preliminary Fourth Quarter and Twelve Months 2023 Results

Oslo, Norway, 26 February, 2024.

Dolphin Drilling AS (Dolphin Drilling, OSE: DDRIL) today announced its preliminary financial results for the three and twelve months ended 31 December, 2023.

Q4 2023 highlights and subsequent events

- Reported net profit for Q4 2023 was USD 15.7 million, or USD 0.07 per share, adjusting for the reversal of impairments net loss was USD 0.03 per share¹.
- Total revenue backlog at USD 1.1bn at the time of reporting including USD 480 million in firm contracts (including mob fees, SPS contributions and other services) and USD 634 million in options and LOI's. The company has since its Euronext Growth listing grown the backlog by more than USD 1.0 billion
- Successful closing of rig acquisition of Paul B. Loyd, Jr. and Leader in February 2024. The rigs were purchased for USD 50 million and subsequent contract negotiations extended EBITDA backlog to an estimated USD 150 million for the Paul B. Loyd, Jr
- Signed one contract and one LOI for Borgland Dolphin for operations in the UK representing minimum 637 days with a total revenue backlog in excess of USD 150 million including reactivation and mobilisation contributions. The contracts include options which can extend the total backlog to 3.5 years
- Signed Letter of Award with Oil India for a minimum 14-month drilling campaign in India equivalent to revenue backlog of USD 156 million including other services
- EBITDA of USD 2.8 million in Q4 2023 (USD 4.6 million in Q3)
- Our client General Hydrocarbons Limited (GHL) has paid USD 5.5 million in 3 instalments since release of Q3 report (USD 0.5 million prior to the end of 2023 and the remainder in 2024). GHL remains significantly overdue in its payment obligations, and as of end of Q4 2023 outstanding amounts net USD 37.8 million (after netting, advances, withholding tax and VAT). As at reporting date the position has increased to USD 46.0 million, this includes billings to end January less payments received in January and February. Ongoing discussions with the client continue in efforts to resolve the situation
- Following two successful appeals defending the company's position in the First-tier tax tribunal in November 2020, and against HMRC's appeal to the upper tribunal in August 2022, a judgement handed down by the Court of Appeal on 11 January 2024 has found in favour of HRMC. Dolphin Drilling submitted application to appeal to the Supreme Courts on 07 February 2024 and awaits a formal ruling
- Secured a USD 65 million Loan Facility with Maritime Asset Partners Ltd, closed in February 2024 providing extra cash liquidity in addition to financing of Paul B. Loyd, Jr. rig acquisition
- Shareholder Loan – agreement has been reached with existing lenders to extend the loan by 12 months under materially the same terms
- The Total Recordable Incident Rate for the Blackford Dolphin operation was zero during the quarter

¹ Calculation based on 219,890,099 shares

Financial review

The company reported total revenues of USD 23.6 million in the fourth quarter of 2023, compared to USD 24.2 million in the previous quarter. The revenues reflect reduced earnings achieved on the Blackford Dolphin due to standby status of the rig for a large part of the quarter reducing revenue efficiency to 95.3%. Total revenues include other revenues of USD 3.2 million being the amortisation of mobilisation fees received from and other cost recharges to the client.

In the fourth quarter the company had total rig operating expenses of USD 12.6 million, slightly above previous quarter by USD 0.1 million. Main driver of the small increase was driven by maintaining the mooring spread for Borgland Dolphin. The total combined daily lay-up expenses for Borgland and Bideford were USD 31,000 (USD 29,000 in Q3). Blackford Dolphin reduced her daily average operating cost to USD 105,000 versus USD 106,000 in the previous quarter. G&A costs are up USD 1.0 million quarter on quarter, mainly driven by costs related to the acquisition of the 2 Transocean rigs, and other one off items.

Following the contract award for Borgland previous impairments of inventory and PP&E were reversed totalling USD 22.2 million.

Reported net profit for Q4 2023 was USD 15.7 million, or USD 0.07 per share, adjusting for the reversal of impairments net loss was USD 0.03 per share².

Business update

The company has delivered on its promises to build revenue backlog and bring rigs back to work. Following Euronext Growth listing in Q4 2022 the company has increased revenue backlog (firm + options) to USD 1.1billion. The company has secured long-term work for three of its drilling rigs, Blackford Dolphin, Borgland Dolphin and the recently acquired rig Paul B. Loyd, Jr.

Borgland Dolphin is scheduled to start an exploration drilling campaign for EnQuest PLC in the UK in April 2025. Prior to contract commencement the rig will undergo reactivation, upgrades and renewal of class certificates. EnQuest retain an option to utilise the Borgland for a significant amount of future work and the option expires in Qtr 2 2024. In addition the rig has an LOI for further UK based activity which is planned to commence in direct continuation from the EnQuest scope. Dolphin continues to work with the respective client schedules to ensure uninterrupted multi-year and back to back drilling campaigns can be sequenced.

After delivering strong operational performance in Nigeria the company expects to mobilise the Blackford Dolphin to India. The company signed a letter of award in February 2024 with Oil India Ltd, and the work scope is 14-months plus a 7-month option period. We expect to commence drilling in India in Q3 2024. With regards to Blackford's existing drilling contract with GHL in Nigeria, the expiry of contract is late March 2024. We have experienced repeated delays in collections on this contract which is reflected in a significant increase in Accounts Receivable at quarter end. We continue to engage in robust dialogue with GHL and its financiers on resolution of the payment issues and the steps to complete the drilling program. Moreover, the company terminated an earlier signed contract with Peak Petroleum Ltd for Blackford following continued breaches by Peak of its contractual obligations. A formal legal notice was received from Peak disputing the termination of

² Calculation based on 219,890,099 shares

the contract which has resulted in court proceedings and the company have taken appropriate measures with our legal advisors.

Dolphin Drillings rig fleet has grown with two rig additions; Paul B. Loyd, Jr. and Transocean Leader. Following the announcement of the rig acquisition on 22 June 2023 we have, in close cooperation with Transocean, obtained approval of our Safety Case from the UK Offshore Major Accident Regulator (OMAR) and successfully closed the rig acquisitions. The actual closing of the rig purchase was delayed for several weeks due to severe weather conditions in the North Sea. At closing, Dolphin paid the remaining instalment to Transocean providing a net acquisition price of USD 50 million.

Paul B. Loyd, Jr.'s drilling contract with Harbour Energy has been extended to February 2028 providing for a long and robust revenue backlog for the company and its operations in the UK. In addition to this Harbour holds options to utilise the rig for a further 5 years beyond February 2028. Dolphin Drilling aims to become the lead drilling contractor in the UK in the floater segment. The Dolphin Leader remains stacked in the UK.

The Bideford Dolphin was stacked within the quarter. The company has received pricing to sell the rig for scrap.

Financing and capital expenditure

As of 31 December 2023, the company had approximately USD 34.0 million of cash and cash equivalents, including restricted cash amounts of approximately USD 9.5 million. USD 8.3 million of restricted cash relates to various outstanding bid and performance bonds that support ongoing contracts and marketing initiatives, including USD 1.4 million which related to now expired bid bonds. The remainder of the balance considered restricted represents cash in jurisdictions not readily available for general corporate purposes.

Accounts receivable at 31 December, 2023 were USD 47.2 million. USD 47.1 million consists of amounts payable by GHIL (including VAT and withholding tax balances). The net cash due by GHIL (after VAT, withholding tax and other deductions) is estimated to be USD 37.8 million. USD 5.0 million payments have been received since the end of Q4 2023. Significant communication continues with the client and with its direct funders on the obligations and future payment plans.

As at the end of the fourth quarter the existing shareholder loan facility of USD 15.0 million was fully draw. The company has paid USD 6.1 million in deposits to Transocean as per the agreement to acquire Paul B. Loyd Jr. and Transocean Leader (recorded as Other Assets). The remaining net cash payment of around USD 43.8 million (net of earnings achieved in operations since 12 June 2023) was paid in February 2024. Funds drawn from the factoring facility, a liability of USD 8.4 million at the end of Qtr 3 2023, were fully repaid within Q4 2023 at expiry of the agreement.

In December 2024 the company signed a loan agreement with a subsidiary of Maritime Asset Partners Ltd for a loan facility of USD 65.0 million. The loan facility has been secured by a 1st lien mortgage on the rig Paul B. Loyd, Jr. and the loan closed simultaneously with the acquisition of the Paul B. Loyd Jr.

During the quarter, capital expenditures of approximately USD 0.5 million were recorded, primarily related to onshore projects supporting the acquired rigs, with some small operational capex requirements on the Blackford Dolphin.

Contingent liability

As reported in the IPO information memorandum, the company is in a legal process with the UK Tax Authorities (HMRC). Following two rulings in favour of the company HMRC was granted permission to appeal by the Court of Appeal. The hearing took place in December 2023 and in early January the judgement handed down by the Court of Appeal found in favour of HMRC. The company has taken steps to immediately appeal this decision. Based on procedural outcomes at each stage of the appeal process this could take a number of months, or potentially years until a final outcome is reached.

Strategy and outlook

Dolphin Drilling is a leading harsh environment drilling contractor for the offshore oil and gas industry. Dolphin Drilling owns a fleet of five high-technical standard 4th and 5th generation enhanced Aker H3 and H4 units, Borgland Dolphin, Blackford Dolphin, Bideford Dolphin, Paul B. Loyd, Jr. and Dolphin Leader operated by an experienced team with a strong operational track record. The company has offshore and onshore offices and operations in Norway, Scotland, Brazil, and Nigeria, and the company plans to mobilize drilling rigs to India and UK, significantly growing the number of Dolphin Drilling personnel.

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

Accounting items

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

The 2022 audited financial statements were approved by the board and published on 26 April 2023.

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

Accounting for provisions v contingent liabilities

The company is in a legal process with the UK Tax Authorities (HMRC) – The company discloses in its financial statements a contingent liability in accordance with IAS 37. The company have had favourable decisions in the previous two court hearings and the latest decision by the Court of Appeal has been the subject to a request for an appeal to the Supreme Court based on errors in law and procedure. It is determined that the outcome of the case is still unknown and that classification as a contingent liability should remain.

IFRS 15 and IFRS 9 considerations – GHIL (late payment of invoices)+

IFRS 9 requires the company to review all trade receivables for impairment using the expected credit loss method. As a result of continued late payment by customer GHIL the company is evaluating necessary adjustments in the books and records. No action has been taken in the quarterly results presented. In addition IFRS 15 requires the company to re-assess the probability of collection of

consideration due under the contract where a significant change in circumstance, like the deterioration in the customer's ability to pay, is evident.

Impairment review – reversal of previous impairment Borgland Dolphin

Due to the backlog present at 31 December 2023 for Borgland Dolphin the company is able to reverse previous impairments recognised in accordance with IAS 36. The fixed asset and inventory values have been assessed and reinstated to the carrying value that would have been presented had no impairment been required. At the same time the useful economic life of fixed assets has been evaluated and depreciation will be adjusted prospectively.

Accounting for project cost – recertification of Blackford Dolphin

The useful lives of drilling rigs are inherently difficult to estimate due to a variety of factors, including technological advances that impact the methods or cost of oil and natural gas exploration and development, changes in market or economic conditions and changes in laws or regulations affecting the drilling industry. Expenses for normal maintenance and repairs are expensed on an ongoing basis. Expenditure for major replacement and renewal that significantly increase the service life on an asset are capitalised. The capital expenditure incurred on the Blackford Dolphin represents investment towards future economic benefit and a five-year class renewal. Depreciation is being calculated on the spend based on the five-year programme to next upgrade.

Accounting for project cost – mobilisation of Blackford Dolphin

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

Cautionary statement regarding forward looking statements

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

wages, insurance, dry-docking, repairs and maintenance, failure of shipyards to comply with delivery schedules on a timely basis and other important factors mentioned from time to time in our report.

DOLPHIN DRILLING AS
FOURTH QUARTER 2023 REPORT (UNAUDITED)

DOLPHIN DRILLING AS Income Statement (\$ in millions)	2023 4th Qtr	2023 3rd Qtr	2023 FY	2022 FY
Charter Revenue	20.4	20.8	61.0	18.8
Total Other Revenue	3.2	3.4	10.3	2.3
Total Revenue	23.6	24.2	71.3	21.1
Total Rig Operating Expenses	(9.7)	(9.7)	(39.8)	(38.0)
Total Project Costs	(3.1)	(3.0)	(12.2)	(3.4)
Total Lay-up Expense	(2.9)	(2.7)	(11.0)	(13.1)
Total Operating Expense	(15.6)	(15.5)	(63.0)	(54.4)
G&A				
Total G&A	(5.2)	(4.2)	(16.4)	(19.0)
Other	0.0	(0.0)	0.1	0.1
EBITDA	2.8	4.6	(8.0)	(52.4)
D&A	20.0	(2.6)	13.4	(10.6)
EBIT	22.8	2.0	5.4	(62.9)
Net finance (cost) / income	(5.2)	(1.2)	(6.4)	(4.8)
EBT	17.5	0.8	(1.0)	(67.7)
Taxes	(1.9)	(2.1)	(6.1)	(0.7)
Net Income (Loss)	15.7	(1.4)	(7.2)	(68.4)

Balance Sheet (\$ in Millions)	2023 YE	2022 YE
Current Assets:		
Unrestricted Cash & Cash Equivalents	24.5	28.0
Restricted Cash	9.5	7.8
Total Cash	34.0	35.8
Accounts Receivable	47.2	1.1
Inventory	30.4	20.3
Other Current Assets	16.6	14.3
Total Current Assets	128.1	71.4
Non-Current Assets:		
Net PP&E	73.7	62.2
Other Assets	6.2	-
Total Assets	\$ 207.9	\$ 133.6
Current Liabilities		
Accounts Payables	7.2	8.8
Accrued Interest	0.8	-
Accrued Expenses	18.8	12.3
Current Portion of LT Debt	15.0	-
Other Current Liabilities	15.8	23.5
Total Current Liabilities	57.6	44.6
Other Non Current Liabilities	4.0	4.5
Drawdown Facility	-	-
Term Loan	-	(0.0)
Total Liabilities	61.6	49.1
Shareholders' Equity	146.2	84.4
Total Liabilities & Shareholders' Equity	\$ 207.9	\$ 133.6

Statement of Cash Flows (\$ in millions)	2023 FY	2022 FY
Operating Cash Flows		
Net Income	(7.2)	(68.4)
Add-Back: Depreciation, Amortization and Impairment Reversal	(13.4)	10.6
Less gain on disposal of assets	-	0.9
Change in restricted cash	(1.7)	(5.5)
Change in Accounts Receivable	(46.1)	24.1
Change in Inventory	(0.2)	(0.3)
Change in Other Current Assets	(2.3)	5.4
Change in Other Assets	(6.2)	-
Change in Accounts Payable	(1.6)	(5.7)
Change in Accrued Interest	0.8	(0.0)
Change in Accrued Expenses	6.6	(5.8)
Change in Other Current Liabilities	(7.8)	0.4
Change in Non Current Liabilities	(0.5)	(0.1)
Net Change in Working Capital	(58.9)	12.5
Cash Flow from Operations	(44.8)	(44.4)
Investing Cash Flows		
Cash Flow From Investing	(8.0)	(13.7)
Free Cash Flow Before Financing Activities	(52.8)	(58.1)
Cash Flow from Financing	84.0	65.1
Net Change in Unrestricted Cash	(3.5)	7.0