Preliminary earnings release

Q2 and half year 2024

DOLPHIN DRILLING AS

Preliminary Results as of Second Quarter 2024

Oslo, Norway, 28 August, 2024.

Dolphin Drilling AS (Dolphin Drilling, OSE: DDRIL) today announced its preliminary financial results for the six months ended 30 June 2024

First half 2024 highlights and subsequent events

- **Q2 2024 results and highlights:** Operating revenues of USD 16.4 million and EBITDA of USD (6.3) million. Earnings per share of USD (0.05) in the second quarter of 2024. No revenues were recorded against the Blackford Dolphin in the quarter.
- **1H 2024 results:** Operating revenues of USD 26.4 million and EBITDA of USD (23.2) million. Earnings per share for the first half of 2024 resulted in a loss of USD 0.11 per share.
- **99.5% uptime for newly acquired rig Paul B. Loyd, Jr**: In her first full quarter under Dolphin Drilling operations and responsibility Paul B. Loyd, Jr. had close to 100% operational utilisation with zero lost time incidents recorded.
- **Blackford Dolphin enroute to India for its contract start in Q4:** In July 2024 Blackford Dolphin started its tow to India for its next drilling campaign. An official contract signing ceremony with Oil India Ltd was held in late July with drilling commencement expected in October this year.
- **Borgland Dolphin safe transit to Las Palmas:** Borgland Dolphin towed from Norway to Las Palmas ahead of its upcoming special periodic survey and thereafter contract startup with EnQuest Ltd in the UK in 2025.
- **Sale of Dolphin Leader, to be recycled in a responsible manner:** The cold-stacked Dolphin Leader was sold in July 2024 and will be recycled resulting in a net USD 5.9 million cash to the company, a decision influenced by the increasing uncertainty surrounding future activity levels in the UK.
- **Equity capital raise:** On 10 April 2024, the company completed a private placement of 72 million new shares, raising USD 40 million in equity to support its ongoing operations.
- **Firm revenue backlog of USD 431 million as of reporting date**.

Financial review

The company reported total revenues of USD 16.4 million in the second quarter of 2024. This is compared to USD 10.1 million in the first quarter of 2024. The revenues in the second quarter reflect a full quarter with Paul B. Loyd, Jr. in operation following successful integration into the Dolphin Drilling fleet. No revenue for Blackford Dolphin or Borgland Dolphin has been recognised in the quarter. Total revenues include other revenues of USD 0.4 million being the rental of certain equipment to third parties as well as costs rechargeable to clients.

In the second quarter, Dolphin Drilling had total rig operating expenses of USD 20.9 million, which is in line with the previous quarter of USD 20.1 million. These include a full quarter for Paul B. Loyd, Jr. offset by reduced layup expenses with Bideford no longer part of the fleet and lower costs attached to the Dolphin Leader. The Blackford Dolphin rig operating expenditure remained steady and includes costs that contractually should have been borne by the previous client.

G&A decreased by USD 0.2 million to USD 5.3 million in the current quarter. The company continue to book higher legal fees as part of the ongoing arbitration in Nigeria and the HMRC tax claim leaving us to guide on similar overall G&A levels for future quarters.

Reported net loss for the quarter was USD 14.1 million, or USD 0.05 loss per share.

For the first half of 2024, the company generated total revenues of USD 26.4 million and a loss of USD 23.2million in EBITDA. The challenging situation in Nigeria significantly impacted the business with no revenues recognised despite four months of activity on the Blackford Dolphin and further significant costs incurred to continue to operate the rig. Net income totalled a loss of USD 30.9 million year to date.

Rig operational update

Dolphin Drilling recorded the first full quarter with Paul B. Loyd, Jr. in operations, continuing its long-term drilling contract with Harbour in the UK. The operational uptime for the rig was 99.5% and the company is proud to report zero loss time incidents since the successful transition to Dolphin Drilling in February 2024. The rig is contracted to Harbour until the first quarter of 2028 with priced and unpriced option periods potentially providing for continued work until the first quarter of 2033.

The company did not record any revenues on Blackford Dolphin in the second quarter. The company terminated the contract with Global Hydrocarbons Limited on April 30 2024 following a series of non-performances by the client. Following the contract termination an arbitration process between the parties was established and has been continuing. Blackford left Nigeria on July 1 2024 on its planned journey to India for a 14-month firm contract, plus a potential option period, with Oil India Ltd. The rig has made scheduled stops in Namibia and South Africa on its route and we expect the rig to arrive its next operation destination in India in October.

Borgland Dolphin has been moved from Norway to Las Palmas, Grand Canaries Island, during May 2024. The Las Palmas destination has proven again to be an extremely efficient yard and the extensive planning and preparation by the team has already yielded positive results. Following extensive measurement testing we are pleased to report no major steel replacement is required on Borgland Dolphin and the Special Periodic Survey continues to track well within time and cost estimates. We expect Borgland Dolphin to remain at Las Palmas until early 2025 with contract commencement within the first four months of the year. We are bidding Borgland Dolphin into multiple offshore basins as a result of most planned campaigns in UK being postponed or suspended following the continued uncertainty after the change of Government in the UK. The increased taxation on our client base and the uncertainty around capital allowances related to any investments in the space continues to cause our clients to defer decision making in the short term. The UK Government is due to announce the Autumn Budget on 30 October 2024.

As a follow-up to this development in the UK the company decided to recycle the Dolphin Leader, which was sold for a net USD 5.9 million and completed in July 2024.

Financing and capital expenditure

As of 30 June 2024, the company had approximately USD 54.5 million of cash and cash equivalents, including restricted cash amounts of approximately USD 28.2 million which includes a USD 20 million bond posted as security against the removal of the injunction on the Blackford Dolphin in Nigeria. During July the bond was released and that cash is now in free use in normal Dolphin Drilling operating accounts. The remaining USD 8.2 million of restricted cash relates to various outstanding bid and performance bonds that support ongoing contracts and marketing initiatives, and a USD 3 million bond related to the importation permit for the Blackford to Nigeria, which is anticipated to be recovered during quarter three. In April 2024 the company issued 72 million new shares that net provided USD 38 million and mainly contributed to the increase in total cash quarter over quarter.

For the first half of 2024 the company has recorded net USD 42 million in capital expenditures. Most of the investments relates to the purchase of the two rigs Paul B. Loyd Jr and Dolphin Leader that occurred in the first quarter of 2024. Borgland accounted for USD 5.9 million the majority of which relates to the relocation of the unit to Las Palmas and the remainder spread evenly between Blackford and Paul B Loyd, jr. During the period the Bideford was sold for a net USD 4.1 million and after the quarter end USD 5.9 million was collected for the sale of Dolphin Leader. In the second half of the year we expect to record increased cost associated with catch up maintenance works on the Blackford and the ongoing Special Periodic Survey costs on the Borgland.

A USD 65.0 million loan provided by Maritime Asset Partners is full drawn with amortisation commencing in January 2025 and maturity in September 2027. The facility includes a USD 6.5 million debt service coverage balance which is recorded as a current asset in the balance sheet. The shareholder loan facility of USD 15.0 million has been extended to a maturity date of 30 November 2025.

Contingent liability

The company is in a legal process with the UK Tax Authorities ("HMRC"). Following two rulings in favour of the company, the Court of Appeal found in favour of HMRC in January 2024. During May 2024 the company was granted permission to appeal to the Supreme Court and the case is anticipated to be heard in February 2025. No payments to HMRC are anticipated in the interim period and the outcome of the case remains uncertain.

Strategy and outlook

Dolphin Drilling is a prominent offshore drilling company with world-wide operational track record owning and operating drilling rigs since 1965. The company is one of the earliest drilling rig contractor pioneers providing exceptional services for the offshore oil and gas industry. The drilling rig fleet consists of three conventional moored semisubmersible drilling rigs, well maintained and marketed to most offshore basins. The rigs are capable of drilling in shallow to deep water ranging between 65 to 1500 metres. As of June 30 2024, Dolphin Drilling has secured contracts for all of its rig fleet. The company has offshore and onshore offices and operations in the UK, Norway, Brazil, and India. More importantly through its extensive drilling experience and worldwide operational track record the company maintains drilling licenses allowing the company to bid its own rig fleet as well as other owners rigs for management into most offshore basins worldwide and consider this as a vital value for the company.

In our opinion the medium term outlook for the offshore floater rig segment is largely driven by rig supply characteristics, and the actual available rig supply. Following a decade of weak rig demand the total floater fleet has been reduced by one third due to reduced willingness by E&P companies to make longer term commitments to plans for exploration and development. The moored rig segment, in which all of our rigs are characterized, has seen the total rig fleet reduced by 75% in the same period. The remaining moored fleet and units considered available for International drilling campaigns continues to shrink leaving potentially less than 10 rigs available to service the global market. Shallow and midwater areas requiring moored rigs includes parts of South America, North America, Africa, Asia and Pacific, as well as the North Sea region which earlier was the key demand region for moored rigs.

Although we note a large pipeline of potential drilling and decommissioning campaigns many are short-term and on a standalone basis do not justify costly reactivation and time consuming mobilization periods. Other longer-term campaigns are delayed due to overall constraints for timely delivery of services and equipment from the whole oil and gas value chain. We as offshore drilling contractors have to be disciplined and only offer our services where it makes sense financially, resulting in greater willingness to reduce the rig fleet. Moreover, we note of a current massive focus from the E&Ps to either optimize existing production portfolios and or enter into M&A activities versus organic growth, which has resulted in delayed demand for drilling activities.

Dolphin Drilling is prepared to drill and market our rigs in most offshore basins, but we will only do so toward financially robust business opportunities. We need to be compensated for mobilization and retraining of crews and we require sufficient dayrates in order to maintain efficient and safe rigs alongside the generation of appropriate return on investment.

Specifically, the UK region has seen its total rig fleet reduced from more than 20 rigs to less than a handful of capable semisubmersible rigs. The potential result being that future drilling campaigns, including decommissioning works, may require rigs to be sourced from other regions at significant cost. The vast reduction in the supply side of the industry coupled with international demand dynamics could also result in a severe under supply situation in the UK in the very near future.

The international outlook remains attractive from an overall rig supply point of view, but timing of actual commitments to move forward with drilling plans indicates some project delays.

Accounting items

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 as the outcome of the case is still unknown.

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

A provision for impairment was recorded in 2023 in respect of sums due from GHL in line with IFRS 9. Any funds received from GHL in respect of this will be marked as an unutilised provision. For 2024, the continued provision of service to GHL falls outside of the scope of IFRS 15 as the company is required to re-assess the probability of collection of consideration. No revenue is recognised for 2024 activity under the contract. Any funds received from GHL in respect of this will allow revenue recognition.

IFRS 3 Business combination – purchase of Paul B Loyd Jr

The company have assessed the purchase of Paul B. Loyd Jr as a business combination and will account for the purchase in conjunction with IFRS 3 using the 'acquisition method'.

Accounting for project cost – recertification of Borgland Dolphin

Expenditure for major replacement and renewal that significantly increase the service life on an asset are capitalised. The capital expenditure incurred on the Borgland Dolphin represents investment towards future economic benefit and a five-year class renewal.

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 Income Statement ($ in millions)	2024 3 months ended Jun 24	2024 3 months ended Mar 24	2024 6 months ended Jun 24
Charter Revenue	**16.0**	**6.9**	**22.8**
Total Other Revenue	**0.4**	**3.2**	**3.6**
Total Revenue	**16.4**	**10.1**	**26.4**
Total Rig Operating Expenses	**(14.2)**	**(13.1)**	**(27.3)**
Total Project Costs	**(4.0)**	**(3.0)**	**(7.0)**
Total Lay-up Expense	**(2.7)**	**(4.0)**	**(6.7)**
Total Operating Expense	**(20.9)**	**(20.1)**	**(41.0)**
Total G&A	**(5.3)**	**(5.5)**	**(10.8)**
Other	3.5	(1.4)	2.1
EBITDA	**(6.3)**	**(17.0)**	**(23.2)**
D&A	(3.7)	(3.2)	(6.9)
EBIT	**(10.0)**	**(20.2)**	**(30.2)**
Net finance (cost) / income	(3.7)	3.5	(0.3)
EBT	**(13.7)**	**(16.8)**	**(30.4)**
Taxes	(0.4)	(0.1)	(0.5)
Net Income (Loss)	**(14.1)**	**(16.8)**	**(30.9)**

Balance Sheet ($ in Millions)	30-Jun-24	31-Dec-23
Current Assets:		
Unrestricted Cash & Cash Equivalents	26.3	24.5
Restricted Cash	28.2	9.5
Total Cash	**54.5**	**34.0**
Accounts Receivable	8.7	11.0
Inventory	36.6	30.4
Other Current Assets	15.7	16.2
Total Current Assets	**115.5**	**91.5**
Non-Current Assets:		
Net PP&E & Intangible	113.4	74.3
Other Assets	-	-
Total Assets	**$ 228.9**	**$ 165.8**
Current Liabilities		
Accounts Payables	11.0	7.2
Accrued Interest	1.4	0.8
Accrued Expenses	15.1	18.5
Current Portion of Debt	10.0	15.0
Other Current Liabilities	3.4	10.7
Total Current Liabilities	**41.0**	**52.3**
Other Non Current Liabilities	3.7	4.1
Non Current Portion of Debt	70.0	-
Total Liabilities	**114.6**	**56.4**
Shareholders Equity	114.3	109.4
Total Liabilities & Shareholders' Equity	**$ 228.9**	**$ 165.8**

Statement of Cash Flows ($ in millions)	6 months ended Jun 24	6 months ended Jun 23
Operating Cash Flows		
Net Income	(30.9)	(21.5)
Add-Back: Depreciation and Amortization	6.9	4.0
Less gain / Add loss on disposal of assets	1.4	-
Change in Accounts Receivable	2.3	(17.7)
Change in Inventory	(6.3)	0.2
Change in Other Current Assets	(5.0)	(8.0)
Change in Other Assets	-	-
Change in Accounts Payable	3.8	(0.4)
Change in Accrued Interest	0.6	0.2
Change in Accrued Expenses	(3.4)	(3.5)
Change in Other Current Liabilities	(7.4)	21.0
Change in Non Current Liabilities	(0.4)	(0.6)
Net Change in Working Capital	**(15.8)**	**(8.7)**
Cash Flow from Operations	**(38.3)**	**(26.2)**
Cash Flow From Investing	**(42.0)**	**(10.6)**
Free Cash Flow Before Financing Activities	**(80.3)**	**(36.8)**
Cash Flow from Financing	**100.8**	**15.4**
Net Change in Cash	**20.5**	**(21.4)**