Preliminary earnings release

Q4 2024

DOLPHIN DRILLING AS

Preliminary Results as of Fourth Quarter and full year 2024

Oslo, Norway, 25 February 2025.

Dolphin Drilling AS (OSE: DDRIL) today announced its preliminary financial results for the fourth quarter and full year ended 31 December 2024.

Q4 2024, Full Year Highlights and Subsequent Events

- Revenue Growth: Dolphin Drilling reported revenues of USD 50.0 million for the fourth quarter, compared to USD 25.8 million in Q4 2023. Full-year revenues reached USD 93.0 million, up from USD 73.5 million in 2023.
- EBITDA Improvement: The company reported an EBITDA of USD 11.0 million for the fourth quarter, a significant improvement from an EBITDA loss of USD 39.1 million in Q4 2023. For the full year, EBITDA was a loss of USD 34.2 million, compared to a loss of USD 49.9 million in 2023.
    - *Q4 2024 Revenue and EBITDA include the one-off receipt of USD 20.7 million following the termination of the Borgland drilling contract with EnQuest Ltd.*
- Net Earnings: Dolphin Drilling achieved a net profit with earnings per share of USD 0.01 in the fourth quarter, compared to a loss of USD 0.10 per share in Q4 2023. Full-year earnings per share were a loss of USD 0.22, in comparison to a loss of USD 0.26 in the previous year.
- Continued strong Safety Records: The company maintained a strong safety record, with zero Lost Time Incidents recorded during the quarter.
- High Rig Utilization: Two rigs, Paul B. Loyd, Jr, and Blackford Dolphin, were on contract with an average operational uptime of 96%, performing strongly for their respective clients.
- Arbitration Outcome: USD 105 million arbitration award against General Hydrocarbons Limited, the company continues to pursue enforcement action.
- Leadership Change: Jon Oliver Bryce was appointed interim CEO, effective from 1 February 2025.

Financial review

The company reported total revenues of USD 50.0 million in the fourth quarter of 2024. This is compared to USD 16.5 million in the third quarter of 2024. Following the Borgland Dolphin contract cancellation, EnQuest Ltd. made a one off payment for early termination of USD 20.7 million. Both the Blackford Dolphin and Paul B. Loyd, Jr were operational in the fourth quarter. Paul B. Loyd, Jr was on contract in full while the Blackford Dolphin commenced her long-term contract with Oil India on 11 November.

Total revenues include charges to Oil India for anchor handler vessels (AHVs) and offshore supply vessels (OSVs), as these services are part of the drilling contract. Following contract commencement USD 1.4 million of the total mobilisation fees related to the Oil India contract were recognised as revenue in line with standard accounting treatment, the remainder of the mobilisation fee will be recognised over the estimated firm term of the contract. Furthermore, revenues reported in the current quarter were impacted by Oil India reducing their payment of the mobilisation fee invoice by USD 3.8 million, enforcing liquidated damages (LDs) following the late contract start.

In the fourth quarter, Dolphin Drilling had total operating expenses of USD 34.5 million, USD 1.3 million above the previous quarter. This includes the cost of renting the AHVs and OSVs, and a further USD 3.1 million in costs related to the mobilisation of the Blackford Dolphin to India from Nigeria.

Rig operating expenditures for Paul. B. Loyd, Jr. were in line with the previous quarter. Blackford Dolphin commenced on contract from November with a full crew onboarded in October and a return to normal spend on consumables, resulting in higher overall cost for the rig. Borgland Dolphin was at Las Palmas for the whole quarter. In the period up until November the associated lay-up cost included increased personnel involved with the class renewal and contract preparation. Since then, significant cost reduction efforts have been implemented and project spend on the rig is on hold until a decision on the future of the unit is made.

G&A reduced to USD 4.5 million in the current quarter in comparison to USD 5.4 million in the previous quarter. The company continued to book legal fees as part of the ongoing HMRC tax claim and the Nigeria arbitration and these were significantly reduced following the completion of the arbitration case vs General Hydrocarbons Limited. G&A also included a one-off non cash cost of USD 0.6 million related to unrecoverable VAT.

Reported net profit for the quarter was USD 1.5 million, or USD 0.01 profit per share.

For 2024, the company generated total revenues of USD 93.0 million and an EBITDA loss of USD 34.2 million. Following Blackford Dolphin's contract start-up in November the company now has two stable income streams. 2024 included a large increase in cost as the company had to cover for an un-planned and challenging exit from Nigeria for Blackford Dolphin alongside significant legal fees in the subsequent arbitration. Moreover, Borgland Dolphin was in smart stack for most of the year with a year-over-year increase in cost as we planned for her next contract commencement in the UK.

The full year 2024 net loss of USD 59.6 million is mainly driven by the fact of having only one of the rigs generating revenues while covering for cost for three rigs and the mobilisation of the Blackford to India, in addition to the onshore team costs.

Rig operational update

In the fourth quarter Dolphin Drilling had two rigs on contract and one unit progressing reactivation prior to being returned to stack.

The Paul B. Loyd, Jr. (PBLJ) semisubmersible drilling rig continued to demonstrate strong performance under Dolphin Drilling's ownership whist working for Harbour Energy in the UK. The unit has received positive customer feedback and has had zero recorded lost time incidents since the company acquired the rig in February 2024. The rig has also delivered consistently high operational uptime, with a 96% average for the quarter.

The Blackford Dolphin semisubmersible drilling rig commenced contract on the 11th of November 2024 with Oil India Ltd offshore India. Blackford Dolphin has also worked safely and efficiently, with no recordable incidents and strong rig uptime during the quarter. The firm drilling program comprises of three exploration wells, and an option for one further well.

The Borgland Dolphin semisubmersible drilling rig is in lay-up at Las Palmas, Gran Canaria. The rig had been undergoing its planned class renewal, but in November 2024 its upcoming contract with EnQuest Ltd in the UK was cancelled for convenience and the company agreed an early termination fee with the customer. Since then, the unit has been marketed for alternative work worldwide, whilst the class renewal has been paused and project and operational cost reduction measures implemented.

Financing and capital expenditure

As of 31 December 2024, the company had approximately USD 34.4 million of cash and cash equivalents, including restricted cash amounts of approximately USD 5.4 million relating to various outstanding bid and performance bonds that support ongoing contracts and marketing initiatives.

For 2024 the company has recorded USD 62.4 million in net capital expenditures. A significant part of the investment relates to the acquisition of PBLJ, which completed in February 2024. Expenditure on the Borgland Dolphin accounted for USD 23.4 million of the capital spend, which relates to the relocation of the unit to Las Palmas and project capex for her special periodic survey and upgrades of the unit. Blackford Dolphin had normal capex spend during the year, at USD 5.5 million. During the year the company sold two of its earlier stacked rigs, the Bideford and the Leader, generating net proceeds of approximately USD 10.0 million.

A USD 65.0 million loan provided by Maritime Asset Partners Ltd is fully drawn with amortisation commencing in January 2025 and maturity in September 2027. USD 20.0 million is due for repayment within one year. The facility includes a USD 6.5 million debt service coverage balance which is recorded as a current asset in the balance sheet. A shareholder loan of USD 15 million plus accrued interest is included in the current portion of debt as this loan facility expires in November 2025.

Contingent liability

The company is in a legal process with the UK Tax Authorities ("HMRC"). Following two rulings in the Lower Tribunal and the Upper Tribunal courts 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 was 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 celebrates its 60-year anniversary in 2025. We are one of the earliest registered offshore drilling companies with a proud history of delivering high quality drilling services to clients worldwide. The company's drilling rig fleet currently consists of three conventional harsh environment moored semisubmersible drilling rigs: Borgland Dolphin, Blackford Dolphin, and Paul B. Loyd Jr. These rigs are capable of working in most offshore basins, where the drilling water depths falls into the range of 65 to 1,829 meters (213 to 6,000 feet).

The company maintains onshore offices supporting activity in the UK, Norway, Brazil and India. Dolphin Drilling's extensive drilling experience and worldwide operational track record has enabled it to maintain drilling licenses in numerous offshore basins globally. This capability allows the company to bid its own rig fleet as well as manage rigs for other owners in most offshore basins worldwide.

The general market sentiment toward offshore drilling for the floater market as of February 2025 is cautiously optimistic. The rates offered specifically for the moored semisubmersible rig segment have been on an upward trend based on a general undersupply of available rigs kept competitive in class. This stands out in contrast to other rig segments where the available supply of rigs has increased. The market for moored semi-submersible rigs is supply-driven at the moment, with an absence of newbuild orders and limited reactivation candidates.

Moreover, the recent uncertainty in the deepwater market has led to discussions of further rounds of reducing rig capacity by scrapping already cold stacked or un-competitive rigs, and as a general trend in the drilling segment, industry consolidation processes are high on the agenda with the potential to see stronger and larger drillers taking shape and form as the year progresses. M&A could help address current market challenges and improve overall market dynamics, as some of the market players have lowered earning guidance for 2025.

Dolphin Drilling currently has two of three rigs on hire which generates a positive cash flow for the company. We are actively pursuing opportunities for the Borgland Dolphin in various offshore basins while carefully managing costs on the unit. Dolphin Drilling also continues to evaluate growth opportunities that create shareholder value.

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 3 Business combination – purchase of Paul B Loyd Jr

The company has assessed the purchase of Paul B. Loyd Jr as a business combination and has accounted for the purchase in conjunction with IFRS 3 using the 'acquisition method'. Assets and liabilities acquired have been measured and recognised at fair value and intangibles assets related to customer relationships and goodwill have also been recorded.

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. Cost which outweighed income on mobilisation has been recorded in full in the income statement.

Review for impairment indicators – rig asset carrying values

In accordance with IAS 36 an impairment indicator was identified for Borgland Dolphin at 31 December 2024 as a result of lack of backlog. An evaluation is being conducted to assess the value in use / cash flow model supporting the carrying value of the asset and related inventory. Future cash flow models are judgemental and highly sensitive to a number of factors including commodity prices, charter day rates, rig utilisation, discount rates and growth rates.

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

Q4 2024 REPORT (UNAUDITED)

DOLPHIN DRILLING AS Income Statement ($ in millions)	2024 4th Qtr	2024 3rd Qtr	2023 4th Qtr	2024 FY	2023 FY
Charter Revenue	**26.0**	16.0	20.4	**64.8**	61.0
Other Revenue	**24.0**	0.5	5.4	**28.2**	12.5
Total Revenue	**50.0**	16.5	25.8	**93.0**	73.5
Rig Operating Expenses	**(21.7)**	(17.0)	(11.1)	**(66.1)**	(41.2)
Project Costs	**(12.7)**	(15.8)	(3.1)	**(35.5)**	(12.2)
Lay-up Expense	**(0.0)**	(0.4)	(2.9)	**(7.1)**	(11.0)
Total Operating Expense	**(34.5)**	(33.2)	(17.1)	**(108.7)**	(64.4)
G&A	**(3.9)**	(5.3)	(5.2)	**(20.0)**	(16.4)
Other	**(0.6)**	(0.1)	(42.6)	**1.5**	(42.5)
EBITDA	**11.0**	(22.1)	(39.1)	**(34.2)**	(49.9)
D&A	**(10.4)**	(3.7)	20.0	**(21.0)**	13.4
EBIT	**0.7**	(25.7)	(19.1)	**(55.2)**	(36.4)
Net finance (cost) / income	**1.8**	(4.4)	(5.4)	**(2.8)**	(6.5)
EBT	**2.5**	(30.1)	(24.4)	**(58.0)**	(43.0)
Taxes	**(1.0)**	(0.1)	3.3	**(1.6)**	(1.0)
Net Income (Loss)	**1.5**	(30.2)	(21.1)	**(59.6)**	(44.0)

Balance Sheet ($ in Millions)	2024 FY	2023 FY
Cash	**34.4**	34.0
Accounts Receivable	**22.3**	11.0
Inventory	**32.9**	30.4
Other Current Assets	**25.8**	16.2
Total Current Assets	**115.4**	91.5
Tangible	**100.3**	72.9
Intangible	**20.6**	1.4
Total Non Current Assets	**120.9**	74.3
Total Assets	**236.4**	165.8
Accounts Payables	**30.3**	7.2
Accrued Interest	**2.7**	0.8
Accrued Expenses	**22.9**	18.5
Current Portion of Debt	**35.0**	15.0
Other Current Liabilities	**14.4**	10.7
Total Current Liabilities	**105.4**	52.3
Other Non-Current Liabilities	**3.2**	4.1
Non Current Portion of Debt	**45.0**	-
Total Non-Current Liabilities	**48.2**	4.1
Total Shareholders Equity	**82.8**	109.4
Total Liabilities & Shareholders' Equity	**236.4**	165.8

Statement of Cash Flows ($ in millions)	2024 FY	2023 FY
Operating Cash Flows		
Net Income	**(59.6)**	(44.0)
Add-Back: Depreciation and Amortization	**21.0**	(13.4)
Less gain / Add loss on disposal of assets	**1.5**	-
Change in Accounts Receivable	**(11.3)**	(9.9)
Change in Inventory	**(2.6)**	(0.2)
Change in Other Current Assets	**(15.1)**	3.6
Change in Accounts Payable	**23.1**	(1.6)
Change in Accrued Interest	**1.9**	0.8
Change in Accrued Expenses	**4.4**	6.3
Change in Other Current Liabilities	**3.6**	(12.8)
Change in Non Current Liabilities	**(0.9)**	(0.4)
Net Change in Working Capital	**3.1**	(14.2)
Cash Flow from Operations	**(34.0)**	(71.5)
Cash Flow From Investing	**(62.4)**	(14.2)
Free Cash Flow Before Financing Activities	**(96.4)**	(85.7)
Cash Flow from Financing	**96.8**	83.9
Net Change in Cash	**0.5**	(1.8)