NorAm Drilling Company

Annual Report 2017

NorAm Drilling Company AS and the Group

Contents

General Information

This report contains forward looking statements that involve a number of risks and uncertainties. Such forward-looking statements may be identified by the use of forward-looking terminology such as“believes”, “expects”, “predicts”, “may”, “estimates”, “projects”, “are expected to“, ”will”, “will continue”, “should”, “would be”, ”seeks” or “anticipates” or similar expressions or comparable terminology, or by discussions of plans, intentions and strategy.

Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise. The Company or its officers assumes no obligation that such expectations will prove to be correct. These forward-looking statements are subject to risks and uncertainties that could cause actual results to vary materially from such forward-looking statements.

Accounting and auditing

NorAm Drilling Company AS is audited by KPMG, Norway. The accounting is outsourced to Amesto Business Partner, Norway.

NorAm Drilling Company Inc. does its own accounting.

THIS IS NORAM DRILLING GROUP

NorAm Drilling Company AS was established on February 19, 2007. The company owns and finances companies leasing and operating onshore oil and gas well drilling rigs.

The company is the parent of the NorAm Drilling Group. In 2016 the Group changed its name from Global Rig Company to NorAm Drilling Company.

At year-end 2017, the Group's fleet was 9 rigs. Three SuperTech 1500 rigs were delivered in 2010, they are named Rig 21, Rig 22 and Rig 23. In 2011, three Ideal 1800 rigs were delivered. They were named Rig 24, Rig 25 and Rig 26. In September 2014, Rig 24 was replaced with a delivery of a new Ideal 1800 and renamed as Rig 30. Two more Ideal 1800 rigs were delivered in November and December 2014, Rig 27 and 28. Rig 29 was delivered in early January 2015.

The Company structure

The parent company NorAm Drilling Company owns 100% of NorAm Drilling Company Inc., US-based drilling contractor, located in Houston, Texas.

NorAm Drilling Company Inc. owns all the rigs and rigs assets and is financed through intercompany loans from its parent at arm's length terms. NorAm Drilling Inc. is staffed with competent, local personnel that perform all aspects of a contract drilling company. NorAm Drilling Company AS assets is mainly shares in and loans to the US subsidiary.

In June 2014, a new Bond Loan of MUSD 120 was issued, with an interest rate of 9% per annum, to repay the remainder (MUSD 44) of the previous bond loan and to finance the acquisition of three new rigs.

The Group has repaid MUSD 23, and the outstanding amount as of the end of 2017 is MUSD 97. In October 2014, an equity raise of MUSD 20 was completed. In order to upgrade all of its rigs to "Super Spec", the Group raised equity of approx. MUSD 9.4 in November 2016. All upgrades were substantially completed in 2017.

Our offices

NorAm Drilling Company AS head office is in Oslo, Norway. The office is located in Bankplassen 1A, 0151 Oslo.

NorAm Drilling Company Inc., is headquartered in Houston, Texas. NorAm Drilling Company has warehouse/yard facilities located in Midland and Odessa, Texas.

Houston skyline. PHOTO: HEQUALS2HENRY/WIKIMEDIA COMMONS

Organization

CFO and interim CEO, Marty L. Jimmerson

Marty L. Jimmerson joined the Company in January 2017 as Chief Financial Officer and interim Chief Executive Officer.

Prior to NorAm Drilling, Mr. Jimmerson served as interim chief executive officer of RigNet, Inc. from January through June 2016, and senior vice president and chief financial officer from November 2006 until January 2016. RigNet is a U.S. listed and publically traded company that provides remote telecommunication services to both offshore and onshore drilling contractors, operators and service providers serving the oil & gas industry.

Mr Jimmerson is educated at Baylor University and has taken an Emerging CFO: Strategic Financial Leadership Program at Stanford University Graduate School of Business.

COO, Thomas Taylor

Thomas Taylor was named Chief Operating Officer in November 2014.

Previously Mr. Taylor has served as NorAm Drilling Company's Drilling Operations Manager for the past six years, supervising new rig builds and managing all drilling operations.

Thomas Taylor is a Mechanical Engineer with over 20 years of experience in the oil field service industry.

Prior to NorAm Drilling, Mr. Taylor served as a Drilling Superintendent for Bronco Drilling in Libya. He also served as a Driller and Tool Pusher both offshore and on land for Rowan Drilling Company.

Operations

Mr. Jimmerson and Mr. Taylor fulfil their roles for both NorAm Drilling Company AS and NorAm Drilling Company Inc. with the support of the NorAm Drilling organization, as shown below.

Marty L. Jimmerson:	Interim CEO & CFO
Thomas Taylor:	COO
Steve Scott:	Director of Business Development
Will M. Luker, Jr:	Safety Director
Jesse Hodge:	Operations Manager
Aaron Cannon:	Field Superintendent
Brannon Crager:	Field Superintendent
Scotty Davis:	Field Superintendent
Rickey Raybon:	Field Superintendent

Ideal rigs	
4 shifts 12h/day 1w on - 1w off	2 shifts 24h/day 1w on - 1w off
Driller Derrickman Motorman Floormen (2)	Toolpusher Electrician

SuperTech rigs	
4 shifts 12h/day 1w on - 1w off	2 shifts 24h/day 1w on - 1w off
Driller Derrickman Motorman Floormen (2)	Toolpusher Electrician

Board of Director's Report 2017

Nature of the business activities and where these are conducted

NorAm Drilling Company AS (herein called "Company") and its subsidiaries (herein called "Group") were established on February 19, 2007.

The Group's Executive Management Team is based out of Houston, Texas with administrative functions located in both Houston and Oslo, Norway.

The Group consists of the Norwegian parent company NorAm Drilling Company AS and its subsidiary NorAm Drilling Company in Houston. The Group invests owns and operates nine onshore oil and gas well drilling rigs currently operating in the Permian Basin in the United States. The Group has established a solid foothold in the lower US, with significant operating experience in Louisiana, New Mexico, Oklahoma and Texas, through its subsidiary NorAm Drilling Company.

The Group currently focuses solely on the US land drilling market. The Group is well positioned for the ongoing US land rig upgrade cycle, which involves the phasing out older conventional rigs drilling vertical wells and the shift in focus towards more technologically advanced compact high-end AC driven rigs drilling horizontal wells.

The Group has a rig portfolio of nine advanced high-end AC-driven rigs tailored for the drilling of horizontal wells. These rigs are designed to combine the cost efficiency of a compact rig with the versatility of different rig classes, enabling the rigs to cover a broad range of wells for both liquids and gas. We commenced a rig upgrade program in 2016 and completed in 2017, adding all the "super spec" requirements to meet the current market demands for longer lateral drilling. All 9 rigs in the fleet are now equipped with 7500psi fluid ends, all rigs have a 3rd mud pump and 8 of the 9 rigs are equipped with walking systems and one rig with a skidding system.

The Company is a holding company that finances the Group's activity. In addition, several of the Group administrative functions are handled through the Company.

Analysis of the annual accounts

2017 – Improvements

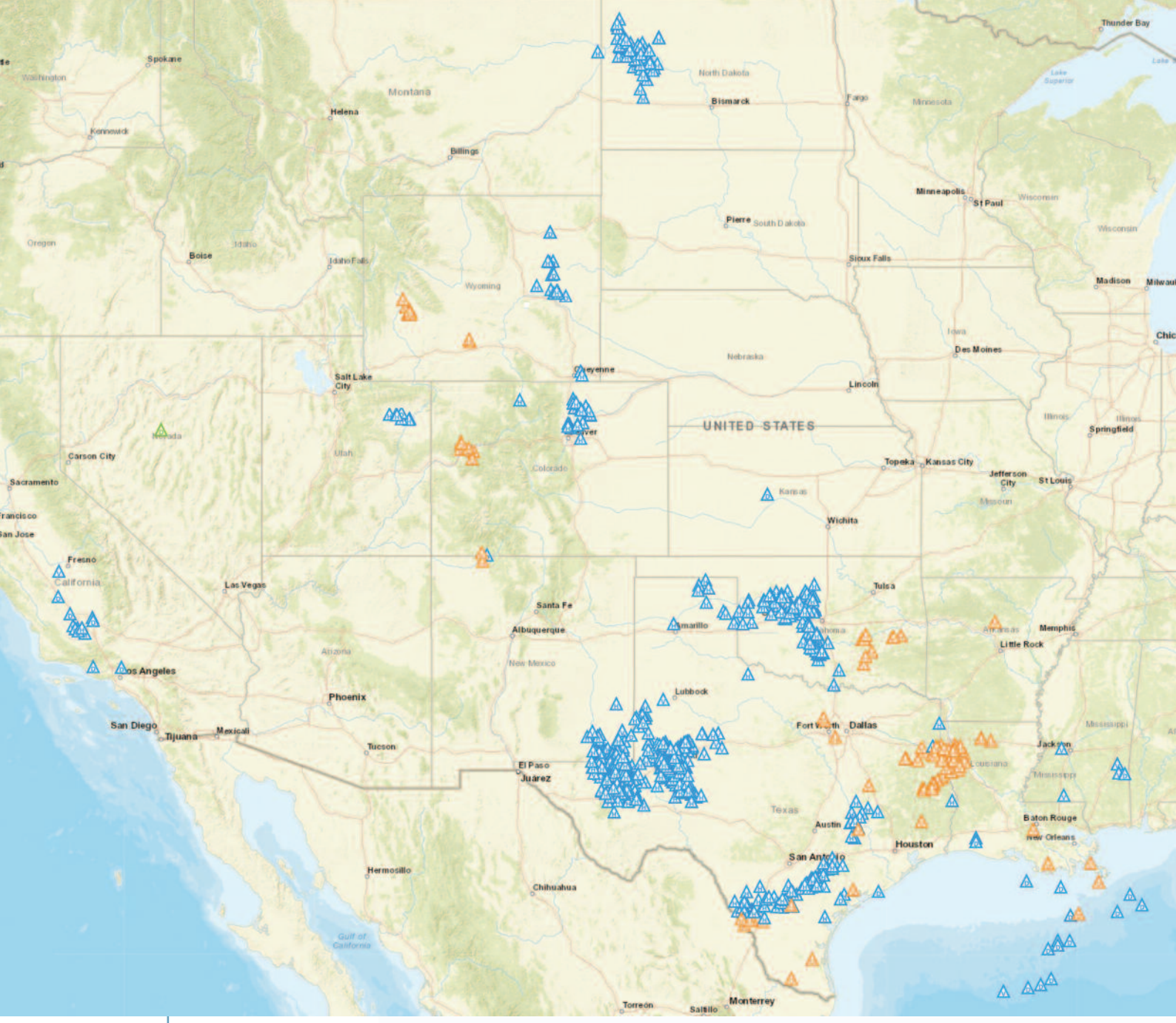
A weak market with depressed oil prices and low drilling activity in 2015 and 2016 was followed by a year of improvements in 2017.

In response to significant declines in oil prices we implemented substantial cost cutting efforts in 2015 and 2016 and continued to operate a competitive and efficient operations in 2017. The cost cutting efforts were followed by an improvement in market utilization which began in the second half of 2016 and dayrates improved throughout 2017 resulting in a strong improvement in cash flow in 2017.

The Group's rig utilization rate for 2017 was 99.3 % compared to 62.5 % in 2016. Prior to 2015, the Group had operated its drilling rig fleet at a 99 % utilization rate for over 2 years. The Group maintained its focus on safety and recorded its best TRIR safety measure for 2017 of ¬¬¬0.61, which followed the then best TRIR of 0.84 in 2016.

Market and Contracts

US West Texas Intermediate (WTI) crude oil prices started 2017 trading at around $54.00 per barrel and traded down to a low of approximately $43.00 in late June before a steadily increasing throughout

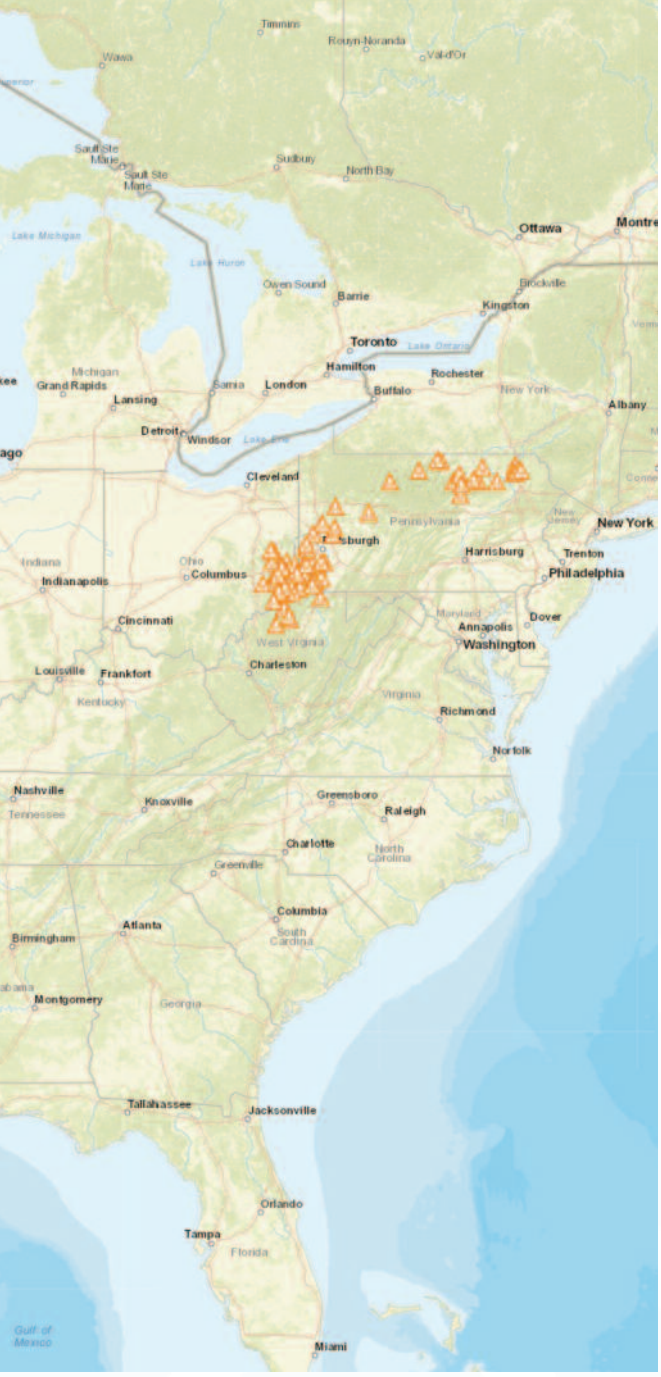


the remainder of 2017 where it finished 2017 around $60.00.

During 2017, the active US land drilling rig count increased from 635 active rigs to 911 active rigs at December 31, 2017. For the 12 months ended December 31, 2017, the active US land drilling rig count increased 276 rigs (43.5%). Rig counts in the Permian Basin, where all of our rigs are currently working, continued to represent the highest share of activity in the US. During 2017, the Permian Basin rig count increased from 264 (41.6% of the active rig count) to 398 (43.5% of the active rig count) rigs. Rig demand for “super spec” high end rigs continues to increase while less capable rigs are being released by operators and stacked as contracts expire.

The prolonged downturn which lasted over two years from late 2014 through 2016 has taken its toll on the US land drilling market. Crude oil prices are still about 60% of what they were in the peak of 2014 and the US land rig count as of December 2017 at 911 active rigs was still 948 (or 51.0%) less than the peak in October 2014 when the active US land rig count was 1,859 rigs.

Although both US crude inventory storage levels and US production continues to remain high, each witnessed decline throughout 2017. US natural gas also has excess supply. With less than 20% of the wells drilled today being gas wells, US natural gas is still not a significant driver in the US land drilling market. Despite a current global oversupply of crude oil, historic levels of



Rig count as per april 20th 2018

SOURCE: BAKER-HUGHES

US crude oil inventory and excess US natural gas, US operators continued to add onshore drilling rigs in the first half of 2018 as a result of increases in operator capital expenditure budgets for 2018. The increases in operator capital budgets are primarily the result of stability in near term oil prices along with expected increases continuing through 2018.

During 2017, the Group operated its rig fleet at a 99.3% utilization rate, working principally for US operators with extensive crude oil drilling programs. Today, all nine rigs are currently operating in the Permian Basin. Three rigs are on well-to-well contracts and the remaining rigs are on term contracts that expire at various stages from June through February 2019.

Company development, results and financing

The Group recorded operating income in 2017 of MUSD 63.5, compared to MUSD 39.4 in 2016. The net loss before tax for 2017 was MUSD 12,9 compared to a pre-tax loss of MUSD 21.3 in 2016, while the net loss after tax was MUSD 12.8 compared to a net loss after tax of MUSD 21.5 in 2016. In 2017, the Group delivered EBITDA of MUSD 12.7 compared to MUSD 3.2 in 2016.

The Company recorded operating expenses of MUSD 1.2 in 2017 and MUSD 1.0 in 2016, and net financial income was MUSD 3.6 in 2017, compared to net financial expense of MUSD 4.4 in 2016. Net gain before tax was MUSD 2.7 in 2017, compared to a pre-tax loss of MUSD 3.4 in 2016. Net gain after tax increased from MUSD 2.0 in 2016 to MUSD 2.6 in 2017

Key financial figures

USD mill	Group 2017
Operating Income	63.5
EBITDA	12.7
Net Profit before Tax (Loss)	-12.9
Equity Ratio	28.3 %

USD mill	Company 2017
Operating Income	0.2
Operating Expenses (incl. depreciation)	1.2
EBITDA	-1
Depreciation	0
Net Financial Items	3.6
Net Profit before Tax	2.7

Financing

On the balance sheet, the Group has equity of MUSD 42.4 equivalent to an equity ratio of 28.3% at year-end 2017, compared to MUSD 55.2 of equity and a 33.9% equity ratio at year-end 2016.

The Company's balance sheet at yearend 2017 had equity of MUSD 104.6 and an equity ratio of 50.9%, compared to MUSD 102 of equity and a 50.5% equity ratio at yearend 2016.

The Board considers the equity for both the Company and Group to be in compliance with the requirement for sufficient equity under the Norwegian Public Limited Liability Companies Act.

The Company and Group is financed through equity and a bond loan, see note 9 to the Financial Statement. The bond loan outstanding as of December 31, 2017 was MUSD 97.0.

Due to continuing net losses reducing our equity as of December 31, 2017, the bond holders agreed to waive the equity ratio covenant to 25% in November 2017, for a period lasting until June 30, 2018 and also reduced the minimum cash requirement to MUSD 5.0. Scheduled payments for the bond loan were MUSD 6.0 of principal and MUSD 4.3 of interest in June 2018 and principal of MUSD 6.0 and interest of MUSD 4.0 in December 2018.

In May of 2018, an additional waiver was granted that reduced the minimum cash requirement to MUSD 5.0 and the rate of equity to 23.5% effective July 1, 2018 through January 1, 2019 in exchange for a MUSD 0.2 amendment fee and a one-time principal payment of MUSD 2.0 on July 31, 2018 in exchange for the elimination of the scheduled principal payment of MUSD 6.0 in June 2018.
Market conditions have continued to improve in 2018 and the Board of Directors confirm that it is expected that the Company and Group will be compliant with all other covenants set out in the bond loan agreement through 2018.

Cash Flow and liquidity

The cash position for the Group decreased from MUSD 18.3 as of December 31, 2016 to MUSD 7.8 as of December 31, 2017 mainly due to capital expenditures of MUSD 9.9, bond interest payments of MUSD 8.7 and increases in working capital offset by EBITDA of MUSD 12.7

The Group invested MUSD 9.9 in capital expenditures in 2017, principally to complete the upgrade of its rig fleet with 7500psi fluid ends for the mud systems, adding a 3rd mud pump and adding walking systems for the rigs that did not have them.

Key risks and uncertainties

The Group and the Company are exposed to a number of risk factors when performing its activities, such as market risk, operational risk, credit risk and liquidity risk. The Company's and the Group's key operational risks are comprised to a large extent of (i) oil and gas prices, (ii) number of rigs available for drilling in the US and the rig count (rigs employed), and (iii) risk related to suppliers and clients.

Global oil and gas prices have been historically and will likely continue to be volatile for the foreseeable future. Global demand and supply of oil; levels of exploration and production by oil and gas companies operating in the United States; worldwide political, regulatory, economic and military events as well as natural disasters have contributed to oil and gas volatility and are likely to continue to do so in the future. The US land drilling market is strongly related to energy prices. Day rates and utilization levels of the Group's rigs correlate with the price of oil and natural gas. An increase in oil price requires supply reductions or increases in demand. The Group's income is the most sensitive factor, and a reduction either in utilization or day rates compared to budget has clear negative effects on the result. Conversely, higher rates and utilization have very positive effects on our results. The cost level will vary with constraints in the market for input factors.

The client risk of the Group varies, and even though the Group targets blue-chip E&P clients with extensive operations, contracts may also be signed with smaller companies to increase utilization of the rigs. In such cases, a review of financial statements or payment references is performed to reduce risk of non-payment.

Supplier and client risks are also present in the market in which the Group is operating. Even if the Group targets contracts with larger and financially solid partners, the contracts will be subject to uncertainty with regards to the suppliers' or the clients' ability to meet their commitments, as they, too, on a general basis also will be subject to market and financial risk. Idle rigs will lead to significant loss of income.

In addition, there could be stacking expenses during weak periods of demand for rigs resulting on loss of work. Such expenses are modest in terms of influence on the result. The Group is also exposed to changes in the regulatory and fiscal frameworks in Norway and the USA.

Business Outlook

The Group will continue its focus on operating its premium rig fleet and evaluate opportunities to build a larger US presence by further developing our US subsidiary. The foundation has been laid over the years, building strong inhouse drilling competences and safety records, a flat organization with focus on training and motivation of our drilling crews, effective corporate routines and strong client relationships.

By growing the Group's rig fleet from three rigs in 2009 to nine rigs by the start of 2015, the Group has taken important steps forward to become an important player in the US onshore drilling industry. Additionally, the Group has upgraded all nine of its rigs to "Super-Spec" requirements.

The Group has an ongoing dialogue with its existing customers as well as potential new customers about rig performance and contracts. The Board emphasizes the importance of new, efficient rigs and trained personnel as a powerful combination for reaching our drilling, safety and utilization targets and winning new contracts with quality clients.

A key driver for financial results in 2018 will ultimately be the continued price development of crude oil and natural gas prices which impacts capital spending by the US energy producers.

Key targets for 2018:

- Ensure continued high safety standard in line with our historical performance
- Continue to operate our rigs with an industry leading effectiveness and efficiency
- Maintain and develop customer relationships in order to obtain higher dayrates contracts with reputable clients

Future development

Dayrates and Utilization Outlook

Today, all nine rigs are currently operating in the Permian Basin. Three rigs are on well-to-well contracts and the remaining rigs are on term contracts that expire at various stages from June 2018 through February 2019. It is anticipated that demand for US land rigs should remain steady or continue to improve throughout 2018, especially

in the Permian Basin, subject to any significant negative volatility on WTI oil prices. As a result, we expect our rig utilization to match our near 100% utilization in 2017. Also, we expect that dayrates should continue to increase throughout 2018, although the pace of increases could moderate somewhat. Accordingly, we project that our revenue will be higher in 2018.

The Board expects to maintain the Group's strong safety record and low TRIR consistent or better than industry averages.

Operating Expenses

As dayrates, rig utilization and revenue has increased since the second half of 2016, the Group has taken efforts to maintain an efficient operating cost structure. We successfully hired skilled labor and did not experience any significant reactivation costs returning all of our rigs to work.

Liquidity/Cash flow

The Company and Group is financed through equity and a bond loan, see note 9 to the Financial Statement. The Bond Loan outstanding as of December 31, 2017 was MUSD 97.0.

Due to continuing net losses reducing our equity as of December 31, 2017 and current market conditions, the bond holders agreed to waive the equity ratio covenant to 25% in November 2017, for a period lasting until June 30, 2018 and also reduced the minimum cash requirement to MUSD 5.0. Scheduled payments for the bond loan were MUSD 6.0 of principal and MUSD 4.3 of interest in June 2018 and principal of MUSD 6.0 and interest of MUSD 4.0 in December 2018.

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Market conditions have continued to improve in 2018 and the Board of Directors confirm that it is expected that the Company and Group will be compliant with all other covenants set out in the bond loan agreement through 2018.

Research and development activities

Neither the Company nor the Group had research and development expenses in 2017.

Going Concern

The Board considers the Financial Statements for 2017 to represent a true and fair view of the development and results of the Company's and Group's operations and accounts as of December 31, 2017. The Board confirms that going concern

assumptions are satisfied as to the standards set by the Norwegian Accounting Act and which has formed the basis for the financial statements presented herein for the Company and the Group.

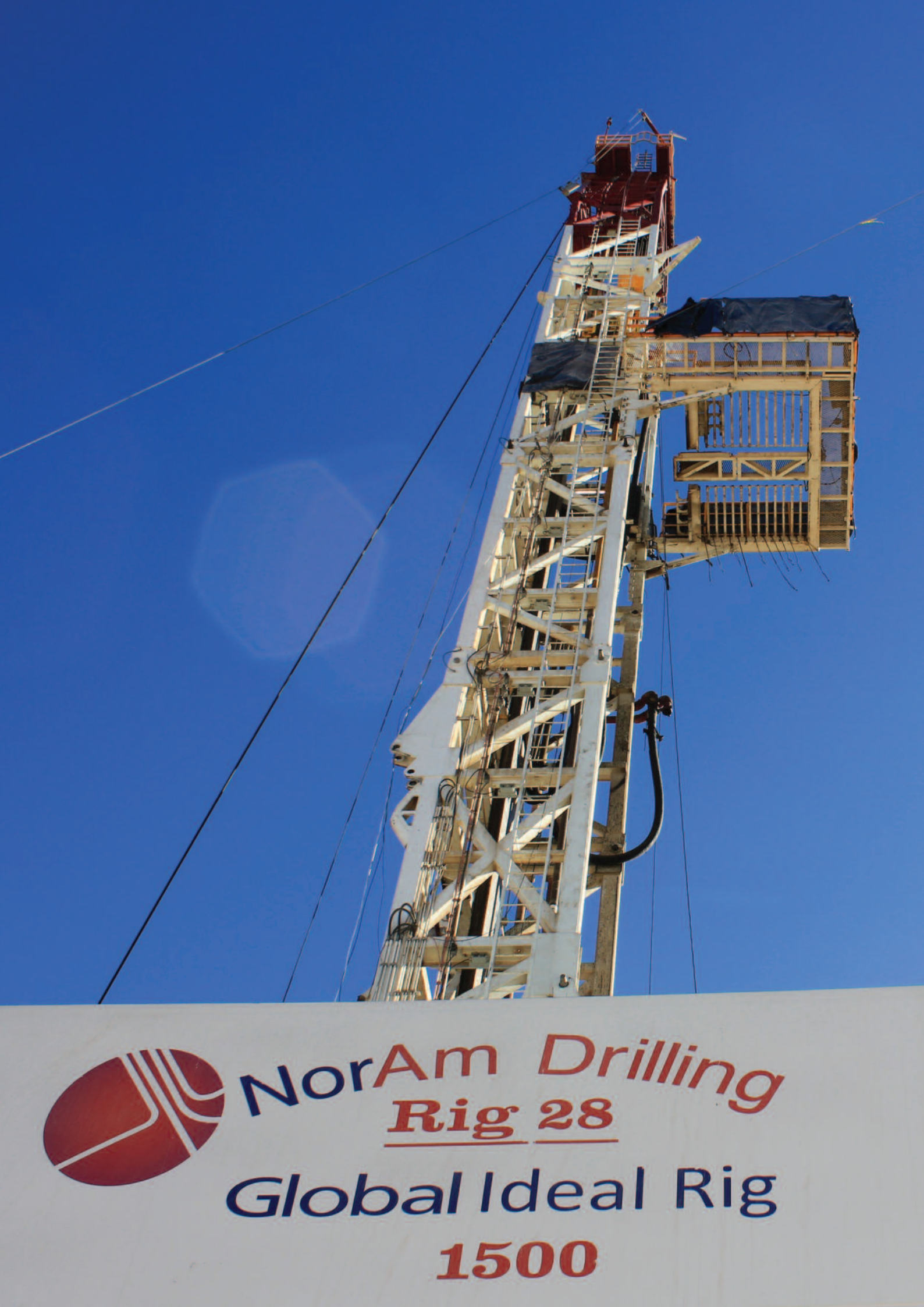
Working environment

As of December 31, 2017, NorAm Drilling Company had an operational organization of 264 people including five working at the administration office in Houston. The Board considers the working environment in the Company and the Group to be good.

Management consists of the Acting Chief Executive Officer / Chief Financial Officer and a Chief Operating Officer. Apart from these individuals, the Company uses external advisors for accounting, legal affairs and other professional services.

The Group had 264 employees at the end of 2017. The absentee rate was minimal. There were no property damage incidents in 2017.

The Company has no employees during 2017, hence no sick leave. No serious occupational accidents or incidents have been experienced over the year, whether in the parent company or in the subsidiaries.


NorAm Drilling
Rig 28
Global Ideal Rig
1500

Equal Opportunities

The Company has no employees, and there are no plans for changing this in near future. Women will be encouraged to apply for posted available positions in order to increase the representation of both sexes in the organization. At the end of 2017, the Group had two women employed. There will be no discrimination between men and women regarding recruitment, salaries in relation to position/competence, or promotion, or any other aspect of the Group's activities.

The NorAm Drilling Company AS Board consists of three men and a deputy female member. NorAm Drilling Company Inc. has the same board as NorAm Drilling Company AS.

Non-discrimination and accessibility

The Group and the Company target to be an employer to promote equality for all employees' regardless of nationality, sex, skin color, language or religion.

This is true for recruiting new people, for salary and bonus schemes, working relations, promotions and protection against harassment.

External environment

NorAm Drilling Company AS has limited activity and does not pollute the external environment.

The Group undertakes activities that are potentially polluting. The oil and gas well drilling business, by its very nature, can, if proper procedures are not followed adversely impact the environment. This can range from blowouts of wells or pollution of the area surrounding the drilling activities.

NorAm Drilling Company takes all reasonable precautions by assuring proper equipment and maintenance and that the rig personnel are all properly trained. Also, NorAm Drilling conducts standard procedures beyond regulations to ensure not to pollute. Other actions taken by NorAm Drilling is converting engine system into Dual Gas system allowing our engines to run on natural gas at a lower cost and generating less pollution.

NorAm Drilling has implemented Health, Environment and Safety services to support the company's activities and the rig crew is trained in Occupational Safety and Health Administration (OSHA) HSE regulations in the US. The focus is to train all site personnel in their daily routines to act safely and to prevent unwanted occurrences with the rigs.

NorAm Drilling complies with US state and federal regulations in its activities, including environmental protection regulation. The operator carries the main responsibility regarding the external environment when drilling a well under standard daywork drilling contracts.

Subsequent events

An Amendment from a bondholder meeting on May 25th is covered in detail under note 9.

Signature of the Board, May 28th 2018

Henrik Tangen Chairman	Ole B. Hjertaker Board member	Herman R. Flinder Board member

Financial Statements 2016 - The Group

INCOME STATEMENT per Dec 31, 2017 (Amounts in USD 1,000)

NorAm Drilling Company AS					Group	
2017	**2016**	**Note**		**Note**	**2017**	**2016**
0	0	13	Sales	13	63 459	39 444
231	0		Other operating income		0	0
231	**0**		**Total operating income**		**63 459**	**39 444**
208	213	2	Payroll expenses	2	24 244	17 119
0	0		Depr. of tangible and intangible assets	8	14 602	14 034
0	0		Write-down tangible assets	8	0	0
.	0		Rig mobilization, service and supplies		13 590	9 632
0	0		Insurance rigs and employees	10	4 284	3 691
0	0		Internal operating expenses		0	5
986	807	2, 10	Other operating expenses	2,10	8 619	5 816
1 194	**1 020**		**Total operating expenses**		**65 338**	**50 298**
-963	**-1 020**		**Operating profit (+) / loss (-)**		**-1 879**	**-10 854**
			Financial income and Expenses			
14 609	14 758	6,12	Interest income from group companies		0	0
1	4	12	Other interest income	12	1	4
103	260	12	Other financial income		103	260
8 730	9 452	9,12	Other interest expenses	9,12	8 760	9 497
2 352	1 166	12	Other financial expenses	12	2 365	1 180
3 631	**4 405**		**Net financial items**		**-11 020**	**-10 412**
2 668	**3 385**		**Profit (+)/Loss (-) before income tax**		**-12 899**	**-21 266**
110	**1 356**	**3**	**Income Tax Expense**	**3**	**-63**	**193**
2 558	**2 021**		**Net profit (+)/Loss (-)**		**-12 836**	**-21 459**
2 558	**2 021**	**5**	**Transferred to other equity**	**5**	**-12 836**	**-21 459**

Balance Sheet per Dec 31, 2017 (Amounts in USD 1,000)

NorAm Drilling Company AS					Group	
2017	**2016**	**Note**		**Note**	**2017**	**2016**
			ASSETS			
			Non-current assets			
			Intangible assets			
0	0	3	Deferred tax assets	3	0	0
0	**0**		**Total intangible assets**		**0**	**0**
			Tangible assets			
0	0	8	Rigs and accessories	8	129 843	134 572
0	0		Other tangible assets		346	615
0	**0**		**Total tangible assets**		**130 189**	**135 188**
			Financial assets			
9 579	9 579	7	Investments in subsidiaries		0	0
183 486	171 898	6	Loan to group companies		0	0
193 065	**181 476**		**Total financial assets**		**0**	**0**
193 065	**181 476**		**Total Non-current Assets**		**130 189**	**135 188**
			Current assets			
			Receivable			
10 010	9 832		Accounts receivable		9 633	6 280
1 372	2 255		Other receivable		2 334	3 027
11 382	**12 087**		**Total receivable**		**11 967**	**9 307**
			Cash and cash equivalent			
894	8 337	4	Bank Deposits/Cash	4	7 768	18 320
894	**8 337**		**Total Bank Deposits/Cash**		**7 768**	**18 320**
12 276	**20 424**		**Total current assets**		**19 735**	**27 627**
205 341	**201 901**		**TOTAL ASSETS**		**149 924**	**162 815**

BALANCE SHEET per Dec 31, 2017 (Amounts in USD 1,000)

NorAm Drilling Company AS					Group	
2017	**2016**	**Note**		**Note**	**2017**	**2016**
			EQUITY & LIABILITIES			
			Equity			
			Owners' equity			
13 590	13 590	5	Share capital	5	13 590	13 590
74 327	74 327	5	Share premium	5	74 327	74 327
439	439	2,5	Other paid in capital	2,5	369	369
88 356	**88 356**		**Total owners' equity**		**88 286**	**88 286**
			Accumulated profits			
16 209	13 651		Other Equity	5	-45 902	-33 066
16 209	**13 651**		**Total accumulated profits**		**-45 902**	**-33 066**
104 565	**102 007**		**Total Equity**		**42 384**	**55 220**
			Liabilities			
1 970	1 860	3	Deferred tax	3	1 757	1 860
1 970	**1 860**	**3**	**Total deferred tax**	**3**	**1 757**	**1 860**
			Non-current liabilities			
97 000	97 000	9	Bond issue	9	97 000	97 000
0	0		Other long term liabilities	9	763	444
97 000	97 000		Total non-current liabilities		97 763	97 444
			Current liabilities			
27	67		Accounts payable		3 733	4 440
0	0	3	Tax payable	3	0	0
191	160		Public duties payable		191	160
1 589	807	9	Other current liabilities	9	4 055	3 691
1 807	**1 034**		**Total current liabilities**		**7 980**	**8 291**
100 776	**99 894**		**Total liabilities**		**107 540**	**107 595**
205 341	**201 901**		**TOTAL EQUITY & LIABILITIES**		**149 924**	**162 815**

Signature of the Board, May 28th 2018

Henrik Tangen,
Chairman

Ole Bjarte Hjertaker
Board member

Herman R. Flinder
Board member

Marty Jimmerson
Chief Executive Officer

CASH FLOW STATEMENT per Dec 31, 2017 (Amounts in USD 1,000)

NorAm Drilling Company AS			Group	
2017	**2016**		**2017**	**2016**
2 668	3 385	Pre-tax profit/loss	-12 899	-21 266
-	-439	Tax paid for the period	-	-439
-	-	Depreciation of fixed assets	14 602	14 034
-	-	Change in accounts receivable	-3 353	-1 999
-	-23 234	Change in accounts payable	-707	2 934
741	0	Write-down investments in shares	-	-
-10 853	11 655	Change in other current balance sheet items	1 088	1 055
-7 444	**-8 633**	**Net cash flow from operational activities**	**-1 269**	**-5 682**
-	-	Proceeds from the sale of tangible fixed assets	308	-
-	-	Purchase of tangible fixed assets	-9 911	-9 551
-	**-**	**Net cash flow from investing activities**	**-9 603**	**-9 551**
-	-12 000	Downpayments of long term debt	320	-12 122
-	9 383	Issue of share capital	-	9 383
-	-7 428	Effect merger	-	-
-	**-10 045**	**Net cash flow from financing activities**	**320**	**-2 739**
-7 444	**-18 678**	**Net change in cash and cash equivalent**	**-10 553**	**-17 972**
8 337	**27 016**	**Cash and cash equivalents Jan. 01**	**18 320**	**36 292**
894	**8 337**	**Cash and cash equivalents Dec.31**	**7 768**	**18 320**

NOTE DISCLOSURES

Note 1 – Accounting Principles

The Financial Statements include Profit and Loss statement, Balance Sheet, Cash Flow Statement and Note Disclosures. The Financial Statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

The Financial Statements are based on the basic principles, and the classification of Assets and Liabilities is according to the definitions of the Norwegian Accounting Act. In application of the accounting principles and presentation of transactions and other information, emphasis has been put not only on legal form, but on economic reality. Conditional losses that are probable and quantifiable are expensed. There have been no changes in the accounting principles used.

During 2016 the group has changed their legal structure and the parent company Global Rig Company AS has changed name to NorAm Drilling Company AS. As a consequence of the sale of rigs from the Global Rig Active-companies late 2015, all Global Rig Active-companies has been merged into NorAm Drilling Company AS.

1-1 Basis for consolidation

The Group's consolidated financial statements comprise NorAm Drilling Company AS and companies in which NorAm Drilling Company AS has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50% of the shares in the company and can exercise control over the company. Minority interests are included in the Group's equity. Transactions between Group companies have been eliminated in the consolidated financial statement. The consolidated financial statement has been prepared in accordance with the same accounting principles for both parent and subsidiary.

1-2 Use of estimates

Management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with Norwegian generally accepted accounting principles.

1-3 Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into USD using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into USD using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

1-4 Revenue recognition and operational costs

Income from sale of goods and services are recognized at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales are taken to income when the company has delivered its products to the customer and there are no unsatisfied commitments which may influence the customer's acceptance of the product. Delivery is not completed until the products have been sent to the agreed place, and risks relating to loss and obsolescence have been transferred to the customer.

NorAm Drilling Company Group revenue relates to rental of rig capacity and sale of drilling services from the US based subsidiary NorAm Drilling Company. Sales regarding rental of rig is invoiced and booked in line with actual contract and the period of delivering the services, while drilling services are invoiced and booked in the same period as the services has been provided.

Expenses are recognized with the income to which the expenses relate. Expenses that may not be related to income are recognized when accrued.

1-5 Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are

calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 23%/24% of temporary differences and losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

1-6 Balance sheet classification

Current assets and short term liabilities consist of receivables and payables due within one year, and items connected to the flow of goods. Other balance sheet items are classified as fixed assets / long-term liabilities.

Current assets are valued at the lower of cost and fair value. Short-term liabilities are recognized at nominal value at the time they incur.

Fixed assets are valued at cost, less depreciation and impairment losses. Long-term liabilities are recognized at nominal value.

1-7 Property, plant and equipment

Property, plant and equipment are capitalized and depreciated over the estimated useful life. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property, plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realizable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are used. Operational leasing is expensed as ordinary rental expense and classified as an ordinary operating expense. Equipment leased on terms that transfer practically all economic rights and obligations to the company (financial leasing) is depreciated as a capital asset, and is included as a liability under interest bearing debt at the present value of minimum rental expense.

1-8 Subsidiaries

Subsidiaries are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions are recognized in the same year as they are recognized in the subsidiary financial statement. If dividends / group contribution exceed withheld profits after acquisition, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the investment in the balance sheet for the parent company.

1-9 Accounts receivable and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

1-10 Pension obligations and expenses

NorAm Drilling Company AS has a deposit-based pension plan. Yearly payments to the insurance company are expensed as pension costs.

1-11 Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

Note 2 – Payroll expenses/Number of Employees/Remuneration/Auditor's Fee (USD)

	2017		2016	
	NDC AS	Group	NDC AS	Group
Salaries	176 603	22 156 459	174 895	15 625 441
Payroll tax/Social Security	25 503	1 711 273	25 966	1 209 922
Pension costs	4 243	373 867	9 472	281 318
Other benefits	2 106	2 106	2 715	2 715
Payroll expenses etc.	**208 454**	**24 243 705**	**213 048**	**17 119 396**
Number of man-labour years	1	264	1	241

Management Remuneration - Noram Drilling Company AS (USD) 2017

Company officers	**Period**	**Salaries**	**Pensions**	**Other benefits**	**Total**
Marty Jimmerson (CEO)*	01.01-31.12	403 446		12 000	415 446
Board	**Period**	**Salaries**	**Pensions**	**Other benefits**	**Total**
Henrik Tangen (Chairman)	01.01.- 31.12	108 919			108 919
Ole Bjarte Hjertaker (Board member)	01.01 – 21.12	36 306	-	-	36 306
Henrik Krefting (Board member)	01.01 – 28.11	33 281	-	-	33 281
Hermann Refsum Flinder (Board member)	29.11 – 31.12	-	-	-	-
Synne Syrist (Deputy Board member)	01.01 – 31.12	-	-	-	-
Total Officers		**403 446**	**-**	**-**	**225 000**
Total Board		**178 507**	**-**	**-**	**178 507**
Total Remuneration Board and Management		**581 953**	**-**	**-**	**593 953**

* Marty Jimmerson received salary from NorAm Drilling Comp.

CEO Marty Jimmerson has a 1 year rolling basis for his employment agreement. In addition to a base salary he is also entitled to a bonus subject to the company's performance.

Mr. Jimmerson is entitled to (i) one-year base salary; (ii) annual cash bonus up to 33% of annual salary and (iii) group health coverage benefits for up to 18 months in the event of a change in control or if his employment contract is terminated for anything other than cause. The CEO is also entitled to a 3-month notice period prior to termination.

It has not been given loan or security for the CEO, directors or shareholders

Management Remuneration - Group (USD) 2017

Company officers	**Salary**	**Pensions**	**Other benefits**	**Total**
NorAm Drilling Company AS	-	-	-	-
Subsidiaries	403 446	-	12 000	415 446
Board	**Salary**	**Pensions**	**Other benefits**	**Total**
NorAm Drilling Company AS	178 507	-	-	178 507
Subsidiaries	-	-	-	-
Total Officers	**403 446**	**-**	**12 000**	**415 446**
Total Board	**178 507**	**-**	**-**	**178 507**
Remuneration Board and Management (excl. Share based)	**581 953**	**-**	**12 000**	**593 953**

The Company established in 2007 an OTP-plan (Mandatory Occupational Pension) according to the Norwegian Mandatory Occupational Pension Act. The group has established a 501K plan for US subsidiary employees.

Global Rig Company AS Share-Based Payment

During the period ended 31 December 2017, the Company had two a share-based payment arrangement, which is described below.

Option Plan 2014 - 2017 for Dale Wilhelm, CEO and Thomas Taylor, COO

Type of arrangement:		Equity Based
Options granted as of 25.09.14:	Wilhelm: 150 000	Taylor: 150 000
Vesting conditions, Wilhelm:	50% of the options vest 15.02.2016 and 50% of the options vest 15.02.2017	
Vesting conditions, Taylor:	50% of the options vest 15.02.2016 and 50% of the options vest 15.02.2017	

Fair value of granted options is calculated using the Black-Scholes-Merton option pricing model.

The inputs to the model are listed below:

Option Plan 2014-2017	Tranche 1	Tranche 2
Grant date	25.09.2014	25.09.2014
Vesting date	15.02.2016	15.02.2017
Expiry date	15.03.2018	15.03.2018
Expected Exercise date	15.03.2017	15.03.2018
Quantity	150 000	150 000
Exercise price	3.50	3.50
Spot Price	3.50	3.50
Expected lifetime	2.4 years	3.4 years
Volatility	36 %	42 %
Risk free interest rate	1.48 %	1.63 %
Dividends	-	-
Fair Value per option (in NOK)	0.8125	1.1195

The Company is not listed, and guidelines in IFRS 2 are used to estimate expected volatility. Expected volatility is based on historical volatilities of similar entities listed on NYSE. As similar entities the following have been used:
Unit Corporation, Parker Drilling Company, Helmerich & Payne and Rowan Companies Inc.
Because NorAm Drilling Company is a smaller company than the similar entities, a 20 % premium has been added to the average volatility of the similar entities.
The total expensed amount in 2017 arising from the share-based payment plan is USD 2 407, and the total unrecognized expense per 31 December 2017 is USD 0.

Historical details for the option plans are as follows:

	01.01.2016 - 31.12.2016		01.01.2015 - 31.12.2015		01.01.2014 - 31.12.2014	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at the beginning of period	300 000	3.50	300 000	3.50	300 000	4.50
Granted	-	-	-	-	300 000	-
Exercised	-	-	-	-	-	-
Terminated	150 000	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Expired	-	-	-	-	300 000	4.50
Outstanding at the end of period	150 000	3.50	300 000	3.50	300 000	3.67
Vested options	-	-	-	-	-	-

In connection with Dale Wilhelm leaving the company in 2017, his option agreement was terminated.

Details concerning outstanding options as of 31 December 2017 are given in the table below

Outstanding options			Vested options	
Outstanding options per 31.12.	Weighted average remaining Contractual Life	Weighted average Exercise Price	Vested options 31.12.2016	Weighted average Exercise Price
150 000	0,25	3.50	-	3,50

Remuneration of corporate management and Board of Directors 2017 is given in the table below.

Member of Management or Board	Number of options granted during 2016	Number of options outstanding as of December 31 2016	Exercise price of options	Expiry date of options	Amount expensed in 2016
Thomas Taylor	-	150 000	3,50	15.03.2018	16 457

At the Extraordinary General Meeting of October 14, 2008 the Board was authorized to increase the share capital by a maximum of 2.928 million by issuing up to 1.464 million shares in relation to a share option program.

The shares can be issued to employees and board members in the Company and the Group. As of Dec 31, 2016 share option agreements including up to 300 000 shares had been granted.

In September 2014 these options was granted to C00 Thomas Taylor by 150 000 options.

The Company signed in 2009 a consultancy services with Henrik Tangen who is chairman of the company.
The agreement includes services like IR, strategy, organizational development assistance, analytical support and communication support.

Auditors remuneration (USD, excl. MVA (VAT)

	2017		2016	
	NDC AS	Group	NDC AS	Group
Ordinary audit	83 505	83 505	71 620	71 620
Other confirmation services	29 001	29 001	39 927	39 927
Tax advisory services	29 383	29 383	15 206	15 206
Other non-audit services	6 181	6 181	41 181	41 181
Total	**148 070**	**148 070**	**167 934**	**167 934**

The ordinary audit expense includes fees for auditing the US subsidiary for the Group consolidated accounts.

Note 3 – Tax (USD)

	Jan 01 - Dec 31, 2017		Jan 01 - Dec 31, 2016	
	NDC AS	Group	NDC AS	Group
Tax base calculation:				
Profit (+)/ Loss (-) before income tax	2 667 607	-12 899 164	3 385 318	-21 266 383
Permanent differences	-2 247 684	-2 092 658	-1 977 707	22 673 993
Temporary differences	6 541 262	-18 172 053	-40 303 315	-40 303 315
Temporary differences as a result of mergers		-	51 949 666	51 949 666
Losses carried forward	-7 430 961	19 795 560	13 832 297	13 832 297
Losses carried forward as a result of merges		-	-26 941 579	-26 941 579
Limited deduction on interests	76 114	12 974 653	1 655 473	1 665 473
Limited deduction on interests as a result of merges			-1 619 954	- 1 619 954
Foreign exchange differences	393 663	393 663	19 802	19 802
Tax base	-	-	-	
Tax 24% / 25 %			-	434 971
Income Tax Payable this year	-	-	-	-
Income Tax Expense:				
Income Tax Payable this year	0	0	0	0
Changes in deferred tax	109 628	-62 842	-7 211 736	-8 383 861
Effect mergers	-	-	8 576 439	8 576 439
Total Income Tax Expense	**109 628**	**-62 842**	**1 364 703**	**192 578**
Income Tax Payable:	-	-	-	-
Income Tax Payable this year	-	.	-	-
Prepaid Tax	-	-	-	-
Total Income Tax Payable	-	-	-	
Specification of Basis for Deferred Tax Asset:				
Differences to be balanced				
Fixed assets	-60 423	63 934 180	-72 209	-13 707 971
Current assets	-	-192 707	-	4 100
Deferred gain carried forward	33 734 152	33 734 152	40 287 199	40 287 199
Other differences	-	-4 197 015	-	184 657
Total temporary differences	**33 673 728**	**93 278 610**	**40 214 990**	**26 657 537**
NOL's carried forward	**-23 378 861**	**-124 570 786**	**-30 809 822**	**-104 775 226**
Interest limitation carried forward	**-1 731 587**	**-31 617 966**	**-1 655 473**	**-18 643 313**
Basis for calculation of deferred tax asset/liability	**8 563 81**	**-62 910 142**	**7 749 695**	**-48 311 982**
Deferred tax asset (-)/liability (+)	**1 969 555**	**-13 326 924**	**1 859 927**	**-16 957 831**
Valuation allowance	-	**15 124 009**	-	**18 817 758**
Deferred tax asset (-) / liability (+)	**1 969 555**	**1 797 085**	**1 859 927**	**1 859 927**
Deferred tax / tax advantages (23%/24%)				
not recorded in balance	-	-	-	-

Deferred tax/ deferred tax asset

Estimated deferred tax asset in subsidiary NorAm Drilling Company is not recorded in the balance sheet due to uncertainty related to valuation of this asset.

Note 4 – Bound Assets and Liquidity Reserves (USD)

	2017		2016	
	NDC AS	Group	NDC AS	Group
Employees tax deduction, deposited in a separate bank account	13 362	13 362	13 374	13 374
Secure deposit office leasing and credit cards	9 590	9 590	42 723	68 952
Total	**22 952**	**22 952**	**56 097**	**81 952**

Note 5 - Equity and Shareholder Information (USD)

Share Capital NorAm Drilling Company AS & Group

	2017			2016		
	No. of shares	Face value (NOK)	Book value (NOK)	No. of shares	Face value (NOK)	Book value (NOK)
Ordinary shares	267 846 340	0,10	26 784 634	267 846 340	0,10	26 784 634
Total	**267 846 340**		**26 784 634**	**267 846 340**		**26 784 634**

Equity Noram Drilling Company AS	**Share capital**	**Share premium**	**Other paid in capital**	**Other Equity**	**Total**
Equity Dec 31, 2016	13 589 616	74 327 089	438 907	13 651 413	102 007 024
Profit (+)/Loss (-)				2 557 979	2 557 979
Equity Dec 31, 2017	**13 589 616**	**74 327 089**	**438 907**	**16 209 393**	**104 565 004**

Equity Group	**Share capital**	**Share premium**	**Other paid in capital**	**Other Equity**	**Total**
Equity Dec 31, 2016	13 589 616	74 327 089	369 053	-33 065 844	55 219 915
Profit (+)/Loss (-)	-	-		-12 836 323	-12 836 323
Equity Dec 31, 2017	**13 589 616**	**74 327 089**	**369 053**	**-45 902 166**	**42 383 592**

Issued capital consists only of ordinary shares

10 Largest Shareholders as per December 31, 2017, NorAm Drilling Company AS and Group

Name	**Number of shares**	**Share**
Geveran Trading Co Ltd	155 526 139	58,07 %
Pactum AS	53 460 699	19,96 %
Ship Finance International	12 020 466	4,49 %
Camaca AS	9 093 472	3,40 %
Robert Wood Johnsen The Bank of New York	4 707 698	1,76 %
Øglend Eiendom AS	3 204 840	1,20 %
Jahrmann AS	3 058 802	1,14 &
NHO – P665AK JP Morgan Chase Bank	2 281 006	0,85 %
Damima Invest AS	2 010 837	0,75 %
Cubera IV AS	1 754 620	0,66 %
Total	**267 846 340**	**92,28 %**

Note 6 – Intercompany Balances (USD)

NorAm Drilling Company AS	Per Dec 31, 2017	Per Dec 31, 2016
Loan to NorAm Drilling Company	183 486 318	183 486 318
Loan from NorAm Drilling Company	861 051	79 132
NorAm Drilling Company AS receivables from NorAm Drilling Company	11 306 305	10 009 993

Group	Per Dec 31, 2017	Per Dec 31, 2016
NorAm Drilling Company AS loan to NorAm Drilling Company	183 486 318	183 486 318
NorAm Drilling Company loan to NorAm Drilling Company	861 051	79 132
NorAm Drilling Company receivables from NorAm Drilling Company	11 306 305	10 009 993

Note 7 – Shares in Subsidiaries (USD)

Company	Balance value	Shares	Voting*	Equity 2017	Result 2017	Main Office
NorAm Drilling Company	9 578 793	100 %	100 %	-37 208 312	-24 664 499	Houston

Note 8 – Tangible Assets (USD)

Property, plant and equipment	Rigs & accessories	Construction in-progress	Vehicles & Office Equipment	Land	Total
Acquisition cost at 01.01.2017	150 673 182	679 288	1 073 178	50 142	152 475 790
Additions	17 645 597	-	292 929	-	17 938 527
Disposals	-8 020 835	-430 359	-142 160	50 142	-8 643 496
Acquisition cost at 31.12.2017	160 297 944	248 929	1 223 947	-	161 770 820
Acc. depreciation 31.12.2017	30 471 159	221 445	889 184	-	31 581 788
Net carrying val. at 31.12.2017	129 826 785	27 484	334 763	-	130 189 032
Depreciation for the year	14 354 149	22 608	225 075	-	14 601 831
Impairment loss for the year	-	-	-	-	-

Both the parent company and the group use linear depreciation for all tangible assets

The useful economic life is estimated to be:	Years
* Buildings and other real estate	20-50
* Machinery and equipment	3-15
* Land	0

Note 9 – Short-term and long-term liabilities

	2017		2016	
	NDC AS	Group	NDC AS	Group
Short term liabilities (USD)				
Other short term liabilities	727 500	4 055 380	817 500	3 991 413
Long term liabilities (USD)				
Bond issue	97 000 000	97 000 000	109 000 000	109 000 000
Other long term liabilities	-	763 198	-	565 661
Total	97 727 500	101 818 578	109 817 500	113 557 074

Bond: June 3rd, 2014, the Group issued a new Bond loan of USD 120 000 000 with 5 years maturity. This agreement has been amended at several occasions.

Covenants

The Bond Loan includes several financial covenants, including;

- Equity Ratio > 30%
- Liquidity – The Group's liquidity should be held at MUSD 6 for the first 12 months, thereafter MUSD 10 for the reminding period
- Current Ratio – Minimum 1:1
- Asset Coverage Ratio > 130%

Waiver(s) on Financial Covenants

At yearend 2015 we agreed to amend the equity ratio covenants requirement as necessary for a period lasting until January 1, 2017. In September 2016, a waiver on the Equity Ratio and the Liquidity covenants was agreed. The waiver states that the Equity Ratio covenant was eliminated and that the minimum liquidity was reduced from MUSD 10 to MUSD 7 for a period lasting until 30 June 2017. Based on this, the Group complied with the financial covenants as of yearend 2016.

Although market conditions have improved since mid-2016, the Company determined that it would be unable to meet the repayment terms and various covenants of the Bond loan throughout 2017. Accordingly, in May 2017, the bondholders agreed to eliminate scheduled principal repayments in 2017 totaling MUSD 12.0 and extend the waiver of both the Equity Ratio covenant and minimum cash requirement of MUSD 7.0 through January 1, 2018, in exchange for a one-time payment of MUSD 1.2.

In November 2017, a waiver was granted that reduced the minimum required cash to MUSD 5.0 and a required rate of equity to 25 % effective January 1. 2018 and scheduled to expire on June 30, 2018. In May 2018, a waiver was granted that reduces the minimum cash required to MUSD 5.0 and the rate of equity to 23.5 % effective July 1. 2018 through January 1, 2019 in exchange for a MUSD 0.2 amendment fee and a one-time principal payment of MUSD 2.0 on July 31, 2018 in exchange for the elimination of the scheduled payment of MUSD 6.0 on June 3, 2018. Based on this, the Group complied with the financial covenants as of yearend 2017.

Other long-term liabilities: Other long-term debt is related to NorAm Drilling Company's purchase of vehicles, yard and warehouse including offices. The debt has security in the assets.

	2017		2016	
	NDC AS	Group	NDC AS	Group
Secured debt:	97 000 000	97 763 198	97 000 000	97 443 632
Pledged assets:				
Assets in subsidiaries	-	129 843 069	-	134 572 457
Yard and vehicles	-	345 963	-	615 355
Total	-	130 189 032	-	135 187 812

Note 10 – Related Parties

The Company signed in 2009 a consultancy services with Henrik Tangen who is chairman of the company. The agreement includes services like IR, strategy, organizational development assistance, analytical support and communication support. The agreement on a 20% engagement basis and the fee is NOK 50,000 per month. Payroll tax is paid on the amount, but no other social taxes or benefits.

Note 11 – Earnings per share (USD)

	2017		2016	
	NDC AS	Group	NDC AS	Group
Result after income tax	2 557 979	-12 836 323	2 020 615	-21 458 961
Shares	267 846 340	267 846 340	267 846 340	267 846 340
Warrants	150 000	150 000	200 000	200 000
EPS	0,01	-0,05	0,02	-0,21
EPS (incl. Options)	0,01	-0,05	0,02	-0,21

Note 12 – Net Financial Items

	2017		2016	
	NDC AS	Group	NDC AS	Group
Financial income				
Interest income from group companies	14 608 616	0	6 846 795	0
Other Interest Income				
Interest income bank	1 328	1 328	2 721	2 752
Other Financial Income				
Currency gains	103 044	103 044	18 990	22 536
Total financial income	**14 712 988**	**104 372**	**6 868 506**	**25 278**
Financial expenses				
Other interest expenses				
Interest expense bond loan	8 730 002	8 730 002	10 492 500	10 492 500
Other interest expenses		30 123	-	59 648
Other financial expenses				
Other financial expense	2 088 925	2 101 590	902 440	903 119
Write-down investments in subsidiaries			14 741 525	-
Currency losses	263 007	263 007	344 669	353 126
Total Financial expenses	11 081 934	11 124 722	26 481 134	11 808 393
Net financial items	**3 631 055**	**-11 020 350**	**-19 612 628**	**-11 783 116**

Note 13 – Segment and Geographic Information

The Company does not operate in different market segments.

The Group owns and operates land-based oil & gas drilling rigs. All drilling operations in 2017 were in the US. In 2015 the US subsidiary bought all of the rigs from the Norwegian subsidiaries.

2017 (USD)	NorAm Drilling Company AS	Drilling service NorAm	Group
Sales income from third parties	-	63 459 048	63 459 048
Sales income from other segments	230 627	-	-
Depreciation	-	14 601 833	14 601 833
Other operating expenses	1 194 074	50 736 026	50 736 029
Operating profit	**-963 447**	**-1 878 814**	**-1 878 814**
Financial expenses	14 712 988	14 651 404	11 124 722
Financial expenses other segments	-	-	-
Financial income	11 081 934	-	104 372
Financial income other segments	-	-	-
Net financial items	**-3 631 054**	**-14 651 404**	**-11 020 350**
Taxes	**109 628**	**660 593**	**-62 842**
Assets	-	147 637 365	149 923 856
Interest bearing debt third parties	97 000 000	763 198	97 763 198
Interest bearing debt other segments		182 625 267	-

2016	NorAm Drilling Company AS	Drilling service NorAm	Group
Sales income from third parties	-	39 443 703	56 123 376
Sales income from other segments	-	-	-
Depreciation	0	14 033 982	14 033 982
Other operating expenses	1 010 960	36 264 032	56 296 506
Operating profit	**1 010 966**	**-10 854 311**	**-14 032 392**
Financial expenses	10 617 255	10 676 702	11 808 393
Financial expenses other segments	-	-	-
Financial income	15 022 532	264 629	25 278
Financial income other segments	-	-	-
Net financial items	**4 405 277**	**-10 412 072**	**-11 783 115**
Taxes	**1 364 703**	**-**	**192 578**
Assets	-	152 222 061	162 814 860
Interest bearing debt third parties	97 000 000	443 632	97 443 632
Interest bearing debt other segments		171 818 570	-

Note 14 – Subsequent events

An Amendment from a bondholder meeting on May 25th is covered in detail under note 9.

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To the General Meeting of Noram Drilling Company AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Noram Drilling Company AS showing a profit of USD 2 558 000 in the financial statements of the parent company and loss of USD 12 863 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company Noram Drilling Company AS (the Company), which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Noram Drilling Company AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws and regulations, 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

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 or 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 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 fair presentation.

- 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 6 June 2018
KPMG

Ståle Christensen
State Authorised Public Accountant

NorAm Drilling Company owns and operates a fleet of 9 “Super Spec” AC drilling rigs, 8 which are equipped with walking systems and the 9th rig has a skidding system.

Read more and see the location for each rig at the Rig Locator:

www.noramdrilling.com

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NorAm Drilling Company