Interim Report for

NorAm Drilling Company AS

2nd Quarter 2018

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CONSOLIDATED FINANCIALS:

MUSD	Q2 2018	1st half 2018	Q2 2017	1st half 2017
Revenue	19.5	37.7	15.8	29.2
Operating Profit	1.8	3.0	-0.8	-2.9
Net Profit before tax	-0.9	-2.1	-3.6	-8.0
EBITDA	5.5	10.4	2.9	4.9

DRILLING CONTRACT STATUS:

- Rig 21 – on contract through December 2018
- Rig 22 – on contract through October 2018
- Rig 23 – on contract through December 2018
- Rig 25 – on contract through September 2018
- Rig 26 – on contract through December 2018
- Rig 27 – on contract through February 2019
- Rig 28 – on contract through December 2019
- Rig 29 – on contract through February 2019
- Rig 30 – on a contract through December 2019

SUMMARY

NorAm Drilling Company AS ("the Group") owns and operates a quality rig portfolio of nine "super spec" advanced high-end AC driven rigs tailored for the drilling of horizontal wells in the US land drilling market. Currently, all nine of our rigs are operating in the Permian Basin. 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.

MARKET & ACTIVITIES

US West Texas Intermediate (WTI) crude oil prices started 2018 trading at around $60.00 per barrel and increased $74.00 in June 2018. Currently, WTI is trading near $70.00.

During 2018, the active US land drilling rig count increased from 911 active rigs at December 31, 2017 to 1,024 active rigs at June 30, 2018. As of August 3, 2018, the US land drilling active rig count was 1,025.

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 2018, the Permian Basin rig count increased from 398 (43.5% of the active rig count) rigs at December 31, 2017 to 474 (46.3% of the active rig count) rigs as of June 30, 2018. As of August 3, 2018, the Permian Basin rig count was 480 (46.8% of the active rig count). Rig demand for "super spec" high end rigs continues to increase while less capable rigs, which earn lower dayrates, are being released by operators and stacked as contracts expire.

US crude inventory storage levels and US production continues to remain high, although crude storage levels are down by approximately 15% from 1 year ago. 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 US crude oil inventory and excess US natural gas, US operators continue to add onshore drilling rigs in the first half of 2018 as a result of stable and higher oil prices and increases in operator capital expenditure budgets for 2018.

During 2Q 2018, the Group operated its rig fleet at a 99.3% utilization rate and our 2018 YTD utilization rate is 99.4%. We are working principally for US operators with extensive crude oil drilling programs.

OPERATIONS

Combined with focus on our rig personnel staffing levels and effectively managing our other daily operating costs we were able to maintain rig operating costs during Q2 2018 in line with our historical performance. We did increase our wages early in 2018 to remain competitive and ensure we can recruit and retain superior talent. With improvement in dayrates, near 100 % utilization and effective management of our operating and supporting rig costs we continue to expand our rig margin contributions compared to prior periods. We expect that our rig margins should continue to improve for the foreseeable future.

FINANCIALS

NorAm Drilling had revenue of MUSD 19.5 during 2Q 2018 compared to MUSD 15.8 in 2Q 2017. NorAm Drilling had revenue of MUSD 37.7 during the first half of 2018 compared to MUSD 29.2 during the first half of 2017.

During 2Q 2018 we generated an operating profit of MUSD 1.8 compared to an operating loss of MUSD 0.8 in 2Q 2017. During the first half of 2018 we generated an operating profit of MUSD 3.0 compared to an operating loss of MUSD 2.9 in the same period of 2017. The improvement in operating profit was the result of the higher average day rates earned as market conditions continued to improve.

During 2Q 2018 we generated an EBITDA of MUSD 5.5 compared to MUSD 2.9 in 2Q 2017. During the first half of 2018 we generated EBITDA of MUSD 10.4 compared to MUSD 4.9 in the same period 2017. Increased EBITDA in 2018 was a result of higher dayrates.

Capital expenditures were MUSD 1.3 and 1.7 in 2Q 2018 and first half of 2018, respectively. As of June 30th, 2018, our cash position was MUSD 9.8 compared to MUSD 7.8 as of December 2017.

The Group is financed through equity and a bond loan. A waiver given in November 2017 reduced our minimum required cash to MUSD 5.0 and a required rate of equity to 25 % effective January 1, 2018. This waiver expired June 30, 2018. An additional waiver was granted in May 2018 that reduced 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 principal payment of MUSD 6.0 on June 3, 2018.

OUTLOOK

Today, all nine rigs are currently operating in the Permian Basin. It is anticipated that demand for US land rigs should remain steady and 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 continue to match our near 100% utilization trends. 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 should be higher in last six months of 2018.

Unaudited

Group - Income Statement USD	Pr 30.06.18	Q2 2018	Pr 30.06.17	Q2 2017
Revenue/Expense				
Sales	37 692 861	19 450 282	29 219 188	15 818 620
Internal Sales	-	-	-	-
Other Income	-	-	-	-
Total operating income	37 692 861	19 450 282	29 219 188	15 818 620
Payroll Expenses	13 509 396	7 234 385	12 009 180	6 215 169
Depreciation of tangible and intangible assets	7 419 154	3 730 555	7 333 692	3 664 892
Write-down fixed assets	-	-	-	-
Rig mobilization, service and supplies	7 342 590	3 803 384	5 646 166	2 696 130
Insurance rigs and employees	2 306 531	1 235 920	2 190 662	1 198 362
Internal Operating Expenses	-	-	-	-
Other Operating Expenses	4 127 425	1 660 973	4 819 467	2 836 506
Total Operating Expenses	34 705 096	17 665 218	31 999 166	16 611 059
Operating profit (+)/ loss (-)	2 987 764	1 785 064	-2 779 978	-792 439
Financial Income and Expenses				
Interest Income from Group Companies	-	-	-	-
Other Interest Income	-	-	563	64
Other Financial Income	8 489	1 494	80 065	5 689
Interest Expense to Group Companies	-	-	-	-
Other Interest Expenses	4 379 554	2 189 986	3 648 603	1 458 927
Other Financial Expenses	732 530	471 695	1 696 166	1 443 302
Net Financial Items	-5 103 595	-2 660 187	-5 264 141	-2 896 475
Profit (+)/Loss(-) before Income Tax	-2 115 831	-875 123	-8 044 119	-3 688 914
Income Tax Expense	377 297	150 089	392 557	161 147
Net Profit (+)/Loss (-)	-2 493 128	-1 025 212	-8 436 676	-3 850 061
EBITDA	10 406 918	5 515 619	4 553 714	2 872 453

Group - Balance sheet USD	Pr 30.06.18	Pr 30.06.17
Assets		
Intangible Assets		
Deferred Tax Assets	-	-
Total Intangible Assets	-	-
Tangible Assets		
Rigs and accessories	123 990 712	136 139 032
Vehicles and Office Equipment	471 636	666 771
Total Tangible Assets	124 462 349	136 805 803
Financial Assets		
Investment in Subsidiaries	-	-
Loans to Group Companies	-	-
Total Financial Assets	-	-
Total Non-current Assets	124 462 349	136 805 803
Current Assets		
Receivable		
Accounts Receivable	10 395 888	7 377 107
Intercompany Receivables	-	-
Other Receivable	2 412 302	3 073 881
Total Receivable	12 808 190	10 450 989
Cash and cash equivalents		
Bank Deposits/Cash	9 784 579	8 445 860
Total Current Assets	22 592 769	18 896 849
Total Assets	147 055 118	155 702 652

Group - Balance sheet USD	Pr 30.06.18	Pr 30.06.17
Equity & Liabilities		
Owners Equity		
Issued Capital	13 589 616	13 589 616
Share Premium	74 327 089	74 327 089
Other shareholder contribution	369 053	369 053
Total Owners Equity	88 285 758	88 285 758
Accumulated Profits		
Other Equity	-48 395 295	-41 502 519
Conversion differences	-	-
Total Accumulated Profits	-48 395 295	-41 502 519
Total Equity	39 890 463	46 783 240
Liabilities		
Deferred tax	2 173 720	2 232 117
Total deferred tax	2 173 720	2 232 117
Non-Current Liabilities		
Liabilities to Financial Institutions	97 000 000	97 000 000
Intercompany loan	-	-
Other Long Term Liabilities	1 367 602	1 182 516
Total Non-Current Liabilities	98 367 602	98 182 516
Current Liabilities		
Accounts Payable	802 531	4 265 485
Intercompany Payables	-	-
Tax payable	-	-
Public Duties Payable	134 474	114 076
Other Current Liabilities	5 686 326	4 125 219
Total Current Liabilities	6 623 332	8 504 780
Total Liabilities	107 164 654	108 919 413
Total Equity & Liabilities	147 055 118	155 702 653

KEY RATIOS	Pr 30.06.18	Pr 31.12.17	Pr 30.06.17
Equity to assets ratio	27 %	28 %	30 %
Earnings per share	-0,01	-0,05	-0,03

Cash flow (USD)	Pr 30.06.18	Pr 31.12.17	Pr 30.06.17
Cash from operation	3 097 014	-1 269 121	-1 661 553
Cash from investments	-1 684 445	-9 603 053	-8 951 683
Cash from financing	604 405	319 567	738 884
Change in cash	2 016 974	-10 552 607	-9 874 352
Cash position OB	7 767 605	18 320 212	18 320 212
Cash position CB	9 784 579	7 767 605	8 445 860

EQUITY (USD)	Pr 30.06.18	Pr 31.12.17	Pr 30.06.17
Equity OB	42 383 593	55 219 915	55 219 915
Own shares	-	-	-
Share issue	-	-	-
Share premium	-	-	-
Net profit/loss for the period	-2 493 128	-12 836 322	-8 436 676
Currency effect etc.	-	-	-
Shareholder's dividend			
Equity CB	39 890 465	42 383 593	46 783 239