Interim Report for

NorAm Drilling Company AS

2nd Quarter 2020

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CONSOLIDATED FINANCIALS:

MUSD	Q2 2020	1st half 2020	Q2 2019	1st half 2019
Revenue	15.1	36.1	21.4	41.5
Operating Profit	(2.3)	(2.4)	2.6	5.5
Net Profit before tax	(4.1)	(6.1)	0.6	1.5
EBITDA	2.2	6.5	6.9	13.7

DRILLING CONTRACT STATUS:

- Rig 21 – available
- Rig 22 – on contract through January 2021
- Rig 23 – on contract through April 2021
- Rig 25 – available
- Rig 26 – available
- Rig 27 – on contract through August 2020
- Rig 28 – available
- Rig 29 – available
- Rig 30 – on contract through May 2021
- Rig 32 – available
- Rig 34 – available

SUMMARY

NorAm Drilling Company AS owns 100% of NorAm Drilling Company, a Texas corporation, collectively referred to as NorAm herein. NorAm owns and operates a quality rig portfolio of "super spec" advanced high-end AC driven rigs tailored for the drilling of horizontal wells in the US land drilling market. Currently, four of our eleven rigs are under contract and 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

Reduced demand for crude oil and refined products related to the COVID-19 pandemic, combined with production increases from OPEC+, has led to a significant reduction in crude oil prices and demand for drilling services in North America.

Oil prices remain extremely volatile, as the closing price of US West Texas Intermediate (WTI) crude reached a first quarter 2020 high of $63.27 per barrel on January 6, 2020 and a low of negative $37.63 per barrel on April 20, 2020. WTI has increased steadily since late April and closed at $42.26 per barrel on August 21, 2020.

As of August 21, 2020, the US land drilling active rig count has declined 69.2% since December 31, 2019 to 240 active rigs. Rig counts in the Permian Basin, where all of our rigs are currently located, have declined 68.6% since December 31, 2019 to 127 active rigs as of August 21, 2020. As of August 21, 2020, the Permian Basin rig count represented 52.9% of the total US land drilling active rig count.

As of March 31, 2020, all eleven of our rigs were under contract and operating in the Permian Basin. Our rig count started to decline in late April. We currently have four rigs under contract including one that is scheduled to expire in September 2020. The remaining 3 rigs are contracted into 2021.

As a result of the COVID – 19 pandemic we initiated several steps at our rig sites and operational service centers to ensure the safety of our employees, customers and 3rd party partners. Among other initiated steps, we introduced (i) daily meetings for education and awareness of COVID – 19 symptoms, (ii) implemented cleaning of common areas, (iii) taking, monitoring and reporting temperatures and (iv) provide supplies for the practice of good hygiene. To date, our staffing and rig operations have not experienced any disruption as a result of COVID – 19.

In response to the significant reduction in crude oil prices and the resulting fall in demand for drilling services in North America, we initiated decisive actions to quickly scale down our expenses and conserve liquidity including: (i) lowering our direct field level personnel as rigs are released, (ii) implemented wage reductions for all employees and Board of Director fees, (iii) suspended our employer 401K match, (iv) working with our vendor partners for best pricing on goods and services and (v) eliminated all non-essential capital. Additionally, we are maintaining any stacked rig in a manner to ensure that we can reactivate any rig in the most cost effective and efficient manner when demand for drilling services improves.

CARES ACT

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

On May 5, 2020, we entered into an unsecured loan in the aggregate principal amount of MUSD 5.5 pursuant to the Paycheck Protection Program which is part of the CARES Act initiatives.

BOND AMEDMENT

On May 8, 2020, a bondholders’ meeting was held and the following was approved including: (i) the principal installment scheduled for June 3, 2020 was waived; (ii) the equity covenant was waived through maturity date of June 3, 2021 and (iii) an amendment fee of $250,000 would be paid to the bondholders' within 10 business days of the meeting. NorAm paid the amendment fee on May 18, 2020.

OPERATIONS

During 2Q 2020, NorAm achieved a 64.7% utilization on an average available fleet of 11.0 rigs compared to a 94.3% utilization rate on an average available fleet of 11.0 rigs in 1Q 2020. In comparison, we achieved a utilization rate of 97.4% on an average available fleet of 10.2 rigs in 4Q 2019.

Combined with focus on our rig personnel staffing levels and effectively managing our other daily operating costs we were able to reduce rig operating costs during 2Q 2020.

FINANCIALS

NorAm had revenue of MUSD 15.1 during 2Q 2020 compared to MUSD 21.4 in 2Q 2019. During 2Q 2020 we generated an operating profit of MUSD (2.3) compared to an operating profit of MUSD 2.6 in 2Q 2019. The decline in revenue and operating profit was primarily the result of the lower utilization. During 2Q 2020 we generated an EBITDA of MUSD 2.2 compared to MUSD 6.9 in 2Q 2019.

NorAm had revenue of MUSD 36.1 during the first half of 2020 compared to MUSD 41.5 during the first half of 2019. During the first half of 2020 we generated an operating profit of MUSD (2.4) compared to an operating profit of MUSD 5.5 in the first half of 2019. During the first half of 2020 we generated an EBITDA of MUSD 6.5 compared to MUSD 13.7 in the first half of 2019.

Capital expenditures were MUSD 0.7 in 2Q 2020 and MUSD 2.2 in the first half of 2020. As of June 30, 2020, our cash position was MUSD 21.8 and we had MUSD 86.0 of outstanding bonds payable to 3rd parties.

In July 2019, the Company entered into a Revolving Loan Facilities Agreement with a bank. The committed facility provides for borrowings up to MUSD 6.0 for purposes of financing capital expenditures investments and general working capital purposes. The facility terminates on June 30, 2021. In the first quarter of 2020 we borrowed the full availability of MUSD 6.0 in connection with this facility. In the third quarter we have repaid the facility in full and currently have MUSD 6.0 available to us under this facility.

As mentioned above, on May 5, 2020, NorAm entered into a MUSD 5.5 unsecured loan signed May 5, 2020 under the Payroll Protection Plan from the Small Business Administration for government relief. The loan is a 2 year note with no payments due for 6 months and bears interest at 1%. Monies spent on payroll during the subsequent 8-week period of the loan date will be forgiven. Additionally, 25% of the MUSD 5.5 loan can be spent on utilities, rent and intercompany interest. The PPP Loan is subject to any new guidance and new requirements released by the Department of the Treasury who has indicated that all companies that have received funds in excess of MUSD 2.0 will be subject to a government (SBA) audit to further ensure PPP loans are limited to eligible borrowers in need. We currently expect that virtually all of the MUSD 5.5 will be forgiven.

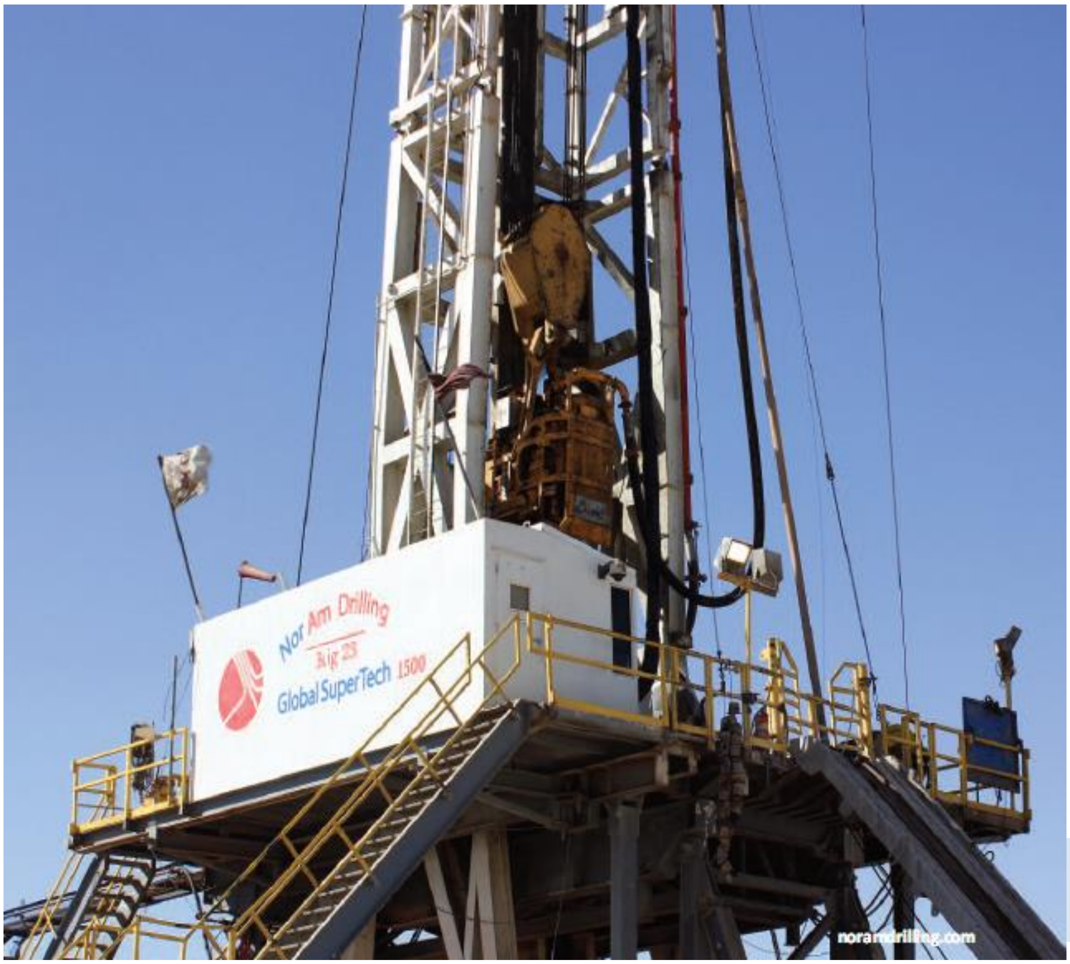
Due to the uncertain market conditions, resulting from COVID-19 pandemic and the oil production changes, we have reviewed assumptions for the carrying values of our assets. This includes assumptions for development in dayrates, OPEX and other critical inputs were adjusted. There is significant uncertainty relating to the recovery of the market, and the key inputs are therefore uncertain.

The conclusion on the impairment calculation, based on information available and the prevailing estimates for recovery of oil prices etc, is that there is no need for impairment charges as of Q2 2020. Management and the board of directors will follow the developments in the market closely and assess impairment continuously if expected future market conditions changes.

OUTLOOK

Given the recent significant volatility in oil prices and customers releasing most of the US onshore drilling rigs since late March 2020 we cannot reasonably predict when the market will bottom, when a recovery will commence and to what extent any recovery may occur. We expect that demand for “super spec” land rigs to continue for any required level of activity and such demand for “super spec” rigs should increase as any recovery of market conditions will benefit from the efficient and effective capabilities of the “super spec” rigs. However, any further significant volatility in WTI oil prices, could have an adverse effect on the demand for US drilling rigs.

NorAm Drilling Company



Interim Report as of Q2 2020

Report for NorAm Drilling Group

NorAm Drilling Company

Unaudited

Group - Income Statement	YTD Q2 2020	YTD Q2 2019	YTD 31.12.2019	Q2 2020	Q2 2019
(All amounts in USD 1000s)					
Revenue/Expense					
Sales	36 085	41 496	82 382	15 076	21 422
Other Income					
Total operating income	**36 085**	**41 496**	**82 382**	**15 076**	**21 422**
Payroll Expenses	12 317	13 581	27 298	5 422	6 957
Depreciation of tangible and intangible assets	8 912	8 153	17 214	4 505	4 278
Rig mobilization, service and supplies	10 442	8 105	18 898	4 647	4 188
Insurance rigs and employees	1 828	1 735	3 975	693	938
Other Operating Expenses	5 007	4 404	8 132	2 090	2 465
Total Operating Expenses	**38 508**	**35 978**	**75 516**	**17 358**	**18 826**
Operating profit (+)/ loss (-)	**-2 422**	**5 518**	**6 865**	**-2 281**	**2 596**
Financial Income and Expenses					
Other Interest Income	6	1	49		1
Other Financial Income	13	225	259	13	19
Other Interest Expenses	3 735	4 075	8 163	1 865	2 034
Other Financial Expenses	2	211	-2		15
Net Financial Items	**-3 718**	**-4 059**	**-7 852**	**-1 853**	**-2 029**
Profit (+)/Loss(-) before Income Tax	**-6 140**	**1 459**	**-987**	**-4 134**	**567**
Income Tax Expense	588	581	1 209	278	271
Net Profit (+)/Loss (-)	**-6 728**	**877**	**-2 196**	**-4 412**	**297**
EBITDA	**6 490**	**13 671**	**24 079**	**2 224**	**6 875**

NorAm Drilling Company

Unaudited

Group - Balance sheet USD	Q2 2020	Q2 2019	31.12.19
(All amounts in USD 1000s)			
Assets			
Tangible Assets			
Rigs and accessories	125 552	137 657	132 118
Vehicles and Office Equipment	349	542	482
Total Tangible Assets	**125 901**	**138 199**	**132 600**
Current Assets			
Receivable			
Accounts Receivable	6 452	11 952	14 007
Other Receivable	1 570	2 288	1 627
Total Receivable	**8 022**	**14 240**	**15 634**
Cash and cash equivalents			
Bank Deposits/Cash	21 767	8 066	7 917
Total Current Assets	**29 788**	**22 306**	**23 551**
Total Assets	**155 690**	**160 505**	**156 151**

NorAm Drilling Company

Unaudited

Group - Balance sheet USD	Q2 2020	Q2 2019	31.12.19
(All amounts in USD 1000s)			
Equity			
Owners Equity			
Issued Capital	15 932	15 932	15 932
Share Premium	94 860	94 837	94 860
Other shareholder contribution	369	369	369
Total Owners Equity	**111 162**	**111 138**	**111 162**
Accumulated Profits			
Other Equity	-59 248	-49 313	-52 520
Total Accumulated Profits	**-59 248**	**-49 313**	**-52 520**
Total Equity	**51 914**	**61 825**	**58 641**
Liabilities			
Deferred tax	5 164	4 163	4 576
Total deferred tax	**5 164**	**4 163**	**4 576**
Non-current liabilities			
Bond Loan	80 000	85 000	80 000
Other Long Term Liabilities	6 426	1 575	981
Total Non-Current Liabilities	**86 426**	**86 575**	**80 981**
Current Liabilities			
Liabilities to Financial Institutions	6 000		
Accounts Payable	1 607	2 299	6 703
Tax payable	415		415
Public Duties Payable	111	131	150
Other Current Liabilities	4 053	5 513	4 660
Total Current Liabilities	**12 187**	**7 943**	**11 953**
Total Liabilities	**103 776**	**98 680**	**97 509**
Total Equity & Liabilities	**155 690**	**160 505**	**156 150**

NOTE DISCLOSURE

Note 1 - Accounting Principles

The interim report is based on management reporting, and is prepared in accordance with the Norwegian Accounting Act and Norwegian GAAP.

Principles and policy is the same for the interim report as in the last Annual Report. For comprehensiv description of accounting principles, we therefore refer to the last issed Annual Report

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 Income tax

The tax expense for management reporting and interim reporting purposes is a simplyfied tax calculation where the tax rate in the different jurisdictions are applied to the net result in the different jurisdiction booked against deferred tax/deferred tax asset. If a jurisdiction has a negative result, and no deferred tax asset is expected to be capitalized, no tax expense are calculated for that jurisdiction.

1-3 Foreign Currency

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.

The functional currency for the NorAm Group is USD, in which also is the presentation currency.

1-4 Audit of management reporting/interim reporting

The interim financials are unaudited.

Note 2 - Equity and Shareholders Information

	Share capital	Share premium	Other paid in capital	Other equity	Total
Equity 01.01.20	15 932 262	94 860 376	369 053	-52 520 248	58 641 443
Profit/loss in the period	-	-	-	-6 727 869	-6 727 869
Adjustment prior periods		-	-	-	-
Stock option	-	-	-	-	-
Issued Capital	-	-	-	-	-
Equity as of 31.03.20	**15 932 262**	**94 860 376**	**369 053**	**-59 248 117**	**51 913 574**

10 largest Shareholders as of 30.06.2020 in NorAm Drilling Company AS

Name	# Shares	Share
Geveran Trading Ltd	15 842 707	67,7 %
Pactum AS	2 673 034	11,4 %
SFL Corporation Ltd.	1 266 225	5,4 %
Camaca AS	537 112	2,3 %
Thabo Energy AS	450 000	1,9 %
Prima Green investment AS	321 593	1,4 %
Jahrmann AS	264 590	1,1 %
Robert Wood Johnson Foundation	235 385	1,0 %
Naeringslivets Hovedorganisasjon	197 301	0,8 %
Damima Invest AS	163 242	0,7 %
Total	21 951 189	
Total number of shares	23 392 317	

Note 3 - Long term liabilities and covenants

The Group has a Bond loan as of 30.06.20

Outstanding as of 30.06.20	80 000 000
Maturity date on bond loan	03.06.2021
Repayment during 2020	5 000 000

On 08.05.2020, a bondholder's meeting was held and the following was approved including;

i) the principal installment scheduled for 03.06.2020 was waived, reducing a repayment total in 2020 to MUSD 5.
ii) the equity covenant was waived through maturity date of 03.06.2021 and
iii) an amendment fee of $ 250.000 would be paid to the bondholders' within 10 business days of the meeting.

NorAm paid the amendment fee on 18.05.2020.

The updated financial covenants includes;

- Liquidity – The Group's liquidity should be held at minimum MUSD 5
- Current Ratio – Minimum 1:1
- Asset Coverage Ratio - The Issuer shall ensure that the sum of the recorded Amount and the Market Value of the Rigs at any time is minimum 130% of the total par value of the Outstanding Bonds.

As of 30.06.20 the Group is compliant with existing covenants.

Other current liabilities of MUSD 6 from credit insitutions as of 30.06.2020 is related to RCF Draw, and is due on June 30, 2021. MUSD 6 was repaid on 03.07.20 and the RCF of MUSD 6 is currently available for working capital and upgrade purposes.

Repayment on bond loan of MUSD 5 is due in December 2020.

Note 4 - Key figures and ratios

(USD mill)	Q2 2020	YTD 2020	Q2 2019	YTD 2019
Revenue	15,1	36,1	21,4	41,5
Operating profit	-2,3	-2,4	2,6	5,5
Net profit before tax	-4,1	-6,1	0,6	1,5

	Q2 2020	Q2 2019
Equity to asset ratio	33,3 %	38,5 %
Total number of shares	23 392 317	23 392 317
Earning per share*	-0,29	0,04

Note 5 - Cash Flow overview

	Q2 2020	Q2 2019	31.12.2019
Cash from operation	4 618 863	12 516 657	17 918 288
Cash from investments	-2 213 612	-8 971 927	-13 473 782
Cash from financing	11 444 307	934 231	-10 000 000
Change in cash	13 849 558	4 478 961	-5 555 494
Cash position opening balance	7 917 075	13 472 573	13 472 573
Cash position closing balance	21 766 634	17 951 534	7 917 075

As of 30.06.20 USD of 759 314 bank deposits/cash on hand was restricted for debt service obligations related to the Groups outstanding bond loan.

USD 5 500 000 in cash relates to the Coronavirus Aid, Relief, and Economic Security (CARES) Act. An unsecured loan in aggregate principal amount of $ 5,5 million pursuant to the Paychek Protection Program ("PPP"), sponsored by the Small Business Administration as guarantor of loans under the PPP. The proceeds of the loan may only be used for payroll costs, rent, utilities, mortgage interests, and interest on other pre-existing indebtedness.

Note 6 - Impairment

The COVID-19 and the effet of the sudden fall in oil prices that became relevant during Q1 2020 is assessed as an impairment indicator.

As a consequence, management has performed impairment test on fixed assets in Q1 2020. Due to the uncertainty relating to the long term effects of both COVID-19 and the fall in oil prices, these has been reflected as a temporary set-back on day-rates and utilization, with a gradual recovery over 3 years, to revert back to the levels used the expectations used as of Q4 2019. No impairment expense has been charged to the account as of Q1 2020. Management assesses the situation to be unchanged as of June 30, 2020, hence no new impairment triggers identified, and no impairment analysis performed in June 2020. Due to the uncertainty in the marked, especially regarding timing of recovery for the oil marked, this conclusion could change in the upcoming quarters. Management monitor the situation closely.