

Deep Value Driller AS

Q2 2023

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Comments from the Board of directors

Main events 1st half year 2023

In January 2023, the company signed a bareboat charter for the Drillship "Deep Value Driller" with Saipem as Charterer. The Charterer will utilize the Drillship for operations on the Ivory Coast under a drilling contract with Eni Côte d'Ivoire Ltd. The Contract is a firm 11 wells contract with an estimated period of 985 days (excluding mobilization/demobilization). The Contract may be extended by up to six additional wells. The Contract adds approximately USD 160 million of firm revenue backlog to the Group (excluding the rate payable for any optional extensions of the Contract).

In February 2023, Deep Value Driller Ltd. entered into a USD 75 million loan facility agreement. The company's USD 10 million credit facility was refinanced, and remaining balance dedicated for reactivation costs plus ordinary operations costs.

The Drillship has since end of January 2023 been undergoing an intensive reactivation project. Sea trials were finalized last week, and we expect that the Drillship will be delivered to the Charterer any day mid August. The forecasted reactivation cost was USD 43.6 million. Increased market activity globally and high price on fuel and shore power have caused increased costs. Additionally, we experienced an unforeseen and temporary relocation of the Drillship during reactivation which added costs of approximately USD 4 million. Finally, the general increased cost and higher activity have led to cost inflation and today the total project cost is estimated to USD 55 million.

Main events going forward

The delivery of the Drillship to the Charterer initiates a mobilization period for the Drillship to relocate to the West coast of Africa. After the mobilization period the Drillship will commence contractual drilling operations.

At delivery of the Drillship to the Charterer in Norway, DVD will receive daily rates. First, up to 60 days mobilization rates, and thereafter full operation rates or earlier if drilling operations commence during the mobilization period. A mobilization fee of USD 7.5 million will be payable to DVD 30 days after handover of the Drillship in Norway. Thus, the Board evaluates cash flow balance to be satisfactory.

Status rig

Premium 7th Generation Drillship

Current Vessel Status:

- Reactivation project scope activities are completed at Westcon Yard. The DVD Team is finalizing the acceptance and handover to the Charterer
- Relevant system certification is accepted by Class (DNV), and major equipment groups are accepted by the relevant service providers
- Main activities achieved:
 - Drilling Plant has undergone complete certification and has been accepted
 - Well Control Equipment have been tested, and both BOPs are completely overhauled and recertified
 - Sea trials completed successfully for DP operations
 - Rig Systems such as power plant, fire&gas, DP control system and Emergency Control systems have been certified
- Condition Monitoring System established to assist in monitoring Drilling and DP/Power Control systems in operation

Location:

- Reactivation complete at Westcon Yard in Ølensvåg in Norway. The Charterer will take over the Drillship prior to final departure from Westcon Yard

Key figures

Rig purchase 2021

\$65,000,000

- 7th Generation Drillship
- Built in 2014
- Build cost USD 750 million

Equipment purchase 2021

\$3,663,387

- Maintenance system, part of initial purchase

Operational cost ITD (Inception To Date)

\$23,040/day

- Average daily operational cost pr. Q2 2023

(Formerly labeled 'stacking cost')

Reactivation costs ITD

\$41,582,008

- Accumulated reactivation cost pr. Q2 2023

Financial statement

Q2 2023

Interim Consolidated Profit and Loss (P&L) Statement

Unaudited Amounts in USD

Operating income and operating expenses	Note	Q2 - 2023	Q2 - 2022	YTD 2023	YTD 2022
Other income		-	-	-	-
Operational cost		3 720 821	1 653 605	5 916 672	4 581 060
Employee benefits expense		168 196	196 933	635 685	419 410
Depreciation and amortisation expenses	2	721 780	721 690	1 443 561	1 443 333
Other expenses		159 494	530 372	1 218 964	907 002
Total expenses		4 770 292	3 102 600	9 214 882	7 350 805
Operating profit/loss		-4 770 292	-3 102 600	-9 214 882	-7 350 805
Financial income and expenses					
Net financial items	3	-1 242 277	-103 115	-3 486 094	-98 906
Net profit before tax		-6 012 569	-3 205 715	-12 700 976	-7 449 711
Income tax for the period		-211 011		-51 753	
Loss for the period		-6 223 579	-3 205 715	-12 752 730	-7 449 711
Allocation of net result					
Transferred to retained earnings		-6 223 579	-3 205 715	-12 752 730	-7 449 711

Financial statement

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Interim Consolidated statement of Financial Position

Unaudited Amounts in USD

Assets	Note	30.June 2023	31.December 2022
Non-current assets			
Intangible assets			
Concessions, patents, licences	2	5 153	6 037
Total intangible assets		5 153	6 037
Property, plant and equipment			
Ships	2	62 120 195	63 561 533
Reactivation project costs	2	41 582 008	-
Equipment and other movables	2	2 648	3 987
Total property, plant and equipment	2	103 704 850	63 565 520
Non-current financial assets			
Total non-current financial assets		-	-
Total fixed assets		103 710 004	63 571 557
Current assets			
Inventories		409 185	865 530
Debtors			
Other short-term receivables		2 803 726	743 253
Total receivables		2 803 726	743 253
Cash and cash equivalents		31 392 448	108 138
Total current assets		34 605 359	1 716 921
Total assets		138 315 363	65 288 478

Interim Consolidated statement of Financial Position

Unaudited Amounts in USD

Equity and liabilities	Note	30.June 2023	31.December 2022
Equity			
Paid-in capital			
Share capital	4,5	1 019 177	1 019 177
Treasury stock	4	-3 519	-3 519
Share premium reserve	4	82 209 233	82 209 233
Other paid-up equity	4	323 830	323 830
Total paid-up equity		83 548 722	83 548 721
Retained earnings			
Other equity		3 519	3 519
Uncovered loss	4	-39 838 854	-27 086 123
Total retained earnings		-39 835 335	-27 082 604
Total equity		43 713 387	56 466 117
Liabilities			
Long-term liabilities			
Deferred tax		1 594 277	1 542 524
Liabilities to financial institutions	3	75 000 000	6 000 000
Total Long-term liabilities		76 594 277	7 542 524
Current liabilities			
Trade payables		16 928 819	834 507
Other current liabilities		1 078 879	445 329
Total current liabilities		18 007 698	1 279 837
Total liabilities		94 601 975	8 822 361
Total equity and liabilities		138 315 363	65 288 478

Financial statement

Q2 2023

Interim Consolidated Indirect cash flow		
Unaudited Amounts in USD		
NRS Indirect method	YTD 2023	YTD 2022
Amount in USD		
Cash Flow from operating activities		
Profit/Loss before tax	-12 700 976	-7 449 711
Ordinary depreciation	1 443 561	1 443 333
Profit/Loss sale of fixed assets	-	-
Changes in inventories	456 345	175 752
Changes other short term receivable	-2 060 473	93 886
Changes in accounts payable	16 094 312	16 002
Change in other accrual items	633 549	61 792
Net cash flows from operating activities	3 866 318	-5 658 946
Cash flow from investment activities		
Acquisition of intangible assets	-	-
Acquisition of tangible assets	-41 582 008	-1 643
Share investment	-	-
Net cash flow from investment activities	-41 582 008	-1 643
Cash flow from financing activities		
Proceeds from equity	-	-
Capital increase costs	-	-
Debt financing	75 000 000	4 000 000
Loan repayment	-6 000 000	0
Net cash flow from financing activities	69 000 000	4 000 000
Net change in cash and cash equivalents	31 284 310	-1 660 589
Cash and cash equivalents at the end of period	31 392 448	3 371 914

NOTES to the Financial statements Q2 2023

Notes to the Financial statements

Note 1: Summary of Significant Accounting Policies

Company overview

Deep Value Driller AS is a company which purpose is contracting, managing and owning drilling rigs.

Basis for preparation

The interim report, which has not been audited by the Company's independent auditor, has been prepared in compliance with the provisions laid down in the Norwegian Accounting Act NRS 11 and generally accepted accounting principles in Norway.

Note 2: Fixed assets	Intangible assets	Fixtures and fittings	Rig	Reactivation project costs	Total
Acquisition of fixed assets 31 December 2022	8 835	8 031	68 663 387	-	68 680 253
Acquisition cost 30 June 2023	8 835	8 031	68 663 387	41 582 008	110 262 261
Accumulated depreciation 30 June 2023	3 682	5 383	6 543 192	-	6 552 257
Book Value 30 June 2023	5 153	2 648	62 120 195	41 582 008	103 710 004

NOTES to the Financial statements Q2 2023

Note 3: Long-term liabilities

The company has received a term loan facility of 75 MUSD. This is a 3 year agreement. No repayment first 18 months, next 18 months downpayment 75MUSD to 50MUSD. After 3 years repayment of the remaining balance of 50MUSD. In Q1 the company repaid the existing revolving credit facility of 10 MUSD.

Note 4: Shareholders' equity	Share capital	Own Stock	Share premium	Other paid-up equity	Other equity	Uncovered loss	Total
UB 31.12.2022	1 019 177 -	3 519	82 209 233	323 830	3 519 -	27 086 124	56 466 117
Loss for the period					-	12 752 729 -	12 752 729
Pr. 30.06.2023	1 019 177	-3 519	82 209 233	323 830	3 519	-39 838 853	43 713 387

NOTES to the Financial statements Q2 2023

Note 5: Shareholders above 1% as of 30 June 2023		
Shareholders	Ordinary	Share of votes
UTHALDEN AS	7 765 865	8,96 %
Goldman Sachs & Co. LLC	7 128 581	8,22 %
SOLAN CAPITAL AS	6 000 000	6,92 %
TVENGE	3 250 000	3,75 %
CACEIS Bank Spain SA	3 236 387	3,73 %
ALDEN AS	2 794 660	3,22 %
INAK 3 AS	2 500 000	2,88 %
HORTULAN AS	2 250 000	2,60 %
Euroclear Bank S.A./N.V.	2 218 105	2,56 %
SCAN CHEMICALS AS	2 190 000	2,53 %
CLEARSTREAM BANKING S.A.	2 033 762	2,35 %
CAMACA AS	1 810 000	2,09 %
PORTIA AS	1 500 000	1,73 %
CIPRIANO AS	1 500 000	1,73 %
HUSHOVD	1 300 000	1,50 %
MELESIO INVEST AS	1 200 000	1,38 %
HØGSET HOLDING AS	1 200 000	1,38 %
OLA RUSTAD AS	1 171 398	1,35 %
GRØNLAND	1 139 156	1,31 %
TTC INVEST AS	1 000 000	1,15 %
A HOLDINGS AS	1 000 000	1,15 %
THABO ENERGY AS	1 000 000	1,15 %
SONGA CAPITAL AS	997 000	1,15 %
NORDNET LIVSFORSIKRING AS	976 037	1,13 %
CACEIS Bank	906 429	1,05 %
Total	58 067 380	67,0 %
Others (interest < 1%)	28 629 287	33,0 %
Total	86 696 667	100 %

Deep Value Driller AS owns 300 000 Treasury stocks at par value 0,1 NOK which amounts to 0,35% of the company's total stocks.

Disclaimer

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