Ventura Offshore Midco Ltd.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED): Page

Ventura Offshore Midco Ltd.
Consolidated Statement of Operations (unaudited)
All figures in USD '000, except number of shares and per share amount

	Note	For the period February 24, 2024 – June 30, 2024
Revenues		
Operating Revenues	4	57,343
Management Fee Income		1,107
Total Revenues		**58,450**
Operating Expenses		
Rig Operating and Maintenance Expenses		(35,099)
Depreciation and Amortization Expenses	5	(3,731)
General and Administrative Expenses		(6,743)
Total Operating Expenses		**45,573**
Operating Income		**12,877**
Financial income (expenses)		
Interest Income		478
Interest Expenses	3	(2,786)
Total Financial Income (expenses), net		**(2,308)**
Net Income Before Income Taxes		**10,569**
Income Tax Expense	4	(1,463)
Net Income		**9,106**
Other Comprehensive Income / (Loss)		-
Total Comprehensive Income		**9,106**

The accompanying notes are an integral part of these consolidated financial statements.

Ventura Offshore Midco Ltd.
Consolidated Balance Sheet (unaudited)
All figures in USD '000, except number of shares and per share amount

Assets	**Note**	**As of June 30, 2024**
Current Assets		
Cash and Cash Equivalents	11	26,511
Restricted Cash	10,11	18,170
Accounts Receivable, Net		28,293
Prepaid Expenses and Other Current Assets		7,296
Total Current Assets		**80,270**
Non-Current Assets		
Vessels and Equipment	5	398,620
Deferred Tax Assets	4	18,357
Intangible Assets	3	14,161
Right-of-Use Assets		8,514
Total Non-Current Assets		**439,652**
Total Assets		**519,922**
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable		25,585
Lease Liabilities	9	4,135
Other Current Liabilities		19,205
Unfavourable Contracts (current portion)	4	90,896
Current Portion of Long-Term Debt	6	21,456
Total Current Liabilities		**161,277**
Non-Current Liabilities		
Long-Term Debt	6	105,598
Subordinated Debt – Related Parties	8	162,325
Unfavourable Contracts	4	73,005
Lease Liabilities	9	4,379
Other Non-Current Liabilities		1,585
Total Non-Current Liabilities		**346,892**
Commitments and Contingencies		**-**
Shareholders' Equity		
Common Stock, par value $0.01 per share		
1,000,000 authorized, 1 share issued and outstanding as of June 30, 2024	7	-
Additional Paid-In Capital		2,647
Retained Earnings (Accumulated Deficit)		9,106
Total Shareholders' Equity		**11,753**
Total Liabilities and Equity		**519,922**

The accompanying notes are an integral part of these consolidated financial statements.

Ventura Offshore Midco Ltd.
Consolidated Statement of Shareholders' Equity (unaudited)
All figures in USD '000, except number of shares

	Number of Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Income) Loss	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
Balance as of February 24, 2024 (inception)	**1**	**-**	**-**	**-**	**-**	**-**
Net Income	-	-	-	-	9,106	9,106
Share Based compensation	-	-	2,647	-	-	2,647
Other Comprehensive (Income) Loss	-	-	-	-	-	-
Balance as of June 30, 2024	**1**	**-**	**2,647**	**-**	**9,106**	**11,753**

The accompanying notes are an integral part of these consolidated financial statements.

Ventura Offshore Midco Ltd.
Consolidated Statement of Cash Flows (unaudited)

All figures in USD '000

	February 24, 2024 – June 30, 2024
Cash Flows from Operating Activities	
Net Income (Loss)	9,106
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by / (Used In) Operating Activities	
Amortization of Contract Liabilities	(13,199)
Share Based Compensation	2,647
Deferred Tax	1,463
Amortization of Deferred Financing Cost	186
Depreciation and Amortization Expense	3,731
Changes in Assets and Liabilities:	
Accounts Receivable and Accounts Payable	1,396
Prepaid Expenses, Other Current Assets and Other Current Liabilities	1,188
Net Cash Provided by / (Used In) Operating Activities	**6,518**
Cash Flows from Investing Activities	
Acquisition of business (net of cash acquired)	(250,120)
Additions to Vessels	(1,246)
Net Cash Used In Investing Activities	**(251,366)**
Cash Flows from Financing Activities	
Proceeds from Subordinated Loan, related parties	162,325
Proceeds from Borrowings, net	127,204
Net Cash Provided by Financing Activities	**289,529**
Net Increase / (Decrease) in Cash, Cash Equivalents and Restricted Cash	**44,681**
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	0
Effect of foreign exchange on Cash	-
Cash, Cash Equivalents and Restricted Cash at End of the Period	**44,681**
Supplementary Disclosure of Cash Flow Information	
Cash and Cash Equivalents	26,511
Restricted Cash	18,170
Total Cash, Cash Equivalents and Restricted Cash	44,681
Cash Paid for Interest	-
Cash Paid for Taxes	-

The accompanying notes are an integral part of these consolidated financial statements.

Ventura Offshore Midco Ltd.

Notes to the Interim Consolidated Financial Statements

Note 1 General Information and Business Operations

Ventura Offshore Midco Ltd. was incorporated in Bermuda on March 15, 2024, under the name PS Marine Midco Ltd. On May 1, 2024, the name of the company was changed to Ventura Offshore Midco Ltd. The Company is a 100% owned subsidiary of Ventura Offshore Holding Ltd. The entity was formed with the intention of raising a bond loan together with funding from the parent company to acquire 100% of the shares of Universal Energy Resources Inc (the "UER Acquisition"). The Share Purchase Agreement was signed in early March 2024 and the transaction was completed on May 8, 2024.

Universal Energy Resources Inc ("UER") was incorporated on April 25, 1984, and is a company providing contract drilling services. The Company's main assets being the drillship DS Carolina and the semisubmersible drilling rig SSV Victoria, both currently operating in Brazil on long term time-charter contracts with the oil major Petrobras, in addition to operating the two vessels, SSV Catarina and DS Zonda owned by third-parties as of June 30, 2024. The Company announced on June 27, 2024, that it had entered into an agreement to acquire SSV Catarina and the delivery of the vessel took place on July 23, 2024.

Note 2 Basis of Preparation of Accounting Policies

Basis of Preparation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Amounts are presented in United States Dollars ("U.S. dollar or $"), rounded to the nearest thousand, unless stated otherwise.

Principles of Consolidation

Entities in which the parent company has controlling financial interest are consolidated. Subsidiaries are consolidated from the date on which control is obtained. The subsidiaries' accounting policies are in conformity with U.S. GAAP. All intercompany balances and transactions have been eliminated in consolidation.

Foreign Currency

Foreign currency transaction gains or losses are credited or charged to income/expense as incurred. The Company and the majority of its subsidiaries use the United States dollar as their functional currency as their revenues and expenses are mostly denominated in U.S. dollars and U.S. dollars are also the reporting currency of the Company. For subsidiaries located in Brazil with reais as functional currency the accounts have been remeasured into U.S. dollars. These books and records have been translated using the monetary-nonmonetary method. Translation losses and gains have been included as a component of other comprehensive income. The assets and liabilities recorded in reais are primarily monetary and have been translated to U.S. dollars using the exchange rate in effect at the balance sheet date (R$5.60 to U.S. $1 for the period ended June 30, 2024). Results of operations have been translated using the average exchange rate during the period. The average exchange rate was R$ 5.26 to U.S. $1 for the reporting period ended June 30, 2024.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents consists of highly liquid investments including certificate of deposits with original maturities when acquired of three months or less. Cash balances held on behalf of the owners of managed vessels to cover expenses and capital expenditure related to these vessels have been presented as restricted cash in the balance sheet, together with bank deposits that are used as collateral for guarantees and performance bonds issued by banks.

Receivables and Allowance for Doubtful Accounts
Accounts receivable and other receivables are presented net of allowance for expected credit losses. The Company determines an asset is impaired when, based on current information and events, it is probable that the Company will be unable to recover amounts due according to original contractual terms. No allowance has been made as of June 30, 2024.

Concentration of Credit Risk
Financial instruments which potentially subject to the Company to concentrations of credit risk consists primarily of cash and cash equivalents and accounts receivable. The Company's cash is primarily held in major banks. Accordingly, the Company believes the risk of any potential loss on deposits held in these institutions is remote. Concentrations of credit risk relative to accounts receivable are limited to our client base in the oil and energy industry that may be affected by changes in economic or other external conditions. The Company does not require collateral for its accounts receivable. For the period ending June 30, 2024, three customers accounted for 56.8%, 18.0% and 25.2% of the revenues, respectively.

Deferred Financing and Offering Costs
The costs associated with raising equity is charged to capital upon completion of the relevant offering or charged to operations if the offering is not completed. Financing costs, including fees, commissions and legal expenses are deferred and amortized over the term of the debt arrangement, which approximates the effective interest method. Incurred initial fees related to loans not yet drawn are presented as Other Current Assets. Unamortized deferred financing costs are deducted from the carrying value of the associated financial liability.

Vessels and Equipment
Vessels and equipment are stated at cost. Operating vessels and equipment are depreciated over the estimated useful lives of the assets of 30 years using the straight-line method from the construction date with an estimate for salvage value. Additions or improvements that increase the value or extend the life of an asset are capitalized and depreciated. Expenditures for normal maintenance and repairs are expensed as incurred. Disposals are removed from the accounts at cost less accumulated depreciation, and any gain or loss from disposition is reflected in operations.

Impairment of Long-Lived Assets
The Company periodically assesses the carrying value of its long-lived assets when events or circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability is assessed by comparison of an asset's carrying value to the undiscounted estimated future cash flows expected to be generated by that asset. In the event that the Company determines that an asset's carrying value is not recoverable, the amount of impairment is measured based on the fair value of the asset as determined by broker estimates or discounted future cash flows. Management's assumptions are necessarily subjective and are an inherent part of our asset impairment evaluation, and the use of different assumptions could produce results that differ from those reported. Our methodology generally involves the use of significant unobservable inputs, representative of a Level 3 fair value measurement, which may include assumptions related to future dayrate revenue, costs and rig utilization, the long-term future performance of our rigs and future market conditions and management's expectations may not be indicative of actual future outcomes. Significant unanticipated changes to these assumptions could materially alter our analysis in testing an asset for potential impairment. For example, changes in market conditions that exist at the measurement date or that are projected by management could affect our key assumptions. Other events or circumstances that could affect our assumptions may include, but are not limited to, a further sustained decline in oil and gas prices, cancellations of our drilling contracts or contracts of our competitors, contract modifications, costs to comply with new governmental regulations, capital expenditures required due to advances in offshore drilling technology, growth in the global oversupply of oil and geopolitical events, such as lifting sanctions on oil-producing nations. Should actual market conditions in the future vary significantly from market conditions used in our projections, our assessment of impairment would likely be different. No impairment indicators were identified as of June 30, 2024.

Revenue Recognition

Contracts with customers provide for an offshore drilling rig and drilling services on a dayrate contract basis. The integrated services provided under our contracts primarily include (i) provision of an offshore drilling rig, the work crew and supplies of equipment and services necessary to operate the rig, (ii) mobilization and demobilization of the rig to and from the drill site and (iii) performance of rig preparation activities and/or modifications required for each contract.

Dayrate Drilling Revenue

Our drilling contracts generally provide for payment on a dayrate basis, with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted, restricted by equipment breakdowns, adverse environmental conditions, etc. The dayrate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis. Such dayrate consideration is allocated to the distinct hourly increment it relates to within the contract term, and therefore recognized in line with the contractual rate billed for the services provided for any given hour.

Certain of our contracts contain performance-based incentives, whereby we may earn a bonus or incur penalties based on pre-established performance metrics. Consideration related to the performance incentive is generally recognized in the specific time period to which the performance criteria were attributed.

Mobilization/Demobilization Revenue

We may receive fees (on either a fixed lump-sum or variable dayrate basis) for the mobilization and demobilization of our rigs. These activities are not considered to be distinct within the context of the contract, and therefore the associated revenue is allocated to the overall performance obligation. We record a contract liability for mobilization fees received and amortize such on a straight-line basis to contract drilling revenue as services are rendered over the term of the related drilling contract. Demobilization revenue expected to be received upon contract completion is estimated as part of the overall transaction price at contract inception and recognized as contract drilling revenue on a straight-line basis over the term of the contract with an offset to an accretive contract asset.

In some contracts, there is uncertainty as to the likelihood and amount of expected demobilization revenue to be received. For example, contractual provisions may require that a rig demobilize a certain distance before the demobilization revenue is payable or the amount may vary dependent upon whether or not the rig has additional contracted work within a certain distance from the wellsite. Therefore, the estimate for such revenue may be constrained, as described above, depending on the facts and circumstances pertaining to the specific contract. We assess the likelihood of receiving such revenue based on our past experience and knowledge of market conditions.

Contract Preparation Revenue

Some of our drilling contracts require downtime before the start of the contract to prepare the rig to meet customer requirements. At times, the customer may compensate us for such work (on either a fixed lump-sum or variable dayrate basis). These activities are not considered to be distinct within the context of the contract. We record a contract liability for contract preparation upfront fees received, which is amortized on a straight-line basis to contract drilling revenue over the term of the related drilling contract.

Capital Modification Revenue

From time to time, we may receive fees from our customers for capital improvements or upgrades to our rigs to meet contractual requirements (on either a fixed lump-sum or variable dayrate basis). The activities related to these capital modifications are not considered to be distinct within the context of our contracts. We record a contract liability for the upfront fees received and recognize them on a straight-line basis to contract drilling revenue over the term of the related drilling contract.

Reimbursement Revenue

Some operating agreements for the vessels include revenue from reimbursements of expenses where the principal relationship exists between the Company and the service providers. The operating expenses are recorded in operating revenues.

Segment Reporting
A segment is a distinguishable component of the business that is engaged in business activities from which we earn revenues and incur expenses whose operating results are regularly reviewed by the chief operating decision maker ("CODM"), and which are subject to risks and rewards that are different from those of other segments. We have identified two reportable segments being Operations of owned vessels and Operations of managed vessels.

Deferred mobilization costs
The Company incurs costs to prepare rigs for contract and deliver or mobilize rigs to drilling locations. The Company defers pre-operating contract preparation and mobilization costs and recognizes such costs on a straight-line basis over the estimated firm period of the drilling contract. Contract preparation and mobilization costs can include costs relating to equipment, labor and rig transportation costs (tugs, heavy lift vessel costs), that are directly attributable to our future performance obligation under each respective drilling contract. Costs incurred for the demobilization of rigs at contract completion are recognized as incurred during the demobilization process.

Intangibles
Intangible assets represent contractual rights for customer contracts obtained in connection with business acquisitions. Contract liabilities represent contractual rights obtained in connection with business acquisitions that have unfavorable contractual terms relative to market as of the acquisition dates. The intangibles have definite lives and are amortized to revenues over the period of the related contracts.

Leases
The Company has certain lease contracts for equipment and premises resulting in a right-of-use asset and a lease liability and the Company has applied an incremental borrowing rate as the discount rate to calculate the respective asset and liability. The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date. For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. Options to renew our lease terms are included in determining the ROU asset and lease liability when it is reasonably certain that options will be exercised. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. For operating leases, the right-of-use asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has elected not to recognize leases with an initial term of twelve months or less on the balance sheet. The are recognized on a straight-line basis and are recognized in the period as incurred.

Related Parties
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

Fair Value of Financial Instruments
Carrying amounts of certain of the Company’s financial instruments, including cash, cash equivalents and restricted cash and accounts receivable, approximate fair value because of their short maturities. For financial instruments subject to fair value valuation the Company uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market.

Share-based Compensation
The parent company grants stock options as incentive-based compensation to management and employees. The parent company has also issued equity settled warrants for certain services consummated by the Company. The Company measures the cost of such equity-classified awards using the grant date fair value of the award using representative Black-Scholes option pricing models and recognizes the cost over the vesting period. For awards without a vesting period the cost is recognized when the service is provided. Forfeitures are accounted for as they occur.

Income Taxes
The Company is a Bermuda registered entity and under current Bermuda law, the Company is not subject to corporate income taxes. The Company has several subsidiaries and branches in various jurisdictions subject to different tax regimes. The vessel owning entities are registered in British Virgin Islands, which is exempt from taxes. The Company's Brazilian operating company, Ventura Petroleo, is subject to Brazilian taxes and has incurred a significant net operating losses since its inception, and therefore has no tax liability nor recognized a deferred tax assets due to uncertainty related to utilization. Our income tax expense is based on the tax laws and statutory tax rates in effect in the various jurisdictions in which we operate.

Recently Adopted Accounting Standards and Recent Accounting Pronouncements

The FASB issues Accounting Standards Updates ("ASU") to communicate changes to the codification. The Company considers the applicability and impact of ASUs issued. As of June 30, 2024, no ASUs have been issued that are expected to have a material impact on these consolidated financial statements.

Note 3 Acquisition of shares in Universal Energy Resources Inc

On March 8, 2024, the Company entered into a Sale and Purchase agreement ("SPA") to acquire 100% of the shares in Universal Energy Resources Inc from Petroserve Marine Inc. for an enterprise value of $280.0 million including net free cash of $10 million and targeted net working capital of $12.5 million. The purchase price was subject to certain adjustment mechanisms, and the actual purchase price payable to the Seller deviated depending on actual cash and net working capital as at the closing of the UER Acquisition. On May 8, 2024, the Company paid $281.0 million for the shares in UER including cash and working capital (excluding items related to managed vessels) of $23.5 million. Subsequent to June 30, 2024, a final closing balance for the transaction was agreed and resulted in a minor adjustment to the purchase price.

The transaction is considered as a business combination under ASC 805 and a provisional purchase price allocation ("PPA") has been performed to determine the fair value of the assumed assets and liabilities presented in the table below:

in USD millions	**Preliminary Purchase Price Allocation**
Assets:	
Cash and Cash Equivalents	15.3
Net Working Capital	8.0
Vessels and Equipment	402.1
Deferred Tax Assets, net	18.4
Intangible Assets	14.3
Less liabilities:	
Unfavourable Contract Liability	(177.1)
= Acquisition price paid	**281.0**

Acquired receivables are towards an oil major where the amount presented in the table above is the gross value and no allowance for credit losses has been made as the difference is expected to be immaterial. No adjustments have been made to lease liabilities and right-of-use assets as these contracts are of shorter duration and have been considered to be at market terms. Contingencies are included in the PPA analysis with $0.8 million.

The acquired intangible assets are related to customer relationships for vessels owned by third parties and these intangibles are expected to be amortized over the life of the contracts that ranges from 1.3 years to 2.8 years. The intangibles have been amortized with $0.1 million in the period. Subsequent to June 30, 2024, the Company has acquired SSV Catarina, which was under management in the period up to June 30, 2024, and a net of $1.7 million related to pre-existing relationships will be recorded in the third quarter of 2024 when accounting for the acquisition of SSV Catarina.

We refer to note 4 for information related to the Unfavourable contracts liability and associated deferred tax assets and note 5 for Vessels and equipment.

The Company did not have any operations prior to the acquisition of UER on May 8, 2024, and 100% of revenues, rig operating and maintenance expenses and depreciation and amortization relates to the acquired business. Included in general and administrative expenses of the Company are acquisition related cost of approximately $3.8 million, of which $2.6 million is a non-cash expense related to warrants issued. Interest expenses of $2.8 million for the period ended June 30, 2024, is related to the borrowings described in note 6.

Note 4 Revenues and segment information

The Company's two owned rigs, DS Carolina and SSV Victoria, are chartered out on three-year contracts to Petrobras. The charter contracts include a day rate that is paid partly in US dollars and with an element that is paid in Brazilian reais that is adjusted for annual inflation. The three-year contracts commenced in 2023 and expire in the second quarter of 2026.

The Company has operating agreements for two vessels owned by third parties, SSV Catarina and DS Zonda. For DS Zonda, the Company has been awarded a three-year contract, plus optional three years, with Petrobras. Zonda is currently under construction and the vessel is expected to commence operations in Brazil in the first quarter of 2025. The operating and marketing agreements have been signed with the owners of Zonda for the operations of the vessel. Further, the owner of the vessel assumes the revenues and expenses under the contract period and the Company is expected to earn a management fee that is subject to the operational performance of the vessel during the period.

The second vessel, SSV Catarina, has been engaged on a contract in Vietnam in the second quarter of 2024 and the Company has earned management fees in this period. We refer to further information in note 3 and 12 regarding the Company's acquisition of this vessel in July 2024.

The acquisition of UER was effective as of May 8, 2024, and the below table includes operating revenues and expenses incurred in the period from May 8 to June 30, except for General and Administrative Expenses that is including costs incurred from the inception of the Company in February 2024.

in USD thousands	**Operations of Owned Vessels**	**Operations of Managed Vessels**	**Unallocated items**	**Total**
Operating Revenues	20,034	24,110	13,199	57,343
Management Fee Income	-	1,107	-	1,107
Sub-total revenues	20,034	25,217	13,199	58,450
Rig Operating and Maintenance Expenses	(10,837)	(24,262)	-	(35,099)
Depreciation and amortization	(3,592)	-	(139)	(3,731)
General and Administrative expenses	-	-	(6,743)	(6,743)
Operating Income	**5,605**	**955**	**6,317**	**12,877**

Unallocated general and administrative expenses of $6.7 million in the table above, includes $3.8 million in expenses related to the acquisition of UER that includes a non-cash expense of $2.6 million related to warrants issued for services (we refer to note 7 for further information). Further, the Company has performed a preliminary purchase price allocation, see note 3, where an unfavourable contract liability has been identified as a result of current charter contracts being below the prevailing market rates for similar vessels. The unfavourable contract liability of $177.1 million is amortized over the remaining duration of the contracts for the two owned rigs. For the financial period ending June 30, 2024, the Company has recognized a non-cash item of $ 13.2 million related to this and the amortization is presented in the reconciling items in the table above. Further, there is an associated deferred tax asset of $19.8 million that has been recognized related to the unfavourable contract liability that is recognized in the same manner as the unfavourable contract liability, and the Company has recognized an income tax expense of $1.5 million in the period ending June 30, 2024.

Note 5 Vessels and Equipment

Vessels and equipment consist of the cost price and capital expenditure in the period for the two owned vessels, SSV Victoria and DS Carolina, and accumulated depreciation. The two vessels were acquired in the acquisition of UER described in note 3 and the value of the vessels have been determined in a provisional Purchase Price Allocation. The valuation of the vessels has been based on a combination of broker estimates and a discounted cash flow valuation model using estimated market rates for the remaining useful life of the vessels on an “as is where is” basis. We refer to further information in note 3 related to the preliminary Purchase price Allocation that has been performed and note 4 regarding unfavourable contracts.

The carrying value of the two vessels as of June 30, 2024:

in USD thousands	
DS Carolina	224,150
SSV Victoria	174,242
Other property and Equipment	228
Total	**398,620**

Depreciation expense for the financial reporting period ending June 30, 2024, totalled $3.6 million.

Note 6 Long-Term Debt

On April 19, 2024, the Company raised a senior secured bond loan with gross and net (of financing costs) proceeds of $130.0 million and $127.2 million, respectively, to partly fund the UER Acquisition. First-priority security is established in the rigs owned by Universal Energy Resources Inc Group, the shares in Ventura Offshore Midco Ltd. and all subsidiaries, together with assignment of earnings and insurances including bank account pledges. The loan is amortizing with $30.0 million annually and with quarterly payments of incurred interest and instalments. The first interest payment is in the third quarter of 2024 and the first instalment of $7.5 million payable in the fourth quarter 2024 together with incurred interest, carries a nominal interest per annum of 10.0%, and a remaining balance of $55.0 million to be paid upon maturity in April 2027. The loan agreement contains financial covenants requiring a loan to value of maximum 60% and $10.0 million in minimum liquidity.

Interest expenses consist of interest expense incurred of $2.6 million on the senior secured bond loan and amortization of deferred financing cost of $0.2 million.

The annual principal repayments required to be made under the outstanding bond loan as of June 30, 2024, is as follows:

in USD thousands	
2024	7,500
2025	30,000
2026	30,000
2027	62,500
2028	-
Total outstanding as of June 30, 2024	130,000

The above does not reflect changes to the borrowing facility executed subsequent to June 30, 2024. We refer to further information in note 12.

Note 7 Shareholders' Equity and Warrants

Authorized, issued and outstanding common shares roll-forward is as follows:

	Authorized Number of Shares	**Issued and Outstanding Number of Shares**	**Common Stock**
Balance as of February 24, 2024	-	-	-
Incorporation of the Company	1,000,000	1	$0
Balance as of June 30, 2024	**1,000,000**	**1**	**$0**

The authorized share capital of the Company is $1,000,000 with a nominal amount of $0.01 per share.

Warrants
The parent company has issued 4,250,000 warrants giving the right to subscribe for 1 new share at par value ($0.01) in conjunction with the equity offering in the parent company of $170.0 million to raise sufficient funding to acquire 100% of the shares in UER. The parent company lent $162.3 million of the proceeds to the Company through a sub-ordinated loan.

A total of 1,700,000 of the warrants were issued to a group of key contributors for their contribution to complete the acquisition. The warrants issued are equity settled. The warrants have been considered as a service cost related to completing the acquisition of UER by the Company and 100 % of the calculated cost has been recognized in the period ending June 30, 2024, equalling $2.6 million. The valuation of the warrants has been done through use of a modified Black-Scholes model and with an assumed volatility of 40.1 %, a risk-free interest rate of 4.54 % and duration of 3 years.

The warrants are exercisable within 3 years, if the share price of the parent company exceeds the following set of hurdles:

- 1/3 at 20% premium to the Offer Price of $2.0 per Share over a period of five consecutive days.
- 1/3 at 40% premium to the Offer Price of $2.0 per Share over a period of five consecutive days.
- 1/3 at 60% premium to the Offer Price of $2.0 per Share over a period of five consecutive days.

Two thirds of the warrants have vested as of June 30, 2024, without being exercised.

Note 8 Subordinated Loan, related parties

The Company has borrowed $162.3 million from its parent company through a sub-ordinated non-interest-bearing loan. The funds were applied to the acquisition of 100 % of the shares in UER.

Note 9 Leases

The Company's future minimum lease payments related to the operating leases are as follows:

in USD thousands	
2024	2,722
2025	4,934
2026	2,605
2027	22
2028	19
Total remaining lease payments as of June 30, 2024	10,302
Less: Imputed Interest	(1,788)
Present value of lease liabilities	8,514

The weighted average remaining lease term is 2.0 years and the average discount rate is 10.32%.

Note 10 Commitment and contingencies

The Company is holding $18.2 million of cash, which is presented as restricted cash, on behalf of the owners of Catarina and Zonda for payment of capital expenditure and operating expenses for these vessels.

The Company is providing bank guarantees and performance bonds to counterparties as part of its regular operations. As of June 30, 2024, the Company has issued guarantees and performance bonds totalling $3.3 million in relation to operation of the managed rigs. The restricted cash of $18.2 million includes cash held as security for these guarantees and performance bonds.

In 2008, 2009, 2017 and 2023, the Company received tax assessments from the Brazilian Federal Revenue Service that remain unsettled as of June 30, 2024. Management and its legal counsel are defending the assessments and do not believe payment of the assessments is probable. Therefore, no provision has been provided for in the consolidated financial statements of the Company.

The Company could be subject to future review and examination by taxing agencies in the jurisdiction in which the Company operates, the results of which management does not believe would have a material adverse effect on the Company's consolidated financial position, operations or cash flows.

Note 11 Financial instruments

The Company's functional currency is United States dollars, and the majority of the Company's transactions, assets and liabilities are denominated in United States dollars. The Company's two rigs are operating in Brazil and the Company incurs certain operational costs in local currency, which would be subject to currency fluctuations. The Company has not entered into any derivatives to mitigate this risk, as the foreign currency risk is not assumed to have a material negative impact. The Company's interest-bearing loan has a fixed interest rate and the carrying value is assumed to equal its fair value as of June 30, 2024.

The Company uses valuation approaches for fair value measurements that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments and other financial assets.

- The carrying value of cash, cash equivalents and restricted cash is a reasonable estimate of fair value.
- The estimated fair value for the long-term debt is considered to be approximately equal to the carrying value, adjusted for deferred financing cost presented as a reduction of the nominal borrowing amounts due to no significant changes in the interest rate levels since inception.

The carrying value and estimated fair value of the Company`s financial instruments at June 30, 2024 are as follows:

in USD thousands	**Fair value hierarchy, level**	**Fair Value**	**Carrying Value**
Cash and Cash Equivalents	1	26,511	26,511
Restricted Cash	1	18,170	18,170
Senior secured bond loan	2	130,000	127,054

Note 11 Subsequent events

On June 27, 2024, the parent company announced that it had signed a binding memorandum of agreement for the acquisition of SSV Catarina for a consideration of $100.0 million in cash, $5.0 million in new shares in the Company, certain costs associated with delivery of the vessel, plus a profit-sharing mechanism of 17.5% of the free cash flow generated by the vessel for the first five years after delivery.

The delivery of the vessel took place on July 23, 2024, during transit from Vietnam to Indonesia, where the vessel is commencing a well based drilling contract with an expected duration of about 300 days, plus an optional five wells that could extend the contract period into Q2 2026, if exercised. The vessel commenced the contract in Indonesia on August 17.

To finance the acquisition of the vessel, the Company has issued 17,833,333 new shares at NOK 30.0 per share through a private placement to raise NOK 535.0 million (about $50.0 million) in gross proceeds, issued 1,766,050 shares at NOK 30.0 per share to the sellers to settle $5.0 million of the purchase price, increased the existing bond loan by $55.0 million from $130.0 million to $185.0 million and entered into a revolving credit agreement of $30.0 million for working capital purposes. The revolving credit facility carries an interest of Secured Overnight Financing Rate plus a margin of 3.75% upon utilization and has a duration of up to two years.

As part of the increase of the bond loan, the loan amortization is increased from $7.5 million to $ 10.0 million per quarter and the liquidity covenant is increased from $10.0 million to $15.0 million. The free liquidity covenant allows for the unused portion of the RCF to be included as free liquidity. The financial covenants for the RCF are aligned with the covenants for the bond loan, plus certain standard market financial covenants.

Further, the parent company announced that the Board has resolved to establish a share incentive plan consisting of 1,500,000 stock options for the senior management and key employees of the Company. The stock options are vesting with equal portions over a period of three years from grant date and with a strike price of NOK 30.0, equal to the issue price in the private placement described above to finance the acquisition of SSV Catarina. The stock options are expected to be accounted for in the third quarter of 2024 and with the compensation cost to be expensed over the vesting period.