VANTAGE DRILLING INTERNATIONAL LTD.

QUARTERLY REPORT FOR THE QUARTER ENDED JUNE 30, 2024

TABLE OF CONTENTS

SAFE HARBOR STATEMENT

This Quarterly Report (this “Quarterly Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements are included throughout this Quarterly Report, including under “*Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations*” When used, statements which are not historical in nature, including those containing words such as “anticipate,” “assume,” “believe,” “budget,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “would,” “will,” “future” and similar expressions are intended to identify forward-looking statements in this Quarterly Report.

These forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements.

Among the factors that could cause actual results to differ materially are the risks and uncertainties described under “Item 1A. Risk Factors” of our Annual Report for the year ended December 31, 2023, which has been made available on our website at www.vantagedrilling.com, “*Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations*” of this Quarterly Report, and the following:

- the small size of our fleet and associated vulnerabilities in the case of prolonged downtime of any of our drilling rigs;
- our small number of customers, related concentration and/or the loss of any customers;
- credit risks of our key customers and other third parties we engage commercially;
- increased costs resulting from supply chain constraints, delays and impediments, including, but not limited to, increases in (i) the costs of obtaining supplies, (ii) freight, transportation and input costs, among others;
- our limited ability to mobilize our drilling units between geographic regions;
- termination or renegotiation of our management and marketing agreements, failure to enter into the definitive agreements contemplated by the TE-Vantage MOU (as defined below), and, to the extent such definitive agreements are ultimately executed, the failure to meet the conditions precedent to consummate the TE-Vantage Transaction (as defined below);
- termination or renegotiation of our management, customer and vendor contracts, and the invoking of force majeure clauses;
- termination or suspension of our contracts with customers, which could lead to a lower barrier to entry for our competitors’ rigs, enabling them to enter into the markets in which we operate, which in turn may cause us to experience reduced pricing and/or lose tenders;
- our dependence on key personnel;
- availability of workers and the related labor costs;
- the occurrence (or recurrence) of cybersecurity incidents, attacks, intrusions or other breaches to our information technology systems, and our ability to effectively and expeditiously remediate any such matters;
- levels of operating, maintenance costs, and capital expenditures that may be contractually or otherwise required to be allocated to any of our drilling rigs;
- general economic conditions and conditions in the oil and gas industry, including the worldwide supply and demand for oil and gas, and expectations regarding future prices of oil and gas;
- volatility in the price of commodities due to actions taken by members of OPEC, OPEC+ and other, oil-exploring countries, with respect to oil production levels and announcements of potential changes in such levels, including the ability of members of OPEC+ to agree on and comply with announced supply limitations;
- the potential for increased production from U.S. shale producers and non-OPEC countries driven by current oil prices, including the effect of such production rates on the overall global oil and gas supply, demand balance and commodity prices;
- excess supply of drilling units worldwide;
- competition within our industry;
- operating hazards in the offshore drilling industry;
- epidemics, pandemics, global health crises, or other public health events and concerns, including any future resurgence of COVID-19, and the effectiveness of associated vaccinations and treatments;
- consolidation of our competitors and suppliers;

- effects of new products and new technology on the market;
- reduced expenditures by oil and gas exploration and production companies;
- losses on impairment of long-lived assets;
- operations in international markets, including geopolitical, global, regional or local economic and financial market risks and challenges, applicability of foreign laws, including foreign labor and employment laws, foreign tax and customs regimes, and foreign currency exchange rate risk;
- political disturbances, geopolitical instability and tensions, or terrorist attacks, and associated changes in global trade policies and economic sanctions, including, but not limited to, in connection with (i) the Russo-Ukrainian War and (ii) any impact, effect, damage, destruction and/or bodily harm directly or indirectly relating to the ongoing hostilities in the Middle East;
- changes in the status of pending, or the initiation of new litigation, claims or proceedings, including our ability to prevail in the defense of any appeal or counterclaim;
- growing focus on climate change, including regulatory, social and market efforts to address climate change, and its overall impact on the level of investments being directed to fossil fuel exploration and production companies and the associated products or services;
- any non-compliance with the U.S. Foreign Corrupt Practices Act, as amended, and any other anti-corruption laws;
- changes in legislation removing or increasing current applicable limitations of liability;
- governmental, tax and environmental regulations and related actions and legal matters, including the actions taken by governments in response to any global health events and crises, as well as the results and effects of legal proceedings and governmental audits, assessments, orders and investigations;
- compliance with the Economic Substance Act 2018 (as amended), and the Economic Substance Act 2021 (as amended), among other legislation enacted in Bermuda and the Cayman Islands that is applicable to our business and operations;
- our incorporation under the laws of Bermuda and the limited rights to relief that may be available compared to U.S. law;
- our current level of indebtedness (including under the Revolving Credit Facility (as defined below)) and the ability to incur additional indebtedness in the near- and long-term;
- compliance with restrictions and covenants in our debt agreements (including under the Revolving Credit Facility (as defined below));
- the impact of any actual or contemplated redemptions of our 9.50% First Lien Notes, including any resulting impact on liquidity and cash flows available for capital expenditures, working capital, growth opportunities and other general corporate purposes;
- adequacy of, or gaps in, insurance coverage upon the occurrence of a catastrophic or other material adverse event;
- our recent lack of overall profitability and whether we will generate material revenues or profits in the near- and long-term;
- our ability to identify and complete strategic and/or transformational transactions, including acquisitions, dispositions, joint ventures (including the TE-Vantage JV Transactions (as defined below)) and mergers, as well as the impact that such transactions may have on our operations and financial condition;
- the sufficiency of our internal controls, including exposure arising from the failure to (i) establish and maintain effective internal control over financial reporting in accordance with applicable regulatory requirements, and (ii) fully remediate any material weaknesses identified with respect to such internal controls;
- adverse macroeconomic conditions, including (i) inflationary pressures and potential recessionary conditions, as well as actions taken by central banks and regulators across the world in an attempt to reduce, curtail and address such pressures and conditions, and (ii) developments at financial institutions, including bank failures, that impact general sentiment regarding the stability and liquidity of banks and the global economy, and the resulting impact on the stability of the global financial markets at large;
- changes in tax laws, treaties or regulations, including the passage and implementation of the CIT Act (as defined below);
- the impact of the Company’s decision to voluntarily deregister under the Exchange Act.

- actual and potential (or the perception of any) conflicts of interest with respect to the Company's operations and personnel, including in connection with the Company's directors concurrently serving on and allocating their time to the boards of directors of the Company's competitors within the offshore drilling industry, which could have a material adverse impact on the Company's reputation, business and financial condition; and
- while the Company has adopted a Conflicts of Interest Policy to address some of the conflicts relating to the Company's business activities and the activities of its officers and directors (among others), it may not adequately address all of the conflicts of interest that may arise with respect to such activities.

Many of these factors are beyond our ability to control or predict. Any, or a combination of these factors, could materially affect our future financial condition or results of operations and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of our future performance, and our actual results and future developments may differ materially from those projected in the forward-looking statements. Management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or prior earnings levels.

In addition, each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements. We may not update these forward-looking statements, even if our situation changes in the future. All forward-looking statements attributable to us are expressly qualified by these cautionary statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in reports or filings we may post on our website or otherwise make available to our investors or creditors, which may be obtained by contacting us. These reports and filings are also available through our website at www.vantagedrilling.com. The contents of our website are not part of this Quarterly Report.

Unless the context indicates otherwise, all references to the "Company," "Vantage Drilling International Ltd.," "we," "our" or "us" refer to Vantage Drilling International and its consolidated subsidiaries. References to "VDI" refer to Vantage Drilling International Ltd., a Bermuda exempted company and the group parent company.

GLOSSARY OF TERMS

The following terms used in this Quarterly Report have the following meanings, unless specified elsewhere in this Quarterly Report:

Abbreviation/Acronym	Definition
2016 Amended MIP	The Company's Amended and Restated 2016 Management Incentive Plan
9.25% First Lien Indenture	First Lien Indenture, dated as of November 30, 2018, by and between Vantage Drilling International and U.S. Bank National Association
9.50% First Lien Indenture	First Lien Indenture, dated as of March 1, 2023, by and between VDI, the guarantors party thereto, and U.S. Bank Trust Company, National Association, as trustee and first lien collateral agent
9.50% First Lien Notes	The Company's 9.50% Senior Secured First Lien Notes due February 15, 2028
ADES	ADES International Holding Ltd, an offshore and onshore provider of oil and gas drilling and production services in the Middle East, India and Africa
ADVantage	ADVantage Drilling Services SAE, a joint venture owned 51% by the Company and 49% by ADES
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Board of Directors	The Company's board of directors
CIT Act	Corporate Income Tax Act, 2023
Comparable Period	The six months ended June 30, 2023
Comparable Quarter	The three months ended June 30, 2023
COVID-19	Coronavirus disease 2019, a strain of coronavirus caused by SARS-CoV-2
Current Period	The six months ended June 30, 2024
Current Quarter	The three months ended June 30, 2024
DOJ	U.S. Department of Justice
EDC	Emerald Driller Company, which owns the *Emerald Driller*, *Sapphire Driller* and *Aquamarine Driller*
EDC Sale	The sale by VHI of all of the issued and outstanding equity of EDC to ADES Arabia Holding, pursuant to the terms of that certain Share Purchase Agreement, dated as of December 6, 2021, by and between VHI and to sell to ADES Arabia Holding, as amended, which closed on May 27, 2022
Effective Date	February 10, 2016, the date the Company emerged from bankruptcy
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
IPO	Initial public offering
IRS	U.S. Internal Revenue Service
Merger Date	VDI Predecessor and VDI International Ltd. consummated the Statutory Merger on March 31, 2024
OPEC	The Organization of the Petroleum Exporting Countries
OPEC+	The Organization of the Petroleum Exporting Countries plus 10 non-OPEC nations
Ordinary Shares	The Company's ordinary shares, par value $0.001 per share
PBGs	Performance-based restricted stock units
Petrobras	Petroleo Brasileiro S.A.
PSU	Phantom Stock Units with time-based and performance based vesting conditions
QLE	A qualified liquidity event as defined in the 2016 Amended MIP
ROU	Right-of-use
RSU	PBG's and TBGs with both a time condition and/or IPO or performance condition
Russo-Ukrainian War	The ongoing war resulting from Russia's invasion of Ukraine in February 2022
Securities Act	Securities Act of 1933, as amended
Tax Election	Tax election filed with the IRS on January 22, 2020, to allow VDI Predecessor to be treated as a partnership, rather than a corporation, for U.S. federal income tax purposes, with an effective date retroactive to December 9, 2019
TBGs	Time-based restricted stock units
TEV	Total enterprise value
U.S.	United States of America
U.S. GAAP	Accounting principles generally accepted in the United States of America
U.S. Holder	A beneficial owner of the Ordinary Shares that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) that was organized under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust, if a U.S. court can exercise primary

	supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or such trust has a valid election in effect under applicable treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes
USD or $	U.S. Dollar
VDC	Vantage Drilling Company, the Company's former parent company
VDI Statutory Merger	VDI Predecessor merging with and into a wholly owned subsidiary incorporated in Bermuda on March 31, 2024
VDI Predecessor	The entity that made the Tax Election and ceased to exist on March 31, 2024
VDI	Vantage Drilling International Ltd.
VHI	Vantage Holdings International, a subsidiary of VDI
VIE	Variable interest entity

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Vantage Drilling International Ltd.
Condensed Consolidated Balance Sheets
(In thousands, except share and par value information)
(Unaudited)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 40,290	$ 73,206
Restricted cash	2,264	1,828
Trade receivables, net of allowance for credit losses of $5,805 and $5,434, respectively	56,534	74,113
Materials and supplies	52,470	46,704
Prepaid expenses and other current assets	35,501	37,423
Total current assets	187,059	233,274
Property and equipment		
Property and equipment	677,304	660,449
Accumulated depreciation	(374,459)	(352,357)
Property and equipment, net	302,845	308,092
Operating lease ROU assets	658	1,084
Other assets	42,313	19,283
Total assets	$ 532,875	$ 561,733
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 60,730	$ 62,245
Other current liabilities	38,277	51,946
Total current liabilities	99,007	114,191
Long–term debt, net of discount and financing costs of $8,706 and $9,893 respectively	191,294	190,107
Other long-term liabilities	12,725	10,741
Commitments and contingencies (see Note 8)		
Shareholders' equity		
Ordinary shares, $0.001 par value, 50 million shares authorized; 13,295,262 and 13,229,280 shares issued and outstanding, each period	13	13
Additional paid-in capital	634,519	633,963
Accumulated deficit	(405,615)	(388,523)
Controlling interest shareholders' equity	228,917	245,453
Non-controlling interests	932	1,241
Total equity	229,849	246,694
Total liabilities and shareholders' equity	$ 532,875	$ 561,733

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

Vantage Drilling International Ltd.
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue				
Contract drilling services	$ 34,100	$ 67,673	$ 94,329	$ 115,590
Management fees	5,697	5,569	11,223	7,689
Reimbursables and other	10,015	34,598	20,408	61,633
Total revenue	49,812	107,840	125,960	184,912
Operating costs and expenses				
Operating costs	39,561	74,383	92,284	140,938
General and administrative	5,225	5,161	12,479	9,992
Depreciation	11,257	11,045	22,492	22,094
Loss on EDC Sale	—	—	—	3
Total operating costs and expenses	56,043	90,589	127,255	173,027
Income (loss) from operations	(6,231)	17,251	(1,295)	11,885
Other (expense) income				
Interest income	200	141	494	190
Interest expense and other financing charges	(5,656)	(5,346)	(11,000)	(10,904)
Other, net	(383)	(457)	(978)	(135)
Total other expense	(5,839)	(5,662)	(11,484)	(10,849)
Income (loss) before income taxes	(12,070)	11,589	(12,779)	1,036
Income tax provision	2,141	10,584	4,622	2,606
Net income (loss)	(14,211)	1,005	(17,401)	(1,570)
Net income (loss) attributable to non-controlling interests	10	(457)	(309)	(746)
Net income (loss) attributable to shareholders	$ (14,221)	$ 1,462	$ (17,092)	$ (824)
Earnings (loss) per share				
Basic and Diluted	$ (1.07)	$ 0.11	$ (1.29)	$ (0.06)

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

Vantage Drilling International Ltd.
Condensed Consolidated Statements of Shareholders' Equity
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2023					
	Ordinary Shares					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interests	Total Equity
Balance January 1, 2023	13,115	$ 13	$ 633,863	$ (373,147)	$ 1,770	$ 262,499
Share-based compensation issuance of shares	132	—	—	—	—	—
Shares withheld to settle withholding taxes	(18)	—	(246)	—	—	(246)
Share-based compensation expense	—	—	11	—	—	11
Share-based compensation - dividend equivalents	—	—	(37)	—	—	(37)
Net loss	—	—	—	(2,286)	(289)	(2,575)
Balance March 31, 2023	13,229	$ 13	$ 633,591	$ (375,433)	$ 1,481	$ 259,652
Share-based compensation	—	—	14	—	—	14
Net (loss) income	—	—	—	1,462	(457)	1,005
Balance June 30, 2023	13,229	$ 13	$ 633,605	$ (373,971)	$ 1,024	$ 260,671

	Six Months Ended June 30, 2024					
	Ordinary Shares					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interests	Total Equity
Balance January 1, 2024	13,229	$ 13	$ 633,963	$ (388,523)	$ 1,241	$ 246,694
Share-based compensation issuance of shares	82	—	—	—	—	—
Shares withheld to settle withholding taxes	(16)	—	(441)	—	—	(441)
Share-based compensation expense	—	—	499	—	—	499
Net loss	—	—	—	(2,871)	(319)	(3,190)
Balance March 31, 2024	13,295	$ 13	$ 634,021	$ (391,394)	$ 922	$ 243,562
Share-based compensation	—	—	498	—	—	498
Net (loss) income	—	—	—	(14,221)	10	(14,211)
Balance June 30, 2024	13,295	$ 13	$ 634,519	$ (405,615)	$ 932	$ 229,849

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

Vantage Drilling International Ltd.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (17,401)	$ (1,570)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	22,492	22,094
Amortization of debt financing costs	1,449	862
Share-based compensation expense	1,069	25
Loss on debt extinguishment	—	703
Deferred income tax expense	420	733
Loss on disposal of assets	81	—
Loss on EDC Sale	—	3
Allowance for credit losses	371	—
Changes in operating assets and liabilities:		
Trade receivables, net	17,208	(20,333)
Materials and supplies	(5,766)	(3,509)
Prepaid expenses and other current assets	1,922	(5,379)
Other assets	(22,340)	5,269
Accounts payable	(1,515)	(2,205)
Other current liabilities and other long-term liabilities	(9,278)	(7,773)
Net cash used in operating activities	(11,288)	(11,080)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(17,396)	(2,637)
Proceeds from disposal of assets	70	—
Net cash used in investing activities	(17,326)	(2,637)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from 9.50% First Lien Notes	—	194,000
Repayment of long-term debt	—	(180,000)
Shares repurchased for tax withholdings on settlement of RSUs	(441)	(246)
Payments of dividend equivalents	(3,272)	(5,278)
Debt issuance costs	(837)	(5,645)
Net cash (used in) provided by financing activities	(4,550)	2,831
Net decrease in unrestricted and restricted cash and cash equivalents	(33,164)	(10,886)
Unrestricted and restricted cash and cash equivalents—beginning of period	83,975	93,257
Unrestricted and restricted cash and cash equivalents—end of period	$ 50,811	$ 82,371
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	$ 9,500	5,179
Income taxes (net of refunds)	3,908	6,657
Non-cash investing and financing transactions:		
Accrued debt issuance costs	740	227

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

VANTAGE DRILLING INTERNATIONAL LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited**)**

1. Organization and Recent Events

Vantage Drilling International Ltd., a Bermuda exempted company incorporated on February 8, 2024, together with its consolidated subsidiaries (collectively the “Company”), is an international offshore drilling company focused on operating a fleet of modern, high specification drilling units. Our principal business is to contract drilling units, related equipment and work crews, primarily on a dayrate basis to drill oil and gas wells for our customers. Through our fleet of drilling units, we are a provider of offshore contract drilling services to major, national and independent oil and gas companies, focused on international markets. Additionally, for third-party owned drilling units, we provide operations and marketing services for operating and stacked rigs, construction supervision services for rigs that are under construction, and preservation management services for rigs that are stacked.

On February 12, 2024, VDI Predecessor deregistered by way of discontinuation in the Cayman Islands and continued into Bermuda as a Bermuda exempted company limited by shares (and in the process renamed itself “Vantage Drilling International Ltd.”).VDI Predecessor held a special general meeting on March 19, 2024 whereby the shareholders approved the Company’s entry into the statutory merger agreement (the "Statutory Merger Agreement"), including the consummation of the Statutory Merger and other related transactions thereto. VDI Predecessor and VDI Bermuda Ltd. consummated the Statutory Merger on March 31 2024, with VDI Bermuda Ltd. being the surviving company and subsequently adopting the name “Vantage Drilling International Ltd.”.

Revolving Credit Facility

On May 3, 2024, the Company entered into a Revolving Credit Facility with Banco Santander, S.A., New York Branch (the "Revolving Credit Facility"), pursuant to which it may borrow up to an aggregate principal amount at any time outstanding of $25.0 million. Borrowings, if any, would be available for general corporate purposes, including for contract preparation and rig upgrades, some of which is reimbursable by the client after contract commencement. See “*Note 5 - Debt*" of these "Notes to Condensed Consolidated Financial Statements" for additional information with respect to the Revolving Credit Facility. In July 2024, the Company made its initial drawing of $25.0 million against the facility.

Listing on Euronext Growth Oslo

The company continues to pursue listing of its shares on the Euronext Growth Oslo.

TotalEnergies and Vantage Joint Venture

On February 6, 2024, VHI entered into a binding Memorandum of Understanding (the “TE-Vantage MOU”) with TotalEnergies to create a joint venture (the “TE-Vantage JV”) that will acquire the *Tungsten Explorer* from Vantage (the “TE-Vantage JV Transaction”). Under the terms of the TE-Vantage MOU, subject to certain customary conditions precedent, including, without limitation, rig acceptance, TotalEnergies will pay $198.75 million in cash for a 75% interest in the TE-Vantage JV that will own the *Tungsten Explorer*, with Vantage owning the remaining 25% interest. Furthermore, as currently anticipated, the TE-Vantage JV will contract with Vantage to operate the *Tungsten Explorer* for a ten year term, with the option to extend for an additional five years, pursuant to a management agreement to be executed in connection with the TE-Vantage JV Transaction. Pursuant to the TE-Vantage MOU, the parties intend to negotiate and execute definitive agreements in respect of the aforementioned transactions, including the TE-Vantage JV Transaction.

The Aquadrill Merger and the Termination of Certain Agreements

VHI previously entered into a framework agreement with Aquadrill LLC (“Aquadrill”) on February 9, 2021 (the “Framework Agreement”), and, certain subsidiaries of VHI (the “VHI Entities”) subsequently entered into a series of related management and marketing agreements (collectively, the “Marketing and Management Agreements” and together with the Framework Agreement, the “Framework, Management and Marketing Agreements”) with certain subsidiaries of Aquadrill (collectively, the “Aquadrill Entities”). Pursuant to the Framework, Management and Marketing Agreements, the VHI Entities agreed to provide certain marketing and operational management services with respect to the *Capella*, *Polaris* and *Aquarius* floaters. Pursuant to the terms of the Framework, Management and Marketing Agreements, the Company is eligible to receive the following fees associated with the management and marketing of the Aquadrill rigs: (i) the Company is to be paid a fixed management fee of $2,000, $4,000, $6,000 and $10,000 per day to manage a cold stacked rig, warm stacked rig, reactivating rig and operating rig, respectively (provided, that, certain discounts are to be provided on the management fee associated with cold stacked rigs to the extent there are more than one such rigs managed by the Company for Aquadrill); (ii) there are certain bonus and malus amounts that are applied to the fixed management fee that are contingent on whether the actual expenditures for a particular rig that is stacked, mobilizing, being reactivated or preparing for a contract exceed or fall below budget; (iii) the Company is eligible to receive a marketing fee of 1.5% of the effective day rate of a drilling contract secured for the benefit of Aquadrill; (iv) the Company is eligible to earn a variable fee equal to 13% of the gross margin associated with managing an operating rig for Aquadrill; and (v) all costs incurred by the Company are reimbursed by Aquadrill (other than incremental overhead costs incurred by Vantage). In accordance with the terms of the Framework, Management and Marketing Agreements, Aquadrill may also terminate such agreements at any time upon 90 days' notice (the "Notice Termination Period"), subject to certain conditions set forth in such agreements.

On December 23, 2022, Seadrill Ltd., the predecessor of Seadrill announced that it had entered into a merger agreement with Aquadrill, pursuant to which Aquadrill would become a wholly owned subsidiary of Seadrill (the "Aquadrill Merger"), and on April 3, 2023, Seadrill announced that it had closed the Aquadrill Merger. Upon the consummation of the Aquadrill Merger, Aquadrill was subsequently renamed "Seadrill LLC" ("Seadrill"). On April 10, 2023, we received a notice of termination of the management agreement (the "*Aquarius* Management Agreement") and marketing agreement with respect to the *Aquarius*(the "*Aquarius* Marketing Agreement," and together with the *Aquarius* Management Agreement, the "*Aquarius* Agreements"), and the marketing agreements with respect to the *Capella* (the "*Capella* Marketing Agreement") and *Polaris* (the "*Polaris* Marketing Agreements"), in each case as a result of the Aquadrill Merger. Given that the Notice Termination Period related to the *Aquarius* had lapsed, we are no longer managing or marketing the *Aquarius* nor eligible to earn management fees under the *Aquarius* Management Agreement as of July 9, 2023. On November 16, 2023, we received a notice of termination of the management agreement with respect to the *Polaris* (the "*Polaris* Management Agreement," and together with the *Polaris* Marketing Agreement, the "*Polaris* Agreements"). Given that the Notice Termination Period relating to the *Polaris* had lapsed, we are no longer managing or marketing the Polaris nor eligible to earn management fees under the Polaris Management Agreement as of March 7, 2024. On April 22, 2024, we received a notice of termination of the management agreement with respect to the Capella (the "*Capella* Management Agreement" and together with the *Capella* Marketing Agreement, the "*Capella* Agreements"). Notwithstanding the termination of the *Aquarius* Agreements, the *Capella* Marketing Agreement and the *Polaris* Agreements, the *Capella* management agreement remains in effect until the campaign in Indonesia concludes, which is expected to occur at the end of August 2024. Therefore, until such time as the Capella concludes the campaign in Indonesia and is subsequently transitioned back to Seadrill, we (i) continue to manage and operate the *Capella* for Seadrill (and for the oil and gas clients under its drilling contract) and (ii) remain eligible to receive the management and variable fees described immediately above.

As of August 10, 2024, the *Capella* was performing drilling services for a client under its drilling contract.

2. Basis of Presentation and Significant Accounting Policies

Basis of Consolidation: The accompanying condensed consolidated financial information as of June 30, 2024, and December 31, 2023, and for the three and six months ended June 30, 2024 and 2023, has been prepared in accordance with U.S. GAAP, and includes our accounts and those of our majority owned subsidiaries and VIE(s) discussed below. All significant intercompany transactions and accounts have been eliminated.

In addition to the consolidation of our majority owned subsidiaries, we also consolidate VIE(s) when we are determined to be the primary beneficiary of a VIE. Determination of the primary beneficiary of a VIE is based on whether an entity has (1) the power to direct activities that most significantly impact the economic performance of the VIE and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our determination of the primary beneficiary of a VIE considers all relationships between us and the VIE.

ADVantage is a joint venture company formed to operate deepwater drilling rigs in Egypt. We determined that ADVantage met the criteria of a VIE for accounting purposes because its equity at risk was insufficient to permit it to carry on its activities without additional subordinated financial support from us. We also determined that we are the primary beneficiary for accounting purposes since we are entitled to use ADVantage for deepwater drilling contract opportunities rejected by ADES, and have the (a) power to direct the operating activities associated with the deepwater drilling rigs, which are the activities that most significantly impact the entity's economic performance, and (b) obligation to absorb losses or the right to receive a majority of the benefits that could be potentially significant to the VIE. As a result, we consolidate ADVantage in our consolidated financial statements, we eliminate intercompany transactions, and we present the interests that are not owned by us as "Non-controlling interests" in the Condensed Consolidated Balance Sheets. The carrying amount associated with ADVantage was as follows:

(unaudited, in thousands)	June 30, 2024	December 31, 2023
Current assets	$ 1,929	$ 2,708
Non-current assets	546	552
Current liabilities	262	415
Non-current liabilities	336	337
Net carrying amount	$ 1,877	$ 2,508

As ADVantage is a majority owned subsidiary of the Company, it serves as a guarantor under the 9.50% First Lien Indenture with respect to the 9.50% First Lien Notes. The 9.50% First Lien Notes are secured by a first priority lien on all of the assets of ADVantage, subject to certain exceptions. Creditors' recourse against ADVantage for liabilities of ADVantage is limited to the assets of ADVantage.

Use of Estimates: The preparation of financial statements in accordance with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. On an ongoing basis, we evaluate our estimates, including those related to property and equipment, income taxes, insurance, employee benefits and contingent liabilities. Actual results could differ from these estimates.

Cash and Cash Equivalents: Includes deposits with financial institutions and compliant financial instruments with maturities of three months or less when purchased.

Materials and Supplies: Consists of materials, spare parts, consumables and related supplies for our drilling rigs. We record these materials and supplies at their average cost.

Property and Equipment: Consists of our drilling rigs, furniture and fixtures, computer equipment and capitalized costs for computer software. Drilling rigs are depreciated on a component basis over estimated useful lives ranging from five to 35 years on a straight-line basis as of the date placed in service. Other assets are depreciated upon placement in service over estimated useful lives ranging from three to seven years on a straight-line basis. When assets are sold, retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the Condensed Consolidated Balance Sheets and the resulting gain or loss is included in "Operating costs" or "General and administrative" expenses on the Condensed Consolidated Statements of Operations, depending on the nature of the asset. The gain/loss related to the sale or retirement of assets for the three and six months ended June 30, 2024 and 2023 was immaterial.

We evaluate the realization of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss on our property and equipment exists when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Any impairment loss recognized would be computed as the excess of the asset's carrying value over the estimated fair value. Estimates of future cash flows require us to make long-term forecasts of our future revenues and operating costs with regard to the assets subject to review. Our business, including the utilization rates and dayrates we receive for our drilling rigs, depends on the level of our customers' expenditures for oil and gas exploration, development and production expenditures. Oil and gas prices and customers' expectations of potential changes in these prices, the general outlook for worldwide economic growth, political and social stability in the major oil and gas producing basins of the world, availability of credit and changes in governmental laws and regulations, among many other factors, significantly affect our customers' levels of expenditures. Sustained declines in or persistent depressed levels of oil and gas prices, worldwide rig counts and utilization, reduced access to credit markets, reduced or depressed sale prices of comparably equipped jackups and drillships and any other significant adverse economic news could require us to evaluate the realization of our drilling rigs.

As a result of the TE-Vantage JV Transaction discussed in "*Note 1. Organization and Recent Events*" of these "Notes to Condensed Consolidated Financial Statements", we performed a recoverability test for the Company's entire fleet. We evaluated the estimated undiscounted cash flows generated from the fleet and those cash flows were in excess of the carrying value and therefore, we concluded that there is no impairment.

Interest costs and the amortization of debt financing costs related to the financing of our drilling rigs are capitalized as part of the cost while they are under construction and prior to the commencement of each vessel's first contract. We did not capitalize any interest for the reported periods.

Debt Financing Costs: Costs incurred with financing debt are deferred and amortized over the term of the related financing facility on a straight-line basis, which approximates the effective interest method. Debt issuance costs on the 9.50% First Lien Notes are presented in the Condensed Consolidated Balance Sheets as a direct deduction from the carrying amount of that debt liability. Debt issuance costs on the Revolving Credit Facility are presented in the Condensed Consolidated Balance Sheets as prepaid expenses and other current assets and amortized to interest expense on a straight-line basis over the term of the Revolving Credit Facility.

Rig and Equipment Certifications: We are required to obtain regulatory certifications to operate our drilling rigs and certain specified equipment, and must maintain such certifications through periodic inspections and surveys. These certifications are typically valid for approximately 2.5 to 5 years. The costs associated with these certifications, including drydock costs, are deferred and amortized over the corresponding certification periods.

Revenue Recognition: See "*Note 3. Revenue from Contracts with Customers*" of these "Notes to Condensed Consolidated Financial Statements" for further information.

Income Taxes: Income taxes are provided for based upon the tax laws and rates in effect in the countries in which our operations are conducted and income is earned. Deferred income tax assets and liabilities are computed for differences between the financial statement basis and tax basis of assets and liabilities that will result in future taxable or tax-deductible amounts and are based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. We do not establish deferred tax liabilities for certain of our foreign earnings that we intend to indefinitely reinvest to finance foreign activities. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized. We recognize interest and penalties related to income taxes as a component of income tax expense.

Concentrations of Credit Risk: Financial instruments that potentially subject us to a significant concentration of credit risk consist primarily of cash and cash equivalents, restricted cash and accounts receivable. We maintain deposits in federally insured financial institutions in excess of federally insured limits. We monitor the credit ratings and our concentration of risk with these financial institutions on a continuing basis to safeguard our cash deposits. We have a limited number of key customers, who are primarily large international oil and gas operators, national oil companies and other international oil and gas companies. Our contracts provide for monthly billings as services are performed and we monitor compliance with contract payment terms on an ongoing basis. Payment terms on customer invoices typically range from 30 to 45 days. Outstanding receivables beyond payment terms are promptly investigated and discussed with the specific customer.

Four customers accounted for approximately 42%, 22%, 15% and 14% of our consolidated trade receivables, net as of June 30, 2024, and five customers accounted for approximately 31%, 25%, 12%, 12% and 11% of our consolidated trade receivables, net as of December 31, 2023.

Credit Losses – Accounts Receivable: The allowance for credit losses is based on the Company's assessment of the collectability of customer accounts. Current estimates of expected credit losses consider factors such as the historical experience and credit quality of our customers. The Company considers historical loss information as the most reasonable basis on which to determine expected credit losses unless current or forecasted future conditions for customers (or customer groups) indicate that risk characteristics have changed. We also considered the impact of oil price and market share volatility, as well as other applicable macroeconomic considerations, on our allowance for credit losses.

The following is a summary of the allowance for credit losses:

(unaudited, in thousands)	June 30, 2024	December 31, 2023
Beginning balance	$ 5,434	$ 4,962
Additions charged to expenses	371	2,526
Write-offs	—	(2,054)
Ending balance	$ 5,805	$ 5,434

The allowance for credit loss includes an amount that represents a customer's decisions not to pay us for days impacted by what we believe were force majeure and other similar events for which we would still be entitled to receive payment under the applicable contracts. We disagree with the customer's decision and are currently evaluating our remedies, if any, under the applicable contracts. The write-offs in the period represent items where the Company has used reasonable collection efforts and are deemed as uncollectible receivables.

Earnings (loss) per Share: We compute basic and diluted EPS in accordance with the two-class method. We include RSUs granted to employees and directors that contain non-forfeitable rights to dividends as such grants are considered participating securities. Basic earnings (loss) per share are based on the weighted average number of Ordinary Shares outstanding during the applicable period. Diluted EPS are computed based on the weighted average number of Ordinary Shares and Ordinary Share-equivalents outstanding in the applicable period, as if all potentially dilutive securities were converted into Ordinary Shares (using the treasury stock method).

The following is a reconciliation of the number of shares used for the basic and diluted EPS computations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(unaudited, in thousands)			
Weighted average Ordinary Shares outstanding for basic EPS	13,295	13,229	13,266	13,204
Weighted Restricted share equity awards	—	91	—	—
Adjusted weighted average Ordinary Shares outstanding for diluted EPS	13,295	13,320	13,266	13,204

The following sets forth the number of shares excluded from diluted EPS computations due to their antidilutive effect:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(unaudited, in thousands)			
Weighted Average restricted share equity awards	673	—	702	103
Future potentially dilutive Ordinary Shares excluded from diluted EPS	673	—	702	103

Functional Currency: We consider USD to be the functional currency for all of our operations since the majority of our revenues and expenditures are denominated in USD, which limits our exposure to currency exchange rate fluctuations. We recognize currency exchange rate gains and losses in "Other, net" in our Condensed Consolidated Statements of Operations. For the three and six months ended June 30, 2024, we recognized a net loss of approximately $0.4 million and $1.0 million, respectively, related to currency exchange rates. For the three and six months ended June 30, 2023, we recognized a net loss of approximately $0.5 million and $0.1 million, respectively, related to currency exchange rates.

Fair Value of Financial Instruments: The financial instruments of the Company consist primarily of cash and cash equivalents, accounts receivable and accounts payable. These items are considered Level 1 due to their short-term nature and their market interest rates and are, therefore, considered a reasonable estimate of fair value. The Company classifies short-term investments within Level 1 in the fair value hierarchy because quoted prices for identical assets in active markets are used to determine fair value. As of June 30, 2024, the fair value of the 9.50% First Lien Notes was approximately $202.9 million based on quoted market prices in a less active market, a Level 2 measurement. See "*Note 5. Debt*" of these "Notes to Condensed Consolidated Financial Statements" for additional information on the 9.50% First Lien Notes.

Share-based Compensation: Share-based compensation awards may contain a combination of time based, performance based and/or market based vesting conditions. Share-based compensation is recognized in the Condensed Consolidated Statements of Operations based on the grant date fair value and the estimated number of RSUs that are ultimately expected to vest.

The fair value of granted service-based RSUs is measured using the market price of our Ordinary Shares on the grant date. Grant date fair values of RSUs with market based vesting conditions is measured using the Monte-Carlo valuation technique, using inputs and assumptions, including the market price of the Ordinary Shares on the date of grant, the risk-free interest rate, expected volatility and expected dividend yield over a period commensurate with the remaining term prior to vesting. For awards with a market condition, compensation cost is recognized over the service period regardless of whether the market conditions are ultimately achieved. For awards which vest only after a specific event, such as an IPO, compensation expense is recognized upon the occurrence of the specified event and the remaining period of any time-vesting conditions. The Company classified certain awards that will be settled in cash as liability awards. The fair value of a liability-classified award is determined on a quarterly basis beginning at the grant date until final vesting. Changes in the fair value of liability-classified awards are expensed over the vesting period of the award.

Under the provisions of ASC 718 *Compensation – Stock Compensation,* share-based compensation expense is recognized on a straight-line basis over the service period through the date the employee or non-employee director is no longer required to provide service to earn the award. See "*Note 6. Shareholders' Equity*" of these "Notes to Condensed Consolidated Financial Statements" for additional information on share-based compensation. Forfeitures of all equity-based awards are recognized as they occur.

Noncontrolling Interest: Noncontrolling interests represent the equity investments of the minority owner in ADVantage, a joint venture with ADES that we consolidate in our financial statements.

Subsequent Events: The Company evaluates events and transactions occurring after the balance sheet date but before the financial statements are available to be issued. The Company evaluated such events and transactions through August 13, 2024, the date the financial statements were available for issuance.

The Company has made its initial drawing of $25.0 million against the Revolving Credit Facility in July 2024. See "*Note 5. Debt*" of these "Notes to Condensed Consolidated Financial Statements" for additional information on the Revolving Credit Facility.

Recently Adopted Accounting Standards: No new accounting standards were adopted during the six-month period ended June 30, 2024.

Recently Issued Accounting Standards: In March 2024, the FASB issued ASU No. 2024-01, Compensation – Stock Compensation (Topic 718): Scope Applications of Profits Interest and Similar Awards ("ASU 2024-01"). The amendments in ASU 2024-01 improves its overall clarity and operability without changing the guidance and adding illustrative examples to determine whether profits interest award should be accounted for in accordance with Topic 718.

In March 2024, the FASB issued ASU No. 2024-02, Codification Improvements – Amendments to Remove References to the Concept Statements ("ASU 2024-02"). The amendments in ASU 2024-02 removes references to various FASB Concept Statements in the Accounting Standard Codifications to draw a distinction between authoritative and non-authoritative literature.

ASU 2024-01 and ASU 2024-02 are effective for annual periods beginning after December 15, 2024 for public entities and December 15, 2025 for all other entities. The Company does not anticipate that these updates, once adopted, will have a material effect on the Condensed Consolidated Financial Statements.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280). The amendment in ASU 2023-07 requires incremental disclosures about a public entity's reportable segments but does not change the definition or guidance for determining reportable segments. The update, which explicitly applies to entities with a single reportable segment, requires disclosure of the significant expense categories and amounts that are regularly provided to the chief operating decision-maker and included in the reported measure of segment profit or loss. Additionally, the update requires disclosures about the individual or the group or committee identified as the chief operating decision-maker. ASU No. 2023-07 is effective for annual periods beginning after December 15, 2023 for public entities. The Company does not anticipate that these updates, once adopted, will have a material effect on the Condensed Consolidated Financial Statements.

3. Revenue from Contracts with Customers

The activities that primarily drive the revenue earned in our drilling contracts with customers include (i) providing our drilling rig, work crews, related equipment and services necessary to operate the rig, (ii) delivering the drilling rig by mobilizing to, and demobilizing from, the drill site, and (iii) performing pre-operating activities, including rig preparation activities and/or equipment modifications required for the contract.

The integrated drilling services that we perform under each drilling contract represent a single performance obligation satisfied over time and comprised of a series of distinct time increments, or service periods. We have elected to exclude from the transaction price measurement all taxes assessed by a governmental authority.

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 or restricted. The dayrate billed to the customer is determined based on 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 as we perform the daily drilling services.

For rigs owned by a third-party that we manage or support, the contracts generally provide for a fixed fee based on various factors, including the status of the rig or a specific duration. In addition, we may earn a marketing fee based on a percentage of the effective dayrate of a drilling contract secured on behalf of the third-party and a variable management fee of the gross margin associated with managing an operating rig. We are considered the principal or agent with respect to certain contractual arrangements and therefore, we record the associated revenue at the gross or net amounts billed to the customers, respectively.

Amortizable Revenue. In connection with certain contracts, we receive lump-sum fees or similar compensation for (i) the mobilization of equipment and personnel prior to the commencement of drilling services, (ii) the demobilization of equipment and personnel upon contract completion or (iii) postponement fees in consideration for the postponement of a contract until a later date. These activities are not considered to be distinct within the context of the contract and therefore, the associated revenue is allocated to the overall single performance obligation.

Mobilization fees received prior to the commencement of drilling operations are recorded as a contract liability and amortized on a straight-line basis over the initial contract period. Demobilization fees expected to be received upon contract completion are estimated at contract inception and recognized on a straight-line basis over the initial contract term, with an offset to an accretive contract asset. In many contracts, demobilization fees are contingent upon the occurrence or non-occurrence of a future event and the estimate for such revenue may therefore be constrained. In such cases, this may result in cumulative-effect adjustments to demobilization revenues upon changes in our estimates of future events during the contract term. Postponement fees received that are contingent upon the occurrence or non-occurrence of a future event are recognized on a straight-line basis over the contract term. Fees received for the mobilization or demobilization of equipment and personnel are included in “Contract drilling services” in our Condensed Consolidated Statements of Operations.

Capital Upgrade/Contract Preparation Revenue. In connection with certain contracts, we receive lump-sum fees or similar compensation for requested capital upgrades to our drilling rigs or for other contract preparation work. These activities are not considered to be distinct within the context of the contract and therefore, fees received are recorded as a contract liability and amortized to contract drilling revenues on a straight-line basis over the initial contract term.

Charter Lease Revenue. In relation to certain bareboat charter agreements where we lease our owned rigs to unaffiliated third parties, we receive a fixed fee based on the number of days the rig is drilling. Furthermore, under certain other bareboat charter agreements, we receive a variable fee based on a percentage of gross margin generated on a monthly basis.

Revenues Related to Reimbursable Expenses. We generally receive reimbursements from our customers for the purchase of supplies, equipment, personnel services and other services provided at their request in accordance with a drilling contract or other agreement. We may be considered a principal or an agent in such transactions and therefore, we recognize reimbursable revenues and the corresponding costs either on a gross or net basis, as applicable, as we provide the requested goods and services.

Disaggregation of Revenue

The following tables present our revenue disaggregated by revenue source for the periods indicated:

	Three Months Ended June 30, 2024				Three Months Ended June 30, 2023			
	Jackups	Deepwater	Managed	Consolidated	Jackups	Deepwater	Managed	Consolidated
(unaudited, in thousands)								
Dayrate revenue	$ 10,763	$ 16,293	$ 5,697	$ 32,753	$ 4,975	$ 35,177	$ 25,526	$ 65,678
Amortized revenue	187	6,857	—	7,044	123	6,103	1,338	7,564
Charter lease revenue	—	—	—	—	3,152	—	—	3,152
Reimbursable revenue	261	1,537	8,217	10,015	3,237	1,445	26,764	31,446
Total revenue	$ 11,211	$ 24,687	$ 13,914	$ 49,812	$ 11,487	$ 42,725	$ 53,628	$ 107,840

	Six Months Ended June 30, 2024				Six Months Ended June 30, 2023			
	Jackups	Deepwater	Managed	Consolidated	Jackups	Deepwater	Managed	Consolidated
(unaudited, in thousands)								
Dayrate revenue	$ 30,486	$ 43,055	$ 16,791	$ 90,332	$ 10,098	$ 54,752	$ 47,251	$ 112,101
Amortized revenue	8,363	6,857	—	15,220	236	8,280	2,662	11,178
Charter lease revenue	—	—	—	—	5,302	—	—	5,302
Reimbursable revenue	1,474	3,799	15,135	20,408	6,455	2,499	47,377	56,331
Total revenue	$ 40,323	$ 53,711	$ 31,926	$ 125,960	$ 22,091	$ 65,531	$ 97,290	$ 184,912

Dayrate revenue and amortized revenue for “Jackups” and “Deepwater” are included within “Contract drilling services” in our Condensed Consolidated Statements of Operations. Dayrate revenue for “Managed” is included within “Contract drilling services” and “Management fees” within our Condensed Consolidated Statements of Operations. All other revenue is included within “Reimbursables and other” in our Condensed Consolidated Statements of Operations.

Accounts Receivable, Contract Liabilities and Contract Costs

Accounts receivable are recognized when the right to consideration becomes unconditional based upon contractual billing schedules. Payment terms on customer invoices typically range from 30 to 45 days. As of January 1, 2023, "Trade receivables, net of allowance for credit losses" was $62.8 million.

We recognize contract liabilities, recorded in “Other current liabilities” and “Other long-term liabilities” within the Condensed Consolidated Balance Sheets, for prepayments received from customers and for deferred revenue received for mobilization, contract preparation and capital upgrades.

Certain direct and incremental costs incurred for contract preparation, initial mobilization and modifications of contracted rigs represent contract fulfillment costs as they relate directly to a contract, enhance resources that will be used to satisfy our performance obligations in the future and are expected to be recovered. These costs are deferred as a current or noncurrent asset depending on the length of the initial contract term and are amortized on a straight-line basis to operating costs as services are rendered over the initial term of the related drilling contract. Costs incurred for capital upgrades are capitalized and depreciated over the useful life of the asset.

Costs incurred for the demobilization of rigs at contract completion are recognized as incurred during the demobilization process. Costs incurred to mobilize a rig without a contract are expensed as incurred.

The following table provides information about contract cost assets and contract revenue liabilities from contracts with customers:

(unaudited, in thousands)	**Classification in the Condensed Consolidated Balance Sheets**	**June 30, 2024**	**December 31, 2023**
Current contract cost assets	Prepaid expenses and other current assets	$ 3,125	$ 3,427
Noncurrent contract cost assets	Other assets	11,207	890
Current contract revenue liabilities	Other current liabilities	10,053	15,994
Noncurrent contract revenue liabilities	Other long-term liabilities	240	—

Significant changes in contract cost assets and contract revenue liabilities during the six months ended June 30, 2024 are as follows:

(unaudited, in thousands)	Contract Cost Assets		Contract Revenues Liabilities (2)	
Balance as of December 31, 2023	$	4,317	$	15,994
Increase due to contractual changes		14,273		21,498
Decrease due to recognition of revenue/costs or transfer to payables		(4,258)		(27,199)
Balance as of June 30, 2024 [1]	$	14,332	$	10,293

(1) We expect to recognize contract revenues of approximately $9.7 million during the remaining six months and $0.6 million thereafter related to unsatisfied performance obligations existing as of June 30, 2024, which includes $7.6 million related to customer prefunding of reimbursables.

(2) Revenue recognized during the three months and six months ended June 30, 2024 which was included in the deferred revenue balance at the beginning, was $0.4 million and $12.2 million respectively.

Significant changes in contract cost assets and contract revenue liabilities during the six months ended June 30, 2023 were as follows:

(unaudited, in thousands)	Contract Cost Assets		Contract Revenues Liabilities (1)	
Balance as of December 31, 2022	$	7,324	$	35,085
Increase due to contractual changes		9,412		64,458
Decrease due to recognition of revenue/costs or transfer to payables		(9,595)		(64,037)
Balance as of June 30, 2023	$	7,141	$	35,506

(1) Revenue recognized during the three months and six months ended June 30, 2023 which was included in the deferred revenue balance at the beginning, was $7.6 million and $26.5 million respectively.

We have elected to utilize an optional exemption that permits us to exclude disclosure of the estimated transaction price related to the variable portion of unsatisfied performance obligations at the end of the reporting period, as our transaction price is based on a single performance obligation consisting of a series of distinct hourly increments, the variability of which will be resolved at the time the future services are rendered.

4. Leases

We have operating leases expiring at various dates, principally for office space, onshore storage yards and certain operating equipment. Additionally, we sublease certain office space to third parties. We determine if an arrangement is a lease at inception. Operating leases with an initial term greater than 12 months are included in “Operating lease ROU assets”, “Other current liabilities”, and “Other long-term liabilities” on the Condensed Consolidated Balance Sheets. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made prior to or at the commencement date and is reduced by lease incentives received and initial direct costs incurred. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense is recognized on a straight-line basis over the lease term. We have lease agreements with lease and non-lease components, which are generally not accounted for separately. Certain of our leases include provisions for variable payments. These variable payments are not included in the calculation of lease liability and ROU assets.

The components of lease expense for the periods indicated were as follows:

		Three Months Ended June 30,				Six Months Ended June 30,			
(unaudited, in thousands)	Classification in the Condensed Consolidated Statements of Operations	2024		2023		2024		2023	
Operating lease cost[1]	Operating costs	$	180	$	197	$	439	$	414
Operating lease cost[1]	General and administrative		3		284		6		568
Sublease income	General and administrative		-		(208)		-		(423)
Total operating lease cost		$	183	$	273	$	445	$	559

(1) Short-term lease costs were approximately $0.1 million and $0.2 million during the three and six months ended June 30, 2024, respectively. For the three and six months ended June 30, 2023, short-term lease costs were approximately $9.6 million and $19.3 million, respectively, which includes bareboat charter expenses for a third party owned rig operated by the Company. Operating cash flows used for operating leases approximates lease expense.

(unaudited, in thousands)	Classification in the Condensed Consolidated Balance Sheets	June 30, 2024	December 31, 2023
Assets:			
Operating lease assets	Operating lease ROU assets	$ 658	$ 1,084
Total leased assets		$ 658	$ 1,084
Liabilities:			
Current operating	Other current liabilities	$ 529	$ 608
Noncurrent operating	Other long-term liabilities	91	451
Total lease liabilities		$ 620	$ 1,059

As of June 30, 2024, maturities of lease liabilities were as follows:

(unaudited, in thousands)	Operating Leases
Remaining six months of 2024	$ 280
2025	375
2026	—
Total future lease payments	$ 655
Less imputed interest	(35)
Present value of lease obligations	$ 620

The weighted average discount rate was 9.50% and 9.45% as of June 30, 2024 and December 31, 2023, respectively. The weighted average remaining lease term for operating leases was 1.21 years and 1.72 years as of June 30, 2024 and December 31, 2023, respectively.

5. Debt

Our debt was composed of the following as of the dates indicated:

(unaudited, in thousands)	June 30, 2024	December 31, 2023
9.50% First Lien Notes, net of discount and financing costs of $8,706 and $9,893, respectively	$ 191,294	$ 190,107
	191,294	190,107
Less current maturities of long-term debt	—	—
Long-term debt, net	$ 191,294	$ 190,107

9.50% First Lien Notes

On February 14, 2023, the Company priced an offering of $200.0 million in aggregate principal amount of 9.50% First Lien Notes at an issue price of 97% (which included applicable discounts) and entered into a purchase agreement with several investors pursuant to which the Company agreed to sell the 9.50% First Lien Notes (the "9.50% First Lien Notes Offering") to the purchasers in reliance on an exemption from registration provided by Section 4(a)(2), Rule 144A and/or Regulation S of the Securities Act. On March 1, 2023, the Company closed the sale of the 9.50% First Lien Notes. The proceeds derived from the 9.50% First Lien Notes Offering were used (i) to redeem all outstanding 9.25% First Lien Notes for approximately $185.1 million, including principal and interest (ii) to pay fees and expenses related to the 9.50% First Lien Notes Offering and (iii) for general corporate purposes.

The 9.50% First Lien Notes will mature on February 15, 2028. The Company will pay interest on the 9.50% First Lien Notes on February 15 and August 15 of each year, which commenced on August 15, 2023. Interest on the 9.50% First Lien Notes will accrue from March 1, 2023, at a rate of 9.50% per annum, and be payable in cash. The 9.50% First Lien Notes will be guaranteed on a joint and several basis by the Company's current and future direct and indirect subsidiaries, subject to certain exceptions (including Vantage Financial Management Co.) and will be secured by a first priority lien on substantially all of the assets of the Company and such subsidiaries, in each case subject to certain exceptions. In connection with the issuance of the 9.50% First Lien Notes, we are permitted to maintain up to $25.0 million in letters of credit outstanding to support our operations.

The 9.50% First Lien Notes are subject to mandatory redemptions upon the occurrence of certain events, including (i) an annual excess cash flow sweep of 50% of excess cash flow and (ii) upon the receipt of net proceeds from specified asset sales, in each case as further described in the 9.50% First Lien Indenture.

The 9.50% First Lien Notes are subject to redemption at the option of the Company, including upon certain change of control events occurring on or after February 15, 2025, and in certain cases upon the occurrence of certain events, as further described in the

9.50% First Lien Indenture. The 9.50% First Lien Indenture contains customary covenants that will limit the Company's ability and, in certain instances, the ability of the Company's subsidiaries, to borrow money, create liens on assets, make distributions and pay dividends on or redeem or repurchase stock, make certain types of investments, enter into agreements that restrict dividends or other payments from subsidiaries, enter into transactions with affiliates, issue guarantees of debt, and sell assets or merge with other companies. These limitations are subject to several important exceptions and qualifications set forth in the 9.50% First Lien Indenture.

Events of default under the 9.50% First Lien Indenture include, among other events, the following with respect to the 9.50% First Lien Notes: default for 30 days in the payment when due of interest on the 9.50% First Lien Notes; default in payment when due of the principal of, or premium, if any, on the 9.50% First Lien Notes; failure to comply with certain covenants in the 9.50% First Lien Indenture for 30 days (or 60 days in respect of the reporting covenant contained therein) after the receipt of notice from the trustee or holders of 25.0% in aggregate principal amount of the 9.50% First Lien Notes; acceleration or payment default of debt of the Company or a restricted subsidiary in excess of $30.0 million (subject to a cure right within 60 days); certain judgments in excess of $50.0 million subject to certain exceptions; and certain events of bankruptcy or insolvency. In the case of an event of default arising from certain events of bankruptcy or insolvency, all 9.50% First Lien Notes then outstanding will become due and payable immediately without further action or notice. If any other event of default occurs with respect to the 9.50% First Lien Notes, the trustee or holders of 25.0% in aggregate principal amount of the 9.50% First Lien Notes may declare all the 9.50% First Lien Notes to be due and payable immediately.

Letter of Credit and Bank Guarantees

Letters of credit and bank guarantees for performance obligations are provided by financial institutions. As of June 30, 2024, we maintained letters of credit and bank guarantees in the aggregate amount of $9.8 million.

Revolving Credit Facility

On May 3, 2024, the Company entered into a revolving credit facility (the "Revolving Credit Facility") with Banco Santander, S.A., New York Branch. The Revolving Credit Facility provides for commitments permitting borrowings of up to an aggregate principal amount outstanding at any time of $25.0 million, subject to the Company complying with the conditions relating to borrowing. Amounts borrowed under the Revolving Credit Facility are subject to an interest rate per annum equal to the applicable SOFR rate plus 4.00% or Alternate Base Rate plus 3.00%, at the Company's election. The Company may use borrowings, if any, for general corporate purposes, including for contract preparation and rig upgrades, some of which will be reimbursable by the client after contract commencement. The Company's obligations under the Revolving Credit Facility are guaranteed by substantially all of its subsidiaries. The Revolving Credit Facility fully matures no later than May 2, 2025 and is secured on a first lien basis, pari passu with the 9.50% First Lien Notes. The Revolving Credit Facility contains covenants that are more restrictive than those governing the 9.50% First Lien Notes limiting, among other things, the Company's ability to incur indebtedness, pay dividends and make certain investments. Further, the Revolving Credit Facility contains a financial covenant that requires us to maintain a minimum interest coverage ratio of not less than 1.25 to 1.0. As of June 30, 2024, we had no borrowings drawn against the Revolving Credit Facility. In July 2024, the Company made its initial drawing of $25.0 million against the facility.

6. Shareholders' Equity

Stock Issuance

VDI has 50,000,000 authorized Ordinary Shares. As of June 30, 2024, 13,295,262 Ordinary Shares were issued and outstanding.

Share-based Compensation

On August 9, 2016, the Company adopted the 2016 Amended MIP to align the interests of participants with those of the Company's shareholders by providing incentive compensation opportunities tied to the performance of the Company's equity securities. Pursuant to the 2016 Amended MIP, the Compensation Committee may grant to employees, directors and consultants stock options, restricted stock, restricted stock units or other awards. As of June 30, 2024, there were 77,097 Ordinary Shares available for future grant under the 2016 Amended MIP.

During the six months ended June 30, 2024, 81,744 of previously granted TBGs were issued as Ordinary Shares to current or former employees or directors of the Company, of which 15,762 Ordinary Shares were repurchased to settle withholding taxes. During the six months ended June 30, 2023, 131,844 previously granted TBGs were issued as Ordinary Shares to current or former employees or directors of the Company, of which 17,590 Ordinary Shares were repurchased to settle withholding taxes.

RSUs with Time or Performance Conditions

TBGs granted under the 2016 Amended MIP vest annually, ratably over a vesting period in accordance with the individual award agreements; however, accelerated vesting is provided under certain circumstances as set forth in each individual award letter. Otherwise, the settlement of any vested TBGs occurs upon the earlier of (i) the set anniversary of the effective date or (ii) a QLE as set forth in each individual award letter.

PBGs granted under the 2016 Amended MIP contained vesting eligibility provisions tied to the earlier of a QLE or seven years from the effective date (as set forth in each individual award letter) (the "Effective Date"). Upon the occurrence of a vesting eligibility event, the number of PBGs that actually vest was dependent on the achievement of pre-determined TEV targets specified in the award grants. It was determined that the PBGs did not meet the TEV performance condition as of the seventh anniversary of the Effective Date and therefore, all PBGs granted were forfeited and cancelled in 2023.

A summary of the status of non-vested TBGs and PBGs at (and changes occurring within) the periods indicated is as follows:

	TBGs Outstanding	Weighted Average Award Date Unit Price	PBGs Outstanding	Weighted Average Award Date Unit Price
Nonvested restricted units at December 31, 2023	15,311	$ 16.76	—	—
Awarded	493	$ 24.82	—	—
Vested	(3,570)	$ 16.76	—	—
Forfeited	—	—	—	—
Nonvested restricted units at June 30, 2024	12,234	$ 17.08	—	—

Both the TBGs and PBGs are classified as equity awards. For the six months ended June 30, 2024 and June 30, 2023, share-based compensation expense related to the TBGs was immaterial. As of June 30, 2024, there was approximately $0.2 million of total unrecognized share-based compensation expense related to TBGs, which is expected to be recognized over the remaining weighted average vesting period of approximately 2.72 years.

RSUs and PSUs with Time and IPO or Time and Performance Conditions

These grants contain the following vesting eligibility conditions:

- TBGs vest on a linear basis upon each anniversary and upon the occurrence of an IPO prior to the earlier of a QLE and the seventh anniversary of the effective date.
- PBGs vest on a linear basis upon each anniversary and upon achievement of share price hurdle. The achievement of the share price hurdle must occur prior to the earlier of (i) a QLE or (ii) the seventh anniversary of the effective date.

A summary of the status of non-vested equity classified RSUs and changes occurring within the periods indicated is as follows:

	Equity classified RSU TBGs Outstanding	Weighted Average Award Date Unit Price	Equity classified RSU PBGs Outstanding	Weighted Average Award Date Unit Price
Nonvested restricted units at December 31, 2023	318,000	$ 25.50	318,000	$ 24.21
Awarded	13,775	$ 24.20	—	—
Vested	—	—	—	—
Forfeited	—	—	—	—
Nonvested restricted units at June 30, 2024	331,775	$ 25.45	318,000	$ 24.21

For the six months ended June 30, 2024, the IPO condition had not been met and therefore, no share-based compensation expense was recorded for RSU TBGs. RSU TBGs were awarded in October 2023 and therefore no share-based compensation expense was recorded in the six months ended June 30, 2023. If the IPO condition is met, the resulting compensation expense will be recorded as a cumulative adjustment in the period the IPO condition is met, and the rest of the grant fair value will be amortized through the longer of the IPO timeline or the remainder of the explicit service period in the RSU TBGs Grant. As of June 30, 2024, there was approximately $8.4 million of total unrecognized share-based compensation expense related to equity classified RSU TBGs, with a remaining weighted average vesting period of approximately 3.21 years.

For the six months ended June 30, 2024, we recognized share-based compensation related to the equity classified RSU PBGs of approximately $1.0 million. RSU PBGs were awarded in October 2023 and therefore no share-based compensation expense was recorded in six months ended June 30, 2023. As of June 30, 2024, there was approximately $6.4 million of total unrecognized share-based compensation expense related to equity classified RSU PBGs, with a remaining weighted average vesting period of approximately 3.32 years.

In January 2024, the Company granted certain phantom stock awards that are settled in cash and are accounted for as liability awards. The fair value of a liability-classified PSU award is determined on a quarterly basis beginning at the grant date until final vesting of the award. Changes in the fair value of liability-classified awards are expensed over the vesting period of the award. A summary of the status of non-vested liability-classified PSUs and changes occurring within the periods indicated is as follows:

	Liability classified PSU TBGs Outstanding	Weighted Average Award Date Unit Price	Liability classified PSU PBGs Outstanding	Weighted Average Award Date Unit Price
Nonvested restricted units at December 31, 2023	—	—	—	—
Awarded	23,600	$ 23.65	23,600	$ 24.21
Vested	—	—	—	—
Forfeited	—	—	—	—
Nonvested restricted units at June 30, 2024	23,600	$ 23.65	23,600	$ 24.21

For the six months ended June 30, 2024, the IPO condition had not been met and therefore, no share-based compensation expense was recorded for PSU TBGs. PSU TBGs were awarded in January 2024 and therefore no share-based compensation expense was recorded in the six months ended June 30, 2023. If the IPO condition is met, the resulting compensation expense will be recorded as a cumulative adjustment in the period the IPO condition is met, and the rest of the grant fair value will be amortized through the longer of the IPO timeline or the remainder of the explicit service period in the PSU TBGs Grant. As of June 30, 2024, there was approximately $0.6 million of total unrecognized share-based compensation expense related to liability-classified PSU TBGs, with a remaining weighted average vesting period of approximately 3.50 years.

For the six months ended June 30, 2024, we recognized share-based compensation related to the liability-classified PSU PBGs of approximately $0.1 million. PSU PBGs were awarded in January 2024 and therefore no share-based compensation expense was recorded in the six months ended June 30, 2023. As of June 30, 2024, there was approximately $0.4 million of total unrecognized share-based compensation expense related to liability-classified PSU PBGs, with a remaining weighted average vesting period of approximately 3.50 years.

Dividend Equivalents

Pursuant to the 2016 Amended MIP and the terms of the applicable unit awards, participants holding RSUs are contractually entitled to receive all dividends or other distributions that are paid to VDI shareholders provided that any such dividends will be subject to the same vesting requirements of the underlying units. Dividend payments accrue to outstanding awards (both vested and unvested) in the form of "Dividend Equivalents" equal to the dividend per share underlying the applicable MIP award. On November 18, 2019, the Company announced that its Board of Directors had declared a special cash distribution in the aggregate amount of $525.0 million, or $40.03 per share, which was paid on December 17, 2019, to shareholders of record as of the close of business on December 10, 2019 (the "Special Cash Distribution"). During the six months ended June 30, 2024 and June 30, 2023, portions of the Special Cash Distribution were paid to current or former employees or directors as a result of the settlement of the TBGs in the amounts of $3.3 million and $5.3 million, respectively. As of June 30, 2024, a de minimis amount is unpaid and presented as other current liabilities and other long-term liabilities in the Condensed Consolidated Balance Sheets.

7. Income Taxes

Until February 12, 2024, VDI Predecessor was a Cayman Islands company operating in multiple countries through its subsidiaries. The Cayman Islands do not impose corporate income taxes. As of February 12, 2024, VDI is an exempted company in Bermuda. The Government of Bermuda recently enacted the CIT Act, which will apply to certain multinational enterprises as of January 1, 2025, if specific conditions are met in respect of a particular fiscal period. Based on these conditions, VDI does not currently fall within the scope of the CIT Act for the period starting January 1, 2025. The Company will continue to monitor these developments and assess the applicability of the CIT Act and its impact on the financial statements on an ongoing basis. Following this review, the CIT Act does not impact VDI's financial statements for the period ended June 30, 2024.

Consequently, we have calculated income taxes based on the laws and tax rates in effect in the countries in which operations were conducted, or in which we and our subsidiaries are considered resident for income tax purposes. Our income taxes are generally dependent upon the results of our operations and when we generate significant revenues in jurisdictions where the income tax liability is based on gross revenues or asset values, there is no correlation to the net operating results and the income tax expense. Furthermore, in some jurisdictions we do not pay taxes, pay taxes at lower rates or receive benefits for certain income and expense items, including interest expense, loss on extinguishment of debt, gains or losses on disposal or transfer of assets, reorganization expenses and write-off of development costs.

VDI Predecessor filed the Tax Election with the IRS to be treated as a partnership, rather than a corporation, for U.S. federal income tax purposes, with an effective as of December 9, 2019. On March 31, 2024, upon the consummation of the Statutory Merger and the other transactions contemplated by the Statutory Merger Agreement, VDI Predecessor no longer has any corporate existence; accordingly, the Tax Election to be treated as a partnership for U.S. federal income tax purposes is void.

Consequently, until March 31, 2024, U.S. Holders were required to take into account their allocable share of items of income, gain, loss deduction and credit of VDI Predecessor for each taxable year of VDI Predecessor ending with or within the U.S. Holder's taxable year, regardless of whether any distribution has been or will be received from VDI Predecessor. Each item generally will have the same character and source (either U.S. or foreign) as though the U.S. Holder had realized the item directly. VDI Predecessor's tax status did not have a material impact on our Condensed Consolidated Financial Statements as of June 30, 2024.

Deferred income tax assets and liabilities are recorded for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. We provide for deferred taxes on temporary differences between the financial statements and tax bases of assets and liabilities using the enacted tax rates which are expected to apply to taxable income when the temporary differences are expected to reverse. Deferred tax assets are also provided for certain tax losses and tax credit carryforwards. A valuation allowance is established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized. We do not establish deferred tax liabilities for certain of our foreign earnings that we intend to indefinitely reinvest to finance foreign activities.

In certain jurisdictions we are taxed under preferential tax regimes, which may require our compliance with specified requirements to sustain the tax benefits. We believe we are in compliance with the specified requirements and will continue to make all reasonable efforts to comply; however, our ability to meet the requirements of the preferential tax regimes may be affected by changes in laws or administrative practices, our business operations and other factors affecting the Company and industry, many of which are beyond our control.

Our periodic tax returns are subject to examination by taxing authorities in the jurisdictions in which we operate in accordance with the normal statute of limitations in the applicable jurisdiction. These examinations may result in assessments of additional taxes that are resolved with the authorities or through the courts. Resolution of these matters involves uncertainties and there are no assurances as to the outcome. Our tax years from 2014 onward remain open to examination in many of our jurisdictions and we are currently involved in several tax examinations in jurisdictions where we are operating or have previously operated. As information becomes available during the course of these examinations, we may increase or decrease our estimates of tax assessments and accruals.

8. Commitments and Contingencies

We are subject to litigation, claims and disputes in the ordinary course of business, some of which may not be covered by insurance. There is an inherent risk in any litigation or dispute and no assurance can be given as to the outcome of any claims.

Brazil Improbity Action

On April 27, 2018, the Company was added as an additional defendant in a legal proceeding (the “Improbity Action”), initiated by the Brazilian Federal Prosecutor against certain individuals, including an executive of Petrobras and two political lobbyists, in connection with the contracting of the *Titanium Explorer* drillship to Petrobras under the Government Agreement for the Provision of Drilling Services for the Titanium Explorer, dated February 4, 2009, by and between Petrobras Venezuela Investments & Services, BV and Vantage Deepwater Company (and subsequently novated to Petrobras America, Inc. and Vantage Deepwater Drilling, Inc.), with the Brazilian government and Petrobras as plaintiffs. Vantage is alleged to have been involved in and benefited from the purported bribery scheme at Petrobras through Hamylton Padilha, the Brazilian agent our former parent company, VDC, used in the contracting of the *Titanium Explorer* drillship to Petrobras, and Mr. Hsin-Chi Su, a former member of VDC’s board of directors and a significant shareholder of VDC. We first became aware of the legal proceeding on July 19, 2018 as it was previously under seal. On March 22, 2019, we were formally served in the United States and on April 12, 2019, we subsequently filed our preliminary statement of defense with the 11^{th} Federal court of the Judicial Branch of Curitiba, State of Parana, Brazil (the “Brazilian Federal Court”). On August 20, 2020, the Brazilian Federal Court dismissed our preliminary statement of defense. On October 5, 2020, we subsequently filed a motion to clarify with the Brazilian Federal Court requesting the reconsideration of certain aspects of the decision dismissing our preliminary statement of defense. Our motion to clarify was denied on December 14, 2020, and on February 10, 2021 we filed an interlocutory appeal with the 4^{th} Circuit of the Federal Court of Appeals in Porto Alegre, State of Rio Grande do Sul, Brazil (the “Brazilian Appellate Court”), the appellate court hearing appeals in the “Car Wash” cases, seeking to reverse the Brazilian Federal Court’s denial of our preliminary defense. On April 15, 2021, the Brazilian authorities served us indirectly through the U.S. Department of Justice agreeing to formally send us documents related to the Improbity Action. On May 13, 2021, the Brazilian Appellate Court’s reporting judge for our matter granted our request for preliminary relief and ordered an immediate stay of the Improbity Action (as it applies to the Company). A proceeding with regard to the interlocutory appeal commenced on August 30, 2022 (the “August 2022 Proceeding”) and on December 6, 2022, the Brazilian Appellate Court ruled in our favor, revoking the asset freeze order, which had already been stayed pending a decision from the court, and immediately dismissed the Improbity Action as to the Company (the “Improbity Decision”). On January 30, 2023 and February 1, 2023, Petrobras and the Brazilian federal government filed respective motions to clarify the Improbity Decision. On March 31, 2023, the Company filed its response to the motions to clarify the Improbity Decision. On April 2, 2024, the Brazilian Appellate Court commenced the hearing to adjudicate the motion to clarify the Improbity Decision. On April 10, 2024, the Brazilian Appellate Court denied the motions to clarify submitted by the Brazilian government and Petrobras, and upheld the court’s prior decision to dismiss the Improbity Action. Subsequently, Petrobras and the Attorney General's office filed appeals in respect of the Improbity Action to the Brazilian Superior Court of Justice and the Brazilian Supreme Court. On July 19, 2024, we filed our response to their appeals relating to the dismissal of the Improbity Action.

The Company understands that the Improbity Action is a civil action and is part of the Brazilian Federal Prosecutor's larger "Car Wash" investigation into money laundering and corruption allegations in Brazil. Separately, Federal Law no. 14,230/2021 (the "New Administrative Improbity Law") was enacted on October 26, 2021, which substantially amended the existing Brazilian Improbity legal framework. While the Company believes that the developments arising from the enactment of the New Administrative Improbity Law render the case against it moot, the Company cannot predict the ultimate outcome of the August 2022 Proceeding and the Company will be obligated to file a statement of defense in the matter if the Improbity Decision is later reversed.

The damages claimed in the proceeding are in the amount of BRL 102.8 million (approximately $19.2 million, changes in the USD amounts result from foreign exchange rate fluctuations), together with a civil fine equal to three times that amount. The Company understands that the Brazilian Federal Court previously issued an order authorizing the seizure and freezing of the assets of the Company and the other three defendants in the legal proceeding, as a precautionary measure, in the amount of approximately $77.0 million. The Company and the other three defendants are jointly and severally liable for this amount. The seizure order has not had an effect on the Company's assets or operations, as the Company does not own any assets in Brazil and does not currently intend to relocate any assets to Brazil. On February 13, 2019, we learned that the Brazilian Federal Prosecutor had previously requested mutual legal assistance from the DOJ pursuant to the United Nations Convention against Corruption of 2003 to obtain a freezing order against the Company's U.S. assets in the amount of approximately $77.0 million.

On April 12, 2019, the Company filed an interlocutory appeal with the Brazilian Appellate Court to stay the seizure and freezing order of the Brazilian Federal Court.

On May 20, 2019, the Company announced that the Brazilian Appellate Court's reporting judge ruled in favor of the Company's appeal to stay the seizure and freezing order of the Brazilian Federal Court. As noted above, the Brazilian Appellate Court ruled in favor of the Company in the Improbity Decision, which, among other things, revoked the asset freeze order. On January 30, 2023 and February 1, 2023, Petrobras and the Brazilian federal government filed respective motions to clarify the Improbity Decision, including the revocation of asset freeze. On March 31, 2023, the Company filed its responses to the motions to clarify the Improbity Decision. On April 2, 2024, the Brazilian Appellate Court commenced the hearing to adjudicate the motion to clarify the Improbity Decision. On April 10, 2024, the Brazilian Appellate Court denied the motions to clarify submitted by the Brazilian government and Petrobras, and upheld the court's previous decision to dismiss the Improbity Action. Subsequently, Petrobras and the Attorney General's office filed appeals in respect of the Improbity Action to the Brazilian Superior Court of Justice and the Brazilian Supreme Court. The Company filed its response to their appeals in regards to the dismissal of the Improbity Decision on July 19, 2024 and we filed a response to their appeals in regards to the revocation of the asset freeze on August 1, 2024.

The Company previously communicated the Brazilian Appellate Court's ruling in regards to the seizure and freezing order to the DOJ and has asked the Brazilian Federal Court to do the same. On July 18, 2019, the Company announced that the Brazilian Government made a filing with the Brazilian Federal Court reporting that the DOJ has advised the Brazilian Ministry of Justice that it would not be possible for the DOJ to comply with the mutual assistance request in respect of the asset freeze order. The Company also announced that it learned from the Brazilian Ministry of Justice that the DOJ's response to the request for mutual assistance stated that no legal grounds existed for implementing the requested asset freeze, and that the DOJ was returning the request without taking action and considers the matter concluded.

The Company has defended, and intends to continue to vigorously defend, against the allegations made in the Improbity Action and oppose and defend against any attempts to reverse the Improbity Decision and/or seize the Company's assets. However, we can neither predict the ultimate outcome of this matter nor that there will not be further developments in the "Car Wash" investigation or in any other ongoing investigation or related proceeding that could adversely affect us. We are not able to determine the likelihood of loss, if any, arising from this matter as of the date of this Quarterly Report.

Cyber Matters

In 2022, we experienced additional e-mail related cybersecurity intrusions (the "2022 Cyber Matters"). We became aware of the 2022 Cyber Matters in the fourth quarter of 2022 that resulted in (i) two unauthorized transfers of cash from a Company-controlled bank account to an outside bank account, (ii) one attempted transfer that was stopped and reversed by a financial institution and (iii) one attempted transfer that was stopped by the Company's internal controls. We have since taken, and continue to take, measures designed to detect, remediate and prevent similar cybersecurity intrusions and threats from recurring, including but not limited to, the use of multifactor authentication, internal and external penetration testing, updating of relevant policies and procedures and recurring cyber security training. The investigation surrounding the 2022 Cyber Matters has concluded though we continue to monitor for any subsequent developments or adverse impacts, and we cannot predict as of the date of this Quarterly Report whether there will be further developments or adverse impacts attributable to the 2022 Cyber Matters investigation that could adversely affect us. Our investigation did not reveal any information that suggests the 2022 Cyber Matters will result in a material loss to the Company. However, we are not able to determine the likelihood of future losses, if any, arising from the 2022 Cyber Matters as of the date of this Quarterly Report. Furthermore, we cannot provide assurance that we will not in the future experience any other actual or attempted breaches of our cybersecurity, or that our security efforts and remedial measures will prevent future security threats from materializing, if at all.

Other Commitments

As of June 30, 2024, we had purchase commitments of $50.4 million. Our purchase commitments consist of obligations outstanding to external vendors primarily related to capital upgrades, materials, spare parts, consumables and related supplies for our drilling rigs.

We are from time to time threatened with or made party to various tax and regulatory matters, as well as litigation, lawsuits and claims, both asserted and unasserted, in the ordinary course of our business. While we cannot predict with certainty the ultimate outcome or effect, if any, of the matters described above, we do not anticipate that the associated liability resulting from such matters will have a material adverse effect on our financial position, results of operations and cash flows. Nevertheless, we can provide no assurance that our beliefs or expectations as to the outcome or effect of any tax or regulatory matter, lawsuit, litigation or claim will prove correct. Moreover, the circumstances underlying such matters may vary and the eventual outcome and actual results of these matters could vary materially and significantly from management's current expectations and estimates.

9. Supplemental Financial Information

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

(unaudited, in thousands)	June 30, 2024	December 31, 2023
Current sales tax receivable	$ 4,181	$ 12,099
Down payment to vendors	13,543	9,614
Prepaid fuel	3,642	1,947
Income tax receivable	2,348	2,123
Current deferred contract costs	3,125	3,427
Current deposits	3,752	5,831
Prepaid Insurance	1,553	38
Other	3,357	2,344
	$ 35,501	$ 37,423

Property and Equipment, Net

Property and equipment, net, consisted of the following:

(unaudited, in thousands)	June 30, 2024	December 31, 2023
Drilling equipment	$ 637,416	$ 635,924
Assets under construction	21,711	6,348
Office and technology equipment	18,085	18,085
Leasehold improvements	92	92
	677,304	660,449
Accumulated depreciation	(374,459)	(352,357)
Property and equipment, net	$ 302,845	$ 308,092

Other Assets

Other assets consisted of the following:

(unaudited, in thousands)	June 30, 2024	December 31, 2023
Noncurrent restricted cash	$ 8,257	$ 8,941
Deferred certification costs	7,844	5,188
Noncurrent deferred contract costs	11,207	890
Deferred income taxes	184	543
Noncurrent sales tax receivable	14,611	—
Other noncurrent assets	210	3,721
	$ 42,313	$ 19,283

Other Current Liabilities

Other current liabilities consisted of the following:

(unaudited, in thousands)	June 30, 2024	December 31, 2023
Interest	$ 7,215	$ 7,177
Compensation	5,470	10,229
2016 MIP - Dividend equivalent [(1)]	136	3,272
Income taxes payable	4,550	3,852
Current deferred revenue	10,053	15,994
Current portion of operating lease liabilities	529	608
Current customer prefunding	9,768	10,190
Other	556	624
	$ 38,277	$ 51,946

(1) "Dividend equivalents" on vested TBGs are payable upon settlement of the applicable award.

Other Long-term Liabilities

Other Long-term liabilities consisted of the following:

(unaudited, in thousands)	June 30, 2024	December 31, 2023
2016 MIP - Dividend equivalent [(1)]	$ 147	$ 285
Noncurrent operating lease liabilities	91	451
Noncurrent customer prefunding	8,823	5,834
Indirect tax contingencies	3,257	4,090
Noncurrent deferred revenue	240	—
Other non-current liabilities	167	81
	$ 12,725	$ 10,741

(1) "Dividend equivalents" on vested TBGs are payable upon settlement of the applicable award.

Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of the same amounts shown in the Condensed Consolidated Statements of Cash Flows as of the dates indicated:

(unaudited, in thousands)	June 30, 2024	December 31, 2023
Cash and cash equivalents	$ 40,290	$ 73,206
Restricted cash	2,264	1,828
Restricted cash included within Other Assets	8,257	8,941
Total cash, cash equivalents and restricted cash shown in the Condensed Consolidated Statements of Cash Flows	$ 50,811	$ 83,975

Restricted cash represents cash held by banks as collateralizing letters of credit.

Related Party Transactions

The Company does not currently have any reportable transactions with entities that meet the definition of related parties as specifically defined by ASC 850 *Related Party Disclosures.*

10. Business Segment and Significant Customer Information

Our operations are dependent on the global oil and gas industry, and our rigs are relocated based on demand for our services and customer requirements. Our customers consist primarily of large international oil and gas companies, national or government-controlled oil and gas companies, and other international exploration and production companies. As the result of an increase in activity related to operating, management and marketing services for rigs owned by third parties, the Company has two reportable segments: (1) "Drilling Services," which includes activities related to owned jackup rigs and drillships; and (2) "Managed Services," which consists of activities related to rigs owned by third parties that we manage or support. The chief operating decision maker evaluates the performance of our reportable segments using adjusted operating income (loss), which is a segment performance measure, because this financial measure reflects our ongoing profitability and performance. Adjusted operating income (loss) is defined as segment income (loss) from operations plus depreciation. General and administrative expenses, other (expense) income, and income taxes are not allocated to the operating segments for purposes of measuring segment income (loss) from operations and are included in "Unallocated" in the table below. There are no intersegment revenues. Our segment results for the periods indicated were as follows:

	Three Months Ended June 30, 2024			
(unaudited, in thousands)	Drilling Services	Managed Services	Unallocated	Consolidated
Revenue				
Contract drilling services	$ 34,100	$ —	$ —	$ 34,100
Management fees	—	5,697	—	5,697
Reimbursables and other	1,798	8,217	—	10,015
Total revenue	35,898	13,914	—	49,812
Operating costs and expenses				
Operating costs	30,374	9,187	—	39,561
General and administrative	—	—	5,225	5,225
Depreciation	10,844	—	413	11,257
Total operating costs and expenses	41,218	9,187	5,638	56,043
Income (loss) from operations	(5,320)	4,727	(5,638)	(6,231)
Other (expense) income				
Interest income	—	—	200	200
Interest expense and financing charges	—	—	(5,656)	(5,656)
Other, net	—	—	(383)	(383)
Total other expense	—	—	(5,839)	(5,839)
Income (loss) before income taxes	$ (5,320)	$ 4,727	$ (11,477)	$ (12,070)

Reconciliation of (loss) income from operations to segment adjusted operating income:	Drilling Services	Managed Services
(Loss) income from operations	$ (5,320)	$ 4,727
Depreciation	10,844	—
Segment adjusted operating income	$ 5,524	$ 4,727

(unaudited, in thousands)	Three Months Ended June 30, 2023 Drilling Services	Managed Services	Unallocated	Consolidated
Revenue				
Contract drilling services	$ 46,378	$ 21,295	$ —	$ 67,673
Management fees	—	5,569	—	5,569
Reimbursables and other	7,834	26,764	—	34,598
Total revenue	54,212	53,628	—	107,840
Operating costs and expenses				
Operating costs	33,163	41,220	—	74,383
General and administrative	—	—	5,161	5,161
Depreciation	10,601	—	444	11,045
Gain on EDC Sale	—	—	—	—
Total operating costs and expenses	43,764	41,220	5,605	90,589
Income (loss) from operations	10,448	12,408	(5,605)	17,251
Other (expense) income				
Interest income	—	—	141	141
Interest expense and financing charges	—	—	(5,346)	(5,346)
Other, net	—	—	(457)	(457)
Total other expense	—	—	(5,662)	(5,662)
Income (loss) before income taxes	$ 10,448	$ 12,408	$ (11,267)	$ 11,589

Reconciliation of income from operations to segment adjusted operating income:	Drilling Services	Managed Services
Income from operations	$ 10,448	$ 12,408
Depreciation	10,601	—
Segment adjusted operating income	$ 21,049	$ 12,408

(unaudited, in thousands)	Six Months Ended June 30, 2024 Drilling Services	Managed Services	Unallocated	Consolidated
Revenue				
Contract drilling services	$ 88,760	$ 5,569	$ —	$ 94,329
Management fees	—	11,223	—	11,223
Reimbursables and other	5,274	15,134	—	20,408
Total revenue	94,034	31,926	—	125,960
Operating costs and expenses				
Operating costs	70,387	21,897	—	92,284
General and administrative	—	—	12,479	12,479
Depreciation	21,651	—	841	22,492
Total operating costs and expenses	92,038	21,897	13,320	127,255
Income (loss) from operations	1,996	10,029	(13,320)	(1,295)
Other (expense) income				
Interest income	—	—	494	494
Interest expense and financing charges	—	—	(11,000)	(11,000)
Other, net	—	—	(978)	(978)
Total other expense	—	—	(11,484)	(11,484)
Income (loss) before income taxes	$ 1,996	$ 10,029	$ (24,804)	$ (12,779)

Reconciliation of income from operations to segment adjusted operating income:	Drilling Services	Managed Services
Income from operations	$ 1,996	$ 10,029
Depreciation	21,651	—
Segment adjusted operating income	$ 23,647	$ 10,029

(unaudited, in thousands)	Six Months Ended June 30, 2023 Drilling Services	Managed Services	Unallocated	Consolidated
Revenue				
Contract drilling services	$ 73,366	$ 42,224	$ —	$ 115,590
Management fees	—	7,689	—	7,689
Reimbursables and other	14,256	47,377	—	61,633
Total revenue	87,622	97,290	—	184,912
Operating costs and expenses				
Operating costs	60,885	80,053	—	140,938
General and administrative	—	—	9,992	9,992
Depreciation	21,240	—	854	22,094
Loss on EDC Sale	—	—	3	3
Total operating costs and expenses	82,125	80,053	10,849	173,027
(Loss) income from operations	5,497	17,237	(10,849)	11,885
Other (expense) income				
Interest income	—	—	190	190
Interest expense and financing charges	—	—	(10,904)	(10,904)
Other, net	—	—	(135)	(135)
Total other expense	—	—	(10,849)	(10,849)
(Loss) income before income taxes	$ 5,497	$ 17,237	$ (21,698)	$ 1,036

Reconciliation of income from operations to segment adjusted operating income:	Drilling Services	Managed Services
Income from operations	$ 5,497	$ 17,237
Depreciation	21,240	—
Segment adjusted operating income	$ 26,737	$ 17,237

For the three and six months ended June 30, 2024 and 2023, a substantial amount of our revenue was derived from countries outside of the United States. Our revenue by country and segment was as follows:

Country	Segment	Three months ended June 30, 2024	Three months ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
(unaudited, in thousands)					
Indonesia	Drilling Services and Managed Services	$ 19,611	$ 12,832	$ 37,311	$ 22,378
Namibia	Drilling Services	4,070	29,385	26,069	38,378
Congo	Drilling Services	20,617	—	20,617	—
Ivory Coast	Drilling Services	44	—	17,534	—
India	Drilling Services and Managed Services	—	34,683	12,606	68,822
UAE	Drilling Services and Managed Services	5,903	20,267	11,277	42,911
Other countries (1)	Drilling Services and Managed Services	(433)	10,673	546	12,423
Total revenues		$ 49,812	$ 107,840	$ 125,960	$ 184,912

(1) “Other countries” represent countries in which we operate that individually had operating revenues representing less than 10% of total revenues.

Revenue with customers that contributed 10% or more of revenue for the periods indicated were as follows:

		Three months ended June 30,		Six months ended June 30,	
(unaudited)	**Segment**	**2024**	**2023**	**2024**	**2023**
TotalEnergies	Drilling Services	50%	27%	37%	21%
Seadrill	Drilling Services	27%	20%	19%	24%
Medco	Drilling Services	23%	5%	18%	6%
Foxtrot	Drilling Services	0%	0%	14%	0%
Oil & Natural Gas Corporation	Drilling Services	0%	32%	10%	37%
Premier Oil	Drilling Services	12%	0%	1%	0%

Information related to the Company's "Total Assets" as reported on the Condensed Consolidated Balance Sheets is not available by reportable segment; however, a substantial portion of our assets are mobile drilling units included in the Drilling Services segment. Asset locations at the end of the period are not necessarily indicative of the geographic distribution of the revenues generated by such assets during the periods. Our property and equipment, net by country, was as follows:

	June 30, 2024	December 31, 2023
Congo	$ 137,781	$ —
Namibia	—	145,445
Malaysia (1)	71,734	—
Indonesia	55,780	58,449
India	—	69,140
Other countries (2)	37,550	35,058
Total property and equipment	$ 302,845	$ 308,092

(1) The referenced rig is in transit and is included in the mobilization destination.

(2) "Other countries" represent countries in which we individually had property and equipment, net, representing less than 10% of total property and equipment, net.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist you in understanding our financial position as of June 30, 2024, and our results of operations for the three months ended June 30, 2024 and 2023. The discussion should be read in conjunction with the financial statements and notes thereto included in our Annual Report for the year ended December 31, 2023, which has been made available on our website at www.vantagedrilling.com. The results of operations for the interim periods are not necessarily indicative of the operating results for the full fiscal year or any future periods.

Overview

We are an international offshore drilling company focused on operating a fleet of modern, high specification drilling units. Our principal business is to contract drilling units, related equipment and work crews, primarily on a dayrate basis, to drill oil and gas wells for our customers. Through our fleet of drilling units, we provide offshore contract drilling services to major, national and independent oil and gas companies, focused on international markets. Additionally, for third party owned drilling units, we provide operations and marketing services for operating and stacked rigs, construction supervision services for rigs that are under construction and preservation management services for rigs that are stacked.

The following table sets forth certain current information concerning our offshore drilling fleet as of August 1, 2024:

Name	Year Built	Water Depth Rating (feet)	Drilling Depth Capacity (feet)	Location	Status
Owned Rigs:					
Jackups					
Topaz Driller	2009	375	30,000	Singapore	Contract Preparation
Soehanah	2007	375	30,000	Indonesia	Operating
Drillships (1)					
Platinum Explorer	2010	12,000	40,000	Labuan	Out of service
Tungsten Explorer	2013	12,000	40,000	Congo	Operating
Third Party Owned Rigs:					
Drillships					
Capella	2008	10,000	37,500	Indonesia	Operating
Jackups					
Emerald Driller	2008	375	30,000	Indonesia	Operating
Sapphire Driller	2009	375	30,000	Qatar	Operating
Aquamarine Driller	2009	375	30,000	Qatar	Operating

(1) The drillships are designed to drill in up to 12,000 feet of water. The *Platinum Explorer* is currently equipped to drill in 10,000 feet of water and the *Tungsten Explorer* is currently equipped to drill in 11,000 feet of water.

Backlog

The following table summarizes our contract backlog coverage of days contracted and related revenue as of June 30, 2024 based on information available as of such date:

	Percentage of Days Contracted			Revenues Contracted (in thousands)		
	2024	2025	Beyond	2024	2025	Beyond
Backlog						
Jackups	75%	91%	37%	$ 50,676	$ 81,355	$ 34,500
Drillships	50%	22%	0%	$ 49,726	$ 43,970	$ —
Third party owned rigs (1)	60%	24%	0%	$ 1,093	$ 219	$ —

(1) These amounts include: (i) a fixed management fee paid to us pursuant to the applicable management agreement; (ii) a marketing fee paid to us pursuant to the applicable marketing agreement; (iii) a fixed management fee paid to us pursuant to the applicable EDC Support Services Agreements; and (iv) contract backlog attributable to rigs owned by third parties for which we enter into contracts directly with customers and lease the rigs through bareboat charters from the rig owners. However, these amounts exclude any variable fee payable to us pursuant to the applicable management agreement. The terms of the bareboat charters are consistent with the management agreements, resulting in the same financial impact to us had the rigs remained under the management agreements.

Results of Operations

Operating results for our contract drilling services are dependent on three primary metrics: available days; rig utilization; and dayrates. The following table sets forth this selected operational information for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024 (4)	2023 (4)	2024 (4)	2023 (4)
Jackups				
Rigs available	2	2	2	2
Available days (1)	182	91	364	181
Utilization (2)	50.0%	94.4%	69.9%	97.2%
Average daily revenues (3)	$ 120,326	$ 59,355	$ 152,763	$ 58,755
Deepwater				
Rigs available	2	2	2	2
Available days (1)	182	182	364	362
Utilization (2)	43.4%	95.2%	55.5%	79.1%
Average daily revenues (3)	$ 293,408	$ 238,234	$ 247,066	$ 220,182

(1) Available days are the total number of rig calendar days in the period, excluding rigs under bareboat charter contracts to third parties.

(2) Utilization is calculated as a percentage of the actual number of revenue earning days divided by the available days in the period. A revenue earning day is defined as a day for which a rig earns dayrate after commencement of operations.

(3) Average daily revenues are based on contract drilling revenues divided by revenue earning days. Average daily revenue will differ from average contract dayrate due to billing adjustments for any non-productive time, mobilization fees and demobilization fees.

(4) Excludes third party owned rigs operated by the Company.

For the Three Months Ended June 30, 2024 and 2023

Net loss attributable to shareholders for the Current Quarter was $14.2 million, or $1.07 per basic share, on operating revenues of $49.8 million, as compared to net income attributable to shareholders for the Comparable Quarter of $1.5 million, or $0.11 per basic share, on operating revenues of $107.8 million.

The following table sets forth our operating results for the three months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Favorable/(unfavorable)	
	2024	2023	$	%
(unaudited, in thousands)				
Consolidated:				
Revenues				
Contract drilling services	$ 34,100	$ 67,673	$ (33,573)	-50%
Management fees	5,697	5,569	128	2%
Reimbursables and other	10,015	34,598	(24,583)	-71%
Total revenues	49,812	107,840	(58,028)	-54%
Operating costs and expenses:				
Operating costs	39,561	74,383	34,822	47%
General and administrative	5,225	5,161	(64)	-1%
Depreciation	11,257	11,045	(212)	-2%
Total operating costs and expenses	56,043	90,589	34,546	38%
Income (loss) from operations	(6,231)	17,251	(23,482)	-136%
Other (expense) income				
Interest income	200	141	59	42%
Interest expense and financing charges	(5,656)	(5,346)	(310)	-6%
Other, net	(383)	(457)	74	16%
Total other expense	(5,839)	(5,662)	(177)	-3%
Income (loss) before income taxes	(12,070)	11,589	(23,659)	-204%
Income tax provision	2,141	10,584	8,443	80%
Net income (loss)	(14,211)	1,005	(15,216)	-1514%
Net income (loss) attributable to noncontrolling interests	10	(457)	467	102%
Net income (loss) attributable to shareholders	$ (14,221)	$ 1,462	$ (15,683)	-1073%
Drilling Services:				
Revenue				
Contract drilling services	$ 34,100	$ 46,378	$ (12,278)	-26%
Reimbursables and other	1,798	7,834	(6,036)	-77%
Total revenue	35,898	54,212	(18,314)	-34%
Operating costs and expenses:				
Operating costs	30,374	33,163	2,789	8%
Depreciation	10,844	10,601	(243)	-2%
Total operating costs and expenses	41,218	43,764	2,546	6%
Income (loss) from operations	(5,320)	10,448	(15,768)	-151%
Managed Services:				
Revenue				
Contract drilling services	$ —	$ 21,295	$ (21,295)	-100%
Management fees	5,697	5,569	128	2%
Reimbursables and other	8,217	26,764	(18,547)	-69%
Total revenue	13,914	53,628	(39,714)	-74%
Operating costs and expenses:				
Operating costs	9,187	41,220	32,033	78%
Total operating costs and expenses	9,187	41,220	32,033	78%
Income from operations	4,727	12,408	(7,681)	-62%

n/m = not meaningful

Consolidated Revenue: Total revenue decreased $58.0 million due primarily to changes in operating activities in the Current Quarter (as discussed immediately below).

Drilling Services Revenue: Contract drilling revenue decreased $12.3 million primarily as a result of a decrease in operating days on the *Tungsten Explorer,* the *Topaz Driller* and the *Platinum Explorer* as compared to the Comparable Quarter. These decreases was partially offset by increase in operating dayrate on the *Soehanah*. Reimbursables and other revenue decreased $6.0 million in the Current Quarter as compared to the Comparable Quarter primarily as a result of bareboat charter fees earned on the *Topaz Driller* in the Comparable Quarter, partially offset by higher reimbursable revenue on the *Tungsten Explorer*.

Managed Services Revenue: Contract drilling revenue decreased $21.3 million primarily due to the *Polaris* concluding its drilling campaign with Seadrill at the end of January 2024. Reimbursables and other revenue decreased $18.5 million in the Current Quarter as compared to the Comparable Quarter, as a result of the management of the deepwater floaters being returned to Seadrill and the rigs included in the EDC Sale.

Consolidated Operating Costs: Total operating costs decreased $34.8 million primarily due to change in operating activities in the Current Quarter (as discussed below).

Drilling Services Operating Costs: Drilling Services operating costs for the Current Quarter decreased $2.8 million as compared to the Comparable Quarter in line with decreased drilling activity for the quarter. The decrease was the result of (i) lower operating costs on the *Topaz Driller* due to less operating days, and (ii) lower amortization of mobilization costs of the *Tungsten Explorer.* These amounts were offset by higher (iii) repairs and maintenance, and non-reimbursable fuel costs on the *Platinum Explorer.*

Managed Services Operating Costs: Managed Services operating costs for the Current Quarter decreased $32.0 million as compared to the Comparable Quarter, which was the result of the management of certain deepwater floaters (as discussed in “Managed Services Revenue” above).

General and Administrative Expenses: Increases in general and administrative expenses for the Current Quarter as compared to the Comparable Quarter were primarily related to an increase in non-cash share based expense partially offset by lower personnel costs and professional fees for strategic initiatives.

Depreciation Expense: Depreciation expense is primarily related to rigs owned by us which are included in our Drilling Services segment. The Managed Services segment does not currently own any depreciable assets. The increase in depreciation expense for the Current Quarter as compared to the Comparable Quarter was immaterial.

Interest Income: Increases in interest income for the Current Quarter as compared to the Comparable Quarter were primarily due to higher cash balances in investment accounts during the Current Quarter.

Interest Expense and Financing Charges: Increases in interest expense and financing charges in the Current Quarter as compared to the Comparable Quarter were primarily due to financing costs associated with the Revolving Credit Facility. Financing costs included in “Interest expense and financing charges” was approximately $0.9 million and $0.6 million for each of the Current Quarter and Comparable Quarter, respectively.

Other, Net: Our functional currency is USD; however, a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than USD and these transactions are re-measured in USD based on current exchange rates. A net foreign currency exchange loss of $0.4 million was included in "other, net" in the Current Quarter due to devaluation of local currency and a loss of $0.5 million in the Comparable Quarter due to appreciation of local currency.

Income Tax Provision: We have historically calculated the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate (“AETR”) for the full fiscal year to ordinary income or loss (pretax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period.

The income tax expense for the Current Quarter was calculated using a discrete effective tax rate method based on year-to-date results, instead of applying the AETR due to the variations in the expected ordinary income, overall and by jurisdiction. The Company will evaluate the use of the appropriate method to calculate the income tax expense at each interim reporting period.

The Company’s effective tax rate for the Current Quarter was negative 17.7%, including the impact of discrete items. For the Comparable Quarter, the tax expense recognized was based on the estimated AETR. Due to the different methodologies utilized to calculate the interim tax provisions, it is not beneficial to numerically reconcile the change in estimated tax rate.

For the Six Months Ended June 30, 2024 and 2023

Net loss attributable to shareholders for the Current Period was $17.1 million, or $1.29 per basic share, on operating revenues of $126.0 million, as compared to net loss attributable to shareholders for the Comparable Period of $0.8 million, or $0.06 per basic share, on operating revenues of $184.9 million.

The following table sets forth our operating results for the six months ended June 30, 2024 and 2023:

	Six Months Ended June 30,		Favorable/(unfavorable)	
	2024	2023	$	%
(unaudited, in thousands)				
Consolidated:				
Revenues				
Contract drilling services	$ 94,329	$ 115,590	$ (21,261)	-18%
Management fees	11,223	7,689	3,534	46%
Reimbursables and other	20,408	61,633	(41,225)	-67%
Total revenues	125,960	184,912	(58,952)	-32%
Operating costs and expenses:				
Operating costs	92,284	140,938	48,654	35%
General and administrative	12,479	9,992	(2,487)	-25%
Depreciation	22,492	22,094	(398)	-2%
Loss on EDC Sale	—	3	3	100%
Total operating costs and expenses	127,255	173,027	45,772	26%
Income (loss) from operations	(1,295)	11,885	(13,180)	-111%
Other (expense) income				
Interest income	494	190	304	160%
Interest expense and financing charges	(11,000)	(10,904)	(96)	-1%
Other, net	(978)	(135)	(843)	-624%
Total other expense	(11,484)	(10,849)	(635)	-6%
Income (loss) before income taxes	(12,779)	1,036	(13,815)	-1333%
Income tax provision	4,622	2,606	(2,016)	-77%
Net loss	(17,401)	(1,570)	(15,831)	-1008%
Net loss attributable to noncontrolling interests	(309)	(746)	437	59%
Net loss attributable to shareholders	$ (17,092)	$ (824)	$ (16,268)	-1974%
Drilling Services:				
Revenue				
Contract drilling services	$ 88,760	$ 73,366	$ 15,394	21%
Reimbursables and other	5,274	14,256	(8,982)	-63%
Total revenue	94,034	87,622	6,412	7%
Operating costs and expenses:				
Operating costs	70,387	60,885	(9,502)	-16%
Depreciation	21,651	21,240	(411)	-2%
Total operating costs and expenses	92,038	82,125	(9,913)	-12%
Income from operations	1,996	5,497	(3,501)	-64%
Managed Services:				
Revenue				
Contract drilling services	$ 5,569	$ 42,224	$ (36,655)	-87%
Management fees	11,223	7,689	3,534	46%
Reimbursables and other	15,134	47,377	(32,243)	-68%
Total revenue	31,926	97,290	(65,364)	-67%
Operating costs and expenses:				
Operating costs	21,897	80,053	58,156	73%
Total operating costs and expenses	21,897	80,053	58,156	73%
Income from operations	10,029	17,237	(7,208)	-42%

n/m = not meaningful

Consolidated Revenue: Total revenue decreased $59.0 million due primarily to change in operating activities in the Current Period (as discussed below).

Drilling Services Revenue: Contract drilling revenue increased $15.4 million primarily as a result of (i) increased operating days on the *Tungsten Explorer* and *Soehanah* at higher day rates and (ii) higher mobilization revenue on the *Topaz Driller* offset by (iii) lower contract drilling revenue as a result of decreased operating days on the *Platinum Explorer and* the *Topaz Driller* and (ii) lower mobilization revenue on the *Tungsten Explorer* and the *Platinum Explorer*. Reimbursables and other revenue decreased $9.0 million in the Current Period as compared to the Comparable Period primarily as a result of bareboat charter fees earned on the *Topaz Driller* in the Comparable Period, partially offset by higher reimbursable revenue generated by the *Tungsten Explorer*.

Managed Services Revenue: Contract drilling revenue decreased $36.7 million primarily due to the *Polaris* concluding its drilling campaign at the end of January 2024. Management fees increased $3.5 million in the Current Period as compared to the Comparable Period primarily due to the management of the *Capella* partially offset by lower management fees on deepwater floaters owned by Seadrill as well as rigs included in the EDC Sale. Reimbursables and other revenue decreased $32.2 million in the Current Period as compared to the Comparable Period primarily as a result of the management of the deepwater floaters owned by Seadrill and the rigs included in the EDC Sale.

Consolidated Operating Costs: Total operating costs decreased $48.7 million due to change in operating activities in the Current Period (as discussed below).

Drilling Services Operating Costs: Drilling Services operating costs for the Current Period increased $9.5 million as compared to the Comparable Period. Specifically, such increase was the result of (i) higher repair and maintenance and non-reimbursables fuel costs on the *Topaz Driller* and the *Platinum Explorer,* (ii) higher amortization of mobilization costs on the *Topaz Driller*. These amounts were partially offset by (i) lower amortization of mobilization costs on the *Platinum Explorer* and the *Tungsten Explorer* and (ii) reimbursable costs on the *Topaz Driller*.

Managed Services Operating Costs: Managed Services operating costs for the Current Period decreased $58.2 million as compared to the Comparable Period, which was the result of the management of certain deepwater floaters (as discussed in “Managed Services Revenue” above).

General and Administrative Expenses: Increases in general and administrative expenses for the Current Period as compared to the Comparable Period was primarily due to increase in remuneration. Non-cash share-based compensation expense included in “General and administrative expenses” was approximately $0.9 million for the Current Period as compared to the Comparable Period (which was immaterial).

Depreciation Expense: Depreciation expense is primarily related to rigs owned by us which are included in our Drilling Services segment. The Managed Services segment does not currently own any depreciable assets. The increase in depreciation expense for the Current Period as compared to the Comparable Period is immaterial.

Interest Income: Increase in interest income for the Current Period as compared to the Comparable Period was due primarily to higher cash balances in investment accounts during the Current Period.

Interest Expense and Financing Charges: Increases in interest expense and financing charges in the Current Period as compared to the Comparable Period was primarily due to higher financing costs associated with the Revolving Credit Facility and interest on the 9.50% First Lien Notes, partially offset by lower financing costs and interest expense on the 9.25% First Lien Notes. Non-cash deferred financing costs included in “Interest expense and financing charges” was approximately $1.5 million and $1.6 million for each of the Current Period and Comparable Period, respectively.

Other, Net: Our functional currency is USD; however, a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than USD. These transactions are re-measured in USD based on current exchange rates. A net foreign currency exchange loss of $1.0 million was included in "other, net" in the Current Period and a loss of $0.1 million in the Comparable Period due to devaluation of local currency.

Income Tax Provision: We have historically calculated the provision for income taxes during interim reporting periods by applying an estimate of the AETR for the full fiscal year to ordinary income or loss (pretax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period.

The income tax expense for the Current Period was calculated using a discrete effective tax rate method based on year-to-date results, instead of applying the AETR due to the variations in the expected ordinary income, overall and by jurisdiction. The Company will evaluate the use of the appropriate method to calculate the income tax expense at each interim reporting period.

The Company’s effective tax rate for the Current Period was negative 36.16%, including the impact of discrete items. For the Comparable Period, the tax expense recognized was based on the estimated AETR. Due to the different methodologies utilized to calculate the interim tax provisions, it is not beneficial to numerically reconcile the change in estimated tax rate.

Liquidity and Capital Resources

Sources and Uses of Liquidity

Our anticipated cash flow needs, both in the short- and long-term, may include, among others: (i) normal recurring operating expenses; (ii) planned, discretionary or contractually required capital expenditures; (iii) repayments of interest; and (iv) certain contractual cash obligations and commitments. We may, from time to time, redeem, repurchase or otherwise acquire our outstanding 9.50% First Lien Notes through open market purchases, tender offers or pursuant to the terms of such securities.

On May 3, 2024, the Company entered into the Revolving Credit Facility with Banco Santander, S.A., New York Branch. The Revolving Credit Facility which provides for commitments permitting borrowings of up to an aggregate principal amount outstanding at any time of $25.0 million, subject to the Company complying with the conditions relating to borrowing. Borrowings, if any, would be available for general corporate purposes, including for contract preparation and rig upgrades, some of which is reimbursable by the client after contract commencement. See “*Note 5 - Debt*" of the "Notes to Condensed Consolidated Financial Statements" for additional information with respect to the Revolving Credit Facility. As of June 30, 2024, we had no borrowings drawn against the Revolving Credit Facility. In July, the Company made its initial drawing of $25.0 million against the facility.

We currently expect to fund our cash flow needs with cash generated by our operations, cash on hand, borrowing from the Revolving Credit Facility or proceeds from sales of assets. As of June 30, 2024, we believe we maintain adequate cash reserves and are continuously managing our actual cash flow and cash forecasts. Accordingly, management believes that we have adequate liquidity to fund our operations for the twelve months following the date our Condensed Consolidated Financial Statements are issued and therefore, have been prepared under the going concern assumption.

As of June 30, 2024, we had working capital of approximately $88.1 million, including approximately $40.3 million of cash and cash equivalents available for general corporate purposes. Scheduled debt service consists of interest payments through December 31, 2024 of approximately $9.5 million. In addition, the Company may be required to redeem a portion of the outstanding 9.50% First Lien Notes, at par value, in the first half of each year as a result of mandatory excess cash flow provisions included in the 9.50% First Lien Notes Indenture. Any such redemption, if and when consummated, could materially and adversely impact the Company’s overall cash flows. For the period ended June 30, 2024, we did not generate excess cash flows as contemplated under the 9.50% First Lien Notes Indenture and therefore, we are not currently required to redeem a portion of the outstanding 9.50% First Lien Notes.

We anticipate capital expenditures through June 30, 2025 to be between approximately $35.1 million and $42.9 million. As our rigs obtain new contracts, we could incur reactivation and mobilization costs for these rigs, as well as additional customer requested equipment upgrades, some (or all) of which could be significant and may not be fully recoverable from the customer. Based on our anticipated levels of activity, incremental expenditures through June 30, 2025 for special periodic surveys, major repair and maintenance expenditures and equipment re-certifications are anticipated to be between approximately $35.2 million and $43.0 million. As of June 30, 2024, we maintained letters of credit and bank guarantees in the aggregate amount of $9.8 million.

On February 6, 2024, the Company entered into the TE-Vantage MOU, which may materially impact the Company's liquidity in 2024 and beyond. See “*Note 1. Organization and Recent Events*” of the “Notes to Condensed Consolidated Financial Statements” in Part I, Item 1 of this Quarterly Report for further information regarding TE-Vantage MOU and the related TE-Vantage JV Transaction.

The following table summarizes our cash flow information for the periods indicated:

	Six Months Ended June 30,	
(unaudited, in thousands)	2024	2023
Cash flows (used in) provided by:		
Operating activities	$ (11,288)	$ (11,080)
Investing activities	(17,326)	(2,637)
Financing activities	(4,550)	2,831

Cash Provided by or Used in Operating Activities

Net cash used in operating activities for the Current Period increased $0.2 million as compared to the Comparable Period. This increase was primarily due to changes in net loss during the relevant periods (see the discussion of changes in "net loss" above in “Results of Operations” of this Part I, Item 2).

Cash Provided by or Used in Investing Activities

Net cash used in investing activities for the Current Period increased $14.7 million as compared to the Comparable Period. This increase was primarily due to the purchase of property and equipment.

Cash Provided by or Used in Financing Activities

Net cash used in financing activities for the Current Period increased $7.3 million as compared to the Comparable Period. The increase was primarily due to the following items in the Comparable Period: (i) proceeds, net of debt issuance cost of $188.4 million derived from the issuance of the 9.50% First Lien Notes, as described in "*Note 5. Debt*" of the "Notes to Condensed Consolidated Financial Statements" in Part I, Item 1 of this Quarterly Report; (ii) the redemption of the principal balance of the 9.25% First Lien Notes for $180.0 million as described in "*Note 5. Debt*" of the "Notes to Condensed Consolidated Financial Statements" in Part I, Item 1 of this Quarterly Report; (iii) the $2.0 million decrease in payment of dividend equivalents for the Current Period as compared to the Comparable Period as described in "*Note 6. Shareholders' Equity*" in the "Notes to Condensed Consolidated Financial Statements" in Part I, Item 1 of this Quarterly Report; and (iv) $0.8 million payment of debt issuance costs for the Revolving Credit Facility.

The significant elements of the 9.50% First Lien Notes are described in "*Note 5. Debt*" of the "Notes to Condensed Consolidated Financial Statements" in Part I, Item 1 of this Quarterly Report. The information discussed therein is incorporated by reference in its entirety into this Part I, Item 2.

We enter into operating leases in the normal course of business for office space, housing, vehicles and specified operating equipment. Some of these leases contain options that would cause our future cash payments to change if we exercised those options.

Commitments and Contingencies

We are subject to litigation, claims and disputes in the ordinary course of business, some of which may not be covered by insurance. Information regarding our legal proceedings is set forth in "*Note 8. Commitments and Contingencies*" of the "Notes to Condensed Consolidated Financial Statements" in Part I, Item 1 of this Quarterly Report. The information discussed therein is incorporated by reference in its entirety into this Part I, Item 2.

There is an inherent risk in any litigation, claim or dispute and therefore no assurance can be given as to the outcome of any such litigation, claim or dispute. We do not believe the ultimate resolution of any existing litigation, claims or disputes will have a material adverse effect on our financial position, results of operations or cash flows.

Critical Accounting Policies and Accounting Estimates

The preparation of Condensed Consolidated Financial Statements and related disclosures in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Our significant accounting policies are included in *"Note 2. Basis of Presentation and Significant Accounting Policies"* of the "Notes to Condensed Consolidated Financial Statements" in Part I, Item 1 of this Quarterly Report. While management believes current estimates are appropriate and reasonable, actual results could materially differ from those estimates. We have identified the policies below as critical to our business operations and the understanding of our financial operations. We have discussed the development, selection and disclosure of such policies and estimates with the Company's Audit Committee.

Our critical accounting policies are those related to property and equipment, impairment of long-lived assets and income taxes. For a discussion of the critical accounting policies and estimates that we use in the preparation of our Condensed Consolidated Financial Statements, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates" in Part II of our Annual Report for the year ended December 31, 2023, which has been made available on our website at www.vantagedrilling.com. During the Current Quarter, there were no material changes to the judgments, assumptions or policies upon which our critical accounting estimates are based.

Recent Accounting Pronouncements: See "*Note 2. Basis of Presentation and Significant Accounting Policies*" of the "Notes to Condensed Consolidated Financial Statements" in Part I, Item 1 of this Quarterly Report for further information. The information discussed therein is incorporated by reference in its entirety into this Part I, Item 2.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports we post to our website or otherwise make available to our investors and creditors is recorded, processed, summarized, and reported within the time periods required by our indebtedness agreements.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we post to our website or otherwise make available to our investors and creditors is recorded, processed, summarized, and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on their evaluation, our management, with the participation of, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding the Company's legal proceedings is set forth in "*Note 8. Commitments and Contingencies*" of the "Notes to Condensed Consolidated Financial Statements" in Part I, Item 1 of this Quarterly Report. The information discussed therein is incorporated by reference into this Part II, Item 1.

Item 5. Other Information

Ventura Offshore Holding Ltd.

Mr. Gunnar W. Eliassen, a member of the Company's Board of Directors, was elected as chairman of PetroServe Marine in May 2024, which subsequently adopted the name, Ventura Offshore Holding Ltd. ("Ventura Offshore"). Ventura Offshore is an international offshore drilling company focused on operating a fleet of deepwater drilling units and is a direct competitor of the Company. In an attempt to avoid any actual or perceived conflicts of interest with or involving the Company's directors, officers or employees, the Company previously adopted a Conflicts of Interest Policy to address the potential conflicts of interest pertaining to the Company's business and operations and the activities of such persons. In connection with such Conflicts of Interest Policy, the Company endeavors to appropriately manage access to potentially sensitive information. The Company's Board of Directors will continue to monitor and evaluate the procedures in effect, including under its Conflict of Interest Policy, to address potential and actual conflicts of interest; however, such policies may not (i) be adequate to address all of the conflicts that may arise from time to time pertaining to the Company's business and the actions undertaken by our officers and directors, nor (ii) address such conflicts in a manner that is most favorable to the Company.

Rule 10b5-1 Trading Arrangement

During the three month period covered by this Quarterly Report, none of the Company's directors or executive officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of any Company securities that was intended to satisfy the affirmative defense conditions of a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (each as defined in Item 408(a) of Regulation S-K).