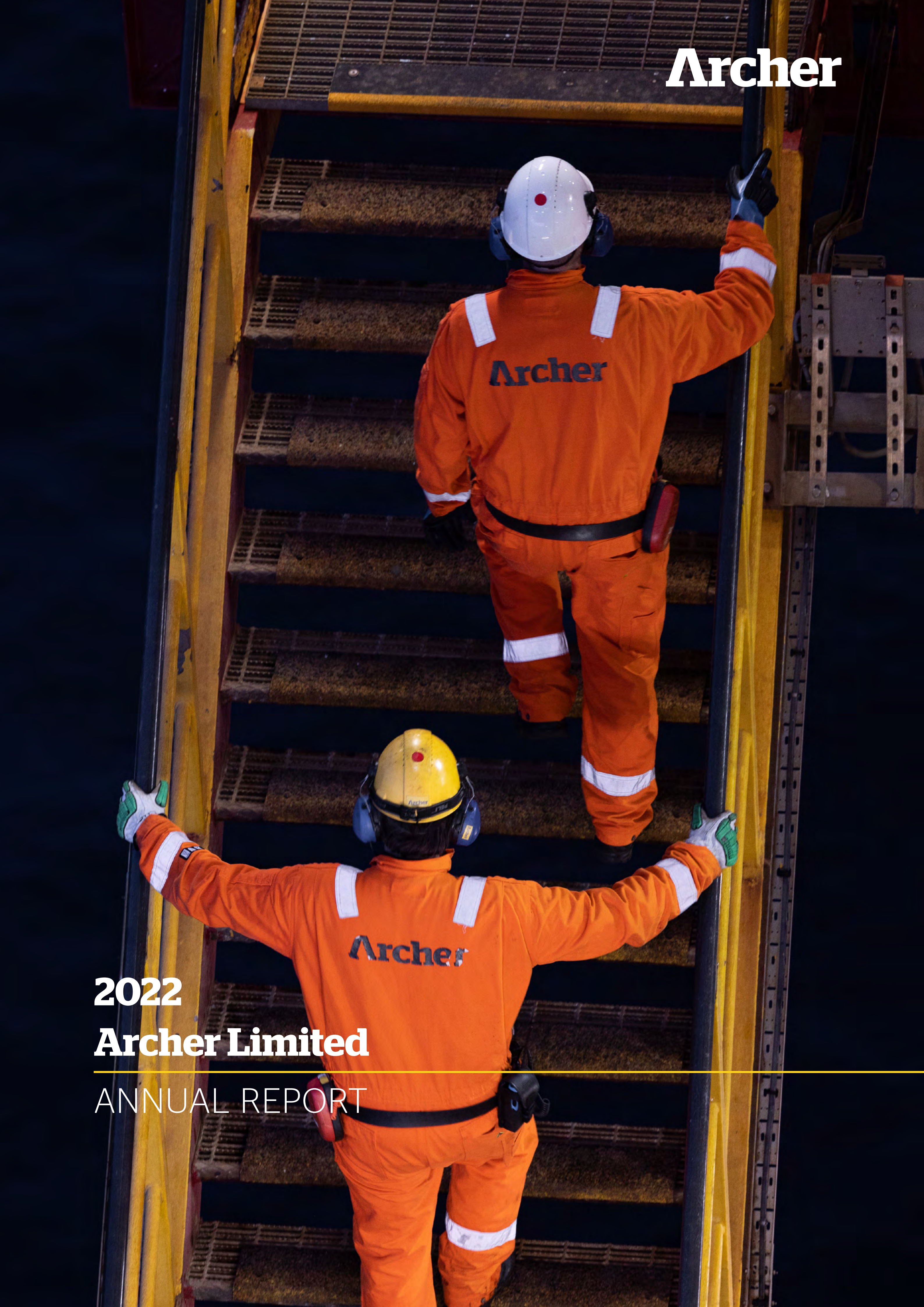


2022

Archer Limited

ANNUAL REPORT

Contents

Board of Directors' Report
Business overview

Archer Limited ("Archer" or the "Company"), along with its subsidiaries (the "Group"), is a global services provider with a heritage in drilling and well services that stretches back over 50 years. We employed 4,668 people in our global drilling and well services operations as of December 31, 2022. We deliver high quality products and services, provided by our experienced workforce, with an outstanding record of performance and safety. We aim to deliver the best drilling and well services to the global energy industry.

Our comprehensive drilling and work-over services include platform drilling, land drilling, modular drilling rigs, engineering services, and equipment rentals as well as a select range of support services and products.

Our global well services capabilities include a wide range of products and services for, well imaging, well integrity, production logging, well interventions, wellbore and blowout preventer clean outs, casing cutting and sidetracks, temporary or permanent plugging and abandonments, and decommissioning, all of which are aimed at improving well performance and extending well life, while reducing overall service operating time. We support our customers in critical processes such as well construction, well completion, well intervention and well plugging and abandonment. Our differentiated technologies in wellbore imaging, well construction and well integrity are an important and integral part of our strategy to support our customers in delivering better wells. Archer has over time developed and invested in both well P&A services and technologies, and we are proud to offer the broadest and the most advanced P&A service offering within the industry.

We operate primarily in Norway, the United Kingdom and Argentina, but we also have operations in Asia, Oceania, Eastern Europe, North America, South America, the Middle East and Africa.

Archer Limited was incorporated in Bermuda on August 31, 2007, with registration number 40612, as an exempted, limited company and is organized and exists under the laws of Bermuda.

Archer's registered office is at Par la Ville Place, 14 Par la Ville Road, Hamilton HM 08, Bermuda. Archer is listed on the Oslo Stock Exchange under the ticker symbol ARCHER.NO and our website is www.archerwell.com.

We deliver high quality products and services, provided by our experienced workforce, with an outstanding record of performance and safety.

Principal markets

The Group operates in 40 locations providing drilling services, well integrity and intervention, plug and abandonment and decommissioning to its upstream oil and gas clients. The Group's drilling teams secure production on 33 offshore platforms, predominantly in the North Sea, and operate and owns 14 onshore drilling rigs and 36 workover and service rigs in the Latin America. The Group's comprehensive drilling and workover services include platform drilling, land drilling, directional drilling, drill bits, modular rigs, fluids, engineering and equipment rentals, as well as a select range of well delivery support services and products.

The Group's operations are managed through three segments: Platform Operations, Well Services and Land Drilling. The Group's current three segments are described further in the following.

The Platform Operations segment includes the divisions: platform drilling, the modular rigs and engineering.

a) Platform drilling

The Group conducts offshore drilling services on client owned fixed oil and gas installations, referred to as "platforms". The Group supplies experienced personnel for drilling operations, maintenance, and technical support on fixed production platforms. The scope of services the Group provides is detailed in client-specific contracts, which are also used to govern the relationship between the Group and its clients. The Group's business requires a high volume of personnel who are employed offshore to provide the services on a structured work rotation cycle.

b) Modular rigs

The Group constructed and operates two modular drilling units, the Archer Emerald (2012) and the Archer Topaz (2014), to cost-effectively service the platform drilling industry. The rigs are designed to operate stand-alone and can be rigged up on certain offshore platforms to provide complete life-cycle drilling and work-over services from initial well delivery right through to decommissioning. Typical operations include conventional drilling/sidetrack operations, snubbing services, work-over services, through tubing rotary drilling, managed-pressure drilling and plug and abandonment activities.

c) Engineering

From projects on fixed and mobile installations, to asset management and consultancy, the Group provides engineering services encompassing conceptual solutions through detailed design and construction to final offshore and onshore commissioning.

The Well Services segment includes the Oiltools and Wireline divisions.

a) Oiltools

The Group's Oiltools division has developed a range of technology and tools to enhance safety well integrity, and to optimize heavy well interventions. From gas-tight stage tools and barrier plugs, traditional down-hole equipment and high tier solutions for well intervention and for the plug and abandonment of wells. The solutions contribute to the efficient management and integrity of a well throughout its life.

b) Wireline

Archer Wireline offers a full range of wireline intervention and cased hole logging services throughout the well lifecycle. Intervention by wireline allows for cost efficient diagnostics, maintenance and repair of oil and gas wells within the drilling, completion, production, workover, and abandonment phases.

The Group's Land Drilling segment consists of one division, being Archer's land drilling operation in South America.

a) Land Drilling

Archer is a Land Drilling contractor in Argentina and Bolivia with more than 1,700 drilling and maintenance personnel. Archer's drilling staff currently operate 10 drilling rigs, 18 workover rigs and 16 pulling units. Archer owns 22 drilling rigs, 22 workover rigs and 25 pulling units. The service offerings within Archer's Land Drilling division includes an integrated drilling and work over operations.

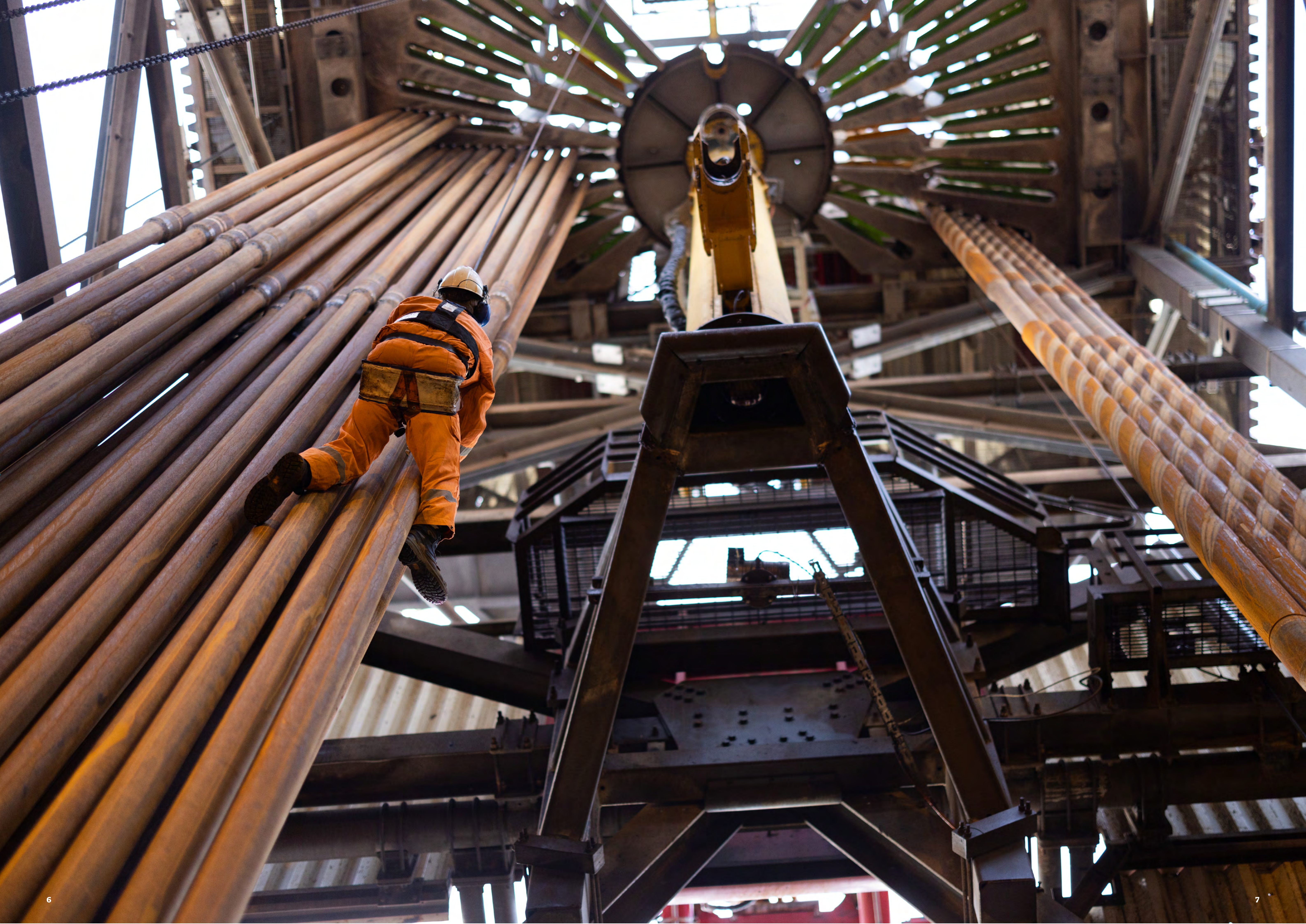
The Group has facilities and offices in Argentina, Australia, Bermuda, Bolivia, Brazil, Canada, Dubai, Malaysia, New Zealand, Norway, Poland, the United Arab Emirates, the United Kingdom and the United States.

Strategy

The strategy of the Group is to deliver better wells and to be the "supplier of choice" for drilling services, well integrity, well interventions as well as plug and abandonments. The Group aims to achieve this by continuously improving its services and product quality and by utilizing people who demonstrate the values of the Group and deliver excellence. This approach enables the Group to further broaden its reach, both geographically and technically, and it can be the foundation to secure longer term profitable growth. The Group will continue to pursue opportunities to benefit from economies of scale, to selectively strengthen the Group's geographical footprint and to develop proprietary technologies.

2022 Operating results

Revenue for the year ended December 31, 2022 was $970.2 million or 3,6% higher than the revenue in 2021 with increased revenue from our Engineering, Wireline and Land Drilling operations, partly offset by reduced revenue in our Platform Drilling, Modular Rigs and Oiltools divisions. The increase in revenue was particularly high in our Wireline and Land Drilling divisions. Wireline had a full year of scope under the Equinor intervention contract which commenced in May 2021, while the general increase in activity levels in Land Drilling was a result of both a general increase in demand for our services, but also less impact from the corona pandemic. The reduction in our reported USD revenue from our platform drilling division was primarily a result of unfavourable development in the USD/NOK FX rate in 2022 compared to 2021.



Board of Directors' Report
Financial review

EBITDA, (Earnings before Interest and Other financial items, Taxes, Depreciation and Amortization) for the year ended December 31, 2022 was $86.0 million, representing an increase of 1.2% compared to 2021. The increase in reported EBITDA is primarily driven by the improvement in our Land Drilling segment. Within our Platform Operation segment, improved EBITDA from our Engineering division was more than offset by reduction in EBITDA within both Platform Drilling and Modular rigs. Within Well Services, the improvement in Wireline was more than offset by reduced EBITDA contribution from Oiltools.

Platform Operation revenue was 12.8% lower than in 2021 with reduced revenue in Platform Drilling and Modular Rigs, partly offset by increased Engineering revenue. The Platform Drilling division was particularly impacted by unfavourable foreign exchange movement compared to 2021.

Well Services revenue increased by 15.1% compared to 2021, largely driven by increased revenue from the Wireline division. Despite increased revenue year on year, EBITDA was flat compared to 2021.

Land Drilling revenue increased by 32.7% compared with 2021, reflecting a solid improvement from the impact of the covid-19 measures in Argentina during 2021, combined with an overall improvement in demand for our services. Year on year EBITDA, improved by 21.7% due to higher activity.

Total expenses, including reimbursable expenses and depreciation for the year ended December 31, 2022 amounted to $940.9 million, an increase of 2.2% compared to the year ended December 31, 2021.

Our depreciation and amortization expenses for the year ended December 31, 2022 amounted to $49.5 million, a decrease of 8.0% compared to $53.8 million for the year ended December 31, 2021.

We test goodwill for impairment on an annual basis during the fourth quarter and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The testing of the valuation of goodwill involves significant judgment and assumptions to be made in connection with the future performance of the various components of our business operations, including assumptions about future cash flows of each reporting unit, discount rates applied to these cash flows and current market estimates of value. In the event that market conditions deteriorate or there is a prolonged downturn, the Group may be required to record an impairment of goodwill, and such impairment could be material. All of our goodwill relates to our Platform Operations and Well Services segments. Both segments have seen improved results in the last couple of years, and they have a solid contract backlog for the next 3-5 years. Based on the combined improved results, order backlog and forecasts, we identified no impairment requirement at December 31, 2022.

We test our fixed assets for impairment on an annual basis during the fourth quarter and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below the carrying amount. The testing of the valuation of our assets involves significant judgement and assumptions to be made in connection with the future performance of those assets in our business operations, including assumptions about future cash flows generated from these assets, discount rates applied to these cash flows and current market estimates of value. As a result of our testing in 2022 we have recognized total impairment charges of $6.0 million relating to our land rigs in Argentina. The carrying values of our remaining rigs are supported by current contracts, estimated future cash flow forecasts and valuation reports from independent appraisers.

We also recognised impairment charges totalling $1.3 million relating to assets located in the US acquired as part of the acquisition of Ziebel. The circumstances giving rise to the impairment of these assets arose after the acquisition when further consideration was given to Archer's future strategy and how these assets could be deployed.

During the fourth quarter 2022, we completed our acquisition of 50% of Iceland Drilling, an unrelated, international geothermal drilling and integrated Service company for a purchase price of $8.3 million. In addition to our equity shareholding we have equal Board representation with the other single 50% shareholder, Kaldbakur ehf, which is also unrelated to Archer Ltd. We have determined that our interest in Iceland Drilling does not constitute a controlling interest. Due to the fact that we are able to exercise significant influence over the company's operations we are accounting for the investment using the equity method of consolidation. The initial investment of $8.3 million includes the purchase consideration for the shares and direct costs relating to the purchase, comprising mainly legal and professional fees. Following due diligence work we have concluded that the carrying value of the equity acquired is not materially different from the amount of our investment, totalling $8.3 million. We shall not therefore be adjusting our share of the results of Iceland Drilling, recognised in our future income statements, to reflect any basis differences between the value recorded as our initial investment and the book value of the underlying equity acquired.

Our general and administrative expenses for the year ended December 31, 2022 amounted to $40.7 million, an increase of 6.0% compared to $38.4 million for the year ended December 31, 2021.

Interest expense for the year ended December 31, 2022 amounted to $34.6 million, an increase of 19.3% compared to 29.0 million for the year ended December 31, 2021. The increase in interest expense primarily reflects additional drawing under our facilities, combined with generally increases in USD interest rates in 2022 compared to 2021. Net interest-bearing debt was $505.0 million at December 31, 2022, compared to $500.0 million on December 31, 2021.

In the first quarter of 2022 we recognized a non recurring gain on bargain purchase of $9.2 million following our acquisition of Ziebel AS. Ziebel AS, along with its subsidiaries ("Ziebel") provides well intervention services mainly in the US. Ziebel has developed cutting edge wireline technology much of which has been patented. Services offered by Ziebel complement our existing wireline product offering. Archer expect to benefit from the use of the Ziebel wireline splicing technology and also the retention of the Ziebel brand name in our US wireline operations.

In the second quarter of 2021 we recognized a non recurring gain on bargain purchase of $11.4 million following our acquisition of DeepWell, a Norwegian well intervention business which provides high-tech wireline services which complement Archer's service portfolio. The purchase, and assets acquired are discussed in more detail in Note 6.

Other financial items for the year ended December 31, 2022, amounted to a net gain of $17.3 million, compared to loss of $6.8 million for the year ended December 31, 2021. Other financial items included foreign exchange gains and losses. We are exposed to the effect of currency exchange movements. In 2022, we recorded an exchange loss of $18.5 million (2021: $7.0 million) which is largely explained by movements in an internal loan denominated in NOK recorded in our holding company which has USD as the functional currency. The exchange loss related to internal loans have no cash effect. We recorded a gain of $13.1 million in 2022 which is the mark-to-market value increase in our shareholding in KLX Energy Services Holdings Inc. In addition, we recorded a gain of $24.0 million relating to the mark-to-market value adjustment to our interest rate caps agreement. The significant increase in the value of the interest caps led us to the decision to sell some of the instruments in 2023, as described in Note 27, Subsequent events.

The net income before taxes in 2022 amounted to $23.1 million, compared to a net loss of $7.1 million for the financial year 2021.

Our total income tax charges for 2022 amounted to a tax expense of $13.3 million as compared to an expense of $7.7 million for 2021. The Group`s net tax expense primarily relates to tax expense from operations in Europe, driven by underlying improved profitability for the Norway operations.

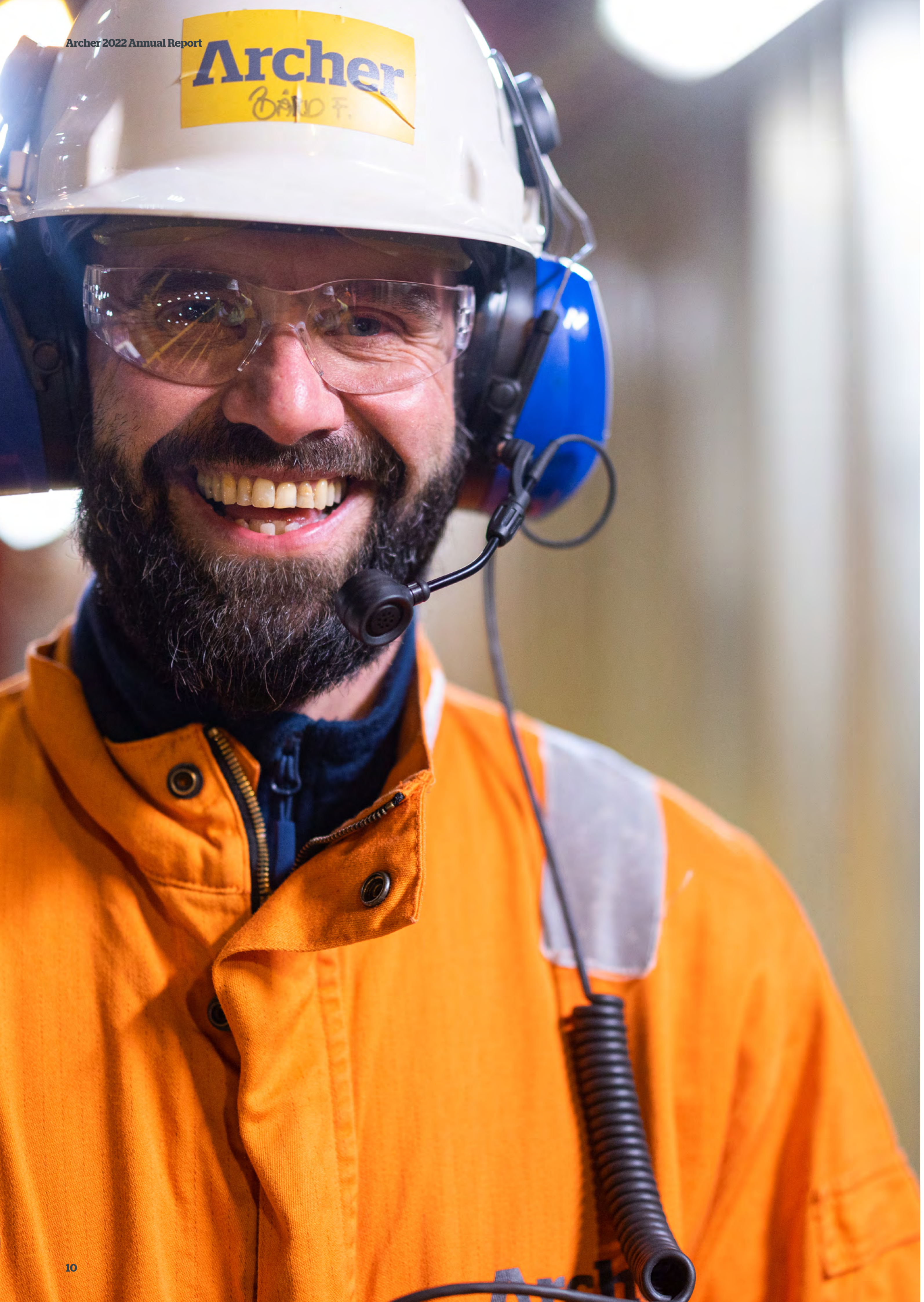
The net income in 2022 amounted to $9.8 million, compared to a net loss of $14.8 million for the financial year 2021.

We have proposed no dividends for the year ended December 31, 2022..

Balance sheet

Our total current assets were $339.8 million at December 31, 2022, an increase of 24.1% compared to $273.9 million at December 31, 2021. Accounts receivable increased by $27.0 million, or 21% reflecting an increase in business activity. The increase of $31.4 million or 61.9% in Cash and restricted cash was primarily driven by additional drawing under our revolving credit facility over the course of 2022.

Our total non-current assets were $566.4 million at December 31, 2022 and consisted primarily of fixed assets used in our operations, goodwill, and right of use assets under operating leases. The reduction of $10.3 million or 1.8% compared to $576.7 million in



Board of Directors' Report
Financial review

2021, is mainly due to the impairment of some of our land rigs and translation adjustments of our goodwill.

As of December 31, 2022, our total assets amounted to $906.2 million, an increase of $55.5 million, or 6.5%, as compared to December 31, 2021.

Our total current liabilities were $778.1 million at December 31, 2022 compared to $214.2 million at 31 December 2021, an increase of $536.9 million. The increase is driven by the classification of the main credit facility as short term as it was scheduled to mature October 1st, 2023. The main credit facility was refinanced in April 2023. Reference is made to note 27 "Subsequent event" with further details regarding the refinancing.

Cash flows

The following table summarizes our cash flows from operating, investing and financing activities for the years ended December 31, 2022 and 2021.

In $ millions	2022	2021
Net cash provided by operating activities	41.5	52.7
Net cash used in investing activities	(43.6)	(42.6)
Net cash Provided by financing activities	37.1	5.9
Effect of exchange rate changes on cash and cash equivalents	(7.5)	(4.1)
Cash and cash equivalents, including restricted cash at the beginning of the year	65.5	53.6
Cash and cash equivalents, including restricted cash, at the end of the year	**93.0**	**65.5**

Cash flow from operating activities decreased in 2022, compared to 2021 resulting in part from an increase in our net working capital, due to increase in activity.

In 2021 and 2022 we limited our investments in assets to essential overhauls-/recertification of operational equipment. During 2022 we invested $8.3 million in Iceland Drilling.

In 2022 cash provided by financing activities amounted to $37.1 million, which was the result from additional net drawing on our revolving credit facility.

Going concern

Following the completion of our refinancing, as further described in note 27, our Board of Directors confirms their assumption of the Group as a going concern for the foreseeable future, being a period of not less than 12 months from the date of this report. This assumption is based on the liquidity position of the Group, forecasted operating results, and the market outlook for the oil service sector as at December 31, 2022. The Board believes the annual report provides a fair presentation of the Group's assets and debt, financial position and financial performance.

Key figures

	2022	2021
Revenue In $ millions	970	936
EBITDA 1 In $ millions	86	85
EBITDA before exceptional items2 In $ millions	95	93
Net income/(oss) from continuing operations In $ millions	9.8	(15)
Net interest bearing debt In $ millions	505	500
Employees at December 31	4,668	4,473

[1] EBITDA is defined as earnings before Interest and Other financial items, Taxes, Depreciation, Amortization and Impairments. This non-GAAP measurement is widely used by analysts and investors for assessing the company's underlying performance and comparisons with other companies within the industry.

[2] Exceptional items include severance payments, costs of idle personnel in Latin America and office closure costs which are non-recurring and are not directly related to our current business operations, as disclosed in Note 4 to the consolidated financial statements.

Board of Directors' Report
Health, Safety and Environmental

Archer is a people business, therefore the diversity in our framework has high focus and is very important to us.

Archer's HSE philosophy is to establish and maintain an incident-free workplace where accidents, injuries or losses do not occur.

Safety is one of our key values. The value is embedded in the way we work in compliance with our procedures, with the authority to 'stop work' if safety is compromised, planning before we act, evaluating performance to ensure we improve, and maintaining a positive working environment.

Measuring performance is a key element in Archer's continuous improvement process, and results are monitored constantly and systematically. A selection of KPIs reflecting Archer's policies and objectives are reviewed down to installation level and reported to management on a monthly basis.

External and internal audits, verifications, inspections and management visits offshore are carried out to measure compliance towards requirements. Archer has the last couple of years introduced a new tool, which we call check-act. The check-act is also a verification tool, but more based on interviews with focus on getting employee feedback on status and suggestions for improvements. This increases the ownership to improvement actions coming out of the check-acts.

The close monitoring of the KPI results facilitates analysis of trends and causes, enabling the management to implement corrective actions if and when required. Together with the outcome of audits and inspections and the discussions in our management reviews, these results are used in the preparation of the annual HSE focus plans.

The main element in the Archer 2022 HSE plan has been the further follow-up of the Archer safety culture program; The big 5 & the broken window. Via different initiatives during the year, Archer reinforced the message in these two programs.

The Big 5 is an Archer initiated safety culture program, the focus for the program is the personal motivation each of us must stay incident free. The main theme is to stay incident free so that we can go back home and do what we love the most. The Big 5, are each employee's most important reasons to stay safe at work. The question we ask is, how will a serious injury impact your life and your Big 5.

The broken window theory is basically one of escalation of behavior based on social norms. The principle of the theory is that when people see broken windows and buildings or cars, they tend to think no one really cares and no one is in charge. And it's then more likely that other windows will get broken. It is easy to imagine how social signals and acceptable behavior can apply to improving and maintaining a healthy organizational safety culture. It is all about:

- Defining acceptable behavior
- Giving employees the tools, they need to conform to expectations i.e. safety training, well maintained equipment, etc.
- And signaling that behavior consistently.

The Big 5 & the broken window will continue to play a central role in the Archer HSE plan for 2023, ensuring a continued improvement in the Archer total recordable injury frequency ("TRIF") trend.

Archer continued its focus on the IOGP Life-saving rules. The rules describe key actions to prevent fatal injuries related to 9 different high-risk activities. Archer rolled out 4 information packages related to Life saving rules in 2021 using video material, presentation material and group work tasks. The adherence to the Lifesaving Rules were verified using internal inspections and management hands-on activities.

Compared with 2021, the 2022 TRIF trend had an slight increase from 0.41 to 0.54, but was way below the 2020 results of 0,85 and the Lost Time Injury trend increased from 0.13 to 0.17 during 2022. Archer injury trend is based on number of injuries during 200,000 worked hours. All the incidents Archer experienced during the year had minor personal impact.

Most incidents can easily be avoided, which is why we keep consistent and high QHSE focus. To ensure this is highlighted and to ensure we reach our success criteria the following actions will be put in place and monitored during the 2023:

- Global program for check-acts
- The Big 5 & broken window reinforcement
- Quality rules
- Daily risk management
- Human & Organizational Performance

The following table provides a summary of our work injury statistics.

	2022		2021	
Area	**Loss Time Injuries**	**Medical Treatment Cases**	**Loss Time Injuries**	**Medical Treatment Cases**
Platform Operation	5	12	5	6
Well Services	2	1	0	3
Land Drilling	0	2	1	4
Archer Total	**7**	**15**	**6**	**13**

The table above illustrates the total amount of recordable personnel injuries in both Eastern and Western Hemisphere.

Archer is actively working to minimize the risk of damage to the environment as a result of operations. This includes the systematic registration of emissions and discharges and pre-emptive action in selecting chemicals that cause minimum harm to the environment. However, there are still risks of environmental damage and negative consequences for the company. In 2022 Archer had 2 reportable spills.

The Archer Management system is certified according to the ISO 9001:2015 certificate. In addition, the UK and Brazil operations and Wireline Norwegian operations are accredited to the ISO 14001:2015 for Environmental Management Standards. Archer has described the social responsibility in its management system and made clear commitments throughout the year.

Sustainability

The company publishes its Environmental, Social, Governance report (ESG) for in parallel with this Annual Report. The ESG report has been prepared in accordance with the framework established by the Sustainability Accounting Standards Board (SASB) for Oil and Gas Services. This report allows us to identify, manage and report on material Environmental, Social and Governance (ESG) factors specific to our Industry. The report is published to provide investors, banks and other stakeholders with easy access to extra-financial information. More information is available in the ESG 2022 report on our homepage, please visit https://www.archerwell.com/sustainability/

Employees and diversity

Coming out of 2021, we had a belief that the pandemic was over and that we could look forward to a new normal, but we experienced very soon that the situation was not entirely so. The COVID situation had an impact to our offshore operations also in 2022, typically with higher absenteeism due to low threshold for health conditions to not go offshore. Despite this, our global workforces' dedication to demonstrating our values and delivering excellence to our clients has continued to impress also throughout 2022.

Throughout the year, increased use of digitalization and opportunity to practice higher degree of hybrid work flexibility, has been requested and appreciated from our global workforce. This situation has improved our ability to connect and to support our clients even when reduced mobility and home office options. Being a great place to work no longer means that place must be in an office. The 2022 Employee surveys can indicate that this flexibility has a positive effect and impact which allows our employees to easier handle their personal lives and experience better work – life balance, which could have a positive impact to employee's mental health, productivity and to the employee retention.

The total headcount for Archer had a net increase of approximately 170 employees during 2022, with 4,668 employees at year end. The increase had an equal balance between Platform Operations, Well Services and Land Drilling operations, and within all business units.

Our diverse global workforce represents 42 nationalities. Although the nature of our business entails a primarily male workforce, most of our employees are working offshore at rig installations or in field locations at onshore drilling rigs. Female employees make up 17% of our onshore workforce, with 17% of those female employees holding leadership positions. The total female ratio is 5,4%, an increase of 0.5% compared to 4.9% in 2021.

Archer is a people business, therefore the diversity in our framework has high focus and is very important to us. We firmly believe that our people are our most valuable capital. Creating a learning, sustainable and safe workplace is a key to the success of our company.

The Archer Group is an equal opportunity employer and exercises fair treatment to all individuals regardless of race, color, religion, gender, national origin, age, disability, or any other status protected by law. This commitment applies to all employment decisions and in all the countries in which Archer entities operate. Included within our Human Rights policy is our commitment to respect the principles in the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the ILO Core Conventions on Labor Standards. Archer complies with established international labor standards and employment legislation where we operate and is committed to the prevention of child and forced labor, non-discrimination in the workplace, the right of freedom of association and assembly, and the right to collective bargaining.

Board of Directors' Report
Risk factors

Risks Relating to the Group and the Industry in which the Group Operates

The Group's business depends on the development and production in the North Sea and internationally, and the level of activity of oil and natural gas exploration.

The Group's business depends on the level of activity of oil and gas exploration, development and production in the North Sea and internationally, and in particular, the level of exploration, development and production expenditures of the Group's customers. The North Sea is a mature oil and natural gas production region that has experienced substantial seismic survey and exploration activity for many years. Because a large number of oil and natural gas prospects in this region have already been drilled, additional prospects of sufficient size and quality could be more difficult to identify in the future. The decrease in the size of oil and natural gas prospects and a decrease in production may result in reduced drilling activity in the North Sea. As a significant portion of the Group's business is conducted in the North Sea, such decrease may reduce the demand for the Group's services, which would adversely affect the Group's business, results of operations, cash flows, financial condition and prospects. Further, although the pace and magnitude of the demand for a shift from hydrocarbons to renewable energy sources is uncertain and difficult to predict, such energy transition could lead to a decline in the demand for the Group's services and thus negatively affect the Group, and there can be no assurance that the Group will be able to successfully adapt to such energy transition.

The Group's business is significantly dependent on the level of oil and gas prices

The demand for the Group's drilling and well services is adversely affected by declines in exploration, development and production activity associated with depressed oil and natural gas prices. Historically, oil and gas prices have been highly volatile and subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of other economic and political factors, as seen in connection with the recent COVID-19 pandemic and the war in Ukraine.

The Group may fail to keep pace with technological changes

The Group provides drilling and well services in increasingly challenging onshore and offshore environments. To meet its clients' needs, the Group must continually develop new, and update existing, technology for the services it provides, primarily in the Group's well services division. In addition, rapid and frequent technology and market demand changes can render existing technologies obsolete, requiring substantial new capital expenditures, and could have a negative impact on the Group's market share. For instance, the oiltools and wireline segments of the Group's services divisions have developed proprietary technologies. In the event that the Group is unable to develop these technologies further in line with the general market for competing technologies, the Group may experience a material decrease in the demand for its technology, which in turn could have a material adverse effect on the Group's operations, profitability and prospects.

The Group's industry is highly competitive

The Group's industry is highly competitive. The Group's contracts are traditionally awarded on a competitive bid basis, with pricing often being the primary factor in determining which qualified contractor is awarded a job, although each contractor's technical capability, product and service quality and availability, responsiveness, experience, safety performance record and reputation for quality can also be key factors in the determination.

Several other oilfield service companies are larger than the Group and have resources that are significantly greater than the Group's resources. Furthermore, the Group competes with several smaller companies capable of competing effectively on a regional or local basis. These competitors may be able to better withstand industry downturns, compete on the basis of price, and acquire and implement new equipment and technologies. Should the Group not be able to compete effectively, this could adversely affect the Group's revenues and profitability.

The Group's Argentina operations could be affected by government action

The Group's land drilling division provides drilling and workover services to operators in Argentina, and these operations account for approximately 25-30% of the Group's total revenues. Argentina's default on its sovereign debt combined with capital restrictions have led to a challenging situation for the oil and gas sector in the country, including the oil service industry. How the government of Argentina invests in the energy sector, makes changes to employment and labour legislation, and formulates policy around taxation, currency control and exchange, national debt repayment and commodity pricing could all have a significant effect on the Group's business in Argentina.

Currently the Argentinean government has imposed strict capital controls, including prohibiting payment to related parties for services rendered. This effectively prevents payment from Argentinean Archer entities to non-Argentinean Archer entities. Until these capital controls are lifted, Archer is unable to utilize any cash generated from its Argentinean operation to support the rest of the Group's activity.

A small number of customers account for a significant portion of the Group's total operating revenues

The Group derives a significant amount of its total operating revenues from a few energy companies. In the year ended, 31 December 2022, Equinor, Pan American, and YPF accounted for approximately 47.6%, 18.8% and 8.6% of the Group's total operating revenues, respectively. During the year ended 31 December 2021, contracts from Equinor, Pan American Energy, YPF, and Repsol accounted for 42.0%, 14.3%, 7.3% and 5.0% of the Group's total operating revenues, respectively. Consequently, the Group's financial condition and results of operations will be materially adversely affected if these customers interrupt or curtail their activities, terminate their contracts with the Group, fail to renew their existing contracts or refuse to award new contracts to the Group, and the Group is unable to enter into contracts with new customers at comparable day rates. As such, the loss of any significant customer could adversely affect the Group's financial condition and results of operations.

An oversupply of comparable rigs in the geographic markets in which the Group competes could depress the utilization rates and day rates for its rigs

Utilization rates, which are the number of days a rig actually works divided by the number of days the rig is available for work, and day rates, which are the contract prices customers pay for rigs per day, are also affected by the total supply of comparable rigs available for service in the geographic markets in which the Group competes. Improvements in demand in a geographic market may cause the Group's competitors to respond by moving competing rigs into the market, thus intensifying price competition. Significant new rig construction could also intensify price competition. In the past, there have been prolonged periods of rig oversupply with correspondingly depressed utilization rates and day rates largely due to earlier, speculative construction of new rigs. Improvements in day rates and expectations of longer-term, sustained improvements in utilization rates and day rates for drilling rigs may lead to construction of new rigs. Furthermore, these increases in the supply of rigs could also depress the utilization rates and day rates for the Group's modular rigs and thus materially reduce the Group's revenues and profitability for this segment. The Group's land drilling operations in Argentina are particularly exposed to the aforementioned risks.

The Group will experience reduced profitability if its customers reduce activity levels or terminate or seek to renegotiate their contracts with the Group

Currently, the Group's drilling services contracts with major customers are largely day rate contracts, pursuant to which the Group charges a fixed charge per day regardless of the number of days needed to drill the well. Likewise, under the Group's current well services contracts, the Group charges a fixed daily fee. During depressed market conditions, a customer may no longer need services that are currently under contract or may be able to obtain comparable services at a lower daily rate. As a result, customers may seek to renegotiate the terms of their existing platform drilling contracts with the Group or avoid their obligations under such contracts. In addition, the Group's customers may have the right to terminate, or may seek to renegotiate, existing contracts if the Group experiences downtime, operational problems above the contractual limit or safety-related issues or in other specified circumstances, which include events beyond the control of either party.

Exploration and production operations involve numerous operational risks and hazards

Substantially all of the Group's operations are subject to hazards that are customary for exploration and production activity, including blowouts, reservoir damage, loss of well control, cratering, oil and gas well fires and explosions, natural disasters, pollution and mechanical failure. Any of these risks could result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations, or environmental damage.

Board of Directors' Report
Risk factors

Risks relating to cyber attacks
The Group relies heavily on technology and data systems in order to conduct its operations. The Group's software, technology, data, websites or networks, as well as those of third parties, are vulnerable to security breaches, including unauthorised access, computer viruses or other cyber threats that could have a security impact. Although the Group has implemented security systems, the Group may not be able to prevent cyber-attacks, such as phishing and hacking, or prevent breaches caused by employee error, in a timely manner or at all. If such events occur, unauthorised persons may access or manipulate confidential and proprietary information of the Group, destroy or cause interruptions in the Group's data systems which in turn could adversely hamper the Group's ability to execute projects and otherwise conduct its business. Consequently, cyber-attacks or breaches negatively affecting the Group's data systems could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks related to law, regulation and litigation

Risks related to the Group's international operations.
The Group has operations in 40 countries in Asia, Oceania, Europe, North America, South America, the Middle East and Africa. As such, the Group's operations are subject to various laws and regulations in the countries in which it operates, whose political and compliance regimes differ. Part of the Group's strategy is to prudently and opportunistically acquire businesses and assets that complement the Group's existing products and services and to expand the Group's geographic footprint. There can, however, be no assurance that that Group will be able to successfully integrate businesses or assets acquired in the future (domestic or abroad), and there is a risk that substantial costs, delays, business disruptions or other issues could arise in connection with such acquisitions, which in turn could have a material adverse effect on the Group. Further, if the Group makes acquisitions in other countries, the Group may increase its exposure to various risks, such as unexpected changes in regulatory requirements, foreign currency fluctuations and devaluation, increased governmental ownership and regulation of the economy in markets in which the Group operates, and other forms of government regulations beyond the Group's control. Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and natural gas, and other aspects of their countries' oil and natural gas industries. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil and natural gas companies and may continue to do so. For instance, the Company has observed certain foreign exchange restrictions in Argentina and Angola, an increase of local content legislation in West Africa and more challenging contracting practices by national oil companies (NOCs) in e.g. Brazil, United Arab Emirates and Malaysia.

The Group is subject to governmental laws and regulations, some of which may impose significant liability on the Group.
Many aspects of the Group's operations are subject to laws and regulations that relate, directly or indirectly, to the oilfield services industry, including laws requiring the Group to control the discharge of oil and other contaminants into the environment, requiring removal and clean-up of materials that may harm the environment, controlling carbon dioxide emissions or otherwise relating to environmental protection. The Group incurs, and expects to continue to incur, capital and operating costs to comply with environmental laws and regulations.

Although the Group actively works towards minimizing the risk of damage to the environment as a result of its operations, there are still risks of environmental damage and negative consequences for the Group. For example, the Company reported two spills in 2020. Failure to comply with environmental laws and regulations may result in the assessment of administrative, civil and even criminal penalties, the imposition of remedial obligations, and the issuance of injunctions that may limit or prohibit the Group's operations. The technical requirements of environmental laws and regulations are becoming increasingly expensive, complex and stringent. The application of these requirements, the modification of existing laws or regulations or the adoption of new laws or regulations curtailing exploration and production activity could materially limit the Group's future contract opportunities, limit the Group's activities or the activities and levels of capital spending by the Group's customers, or materially increase the Group's costs.

The Group's failure to comply with anti-bribery laws may have a negative impact on its ongoing operations.
The Group operates in countries known to experience governmental corruption, as indicated by Transparency International's Corruption Perception Index, such as Angola, Azerbaijan, Brazil, Brunei, Congo, Indonesia, Mauritania and Nigeria. While the Group is committed to conducting business in a legal and ethical manner, there is a risk that its employees or agents or those of its affiliates may take actions that violate legislation promulgated by a number of countries pursuant to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or other applicable anti-corruption laws which generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. Any failure to comply with the anti-bribery laws could subject the Group to fines, sanctions and other penalties against it which could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group is exposed to risk due to changes in tax laws or tax practice of any jurisdiction in which the Group operates.
The Company is a Bermuda company and, as such, the Company is not required to pay taxes in Bermuda on income or capital gains pursuant to current Bermuda law. However, certain of the Company's subsidiaries operate in jurisdictions where taxes are imposed, mainly Norway, the United States of America, Argentina, Brazil and the United Kingdom. For legal entities operating in taxable jurisdictions, the Company computes tax on income in accordance with the tax rules and regulations of the taxing authority where the income is earned. Tax laws and regulations are highly complex and subject to interpretation and change, and the income tax rates imposed by these authorities vary. Thus, the Company is exposed to a material risk regarding the correct application of the tax regulations as well as possible future changes in the tax legislation of those relevant countries. Any incorrect application or changes in tax regulations or customs duty, could adversely affect the Group's business, financial condition, results of operations and prospects.

Risks related to labour disruptions.
Union activity and general labour unrest may significantly affect the Group's operations in some jurisdictions. In Argentina and Brazil, which are countries where the Group operates, labour organizations have substantial support and considerable political influence. The demands of labour organizations in Argentina have increased in recent years as a result of the general labour unrest and dissatisfaction resulting from the disparity between the cost of living and salaries in Argentina due to the devaluation of the Argentine Peso. Should the Group's operations in Argentina, or in other countries in which the Group operates, face labour disruptions in the future, this could have a material adverse effect on the Group's financial condition and results of operations.

Risks related to financial matters

Risks relating to the new First Lien Loan and Second Lien Bonds.
The Group's new financing arrangements (as described in note 27 Subsequent Event), impose, various restrictive covenants, including change of control clauses, and undertakings that limit the discretion of the Group's management in operating the Group's business. In particular, these covenants limit the Group's ability to, among other things:

- make certain types of loans and investments;
- incur or guarantee additional indebtedness;
- pay dividends, redeem or repurchase stock, prepay, redeem or repurchase other debt or make other restricted payments;
- use proceeds from asset sales, new indebtedness or equity issuances for general corporate purposes or investment into its business;
- invest in joint ventures;
- create or incur liens;
- enter into transactions with affiliates;
- sell assets or consolidate or merge with or into other companies; and
- enter into new lines of business.

The Group's continued ability to incur additional debt and to conduct business in general is subject to the Group's compliance with the above-mentioned covenants, which limit the discretion of management in operating the Group's business and that, in turn, could impair the Group's ability to meet its obligations. Breaches of these covenants could result in defaults under the applicable debt instruments and could trigger defaults under any of the Group's other indebtedness that is cross defaulted against such instruments, even if the Group meets its payment obligations. In particular, the

Board of Directors' Report
Risk factors

First Lien Facility will include a change of control clause which, if triggered, will, inter alia, entitle a lender or guarantee facility bank to require repayment under the First Lien Facility, and also entitle a lender to cancel its commitment under the First Lien Facility. Financial and other covenants that limit the Group's operational flexibility, as well as defaults resulting from breach of any of these covenants, could have a material adverse effect Group's business, results of operations, cash flows, financial condition and prospects.

The Group's results of operations may be adversely affected by currency fluctuations.

The Group's functional and reporting currency is US Dollars, but the Group receives revenues and incur expenditures in other currencies due to its international operations, mainly Argentine Pesos, Norwegian kroner, and British pounds. As such, the Group is exposed to foreign currency exchange movements in both transactions that are denominated in currency other than US Dollars and in translating consolidated subsidiaries who do not have a functional currency of US Dollars. For the financial year 2022, the Group recognized net foreign exchange losses of USD 18.5 million in its consolidated income statement. The Group attempts to limit the risks of currency fluctuation and restrictions on currency repatriation where possible by obtaining contracts providing for payment of a percentage of the contract indexed to the U.S. dollar exchange rate. To the extent possible, the Group seeks to limit its exposure to local currencies by matching the acceptance of local currencies to the Group's local expense requirements in those currencies. However, there can be no assurance that future hedging arrangements will be effective. Consequently, fluctuations between USD, NOK, Argentine Pesos, British pounds, and other currencies, may have a material adverse effect on the Group's cash flow and financial condition.

The Group currently has a significant level of debt and could incur additional debt in the future.

As of 31 December 2022, the Group had total outstanding interest-bearing debt of USD 588.4 million. This debt represented 65% of the Group's total assets. Although the contemplated Refinancing is intended to de-leverage the Group's debt, the Group's current debt and the limitations imposed on the Group by the Refinancing or any future debt agreements could have significant adverse consequences for the Group's business and future prospects, including the following:

- limit the Group's ability to obtain necessary financing in the future for working capital, capital expenditure, acquisitions, debt services requirements or other purposes;
- make it difficult for the Group to repay the debt as it comes due, obtain extension of maturities or secure sufficient refinancing;
- require the Group to dedicate a substantial portion of its cash flow from operations to payments of principal and interest on its debt;
- make the Group more vulnerable during downturns in its business and limit its ability to take advantage of significant business opportunities and to react to changes in the Group's business and in market or industry conditions; and
- place the Group at a competitive disadvantage compared to competitors that have less debt.

If the Group's operating income is not sufficient to service its current or future indebtedness, the Group may be forced to take action such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital, which in turn could materially and adversely affect the business of the Group.

Interest rate fluctuations could affect the Group's cash flow and financial condition.

The Group has incurred, and may in the future incur, significant amounts of debt. The Group is generally financed using floating interest rates. The Group may be exposed to movements in interest rates on non-USD Dollar-denominated debt. As such, movements in interest rates could have a material adverse impact on the Group's cash flows as well as its financial condition.

The Group has recorded substantial goodwill which is subject to periodic reviews of impairment.

The Group performs purchase price allocations to intangible assets when it makes acquisitions. The excess of the purchase price after allocation of fair values to tangible assets is allocated to identifiable intangibles and thereafter to goodwill. The value of the Group's goodwill is material, and amounted to $167.5 million as per 31 December 2021, constituting approximately 20% of the asset values in the balance sheet. As of 31 December 2022, the goodwill amounted to $149.4 million, equivalent to 16% of the asset values in the balance sheet. The reduction in carrying value is the result of converting the goodwill recorded in NOK to USD. The Group is required to conduct periodic reviews of goodwill for impairment in value. The testing of the valuation of goodwill requires judgment and assumptions to be made in connection with the future performance of the various components of the Group's business operations and may significantly impact any subsequent impairment charge. Any impairment would result in a non-cash charge against earnings in the period reviewed, which may or may not create a tax benefit, and would cause a corresponding decrease in shareholders' equity. In the event that market conditions deteriorate or there is a prolonged downturn, the Group may be required to record an impairment of goodwill, and such impairment could be material.

Risks Relating to the Shares

Future issues of Shares may dilute the holdings of Shareholders.

The Company may decide to offer additional Shares in the future, to finance new capital-intensive projects, to pursue merger and acquisition opportunities, in connection with unanticipated liabilities of expenses, for the purpose of delivering shares under employee incentive programs or for any other purposes. As the Company is a Bermuda exempted company limited by shares, shareholders do not have the same preferential rights in a future offering in the Company as shareholders in Norwegian limited liability companies listed on the Oslo Stock Exchange normally have. Depending on the structure of any future offering, certain existing shareholders may therefore not be able to purchase additional equity securities, meaning that these shareholders' holding and voting interest may be diluted.

Board of Directors' Report
Share capital issues and Corporate Governance

Share Capital issues
At December 31, 2022, the number of shares issued was 148,758,612 corresponding to a share capital of $1,487,586. At December 31, 2022, our authorised share capital was $10,000,000 consisting of 1,000,000,000 shares each with a par value of $0.01. All of our shares are of the same class.

The issued shares are fully paid, and all issued shares represent capital in the company. The shares are equal in all respects and each share carries one vote at our General Meeting of shareholders. None of our shareholders have different voting rights. The Board is not aware of any other shareholders agreements or any take-over bids during the year.

All of our issued shares are listed on the Oslo Stock Exchange and the split of the shareholders, as registered in the Norwegian Central Securities Depository (VPS), was as per the table below.

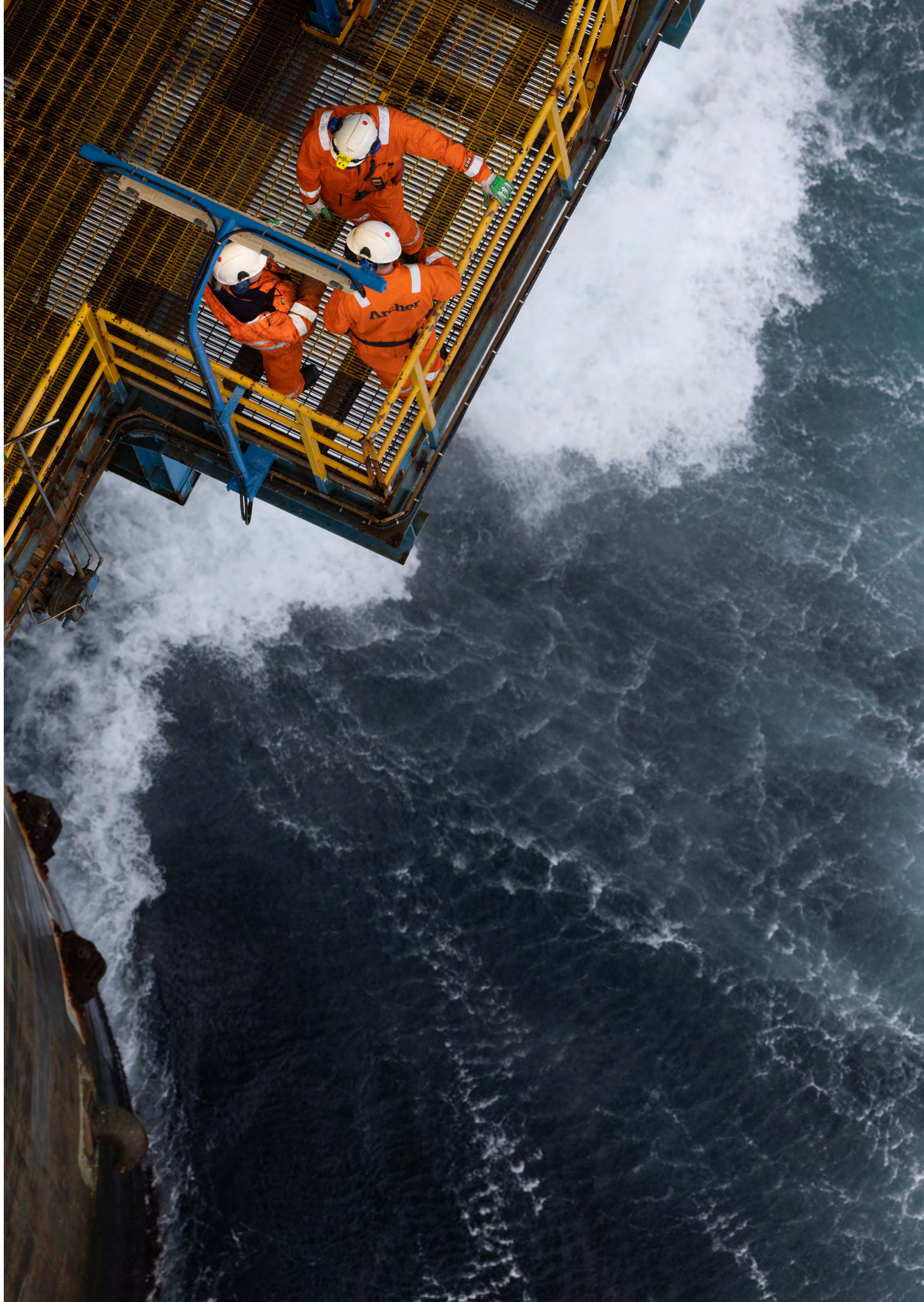
Shareholder overview as of December 31, 2022

PARATUS JU NEWCO BERMUDA LIMITED	15.5%
HEMEN HOLDING LIMITED	12.9%
SKANDINAVISKA ENSKILDA BANKEN AB	4.3%
STAVANGER FORVALTNING AS	2.9%
Others	64.4%

Hemen Holding Ltd, or Hemen, a Cyprus holding company is indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family.

Reference is also made to note 27 "Subsequent event" with further details regarding the refinancing in 2023.

Corporate governance
The Board has reviewed our compliance with various rules and regulations, such as the Norwegian Accounting Act, the Norwegian Code of Practice for Corporate Governance, as well as the respective Bermuda law. A detailed discussion of each item can be found in the compliance section of this annual report in Appendix A. The Board believes that we are in compliance with the rules and regulations except for certain sections where the reasons for this noncompliance are provided.



Board of Directors' Report
Board of Directors

Composition of the Board
Overall responsibility for the management of Archer Limited and its subsidiaries rests with the Board. Our bye-laws provide that the Board shall consist of a minimum of two directors and the shareholders have currently approved a maximum of nine directors. One of the directors is elected to act as chairman at each Board meeting. Archer maintains Directors & Officers liability insurance against liabilities incurred in their capacity as Director or officer. The policy has a limit of $40 million.

Archer Limited's business address at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda, serves as c/o addresses for the members of the Board in relation to their directorships of the company.

James O'Shaughnessy
Director
Mr. James O'Shaughnessy has served as Director and Chairman of the Audit Committee since September 2018. O'Shaughnessy served as an Executive Vice President, Chief Accounting Officer and Corporate Controller of Axis Capital Holdings Limited up to March 26, 2019. Prior to that Mr. O'Shaughnessy has amongst others served as Chief Financial Officer of Flagstone Reinsurance Holdings and as Chief Accounting Officer and Senior Vice President of Scottish Re Group Ltd., and Chief Financial Officer of XL Re Ltd. at XL Group plc. Mr. O'Shaughnessy received a Bachelor of Commerce degree from University College, Cork, Ireland and is both a Fellow of the Institute of Chartered Accountants of Ireland, an Associate Member of the Chartered Insurance Institute of the UK and a Chartered Director. Mr. O'Shaughnessy also serves as a director of Frontline, Golden Ocean, SFL Corporation Limited, Avance Gas, ST Energy Transition I Ltd., CG Insurance Group and Catalina General. Mr. O'Shaughnessy is an Irish, British and Bermudan citizen, residing in Bermuda.

Giovanni Dell' Orto
Director
Giovanni Dell' Orto was appointed as a Director in February 2011. Mr. Dell' Orto was president and chief executive officer of DLS Drilling, Logistics and Services from 1994 to August 2006. He is a member of the board of Energy Developments and Investments Corporation (EDIC). Mr. Dell' Orto also has served as chairman and Chief Executive Officer of Saipem and was a board member of Agip and Snam. Mr. Dell' Orto is an Argentinean and Italian citizen, resident in Switzerland.

Jan Erik Klepsland
Director
Jan Erik Klepsland has served as Director in Archer since October 2021. Mr. Klepsland is an Investment Director of Seatankers Management Norway AS. He holds a MSc in Finance from the Norwegian School of Economics (NHH). Prior to joining Seatankers, he held the position as Partner at ABG Sundal Collier. Prior to ABG he held a position as a Director in Nordea Investment Banking. Mr. Klepsland also serves as Chief Financial Officer of St Energy Transition Ltd. He has experience within equity/debt financing, M&A and restructuring. Mr. Klepsland is a Norwegian citizen and resides in Oslo, Norway.

Peter Sharpe
Director
Mr. Sharpe was appointed as a Director in November 2019. Mr. Sharpe retired from Shell in 2017 after holding a diverse range of Executive Management positions at various international locations over a period of 37 years. He Served as Executive Vice President of Shell for over 10 years, with responsibility for managing Shell upstream investments in well construction and maintenance globally. He served as chairman of Sirius Well Manufacturing Pte, an independent joint venture between Shell and China National Petroleum Corporation from 2012 to 2017, as a non-executive director of Xtreme Drilling and Coil Services Corporation from 2008 to 2014 and as a Director of Seadrill Ltd from 2018 to 2020. Mr. Sharpe received a Bachelor of Science degree from the University of Hull in 1980. Mr. Sharpe is a UK citizen residing in the United Kingdom.

Board independence
The Chairman of the company's four-member Board of Directors is elected by the Board of Directors and not by the shareholders as recommended in the Norwegian Code of Practice. This is in compliance with normal procedures under Bermuda law.

Board of Directors' Report
Executive management

Dag Skindlo
Chief Executive Officer
Mr. Skindlo joined Archer in April 2016 as Chief Financial Officer before becoming Chief Executive Officer in March 2020.

Mr. Skindlo is a business-oriented executive with 30 years in the energy industry. He joined Schlumberger in 1992 where he held various financial and operational positions before he joined the Aker Group of companies in 2005. His experience from Aker Kvaerner, Aker Solutions and Kvaerner includes both global CFO roles and Managing Director roles for several large industrial business divisions. Prior to joining Archer Mr. Skindlo was the Chief Executive Officer of Aquamarine Subsea. Mr. Skindlo brings with him extensive international experience including working for more than twelve years in countries like the US, Indonesia, Scotland, and China. Mr. Skindlo currently serves as Chairman of the Nasdaq listed oilfield service company KLX Energy Services Holdings, Inc.

Mr. Skindlo is a Norwegian citizen with a Master of Science in Economics and Business Administration from the Norwegian School of Economy and Business Administration (NHH).

Espen Joranger
Chief Financial Officer
Mr. Joranger was appointed Chief Financial Officer for Archer in March 2020. Mr. Joranger has more than 10 years' experience in the Oil and Gas industry. Espen joined Archer in May 2013 as Finance Director North Sea Region and held the position as Group Controller prior to his appointment as Chief Financial Officer in Archer. Before joining Archer, he worked for Seadrill as Director of Financial Accounting for 3 years and 8 years for Ernst & Young.

Mr. Joranger is a State Authorized Public Accountant from the Norwegian School of Economics and Business Administration (NHH) and is a Norwegian citizen and resides in Stavanger, Norway

Adam Todd
General Counsel
Mr. Todd was appointed General Counsel in September 2017. Mr. Todd started his career with Canadian law firms focusing on commercial litigation before moving to Oslo in 2009 to join Aker Solutions. He spent 8 years with Aker Solutions in various roles based in Oslo and London including head of legal positions for Europe and Africa and Tendering and Partnering. Mr. Todd brings with him extensive international oil and gas services experience in corporate, contracting, M&A, litigation, and compliance matters.

Mr. Todd holds a juris doctorate from the University of Alberta, received in 2003. Mr. Todd is a Canadian citizen and resides in Oslo, Norway.

Board of Directors' Report
Responsibility Statement

We confirm that, to the best of our knowledge, the financial statements for 2022 have been prepared in accordance with the current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss for the Company and the Group.

We also confirm that the Board of Director's Report includes a true and fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the financial risks and uncertainties facing the Company and the Group.

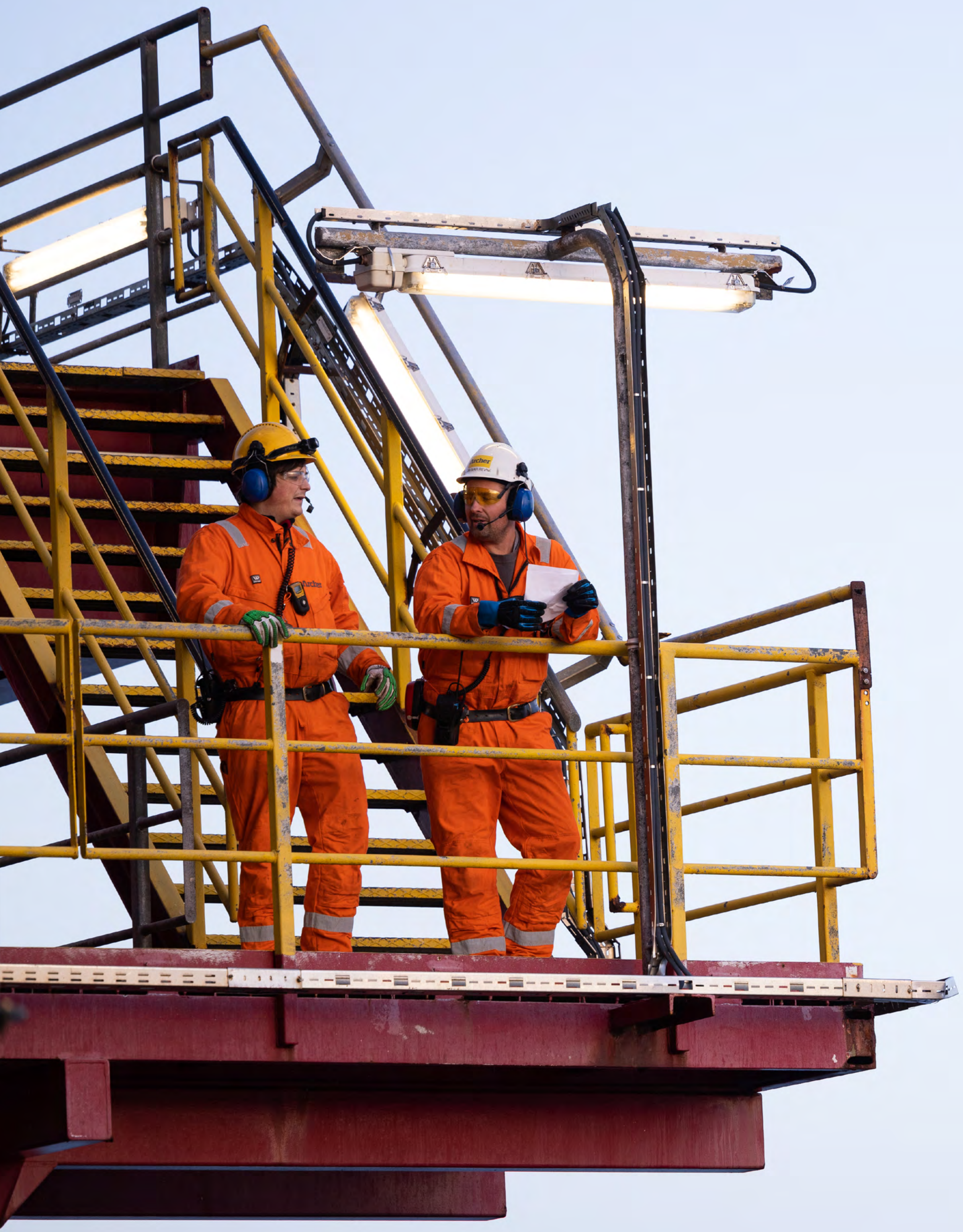
April 28, 2023
The Board of Archer Limited

Giovanni Dell' Orto
(Director)

James O'Shaughnessy
(Director)

Jan Erik Klepsland
(Director)

Peter Sharpe
(Director)



Financial Statements 2022

To the shareholders and Board of Directors of Archer Limited

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Archer Limited and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statement of operations, statement of comprehensive loss, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a fair presentation of the financial position of the Group as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America (USGAAP).
Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 3 years from the election by the general meeting of the shareholders on 26 May 2021 for the accounting year 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Goodwill and *Valuation of certain modular and land based drilling rigs* have the same characteristics and risks as in the prior year, and therefore continue to be areas of focus this year. *Acquisition of Deepwell AS & DW Quip AS* was a non-recurring event in 2021 and is not included as a focus area for 2022.

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T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Key Audit Matters	How our audit addressed the Key Audit Matter
Valuation of certain modular and land based drilling rigs	
The value of the Group's land based and modular drilling rigs is material to the financial statements and constitute a major part of the carrying values of property plant and equipment of $ 310.7 million as at 31 December 2022. Management identified indicators of impairment and consequently assessed the carrying values of the drilling rigs for impairment. Management assessed and compared the sum of the undiscounted cash flows that the asset is expected to generate, including any estimated disposal proceeds to the carrying values. Where the undiscounted cash flows for a rig was less than its carrying value, management adjusted the carrying value, by recording an impairment, to its estimated recoverable value. An additional impairment assessment has been made for idle rigs. An impairment of $6 million was recorded in 2022, and the majority of the impairment charge for 2022 was related to idle land based drilling rigs. We focused on this area due to the significant carrying value of the rigs and the judgement inherent in the impairment assessment. Management explains their impairment process and assumptions in notes 5 and 13 to the financial statements	We evaluated and challenged management's assessment of indicators of impairment and the process by which this was performed. We assessed management's accounting policy against US GAAP and obtained explanations from management as to how the specific requirements of the standards, in particular ASC 360, were met. We also assessed the consistency year on year of the application of the accounting policy. Management considers each rig to be a cash generating unit («CGU») in their assessment of impairment indicators. Consequently we assessed impairment indicators on the same basis. We assessed the significant assumptions management used in their forecast of future cash flows. This included tracing input data to actual contracts and considering whether key assumptions, such as estimated utilisation rates and day rates, were consistent with historical performance, expected market rates and our knowledge of the industry. We also performed a sensitivity analysis on the assumptions made by management, using various scenarios. In order to assess management's estimate of the fair value of the land-based rigs, we considered the evidence obtained from external valuation firms and also the objectivity and competence of the firms to provide reliable estimates. We interviewed one of the external valuation firms to understand how the estimates for fair value were compiled. We also satisfied ourselves that the firm was provided with relevant facts in order to determine such an estimate, by testing key inputs. We concluded that management sufficiently understood the valuations from third parties, including having obtained an understanding of the methodology used in arriving at the valuations. From the evidence obtained we found the assumptions and methodology used to be appropriate. We read note 5 (Impairments) and note 13 (Property, plant and equipment) and assessed this to be in line with the requirements. No matters of consequence arose from the procedures above.

Valuation of goodwill

The value of the Group's goodwill is material to the financial statements and constitute approximately 1/6 of the values in the balance sheet.

The Group is required to, at least annually, perform impairment assessments of goodwill. Management assessed and compared the discounted cash flows that the reporting units are expected to generate to the carrying values. Management concluded that goodwill was not impaired at the balance sheet date.

We focused on this area due to the significant carrying value of goodwill and the judgement inherent in the impairment review.

Management explains their impairment process and assumptions in note 14 to the financial statements.

We obtained and considered management's written assessment supporting the carrying value of goodwill on 31 December 2022

We evaluated management's impairment assessment and the process by which this was performed.

We assessed management's accounting policy against US GAAP and obtained explanations from management as to how the specific requirements of the standards were met.

We assessed the significant assumptions management used in their forecast. This included challenging management assumptions and considering if they were consistent with historical performance and our knowledge of the industry. We also performed a sensitivity analysis on the assumptions made by management using various scenarios. From the evidence obtained we found the assumptions and methodology used to be appropriate.

We also calculated the market capitalization at 31 December 2022 based on the quoted share price and considered share price movements since year-end.

Our testing of the discount rate applied by management included benchmarking of inflation and discount rates applied against external market data.

We read note 14 (Goodwill) and assessed this to be in line with the requirements. No matters of consequence arose from the procedures above.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required

to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless liquidation of the Group becomes imminent.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast substantial doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Archer Limited , we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name archerlimited-2022-12-31-en, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Stavanger, 28 April 2023
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant

Consolidated Financial Statements 2022

Archer Limited and subsidiaries
Consolidated statement of operations

($ in millions)		YEAR ENDED DECEMBER 31	
	NOTE	2022	2021
Revenues			
Operating revenues		823.3	813.1
Reimbursable revenues		146.9	123.0
Total revenues		**970.2**	**936.1**
Expenses			
Operating expenses	4	691.7	682.3
Reimbursable expenses		145.8	122.3
Operating lease costs	18	6.0	8.0
Depreciation and amortization	13	49.5	53.8
(Gain)/loss on sale of assets	13	0.0	(0.6)
Impairment charges	5	7.3	16.4
General and administrative expenses		40.7	38.4
Total expenses		**940.9**	**920.7**
Operating income		**29.2**	**15.4**
Gain on bargain purchase	6	**9.2**	**11.4**
Financial items			
Interest income		2.5	2.4
Interest expenses	17	(34.6)	(29.0)
Share of results in associated companies	12	(0.6)	(0.5)
Other financial items	7	17.3	(6.8)
Total financial items		**(15.4)**	**(33.9)**
Income / (loss) from continuing operations before taxes		**23.1**	**(7.1)**
Income tax expense	8	(13.3)	(7.7)
Income / (loss) from continuing		**9.8**	**(14.8)**
Net income / (loss)		**9.8**	**(14.8)**
Income /(loss) per share – basic		0.07	(0.10)
Income /(loss) per share – diluted		0.07	(0.10)
Weighted average number of shares outstanding			
Basic	9	148.8	148.2
Diluted	9	149.5	148.2

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Archer Limited and subsidiaries
Consolidated statement of comprehensive Income/(Loss)

Consolidated Statements of Comprehensive Income/(Loss)

($ in millions)	YEAR ENDED DECEMBER 31	
	2022	2021
Net income /(loss)	**9.8**	**(14.8)**
Other comprehensive (loss) / income		
Currency translation differences	(16.7)	(6.4)
Gain on sale of equity investment	–	0.6
Total other comprehensive loss	**(16.7)**	**(5.8)**
Total comprehensive loss	**(6.9)**	**(20.6)**

Accumulated Other Comprehensive Loss

($ in millions)	Translation differences	Other comprehensive income	Total
Balance at December 31, 2020	**13.6**	**–**	**13.6**
Total other comprehensive income during 2021	(6.4)	0.6	(5.8)
Balance at December 31, 2021	**7.2**	**0.6**	**7.8**
Total other comprehensive income during 2022	(16.7)	–	(16.7)
Balance at December 31, 2022	**(9.5)**	**0.6**	**(9.0)**

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Archer Limited and subsidiaries
Consolidated balance sheet

($ in millions)	Note	December 31, 2022	December 31, 2021
ASSETS			
Cash and cash equivalents		82.1	50.7
Restricted cash		10.9	14.8
Accounts receivables	3	152.6	125.6
Inventories	10	55.2	52.1
Other current assets	11	39.0	30.7
Total current assets		**339.8**	**273.9**
Investment in associated	12	11.8	3.4
Marketable securities		15.9	2.9
Property plant and equipment, net	13	310.7	343.6
Right of use assets	18	26.4	26.7
Deferred income tax asset	8	21.6	20.6
Goodwill	14	149.4	167.5
Other intangible assets, net		2.2	0.6
Deferred charges and other assets	15	28.4	11.4
Total noncurrent assets		**566.4**	**576.7**
Total assets		**906.2**	**850.7**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	26	562.9	25.3
Accounts payable		47.2	43.5
Operating Lease liabilities	18	5.6	5.2
Other current liabilities	16	162.3	140.2
Total current liabilities		**778.1**	**214.2**
Long-term interest-bearing debt	26	8.7	509.5
Subordinated related party Loan	26	15.9	15.9
Operating Lease liabilities	18	20.8	21.5
Deferred tax	8	0.4	1.0
Other noncurrent liabilities		0.8	0.0
Total noncurrent liabilities		**46.6**	**547.9**
Shareholders' equity		**81.5**	**88.5**
Total liabilities and shareholders' equity		**906.2**	**850.7**

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Archer Limited and subsidiaries
Consolidated statement of cash flows

($ in millions)	YEAR ENDED DECEMBER 31	
	2022	2021
Cash Flows from Operating Activities		
Net inome / (loss) from continuing operations	**9.8**	**(14.8)**
Adjustment to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	49.5	53.8
Impairment of fixed assets	7.3	16.4
Share-based compensation expenses	0.1	0.4
(Gain)/loss on assets disposals	0.0	(0.6)
Share of losses of unconsolidated affiliates	0.6	0.5
Amortization of loan fees	1.3	1.3
Mark to market of financial instruments	(7.7)	(5.1)
Mark to market of marketable securities	(13.1)	3.2
Change in deferred and accrued taxes	6.8	4.5
Gain on bargain purchase	(9.2)	(11.4)
Decrease/(increase) in accounts receivable and other current assets	(55.8)	(17.3)
Decrease/(increase) in inventories	1.2	2.2
(Decrease)/increase in accounts payable and other current liabilities	43.4	13.8
Change in other operating assets and liabilities net, including non-cash fx effects	7.3	5.7
Net cash provided by operating activities	**41.5**	**52.7**
Cash Flows from Investing Activities		
Capital expenditures	(30.3)	(33.5)
Proceeds from asset disposals	1.9	3.2
Proceeds from partial sale of equity investment	–	1.9
Investment in / loans to associated entities	(9.3)	(0.9)
Investment in subsidiaries net of cash acquired	(5.9)	(13.3)
Net cash used by investing activities	**(43.6)**	**(42.6)**
Cash Flows from Financing Activities		
Borrowings under revolving facilities, other long-term debt and financial leases	91.8	58.5
Repayments under revolving facilities, other long-term debt and financial leases	(54.5)	(52.3)
Cash settlement of RSUs	(0.2)	(0.3)
Net cash provided by financing activities	**37.1**	**5.9**
Effect of exchange rate changes on cash and cash equivalents	(7.5)	(4.1)
Net increase in cash and cash equivalents	**27.5**	**11.9**
Cash and cash equivalents, including restricted cash, at beginning of the period	65.5	53.6
Cash and cash equivalents, including restricted cash, at the end of the period	**93.0**	**65.5**
Interest paid	33.1	27.6
Taxes paid	6.5	3.9

See accompanying notes that are an integral part of these Consolidated Financial Statements

Archer Limited and subsidiaries
Consolidated statement of changes in shareholders' equity

($ in millions)	COMMON SHARES	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	CONTRIBUTED SURPLUS	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2020	**1.5**	**928.1**	**(1,574.2)**	**13.6**	**740.1**	**109.1**
Share based compensation	–	0.3	–	–	–	0.3
Translation differences	–	–	–	(6.4)	–	(6.4)
Cash Settlement of RSUs	–	(0.3)	–	–	–	(0.3)
Gain on sale of equity investment	–	–	–	0.6	–	0.6
Net income	–	–	(14.8)	–	–	(14.8)
Balance at December 31, 2021	**1.5**	**928.1**	**(1,589.0)**	**7.8**	**740.1**	**88.5**
Share based compensation	–	0.1	–	–	–	0.1
Translation differences	–	–	–	(16.7)	–	(16.7)
Cash Settlement of RSUs	–	(0.2)	–	–	–	(0.2)
Net income	–	–	9.8	–	–	9.8
Balance at December 31, 2022	**1.5**	**928.0**	**(1,579.2)**	**(8.9)**	**740.1**	**81.5**

See accompanying notes that are an integral part of these Consolidated Financial Statements

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 1 — General Information

Archer is an international oilfield service company providing a variety of oilfield products and services through its global organizations. Services include Platform Drilling, Land Drilling, Modular Rigs, Engineering services, Wireline services, production monitoring, well imaging and integrity management tools. In 2022 Archer invested in a 50% holding of Iceland Drilling, a provider of geothermal services.

As used herein, unless otherwise required by the context, the term "Archer" refers to Archer Limited and the terms "company", "we", "Group", "our" and words of similar import refer to Archer and its consolidated subsidiaries. The use herein of such terms as Group, organization, we, us, our and its, or references to specific entities, is not intended to be a precise description of corporate relationships.

Archer was incorporated on August 31, 2007, and conducted operations as Seawell Ltd., or Seawell, until May 16, 2011, when shareholders approved a resolution to change the name to Archer Limited.

Basis of presentation

The financial statements are presented in accordance with generally accepted accounting principles in the United States of America (US GAAP). The amounts are presented in United States Dollars, USD, or $ rounded to the nearest million, unless otherwise stated.

We present our financial statements on a continuing business basis and separately present discontinued operations.

The accounting policies set out below have been applied consistently to all periods in these consolidated financial statements.

Basis of consolidation

Investments in companies in which we directly or indirectly hold more than 50% of the voting control are generally consolidated in our financial statements.

Entities in which we do not have a controlling interest but over which we have significant influence are accounted for under the equity method of accounting. Our share of after-tax earnings of equity method investees are reported under Share of results of unconsolidated associates.

A list of all significant consolidated subsidiaries is attached – see Appendix B.

Intercompany transactions and internal sales have been eliminated through consolidation.

Reclassifications

Certain amounts in the prior years' consolidated financial statements may be reclassified when necessary to conform to the current year presentation.

Going concern

Following the completion of our refinancing, as further described in note 27, our Board of Directors confirms their assumption of the Group as a going concern for the foreseeable future, being a period of not less than 12 months from the date of this report. This assumption is based on the liquidity position of the Group, forecasted operating results, and the market outlook for the oil service sector as at December 31, 2022. The Board believes the annual report provides a fair presentation of the Group's assets and debt, financial position and financial performance.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 2 — Accounting Policies

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty. Accordingly, our accounting estimates require the exercise of judgment. While management believes the estimates and assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ materially from those estimates. Estimates are used for, but are not limited to, determining the following: allowance for doubtful accounts, recoverability of long-lived assets, goodwill and intangibles, useful lives used in depreciation and amortization, income taxes and valuation allowances and purchase price allocations. The accounting estimates used in the preparation of the consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes.

Revenue from contracts with customers

The activities that primarily drive the revenue earned from our drilling contracts include:

- Providing specialist crew for the operation of, or repair, maintenance or modifications of Customer's platform rigs;
- Providing land drilling rigs and modular rigs, and the crew and supplies necessary to operate the rigs;
- Mobilizing and demobilizing land rigs between well sites;
- Wireline services; and
- Rental of equipment.

Consideration received for performing these activities consist primarily of contract day rates. We account for our integrated services as a single performance obligation that is (i) satisfied over time and (ii) consists of a series of distinct time increments. Occasionally we receive lump mobilization fees and fixed fees for engineering projects.

We recognize consideration for activities that correspond to a distinct time increment within the contract term in the period when the services are performed. We recognize consideration for activities that are (i) not distinct within the context of our contracts and (ii) do not correspond to a distinct time increment, rateably over the estimated contract term.

We determine the total transaction price for each individual contract by estimating both fixed and variable consideration expected to be earned over the term of the contract. The amount estimated for variable consideration may be constrained and is only included in the transaction price to the extent that it is probable that a significant reversal of previously recognized revenue will not occur throughout the term of the contract. When determining if variable consideration should be recognized, we consider whether there are factors outside of our control that could result in a significant reversal of revenue as well as the likelihood and magnitude of a potential reversal of revenue. We re-assess these estimates each reporting period as required. Refer to Note 3 - Revenue from Contracts with Customers.

Day rate Drilling Revenue - Our contracts generally provide for payment on a day rate 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 day rate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis. Such dayrate consideration is allocated to the distinct hourly increment it relates to within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given hour.

Mobilization Revenue - We may receive fees (on either a fixed lump-sum or variable day rate basis) for the mobilization of our rigs. These activities are not considered to be distinct within the context of the contract and therefore, the associated revenue is allocated to the overall performance obligation and recognized rateably over the expected term of the related drilling contract. We record a contract liability for mobilization fees received, which is amortized rateably to contract drilling revenue as services are rendered over the initial term of the related drilling contract.

Demobilization Revenue - may receive fees (on either a fixed lump-sum or variable day rate basis) for the demobilization of our rigs. Demobilization revenue expected to be received upon contract completion is estimated as part of the overall transaction price at contract inception and recognized over the term of the contract. In most of our contracts, there is uncertainty as to the likelihood and amount of expected demobilization revenue to be received. For example, the amount may vary dependent upon whether or not the rig has additional contracted work following the initial contract. Therefore, the estimate for such revenue may be constrained, as described above, depending on the facts and circumstances pertaining to the specific contract. We assess the likelihood of receiving such revenue based on past experience and knowledge of the market conditions.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

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. Such reimbursable revenue is variable and subject to uncertainty, as the amounts received and timing thereof is highly dependent on factors outside of our influence. Accordingly, reimbursable revenue is not recorded and not included in the total transaction price until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of a customer. We are generally considered a principal in such transactions and record the associated revenue at the gross amount billed to the customer, at a point in time, as "Reimbursable revenues" in our Consolidated Statements of Operations.

Foreign currencies
For subsidiaries that have functional currencies other than the USD, the statements of operations are translated using the average exchange rate for the month and the assets and liabilities are translated using the year-end exchange rate. Foreign currency translation gains or losses are recorded as a separate component of other comprehensive income in shareholders' equity.

Transactions in foreign currencies during the year are translated into the functional currency of the respective entity at the rates of exchange in effect on the date of the transaction. Foreign currency assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency transaction gains or losses are included in the consolidated statements of operations.

Current and noncurrent classification
Assets and liabilities are classified as current assets and liabilities respectively if their maturity is within one year of the balance sheet date. Assets and liabilities not maturing within one year are classified as long term, unless the facts or circumstances indicate that current classification is otherwise appropriate.

Cash and cash equivalents
Cash and cash equivalents consist of cash, demand deposits and highly liquid financial instruments purchased with an original maturity of three months or less and exclude restricted cash.

Restricted cash
Restricted cash consists mainly of bank deposits arising from advance employee tax withholdings.

Receivables
Accounts receivable are recorded in the balance sheet at their full amount less allowance for doubtful receivables. We establish reserves for doubtful receivables on a case-by-case basis. In establishing these reserves, we consider changes in the financial position of the customer, as well as customer payment history. Uncollectible trade accounts receivables are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when they are considered irrecoverable. If a previously written off debt is subsequently recovered it is recorded as a credit to bad debt expense.

Net bad debt expense for 2022 was $0.3 million (2021: 0.0 million).

Inventories
Inventories are valued at the lower of first-in, first-out cost or market value. On a regular basis we evaluate our inventory balances for excess quantities and obsolescence by analyzing demand, inventory on hand, sales levels and other information. Based on these evaluations, inventory balances are written down, if necessary.

Equity Method Investments
Investments in which we have the ability to exercise significant influence, but do not control, are accounted for under the equity method of accounting and are reported under Investments in unconsolidated associates in the Consolidated Balance Sheet. Significant influence is generally deemed to exist if the company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors such as representation on the investee's Board of Directors and the nature of commercial arrangements are considered in determining whether the equity method of accounting is appropriate.

Under this method of accounting, our share of the net earnings or losses of the investee, together with other-than-temporary impairments in value and gain/loss on sale of investments, is reported under Share of gains/losses of unconsolidated associates in the Consolidated Statement of Operations.

We evaluate our equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Property, plant and equipment
Property, plant and equipment are recorded at historical cost less accumulated depreciation. The cost of these assets' less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful lives of our fixed assets are in the following ranges:

• Buildings	3 – 50 years
• Drilling and well service equipment	2 – 30 years
• Office furniture and fixtures	3 – 10 years
• Motor vehicles	3 – 7 years

We evaluate the remaining useful life of our property, plant and equipment on a periodic basis to determine whether events and circumstances warrant a revision.

Expenditures for replacements or improvements are capitalized. Maintenance and repairs are charged to operating expenses as incurred.

Fully depreciated assets are retained in property, plant and equipment and accumulated depreciation until disposal. Upon sale or retirement, the cost of property and equipment, related accumulated depreciation and write-downs are removed from the balance sheet and the net amount, less any proceeds from disposal, is charged or credited to the consolidated statement of operations.

Assets under construction
The carrying value of assets under construction represents the accumulated costs at the balance sheet date and is included in property, plant and equipment on the face of the balance sheet. Cost components include payments for installments and variation orders, construction supervision, equipment, spare parts, capitalized interest, costs related to first-time mobilization and commissioning costs. No charge for depreciation is made until commissioning of the new builds has been completed and it is ready for its intended use.

Finance Leases
We lease office space and equipment at various locations. Our Oiltools division also leases operating equipment which in turn is leased out to Archer customers. Where we have substantially all the risks and rewards of ownership, the lease is classified as a finance lease. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Each lease payment is allocated between the corresponding finance lease liability and finance charges so as to achieve a constant rate on the liability outstanding. The interest element of the capital cost is charged to the Consolidated Statement of Operations over the lease period.

Depreciation of assets held under capital leases is reported within "Depreciation and amortization expense" in the Consolidated Statement of Operations. Capitalized leased assets are depreciated on a straight-line basis over the estimated useful economic lives of the assets or a straight-line basis over the lease term, whichever is shorter.

Operating leases
Our operating leases relate to office and warehouse space. We recognize on the balance sheet the right to use these assets and a corresponding liability in respect of all material lease contracts with duration, or lease term, of 12 months or above. We estimate discount rates used for calculating the cost of operating leases, which take into account the type of assets subject to the lease and the geographical region in which it is leased and used. The amortization of right of use assets is presented in operating costs on our statement of operations.

In relation to our operating leases, prior periods were not restated to reflect the recording of the right of use asset/liability related to these leases.

Intangible assets
Intangible assets are recorded at historical cost less accumulated amortization. The cost of intangible assets is generally amortized on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful lives of our intangible assets range from 2 to 20 years. We evaluate the remaining useful life of our intangible assets on a periodic basis to determine whether events and circumstances warrant a revision of the remaining amortization period. Once fully amortized, the intangible's cost and accumulated amortization are eliminated.

Trade names under which we intend to trade for the foreseeable future are not amortized. In circumstances where management decides to phase out the use of a trade name, the relevant cost is amortized to zero over the remaining estimated useful life of the asset.

Acquired technology is not amortized until ready for marketing.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Goodwill
We allocate the cost of acquired businesses to the identifiable tangible and intangible assets and liabilities acquired, with any remaining amount being capitalized as goodwill. Goodwill is not amortized but is tested for impairment at least annually. We test goodwill by reporting unit for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The reporting units have been identified in accordance with Accounting Standards Codification 350-20 "Intangible Assets–Goodwill," as the business components one level below the reporting segments, each of which we identified as:

- constituting a business;
- for which discrete financial information is available; and
- whose operating results are reviewed regularly by segment management.

We aggregate certain components with similar economic characteristics.

The goodwill impairment test involves an initial qualitative review to determine whether it is more likely that not that goodwill is impaired. If the initial review indicates a possible impairment, we follow with a one-step process involving a comparison of each reporting unit's fair value to its carrying value. If a reporting unit's fair value is less than its carrying value, an impairment charge equal to the shortfall is made against the relevant goodwill, until the balance is zero.

We estimate the fair value of each reporting unit using the income approach. The income approach incorporates the use of a discounted cash flow method in which the estimated future cash flows and terminal values for each reporting unit are discounted to a present value. Cash flow projections are based on management's estimates of economic and market conditions that drive key assumptions of revenue growth rates, operating margins and capital expenditures. The discount rate is based on our specific risk characteristics, its weighted average cost of capital and its underlying forecasts. There are inherent risks and uncertainties involved in the estimation process, such as determining growth and discount rates.

Impairment of long-lived assets and intangible assets other than goodwill
The carrying values of long-lived assets, including intangible assets that are held and used by us are reviewed for impairment if factors are identified that suggest that the carrying value may be more than the assets fair value. As prescribed by US GAAP, for step one of the impairment test, we assess our major assets/asset groups for recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposal. If the future net cash flows are less than the carrying value of the asset, an impairment charge is required. We then use various methods to estimate the fair value of our assets, using all and best available relevant data, including estimated discounted cash-flow forecasts, relevant market data where available, and independent broker valuations for our land rigs. Once the fair value has been determined, the potential impairment is recorded equal to the difference between the asset's carrying value and fair value.

Research and development
All research and development ("R&D") expenditures are expensed as incurred. Under the provisions of ASC 805, 'Business Combinations' acquired in-process R&D that meets the definition of an intangible asset is capitalized and amortized.

Income taxes
Archer is a Bermuda company. Under current Bermuda law, Archer is not required to pay taxes in Bermuda on either income or capital gains. We have received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, Archer will be exempted from taxation until 2035.

Certain of our subsidiaries operate in other jurisdictions where taxes are imposed, mainly Norway, the United States, Argentina, Brazil and the United Kingdom. For legal entities operating in taxable jurisdictions, we compute tax on income in accordance with the tax rules and regulations of the taxing authority where the income is earned. The income tax rates imposed by these authorities vary. Taxable income may differ from pre-tax income for accounting purposes. To the extent that differences are due to revenues or expense items reported in one period for tax purposes and in another period for financial accounting purposes, an appropriate provision for deferred taxes is made. A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized. When it is more likely than not that a portion or all of a deferred tax asset will not be realized in the future, we provide a valuation allowance against that deferred tax asset. The amount of deferred tax provided is based upon the expected manner of settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

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The impact of changes to income tax rates or tax law is recognized in periods when the change is enacted.
Significant judgment is involved in determining the provision for income taxes. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. Our tax filings are subject to regular audit by the tax authorities in most of the jurisdictions in which we conduct our business. These audits may result in assessments for additional taxes which are resolved with the authorities or, potentially, through the courts. We recognize the impact of a tax position in our financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The level of judgment involved in estimating such potential liabilities and the uncertain and complex application of tax regulations, may result in liabilities on the resolution of such audits, which are materially different from our original estimates. In such an event, any additional tax expense or tax benefit will be recognized in the year in which the resolution occurs.

Earnings per share or EPS
Basic earnings per share are calculated based on the income/(loss) for the period available to common stockholders divided by the weighted average number of shares outstanding for basic EPS for the period, including vested restricted stock units. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments, for which we include share options and unvested restricted stock units.

Deferred charges
Loan-related costs, including debt arrangement fees, incurred on the initial arrangement are capitalized and amortized over the term of the related loan using the straight-line method, which approximates the interest method. Amortization of loan-related costs is included in interest expense. Subsequent loan costs in respect of existing loans, such as commitment fees, are recognized in the Consolidated Statement of Operations within "Interest expense" in the period in which they are incurred. Unamortized loan costs are presented as a reduction of the carrying value of the related debt.

Share-based compensation
We had previously established a stock option plan under which employees, directors and officers of the Archer Group may be allocated options to subscribe for new shares in Archer.

The fair value of the share options issued under our employee share option plans is determined at grant date, taking into account the terms and conditions upon which the options are granted and using a valuation technique that is consistent with generally accepted valuation methodologies for pricing financial instruments, and that incorporates all factors and assumptions that knowledgeable, willing market participants would consider in determining fair value. The fair value of the share options is recognized as personnel expenses with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the options. At December 31, 2022 we have no stock options outstanding under stock option grants.

The Board has from time to time granted restricted stock units, or RSU's, to members of Archer's management team. The RSUs vest typically with 1/4th on each date falling approximately one, two, three and four years after the grant date.

Compensation cost in respect of share options and RSUs is initially recognized based upon grants expected to vest with appropriate subsequent adjustments to reflect actual forfeitures. National insurance contributions will arise from such incentive programs in some tax jurisdictions. We accrue an estimated contribution over the vesting periods of the relevant instruments.

Financial instruments
From time to time, we enter into interest rate swaps or caps in order to manage floating interest rates on debt. Interest rate swap/cap agreements are recorded at fair value in the balance sheet when applicable. A hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability may be designated as a cash flow hedge.

When the interest swap qualifies for hedge accounting, we formally designate the swap instrument as a hedge of cash flows to be paid on the underlying loan, and in so far as the hedge is effective, the change in the fair value of the swap in each period is recognized in the "Accumulated other comprehensive loss" line of the Consolidated Balance Sheet. Changes in fair value of any ineffective portion of the hedges are charged to the Consolidated Statement of Operations in "Other financial items." Changes in the fair value of interest rate swaps are otherwise recorded as a gain or loss under "Other financial items" in the Consolidated Statement of Operations where those hedges are not designated as cash flow hedges.

Discontinued operations
The disposal of a component of an entity or a group of components of an entity is reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results.

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Segment reporting
A segment is a distinguishable component of the company that is engaged in business activities from which it earns revenues and incurs expenses, whose operating results are regularly reviewed by the chief operating decision maker and which is subject to risks and rewards that are different from those of other segments. As our business develops we periodically review our reporting segments. We conducted such a review in 2022 as a result of which we changed our reporting segments to disclose our financial data at a more detailed level, reflecting the various services provided. The new reporting segments reflect Archer's management structure and also take account of financial data presented to our chief operating decision maker, the Board of Directors, when reviewing Archers performance and allocating resources.

We were previously presenting our business under two reporting segments:
- Eastern Hemisphere
- Western Hemisphere

Western Hemisphere comprised our land drilling and related operations in Latin America,and our 8.8% interest in KLX Energy Services Holdings Inc. The Eastern Hemisphere segment contains Platform Drilling operations in the North Sea, plus our global Oiltools and Wireline Service divisions In addition we report corporate costs, and assets as separate line items.

With effect from December 31,2022 we have determined that our reporting segments are:
- Platform Operations (which includes Platform Drilling, Modular rig, and Engineering services)
- Well Services (which includes our Oiltools and Wireline service divisions)
- Land Drilling

We report corporate costs, and assets as separate line items.

Segmental information is presented in Note 25.

The accounting principles for the segments are the same as for our consolidated financial statements.

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

Recently issued accounting pronouncements
Accounting standards that became effective January 1, 2021, did not have a material impact on the consolidated financial statements There are currently no recently issued Accounting Standard updates that are expected to materially affect our consolidated financial statements and related disclosures in future periods.

Note 3 — Revenue from contracts with customers

The following table provides information about receivables, contract assets and contract liabilities from our contracts with customers:

Revenue from contracts with customers

($ in millions)	December 31, 2022	December 31, 2021
Accounts receivable net	152.6	125.6

Our accounts receivable balance includes $60.0 million unbilled and accrued revenue (2021 : $39.0 million)

Provision for bad debts - On December 31, 2022, we have a provision for bad debt of $0.3 million which relates to debt owed from Russia. We have closed our operation in Russia. Prior to this provision we had no provisions for bad debts in our balance sheet. Any anticipated unrecoverable revenues are taken into account under our revenue recognition policy and subsequent bad debts are generally written off as they are recognised.

We have recognised contract assets of $15.7 million which relate to mobilisation fees for one of our modular rigs. These fees will be amortised over the contract period. $6.3 million of these fees are included in other current assets and $9.4 million in other non-current assets.

Practical expedient - We have applied the disclosure practical expedient in ASC 606-10-50-14A(b) and have not included estimated variable consideration related to wholly unsatisfied performance obligations or to distinct future time increments within our contracts, including day-rate revenue. The duration of our performance obligations varies by contract.

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Note 4 —Compensation, and severance expenses

Total compensation costs
The following table shows a summarized analysis of our total employee compensation costs.

	YEARS ENDED DECEMBER 31	
($ in millions)	2022	2021
Salary costs	364.1	351.8
Pension costs	23.2	25.5
Employers tax	55.4	51.2
Other compensation costs	25.7	21.4
Total compensation costs	**468.4**	**449.9**

Remuneration to management
Key management consists of the Chief Executive Officer, Chief Financial Officer and General Counsel, The compensation to key management is paid in NOK and the USD figure is not fully comp[arable year on year. The company discloses remuneration to management on aggregated levels. Total compensation and benefits of the key management were as follows:

($ in thousands)	Year ended December 31, 2022	(In USD million equivalent)
Salary	919.4	887.7
Bonus	549.3	360.9
Other remuneration	4.2	65.7
Pension contribution	34.0	27.4
Total compensation costs	**1,506.9**	**1,341.7**

Remuneration to the Board of Directors
The Directors of the Board received a yearly remuneration of between $70 thousand and $90 thousand for the years ended December 31, 2022 and December 31, 2021, paid proportionately for the time spent on the Board. We do not recognize a permanent Chairman of the Board, a Chairman of the Board is elected for each meeting. Total Board fees for the years ended December 31, 2022 and 2021 were $357.6 thousand and $381.3 thousand respectively.

The table below shows the total number of shares owned directly or indirectly by Directors and key management as of December 31, 2022

Name	Position Held	Shares Held	Outstanding RSUs held
Dag Skindlo	CHIEF EXECUTIVE OFFICER	324,333	50,000
Espen Joranger	CHIEF FINANCIAL OFFICER	57,307	20,000
Adam Todd	GENERAL COUNSEL	83,616	20,000

Severance cost and other restructuring costs
In total we expensed $9.0 million in connection with our restructuring actions in 2022 and $8.0 million in 2021 the amounts being included in operating expenses.

An analysis of these costs is tabulated below:

($ in millions)	Year ended December 31, 2022		Year ended December 31, 2021	
	Severance costs	Other costs	Severance costs	Other costs
Platform Operations	2.2	--	1.3	0.6
Well Services	1.0	0.8	0.0	0.0
Land Drilling	5.0	--	2.5	3.6
Total	**8.2**	**0.8**	**3.8**	**4.2**

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Note 5 — Impairments
Our long-lived assets predominantly consist of land drilling rigs and equipment utilized by our Land drilling division in South America, and our two modular rigs. The carrying values of these assets are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset, or group of assets, may not be fully recoverable, and at least once each year as part of our annual reporting routine.

During 2022 we recognized total impairment losses of $6.0 million (2021: $16.4 million) relating to rigs and land drilling equipment in our South American business in addition, in 2022 following our acquisition of Ziebel, we recognized impairment charges of $1.3 million relating to assets acquired as part of the acquisition. The impairments arose subsequent to the acquisition as described in note 6 below. All impairments were recognized as part of our annual detailed review of fixed assets and assessment of carrying values.

In 2021, in response to the on-going difficulties in Latin America resulting from the covid Pandemic, strike actions and government fiscal restrictions, we expanded our recognized indicators for asset impairment which are historically the comparison of carrying values with estimated future cash flows and independent broker valuations, to include rigs which have remained idle for a period of five or more years. We have impaired rigs which have been idle for this length of time to a zero carrying value. Impairment of idle rigs, resulting from this additional test criterion accounts for 98% and 90% the impairments of our land rigs recognized in 2022 and 2021 respectively.

As stated in our accounting policy, we use various methods to estimate the fair value of our assets, each of which involves significant judgment. We use the most relevant data available at the balance sheet date, including specific independent valuations for our land rigs. The key inputs and assumptions used in the various valuations included future market growth rates, EBITDA margins, discount factors and asset lifetimes. Reasonable variations in these assumptions could give rise to additional impairment, particularly in relation to the modular rigs and the Latin America drilling rigs.

Whilst acknowledging the uncertainty and the level of judgment involved in our estimates of value, we believe our determination of impairment charges to be reasonable and prudent as at 31, December 2022.

Please refer to Note 14 for further details on the calculation of goodwill impairments. No impairment charge was recognized in respect of goodwill in 2022.

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Note 6 — Gain on bargain purchase
The gain on bargain purchase of $9.2 million relates to the acquisition of all of the shares in Ziebel AS from an unrelated third party. Ziebel AS is the parent company of the Ziebel group ("Ziebel").

Ziebel provides well intervention services mainly in the US. Ziebel has developed cutting edge wireline technology much of which has been patented. Services offered by Ziebel complement our existing wireline product offering. Archer expects to benefit from the use of the Ziebel wireline splicing technology and also the retention of the Ziebel brand name in our US wireline operations.

Purchase consideration was given by way of an assignment agreement, under which Archer assumed debt, of principal amount NOK 29 million in exchange for a settlement of NOK 7 million paid to the lenders. All outstanding shares in Ziebel were transferred to Archer for zero consideration.

Purchase consideration

	(In NOK millions)	(In USD million equivalent)
Cash settlement with Ziebel lenders	(7.0)	(0.8)
Principal and interest owing at date if assignment of debt	29.2	3.3
Gain on assignment of debt - included in gain on bargain purchase	**22.2**	**2.5**

In addition, the gain on bargain purchase includes the fair value of the following assets, acquired for zero consideration at the acquisition date of February 3, 2022:

Fair value of assets acquired (preliminary)

	(In USD million equivalent)
Cash and restricted cash	0.21
Other current assets	0.6
Tangible fixed assets	2.0
Intangible assets	2.8
Deferred tax asset	6.4
Liabilities	(5.3)
Total fair value of assets acquired	**6.7**

The excess of fair value of the assets acquired over the purchase consideration is reported as a separate line item, "Gain on bargain purchase", and comprises the gain on loan assignment plus the fair value of the assets acquired. The USD numbers quoted above are based on consolidated USD numbers provided by Ziebel. The gain arises primarily from;

1. the acquisition of the debt at significant discount,
2. the recognition of the technology developed by Ziebel which will be utilized in our wireline divisions,
3. the recognition of a deferred tax asset relating to Ziebel's carried forward tax losses, which Archer can utilize going forward.

The gain on bargain purchase results from our preliminary calculations, based on all information available to date. The calculation may change if further information materializes within 12 months from the acquisition date of February 3, 2022, which would result in adjustment to the reported gain and relevant carrying values acquired.

The acquisition and future operation of Ziebel are included in our Well Services reporting segment. For the period from the acquisition until the end of March 2022, Archer recognized a total of $0.4 million in external revenue from Ziebel.
The gain on bargain purchase of $11.4 million, recognized in 2021 relates to the acquisition of all of the shares in DeepWell AS and DW Quip AS (collectively referred to as DeepWell), from Moreld AS, an unrelated third party. DeepWell AS was merged into Archer AS in the fourth quarter of 2021.

DeepWell provides well intervention and cased hole services from its base in Norway. Archer's interest in acquiring DeepWell was driven by the fact that DeepWell's business complements Archer's wireline division. The utilization of DeepWell's equipment and personnel and its advanced technology will enable Archer to improve and expand its wireline business. Prior to the acquisition, Archer was already renting some equipment from DeepWell.

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Purchase consideration for the DeepWell totalled NOK 170.4 million (or $19.9 million) and settled as follows:

Purchase consideration

	(In NOK millions)	(In USD million equivalent)
Cash settlement	2.0	0.2
Repayment of DeepWell's external loan	121.4	14.2
Seller's credit, due in January 2022	47.0	5.5
Total consideration	**170.4**	**19.9**

Fair value of assets acquired (preliminary)

	(In NOK millions)	(In USD million equivalent)
Cash and restricted cash	9.7	1.1
Other current assets	57.5	6.7
Tangible fixed assets	194.4	22.7
Intangible assets	2.4	0.3
Deferred tax asset	84.3	9.8
Liabilities	(77.4)	(9.3)
Total fair value of assets acquired	**270.8**	**31.3**

The excess of fair value of the assets acquired over the purchase consideration is reported as a separate line item, "Gain on bargain purchase" the gain arises primarily from the recognition of a deferred tax asset upon the acquisition relating to DeepWell's carried forward tax losses, which Archer can utilize going forward.

The gain on the bargain purchase results from our preliminary calculations, based on all information available to date. The calculation may change if further information materializes within 12 months from the acquisition date of June 3, 2021, which would result in adjustment to the reported gain and relevant carrying values acquired.

The acquisition and future operation of DeepWell are included in our Eastern Hemisphere reporting segment. For the period from the acquisition until the end of June 2021, Archer recognized a total of $1.1 million in external revenue from.

Note 7 — Other Financial Items

	YEARS ENDED DECEMBER 31	
($ in millions)	2022	2021
Net foreign exchange gains/(losses)	(18.5)	(7.0)
Mark-to-market of marketable securities	13.1	(3.2)
Mark-to-market of financial investments	24.0	5.1
Other items	(1.3)	(1.8)
Total other financial items	**17.3**	**(6.8)**

Foreign exchange gains and losses includes foreign exchange gains and losses on an intercompany loan balance denominated in Norwegian Kroner. The internal NOK loan is held in a USD functional entity, while the corresponding intercompany debt is held in a Norwegian Kroner functional entity. The financial impact of USD/NOK exchange rate movements on the entity with Norwegian Kroner functional currency is classified as other comprehensive income. During 2022 we have experienced significant movements in foreign exchange rates, with the NOK weakening against the USD by around 11%. This resulted in the large exchange losses recorded in the income statement in 2022. These are largely offset by translation adjustments recorded directly in accumulated other comprehensive income, and so the net effect of these exchange rate movement on equity is not so significant.

Mark-to-market of marketable securities include the mark to market of our investment in KLX Energy Services Holdings Inc. while mark-to-market of financial instruments include the mark to market of our interest rate caps agreements, which has increased in value in 2022 following the accelerated increase in the USD interest rates.

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Note 8 — Income Taxes

Our income tax consists of the following:

	YEARS ENDED DECEMBER 31	
($ in millions)	2022	2021
Current tax expense	11.2	4.5
Deferred tax expense / (benefit)	2.1	3.2
Total income tax expense / (benefit), net	**13.3**	**7.7**

Tax expense is impacted by the de-recognition of deferred tax assets which we do not expect to be able to utilize within the foreseeable future. We have booked valuation allowances against deferred tax relating to net operating losses and foreign tax credits in Argentina, Brazil, Canada and North America, and other timing differences in Norway and the UK.

The company, including its subsidiaries, is taxable in several jurisdictions based on its operations. A loss in one jurisdiction may not be offset against taxable income in another jurisdiction. Thus, the company may pay tax within some jurisdictions even though it might have losses in others.

Income tax expense / (benefit) can be split in the following geographical areas:

	YEARS ENDED DECEMBER 31	
($ in millions)	2022	2021
North America	1.4	0.5
South America	5.3	0.8
Europe	6.4	4.5
Others	0.3	1.8
Total	**13.3**	**7.7**

The income taxes for the years ended December 31, 2022 and 2021 differed from the amount computed by applying the statutory income tax rate in Bermuda, of 0% as follows:

	YEARS ENDED DECEMBER 31	
($ in millions)	2022	2021
Income taxes at statutory rate	-	-
Taxable losses at local tax rate from continuing operations*	3.4	(8.2)
Effect of impairment charges	(9.3)	6.1
Effect of other non-deductible expenses	(2.0)	(2.2)
Effect of share of losses of unconsolidated associates	0.3	0.4
Effect of non-deductible interest	3.4	3.4
Effect of temporary differences	8.9	8.9
Effect of tax and exchange rate on temporary movements	6.1	9.6
Effect of valuation allowances	(2.6)	12.9
Effect of adjustments from prior years	1.1	1.5
Effect of state and withholding taxes	4.0	1.1
Actual tax expense/ (benefit) recognized	**13.3**	**7.7**

Figures exclude non-taxable income in Bermuda (net gain of $14.2 million, 2021: $12.1 million)

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Deferred Income Taxes
Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. The net deferred tax assets consist of the following:

		DECEMBER 31
($ in millions)	2022	2021
Pension	0.0	0.2
Tax losses carry forward	845.7	816.1
Impairments of tangible and intangible assets	1.8	1.8
Property differences	70.8	83.6
Provisions	10.9	13.6
Other	304.7	294.8
Gross deferred tax asset	**1,233.9**	**1,210.1**
Net deferred tax asset basis before valuation allowance	**1,233.9**	**1,210.1**
Valuation allowance	(1,126.4)	(1,133.9)
Net deferred tax asset basis	**107.5**	**76.2**
Net deferred tax asset	**21.2**	**19.6**

Tax losses carry forward of $845.7 million shown in the table above, principally relates to carried forward tax losses of $719 million originating in the United States and tax losses of $43.3 million originating in Brazil. The tax losses in the US can be carried forward over a period of 20 years and most of these accumulated losses will expire by 2037. The Brazilian tax losses can be carried forward indefinitely.

Overall, deferred tax assets increased in 2022 due to the acquisition of Ziebel AS ($6.4 million). This is offset by net profit in Norway ($ 2.1 million) For tax losses incurred in 2022 for Argentina, Canada and in the United States, the increase in deferred tax assets are offset by an increase in the valuation allowance, resulting in no net effect in the 2022 financial statements.

In total, the valuation allowance is a provision against deferred tax assets relating to tax operating losses, foreign tax credits and excess tax values on drilling equipment, for which we do not, at the balance sheet date, have a sufficiently documented tax strategy for realization against future tax liabilities.

Deferred taxes are classified as follows:

		DECEMBER 31
($ in millions)	2022	2021
Deferred tax asset	21.6	20.6
Deferred tax liability	(0.4)	(1.0)
Net deferred tax asset	**21.2**	**19.6**

The deferred tax assets of $21.6 million primarily consist of $12.0 million of tax assets in Norway, $8.2 million tax assets in Argentina and $1.0 million tax assets in UK. $6.4 million of deferred tax asset in Norway relates to the acquisition of Ziebel AS in first quarter 2022.

No provision has been made in respect of deferred tax on unremitted earnings from subsidiaries (2021: $Nil). No tax would be expected to be payable if unremitted earnings were repatriated to the ultimate parent.

The Group operates in a number of jurisdictions and its tax filings are subject to regular audit by the tax authorities. The Group's principal operations are located in Argentina, Australia, Brazil, Malaysia, Norway and the UK with the earliest periods under audit or open and subject to examination by the tax authorities, within these jurisdictions, being 2017, 2018 ,2019, 2020, 2021 and 2022.

As in previous years, all benefits and expenses in relation to uncertain tax positions have been analyzed in terms of quantification and risk, and we have provided for uncertain benefits and expenses where we believe it is more likely than not that they will crystalize.

The Group's accounting policy is to include interest and penalties in relation to uncertain tax positions within tax expense. Withholding taxes are expensed as and when withheld and are credited to the income statement if and when recovered.

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Note 9 — Earnings Per Share, or EPS
The components for the calculation of basic EPS and diluted EPS and the resulting values are as follows:

	NET LOSS ($ in millions)	WEIGHTED AVERAGE SHARES OUTSTANDING	LOSS PER SHARE (IN $)
2021			
Basic loss per share from continuing operations	(14.8)	148,217,188	(0.10)
Effect of dilutive options *	—	—	—
Diluted loss per share	(14.8)	148,217,188	(0.10)

** Share-based compensation of 1,716,422 shares were excluded from the computation of diluted earnings per share for the year ended December 31, 2021, and of 1,442,233 shares were excluded from the computation for year ended December 31, 2020, as the effect would have been antidilutive due to the net loss for the period.*

	NET LOSS ($ in millions)	WEIGHTED AVERAGE SHARES OUTSTANDING	LOSS PER SHARE (IN $)
2022			
Basic Earnings per share from continuing operations	9.8	148,758,612	0.07
Effect of dilutive options	—	767,693	0.00
Diluted loss per share	9.8	149,526,305	0.07

Note 10 — Inventories
Our inventories include the following:

($ in millions)	DECEMBER 31, 2022	DECEMBER 31 , 2021
Manufactured		
Raw materials	1.5	1.1
Finished goods	13.6	9.7
Work in progress	0.9	0.4
Total manufactured	**16.1**	**11.2**
Drilling supplies	21.8	14.5
Other items and spares	17.3	26.4
Total inventories	**55.2**	**52.1**

Other items - Other items and spares primarily relate to parts and spares for the land rigs used in our Latin America operation and spares and parts used in the Oiltools operations.

Provisions for obsolescence amounting to $3.3 million (2021: $3.6 million) are included under Other items and spares.

Note 11 — Other Current Assets
Our other current assets include:

		DECEMBER 31
($ in millions)	2022	2021
Prepaid expenses	14.4	11.3
VAT and other taxes receivable	10.4	9.7
Reimbursable costs incurred	11.0	7.8
Other short-term receivables	3.2	1.9
Total other current assets	**39.0**	**30.7**

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Note 12 — Investments in Unconsolidated Associates

We have the following participation in investments that are recorded using the equity method:

	2022	2021
Comtrac As	50.0%	50.0%
Jarðboranir hf. ("Iceland Drilling")	50.0%	–

The carrying amounts of our equity method investments are as follows:

		DECEMBER 31
($ in millions)	2022	2021
Comtrac As	2.5	3.4
Iceland Drilling	9.3	–
Total investments in unconsolidated associates	**11.8**	**3.4**

The components of investments in unconsolidated associates are as follows:

($ in millions)		2022	
	Comtrac AS	Iceland Drilling	Total
Net book value at beginning of year	3.4	–	3.4
Additional capital investment	0.0	8.3	8.3
Subsequeny loan to Iceland Drilling	–	1.0	1.0
Share in results of associates	(0.6)	–	(0.6)
Translation adjustment	(0.3)	–	(0.3)
Carrying value of investment at end of year	**2.5**	**9.3**	**11.8**

($ in millions)		2021	
	Comtrac AS	C6*	Total
Net book value at beginning of year	–	4.7	4.7
Transfer of loan advances	3.4	(3.4)	–
Sale of remaining balances	–	1.3	1.3
Additional capital investment	0.9	–	0.9
Share in results of associates	(0.5)	–	(0.5)
Translation adjustment	(0.4)	–	(0.4)
Carrying value of investment at end of year	**3.4**	**–**	**3.4**

** Equity and loan investments combined*

Quoted market prices for C6 Technologies AS and Comtrac AS and IcelandDrilling are not available because the shares are not publicly traded.

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Investment in Iceland Drilling

During the fourth quarter 2022, we completed our acquisition of 50% of Iceland Drilling, an unrelated, international geothermal drilling and integrated Service company for a purchase price of $8.25 million. In addition to our equity shareholding we have equal Board representation with the other single 50% shareholder, Kaldbakur ehf, which is also unrelated to Archer Ltd. We have determined that our interest in Iceland Drilling does not constitute a controlling interest. Due to the fact that we are able to exercise significant influence over the company's operations we are accounting for the investment using the equity method of consolidation. The initial investment of $8.3 million includes the purchase consideration for the shares and direct costs relating to the purchase, comprising mainly legal and professional fees. Following due diligence work we have concluded that the book value of the net assets acquired is not materially different from the amount of our investment, totalling $8.3 million. We do not therefore, anticipate any material adjustments to our share of the results of Iceland Drilling, recognised in our future income statements, to reflect any basis differences between the value recorded as our initial investment and the book value of the underlying equity acquired.

Following the acquisition we have made a loan equivalent to $1.0 million to Iceland drilling.

Investment in Comtrac AS / C6 Technologies AS

Our investment in C6 comprised equity investment and a loan. In December 2020, we entered into a sale and purchase agreement with IKM, the other 50% shareholder of C6. Under the agreement, completed in 2021, our investment in the Comtrac technology developed by C6 was transferred to a new joint venture in which we continue to hold a 50% interest.

Comtrac AS is financed by the transfer of loans advanced to C6 by the original shareholders. The carrying value of our investment in the new entity has been adjusted to reflect historical adjustments made to the original investment in C6 which related to the Comtrac technology.

We received the sales consideration of $1.9 million from IKM for our shares in C6, after the carve-out of the Comtrac business. The resultant gain of $0.6 million has been recognized in other comprehensive income in 2021.

Archer Limited and subsidiaries
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Note 13 — Property Plant and Equipment

($ in millions)	OPERATIONAL EQUIPMENT	OTHER FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Cost				
As of December 31, 2020	900.9	35.1	8.6	944.6
Net Additions	24.9	2.3	6.3	33.5
Assets recognized on DeepWell acquisition	64.7	-	-	64.7
Translation adjustments	(12.1)	(1.1)	(0.1)	(13.3)
As of December 31, 2021	**978.4**	**36.3**	**14.8**	**1,029.5**
Net purchased additions	28.3	1.7	0.3	30.3
Costs eliminated on asset disposals	(5.3)	-	-	(5.3)
Assets recognized on Ziebel acquisition	8.9	-	-	8.9
Translation adjustments	(34.5)	(1.1)	(0.0)	(35.6)
As of December 31, 2022	**975..8**	**36.9**	**15.1**	**1,027.8**
Accumulated depreciation and impairments				
As of December 31, 2020	**(561.7)**	**(27.7)**	**-**	**(589.4)**
Depreciation	(51.8)	(1.6)	-	(53.4)
Impairments	(16.4)	-	-	(16.4)
Accumulated depreciation recognized on DeepWell acquisition	(42.1)	-	-	(42.1)
Translation adjustments	14.5	0.9		15.4
As of December 31, 2021	**(657.5)**	**(28.4)**	**-**	**(685.9)**
Depreciation	(46.6)	(2.1)	-	(48.7)
Impairments	(7.3)	-	-	(7.3)
Accumulated depreciation eliminated on asset disposals	3.5	-	-	3.5
Accumulated depreciation recognized on Ziebel acquisition	(6.8)	-	-	(6.8)
Translation adjustments	25.4	2.7	-	28.1
As of December 31, 2022	**(689.3)**	**(27.8)**	**-**	**(717.1)**
Net book value December 31, 2022	**286.5**	**9.1**	**15.1**	**310.7**
Net book value December 31, 2021	**320.9**	**7.9**	**14.8**	**343.6**

Operational equipment includes drilling and well services equipment. Included in the cost of operational equipment is $32.0 million in respect of assets held under capital leases (2021: $30.9 million). Other fixed assets include land and buildings, office furniture and fixtures, and motor vehicles. At December 31, 2022, $9.6 million of fixed assets have been pledged in respect of finance agreements for their acquisition (2021 $7.7 million).

During 2022 we recognized total impairment losses of $6.0 million (2021: $16.4 million) relating to rigs and land drilling equipment in our South American business. The impairments were recognized as part of our annual detailed review of fixed assets and assessment of carrying values. In addition, in 2022 we have recognized impairment charges of $1.3 million relating to assets acquired as part of our acquisition of Ziebel. The impairment of these assets, situated in the U.S. resulted from changes in deployment of certain assets following the acquisition. Our impairment testing of our two modular rigs, which uses projected undiscounted cash flows, indicated that the rigs are not impaired. We reached a similar conclusion in our testing for 2021.

The testing for impairment of our modular and land rigs, and other long lived assets, involves significant judgment and assumptions to be made in connection with the future performance of the various components of our business operations, including assumptions about future cash flows, discount rates applied to these cash flows and current market estimates of value. Based on the uncertainty of future revenue growth rates and other assumptions used to estimate our assets' fair value and future reductions in our expected cash flows, current market conditions worsening or persisting for an extended period of time could lead to future material non-cash impairment charges in relation to our major assets.

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In reviewing our land rigs for impairment, we also rely on valuations provided by independent appraisers. The experts we use have extensive experience in the market in which our rigs are deployed and is also familiar with our assets, one of the experts has performed several valuations for us. For rigs where we have no short term future cash flows to evaluate, or where our first review of estimated future cash flows indicates a possible impairment, we use the appraiser valuations based on an orderly liquidation valuation scenario as our benchmark for fair value. In 2021, in response to the on-going difficulties in Latin America resulting from the covid Pandemic, strike actions and government fiscal restrictions, we expanded our recognized indicators for asset impairment, which were historically the comparison of carrying values with estimated future cash flows and independent broker valuations, to include rigs which have remained idle for a period of five or more years. Please see Note 5 for further discussion on our impairment review process and the impairment charges recognized in 2022.

Note 14 — Goodwill

Goodwill represents the excess of purchase price over the fair value of tangible and identifiable intangible assets acquired, which relates primarily to intangible assets pertaining to the acquired workforce and expected future synergies. In the table below the period end balances and periodic movements have been allocated to our new reporting segments.

($ in millions)	2022			2021		
	Original goodwill recognised	Accumulated Impairments	Net Value	Original goodwill recognised	Accumulated Impairments	Net Value
Value at beginning of year						
Platform Operations	94.8	(8.5)	86.3	**97.5**	(8.8)	**88.7**
Well Services	90.2	(9.0)	81.2	**93.2**	(9.3)	**83.9**
	184.9	**(17.4)**	**167.5**	190.7	(18.1)	**172.6**
Impairment charges						
Platform Operations	--	--	--	--	--	--
Well Services	--	--	--	--	--	--
Currency adjustments						
Platform Operations	(10.2)	0.9	(9.3)	(2.7)	0.3	(2.4)
Well Services	(9.7)	1.0	(8.7)	(3.0)	0.3	(2.7)
	(19.9)	1.9	(18.0)	(5.7)	0.6	(5.1)
Net book balance at end of year						
Platform Operations	84.6	(7.6)	77.0	94.8	(8.5)	86.3
Well Services	80.4	(8.0)	72.4	90.2	(9.0)	81.2
	165.0	**(15.6)**	**149.4**	184.9	**(17.4)**	**167.5**

We test goodwill for impairment on an annual basis during the fourth quarter and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

In 2021, we conducted a qualitative review of our goodwill carrying value which concluded that our goodwill was not impaired. The main observations leading us to this conclusion were:

- The amount of headroom indicated by our 2020 quantitative testing, coupled with
- Secured key long term contracts in Norway for Equinor and COPNO within our Well Services division
- The improvement in results in 2021 compared to 2020 in the divisions to which the goodwill is allocated.

In 2022, we conducted a full qualitative review of the carrying value of our goodwill at December 31,2022 which involved estimating future cash flows for the relevant reporting units, and using a calculated weighted average cost of capital to discount them, in order to estimate a fair value. This was compared to carrying values of the business units. The results of our testing support our carrying values and no impairment charges have been recognized in 2022.

The testing of the valuation of goodwill can involve significant judgment and assumptions to be made in connection with the future performance of the various components of our business operations, including assumptions about future cash flows of each reporting unit, discount rates applied to these cash flows and current market estimates of value. Based on the uncertainty of future revenue growth rates, gross profit performance, and other assumptions used to estimate our reporting units' fair value, future reductions in our expected cash flows, should current market conditions worsen or persist for an extended period of time, could lead to a future material non-cash impairment charge in relation to our remaining goodwill.

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Note 15 — Other Noncurrent Assets
Our other noncurrent assets are composed of the following:

($ in millions)	DECEMBER 31	
	2022	2021
Deferred mobilization costs	1.0	1.3
Deferred modular rig start-up costs	9.4	-
Financial instruments	14.5	7.0
Other	3.4	3.1
Total other noncurrent assets	**28.4**	**11.4**

Note 16 — Other Current Liabilities
Our other current liabilities are comprised of the following:

($ in millions)	DECEMBER 31	
	2022	2021
Accrued restructuring costs	0.4	0.6
Accrued expenses and prepaid revenues	125.1	106.0
Taxes payable	(0.0)	(0.4)
VAT, employee and other taxes	17.8	28.7
Other current liabilities	0.0	5.4
Total other current liabilities	**162.3**	**140.2**

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Note 17 — Debt

($ in millions)	December 31, 2022			December 31, 2021		
	Loan balance	Unamortized debt issuance costs	Loan balance less unamortized debt issuance costs	Loan balance	Unamortized debt issuance costs	Loan balance less unamortized debt issuance costs
Multicurrency term and revolving facility	559.6	(0.8)	558.8	516.4	(2.1)	514.3
Related party subordinated loan	15.9	—	15.9	15.9	—	15.9
Hermes-covered term loans	—	—	—	4.4	—	4.4
Other loans and capital lease liability	12.8	—	12.8	16.1	—	16.1
Total loans and capital lease liability	**588.4**	**(0.8)**	**587.5**	**552.8**	**(2.1)**	**550.7**
Less: current portion	(563.8)	(0.8)	(562.9)	(25.3)	—	(25.3)
Long-term portion of interest-bearing debt	**24.6**	**—**	**24.6**	**527.5**	**(2.1)**	**525.4**

Multicurrency term and revolving credit facility
The total amount available under the Multicurrency term and revolving credit facility (the "Facility") is $559.6 million, split between $334.0 million under a term loan and $225.6 million in revolving facilities. In addition, a total of $10.9 million of the Facility is carved out into an overdraft facility. A total of $559.6 million was drawn as at December 31, 2022 under the Facility. The Facility is secured by pledges over shares in material subsidiaries, assignment over intercompany debt and guarantees issued by the material subsidiaries.

The interest payable on the Facility is the aggregate of 1, 3 or 6-month NIBOR, LIBOR or EURIBOR, plus between 2.25% and 4.35% per annum, depending on the ratio of the net interest-bearing debt to EBITDA. In the event our total consolidated net interest bearing debt, after adjustments of the related party subordinated convertible loan amount, exceeds 6.0x the last twelve months Nominal EBITDA measured at December 31, 2022 and/or August 31, 2023, the loan will accrue an additional 1% PIK margin for 2022 and/or from January 1st to October 1st 2023. The quarterly instalments amount to $4 million. In addition to the scheduled instalments, there is a cash sweep mechanism in the Facility agreement whereby 90% of the available liquidity above $90 million, calculated each December and June after certain adjustments, is applied towards prepayment under the Facility. The final maturity date of the Facility is October 1, 2023.

The Facility contains certain financial covenants, including, among others:
- Archer will ensure that the ratio of net interest-bearing debt (after certain adjustments) to 12 months rolling Nominal EBITDA (after certain adjustments) at the financial quarter ending December 31, 2022 shall not exceed 6.75x, at March 31, 2023 shall not exceed 6.00x, at June 30, 2023 shall not exceed 5.5x and 5.0x thereafter.
- Archer shall maintain $30 million in freely available cash and undrawn committed credit lines.
- Archer shall ensure that the capital expenditures shall not exceed $40 million per year.

The Facility contains events of default which include payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, insolvency, illegality, unenforceability, curtailment of business, claims against an obligor's assets, appropriation of an obligor's assets, failure to maintain exchange listing, material adverse effect, repudiation and material litigation. In addition, there are cross default clauses in the event of the obligor defaulting on other issued debt.

As of December 31, 2022, the Company is compliant with all covenants as agreed with its lenders under this Facility.

See note 27, Subsequent events, for further details regarding the conversion of the related party subordinated loan.

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Related party subordinated loan
In Q2, 2017 we established a subordinated convertible loan with face value of $45 million. In April 2020 we renegotiated the terms of the subordinated loan, with a new face value of $13.1 million. The loan matures on April 1, 2024 and bears PIK interest of 5.5% per year. The conversion rights attached to the loan are exercisable, enabling the Lender to convert the debt at a rate of 2.5 ordinary shares in Archer for each $1.00 of loan and accrued interest. The interest up to the maturity date has been accrued to the loan balance, increasing the book value of the loan from $13.1 million to $15.9 million.

See note 27, Subsquent events, for further details regarding the conversion of the related party subordinated loan.

Other loans and capital leases
As described above, a total of $10.9 million of the Facility is carved out into an overdraft facility. There was no borrowing under the overdraft facility on December 31, 2022.

On December 31, 2022 net borrowing under short-term facilities in Argentina was $1.6 million.

We have finance arrangements relating to equipment in our Oiltools and Platform Drilling divisions. On December 31, 2022, the balance under these arrangements was $10.6 million.

Interest rate cap agreement
We have entered into USD interest rate cap agreements, securing the interest rate against fluctuations above 1.65% on $66 million until February 2025 and $34 million until February 2023. Furthermore, we have entered into a USD interest rate cap agreement, securing the interest rate against fluctuations above 0.85% on $100 million until December 2025. The fair value of the instruments on December 31, 2022 was an asset of $14.7 million and is included within other non-current assets. In 2023 we have sold a number of the interest rate cap instruments, see note 27, Subsequent events.

Our outstanding interest bearing debt as of December 31, 2022, is repayable as follows:

($ in millions)	CAPITAL LEASE	OTHER DEBT	TOTAL
Year ending December 31			
2023	3.3	561.3	564.6
2024	3.0	16.0	19.0
2025	2.1	0.5	21.6
2026 and thereafter	2.2	-	2.2
Total debt	**10.6**	**577.8**	**588.4**

Archer Limited and subsidiaries
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Note 18—Lease Obligations

Finance leases
We have entered into finance arrangements for the purchase of some items of equipment, mainly well plugs for use in our Oiltools division and some rental equipment in our Platform Drilling division. The leases are entered into under a frame agreement with the bank, and the lease term is typically 5 years.

Assets leased under finance leases with a carrying value of $9.6 million (2021 $7.7 million) are included in property, plant and equipment and the liability is included in the interest-bearing debt.

Operating Leases
The company has historically leased some operating assets, office and warehouse facilities and office equipment under operating leases. With effect from January 1, 2019, for material operating leases, we have recognised the relevant right of use assets and lease liabilities in our balance sheet. The leases have remaining lease terms of 1 to 11 years at December 31, 2022. Some operating leases include options to extend the leases for up to 3 years. We have sub-let unused office space, for which we received rental income of $0.9 million during 2022.

We have calculated an incremental borrowing rate, or IBR, for discounting each lease's cash-flows to arrive at an initial value for the lease liability and right of use asset. The IBR is calculated as a function of the following elements/considerations;
- Base rate – generally the inter-bank lending rate in the relevant jurisdictions,
- Credit spread – we estimate the effect of the lessee credit worthiness
- Country risk premium
- Inflation differential
- Contract term
- Security or collateral provided in the lease contract.

Significant judgment is required in estimating some of these elements. We apply a consistent methodology in estimating IBR for each lease.

We have elected not to recognise the right of use asset and lease liability for short term leases.

Archer Limited and subsidiaries
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Supplemental information pertaining to the Company's leasing activities for the year ended December 31, 2022 was as follows;

($ in millions)	Year Ended December 31, 2022
Finance Lease costs	
Amortization of right of use assets	2.2
Interest on lease liabilities	0.5
Operating lease costs	5.6
Short term lease costs	21.8
Total Lease costs	**30.1**
Other information	
Cash paid for amounts included in measurement lease liabilities	
Operating cash flows from finance leases	0.5
Operating cash flows from operating leases	21.8
Financing cash flows from finance leases	2.8
Right of use assets obtained in exchange for new finance lease liabilities	5.3
Right of use assets obtained in exchange for new operating lease liabilities	1.7
Weighted average remaining lease term – finance leases	4.1 years
Weighted average remaining lease term – operating leases	7.7 years
Weighted average discount rate – finance leases	6.6%
Weighted average discount rate – operating leases	6.5%

Estimated future minimum rental payments are as follows:

($ in millions)	OPERATING LEASE OBLIGATIONS
YEAR	
2023	5.6
2024	5.6
2025	5.0
2026	2.8
Thereafter	14.2
Total	**33.2**

Archer Limited and subsidiaries
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Note 19 — Commitments and Contingencies

Purchase commitments
As of December 31, 2022, we have committed to purchase obligations including capital expenditures amounting to $20.4 million, (2021: $10.9 million).

We have no material contingent liabilities.

Legal Proceedings
From time to time, we are involved in litigation, disputes and other legal proceedings arising in the normal course of our business. We insure against the risks arising from these legal proceedings to the extent deemed prudent by our management and to the extent insurance is available, but no assurance can be given that the nature and amount of that insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain deductibles or self-insured retentions in amounts we deem prudent and for which we are responsible for payment. If there is a claim, dispute or pending litigation in which we believe a negative outcome is probable and a loss by the company can be reasonably estimated, we record a liability for the expected loss. As of December 31, 2022, we are not aware of any such expected loss which would be material to our financial position and results of operations. In addition, we have certain claims, disputes and pending litigation in which we do not believe a negative outcome is probable or for which the loss cannot be reasonably estimated.

Other than the above, we are not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had in the recent past, significant effects on our financial position or profitability.

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Note 20 — Share Capital

($ in millions)				DECEMBER 31
	2022		2021	
	All shares are common shares of $0.01 par value each		All shares are common shares of $0.01 par value each	
	SHARES	$ MILLION	SHARES	$ MILLION
Authorized share capital	1,000,000,000	10.0	1,000,000,000	10.0
Issued, outstanding and fully paid share capital	148,758,612	1.5	148,758,612	1.5

Archer shares are traded on the Oslo Stock exchange with the ticker "ARCH"

The Board has indicated that no dividend will be distributed in respect of the results for the financial year 2021.

The Board has indicated that no dividend will be distributed in respect of the results for the financial year 2022. Under the Bermuda Companies Act, dividends cannot be paid if there are reasonable grounds for believing that (a) The company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) The realizable value of the company's assets would thereby be less its liabilities The Company has not declared dividend since its inception, and there are restrictions in the financing arrangement effectively preventing the Company from distributing dividend to its shareholders before the loan has been repaid, refinanced or a dividend distribution is approved by our Lenders. Some of the jurisdictions in which we operate impose restrictions on dividend payments from subsidiaries to holding companies.

Shareholder overview as of December 31, 2022	
PARATUS JU NEWCO BERMUDA LIMITED	15.5%
HEMEN HOLDING LIMITED	12.9%
SKANDINAVISKA ENSKILDA BANKEN AB	4.3%
STAVANGER FORVALTNING AS	2.9%
Others	64.4%

Hemen Holding Ltd, or Hemen, a Cyprus holding company is indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family.

Note 21 — Audit fees

Total auditors' remuneration to PricewaterhouseCoopers was an audit fee of $0.7 million for the year ended December 31, 2022 and $0.5 million for the year ended December 31, 2021. Archer Ltd ($0.2 million) received the main amount of cost, in addition to Archer (UK) Ltd ($0.1 million) and Archer AS ($0.1 million). The compensation to the auditor is paid in GBP, NOK and USD. The USD figure is not totally comparable year on year.

($ in millions)	DECEMBER 31	
	2022	2021
Legally required audit	0.7	0.5
Attestation services	0.0	0.0
Other services	-	-
Total audit fee	**0.7**	**0.5**

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Note 22 — Directors and executive compensation and share option plan

Directors and executive compensation

During the year ended December 31, 2022, we paid aggregate cash compensation of approximately $1.47 million and an aggregate amount of approximately $34 thousand for pension and retirement benefits to our executive officers and directors. In addition, we recognized stock compensation expense of approximately $31 thousand in respect to options and restricted stock units granted to our directors and executive officers.

($ in millions)	DECEMBER 31	
	2022	2021
Salary including bonus	1.5	1.8
Other remuneration	0.0	0.1
Pension contribution	0.0	0.0
Total compensation	**1.5**	**1.9**

Share Option Plans

We have granted share options to our senior management that provide the management with the right to subscribe for new shares. The options are not transferable and may be withdrawn upon termination of employment under certain conditions. Options granted under the scheme will vest at a date determined by the Board of Directors. The options granted under the plan vest over a period of one to five years.

As of December 31, 2022 Archer has one active option program.

The following summarizes share option transactions related to the Archer programs in 2022 and 2021:

	2022		2021	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE - NOK	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE - NOK
Outstanding at beginning of year	600,000	10.00	600,000	10.00
Forfeited/expired	600,000	-	-	-
Outstanding at end of year	**-**	**-**	**600,000**	**10.00**
Exercisable at end of year	-	-	600,000	10.00

No income was received in 2022 as a result of share options being exercised (2021: $ nil).

On December 31, 2022, there were no options outstanding.

Valuation:

We use the Black-Scholes pricing model to value stock options granted. The fair value of options granted is determined based on the expected term, risk-free interest rate, dividend yield and expected volatility. The expected term is based on historical information of past employee behaviour regarding exercises and forfeiture of options. The risk-free interest rate assumption is based upon the published Norwegian treasury yield curve in effect at the time of grant for instruments with a similar life. The dividend yield assumption is based on history and expectation of dividend pay-outs.

We use a blended volatility for the volatility assumption, to reflect the expectation of how the share price will react to the future cyclicality of our industry. The blended volatility is calculated using two components. The first component is derived from volatility computed from historical data for a period of time approximately equal to the expected term of the stock option, starting from the date of grant. The second component is the implied volatility derived from our "at-the-money" long-term call options. The two components are equally weighted to create a blended volatility.

Archer did not grant any new options in 2022 or 2021.

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Restricted Stock units
The Board has from time to time granted restricted stock units, or RSU's, to members of Archer's management team. The RSUs typically vest over three to four years after the grant date. As of December 31, 2022 a total of 548,330 RSUs was outstanding.

RSU awards do not receive dividends or carry voting rights during the performance period. The fair value of the restricted stock award is the quoted market price of Archer's stock on the date of grant.

The following table summarizes information about all restricted stock transactions:

	2022		2021	
	RSU's	Weighted average grant date fair value NOK	RSU's	Weighted average grant date fair value NOK
Unvested at beginning of year	**1,182,365**	3.96	**2,583,353**	4.67
Granted	-		120,000	
Vested/released	(560,415)		(1,341,104)	
Forfeited	(73,620)		(179,884)	
Unvested at end of year	**548,330**	**3.92**	**1,182,365**	**3.96**

Accounting for share-based compensation
The fair value of the share options and RSUs granted is recognized as personnel expenses. During 2022, $0.1 million has been expensed in our Statement of Operations ($0.4 million in 2021).

As of December 31, 2022, total unrecognized compensation costs related to all unvested share-based awards totalled NOK 0.5 million ($0.05 million), which is expected to be recognized as expenses in 2023.

Note 23 — Pension Benefits

Defined Contributions Plans
We contribute to a private defined contribution pension plan for our UK onshore workforce. Eligible employees may contribute a minimum of 4% of their salary to the scheme, and we contribute between 5% and 7.5% to participants' plans. In 2022 we contributed $3.2 million (2021: $3.9 million) to the plan.

In Norway we also have a defined contribution pension plan both for our Norwegian onshore workforce in addition to our employees working offshore on the Norwegian continental shelf from 2019. For onshore employees we contribute 5% of salary up to 6 G, and 8% of salary between 6 and 12 G. For offshore employees we contribute 3% of salary up to 7.1 G and 15% of salary between 7.1 and 12 G. (G represents the minimum base salary used in the Norwegian National Insurance scheme, and for 2022 is equivalent to approximately $11,300). In 2022 we contributed $11.0 million (2021 $9.8 million) to the plan in Norway.

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Note 24 — Related Party Transactions
In the normal course of business we transact business with related parties conducted at arm's length.

Transactions with C6 Technologies AS and Comtrac AS:
Our 50% investment in Comtrac AS comprises equity investment and a loan equivalent to $1.7 million and $0.9 million respectively. We account for our investment using the equity method, as discussed above in note 7. During the 12 months ended December 31, 2022, we have invoiced Comtrac AS a total of NOK 3.3 million, or $0.3 million for services provided to them. The total balance of $0.4 million is outstanding on December 30, 2022 and is reported in Accounts receivable

Transactions with Iceland drilling:
During the fourth quarter of 2022 we acquired 50% of Iceland drilling. We are accounting for this investment using the equity method of accounting. Due to the fact that we exercise significant influence over its operations, following the acquisition, Iceland is a related party. The acquisition and relevant transactions are discussed further in note 12.

Transactions with other related parties:
During the fourth quarter of 2022 we acquired 50% of Iceland drilling. We are accounting for this investment using the equity method of accounting. Due to the fact that we exercise significant influence over its operations, following the acquisition, Iceland is a related party. The acquisition and relevant transactions are discussed further in note 12.

The following are related parties, being companies in which Archer's second-largest shareholder, Hemen Holding Ltd has a significant interest:
- Seadrill Group
- Frontline Management (Bermuda) Limited, ("Frontline")
- Seatankers Management Company Limited ("Seatankers")

During the 12 months ended December 31, 2022, we supplied Seadrill Limited and affiliates ("Seadrill") with platform drilling and engineering services amounting to $0.8 million. This amount has been included in operating revenue. At December 31, 2022 Seadrill owed us $0.4 million in respect of these services.

Frontline and Seatankers provide management support and administrative services to us, and we have recorded fees of $0.1 million and $0.3 million respectively for these services 2022. These expenses are included in General and administrative expenses in the Consolidated statement of operations

Note 25 — Reporting and Geographical Segment Information

The split of our organisation and aggregation of our business into segments is based on differences in management structure and reporting, location of regional management and assets, economic characteristics, customer base, asset class and contract structure.

Prior to december 31, 2022, we have presented our business under two reporting segments based on geographical location;
- Eastern Hemisphere
- Western Hemisphere

In addition, we have reported corporate costs, and assets as separate line items.

During 2022 we have conducted a review of our reporting Segments. Within the Eastern and Western Hemisphere segments, our business is split into business units according to the type of services supplied. Western hemisphere operations consist only of Land drilling services in Latin America. We have no land drilling services within our Eastern Hemisphere operations. Our management structure reflects the split of operations by service. The chief operating decision maker, Archer's Board of directors, receives some financial information by service unit, or division, and uses such information in assessing the company's overall performance and making decisions about resource allocation. The relative revenues and assets relating to the main divisions have grown and developed such that they now represent a significant percentage of Archer's business as a whole. We have therefore concluded that the disclosure of segmental information at divisional level is more appropriate than aggregating the divisions into the larger Eastern and Western Hemisphere segments. With effect from December 31, 2022 our reporting segments are represented by divisions which are engaged in the supply of the following services.

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Divisions comprising Platform Operations
Platform Drilling and Modular Rigs
Engineering

Divisions comprising Well Services
Wireline
Oiltools

Divisions comprising Land Drilling
Land Drilling

The Well Services and Platform Drilling reporting segment was previously reported combined as Eastern Hemisphere, whereas Western Hemisphere comprised the Land Drilling division.

The accounting principles for the segments are the same as for our consolidated financial statements. Presented below and on the following page are the revenues, depreciation and amortisation, operating income, capital expenditures, goodwill and total assets by segment.

($ in millions)	YEAR ENDED DECEMBER 31	
	2022	2021
Revenues from external customers		
Platform Operations	450.8	516.9
Well Services	240.0	208.4
Land Drilling	279.4	210.6
Total revenue	**970.2**	**936.1**
Depreciation and amortization		
Platform Operations	12.7	14.4
Well Services	10.8	8.3
Land Drilling	26.0	31.1
Total depreciation and amortization	**49.5**	**53.8**
Operating income/net income		
Platform Operations	34.8	33.8
Well Services	18.0	23.1
Land Drilling	(10.6)	(31.2)
Corporate Cost	(12.9)	(10.2)
Stock compensation cost	0.0	(0.3)
Total operating income	**29.2**	**15.4**
Total financial items	(15.4)	(33.6)
Gain on bargain purchase	9.2	11.4
Income taxes	(13.3)	(7.7)
Net income/(loss)	**9.8**	**(14.8)**
Capital Expenditures		
Platform Operations	8.0	11.6
Well Services	11.4	9.0
Shared assets *	1.5	1.9
Total excluding Land Drilling	20.9	22.5
Land Drilling	9.6	11.0
Total	**30.5**	**33.5**

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Goodwill

($ in millions)	Platform Operations	Well Services	TOTAL
Balance at December 31, 2020	**88.7**	**83.9**	**172.6**
Exchange rate fluctuations on goodwill measured in foreign currency	(2.4)	(2.7)	(5.1)
Balance at December 31, 2021	**86.3**	**81.2**	**167.5**
Exchange rate fluctuations on goodwill measured in foreign currency	(9.3)	(8.8)	(18.1)
Balance at December 31, 2022	**77.0**	**72.4**	**149.4**

Total assets

(In USD millions)	December 31, 2022	December 31, 2021
Platform Operations	216.6	160.4
Well Services	197.1	260.2
Shared assets *	173.8	106.1
New investment in Iceland Drilling	9.5	--
Land Drilling	294.0	313.2
Corporate	15.2	10.8
Total	**906.2**	**850.7**

Geographic information by country

	FOR THE YEARS ENDED DECEMBER 31	
($ in millions)	2022	2021
Revenue		
Norway	531.0	534.5
Argentina	278.7	207.9
United Kingdom	64.5	79.7
Other	96.0	114.0
Total	**970.2**	**936.1**

Property plant and equipment

($ in millions)	AS OF DECEMBER 31	
	2022	2021
United States	2.1	1.7
Latin America	184.2	206.8
New Zealand	26.4	31.2
Norway	56.4	100.7
United Kingdom	40.6	1.9
Other	1.0	1.3
Total	**310.7**	**343.6**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 26 — Risk Management and Financial Instruments
Our functional and reporting currency is US Dollars. We have operations and assets in a number of countries worldwide, and receive revenues and incur expenditures in other currencies, causing our results from operations to be affected by fluctuations in currency exchange rates, primarily related to Argentine Pesos, Norwegian kroner and British pounds. We are also exposed to changes in interest rates on variable interest rate debt, and to the impact of changes in currency exchange rates on debt denominated in currencies other than US Dollar. There is thus a currency risk and interest rate risk, which could have a negative effect on our cash flows as well as our reported financials.

Interest rate risk management
Our exposure to interest rate risk relates mainly to our variable interest rate debt and balances of surplus funds placed with financial institutions. Recently, the interest rate risk has been managed by the application of interest rate caps for a portion of our US Dollar denominated debt.

At December 31, 2022, we had entered into USD interest rate cap agreements, securing the interest rate against fluctuations above 1.65% on $66 million until February 2025 and $34 million until February 2023 and 0.85 % on $100million until December 2025. We have not applied hedge accounting principles to these instruments. The fair value of the instruments as of December 31, 2022 was an asset of $14.5 million and is included within other non-current assets. In 2023 we have sold the interest rate cap instruments, see note 27, Subsequent events.

Foreign currency risk management
We are exposed to foreign currency exchange movements in both transactions that are denominated in currency other than USD, and in translating consolidated subsidiaries who do not have a functional currency of USD. Transaction losses are recognized in "Other financial items" on our Consolidated Statement of Operations in the period to which they relate. Translation differences are recognized as a component of equity. The total transaction loss relating to foreign exchange recognized in the Consolidated Statement of Operations in 2022 amounted to $18.5 million (2021: $7.0 million).

Credit risk management
We have financial assets, including cash and cash equivalents, trade receivables and other receivables. These assets expose us to credit risk arising from possible default by the counterparty. We consider the counterparties to be creditworthy financial institutions and do not expect any significant loss to result from non-performance by such counterparties. In the normal course of business, we do not demand collateral.

Archer Limited and subsidiaries
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Fair values

Carrying value of financial instruments

($ in millions)	December 31, 2022		December 31, 2021	
Assets / (Liabilities)	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE
Nonderivatives				
Cash and cash equivalents	82.1	82.1	50.7	50.7
Restricted cash	10.9	10.9	14.8	14.8
Marketable securities	15.9	15.9	2.9	2.9
Accounts receivable	152.6	152.6	125.6	125.6
Accounts payable	(47.2)	(47.2)	(43.5)	(43.5)
Current portion of interest-bearing debt	(562.9)	(562.9)	(25.3)	(25.3)
Current portion of operating lease liability	(5.6)	(5.6)	(5.2)	(5.2)
Long-term interest-bearing debt	(8.7)	(8.7)	(509.5)	(509.5)
Operating lease liability	(20.8)	(20.8)	(21.5)	(21.5)
Subordinated related party loan	(15.9)	(15.9)	(15.9)	(15.9)
Derivatives				
Interest cap agreements	14.5	14.5	7.0	7.0

The above financial assets and liabilities are disclosed at fair value as follows:

($ in millions)	DECEMBER 31, 2022	FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	82.1	82.1	–	–
Restricted cash	10.9	10.9	–	–
Marketable securities	15.9	15.9	–	–
Accounts receivable	152.6	–	152.6	–
Interest cap agreements	14.5	–	14.5	–
Liabilities:				
Accounts payable	(47.2)	–	(47.2)	–
Current portion of interest-bearing debt	(562.9)	–	(562.9)	–
Current portion of operating lease liability	(5.6)	–	(5.6)	–
Long-term, interest bearing debt	(8.7)	–	(8.7)	–
Operating lease liability	(20.8)	–	(20.8)	–
Subordinated related party loan	(15.9)	–	(15.9)	–

Level 1: Quoted prices in active markets for identical assets
Level 2: Significant other observable inputs
Level 3: Significant unobservable inputs

Archer Limited and subsidiaries
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We used a variety of methods and assumptions, which are based on market conditions and risks existing at the time, to estimate the fair value of our financial instruments. For certain instruments, including cash and cash equivalents, it is assumed that the carrying amount approximated fair value due to the short term maturity of those instruments.

The fair values of interest rate caps are calculated using well-established independent market valuation techniques applied to contracted cash flows and LIBOR interest rates.

The fair value of the current portion of long-term debt is assumed to not deviate materially from the carrying value. The majority of our loan is repayable within twelve months. In general, the cost of capital has increased, and it is possible that the company will experience higher credit margins in the future.

Restricted cash consists mainly of bank deposits arising from advance employee tax withholdings

Retained risk
We retain the risk, through self-insurance, for deductibles relating to physical damage insurance on our capital equipment. In the opinion of management, adequate provisions have been made in relation to such exposures, based on known and estimated losses.

Concentration of risk
The following table summarizes revenues from our major customers as a percentage of total revenues from continuing operations (revenues in excess of 10 percent for the period):

CUSTOMER	2022	2021
Equinor	48%	45%
Pan American Energy	19%	13%
Customer <10%	33%	42%
Total	**100%**	**100%**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 27 — Subsequent Events

The acquisiton of Romar-Abrado
On January 10th, 2023 we completed the acquisition of Romar-Abrado, an unrelated company who offers advanced milling and SWARF handling services to the global P&A market. The acquisition is based on an enterprise value of USD 8 million, plus earn-out pending trading performance over 2023 to 2025. Romar-Abrado will be added to our Well Services reporting segment.

The acquisition of Baker Hughes coiled tubing business in the UK
On February 8th, 2023 we agreed the acquisition of Baker Hughes coiled tubing business in the UK ("BH CT"), an unrelated company who offers coil tubing and pumping services to the UK market. The acquisition is based on an enterprise value of USD 7 million. BH CT will be added to our Well Services reporting segment.

In principleRefinancing Agreement
On 6 March 2023, the Company announced that it had reached an agreement in principle with its secured lenders and other stakeholders regarding a contemplated refinancing solution for the Group (the "Refinancing"). The Refinancing consists of the Private Placement, the First Lien Facility, the Second Lien Bonds and the conversion of the related party subordinated loan.

a) First Lien Facility
As part of the Refinancing, the Company's indirectly and directly owned subsidiary Archer Norge AS and Archer Assets (UK) Ltd., have entered into a term sheet with lenders in relation to a USD 260 million multicurrency facility agreement (the "First Lien Facility") consisting of:
- a USD 150 million multicurrency term loan facility;
- a USD 100 million multicurrency revolving credit facility; and
- a USD 10 million multicurrency guarantee facility.

The term loan facility and revolving facility will be used to refinance the Multicurrency term and revolving credit facility and general corporate purposes of the Group and will have a tenor of 4 years with a margin of Secured Overnight Financing Rate, or "SOFR" + a margin of between 300 – 550 basis points, depending on the leverage ratio. The guarantee facility will be used towards issuance of letters of credit, including the refinancing of existing letters of credit.

b) Second Lien bond
As part of the Refinancing, the Company's indirectly wholly owned subsidiary Archer Norge AS will issue USD 200 million second lien bonds with a tenor of 4.25 years. The second lien bonds will have an interest rate of either (i) 5.00%+SOFR in cash interest + 5% payment-in-kind interest, or (ii) 12%+ SOFR in payment-in-kind interest, where the payment-in-kind interest is settled by issuing additional bonds to he bondholders. The net proceeds from the Second Lien Bond will be used for partial repayment of the Multicurrency term and revolving credit facility and general corporate purposes of the Group.

The Second Lien Bond Issue is fully back-stopped by back-stop participants who have agreed to subscribe for such Second Lien Bonds that are not subscribed for by other investors in the public marketing of the Second Lien Bonds. As consideration for the backstop commitment, the back stop providers will receive a fee of USD 20 million. This fee will be settled through the issuance of 208,000,000 shares to the back stop participants, at the subscription price per share in the Private Placement.

c) Conversion of the related party subordinated loan
As part of the Refinancing, the related party subordinated loan is expected to be converted to 208,000,000 shares in the Company implying a value of USD 20 millionbased on an issuance price per share of NOK 1.0 and a USDNOK rate of 10.4.

d) The Private Placement
As part of the Refinancing, the Company will raise the NOK equivalent of USD 100 million in new equity through a private placement of new common shares (the "Private Placement"). The net proceeds from the Private Placement will be used for partial repayment of the Multicurrency term and revolving credit facility and general corporate purposes of the Group
The Company will carry out a subsequent offering of new shares (the "Subsequent Offering") directed towards existing shareholders in the Company as at 6 March 2023

e) Conditions and timeline of the Refinancing
The Refinancing is inter-conditional, and subject to agreement on final form documents for the First Lien facility, the loan agreement relating to the Second Lien Bonds as well as an intercreditor agreement. The First Lien Facility and the 2nd Lien Bond are inter-conditional and subject to completion of the Private Placement and the conversion of the related party convertible loan. The conversion of the related party convertible Loan is conditional upon completion of the Private Placement and the conditions for satisfaction of the terms of the First Lien Facility and the Second Lien Bond being satisfied.

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The Private Placement
On March 7, 2023 the Company announced that it has raised the NOK equivalent of USD 100 million in gross proceeds through the Private Placement of 1,040,000,000 new common shares at a subscription price of NOK 1 per share.

The Subsequent Offering
On March 27, 2023 the Company announced that it has raised the NOK equivalent of USD 1.7 million in gross proceeds through the Subsequent Offering of 17,506,357 new shares at a subscription price of NOK 1 per share.

The Second Lien Bond issuance
On April 3, 2023 the Company announced that its subsidiary Archer Norge AS had issued the Second Lien Bond of USD 200 million with a 4.25 years' tenor.

Signing of the First Lien Facility
On April 13, 2023 the Company signed the First Lien Facility agreement with lenders in relation to the USD 260 million multicurrency facility.

Converion of the related party subordinated loan
On April 20, 2023 the Company announced that the related party subordinated loan had been converted to 208 milllion shares in the Company.

Issuance of the Compensation Shares
On April 24, 2023 the Company announced that it had issued the 208 million Compensation Shares, as described above.

Completion of the Refinancing
On April 25, 2023 the Company announced that it had completed its overall Refinancing and repaid all amounts outstanding under its previous Multicurrency term and revolving credit facility.

Archer Limited and subsidiaries
Appendix A – Corporate Governance

As used herein, unless otherwise required by the context, the terms "Archer", "Company", "we", "our" and "us" refer to Archer Limited and its consolidated subsidiaries. The Norwegian Code of Practice for Corporate Governance, as updated October 14, 2021 (the "Code") applies to us to the extent that the provisions of this Code do not conflict with the legislation of our national jurisdiction. The Code is a "comply or explain" guideline and we generally aim at complying with the recommendations of the Code. However, we will, to some extent, deviate from certain recommendations of the Code, partly due to different practice and principles under which Bermuda companies operate. The status of noncompliance and the explanations therefore is set out below.

The Code is available in its entirety at the Oslo Stock Exchange website (www.euronext.com/nb/markets/oslo) and the website of The Norwegian Corporate Governance Board (www.nues.no).

Section 1 Implementation and reporting on corporate governance
Archer Limited is a limited liability company registered in Bermuda and listed on the Oslo Stock Exchange (Oslo Børs). The foundation for Archer's governance structure is Bermuda law as well as regulations for foreign companies listed on the Oslo Stock Exchange. In line with the directions given by the Board of Directors of Archer Limited, (the "Board"), Archer conducts its business on the basis of three fundamental values:

Safety: We are committed individually and as a team, to protect the health and safety of its employees, customers and communities.

Integrity: We are committed to maintaining an environment of trust, built upon honesty, ethical behaviour, respect and candour.

Performance: We are committed to efficiently and effectively perform to all Archer standards and those of our customers.

The Board reviews the actual performance for all the values mentioned above and where applicable compares the key performance indicators against the plan regularly. With regard to integrity, Archer has implemented a Code of Conduct, which is available on our website (www.archerwell.com). It is Archer's policy that an employee who becomes aware of a possible violation of the Company's policies regarding legal or ethical business conduct must report the violation. This includes possible violations of policies set forth in the Code of Conduct, or other policies, manuals, or guides distributed by the Company in addition to all applicable laws. On a quarterly basis the Audit Committee reviews reported potential violations of the Company's Code of Conduct and discusses required actions, if any.

The Board has defined clear objectives, strategies, and risk profiles for our business activities and integrates considerations related to our stakeholders to create value and deliver results. The Board evaluates these objectives, strategies and risk profiles at regular intervals.

The Board has reviewed the overall performance of the Company compared to its values and its corporate governance for the financial year 2022 in line with the Code and confirms it is in compliance with the Code, except for deviations which are highlighted in the detailed description of the main provisions of the Code below:

Section 2 Business
In accordance with normal practice for Bermuda companies, our by-laws do not include a specific description of our business. According to the memorandum of association, no restrictions apply as to the purpose of the Company and the reasons for its incorporation. As a Bermuda incorporated company, we have chosen to establish the constitutional framework in compliance with the normal practice of Bermuda and accordingly deviate from section 2 of the Code.

The Company provides an annual ESG Report, published on our website (https://www.archerwell.com/sustainability/esg-reporting/) which outlines our activities, performance, and strategy in relation to the environment, social issues, working environment, equality and non-discrimination, human rights, and anti-corruption.

Section 3 Equity and dividends
In accordance with Bermuda law, the Board is authorized to repurchase treasury shares, and to issue any unissued shares within the limits of the authorized share capital. These authorities are neither limited to specific purposes nor to a specific period as recommended in section 3 of the Code. While we aim at providing competitive long-term return on the investments of our shareholders, we do not currently have a formal dividend policy.

The Board ensures that the Company has a capital structure that is appropriate to the Company's objective, strategy and risk profile.

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Appendix A – Corporate Governance

Section 4 Equal treatment of shareholders
In accordance with the company laws of Bermuda, the shareholders can resolve an amount of authorized capital within which the Board may decide to increase the issued capital at its discretion without further shareholder approval. There is no legal framework providing for specific time-limited or purpose-limited authorizations to increase the share capital. The Board will propose to the shareholders that they consider and, if necessary, resolve to increase the authorized capital of the Company that will allow the Board some flexibility to increase the number of issued shares without further shareholder approval. As such, we may deviate from the Code's recommendation in section 4. Any increase of the authorized capital is, however, subject to approval by the shareholders by 2/3 majority of the votes cast. Neither our by-laws nor Bermuda company laws include regulation of pre-emptive rights for shareholders in connection with share capital increases. Our by-laws provide for the Board in its sole discretion to direct a share issue to existing shareholders at par value or at a premium price. We are subject to the general principle of equal treatment of shareholders under the Norwegian Securities Trading Act section 5-14. The Board will, in connection with any future share issues, on a case-by-case basis, evaluate whether deviation from the principle of equal treatment is justified.

Section 5 Shares and negotiability
We do not limit any party's ability to own, trade or vote for shares in the Company. As such, we are in compliance with Section 5 of the Code.

Section 6 General meetings
As a Bermuda registered company, the general meetings of the Company can be conducted through proxy voting. The VPS registered shareholders are holders of interests in the shares and thus represented by the VPS Registrar in the general meetings and not through their own physical presence. This is in line with the general practice of other non-Norwegian companies listed on Oslo Børs. We believe we comply in all other respects with the recommendations for general meetings as set out in the Code.

Section 7 Nomination committee
We have not established a nomination committee as recommended by the Code section 7 and our bye-laws do not include the requirement for one. In lieu of a nomination committee comprised of independent directors, the Board is responsible for identifying and recommending potential candidates to become Board members and recommending directors for appointment to board committees.

Section 8 Board of directors: composition and independence
The Chairman of our four-member Board is elected by the Board and not by the shareholders as recommended in the Code. We are not in compliance with the requirement to have female directors on our Board.

Section 9 The work of the board of directors
The Board sets an annual plan for the upcoming year in December which includes a review of strategy, objectives and their implementation, the review and approval of the annual budget and review and monitoring of our current year financial performance. The Board meets at least four times a year, with further meetings held as required to react to operational or strategic changes in the market and Company circumstances. The Board receives frequent and relevant information to carry out its duties. It has delegated authority to the Company's executive management by the means of a delegation of authority guideline.

The Board has established an Audit Committee, which has a formal charter and terms of reference approved by the Board. The Audit Committee is comprised of directors Peter Sharpe and James O'Shaughnessy. The Audit Committee is responsible for ensuring Archer has an independent and effective external audit system. In addition we have an internal audit program. The Audit Committee supports the Board in the administration and exercise of its responsibility for supervisory oversight of financial reporting and internal control matters and to maintain appropriate relationships with our auditors. Appointment of the auditor for audit services is approved at our annual general meeting and the Board is given authority to approve the fees to be paid to the auditor. Our auditor meets with the Audit Committee annually regarding the preparation of the annual financial statements and also to present their report on the internal control procedures. The Audit Committee holds separate discussions with our external auditor on a quarterly basis without executive management being present. The scope, resources, and the level of fees proposed by the external auditor in relation to our audit are approved by the Audit Committee.

The Board ensures through an internal check that members of the Board and executive personnel advise the Company of any material interests that they may have in items to be considered by the Board.

The Board and executive management will consider and determine on a case-by-case basis whether independent third-party evaluations are required if entering into agreements with related parties in accordance with the Code section 9. The Board may decide, however, due to the specific agreement or transaction, to deviate from this recommendation if the interests of the shareholders in general are believed to be maintained in a satisfactory manner through other measures.
Other than related party transactions disclosed in note 24, the Company did not enter into any transactions with its shareholders or closely associated entities.

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Appendix A – Corporate Governance

Section 10 Risk management and internal control
The Board ensures that Archer follows guidelines to minimize the overall risk to the Company and its shareholders and implements and complies with an adequate internal control framework. Archer's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

We have implemented clear lines of responsibility and limits of delegated authority. Comprehensive procedures provide for the appraisal, approval, control and review of expenditures. The senior management team meets with its geographic and divisional leadership on a regular basis to discuss particular issues affecting each region and business unit, including their key risks, health and safety statistics and legal and financial matters. We have also implemented a process to assess the Company's projected financing needs and compliance with covenants under its financing arrangements. The results are presented to and discussed with the Board on a regular basis so adequate corrective measures can be taken if and when necessary.

Integrity is part of our core values and high ethical standards are paramount to achieve our business objectives. Our Code of Conduct describes Archer's commitment related to ethics for both personal and business matters. We comply with applicable laws and regulations and act in an ethical and socially responsible manner. Our Code of Conduct applies to everyone working for Archer, including the members of the Board. The Code of Conduct is available at www.archerwell.com. Archer has implemented a dedicated ethics helpline that can be used by employees who wish to express concerns or seek advice regarding the legal and ethical conduct of our business.

We comply with the Code related to this section.

Section 11 Remuneration of the board of directors
There is no obligation to present the guidelines for remuneration of the Board of Directors to the shareholders of a Bermuda incorporated company. We will provide information to our shareholders regarding remuneration of the Board in compliance with United States generally accepted accounting principles ("US GAAP") but will not implement procedures that are not generally applied under Bermuda law. We therefore deviate from this part of section 11 of the Code. There are no service contracts between the Company and any of our directors providing for benefits upon termination of their service.

Section 12 Salary and other remuneration for executive personnel
There is no obligation to present the guidelines for remuneration of the executive management to the shareholders of a Bermuda incorporated company. We provide information to our shareholders regarding remuneration of the executive management in compliance with US GAAP, but will not implement procedures that are not generally applied under Bermuda law. In the view of the Company there is sufficient transparency and simplicity in the remuneration structure and information provided through the annual report and financial statements are sufficient to keep shareholders adequately informed. We therefore deviate from this part of section 12 of the Code.

Section 13 Information and communications
The Board has established guidelines requiring interim financial reporting on a quarterly basis according to a financial calendar that is publicly available. We hold a quarterly financial results conference call, which is accessible to all participants in the securities market. Timing and venue for such events are announced through public press releases. For specific events the Board requests that the Company hold investor meetings allowing for more detailed information. The information shared in such meetings is published on our website.

Section 14 Take-overs
The Board of Directors has adopted all recommendations in the Code related to takeovers, which requires that all shareholders are given sufficient information and time to form an independent view of a potential takeover offer.

We comply with the Code related to this section.

Section 15 Auditor
The Board's Audit Committee is responsible for ensuring that the Group is subject to an independent and effective audit. Our independent registered public accounting firm (independent auditor) is independent in relation to Archer and is appointed by the general meeting of shareholders. The independent auditor's fee must be approved by the general meeting of shareholders.

The Audit Committee is approved by the Board and is responsible for ensuring that the Company is subject to an independent and effective external audit. On an annual basis the independent auditor presents a plan to the Audit Committee for the execution of the independent auditor's work.

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The independent auditor participates in all meetings of the Audit Committee which concern financial statement filings, and participates in reviewing the Company's internal control procedures, including identified weaknesses and proposals for improvement.

When evaluating the independent auditor, emphasis is placed on the firm's competence, capacity, local and international availability, and the size of its fee. The Audit Committee evaluates and makes a recommendation to the Board, the corporate assembly and the general meeting of shareholders regarding the choice of independent auditor, and it is responsible for ensuring that the independent auditor meets the requirements in Norway.

The Audit Committee considers all reports from the independent auditor before they are considered by the Board. The Audit Committee holds regular meetings with the independent auditor without the Company's management being present.
We comply with the Code related to this section.

Norwegian Accounting Act Section 3-3 b
In addition to the Norwegian Code of Practice for Corporate Governance, the Norwegian Accounting Act has set out additional requirements for corporate governance. We have established a set of guidelines related to internal control and corporate governance.

Risk Oversight
It is management's responsibility to manage risk and bring our most material risks to the attention of the Board. The Board has delegated to the Audit Committee the responsibility to discuss with management our major financial risk exposures and the steps management has taken to monitor and control those exposures, including our risk assessment and risk management. The Audit Committee reports as appropriate to the full Board. Each operational division head is responsible to report risks related to each segment to the Chief Executive Officer, who in turn reports to the Board.

Internal control
Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with US GAAP. Our control environment is the foundation for our system of internal control over financial reporting and is an integral part of our Code of Conduct and Business Ethics for the Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, which sets the tone of our Company. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with US GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Audit committee
The Audit Committee currently consists of James O'Shaughnessy and Peter Sharpe. The Audit Committee assists our Board in fulfilling its oversight responsibility by overseeing and evaluating (i) the conduct of our accounting and financial reporting process and the integrity of our financial statements; (ii) the functioning of our systems of internal accounting and financial controls; (iii) the performance of our internal audit function and (iv) the engagement, compensation, performance, qualifications and independence of our independent auditors.

The independent auditors have unrestricted access and report directly to the Audit Committee. The Audit Committee meets privately with, and has unrestricted access to, the independent auditors and all of our personnel.

Compensation committee
The role of a Compensation Committee is currently performed by all members of the Board. The Board formulates and oversees the execution of our compensation strategies, including making recommendations with respect to compensation arrangements for senior management, directors and other key employees. The Board also administers our stock compensation plans.

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Appendix A – Corporate Governance

Communications with the Board
Shareholders and other interested parties wishing to communicate with the Board or any individual director, including the Chairman, should send any communication to the Corporate Secretary, Archer Limited, Par-la-Ville Place 14 Par-la-Ville Road, Hamilton HM 08, Bermuda. Any such communication must state the number of shares beneficially owned by the shareholder making the communication. The Corporate Secretary will forward such communication to the director or directors to whom the communication is directed, unless the Corporate Secretary determines that the communication does not relate to the business or affairs of the Company or the functioning or constitution of the Board or any of its committees, or it relates to routine or insignificant matters that do not warrant the attention of the Board, or is an advertisement or other commercial solicitation or communication, or is frivolous or offensive, or is otherwise not appropriate for delivery to directors.

Communication from the company
Information of relevance to our share price is communicated through our website, and includes information relating to results and economic development. Our policy is to comply with all applicable standards aimed at securing a good information flow.

We publish annual and quarterly reports, as well as our annual ESG report, on our website. We acknowledge the importance of providing shareholders, and the equity market in general, with correct and relevant information about us and our activities.

Other than the items mentioned above, we have not established any further guidelines regulating the work of the Board and its committees.

Archer Limited and subsidiaries
Appendix B – List of significant subsidiaries

Company	Country of Incorporation	Direct and indirect shareholding and voting rights
Archer (UK) Limited Abu Dhabi (Branch)	ABU DHABI	100%
DLS-Archer Ltd. S.A.	ARGENTINA	100%
DLS Argentina Ltd. Argentina (Branch)	ARGENTINA	100%
DLA Argentina Fluidos S.A.	ARGENTINA	100%
Archer Well Company (Australia) Pty Ltd	AUSTRALIA	100%
Archer Well Company International Azerbaijan (Branch)	AZERBAIJAN	100%
Archer (UK) Ltd (Branch)	AZERBAIJAN	100%
Archer Emerald (Bermuda) Limited	BERMUDA	100%
Archer Topaz Limited	BERMUDA	100%
Archer DLS Corporation Bolivia (Branch)	BOLIVIA	100%
Archer do Brasil Serviços de Petróleo Ltda	BRASIL	100%
BCH Energy do Brasil Serviços de Petróleo Ltda	BRASIL	100%
Archer DLS Corporation	BVI	100%
DLS Argentina Limited	BVI	100%
DLS Argentina Holding Ltd	BVI	100%
Archer BCH (Canada) Ltd	CANADA	100%
Archer BCH (Canada) Branch	GUYANA	100%
Archer Oil Tools AS Congo (Branch)	CONGO	100%
Archer Offshore Denmark AS	DENMARK	100%
Archer (UK) Limited France (Branch)	FRANCE	100%
Archer Services Limited	HONG KONG	100%
Jarðboranir hf.	ICELAND	50%
PT Archer	INDONESIA	95%
Archer Well Company (M) SDN BHD	MALAYSIA	100%
Archer Well Solutions Sdn Bhd	MALAYSIA	49%
Archer Wellcompany International Ltd.	MOZAMBIQUE	100%
Archer Well Services Nigeria Limited	NIGERIA	100%
Archer AS	NORWAY	100%
Archer Consulting AS	NORWAY	100%
Archer Norge AS	NORWAY	100%
Archer Oil Tools AS	NORWAY	100%
Comtrac AS	NORWAY	50%
Archer Poland Sp. Z.O.O.	POLAND	100%
Archer Well Technologies LLC*	RUSSIA	100%
Archer (UK) Limited Jebel Ali Free Zone (Branch)	UAE	100%
Archer (UK) Limited	UK	100%
Archer Assets UK Limited	UK	100%
Archer Consulting Resources Limited	UK	100%
Archer Well Company International Ltd	UK	100%
Limay Drilling Rigs Ltd	UK	100%
Archer Well Services (Saudi Arabia) Ltd	UK	100%
Ziebel UK Ltd.	UK	100%
Archer Holdco LLC	USA	100%
Archer Oiltools LLC	USA	100%
Archer Well Company Inc	USA	100%
Ziebel US Inc.	USA	100%
KLX Energy Services Holdings Inc	USA	6.6%

** see note 12 for details regarding Comtrac AS.*

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