



NORTHERN DRILLING LTD

INTERIM FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

Highlights from Incorporation to December 31, 2017

- Acquired two of the world's most sophisticated, harsh environment, semi-submersible rigs currently under construction at Hyundai Heavy Industries.
- Listed on the Oslo Axess in October 2017.
- Successfully completed private placements raising gross proceeds of \$230 million and \$250 million in March and December 2017, respectively.

Results from Incorporation to December 31, 2017

Northern Drilling Ltd, or the Company, was incorporated under the laws of Bermuda on March 2, 2017, as a wholly-owned subsidiary of Greenwich Holdings Ltd, or Greenwich Holdings, with its principal executive offices located in Hamilton, Bermuda, for the purpose of ownership of offshore drilling rigs. The Company is expected to be primarily engaged in offshore contract drilling for the oil and gas industry in benign and harsh environments worldwide, including ultra-deep water environments.

The Company's activities since incorporation have consisted principally of acquiring one semi-submersible rig currently under construction, exercising an option for a second semi-submersible rig and raising capital. The Company's activities are subject to significant risks and uncertainties, including failing to take delivery of the current newbuildings, acquiring future assets, developing into an operating business and securing additional funding.

As of the date of this report, the Company owns one semi-submersible rig, West Mira, and has exercised an option to purchase a second semi-submersible rig, Bollsta Dolphin. Both rigs are currently under construction at Hyundai Heavy Industries Co Ltd with expected deliveries in January 2019. The Company does not currently have sufficient funding for its committed capital expenditures over the next twelve months but is confident that the required funding will be raised through new debt or equity or a combination of these.

In March 2017, the Company completed a private placement of 46,000,000 new shares and generated gross proceeds of \$230 million. The Company paid fees of \$2.3 million in connection with this private placement.

In October 2017, the Company's shares were listed on the Oslo Axess under the trading symbol "NODL".



In November 2017, the Company generated gross proceeds of NOK 2,032 million (approximately \$250 million) through the placing of 31,750,000 new shares at a subscription price of NOK 64 per share. The Company paid fees of \$3.9 million in connection with this private placement. As of the date of this report, the Company has 77,750,100 shares outstanding.

At December 31, 2017, the Company had cash and cash equivalents of \$84.1 million following the \$182.5 million and \$200.0 million initial investments in Semi 1 and Semi 2, respectively, payment of newbuilding supervision costs of \$2.1 million, private placement costs of \$6.2 million and the payment of a \$5.0 million financing fee.

Strategy

Northern Drilling's strategy is to be a distressed asset play on a recovery in the offshore drilling market. The Company is to opportunistically target acquisition of high quality assets that represent an attractive purchase price compared to historical and current replacement cost and future earnings capacity.

The Company will remain an asset platform and is not targeting expanding with in-house operational capabilities. All operational capabilities and requirements will be sourced through management contracts maintaining Northern Drilling's extremely cost competitive and flexible platform.

Northern Drilling will target accretive acquisition to the benefit of its shareholders. The Company's existing assets were acquired at a timely point in the cycle and have had a meaningful value appreciation since acquisition. The Company will continue to consider growth within the harsh environment sector. However, given the relative pricing of different offshore drilling assets today, the Company currently pursues opportunities outside the harsh environment sector.

The Company has, since incorporation, focused primarily on forward delivery deals where newbuildings currently under construction are acquired from the yards and delivery pushed out. Such acquisitions have a built-in optionality with the advantage of acquiring assets at a historical low point in the cycle but with the flexibility to postpone delivery until the underlying market has improved. Further, compared to acquiring already delivered rigs with limited or no backlog, forward delivery deals have the advantage of i) no depreciation, ii) no stacking cost iii) no reactivation cost and, iv) no SPS clock cost. Going forward, it is expected that the Company will continue to focus primarily on forward delivery deals for further growth.

Northern Drilling has no debt on its balance sheet at present and will continue to target a prudent capital structure. Closer to delivery of the drilling rigs, the Company will carefully consider financing take-out payments with debt considering market fundamentals and terms for employment contracts secured.



Further growth of the Company's asset base is expected to be financed with equity but with any new acquisition being strictly conditional upon being accretive to Northern Drilling's shareholders.

Outlook

Northern Drilling remains optimistic on the outlook for the harsh environment market and continues to believe in a strengthening of market fundamentals, which are expected to give rise to higher day rates and rig values. The Company's rigs are being marketed for opportunities through the Company's management contract with Seadrill Ltd. and are experiencing increased interest from a number of potential contractors. Modern units continue to be favoured by potential contractors. Securing term employment will be an important milestone for Northern Drilling and remains the Company's top priority. The Company will carefully consider the flexibility for early delivery under the agreements with Hyundai against term contracts surfacing in the market. At the same time, the Company is prepared to maximize the delivery window and await contracts until closer to scheduled delivery if the Company believes this will maximize shareholders' return.

While the market for harsh environment rigs has started to tighten with increased utilization, improved rates and asset prices, the general offshore drilling market remains further away from being in balance. However, the Company will carefully consider acquisition of other type of drilling assets than harsh environment rigs subject to attractive delivery window, payment structure and all-in purchase price.

Forward Looking Statements

This Report contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates, sometimes identified by the words "believes", "expects", "intends", "plans", "estimates" and similar expressions. The forward-looking statements contained in this Report, including assumptions, opinions and views of the Company or cited from third-party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. The Company does not provide any assurance that the assumptions underlying such forward-looking statements are free from errors, nor does the Company accept any responsibility for the future accuracy of the opinions expressed in the presentation or the actual occurrence of the forecasted developments. No obligations are assumed to update any forward-looking statements or to conform to these forward-looking statements to actual results.



The Board of Directors

Northern Drilling Ltd.

Hamilton, Bermuda

February 28, 2018

Questions should be directed to:

Gunnar Eliassen: Chief Executive Officer

+44 74 6914 0012

Email: Gunnar.Eliassen@Seatankersmgt.com

NORTHERN DRILLING LTD.
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Oct 1 to Dec 31, 2017	CONDENSED CONSOLIDATED INCOME STATEMENT <i>(in thousands of \$)</i>	March 2 to Dec 31, 2017	March 2 to Sept 30, 2017
—	Total operating revenues	—	—
446	Administrative expenses	822	376
446	Total operating expenses	822	376
(446)	Net operating loss	(822)	(376)
498	Interest income	725	227
4	Other financial (expense) income	(4,997)	(5,001)
56	Net (loss) income	(5,094)	(5,150)
0.00	Basic loss per share (\$)	(0.11)	(0.13)

See accompanying notes that are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS	2017 Dec 31	2017 Sept 30
ASSETS		
Short term		
Cash and cash equivalents	84,090	38,852
Other current assets	57	109
Long term		
Newbuildings	185,170	184,073
Payment on account of newbuilding acquisition	200,000	—
Total assets	469,317	223,034
LIABILITIES AND EQUITY		
Short term liabilities		
Other current liabilities	290	142
Related party payables	751	370
Commitments and contingencies		
Total equity	468,276	222,522
Total liabilities and equity	469,317	223,034

See accompanying notes that are an integral part of these condensed consolidated financial statements.

NORTHERN DRILLING LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Oct 1 to Dec 31, 2017	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS <i>(in thousands of \$)</i>	March 2 to Dec 31, 2017	March 2 to Sept 30, 2017
56	NET LOSS	(5,094)	(5,150)
	Adjustment to reconcile net loss to net cash provided by (used in) operating activities;		
—	Loan fee paid to related party	5,000	5,000
	Change in operating assets and liabilities;		
51	Other current assets	(57)	(108)
327	Other current liabilities	121	(206)
(236)	Related party payables	134	369
198	Net cash provided by (used in) operating	104	(95)
	INVESTING ACTIVITIES		
(827)	Additions to newbuilding	(2,053)	(1,225)
(200,000)	Payment on account to acquire newbuilding	(200,000)	—
(200,827)	Net cash used in investing activities	(202,053)	(1,225)
	FINANCING ACTIVITIES		
245,867	Net proceeds from share issuances	358,539	112,672
—	Repayment of loan to related party	(72,500)	(72,500)
245,867	Net cash provided by financing activities	286,039	40,172
45,238	Net increase in cash and cash equivalents	84,090	38,852
38,852	Cash and cash equivalents at start of the	—	—
84,090	Cash and cash equivalents at end of the	84,090	38,852

See accompanying notes that are an integral part of these condensed consolidated financial statements.

NORTHERN DRILLING LTD.
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY <i>(in thousands of \$ except number of shares)</i>	March 2 to Dec 31, 2017	March 2 to Sept 30, 2017
NUMBER OF SHARES OUTSTANDING		
Balance at beginning of period	—	—
Shares issued	77,750,100	46,000,100
Balance at end of period	77,750,100	46,000,100
SHARE CAPITAL		
Balance at beginning of period	—	—
Shares issued	77,750	46,000
Balance at end of period	77,750	46,000
ADDITIONAL PAID IN CAPITAL		
Balance at beginning of period	—	—
Shares issued	395,620	181,672
Balance at end of period	395,620	181,672
RETAINED DEFICIT		
Balance at beginning of period	—	—
Net loss	(5,094)	(5,150)
Balance at end of period	(5,094)	(5,150)
TOTAL EQUITY	468,276	222,522

See accompanying notes that are an integral part of these condensed consolidated financial statements.

NORTHERN DRILLING LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Northern Drilling Ltd, or the Company, was incorporated under the laws of Bermuda on March 2, 2017, as a wholly-owned subsidiary of Greenwich Holdings Ltd, or Greenwich Holdings, with its principal executive offices located in Hamilton, Bermuda, for the purpose of ownership of offshore drilling rigs. The Company is expected to be primarily engaged in offshore contract drilling for the oil and gas industry in benign and harsh environments worldwide, including ultra-deep water environments.

The Company's activities since incorporation have consisted principally of acquiring one semi-submersible rig currently under construction, exercising an option for a second semi-submersible rig and raising capital. The Company's activities are subject to significant risks and uncertainties, including failing to take delivery of the current newbuildingS, acquiring future assets, developing into an operating business and securing additional funding. The Company does not currently have sufficient funding for its committed capital expenditures over the next twelve months but is confident that the required funding will be raised through debt financing, an equity issue or a combination of these.

As of the date of this report, the Company owns one semi-submersible drilling rig, Semi 1, previously known as West Mira, and has exercised an option to purchase a second semi-submersible rig, Semi 2, previously known as Bollsta Dolphin. Both rigs are currently under construction at Hyundai Heavy Industries Co Ltd with expected deliveries in January 2019.

2. BASIS OF ACCOUNTING

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States as described in the Company's audited financial statements for the period from March 2, 2017 to June 30, 2017. The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. The preparation of the consolidated financial statements requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities. Actual results could differ from those estimates.

3. EARNINGS PER SHARE

The basic loss per share has been calculated based on the net loss attributable to the Company of \$5.1 million and the weighted average number of shares in the period of 46,838,093 shares. There were no potentially dilutive instruments outstanding in the period.

4 . NEWBUILDINGS

In March 2017, a wholly-owned subsidiary of the Company and Hyundai Samho Heavy Industries Co Ltd, or HHI, entered into an agreement concerning the sale and purchase of one semi-submersible rig, HHI HE Semi 1 (ex. West Mira), or Semi 1, which is currently under construction at HHI and had

previously been ordered and later cancelled by Seadrill Ltd, or Seadrill, a related party. The purchase price is \$365.0 million payable in two equal installments.

In March 2017, Seatankers Management entered into an option agreement with HHI to acquire Semi 2 for a purchase price of \$400.0 million payable in two equal installments. The first installment is payable upon exercise of the option and the second installment is payable upon delivery of Semi 2. In September 2017, a wholly-owned subsidiary of the Company and Seatankers Management entered into an agreement whereby Seatankers Management agreed to either nominate a subsidiary of the Company as buyer to accept delivery of Semi 2 from HHI, subject to HHI's prior consent, or to exercise Seatankers Management's rights to purchase the Semi 2 and when instructed to do so by a subsidiary of the Company to immediately sell the Semi 2 to that subsidiary on back-to-back terms.

In December 2017, Seatankers Management, HHI and a wholly-owned subsidiary of the Company entered into a Novation Agreement relating to the option agreement entered into in March 2017 whereby all of the rights and obligations of Seatankers Management under this agreement were novated to a wholly-owned subsidiary of the Company and this subsidiary exercised its rights under the option agreement. The Company then paid \$200.0 million into a suspense account to be released to HHI on receipt of a refund guarantee from a third party bank. This payment has been recorded as a 'Payment on account of newbuilding acquisition' at December 31, 2017. The refund guarantee was received in January 2018 at which time the funds were released to HHI. The Company is required to pay a fee of \$0.4 million to Seatankers Management as consideration for a payment guarantee that Seatankers Management gave to HHI in December 2017 in respect of the second installment due on Semi 2. This fee has been included in the cost of Newbuildings at December 31, 2017.

5. SHARE CAPITAL

The Company has an authorized share capital of \$1,000,000,000 comprising of 1,000,000,000 common shares, each with a par value of \$1.00.

The Company was incorporated in March 2017 with 100 shares. Also in March 2017 the Company issued 46,000,000 shares at \$5.00 each in a private placement of new shares, or the March Private Placement. Gross proceeds of \$230.0 million were raised and the Company paid fees of \$2.3 million in connection with this private placement.

The Company's shares were listed on the Oslo Axess in October 2017.

In November 2017, the Company issued 31,750,000 shares at NOK 64.00 per share in a private placement of new shares. Gross proceeds of NOK 2,032 million (\$249.7 million) were raised and the Company paid fees of \$3.9 million in connection with this private placement.

As of December 31, 2017, the Company had 77,750,100 shares outstanding.

6. RELATED PARTY TRANSACTIONS

Greenwich Holdings, and then a wholly-owned subsidiary of Greenwich Holdings, has been the Company's largest shareholder since the Company's formation. A wholly-owned subsidiary of Greenwich Holdings holds approximately 40.0% of shares in the Company at December 31, 2017. The Company transacts business with the following related parties, being companies in which

Greenwich Holdings, or companies affiliated with Greenwich Holdings, has a significant interest - Sterna Finance Ltd, or Sterna Finance, Seadrill Ltd, or Seadrill, and Seatankers Management Co. Ltd, or Seatankers Management.

Sterna Finance transactions

In March 2017, West Mira Inc, or West Mira, a wholly-owned subsidiary of the Company entered into a loan agreement with Sterna Finance, or the Sterna Loan, whereby West Mira borrowed \$182.5 million from Sterna Finance and it was acknowledged that this amount had already been paid by Seatankers Management as settlement of the first installment due in connection with the purchase of Semi 1.

Also in March 2017, the Company and West Mira entered into an agreement with Greenwich Holdings and Sterna Finance regarding the settlement of the Sterna Loan, the purchase of Semi 1 and the March Private Placement whereby \$110.0 million of the Sterna Loan was settled by the Company issuing 22,000,000 common shares to Greenwich Holdings, as part of the March Private Placement, following a partial assignment by Sterna Finance of the Sterna Loan to Greenwich Holdings, and the Company issued one million common shares, as part of the March Private Placement, to Sterna Finance in settlement of a \$5.0 million fee, or the Sterna Fee, for granting the Sterna Loan and supporting the acquisition of the Semi 1 rig. \$72.5 million of the Sterna Loan was repaid in March 2017 from the proceeds of the March Private Placement. The loan did not bear interest. The Sterna Fee has been expensed in the period and recorded as Other Financial Items in the Consolidated Statement of Operations as the loan was drawn down and repaid in March 2017.

Seadrill transactions

In May 2017, a wholly-owned subsidiary of the Company and Seadrill Global Services Ltd, or SGS, a wholly-owned subsidiary of Seadrill, entered into a management agreement whereby SGS agrees to perform the Company's scope of works under the purchase agreement for Semi 1 and to carry out the supervision of the construction of Semi 1 from March 10, 2017 to the rig's delivery date for a fixed fee of \$7,000 per day. The fee was \$2.1 million in the period from March 2 to December 31, 2017 and has been included in the cost of the Newbuilding. The Company owes \$0.2 million to SGS at December 31, 2017.

The agreement is effective until May 2019 and shall renew automatically for a period of four years, unless terminated earlier pursuant to the provisions of the agreement. Such termination provisions include material breach of obligations under the agreement and failure to approve a budget within 183 days from commencement of the financial year. The agreement will also terminate upon the change of control of either party. The parties have the option to extend the term for a further three years.

The agreement also gives SGS the right of first offer in the event of a proposed sale of the rig by the Company from April 30, 2018 for the duration of the agreement. The Company should notify SGS in writing of the rig's intended sale to a third party identifying the floor price and delivery date, at which time SGS is entitled to exercise its right of first offer. The Company has undertaken not to sell the rig to a third party prior to April 30, 2018.

Seatankers Management transactions

In March 2017, Seatankers Management entered into an option agreement with HHI to acquire Semi 2 for a purchase price of \$400.0 million payable in two equal installments. The first installment is

payable upon exercise of the option and the second installment is payable upon delivery of Semi 2. In September 2017, a wholly-owned subsidiary of the Company and Seatankers Management entered into an agreement whereby Seatankers Management agreed to either nominate a subsidiary of the Company as buyer to accept delivery of Semi 2 from HHI, subject to HHI's prior consent, or to exercise Seatankers Management's rights to purchase the Semi 2 and when instructed to do so by a subsidiary of the Company to immediately sell the Semi 2 to that subsidiary on back-to-back terms. In December 2017, Seatankers Management, HHI and a wholly-owned subsidiary of the Company entered into a Novation Agreement relating to the option agreement entered into in March 2017 whereby all of the rights and obligations of Seatankers Management under this agreement were novated to a wholly-owned subsidiary of the Company and this subsidiary exercised its rights under the option agreement. Seatankers Management has guaranteed payment to HHI of the second and final installment of \$200.0 million for Semi 2. The Company accrued \$0.4 million at December 31, 2017 in respect of a fee payable to Seatankers Management as consideration for this guarantee.

Seatankers Management has guaranteed payment of the second and final installment of \$182.5 million for Semi 1. No consideration was paid for this guarantee.

The Company and its subsidiaries receive services from Seatankers Management. The fee was \$180,000 in the period from March 2 to December 31, 2017. The Company owes \$0.5 million to Seatankers Management at December 31, 2017.

7. COMMITMENTS AND CONTINGENCIES

As of December 31, 2017, the Company was committed to make the second and final installment of \$182.5 million for Semi 1. This installment is payable on delivery, which is currently expected in January 2019.

As of December 31, 2017, the Company was also committed to make the second and final installment of \$200.0 million for Semi 2 assuming the Company received a refund guarantee from a third party bank for the \$200.0 million installment paid in December 2017. The second and final installment is payable on delivery, which is currently expected in January 2019. The Company received the refund guarantee in respect of the first installment in January 2018.

8. SUPPLEMENTAL INFORMATION

In March 2017, West Mira, a wholly-owned subsidiary of the Company entered into the Sterna Loan, whereby West Mira borrowed \$182.5 million from Sterna Finance and it was acknowledged that this amount had already been paid by Seatankers Management as settlement of the first installment due in connection with the purchase of Semi 1.

Also in March 2017, the Company and West Mira entered into an agreement with Greenwich Holdings and Sterna Finance regarding the settlement of the Sterna Loan, the purchase of Semi 1 and the March Private Placement whereby \$110.0 million of the Sterna Loan was settled by the Company issuing 22,000,000 common shares to Greenwich Holdings, following a partial assignment by Sterna Finance of the Sterna Loan to Greenwich Holdings, and the Company issued one million common shares to Sterna Finance in settlement of a \$5.0 million fee for granting the Sterna Loan and supporting the acquisition of the Semi 1 rig.

Also in March 2017, the Company completed the March Private Placement and generated gross proceeds of \$230.0 million. Net cash proceeds of \$112.7 million were received following the payment of associated fees of \$2.3 million, partial settlement of the Sterna Loan and settlement of the Sterna Fee.

9. SUBSEQUENT EVENTS

In December 2017, a wholly-owned subsidiary of the Company exercised the option for Semi 2 and the Company paid \$200.0 million into a suspense account to be released to HHI on receipt of a refund guarantee. The refund guarantee was received in January 2018 and the funds were released to HHI at which time the \$200.0 million payment was transferred from 'Payment on account of newbuilding acquisition' to Newbuildings.