



**NORTHERN DRILLING LTD.
RESULTS FOR THE THIRD QUARTER AND NINE MONTHS
ENDED SEPTEMBER 30, 2019**

Highlights - Third Quarter

- The Company continues cost efficient efforts to mobilize and prepare its harsh environment rigs for operations in the North Sea under long term contracts.

Subsequent Events

- *West Mira* commenced its initial contract for Wintershall Norge AS on November 7, 2019.
- The *Cobalt Explorer* resale contract with DSME was cancelled on October 7, 2019.

Results

The Company's activities since incorporation in March 2017 have consisted principally of acquiring drilling units currently under construction, raising capital and operational preparations for initial drilling contracts. The Company did not have any drilling units in operation at the quarter end and the operating results in the third quarter and nine months ended September 30, 2019 consisted of interest income, administrative expenses and non-capitalized costs related to contract preparations.

Business Update

In the third quarter, the *West Mira* was in Norway for the quarter completing equipment installations, client upgrades and acceptance testing. The rig commenced its contract with Wintershall Norge AS ("Wintershall") on November 7, 2019 and is drilling its first exploration well in the Maria field. Technical utilization since contract commencement has been 96.8%.

The *West Bollsta* arrived in the Canary Islands in September 2019 to complete contract preparation activities and is expected to commence with Lundin Norway AS in the second quarter of 2020. Both rigs have ten well contracts with options that could extend the contracts into 2022. The total revenue backlog at September 30, 2019 is estimated at \$345 million, excluding options and performance bonuses.

On October 7, 2019, West Cobalt Inc., a wholly-owned subsidiary of the Company, sent notice to DSME informing the yard it was rescinding the resale contract for the *Cobalt Explorer* for misrepresentation and, in the alternative, terminating the resale contract at common law for repudiatory breach. West Cobalt Inc will claim the return of all sums paid to DSME plus interest and damages. The yard is challenging West Cobalt Inc.'s notice and the dispute is not expected to be resolved in the near future. As of September 30, 2019, West Cobalt Inc. had paid instalments of

\$49.2 million and further instalments of \$300.8 million would have become payable to DSME under the resale contract. The Company has not paid the instalment of \$18.6 million that was due on October 1, 2019.

On November 21, 2019, the Company announced that Gunnar Winther Eliassen has resigned as board member in the Company to take on other board responsibilities. Mr. Eliassen will continue to support the Company through his role in the Seatankers Group, an affiliate of the Company's largest shareholder, Hemen Holding Limited.

Outlook

The Company continues to hold a constructive view on the market and is positive on the long-term fundamentals.

Each quarter more signs of market stability and industry improvements are visible with an expectation to see this trend continue. Modern harsh environment market utilization has remained greater than 95% for the full year, while there is little incremental supply entering the market and vintage units rolling off contract are likely scrapping candidates. Additionally demand visibility is improving as the majority of near-term options are exercised combined with E&P companies entering direct negotiations with contractors. This is supportive of a continued recovery and further rate increase in the harsh environment market that continues to show a strong preference for high specification and modern rigs like the *West Mira* and *West Bollsta*.

The benign ultra deepwater market continues its slow climb to find a rebalanced position. Since the summer numerous awards have been disclosed which continue to push the rates upwards, and several spot fixtures have recently been concluded at around \$250,000 per day. Active ongoing tenders in the market also reflects increased duration of drilling programs supporting a further increase in day rates. The Company is well positioned for the next 15 to 18 months with the forward delivery dates it has secured for its 7th generation ultra deepwater drillship fleet and looks to capitalize on a rebalanced market with timing opportunities to secure contracts that can support the takeout financing from the shipyard.

Forward Looking Statements

The Company's activities are subject to significant risks and uncertainties that can have an adverse effect on the Company's business, financial condition, results of operations and cash flow. See Note 1 to the unaudited condensed consolidated financial 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 these forward-looking statements to actual results.

The Board of Directors
Northern Drilling Ltd.
Hamilton, Bermuda
November 29, 2019

Questions should be directed to:
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NORTHERN DRILLING LTD.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Jul 1 to Sept 30, 2018	Jul 1 to Sept 30, 2019	CONDENSED CONSOLIDATED INCOME STATEMENT <i>(in thousands of \$)</i>	Jan 1 to Sept 30, 2019	Jan 1 to Sept 30, 2018	2018
—	—	Total operating revenues	—	—	—
—	(69)	Operating expenses	699	—	350
399	735	Administrative expenses	2,022	1,024	1,942
399	666	Total operating expenses	2,721	1,024	2,292
(399)	(666)	Net operating loss	(2,721)	(1,024)	(2,292)
774	(99)	Interest income	1,414	1,594	2,353
11	(462)	Other financial (expense) income	(971)	(12)	(128)
386	(1,227)	Net (loss) income	(2,278)	558	(67)
0.00	(0.01)	Basic (loss) income per share (\$)	(0.02)	0.00	0.00

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

NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET <i>(in thousands of \$)</i>	2019 Sept 30	2018 Sept 30	2018 Dec 31
ASSETS			
Short term			
Cash and cash equivalents	51,079	145,437	122,832
Restricted cash	119	—	—
Related party receivables	10,979	—	2,251
Other current assets	2,288	563	345
Long term			
Newbuildings	1,160,750	569,187	779,761
Fixtures and fittings	2	—	—
Newbuilding prepayment	—	—	13,015
Total assets	1,225,217	715,187	918,204
LIABILITIES AND EQUITY			
Short term liabilities			
Current portion of long term debt	35,000	—	10,000
Other current liabilities	2,903	195	1,392
Accrued revenue	7,685	—	—
Related party payables	39,516	1,036	5,747
Long term liabilities			
Long term debt	355,677	—	187,725
Accrued revenue	3,294	—	—
Related party long term debt	70,000	—	—
Commitments and contingencies (Note 9)			
Total equity	711,142	713,956	713,340
Total liabilities and equity	1,225,217	715,187	918,204

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

NORTHERN DRILLING LTD.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Jul 1 to Sept 30, 2018	Jul 1 to Sept 30, 2019	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW <i>(in thousands of \$)</i>	Jan 1 to Sept 30, 2019	Jan 1 to Sept 30, 2018	2018
386	(1,227)	NET (LOSS) INCOME	(2,278)	558	(67)
		Adjustment to reconcile net (loss) income to net cash (used in) provided by operating activities;			
—	444	Amortization of deferred charges	902	—	60
—	27	Stock option expense	80	—	9
—	—	Unrealized foreign exchange loss	—	—	56
		Change in operating assets and liabilities;			
(427)	(1,684)	Other current assets	(1,943)	(450)	(344)
(97)	(344)	Other current liabilities	677	(143)	371
917	(403)	Related party balances	(11,182)	286	(1,850)
—	10,978	Accrued revenues	10,978	—	—
779	7,791	Net cash (used in) provided by operating activities	(2,766)	251	(1,765)
		INVESTING ACTIVITIES			
(2,884)	(68,725)	Additions to newbuilding	(330,916)	(184,026)	(389,265)
—	(2)	Purchase of fixtures and fittings	(2)	—	—
—	—	Additions to newbuilding prepayment	—	—	(13,015)
(2,884)	(68,727)	Net cash used in investing activities	(330,918)	(184,026)	(402,280)
		FINANCING ACTIVITIES			
—	—	Net proceeds from share issuances	—	245,122	245,122
—	—	Proceeds from long term bank debt	200,000	—	200,000
—	(5,000)	Repayment of bank debt	(5,000)	—	—
—	70,000	Proceeds from related party long term debt	70,000	—	—
—	—	Debt fees paid	(2,950)	—	(2,335)
—	65,000	Net cash provided by financing activities	262,050	245,122	442,787
(2,105)	4,064	Net change in cash, cash equivalents and restricted cash	(71,634)	61,347	38,742
147,542	47,134	Cash, cash equivalents and restricted cash at start of the period	122,832	84,090	84,090
145,437	51,198	Cash, cash equivalents and restricted cash at end of the period	51,198	145,437	122,832

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

NORTHERN DRILLING LTD.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <i>(in thousands of \$ except number of shares)</i>	Jan 1 to Sept 30, 2019	Jan 1 to Sept 30, 2018	2018
NUMBER OF SHARES OUTSTANDING			
Balance at beginning of period	107,555,983	77,750,100	77,750,100
Shares issued	—	29,805,883	29,805,883
Balance at end of period	107,555,983	107,555,983	107,555,983
SHARE CAPITAL			
Balance at beginning of period	107,556	77,750	77,750
Shares issued	—	29,806	29,806
Balance at end of period	107,556	107,556	107,556
ADDITIONAL PAID IN CAPITAL			
Balance at beginning of period	610,945	395,620	395,620
Shares issued	—	215,316	215,316
Stock option expense	80	—	9
Balance at end of period	611,025	610,936	610,945
RETAINED DEFICIT			
Balance at beginning of period	(5,161)	(5,094)	(5,094)
Net (loss) income	(2,278)	558	(67)
Balance at end of period	(7,439)	(4,536)	(5,161)
TOTAL EQUITY	711,142	713,956	713,340

See accompanying notes that are an integral part of these unaudited 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, with its principal executive office 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 but not limited to ultra-deep water environments.

The Company's activities since incorporation have consisted principally of acquiring drilling units under construction, listing its shares on Oslo Axess and then the Oslo Stock Exchange, raising capital and operational preparations for initial drilling contracts.

As of the date of this report, the Company owns two semi-submersible rigs, *West Mira* and *West Bollsta*, that were delivered to the Company in December 2018 and June 2019, respectively. The *West Mira* commenced its contract with Wintershall Norge AS ("Wintershall") on November 7, 2019 and the *West Bollsta* is being mobilised for its commencement with Lundin Norway AS in the second quarter of 2020. The Company also owns two drillships under construction, which are expected to be delivered in the first half of 2021.

The Wintershall and Lundin contracts have been awarded to a Seadrill Ltd. subsidiary, which will operate the *West Mira* and *West Bollsta* on the Company's behalf. The Company entered into agreements with subsidiaries of Seadrill Ltd, for commercial and technical services of the *West Mira* and *West Bollsta* under their respective contracts.

The Company's activities are subject to significant risks and uncertainties that can have an adverse effect on the Company's business, financial condition, results of operations and cash flow. Such risks and uncertainties include, among others, failure to take delivery of the current newbuildings, decreasing market value of the rigs, failure to acquire future assets, developing into an operating business and securing additional funding. The Company also needs to comply with certain financial covenants on a consolidated basis under the terms of its existing term loan facility and failure to do so would require the outstanding loan to be repaid. Further, the success and growth of the Company's business is depending on the level of activity in the offshore oil and gas industry generally and the drilling industry specifically. Both such industries are highly competitive, with intense price competition. Further, the Company has a limited number of rigs which makes it vulnerable in the event of a loss of revenue of any such rigs and should the Company not be able to obtain favorable contracts for its rigs.

2. BASIS OF ACCOUNTING

The condensed consolidated financial statements are stated in accordance with accounting principles generally accepted in the United States as described in the Company's audited financial statements for the year ended December 31, 2018. The condensed 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 condensed 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.

The presentation of the condensed consolidated income statement for the year ended December 31, 2018 has been expanded to conform with the 2019 presentation. The previously reported number for Administrative expenses of \$2.3 million is now reported as \$1.9 million and a new line, Operating expenses, has been added for the training costs of \$0.4 million that were previously included in Administrative expenses. This revision does not impact the Company's previously reported condensed consolidated balance sheet or condensed consolidated statement of cash flows.

3. EARNINGS PER SHARE

The basic earnings per share amounts for the nine months and three months ended September 30, 2019 have been calculated based on the net loss attributable to the Company of \$2.3 million and \$1.2 million, respectively. The weighted average number of shares in both periods was 107,555,983 shares.

4 . RESTRICTED CASH

Restricted cash consists of cash held in a restricted account for payroll taxes.

5 . NEWBUILDINGS

Movements in the carrying value of Newbuildings, which includes drilling units and drill ships under construction and drilling units undergoing mobilization prior to commencement of first operating contract, in the nine months to September 30, 2019 may be summarized as follows:

<i>(in thousands of \$)</i>	
Balance at December 31, 2018	779,761
Transfer from Newbuilding prepayment	13,015
Installments paid	246,073
Newbuilding supervision fees and costs	12,676
Mobilization costs	95,708
Interest capitalized	13,517
Balance at September 30, 2019	1,160,750

In each of May and July 2019, the Company paid \$18.6 million for the second and thirds installments due in respect of *Cobalt Explorer*.

In June 2019, the Company took delivery of the *West Bollsta* and paid the final installment due of \$208.9 million. The *West Bollsta* is currently being mobilized in preparation for the commencement of its operating contract with Lundin Norway AS, in the second quarter of 2020.

6 . NEWBUILDING PREPAYMENT

The amount recorded as Newbuilding Prepayment at December 31, 2018 was transferred to Newbuildings in April 2019 upon the exercise of the option for the newbuilding.

7 . DEBT

<i>(in thousands of \$)</i>	2019 Sept 30	2018 Dec 31
U.S. dollar denominated floating rate debt:		
\$200.0 million term loan facility - <i>West Mira</i>	195,000	200,000
\$200.0 million term loan facility - <i>West Bollsta</i>	200,000	—
Total debt	395,000	200,000
Short term debt	35,000	10,000
Deferred charges	4,323	2,275
Long term debt	355,677	187,725

The outstanding debt as of September 30, 2019 is repayable as follows:

<i>(in thousands of \$)</i>	
Year 1	35,000
Year 2	40,000
Year 3	320,000
Year 4	—
Year 5	—
Thereafter	—
	<u>395,000</u>

In May 2019, the Company entered into an agreement with a group of banks to upsize the *West Mira* term loan facility from \$200.0 million to \$400.0 million by adding a separate tranche for the *West Bollsta*. The full amount of this loan was drawn in June 2019 upon the delivery of the *West Bollsta*. The additional tranche has a three year tenor and has a nine month amortization grace followed by quarterly instalments of \$5.0 million. The terms and conditions and financial covenants are the same as the *West Mira* loan, including the interest rate of Libor plus 350 bps.

In September 2019, the Company paid the first quarterly installment due under the *West Mira* loan facility in the amount of \$5.0 million.

The Company is in compliance with all financial covenants as of September 30, 2019.

Assets pledged

<i>(in thousands of \$)</i>	2019 Sept 30	2018 Dec 31
Newbuildings	<u>918,785</u>	<u>386,673</u>

Deferred charges

<i>(in thousands of \$)</i>	2019 Sept 30	2018 Dec 31
Debt arrangement fees	<u>5,285</u>	<u>2,335</u>
Accumulated amortization	<u>(962)</u>	<u>(60)</u>
	<u>4,323</u>	<u>2,275</u>

In June 2019, the Company paid \$3.0 million with respect to debt arrangement fees.

In the nine months ended September 30, 2019, amortization expense of \$0.9 million in respect of deferred charges was recorded in other financial expense in the consolidated income statement.

8. RELATED PARTY TRANSACTIONS

Hemen Holding Ltd, or Hemen, a Cyprus holding company, indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family, owns approximately 39% of the Company's outstanding ordinary shares at September 30, 2019. The Company transacts business with the following related parties, being companies in which Hemen, or companies affiliated with Hemen, has a significant interest - Seadrill Ltd, or Seadrill, Seatankers Management Co. Ltd, or Seatankers Management, Blue Sea Brokers Inc, or Blue Sea Brokers, Blue Sea Navigation Holdings Inc, or Blue Sea, Sterna Finance Limited, or Sterna Finance, Golden Ocean Management AS, or Golden Ocean and Frontline Management (Bermuda) Limited, or Frontline Management.

Seadrill transactions

Wholly-owned subsidiaries of Seadrill carry out the newbuilding supervision of the two drillships, and operations supervision of the mobilization and operational preparations of the *West Mira* and *West Bollsta*. The Company pays management fees for supervision of these activities and provides Seadrill funding for the mobilization and operational preparation. In the nine months ended September 30, 2019, the Company was charged and capitalized newbuilding supervision fees of \$3.8 million.

As at September 30, 2019, the Company has incurred \$11.0 million in respect of upgrades to the *West Mira*, which are recoverable from Wintershall under the terms of the operating contract between Wintershall and Seadrill, and this amount has been recorded as receivable from Seadrill prior to the novation of the operating contract in November 2019. This amount is also recorded as accrued revenue at September 30, 2019 and will be amortised over the period of the operating contract.

Seatankers Management transactions

The Company and its subsidiaries receive management services from Seatankers Management. The fee was \$0.5 million in the nine months ended September 30, 2019.

Blue Sea transactions

In April 2019, a wholly-owned subsidiary of the Company entered into a sales and purchase agreement with Daewoo Shipbuilding & Marine Engineering Co. Ltd ("DSME") to acquire the drillship, *Cobalt Explorer*, for \$350.0 million. The Company made a \$12.0 million prepayment in December 2018, which was credited against the first installment and the remaining \$93.0 million was to be paid in five equal instalments over ten months beginning in June 2019. The remaining \$245.0 million was payable on delivery of the drillship. At September 30, 2019 the first and second instalments have been paid and \$49.2 million has been paid in total. The amounts paid to DSME have been capitalized and recorded in Newbuildings.

Pursuant to the sale and purchase agreement, Blue Sea provided an irrevocable and unconditional corporate guarantee to DSME. The Company executed a counter indemnity guarantee under which Blue Sea is indemnified in respect of all amounts paid under its corporate guarantee. The Company paid a guarantee fee of \$0.4 million to Blue Sea.

Sterna Finance

In June 2019, a wholly-owned subsidiary of the Company entered into a \$100.0 million revolving credit facility, or RCF, with Sterna Finance. The RCF is repayable in June 2022 and bears interest at 6.75% per annum. The Company drew down \$70.0 million from this facility in the three months ended September 30, 2019.

Golden Ocean and Frontline transactions

The Company and its subsidiaries receive treasury and accounting services from Golden Ocean and Frontline, respectively, and was charged \$0.04 million and \$0.01 million, respectively, in the nine months ended September 30, 2019.

Related party balances

A summary of balances due from related parties at September 30, 2019 and December 31, 2018 is as follows:

<i>(in thousands of \$)</i>	2019	2018
	Sept 30	Dec 31
Seadrill Global Services Ltd	10,979	2,251

A summary of balances due to related parties at September 30, 2019 and December 31, 2018 is as follows:

<i>(in thousands of \$)</i>	2019	2018
	Sept 30	Dec 31
Seadrill Global Services Ltd	39,504	5,450
Seatankers Management Co. Ltd	—	293
Frontline Management (Bermuda) Ltd	12	4
	39,516	5,747

9. COMMITMENTS AND CONTINGENCIES

As of September 30, 2019, the Company was committed to paying \$412.0 million, net of commissions, for the second and final instalments upon the delivery of the two drillships. Delivery is January and March 2021 but the Company has the right to take early delivery by giving three months' notice.

See Note 10 in respect of *Cobalt Explorer*.

10. SUBSEQUENT EVENTS

On October 7, 2019, West Cobalt Inc., a wholly-owned subsidiary of the Company, sent notice to DSME informing the yard it was rescinding the resale contract for the *Cobalt Explorer* for misrepresentation and, in the alternative, terminating the resale contract at common law for repudiatory breach. West Cobalt Inc will claim the return of all sums paid to DSME plus interest and damages. The yard is challenging West Cobalt Inc.'s notice and the dispute is not expected to be resolved in the near future. As of September 30, 2019, West Cobalt Inc. had paid instalments of \$49.2 million and further instalments of \$300.8 million would have become payable to DSME under the resale contract. The Company has not paid the instalment of \$18.6 million that was due on October 1, 2019.

In November 2019, the operating contract with Wintershall was novated to a subsidiary of Seadrill, which the Company will consolidate, and the *West Mira* commenced its contract with Wintershall on November 7, 2019 at which time the carrying value was transferred from Newbuildings to Drilling Units. The cost of a Drilling Unit, less estimated residual value, is depreciated on a straight-line basis over its estimated remaining economic useful life.