NORTHERN DRILLING LTD.
RESULTS FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2019

Highlights - Fourth Quarter

- *West Mira* commenced its initial contract for Wintershall Norge AS on November 7, 2019.
- The *Cobalt Explorer* resale contract with DSME was rescinded on October 7, 2019.
- In December 2019, the Company commenced a process to spin-off its two harsh environment rigs, *West Mira* and *West Bollsta*, through its wholly-owned subsidiary Northern Ocean Ltd ("NOL") and completed a private placement of shares raising $100 million, amended the debt facility and listed the group on the N-OTC under the “NOL” ticker symbol.

Subsequent Events

- On February 6, the Company announced an exchange offer to its shareholders for shares in NOL, in connection with a NOL listing prospectus, application for listing of NOL on the Oslo Børs and a subsequent share offering by NOL.
- On February 26, the Company completed the exchange offer reducing its ownership in the NOL to zero. After the exchange offer, the Company had 16,133,397 shares issued and outstanding and Hemen Holding owned 39.4% of the shares in the Company and 39.6% of the shares in NOL.
- On February 27, Northern Ocean's shares began trading on the Oslo Bors under the "NOL" ticker symbol.

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 commenced its initial drilling activities in the fourth quarter of 2019. The Company did not have any drilling units in operation previously and the operating results consisted of interest income, administrative expenses and non-capitalized costs related to contract preparations.

For the three months ended and year ended December 31, 2019

Operating revenue of $13.3 million (2019: $13.3 million) resulted from the first drilling rig, *West Mira*, which commenced operations on November 7, 2019 and achieved a technical utilization of 97.8% from commencement to end of the period. Contract revenue was $11.2 million, including the impact of 14 days waiting on weather reduced rate, and reimbursable revenue was $2.1 million.

Total operating expenses were $23.4 million (2019: $26.1 million). Rig operating expenses were $13.3 million (2019: $14.0 million) including $1.9 million (2019: $2.6 million) of pre-commencement costs not capitalized for *West Mira* and *West Bollsta*. Rig operating expenses include approximately $1.6 million of non-recurring repair and maintenance expenses for *West Mira*. Reimbursable expenses were $2.0 million, depreciation was $3.0 million and administrative expenses were $2.8 million in the quarter (2019: $4.8 million). Administrative expenses include $1.4 million (2019: $1.4 million) of management fees incurred in connection with *Cobalt Explorer* and included other professional services associated with the restructuring and spin-off of NOL.

An impairment loss of $2.3 million was recorded in the fourth quarter as a result of terminating the *Cobalt Explorer* newbuilding agreement in October 2019 when $49.2 million was transferred from newbuildings to a long term claim receivable.

Other financial income (expense) of $2.2 million (2019: $3.2 million) included loan interest expense of $2.1 million (2019: $2.1 million) and $0.4 million (2019: $1.3 million) for amortization of deferred charges. Interest income was $0.3 million for the fourth quarter (2019: $1.7 million) and net loss attributable to the non-controlling interest in Northern Ocean Ltd was $2.5 million (2019: $2.5 million).

Net loss attributable to the Company for the fourth quarter 2019 was $8.7 million (2019: $11.0 million).

Business Update

The *West Mira* commenced its initial contract with Wintershall in Norway on November 7. While the weather in the North Sea was challenging, the rig performed well and the crew remained safe achieving technical utilization of 97.8% from commencement to December 31, 2019.

The *West Bollsta* continued operational preparations for its initial contract in Norway with Lundin, which is expected to commence in the second quarter of this year. The rig arrived in Bergen, Norway in early February to complete the last stage of its planned voyage, equipment load out and acceptance testing with the client and PSA.

The Company's total revenue backlog at December 31, 2019 is estimated at $343 million, excluding options and performance bonuses, and adjusted for current estimates of well programs. The first quarter technical utilization for the *West Mira* as of February 27, 2020 is 89%. In January, the *West Mira* experienced an unplanned release of a life boat due to severe weather, and resulted in 7 days out of service to replace the life boat and complete repairs before returning to its drilling activities.

In October 2019, the *Cobalt Explorer* resale contract was rescinded and the Company's wholly-owned subsidiary, West Cobalt Inc, sent a claim to Daewoo Shipbuilding & Marine Engineering Co. Ltd ("DSME") for the return of all sums paid plus interest and damages. The yard is challenging the claim and the dispute is not expected to be resolved in the near future. The Company has not paid the three subsequent instalments that were due.

In December 2019, the Company commenced a spin-off of its harsh environment drilling business to crystalize value for the premium assets and long term contracts in NOL while leaving the Company to manage and focus on its high specification ultra deepwater drillship business that operates in a separate market with unique characteristics, drivers and economics. By putting the different types of assets into separate companies, investors can invest in the asset classes that best match their preferences at any given time, which is ultimately expected to ensure more accurate and up to date valuation of underlying assets.

On December 3, 2019, the Company announced a private placement of 18,726,592 new shares in NOL at $5.34 per share (approximately NOK 49 per share based on an exchange rate of USD/NOK 9.18) generating gross proceeds of $100.0 million. In connection with the private placement the existing credit facility was increased by $50 million in the form of a revolving credit facility at the same interest of Libor plus 350 bps and maturity period. The NOL shares were listed on the N-OTC under the ticker symbol "NOL" on December 9, 2019.

On February 6, 2020, the Company announced an exchange offer in connection with NOL's application for listing on the Oslo Børs and a subsequent share offering by NOL. The Company offered its shareholders the opportunity to exchange up to 85% of their ownership in the Company at an exchange ratio of 2.0316 shares in the Company for one share in NOL. The exchanged shares in NODL will be cancelled upon settlement. In connection with the listing prospectus, NOL carried out a subsequent offering of 75,686 shares at a subscription price of NOK 49 per share, generating gross proceeds of NOK 3.7 million.

On February 26, 2020, the Company announced that 91,422,586 of its shares were accepted in the exchange offer and exchanged with 45,000,100 shares in NOL that were owned by the Company. Following completion of the exchange offer, the Company does not hold any shares in NOL and 91,422,586 of the Company's shares were cancelled, following which the Company now has 16,133,397 shares issued and outstanding. Hemen Holding owns 39.4% of the Company and owns 39.6% of NOL. As a result of completing the exchange offer, the Company will no longer consolidate the financial results of NOL.

Outlook

The Company continues to have a constructive view on the market and supportive of long-term fundamentals.

The harsh environment market continues to tighten resulting in a trend of increasing dayrates and longer terms. Contracted utilization for the market is nearly 100% with a clear dayrate bifurcation between modern high spec rigs versus older less capable rigs. As a result, E&P's are willing to secure high spec rigs continually above $350,000 per day with multi-year terms as they explore and develop fields in the Norwegian Sea and the Barents, while older rigs are more concentrated in mature fields on the Norwegian continental shelf, the United Kingdom and Canada. A preference continues to increase for rigs that can perform drilling activities with lower carbon footprints that advance the industry in more environmentally friendly technologies. The Company is the first drilling contractor with modern high spec rigs to fully participate in the energy transition as the *West Mira* is outfitted with an integrated hybrid battery solution and the *West Bollsta* has emission reduction technologies.

The ultra deepwater market is building on a trend of gradual recovery. In 2019, another 12 floaters were retired whereby 42% of the global floater fleet has now been scrapped since the downturn began in 2014. Offshore capex spending continues to build on pace from 2019 despite a reactionary oil price pull back in the first quarter 2020. Offshore spending trends are supported by E&P companies' production guidance, higher sanctioning activities, shorter lead times, and commitment to distributions. As a result the spot market continues to be active and the average dayrate has increased above $200,000 per day versus the mid $100,000 per day at this time last year. While there are few long term tenders in the market they still demand a premium dayrate, most are combined with specific requirements for equipment like 20k BOP or managed pressured drilling solutions. The Company's 7th generation high spec rigs *West Aquila* and *West Libra* are actively being marketed and well suited to meet requirements for greater derrick hook loads and other advanced technology solutions.

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
February 28, 2020

Questions should be directed to:
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NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Oct 1 to Dec 31, 2018	Oct 1 to Dec 31, 2019	**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS** *(in thousands of $)*	2019	2018
—	11,184	Contract revenue	11,184	—
—	2,108	Reimbursable revenue	2,108	—
—	**13,292**	**Total operating revenues**	**13,292**	**—**
350	13,300	Rig operating expenses	13,999	350
—	2,025	Reimbursable expenses	2,025	—
—	2,984	Depreciation	2,984	—
—	2,313	Impairment of non-current assets	2,313	—
918	2,774	Administrative expenses	4,796	1,942
1,268	**23,396**	**Total operating expenses**	**26,117**	**2,292**
(1,268)	**(10,104)**	**Net operating loss**	**(12,825)**	**(2,292)**
759	257	Interest income	1,671	2,353
(116)	(2,223)	Other financial income (expense)	(3,194)	(128)
(625)	**(12,070)**	**Net loss before taxes and non-controlling interest**	**(14,348)**	**(67)**
—	931	Tax	931	—
(625)	**(11,139)**	**Net loss**	**(13,417)**	**(67)**
—	2,420	Net loss attributable to non-controlling interest	2,420	—
(625)	**(8,719)**	**Net loss attributable to the Company**	**(10,997)**	**(67)**
0.00	**(0.08)**	**Basic loss per share attributable to the Company ($)**	**(0.10)**	**0.00**

Oct 1 to Dec 31, 2018	Oct 1 to Dec 31, 2019	**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(in thousands of $)*	2019	2018
(625)	**(11,139)**	**Net loss**	**(13,417)**	**(67)**
—	13	Foreign currency translation income	13	—
—	**13**	**Other comprehensive income**	**13**	**—**
(625)	**(11,126)**	**Comprehensive loss**	**(13,404)**	**(67)**
—	(2,420)	Comprehensive loss attributable to non-controlling interest	(2,420)	—
(625)	(8,706)	Comprehensive loss attributable to the Company	(10,984)	(67)
(625)	**(11,126)**	**Comprehensive loss**	**(13,404)**	**(67)**

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 *(in thousands of $)*	**2019** **Dec 31**	**2018** **Dec 31**
ASSETS		
Short term		
Cash and cash equivalents	77,534	122,832
Restricted cash	128	—
Receivables	7,214	—
Unbilled receivables	15,671	—
Related party receivables	6,899	2,251
Other current assets	13,803	345
Long term		
Drilling units	524,466	—
Newbuildings	673,025	779,761
Fixtures and fittings	3	—
Other long term assets	49,200	—
Deferred tax	931	—
Newbuilding prepayment	—	13,015
Total assets	**1,368,874**	**918,204**
LIABILITIES AND EQUITY		
Short term liabilities		
Current portion of long term debt	40,000	10,000
Other current liabilities	6,485	1,392
Deferred revenue	11,277	—
Related party payables	82,087	5,747
Long term liabilities		
Long term debt	345,495	187,725
Deferred revenue	15,191	—
Related party long term debt	70,000	—
Commitments and contingencies (Note 15)		
Total equity	798,339	713,340
Total liabilities and equity	**1,368,874**	**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

Oct 1 to Dec 31, 2018	Oct 1 to Dec 31, 2019	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW *(in thousands of $)*	2019	2018
(625)	**(11,139)**	**NET LOSS**	**(13,417)**	**(67)**
		Adjustment to reconcile net loss to net cash used in operating activities;		
60	443	Amortization of deferred charges	1,345	60
—	(1,471)	Amortization of deferred revenue	(1,471)	—
—	2,984	Depreciation	2,984	—
—	2,313	Impairment of non-current assets	2,313	—
9	23	Stock option expense	103	9
56	13	Unrealized foreign exchange loss	13	56
—	(931)	Tax	(931)	—
		Change in operating assets and liabilities;		
—	(7,214)	Receivables	(7,214)	—
—	(15,671)	Unbilled receivables	(15,671)	—
106	(11,516)	Other current assets	(13,459)	(344)
514	3,791	Other current liabilities	4,468	371
(2,136)	11,850	Related party balances	668	(1,850)
—	16,961	Deferred revenue	27,939	—
(2,016)	**(9,564)**	**Net cash used in operating activities**	**(12,330)**	**(1,765)**
		INVESTING ACTIVITIES		
(205,239)	(57,271)	Additions to newbuilding	(388,187)	(389,265)
—	(1)	Purchase of fixtures and fittings	(3)	—
(13,015)	—	Additions to newbuilding prepayment	—	(13,015)
(218,254)	**(57,272)**	**Net cash used in investing activities**	**(388,190)**	**(402,280)**
		FINANCING ACTIVITIES		
—	98,300	Net proceeds from share issuances	98,300	245,122
200,000	—	Proceeds from long term bank debt	200,000	200,000
—	(5,000)	Repayment of bank debt	(10,000)	—
—	—	Proceeds from related party long term debt	70,000	—
(2,335)	—	Debt fees paid	(2,950)	(2,335)
197,665	**93,300**	**Net cash provided by financing activities**	**355,350**	**442,787**
(22,605)	**26,464**	**Net change**	**(45,170)**	**38,742**
145,437	**51,198**	**Cash, cash equivalents and restricted cash at start of the year**	**122,832**	**84,090**
122,832	**77,662**	**Cash, cash equivalents and restricted cash at end of the year**	**77,662**	**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 *(in thousands of $ except number of shares)*	**2019**	**2018**
Number of shares outstanding		
Balance at beginning of year	107,555,983	77,750,100
Shares issued	—	29,805,883
Balance at end of year	**107,555,983**	**107,555,983**
Share capital		
Balance at beginning of year	107,556	77,750
Shares issued	—	29,806
Balance at end of year	**107,556**	**107,556**
Additional paid in capital		
Balance at beginning of year	610,945	395,620
Shares issued	—	215,316
Stock option expense	103	9
Balance at end of year	**611,048**	**610,945**
Accumulated other comprehensive income		
Balance at beginning of year	—	—
Other comprehensive income	13	—
Balance at end of year	**13**	**—**
Retained deficit		
Balance at beginning of year	(5,161)	(5,094)
Net loss	(10,997)	(67)
Balance at end of year	**(16,158)**	**(5,161)**
Total equity attributable to the Company	**702,459**	**713,340**
Non-controlling interest		
Balance at beginning of year	—	—
Net proceeds from share issuance	98,300	—
Net loss	(2,420)	—
Balance at end of year	**95,880**	**—**
Total equity	**798,339**	**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 to the end of the third quarter 2019 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.

On December 3, 2019, a reorganization of certain of the Company's subsidiaries was completed (the "Reorganization"). Norther Rig Holding ("NRHL"), a wholly-owned subsidiary of the Company, purchased all of the common shares in Northern Drilling Operations Ltd ("NDOL") from the Company for a consideration of $1.00. Furthermore, NRHL purchased all of the common shares in Northern Drilling Management AS ("NDMN") from the Company for a negative consideration of $49,200 as NDMN had negative net assets that was settled through a credit granted by NRHL to the Company.

As part of the Reorganization, a net inter-company balance due from NRHL to the Company of $453,436,508 was settled by NRHL issuing 45,000,000 new shares to the Company at a subscription price of approximately $10.08.

As part of the Reorganization, the NRHL also amended its existing $400.0 million secured loan facility with various banks. The amendments included releasing the Company from its obligations as parent guarantor under the original loan agreement and replacing NRHL as the new parent guarantor. NRHL's two wholly-owned subsidiaries, West Mira Inc and HHI Deepwater Semi 2 Inc, continue to provide security for the liabilities under the amended facility ("Revised Bank Facility"). As part of the Revised Bank Facility a new, revolving credit facility of up to $50.0 million has been made available to NRHL. In all other material respects, the Revised Bank Facility (including the additional revolving credit facility) has similar terms as the initial facility, including financial covenants and interest rates. Subsequent to the Reorganization, however, financial covenants are now measured at the NRHL consolidated level instead of the consolidated level of the Company.

Also as part of the Reorganization, the $100.0 million revolving credit facility that was provided by Sterna Finance to the Company ("Sterna Facility") of which $70.0 million had been drawn as of September 30, 2019, was novated to NRHL and the Company was released from its obligations. NRHL was compensated for this by a $70.0 million reduction of the balance owed to the Company, which was included in the $453,436,508 intercompany balance settlement described above. Amounts owed to Sterna Finance have been subordinated to amounts outstanding under the Revised Bank Facility. The Sterna Facility has no financial covenants and carries the same interest rate as prior to the Reorganization. As part of this novation, the companies West Aquila Inc, West Libra Inc and West Cobalt Inc (all subsidiaries of the Company) were released from their obligations as guarantors (and the facility is now unsecured).

Also on December 3, 2019, NRHL entered into (i) a services agreement with Seatankers Management whereby Seatankers Management agreed to provide NRHL with certain consultancy, administrative and other management services, (ii) a services agreement with Golden Ocean Group Management (Bermuda) Limited ("GOMA") whereby GOMA agreed to provide NRHL with certain advisory and support services, and (iii) a services agreement with Frontline Management (Bermuda) Limited ("FMBL") whereby FMBL agreed to provide NRHL with certain accounting support services.

On December 4, 2019, the name of NRHL was changed to Northern Ocean Ltd ("NOL").

On December 6, 2019, NOL completed a private placement (the "Private Placement"), which raised gross proceeds of $100 million, corresponding to approximately NOK 918 million (based on an exchange rate of USD/NOK 9.18), through the placing of 18,726,592 new shares (the "Offer Shares") at a subscription price of $5.34 per Offer Share, corresponding to approximately NOK 49 (based on an exchange rate of USD/NOK 9.18). Hemen Holding, the largest shareholder in the Company, was allocated 7,490,636 Offer Shares in the Private Placement, and owned 11.8% of NOL following the Private Placement. The objective of the Private Placement was - together with the financing made available from the Revised Bank Facility and the undrawn $30.0 million Sterna Facility - to fund the remaining capital expenses for the two rigs, *West Mira* and *West Bollsta*. NOL received net proceeds of $98.3 million from the Private Placement.

On December 6, 2019, NOL's shares were registered for trading on the Norwegian OTC list (ticker “NOL”) and commenced trading on December 9, 2019.

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 first drilling contract 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 Company is actively marketing the drillships for acceptable drilling contracts that can support financing for delivery and startup, and has the ability to take delivery earlier should a contract be secured.

In November 2019, the operating contract with Wintershall Norge AS ("Wintershall") was novated to a subsidiary of Seadrill, which the Company consolidates as it is a variable interest entity and the Company is deemed to be its primary beneficiary, and the *West Mira* commenced its contract with Wintershall on November 7, 2019.

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 secure acceptable drilling contracts and 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. In addition, NOL 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. 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. Additional accounting polices following the commencement of drilling operations in November 2019 are described below.

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, Rig 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.

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.

Principles of consolidation
The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries and a variable interest entity, (“VIE”) of which the Company is deemed to be the primary beneficiary. All intercompany balances and transactions have been eliminated on consolidation.

A VIE is defined as a legal entity where either (a) the total equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated support; (b) equity interest holders as a group lack either (i) the power to direct the activities of the entity that most significantly impact on its economic success, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the voting rights of some investors in the entity are not proportional to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. U.S. GAAP requires a VIE to be consolidated by its primary beneficiary, being the interest holder, if any, which has both (1) the power to direct the activities of the entity which most significantly impact on the entity's economic performance, and (2) the right to receive benefits or the obligation to absorb losses from the entity which could potentially be significant to the entity. We evaluate our subsidiaries, and any other entities in which we hold a variable interest, in order to determine whether we are the primary beneficiary of the entity, and where it is determined that we are the primary beneficiary we consolidate the entity.

Revenue from contracts with customers

The activities that primarily drive the revenue earned from our drilling contracts include (i) providing a drilling rig and the crew and supplies necessary to operate the rig, (ii) mobilizing and demobilizing the rig to and from the drill site and (iii) performing rig preparation activities and/or modifications required for the contract. Consideration received for performing these activities may consist of dayrate drilling revenue, mobilization and demobilization revenue, contract preparation revenue and reimbursement revenue. We account for these integrated services as a single performance obligation that is (i) satisfied over time and (ii) comprised of a series of distinct time increments.

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, ratably 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 constrained, 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.

Dayrate Drilling Revenue - Our drilling contracts generally provide for payment on a dayrate basis, with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The dayrate 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 dayrate 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 ratably over the expected term of the related drilling contract. We record a contract liability for mobilization fees received, which is amortized ratably to contract drilling revenue as services are rendered over the initial term of the related drilling contract.

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 are highly dependent on factors outside of our influence. Accordingly, reimbursable revenue is fully constrained 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.

Contract Balances - Accounts receivable is recognized when the right to consideration becomes unconditional based upon contractual billing schedules. Contract asset balances consist primarily of demobilization revenues which have been recognized during the period but are contingent on future demobilization activities. Contract liabilities include payments received for mobilization as well as rig preparation and upgrade activities which are allocated to the overall performance obligation and recognized ratably over the initial term of the contract.

Local Taxes - In some countries, the local government or taxing authority may assess taxes on our revenues. Such taxes may include sales taxes, use taxes, value-added taxes, gross receipts taxes and excise taxes. We generally record tax-assessed revenue transactions on a net basis.

Deferred Contract Costs - Certain direct and incremental costs incurred for upfront preparation, initial mobilization and modifications of contracted rigs represent costs of fulfilling a contract as they relate directly to a contract, enhance resources that will be used in satisfying our performance obligations in the future and are expected to be recovered. Such costs are deferred and amortized ratably to contract drilling expense as services are rendered over the initial term of the related drilling contract.

Rig Operating Expenses

Rig operating expenses are costs associated with operating a drilling unit that is either in operation or stacked and include the remuneration of offshore crews and related costs, rig supplies, insurance costs, expenses for repairs and maintenance and costs for onshore support personnel. We expense such costs as incurred.

Mobilization and demobilization expenses

We incur costs to prepare a drilling unit for a new customer contract and to move the rig to a new contract location. We capitalize the mobilization and preparation costs for a rig's first contract as a part of the rig value and recognize them as depreciation expense over the expected useful life of the rig (i.e. 30 years). For subsequent contracts, we defer these costs over the expected contract term (see deferred contract costs above), unless we don't expect the costs to be recoverable, in which case we expense them as incurred.

We incur costs to transfer a drilling unit to a safe harbor or different geographic area at the end of a contract. We expense such demobilization costs as incurred. We also expense any costs incurred to relocate drilling units that are not under contract.

Repairs, maintenance and periodic surveys

Costs related to periodic overhauls of drilling units are capitalized and amortized over the anticipated period between overhauls, which is generally five years. Related costs are primarily yard costs and the cost of employees directly involved in the work. We include amortization costs for periodic overhauls in depreciation expense. Costs for other repair and maintenance activities are included in vessel and rig operating expenses and are expensed as incurred.

Restricted cash

Restricted cash consists of bank deposits which are subject to restrictions due to legislation, regulation or contractual arrangements.

Receivables

Receivables, including accounts receivable, are recorded in the balance sheet at their nominal amount less an allowance for doubtful accounts. We establish reserves for doubtful accounts on a case-by-case basis when it is unlikely that required payments of specific amounts will occur. In establishing these reserves, we consider the financial condition of the customer as well as specific circumstances related to the receivable such as customer disputes. Receivable amounts determined as being unrecoverable are written off. Interest income on receivables is recognized as earned.

Drilling units

Rigs, vessels and related 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 residual value is taken to be offset by any decommissioning costs that may be incurred. The estimated economic useful life of our rigs, when new, is 30 years. Significant investments are capitalized and depreciated in accordance with the nature of the investment. Significant investments that are deemed to increase an asset's value for its remaining useful life are capitalized and depreciated over the remaining life of the asset.

3. REVENUE FROM CONTACTS WITH CUSTOMERS

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

(in thousands of $)	**2019 Dec 31**	2018 Dec 31
Accounts receivable, net	**7,214**	—
Unbilled receivables	**15,671**	—
Current contract liabilities (deferred revenue)	**11,277**	—
Non-current contract liabilities (deferred revenue)	**15,191**	—

The deferred revenue included above consists primarily of mobilization and upgrade revenue for both wholly and partially unsatisfied performance obligations as well as expected variable mobilization and upgrade revenue for partially unsatisfied performance obligations, which has been estimated for purposes of allocating across the entire corresponding performance obligations.

(in thousands of $)	
Total contract liabilities at December 31, 2018	**—**
Deferred revenue accruing in the year	**27,939**
Amortization of deferred revenue	**(1,471)**
Total contract liabilities at December 31, 2019	**26,468**
Current contract liabilities	**11,277**
Long term contract liabilities	**15,191**

4. INCOME TAXES

Bermuda

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until March 31, 2035.

Other Jurisdictions

The Company has subsidiaries, which were incorporated in the Marshall Islands and they are not subject to income tax. Certain of the Company's subsidiaries and branches in Norway and the USA are subject to income tax in their respective jurisdictions. The tax paid by subsidiaries and branches that are subject to income tax is not material.

The Company does not have any unrecognized tax benefits, material accrued interest or penalties relating to income taxes.

5. EARNINGS PER SHARE

The computation of basic earnings per share is based on the weighted average number of shares outstanding and net income attributable to the Company. The Company does not have any dilutive instruments. The components of the numerator and the denominator in the calculation are as follows;

Oct 1 to Dec 31, 2018	Oct 1 to Dec 31, 2019		2019	2018
(625)	(8,719)	Net loss attributable to the Company (in thousands of $)	(10,997)	(67)
107,556	107,556	Weighted average number of ordinary shares (in thousands)	107,556	96,614

6. RESTRICTED CASH

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

7. DRILLING UNITS

Movements in the carrying value of Drilling units, which represents the carrying value of *West Mira*, in the year ended December 31, 2019 may be summarized as follows:

(in thousands of $)	**Cost**	**Accumulated depreciation**	**Net carrying value**
Balance at December 31, 2018	—	—	**—**
Transfer from Newbuildings	513,467	—	**513,467**
Additions	13,983	—	**13,983**
Depreciation	—	(2,984)	**(2,984)**
Balance at December 31, 2019	527,450	(2,984)	**524,466**

8. 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 years ended December 31, 2019 and 2018 may be summarized as follows:

(in thousands of $)	**2019**	2018
Balance at beginning of the year	**779,761**	185,170
Transfer from Payment on account of newbuilding acquisition	**—**	200,000
Transfer from Newbuilding prepayment	**13,015**	—
Installments paid	**246,073**	362,500
Newbuilding supervision fees and costs	**16,315**	16,744
Mobilization costs	**164,572**	14,399
Interest capitalized	**18,269**	948
Transfer to other long term assets	**(49,200)**	—
Impairment loss	**(2,313)**	—
Transfer to Drilling Units	**(513,467)**	—
Balance at end of the year	**673,025**	779,761

In each of May and July 2019, the Company paid $18.6 million for the second and third 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.

On October 7, 2019, West Cobalt Inc., a wholly-owned subsidiary of the Company, sent notice to Daewoo Shipbuilding & Marine Engineering Co. Ltd ("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/renunciatory 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 on December 18, 2019 it purported to terminate the resale contract owing to West Cobalt Inc's alleged failure to pay the third and/or fourth instalment and/or in the alternative West Cobalt Inc's repudiatory/renunciatory breach of the resale contract in wrongfully purporting to rescind/terminate the resale contract. The yard has stated that it will pursue its legal and contractual rights in full, including its right to recover substantial damages. It is accordingly both parties' positions that the resale contract has been brought to an end, although there is a dispute as to which party's termination/rescission was lawful. The dispute is not expected to be resolved in the near future. 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. An impairment loss of $2.3 million has been recorded being the excess of the carrying amount of the *Cobalt Explorer* over the instalments paid of $49.2 million.

9. 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.

10. OTHER LONG TERM ASSETS

Other long term assets at December 31, 2019 represents the value of instalments paid for the *Cobalt Explorer* at the time the Company sent notice to DSME informing the yard it was rescinding the resale contract. 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.

11. DEBT

(in thousands of $)	**2019 Dec 31**	2018 Dec 31
U.S. dollar denominated floating rate debt:		
$200.0 million term loan facility - *West Mira*	**190,000**	200,000
$200.0 million term loan facility - *West Bollsta*	**200,000**	—
Total debt	**390,000**	200,000
Short term debt	**40,000**	10,000
Deferred charges	**4,505**	2,275
Long term debt	**345,495**	187,725

The outstanding debt as of December 31, 2019 is repayable as follows:

(in thousands of $)	
2020	40,000
2021	190,000
2022	160,000
2023	—
2024	—
Thereafter	—
	390,000

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.

The Company paid two quarterly installments due under the West Mira loan facility each in the amount of $5.0 million in September and December 2019.

As part of the Reorganization described in Note 1, NOL amended its existing $400.0 million secured loan facility with various banks. The amendments included releasing the Company from its obligations as parent guarantor under the original loan agreement and replacing NOL as the new parent guarantor. NOL's two wholly-owned subsidiaries, West Mira Inc and HHI Deepwater Semi 2 Inc, continue to provide security for the liabilities under the amended facility ("Revised Bank Facility"). As part of the Revised Bank Facility a new, revolving credit facility of up to $50.0 million has been made available to NOL. In all other material respects, the Revised Bank Facility (including the additional revolving credit facility) has similar terms as the initial facility, including financial covenants and interest rates.

The West Mira and West Bollsta loans are secured by mortgages in the respective rigs and contain certain financial covenants, which require a certain equity ratio, positive working capital and a minimum liquidity amount. Subsequent to the Reorganization, the, financial covenants are now measured at NOL's consolidated level instead of the consolidated level of the Company.

NOL is in compliance with all financial covenants as of December 31, 2019.

Assets pledged

(in thousands of $)	**2019 Dec 31**	2018 Dec 31
Drilling unit	**524,466**	—
Newbuildings	**480,011**	386,673
	1,004,477	386,673

Deferred charges

(in thousands of $)	**2019 Dec 31**	2018 Dec 31
Debt arrangement fees	**5,910**	2,335
Accumulated amortization	**(1,405)**	(60)
	4,505	2,275

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

In the year ended December 31, 2019, amortization expense of $1.3 million in respect of deferred charges was recorded in other financial expense in the consolidated income statement.

12. SHARE CAPITAL

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

In May 2018, the Company completed a private placement of 29,805,883 new shares, at a subscription price of NOK 68.00 per share. Gross proceeds of NOK 2,026,800,000 ($248.8 million) were raised and the Company incurred fees of $3.7 million.

On June 29, 2018, the Norwegian Financial Supervisory Authority ("Finanstilsynet") approved the Company's prospectus relating to the listing of the 29,805,883 new shares issued in the private placement completed in May 2018. Based on the approved prospectus, the new shares became registered on the Company's ordinary ISIN BMG6624L1090. Furthermore, as of July 3, 2018, the Company's shares were transferred from a listing on Oslo Axess to the Oslo Stock Exchange. The Company's shares continued to trade under its existing trading symbol NODL.

As at December 31, 2018, and 2019 the Company had 107,555,983 common shares outstanding.

13. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of December 31, 2019 and 2018 are as follows:

	Dec 31, 2019		Dec 31, 2018	
(in thousands of $)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Assets:				
Cash and cash equivalents	**77,534**	**77,534**	122,832	122,832
Restricted cash	**128**	**128**	—	—
Liabilities:				
Floating rate debt	**386,120**	**386,120**	197,725	197,725
Related party long term debt	**70,000**	**66,603**	—	—

The estimated fair value of financial assets and liabilities are as follows:

	Dec 31, 2019			
(in thousands of $)	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	77,534	77,534	—	—
Restricted cash	128	128	—	—
Liabilities:				
Floating rate debt	386,120	—	386,120	—
Related party long term debt	66,603	—	—	66,603

	Dec 31, 2018			
(in thousands of $)	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	122,832	122,832	—	—
Liabilities:				
Floating rate debt	197,725	—	197,725	—

The following methods and assumptions were used to estimate the fair value of each class of financial instrument;

Cash and cash equivalents – the carrying values in the balance sheet approximate fair value.

Restricted cash – the carrying value in the balance sheet approximates fair value.

Floating rate debt - the fair value of floating rate debt has been determined using level 2 inputs and is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis.

Related party long term debt - the fair value has been determined using level 3 inputs being the discounted expected cash flows of the outstanding debt.

14. RELATED PARTY TRANSACTIONS

Hemen Holding Ltd, or Hemen Holding, a Cyprus holding company, indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family, owned 39.4% of the Company's outstanding ordinary shares at December 31, 2019. The Company transacts business with the following related parties, being companies in which Hemen Holding, or companies affiliated with Hemen Holding, 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 year ended December 31, 2019, the Company was charged and capitalized newbuilding supervision fees of $5.1 million.

Seatankers Management transactions
The Company and its subsidiaries receive management services from Seatankers Management. The fee was $0.6 million in the year ended December 31, 2019.

Blue Sea transactions
In April 2019, a wholly-owned subsidiary of the Company entered into a sales and purchase agreement with 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. 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. This RCF was novated to NOL as part of the Reorganization and the Company was released from its obligations.

Golden Ocean and Frontline transactions
The Company and its subsidiaries receive treasury and accounting/corporate secretarial services from Golden Ocean and Frontline, respectively, and was charged $0.1 million and $0.1 million, respectively, in the year ended December 31, 2019.

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

(in thousands of $)	**2019 Dec 31**	2018 Dec 31
Seadrill Global Services Ltd	**6,899**	2,251

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

(in thousands of $)	**2019 Dec 31**	2018 Dec 31
Seadrill Global Services Ltd	**82,033**	5,450
Seatankers Management Co. Ltd	**—**	293
Frontline Management (Bermuda) Ltd	**54**	4
	82,087	5,747

15. COMMITMENTS AND CONTINGENCIES

As of December 31, 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. As of December 31, 2019, the Company was also committed to completing the mobilization of *West Bollsta* for commencement of the drilling contract with Lundin.

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/renunciatory breach. West Cobalt Inc has claimed the return of all sums paid to DSME plus interest and damages. The yard is challenging West Cobalt Inc.'s notice and on December 18, 2019 it purported to terminate the resale contract owing to West Cobalt Inc's alleged failure to pay the third and/or fourth instalment and/or in the alternative West Cobalt Inc's repudiatory/renunciatory breach of the resale contract in wrongfully purporting to rescind/terminate the resale contract. The yard has stated that it will pursue its legal and contractual rights in full, including its right to recover substantial damages. It is accordingly both parties' positions that the resale contract has been brought to an end although there is a dispute as to which party's termination/rescission was lawful. The dispute is not expected to be resolved in the near future. West Cobalt Inc. had paid instalments of $49.2 million at the time of rescission and further instalments of $300.8 million would have become payable to DSME under the resale contract.

16. SUBSEQUENT EVENTS

On February 6, 2020, the Company announced an exchange offer in connection with NOL's application for listing on the Oslo Børs and a subsequent share offering by NOL. The Company offered its shareholders the opportunity to exchange up to 85% of their ownership in the Company at an exchange ratio of 2.0316 shares in the Company for one share in NOL. The exchanged shares in NODL will be cancelled upon settlement. In connection with the listing prospectus, NOL carried out a subsequent offering of 75,686 shares at a subscription price of NOK 49 per share, generating gross proceeds of NOK 3.7 million.

On February 26, 2020, the Company announced that 91,422,586 of its shares were accepted in the exchange offer and exchanged with 45,000,100 shares in NOL that were owned by the Company. Following completion of the exchange offer, the Company does not hold any shares in NOL and 91,422,586 of the Company's shares were cancelled, following which the Company now has 16,133,397 shares issued and outstanding. Upon completion of the exchange offer, Hemen Holding owns 39.4% of the Company and owns 39.6% of NOL.