

NORTHERN DRILLING LTD.

RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2022

Results

In the six months ended June 30, 2022 the Company generated no operating revenue, the same as in the previous six month period.

Total operating expenses were \$2.6 million compared to \$23.4 million in the previous six month period. Impairment losses were nil, compared to \$20.3 million in the previous six months when the *West Libra* and *West Aquila* carrying values were impaired down to the value of the instalments paid to DSME. Administrative expenses were \$2.6 million, compared to \$3.0 million in the previous six month period.

Business Update

On February 7, 2022, Hemen Holdings Ltd. ("Hemen") acquired 9,300 shares in the Company. Following the acquisition, Hemen held 6,453,826 shares in the Company, representing 40.00% of the shares and votes in the Company. The acquisition triggered an obligation for Hemen to make a mandatory offer pursuant to section 6-6 (1) of the Norwegian Securities Trading Act. Following the result of the mandatory offer Hemen holds 40.6% of the shares and votes in the Company.

On April 27, 2022, West Cobalt Inc. commenced arbitration proceedings against DSME for claims relating to DSME's misrepresentations and West Cobalt Inc.'s rescission of the Resale Contract and DSME's repudiatory/renunciatory breaches of the Resale Contract. Before West Cobalt Inc. could serve its Claim Submissions by the agreed deadline, DSME served its own Claim Submissions and thereby DSME became the Claimant in the arbitration and claims its alleged shortfall upon resale of the Drillship. West Cobalt Inc intends to serve its Defence and Counterclaim Submissions in September 2022 and will claim \$49,200,000 in respect of the First and Second Instalments already paid to DSME plus interest and damages.

As at June 30, 2022, the Company does not have any drilling units in operation or under construction. The Company's activities primarily relate to claim receivables held in connection with the termination of the resale contracts of three drilling units.

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
August 25, 2022

Questions should be directed to:
Scott McReaken: Chief Executive Officer
+1 (832) 509 7191

NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS <i>(in thousands of \$)</i>	2022 Jan-Jun	2021 Jan-Jun	2021
Total operating revenues	—	—	—
Impairment loss	—	—	20,337
Administrative expenses	2,561	2,101	5,151
Total operating expenses	2,561	2,101	25,488
Net operating loss	(2,561)	(2,101)	(25,488)
Interest income	19	2	4
Other financial expenses	(24)	(2)	(5)
Net loss before taxes	(2,566)	(2,101)	(25,489)
Tax	—	—	—
Net loss from continuing operations	(2,566)	(2,101)	(25,489)
Related party settlement gain, net of taxes	—	—	14,601
Net loss	(2,566)	(2,101)	(10,888)
Net loss attributable to the Company	(2,566)	(2,101)	(10,888)
Basic and diluted loss per share attributable to the Company from continuing operations (\$)	(0.16)	(0.13)	(1.58)
Basic and diluted gain per share attributable to the related party settlement gain, net of taxes (\$)	0.00	0.00	0.91
Basic and diluted loss per share attributable to the Company (\$)	(0.16)	(0.13)	(0.67)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS <i>(in thousands of \$)</i>	2022 Jan-Jun	2021 Jan-Jun	2021
Net loss	(2,566)	(2,101)	(10,888)
Foreign currency translation income	—	—	—
Other comprehensive income	—	—	—
Comprehensive loss	(2,566)	(2,101)	(10,888)
Comprehensive loss attributable to the Company	(2,566)	(2,101)	(10,888)
Comprehensive loss	(2,566)	(2,101)	(10,888)

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>	Jun 2022	Dec 2021
ASSETS		
Short term		
Cash and cash equivalents	8,339	11,214
Other current assets	493	256
Long term		
Fixtures and fittings	1	1
Claim receivable	229,200	229,200
Total assets	238,033	240,671
LIABILITIES AND EQUITY		
Short term liabilities		
Other current liabilities	624	511
Related party payables	265	450
Commitments and contingencies (Note 10)		
Total equity	237,144	239,710
Total liabilities and equity	238,033	240,671

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 STATEMENT OF CASH FLOW <i>(in thousands of \$)</i>	2022 Jan-Jun	2021 Jan-Jun	2021
Net loss	(2,566)	(2,101)	(10,888)
Adjustment to reconcile net loss from continuing operations to net cash (used in) provided by operating activities;			
Impairment loss	—	—	20,337
Stock option expense	—	11	20
Related party settlement gain, net of taxes	—	—	(14,601)
Change in operating assets and liabilities;			
Other current assets	(235)	(440)	34
Other current liabilities	111	35	107
Related party balances	(185)	(613)	(366)
Net cash used in operating activities	(2,875)	(3,108)	(5,357)
INVESTING ACTIVITIES			
Additions to newbuildings	—	(1,683)	(2,388)
Net cash used in investing activities	—	(1,683)	(2,388)
FINANCING ACTIVITIES			
Net cash used in financing activities	—	—	—
Net change	(2,875)	(4,791)	(7,745)
Cash and cash equivalents at start of the period	11,214	18,959	18,959
Cash and cash equivalents at end of the period	8,339	14,168	11,214

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>	2022 Jan-Jun	2021
Number of shares outstanding		
Balance at beginning of period	16,133,017	16,133,017
Balance at end of period	16,133,017	16,133,017
Share capital		
Balance at beginning of period	16,133	16,133
Balance at end of period	16,133	16,133
Additional paid in capital		
Balance at beginning of period	260,586	260,566
Stock option expense	—	20
Balance at end of period	260,586	260,586
Accumulated other comprehensive income		
Balance at beginning of period	16	16
Balance at end of period	16	16
Retained deficit		
Balance at beginning of period	(37,025)	(26,137)
Net loss	(2,566)	(10,888)
Balance at end of period	(39,591)	(37,025)
Total equity	237,144	239,710

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.

As of the date of this report, the Company has no drill-ships under construction. The Company's activities primarily relate to claim receivables held in connection with the termination of the resale contracts of three drilling units.

Regarding the drilling units the *West Aquila* and *West Libra*, the contractual delivery dates were January 31, 2021 and March 31, 2021, respectively, and the drillships were not delivered to the Company's subsidiaries, West Aquila Inc. and West Libra Inc. as the shipyard had not completed the drillships in accordance with the terms of the resale contracts. The contracts for *West Aquila* and *West Libra* with DSME were terminated by West Aquila Inc. and West Libra Inc. on August 17, 2021 and October 16, 2021, respectively. DSME has disputed these claims and commenced arbitration proceedings in London pursuant to the resale contracts, claiming that DSME is entitled to retain the \$180.0 million and to apply it against losses as a result of the termination, which have yet to fully crystalize. West Aquila Inc. and West Libra Inc. will defend DSME's claims in full and seek awards for their claims in accordance with the resale contracts and industry standard procedures.

Regarding the drilling unit the *West Cobalt*, on October 7, 2019, West Cobalt Inc., a wholly-owned subsidiary of the Company, sent notice to Daewoo Shipbuilding & Marine Engineering Co. Ltd ("DSME" or "the yard") informing the yard it was rescinding the resale contract for the *West Cobalt* for misrepresentation and, in the alternative, terminating the resale contract at common law for repudiatory/renunciatory breach. 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 fourth instalments and in the alternative claiming West Cobalt Inc. in repudiatory/renunciatory breach of the Resale Contract in wrongfully purporting to rescind/terminate the Resale Contract. On April 17, 2022, West Cobalt Inc. commenced arbitration proceedings against DSME for claims relating to DSME's misrepresentations and West Cobalt Inc.'s rescission of the Resale Contract and DSME's repudiatory/renunciatory breaches of the Resale Contract. Before West Cobalt Inc. could serve its Claim Submissions by the agreed deadline, DSME served its own Claim Submissions and thereby DSME became the Claimant in the arbitration and claims its alleged shortfall upon resale of the Drillship. West Cobalt Inc. intends to serve its Defence and Counterclaim Submissions in September 2022 and will claim \$49,200,000 in respect of the First and Second Instalments already paid to DSME plus interest and damages.

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 achieve a satisfactory outcome in the disputes with DSME. In addition, public health threats, such as the Coronavirus, influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate could adversely impact our operations as well as the operations of our customers. 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 specifically. Both such industries are highly competitive and are significantly impacted by the price of oil, which can be very volatile.

2. BASIS OF ACCOUNTING

The unaudited condensed consolidated financial statements are stated in accordance with accounting principles generally accepted in the United States. The unaudited condensed consolidated financial statements do not include all of the disclosures required in annual and interim consolidated financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021.

Going Concern Assumption

These unaudited condensed consolidated financial statements are prepared under the going concern assumption. The Company is dependent on loans and/or equity issuances and/or successful outcomes in its disputes with DSME to finance its ongoing operations, which raises substantial doubt about the Company's ability to continue as a going concern. The Company continues to evaluate all alternatives available. There is no assurance that the Company will be able to execute its strategy.

3. 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.

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

4. EARNINGS PER SHARE

The components of the numerator and the denominator in the calculation of basic and diluted earnings per share are as follows:

	2022 Jan-Jun	2021 Jan-Jun	2021
Basic and diluted loss per share from continuing operations (\$)	(2,566)	(2,101)	(25,489)
Basic and diluted gain per share attributable to the related party settlement gain, net of taxes (\$)	—	—	14,601
Basic and diluted (loss) gain per share attributable to the Company (\$)	(2,566)	(2,101)	(10,888)
Weighted average number of ordinary shares (in thousands)	16,133	16,133	16,133

The options issued by the Company did not have an impact on the calculation of earnings per share.

5. CLAIM RECEIVABLE

Claim receivable includes the value of instalments paid to DSME for the *West Cobalt* (\$49.2 million), *West Aquila* (\$90.0 million) and the *West Libra* (\$90.0 million).

The contract for the *West Cobalt* was rescinded by the rig buying company in 2019 and on April 27, 2022, West Cobalt Inc. commenced arbitration proceedings against DSME for claims relating to DSME's misrepresentations and West Cobalt Inc.'s rescission of the Resale Contract and DSME's repudiatory/renunciatory breaches of the Resale Contract. Before West Cobalt Inc. could serve its Claim Submissions by the agreed deadline, DSME served its own Claim Submissions and thereby DSME became the Claimant in the arbitration and claims its alleged shortfall upon resale of the Drillship. West Cobalt Inc. intends to serve its Defence and Counterclaim Submissions in September 2022 and will claim \$49,200,000 in respect of the First and Second Instalments already paid to DSME plus interest and damages.

The contracts for *West Aquila* and *West Libra* with DSME were terminated by their buying entities West Aquila Inc. and West Libra Inc. respectively on August 17, 2021 and October 16, 2021. DSME has disputed these claims and commenced arbitration proceedings in London, claiming that DSME is entitled to retain the \$180.0 million and to apply it against losses as a result of the termination, which have yet to fully crystalize. West Aquila Inc. and West Libra Inc. will defend DSME's claims in full and seek awards for their claims in accordance with the resale contracts and industry standard procedures.

6. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of June 30, 2022 are as follows:

<i>(in thousands of \$)</i>	Carrying Value	Fair Value
Assets:		
Cash and cash equivalents	8,339	8,339
Other long-term assets	229,200	229,200

The estimated fair value of financial assets are as follows:

<i>(in thousands of \$)</i>	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	8,339	8,339	—	—
Other long-term assets	229,200	—	—	229,200

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

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

Other long term assets – the carrying value in the balance sheet approximates fair value in view of the refund guarantees held by the Company. The amounts represent the total of the instalments paid to DSME for the resale contracts for *West Cobalt*, *West Aquila* and *West Libra*, respectively. As at June 30, 2022, unrecorded interest income is estimated to be \$36 million.

7. 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 40.6% of the Company's outstanding ordinary shares at June 30, 2022. 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 - Golden Ocean Management AS, or Golden Ocean, Frontline Management (Bermuda) Limited, or Frontline Management, Front Ocean Management AS and Front Ocean Management Ltd. (together “Front Ocean”) and Northern Ocean Management Norway AS or Northern Ocean.

Frontline, Front Ocean and Seatankers transactions

The Company and its subsidiaries receive treasury, accounting, corporate secretarial and advisory services from these entities and was charged \$0.1 million in the six months ended June 30, 2022.

Northern Ocean transactions

Northern Ocean provides management services to the Company and charged \$0.5 million in the six months ended June 30, 2022.

Related party balances

A summary of balances due to related parties at June 30, 2022 is as follows:

<i>(in thousands of \$)</i>	
Northern Ocean	253
Seatankers	10
Frontline Management	2
	265

8. COMMITMENTS AND CONTINGENCIES

The Company did not have any capital commitments at June 30, 2022.

9. SUBSEQUENT EVENT

There have been no subsequent events of note.

**NORTHERN DRILLING LTD.
INTERIM REPORT JANUARY - JUNE 2022**

Responsibility Statement

We confirm, to the best of our knowledge, that the condensed consolidated financial statements for the period January 1 to June 30, 2022 have been prepared in accordance with U.S generally accepted accounting principles, and give a true and fair view of the Company's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related party transactions.

The Board of Directors and Chief Executive Officer
Northern Drilling Ltd.
Hamilton, Bermuda
August 25, 2022

Gary Casswell (Chairman)
Jon Olav Osthus (Director)
Keesjan Cordia (Director)
Marius Hermansen (Director)
Scott McReaken (Chief Executive Officer)