

CONSOLIDATED FINANCIAL STATEMENTS

NORTHERN DRILLING LTD.

PERIOD FROM MARCH 2, 2017 TO DECEMBER 31, 2017

Index to the Consolidated Financial Statements of Northern Drilling Ltd.

	Page
Board of Directors Report	1 - 5
Responsibility Statement	6
Independent Auditor's Report	7-10
Consolidated Statement of Operations for the period from March 2, 2017 to December 31, 2017	11
Consolidated Balance Sheet as of December 31, 2017	12
Consolidated Statement of Cash Flows for the period from March 2, 2017 to December 31, 2017	13
Consolidated Statement of Changes in Equity for the period from March 2, 2017 to December 31, 2017	14
Notes to the Consolidated Financial Statements	15-19

Northern Drilling Ltd.

Board of Directors Report for the period from March 2, 2017 to December 31, 2017

Nature of the Business

Northern Drilling Ltd., or the Company, was incorporated under the laws of Bermuda on March 2, 2017, with its principal executive offices located in Hamilton, Bermuda. The Company is an international drilling contractor to the oil and gas industry, with the ambition of acquiring and operating modern drilling assets, and is expected to be primarily engaged in offshore contract drilling in benign and harsh environments worldwide, including ultra-deep water environments. In October 2017, the Company's shares were listed on Oslo Axess under the trading symbol "NODL".

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

The Working Environment

At the end of 2017, the Company and its subsidiaries, or the Group, did not have any employees. The Group's CEO is seconded from Seatankers Management Co. Ltd pursuant to a services agreement. There have not been any serious injuries or accidents in the current year and total absence due to sickness has been minimal during the accounting year. The Company's Board of Directors currently consists of two men and one woman.

Gender Equality

While the Company does not have any employees at present, it is an equal opportunities employer and will not discriminate against any employee or job applicant because of race, color, religion, national origin, sex, physical or mental disability, or age.

Impact on the External Environment

The Company has an objective that all activities that are performed are to be carried out so as to minimize negative impacts to people and the environment. Given the nature of the operations there is currently minimal corporate impact on the environment.

Going Concern Assumption

These financial statements are prepared under the going concern assumption. As of the date of this report, the Company does not have sufficient working capital for its planned expenditures for the next twelve months, which mainly consist of installments to the yard in respect of its two newbuildings currently under construction. The Company is confident, however, that it will secure any funding shortfall it needs for committed capital expenditures through new equity, bank debt or a combination of these. In addition to these sources of capital, there are other alternatives such as issuance of unsecured bonds and sale/leaseback structures. These alternatives are expected to be viable should the Company not be able to secure bank loans on acceptable terms to fund any deficit at delivery of the respective vessels.

Assessment of Results and Cash Flow Items

The Company did not have any operating revenues due to the fact that the Company does not currently have any operating drilling units. Operating expenses for this period comprise primarily of incorporation fees, set up costs, legal and professional fees and general administrative expenses. The Company also incurred a \$5.0 million non-cash loan fee, or the Sterna Fee, that was settled by way of the Company issuing one million common shares.

The Company generated cash from operating activities of \$0.1 million due to the favorable change in operating assets and liabilities, which was partially offset by payment of operating expenses.

The Company's investing activities in the period comprised the payment of newbuilding supervision costs of \$2.1 million and the \$200.0 million initial investment in Semi 2.

The Company generated cash from financing activities of \$286.0 million. In March 2017, the Company completed a private placement, which generated gross proceeds of \$230.0 million. Net cash proceeds of \$112.7 million were received following the payment of associated fees of \$2.3 million, the \$110.0 million partial settlement of a \$182.5 million loan incurred in connection with the initial investment in Semi 1 and the settlement of the Sterna Fee. In November 2017, the Company generated gross proceeds of NOK 2,032 million (\$249.7 million) through the placing of 31,750,000 new shares at a subscription price of NOK 64.00 per share. The Company paid fees of \$3.9 million in connection with this private placement.

At December 31, 2017, the Company had cash and cash equivalents of \$84.1 million.

Risk Assessment

The Company is newly established with a limited operating history, which makes it difficult to assess the outlook for future revenues and other operating results. 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. 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.

Prospects for the Future

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

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

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

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

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

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

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

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

Corporate Governance Report

Section 1 "Implementation and reporting on corporate governance": As a company incorporated in Bermuda, the Company is subject to Bermuda laws and regulations. Additionally, as a consequence of being listed on Oslo Axess, the Company must comply with section 3-3b) of the Norwegian Accounting Act and certain aspects of Norwegian securities law and is also obligated to adhere to the Norwegian Code of Practice for Corporate Governance, or the Code of Practice, on a "comply or explain" basis.

Further, the Company has in place a Memorandum of Association and Bye-laws, which set forth certain governance provisions. The Norwegian Accounting Act is found on www.lovdata.no and the Code of Practice is found on www.nues.no.

The Company's corporate governance principles are based on the Code of Practice. However, since the Company is governed by Bermuda laws and regulations, and given the nature of the Group's activities, certain practices are applied which deviate from some of the recommendations of the Code of Practice.

In the following sections, the Company's corporate governance policies and procedures will be explained, with reference to the principles of corporate governance as set out in the sections identified in the Code of Practice. This summary does not purport to be complete and is qualified in its entirety by the Company's Memorandum and Articles of Association, Bermuda and Norwegian law.

Section 2 "Business": The Company is a newly-established international drilling contractor to the oil and gas industry, with the ambition of acquiring and operating modern drilling assets. The Company has initially targeted the harsh environment sector and will continue to dedicate resources for further growth within this segment. The Company has an opportunistic growth strategy and will carefully review opportunities also for more benign and shallow water operations.

In accordance with normal practice for Bermuda companies, the Company's Bye-Laws do not include a specific description of its business. According to the Memorandum of Association, the objects for which the Company was formed and incorporated are unrestricted. As a Bermuda incorporated company, the Company has chosen to establish the constitutional framework in compliance with the normal practice of Bermuda and accordingly deviate from section 2 of the Code of Practice.

Section 3 "Equity and dividends": The Company's equity capital is at a level appropriate for its objectives, strategy, and risk profile and the Company does not currently have any debt. In accordance with Bermuda law, the Board of Directors is authorized to permit its own shares to be held as treasury shares, and to issue any un-issued shares within the limits of the authorized share capital. These authorities are neither limited to specific purposes nor to a specific period as recommended in section 3 of the Code of Practice. While the Company aims at providing competitive long-term return on the investments of its shareholders, it does not currently have a formal dividend policy. Further, as the Group has yet to produce stable cash flow, or to secure a commercial contract, dividends will not be considered in the near term.

Section 4 "Equal treatment of shareholders and transaction with close associates": In accordance with the company laws of Bermuda, the shareholders can resolve an amount of authorized capital within which the Board of Directors may decide to increase the issued capital at its discretion without further shareholder approval. There is no legal framework providing for specific time-limited or purpose-limited authorizations to increase the share capital. The Board of Directors will propose to the shareholders that they consider and, if necessary, resolve to increase the authorized capital of the Company that will allow the Board of Directors some flexibility to increase the number of issued shares without further shareholder approval. As such, the Company may deviate from the recommendation in the Code of Practice section 4 to limit such authorization to 10% of the issued share capital. Any increase of the authorized capital is, however, subject to approval by the shareholders by simple majority of the votes cast.

Section 5 "Freely negotiable shares": Neither the Company's Bye-Laws nor Bermuda company laws include regulation of preemptive rights for shareholders in connection with share capital increases. The Bye-Laws provide for the Board of Directors in its sole discretion to direct a share issue to existing shareholders at par value or at a premium price. The Company is subject to the general principle of equal treatment of shareholders under the Norwegian Securities Trading Act section 5-14. The Board of Directors will, in connection with any future share issues, on a case-by-case basis, evaluate whether deviation from the principle of equal treatment is justified. The Board of Directors will consider and determine on a case-by-case basis whether independent third party evaluations are required if entering into agreements with close associates in accordance with the Code of Practice section 5. The Board of Directors may decide, however, due to the specific agreement or transaction, to deviate from this recommendation if the interests of the shareholders in general are believed to be maintained in a satisfactory manner through other measures.

With limited exceptions, all shares in the Company are freely negotiable, and the Bye-Laws contain no form of restriction on the negotiability of the shares, or on voting rights.

Section 6 "General meetings": The Company's Bye-Laws require five days' notice for a meeting of the shareholders, rather than 21 days. Given the Company's current commercial position, this shorter period is considered to be sufficient for shareholders to consider the matters being voted on.

The Company strives to maintain an open and fair dialogue with its shareholders through the publishing of information, presentations and responding to questions from shareholders. The Company has not, however, taken specific measures for obtaining shareholders'

proposals for matters to be proposed to the meeting of shareholders. In the view of the Company, the current shareholder structure, the shareholder representation, and the policy to communicate with shareholders is sufficient to ensure that shareholders may communicate their points of view to the executive management and the Board.

The Board of Directors has not made arrangements for an independent Chairman for each annual meeting of the shareholders as the Company believes that the Chairman of the Board can act independently and in the interests of shareholders. Further, the Company does not believe that it is necessary for all directors and the auditor to be physically present at the meeting of the shareholders.

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

Section 7 "Nomination committee": As permitted under Bermuda law, the Company will not have a nomination committee as recommended by the Code of Practice section 7. In lieu of a nomination committee comprised of independent directors, the Board of Directors is responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees.

Section 8 "Corporate assembly and board of directors": The Company's Board of Director's shall consist of a minimum of two members, and shall at all times comprise a majority of directors who are not resident in the United Kingdom. The current composition of the Company's Board of Directors is in compliance with the independence requirements of the Code of Practice. The Company's shareholders may determine the minimum and maximum number of directors by the vote of shareholders representing a majority of the total number of votes which may be cast at any annual or extraordinary general meeting, or by written resolution. Each director is elected at an annual general meeting of shareholders for a term commencing upon election and expiring on the date of the next scheduled annual general meeting of shareholders or until his or her successor is appointed. The bye-laws do not permit cumulative voting for directors.

The Board of Directors elects its Chairman, rather than the shareholders. Given the Company's current development status the Company believe that this is satisfactory and that the Chairman can ensure that the Board is effective in its tasks of setting and implementing the Company's direction and strategy.

As a Bermuda registered company with a limited number of employees and contractors, the Company does not have a corporate assembly. Given the size of the Company this is not believed to be necessary.

Section 9 "The work of the board of directors": The Board is ultimately responsible for the management of the Company and for supervising its day to day management. The Company does not have an audit committee. In lieu of an audit committee, the entire Board of Directors is responsible for any decisions otherwise subject to review and preparation by an audit committee. The Company finds this arrangement to be satisfactory with respect to the Company's current activity level.

Section 10 "Risk management and internal control": The Board shall ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. Further, the Board in conjunction with the executive management evaluates the risk inherent in the operations of the Company. Principal among these risks currently are the ability to secure take-out financing for the two rigs (Semi 1 and Semi 2) and to secure employment contracts on reasonable terms for the same, risks associated with the construction of the rigs (including risks associated with the design of the vessels, counterparty risks and the financial strengths of the yards), risks associated with the capacity of the Group to obtain future finance on reasonable terms, risks associated with the ability of the Company to retain key staff, the general drilling market conditions and trends and the charter market conditions for the drilling rigs. In addition, the following risks inherent in the business of the Group are monitored: Risk associated with changes in the charter market, exchange rates, increased competition, the political, regulatory and tax environment of the Group, counterparty performance and risks associated with potential growth of the business. The Board ensures that the Company has reliable internal controls and systems for risk management through this annual assessment.

The Board has the responsibility to evaluate risk exposure and internal control on an annual basis. The Board is also presented financial statements on a quarterly basis, which are reviewed with the executive management. The Company's annual accounts provide information on internal control and risk management systems as they relate to its financial reporting.

Section 11 “Remuneration of the board of directors”: The compensation of the members of the Company’s Board of Directors is determined on an annual basis by the shareholders of the Company at the annual shareholders meeting. Board remuneration is to reflect the Board’s responsibility, expertise, time spent, and the complexity of the business. Remuneration does not depend on the Company’s financial performance and the Company does not grant share options to the board members. There is no obligation to present the guidelines for remuneration of the Board of Directors to the shareholders of a Bermuda incorporated company. The Company therefore deviates from this part of section 11 of the Code of Practice. There are no service contracts between the Company and any of its directors providing for benefits upon termination of their service.

Section 12 “Remuneration of executive personnel”: The executive management of the Company is compensated through a separate management agreement. There is no obligation to present the guidelines for remuneration of the executive management to the shareholders of a Bermuda incorporated company. In the view of the Company there is sufficient transparency and simplicity in the remuneration structure and information provided through the annual report and financial statements are sufficient to keep shareholders adequately informed. The Company therefore deviates from this part of section 12 of the Code of Practice.

Section 13 “Information and communications”: The Company will ensure that the shareholders receive accurate, clear, relevant and timely information in accordance with the legal requirements and good corporate governance practices. Publication methods will be selected to ensure simultaneous and equal access for all equity shareholders and the information is provided in English. The Company also provides information to the market through financial reports. Events of importance are made available to the stock exchange market through notification to the Oslo Stock Exchange in accordance with the Stock Exchange regulations. Stock Exchange announcements are also made available on the Company’s website.

Section 14 “Take-overs”: Due to the Company being a newly established company, it has not yet established guiding principles for how it will act in the event of a take-over bid. Further, Hemen Holding Ltd. (including its affiliates, “Hemen”) has indicated that it will retain its material holding of shares in the Company. Although deviation from the Code of Practice, the Board has thus far not deemed it appropriate to adopt specific guidelines for takeover situations for as long as the ownership constellation with Hemen remains.

Section 15 “Auditors”: The auditor shall annually present its assessment of accounting risk and audit plan to the Board. The Board of Directors has established procedures for regular contact with the external auditor through the management, as the Company does not have an Audit Committee. This contact will include, but is not limited to, the auditor presenting the audit plan for the coming year, contributing to meetings concerning the Company’s annual financial statements, presentation of audit findings, including changes in accounting principles, significant estimates and judgments reflected in the annual financial statements, any areas of disagreement with management and identified internal control process improvement opportunities.

The external auditor has provided the Board with written confirmation of its independence.

Northern Drilling Ltd.
Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period from March 2, 2017 to December 31, 2017 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the Group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group.

Board of Directors of Northern Drilling Ltd.
March 16, 2018

/s/ Gary Casswell
Gary Casswell (Chairman)

/s/ Georgina Sousa
Georgina Sousa

/s/ David McManus
David McManus

To the General Meeting of Northern Drilling Ltd.

Independent Auditor's Report

Opinion

We have audited the consolidated financial statements of Northern Drilling Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated statement of operations, consolidated statement of changes in equity, consolidated statement of cash flows for the period from March 2, 2017 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2017 and its financial performance and its cash flows for the for the period from March 2, 2017 to December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Key Audit Matters

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

Impairment Assessment for Rigs Under Construction

We refer to note 2 (Accounting policies), note 6 (Newbuildings) and note 11 (Subsequent events).

The group has two rigs under construction. At the balance sheet date, the combined carrying amount of the newbuildings is \$385.2 million, which represent approximately 80% of the balance sheet.

Even though the rigs were still under construction, management was required to consider whether there were indications of impairment. Following management's assessment, no impairment indicators were identified for newbuildings. Based on this, no impairment test was performed and no impairment charge was recognized.

We focused on this area because it represents the largest item on the balance sheet and the inherent need for judgement in arriving at the conclusion of whether indicators of impairment were present. Due to the relative size of the items on the balance sheet, the potential impact of any fall in value of the newbuildings could be of significant consequence.

We discussed with management to understand and evaluate the process by which management arrived at their conclusion of no impairment indicators. Management's process seemed appropriate.

We evaluated and challenged their assessment and conclusion by comparing the knowledge we as auditors possess to the knowledge management has applied to evaluation of impairment indicators. Impairment indicators assessed included market capitalization compared to net asset value, development in rig values for harsh-environment drilling rigs under construction, rig valuations compared to purchase price and other considerations. We assessed management's accounting policy against US GAAP and satisfied ourselves through obtaining explanations from management that the specific requirements of the standards, in particular ASC 360 - Impairment of assets, were met.

Management compiled broker valuation certificates for the rigs. We satisfied ourselves that the external brokers had both the objectivity and the competence to provide the estimate.

No matters of consequence arose from the procedures above.

Related Party Transactions

We refer to note 8 (Related party transactions) and note 10 (Supplemental information).

The group was established in 2017. After it was established and during the course of the year, a number of transactions with related parties were accomplished.

We focused on this area due to complex related party arrangements. Related party transactions in general give rise to risks from valuation, proper accounting treatment and appropriate disclosures in the financial statements. We considered proper accounting treatment and appropriate disclosure risks to be the main risks present here, and consequently focused our resources on these.

We obtained and reviewed significant contracts with related parties that the Group entered into throughout the year in order to understand the transactions properly. In order to obtain a complete picture of the transactions, we read Board of Directors meeting minutes and discussed with management. This also helped us identify any related party transactions not previously disclosed to us.

We inspected bank statements and payments to ensure that effects of both non-cash arrangements and cash transactions presented in the consolidated financial statements were consistent with our understanding of the information we obtained from the contracts and the reading of minutes.

We also considered management's presentation of disclosures about related party transactions and the obligatory related party notes required by US GAAP made in the consolidated financial statements.

We found the notes and explanations in the consolidated financial statements to appropriately reflect the substance of the related party transactions that took place through the year.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and Corporate Governance report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Oslo, March 16, 2018

PricewaterhouseCoopers AS

/s/ Rita Granlund

Rita Granlund

State Authorised Public Accountant

Northern Drilling Ltd.**Consolidated Statement of Operations for the period from March 2, 2017 to December 31, 2017***(in thousands of \$, except loss per share)*

	For the period from March 2, 2017 to December 31, 2017
Total operating revenues	—
Operating expenses	
Administrative expenses	822
Total operating expenses	822
Net operating loss	(822)
Other income (expenses)	
Interest income	725
Other financial expenses	(4,997)
Total other expenses	(4,272)
Net loss	(5,094)
Basic loss per share (\$)	(0.11)

See accompanying Notes to the Consolidated Financial Statements.

Northern Drilling Ltd.
Consolidated Balance Sheet as of December 31, 2017
(in thousands of \$)

	2017
ASSETS	
Current assets	
Cash and cash equivalents	84,090
Other current assets	57
Total current assets	84,147
Long term assets	
Newbuildings	185,170
Payment on account of newbuilding acquisition	200,000
Total assets	469,317
LIABILITIES AND EQUITY	
Current liabilities	
Other current liabilities	290
Related party payables	751
Total current liabilities	1,041
Commitments and contingencies (note 9)	
Equity	
Share capital	77,750
Additional paid in capital	395,620
Retained deficit	(5,094)
Total equity	468,276
Total liabilities and equity	469,317

See accompanying Notes to the Consolidated Financial Statements.

Northern Drilling Ltd.**Consolidated Statement of Cash Flows for the period from March 2, 2017 to December 31, 2017***(in thousands of \$)*

	For the period from March 2, 2017 to December 31, 2017
Net loss	(5,094)
Adjustment to reconcile net loss to net cash provided by operating activities;	
Non-cash, share-based loan fee paid to related party	5,000
Change in operating assets and liabilities;	
Other current assets	(57)
Other current liabilities	121
Related party payables	134
Net cash provided by operating activities	104
Investing activities	
Additions to newbuildings	(2,053)
Payment on account of newbuilding acquisition	(200,000)
Net cash used in investing activities	(202,053)
Financing activities	
Net proceeds from share issuances	358,539
Repayment of loan to related party	(72,500)
Net cash provided by financing activities	286,039
Net increase in cash and cash equivalents	84,090
Cash and cash equivalents at start of the period	—
Cash and cash equivalents at end of the period	84,090

Details of non-cash investing and financing activities are given in Note 10.

See accompanying Notes to the Consolidated Financial Statements.

Northern Drilling Ltd.**Consolidated Statement of Changes in Equity for the period from March 2, 2017 to December 31, 2017***(in thousands of \$, except number of shares)*

	For the period from March 2, 2017 to December 31, 2017
Number of shares outstanding	
Balance at start of the period	—
Shares issued	77,750,100
Balance at end of the period	77,750,100
Share capital	
Balance at start of the period	—
Shares issued	77,750
Balance at end of the period	77,750
Additional paid in capital	
Balance at start of the period	—
Shares issued	395,620
Balance at end of the period	395,620
Retained deficit	
Balance at start of the period	—
Loss in the period	(5,094)
Balance at end of the period	(5,094)
Total equity	468,276

See accompanying Notes to the Consolidated Financial Statements.

Northern Drilling Ltd.
Notes to the Consolidated Financial Statements

1. GENERAL

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

The Company's activities since incorporation have consisted principally of acquiring one semi-submersible rig currently under construction, exercising an option for a second semi-submersible rig currently under construction, listing its shares on the Oslo Axess and raising capital. 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. 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.

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

2. ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. The preparation of the consolidated financial statements requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities. Actual results could differ from those estimates.

We evaluated all of our activity through March 16, 2018 being the date these financial statements were issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements.

Going Concern Assumption

These financial statements are prepared under the going concern assumption. As of the date of this report, the Company does not have sufficient working capital for its planned expenditures for the next twelve months, which mainly consist of installments to the yard in respect of its two newbuildings currently under construction. The Company is confident, however, that it will secure any funding shortfall it needs for committed capital expenditures through new equity, bank debt or a combination of these. In addition to these sources of capital, there are other alternatives such as issuance of unsecured bonds and sale/leaseback structures. These alternatives are expected to be viable should the Company not be able to secure bank loans on acceptable terms to fund any deficit at delivery of the respective vessels.

Cash and cash equivalents

All demand and time deposits and highly liquid, low risk investments with original maturities of three months or less are considered equivalent to cash.

Newbuildings

The carrying value of the drilling units under construction, or Newbuildings, represents the accumulated costs at the balance sheet date. Cost components include the acquisition payment, construction supervision costs and guarantee fees paid by the Company. No charge for depreciation is made until commissioning of the newbuilding has been completed and it is ready for its intended use.

Impairment of long-lived assets

The carrying value of the Newbuildings is assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be appropriate. The Company first assesses recoverability of the carrying value of the asset by estimating the remaining costs of construction and the undiscounted future net cash flows expected to result from the asset, including eventual disposition. If the undiscounted future net cash flows are less than the carrying value of the asset, an impairment loss is recorded based on the difference between the carrying value and the fair value.

Related parties

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

Foreign currencies

The functional currency of the Company and all of its subsidiaries is the U.S. dollar as the majority of expenditures are denominated in U.S. dollars. The Company's reporting currency is also U.S. dollars. Assets and liabilities are translated into the functional currency at exchange rates existing at the date of the balance sheet. Such currency translation gains and losses are included in the Consolidated Statement of Operations. Transactions in currencies other than the functional currency are translated into the functional currency at the exchange rate at the transaction date.

Other comprehensive income

The Company has no other comprehensive income.

Earnings per share

Basic earnings per share is calculated based on the net income (loss) for the period divided by the weighted average number of shares outstanding for the period. There were no potentially dilutive instruments outstanding in the period.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments based on a consensus of the Emerging Issues Task Force (EITF)*, to address the classification of certain cash receipts and cash payments on the statement of cash flows. The new guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The standard will be effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. Entities are required to apply the guidance retrospectively. The Company does not expect this standard to have a material impact on its Consolidated Financial Statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, to address classification of activity related to restricted cash and restricted cash equivalents in the cash flows. The standard eliminates the presentation of transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents and restricted cash equivalents are presented in more than one line item on the balance sheet, a reconciliation of the totals in the cash flows to the related captions in the balance sheet are required, either on the face of the cash flow or in the notes to the Consolidated Financial Statements. Additional disclosures are required for the nature of the restricted cash and restricted cash equivalents. The standard will be effective for fiscal years beginning after 15 December 2017, and interim periods within those years. Early adoption is permitted. The Company does not expect this standard to have a material impact on its Consolidated Financial Statements and related disclosures.

4. EARNINGS PER SHARE

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

5. 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 two 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.

6. NEWBUILDINGS

Movements in the period may be summarized as follows:

<i>(in thousands of \$)</i>	
Balance at start of the period	—
Installment paid	182,500
Newbuilding supervision and other costs capitalized	2,670
Balance at end of the period	185,170

In March 2017, a wholly-owned subsidiary of the Company and Hyundai Samho Heavy Industries Co Ltd, or HHI, entered into an agreement concerning the sale and purchase of one semi-submersible rig, HHI HE Semi 1 (ex. West Mira), or Semi 1, which is currently under construction at HHI and had previously been ordered and later cancelled by Seadrill Ltd, or Seadrill, a related party. The purchase price is \$365.0 million payable in two equal installments.

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

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

7. 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.

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

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

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

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

8. RELATED PARTY TRANSACTIONS

Greenwich Holdings, and then a wholly-owned subsidiary of Greenwich Holdings, has been the Company's largest shareholder since the Company's formation. A wholly-owned subsidiary of Greenwich Holdings holds approximately 40.0% of shares in the Company at December 31, 2017. The Company transacts business with the following related parties, being companies in which Greenwich Holdings, or companies affiliated with Greenwich Holdings, has a significant interest - Sterna Finance Ltd, or Sterna Finance, Seadrill Ltd, or Seadrill, and Seatankers Management Co. Ltd, or Seatankers Management.

Sterna Finance transactions

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

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

Seadrill transactions

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

The agreement is effective for one year from its commencement in May 2017 and shall renew automatically in May 2018 for a period of four years, unless terminated earlier pursuant to the provisions of the agreement. Such termination provisions include material breach of obligations under the agreement and failure to approve a budget within 183 days from commencement of the financial year. The agreement will also terminate upon the change of control of either party. The parties have the option to extend the term for a further three years.

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

Seatankers Management transactions

In March 2017, Seatankers Management entered into an option agreement with HHI to acquire Semi 2 for a purchase price of \$400.0 million payable in two equal installments. The first installment is payable upon exercise of the option and the second installment is payable upon delivery of Semi 2. In September 2017, a wholly-owned subsidiary of the Company and Seatankers Management entered into an agreement whereby Seatankers Management agreed to either nominate a subsidiary of the Company as buyer to accept delivery of Semi 2 from HHI, subject to HHI's prior consent, or to exercise Seatankers Management's rights to purchase the Semi 2 and when instructed to do so by a subsidiary of the Company to immediately sell the Semi 2 to that subsidiary on back-to-back terms. In December 2017, Seatankers Management, HHI and a wholly-owned subsidiary of the Company entered into a Novation Agreement relating to the option agreement entered into in March 2017 whereby all of the rights and obligations of Seatankers Management under this agreement were novated to a wholly-owned subsidiary of the Company and this subsidiary exercised its rights under the option agreement. Seatankers Management has guaranteed payment to HHI of the second and final installment of \$200.0 million for Semi 2. The Company accrued \$0.4 million at December 31, 2017 in respect of a fee payable to Seatankers Management as consideration for this guarantee. The Company has counter indemnified Seatankers Management for the guarantee provided to HHI.

Seatankers Management has guaranteed payment to HHI of the second and final installment of \$182.5 million for Semi 1. No consideration was paid for this guarantee. The Company has counter indemnified Seatankers Management for the guarantee provided to HHI.

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

9. COMMITMENTS AND CONTINGENCIES

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

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

10. SUPPLEMENTAL INFORMATION

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

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

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

11. SUBSEQUENT EVENTS

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