



NORTHERN DRILLING LTD.
RESULTS FOR THE SECOND QUARTER AND SIX MONTHS
ENDED JUNE 30, 2020

Highlights - Second Quarter

- The Company continues preservation and maintenance activities of the drillships at the shipyard.

Results - Second Quarter

Following the de-consolidation of Northern Ocean Limited ("NOL") after the spin-off was completed on February 26, 2020, the Company does not currently have any drilling units in operation and the operating results in the second quarter of 2020 primarily consisted of administrative expenses of \$1.3 million.

Results - Six months ended June 30, 2020

Results in the six months ended June 30, 2020 are not comparable with the results in the same period of 2019 as the Company had no drilling operations until the commencement of the *West Mira* on November 7, 2019.

In the six months ended June 30, 2020, operating revenue was \$13.5 million compared to \$13.3 million in six months ended December 31, 2019. Revenue resulted from the *West Mira* drilling contract prior to the spin-off of the NOL harsh environment business on February 26, 2020. Contract revenue was \$11.9 million and reimbursable revenue was \$1.5 million.

Total operating expenses in the six months ended June 30, 2020 were \$20.8 million compared to \$24.1 million in the six months ended December 31, 2019. Rig operating expenses were \$12.0 million, which was \$1.3 million less than the six months ended December 31, 2019 as pre-commencement costs and non-recurring costs for the *West Mira* were incurred in the fourth quarter that were slightly offset by additional costs associated with the downtime events in the first quarter. Reimbursable expenses were \$1.4 million, depreciation was \$3.3 million and administrative expenses were \$4.0 million in the six months ended June 30, 2020. Administrative expenses include \$1.8 million of management fees in connection with *Cobalt Explorer* and other non-recurring costs associated with completing the restructuring and spin-off of NOL.

Other financial expense was \$3.7 million compared to \$2.7 million in the six months ended December 31, 2019. Loan interest expense of \$2.5 million resulted from borrowings in NOL and amortization of deferred charges in NOL was \$0.3 million. Interest income was \$0.2 million for the six months ended June 30, 2020 and the net loss attributable to the non-controlling interest in NOL was \$2.2 million, all of which relates to the period up to spin off at the end of February 2020.

Net loss attributable to the Company for the six months ended June 30, 2020 was \$8.4 million, which is \$1.5 million less than the net loss attributable to the Company for the six months ended December 31, 2019.

At the end of the second quarter, cash was \$20.8 million and long term newbuilding assets were \$196.3 million which includes the initial installments and preservation of the *West Aquila* and *West Libra*. Following the de-consolidation of the NOL balance sheet after the spin-off was completed on February 26, 2020, there were no significant balance sheet changes after the end of the first quarter.

Business Update

In the second quarter of 2020, the Company continued its preservation and maintenance activities for the drillships in the shipyard while adhering to new safety and health protocols. With the ongoing global pandemic and other factors, the Company took over direct management of these activities, which provides greater financial control and a closer relationship with the shipyard as the contractual delivery dates approaches in the first half of 2021. The Company is actively engaged with its counterparties to find acceptable solutions and a way forward.

Outlook

The Company continues to believe in the long-term fundamentals of the deepwater offshore market. Recent significant reductions in demand for natural resources has caused for adjustment in oil company capex spending and delays in offshore drilling programs. As a result drilling contractors have experienced extreme financial pressure and have had to consider taking dramatic steps, including commencing restructuring activities. These activities will likely eliminate noncompetitive, aged and long-term stacked drilling assets from the market which is positive towards reaching a new balance in supply and demand. The Company continues to evaluate and monitor these trends and is actively engaged with its stakeholders to find optimal solutions where it can remain uniquely positioned.

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 28, 2020

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

2019 Apr-Jun	2020 Apr-Jun	CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (in thousands of \$)	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
—	—	Contract revenue	11,948	—	11,184
—	—	Reimbursable revenue	1,513	—	2,108
—	—	Total operating revenues	13,461	—	13,292
657	—	Rig operating expenses	12,045	768	13,999
—	—	Reimbursable expenses	1,422	—	2,025
—	—	Depreciation	3,311	—	2,984
—	—	Impairment of non-current assets	—	—	2,313
767	1,270	Administrative expenses	3,981	1,287	4,796
1,424	1,270	Total operating expenses	20,759	2,055	26,117
(1,424)	(1,270)	Net operating loss	(7,298)	(2,055)	(12,825)
793	1	Interest income	173	1,513	1,671
(287)	1	Other financial income (expense)	(3,668)	(509)	(3,194)
(918)	(1,268)	Net loss before taxes and non-controlling interest	(10,793)	(1,051)	(14,348)
—	—	Tax	178	—	931
(918)	(1,268)	Net loss	(10,615)	(1,051)	(13,417)
—	—	Net loss attributable to non-controlling interest	2,195	—	2,420
(918)	(1,268)	Net loss attributable to the Company	(8,420)	(1,051)	(10,997)
(0.01)	(0.08)	Basic loss per share attributable to the Company (\$)	(0.19)	(0.01)	(0.01)

2019 Apr-Jun	2020 Apr-Jun	CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS (in thousands of \$)	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
(918)	(1,268)	Net loss	(10,615)	(1,051)	(13,417)
—	—	Foreign currency translation income	3	—	13
—	—	Other comprehensive income	3	—	13
(918)	(1,268)	Comprehensive loss	(10,612)	(1,051)	(13,404)
—	—	Comprehensive loss attributable to non-controlling interest	(2,195)	—	(2,420)
(918)	(1,268)	Comprehensive loss attributable to the Company	(8,417)	(1,051)	(10,984)
(918)	(1,268)	Comprehensive loss	(10,612)	(1,051)	(13,404)

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 2020	Dec 2019
ASSETS		
Short term		
Cash and cash equivalents	20,838	77,534
Restricted cash	—	128
Receivables	—	7,214
Unbilled receivables	—	15,671
Related party receivables	—	6,899
Other current assets	960	13,803
Long term		
Drilling units	—	524,466
Newbuildings	196,343	673,025
Fixtures and fittings	1	3
Claim receivable	49,200	49,200
Other long term assets	121	—
Deferred tax	—	931
Total assets	267,463	1,368,874
LIABILITIES AND EQUITY		
Short term liabilities		
Current portion of long term debt	—	40,000
Other current liabilities	372	6,485
Deferred revenue	—	11,277
Related party payables	14,976	82,087
Long term liabilities		
Long term debt	—	345,495
Deferred revenue	—	15,191
Related party long term debt	—	70,000
Commitments and contingencies (Note 10)		
Total equity	252,115	798,339
Total liabilities and equity	267,463	1,368,874

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

NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2019 Apr-Jun	2020 Apr-Jun	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (in thousands of \$)	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
(918)	(1,268)	NET LOSS	(10,615)	(1,051)	(13,417)
		Adjustment to reconcile net loss to net cash provided by (used in) operating activities:			
267	—	Amortization of deferred charges	337	458	1,345
—	—	Amortization of deferred revenue	(1,432)	—	(1,471)
—	—	Depreciation	3,311	—	2,984
—	—	Impairment of non-current assets	—	—	2,313
17	13	Stock option expense	26	53	103
12	—	Unrealized foreign exchange loss	3	—	13
—	—	Tax	(178)	—	(931)
		Change in operating assets and liabilities;			
—	—	Receivables	—	—	(7,214)
—	—	Unbilled receivables	—	—	(15,671)
49	913	Other current assets	4,017	(259)	(13,459)
3,084	(478)	Other current liabilities	5,727	1,021	4,468
(6,924)	(1,824)	Related party balances	8,770	(10,779)	668
—	—	Deferred revenue	—	—	27,939
(4,413)	(2,644)	Net cash provided by (used in) operating activities	9,966	(10,557)	(12,330)
		INVESTING ACTIVITIES			
(245,820)	1,802	Additions to newbuilding	—	(262,191)	(388,187)
—	—	Purchase of fixtures and fittings	—	—	(3)
—	—	Cash, cash equivalents and restricted cash disposed of in exchange offer	(66,790)	—	—
(245,820)	1,802	Net cash used in investing activities	(66,790)	(262,191)	(388,190)
		FINANCING ACTIVITIES			
—	—	Net proceeds from share issuances	—	—	98,300
200,000	—	Proceeds from long term debt	—	200,000	200,000
—	—	Repayment of bank debt	—	—	(10,000)
—	—	Proceeds from related party long term debt	—	—	70,000
(2,950)	—	Repayment of bank debt	—	(2,950)	(2,950)
197,050	—	Net cash provided by financing activities	—	197,050	355,350
(53,183)	(842)	Net change	(56,824)	(75,698)	(45,170)
100,317	21,680	Cash, cash equivalents and restricted cash at start of the period	77,662	122,832	122,832
47,134	20,838	Cash, cash equivalents and restricted cash at end of the period	20,838	47,134	77,662

See Note 11 for details of non-cash activities.

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>	2020 Jan-Jun	2019 Jan-Dec
Number of shares outstanding		
Balance at beginning of period	107,555,983	107,555,983
Shares cancelled	(91,422,966)	—
Balance at end of period	16,133,017	107,555,983
Share capital		
Balance at beginning of period	107,556	107,556
Impact of exchange offer	(91,423)	—
Balance at end of period	16,133	107,556
Additional paid in capital		
Balance at beginning of period	611,048	610,945
Impact of exchange offer	(350,530)	—
Stock option expense	26	103
Balance at end of period	260,544	611,048
Accumulated other comprehensive income		
Balance at beginning of period	13	—
Other comprehensive income	3	13
Balance at end of period	16	13
Retained deficit		
Balance at beginning of period	(16,158)	(5,161)
Net loss	(8,420)	(10,997)
Balance at end of period	(24,578)	(16,158)
Total equity attributable to the Company	252,115	702,459
Non-controlling interest		
Balance at beginning of period	95,880	—
Net proceeds from share issuance	—	98,300
Net loss	(2,195)	(2,420)
Impact of exchange offer	(93,685)	—
Balance at end of period	—	95,880
Total equity	252,115	798,339

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 primarily engaged in offshore contract drilling for the oil and gas industry in benign and harsh environments worldwide.

On February 6, 2020, the Company announced an exchange offer in connection with an application for listing of Northern Ocean Ltd ("NOL") 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.

On February 26, 2020, the Company announced that 91,422,966 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 91,422,966 of the Company's shares were cancelled, following which the Company now has 16,133,017 shares issued and outstanding. The Company has de-consolidated NOL as a result of the exchange offer and has recorded this as an equity transaction at book values in the first quarter of 2020 with no gain or loss arising.

As of the date of this report, the Company has two drillships under construction, which have delivery dates in the first half of 2021. The drillships are available for acceptable drilling contracts that can support financing for delivery and startup, and the Company has the ability to take delivery earlier should a contract be secured.

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, public health threats, such as the coronavirus COVID-19 ("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 industry specifically. Both such industries are highly competitive, with intense price competition.

2. BASIS OF ACCOUNTING

The unaudited 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, 2019. The condensed consolidated financial statements include the assets and liabilities of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. The preparation of the condensed consolidated financial statements requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities. Actual results could differ from those estimates.

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. 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.

4. 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. Diluted earnings per share includes the effect of the assumed conversion of the share options that were issued in November 2018. The components of the numerator and the denominator in the calculation are as follows:

2019 Apr-Jun	2020 Apr-Jun		2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
(918)	(1,268)	Net loss attributable to the Company (in thousands of \$)	(8,420)	(1,051)	(10,997)
107,556	16,133	Weighted average number of ordinary shares (in thousands)	44,765	107,556	107,556

5. NEWBUILDINGS

Movements in the carrying value of Newbuildings in the six months ended June 30, 2020 may be summarized as follows:

<i>(in thousands of \$)</i>	
Balance at December 31, 2019	673,025
Additions to West Bollsta prior to exchange offer	17,516
Impact of exchange offer	(497,528)
Newbuilding supervision fees and costs	3,330
Balance at June 30, 2020	196,343

6. CLAIM RECEIVABLE

Claim receivable 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.

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.

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.

On February 26, 2020, the Company announced that 91,422,966 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 91,422,966 of the Company's shares were cancelled, following which the Company now has 16,133,017 shares issued and outstanding. Upon completion of the exchange offer, Hemen Holding owns 39.4% of the Company.

8. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of June 30, 2020 are as follows:

<i>(in thousands of \$)</i>	Carrying Value	Fair Value
Assets:		
Cash and cash equivalents	20,838	20,838

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	20,838	20,838	—	—

The Company believes that the carrying value of cash and cash equivalents in the balance sheet approximates fair value.

9. 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 June 30, 2020. 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, Golden Ocean Management AS, or Golden Ocean, Frontline Management (Bermuda) Limited, or Frontline Management and Northern Ocean Ltd or Northern Ocean.

Seadrill transactions

Wholly-owned subsidiaries of Seadrill carry out the newbuilding supervision of the two drillships. In the six months ended June 30, 2020, the Company was charged and capitalized newbuilding supervision fees of \$3.2 million. From July 1, 2020, the newbuilding supervision will be carried out by the Company itself.

Golden Ocean, Frontline and Seatankers Management transactions

The Company and its subsidiaries receive treasury, accounting, corporate secretarial and advisory services from these entities and was charged \$0.2 million in the six months ended June 30, 2020.

Northern Ocean transactions

Northern Ocean provides management services to the Company and charged \$0.2 million in the six months ended June 30, 2020.

Related party balances

A summary of balances due to related parties at June 30, 2020 is as follows:

<i>(in thousands of \$)</i>	
Seadrill Global Services Ltd	14,600
Northern Ocean Ltd	255
Seatankers Management Co. Ltd	72
Frontline Management (Bermuda) Ltd	49
	<u>14,976</u>

10. COMMITMENTS AND CONTINGENCIES

As of June 30, 2020, the Company was committed to paying \$412.0 million, net of commissions, for the second and final instalments upon the contractual delivery of the two drillships in the first half of 2021.

11. SUPPLEMENTAL INFORMATION

The Company de-consolidated the results and operations of NOL at the end of February 2020 as a result of the exchange offer described in Note 1 and has recorded this as an equity transaction at book values. The net impact on the Company's consolidated balance sheet was a reduction in net assets of \$535.6 million. This amount included cash, cash equivalents and restricted cash of \$66.8 million.

**NORTHERN DRILLING LTD.
INTERIM REPORT JANUARY - JUNE 2020**

Responsibility Statement

We confirm, to the best of our knowledge, that the condensed consolidated financial statements for the period January 1 to June 30, 2020 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 parties transactions.

The Board of Directors
Northern Drilling Ltd.
Hamilton, Bermuda
August 28, 2020