



**NORTHERN DRILLING LTD.
RESULTS FOR THE THIRD QUARTER AND NINE MONTHS
ENDED SEPTEMBER 30, 2020**

Results - Third 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 third quarter of 2020 primarily consisted of administrative expenses of \$0.7 million.

Results - Nine months ended September 30, 2020

As the spin-off of NOL on February 26, 2020 represented a significant strategic shift of the Company's business, we have recorded the results of NOL's operations as discontinued operations in the nine months ended September 30, 2020 and comparative periods. The balance sheet at December 31, 2019 and the statement of cash flows for the nine months ended September 30, 2020 and comparative periods have also been presented on a discontinued operations basis.

At the end of the third quarter, cash was \$20.3 million and long-term newbuilding assets were \$197.0 million, which includes the initial installments and preservation costs 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 have been no significant balance sheet changes after the end of the first quarter.

Business Update

In the third quarter of 2020, the Company continued safely executing preservation and maintenance activities for the drillships. Since terminating the engagement with the former manager and taking direct management in-house, the monthly running costs have been reduced, in addition to reaching operational control. The Company remains actively engaged with the shipyard to find solutions as contractual delivery dates approach in the first half of 2021. The Company is also engaged in ongoing discussions with its former manager with the objective to find a solution to the outstanding balances and resolve claims related to the historic provision of management services.

Outlook

The Company continues to believe in the long-term fundamentals of the deepwater offshore market and sees this market will continue to remain as an energy resource into the foreseeable future.

The offshore drilling industry was beginning to show signs of recovery and then it was significantly impacted by the global economic slowdown resulting from the pandemic. The industry is experiencing an unprecedented time where

both large and small drilling contractors are undergoing financial restructuring to rationalize balance sheets and their fleets. The outcome should result in fewer competitors through consolidations and an improved balance in drilling rig supply as non-competitive and cold stacked rigs are eliminated from the market. Several companies have also had to leave their newbuilds at the shipyards which removes the active management for high quality preservation and maintenance. The Company currently continues its activities in the yard preserving the rigs and remains committed to work with its stakeholders to find optimal solutions in this unique environment.

Forward Looking Statements

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

This Report contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates, sometimes identified by the words "believes", "expects", "intends", "plans", "estimates" and similar expressions. The forward-looking statements contained in this Report, including assumptions, opinions and views of the Company or cited from third-party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. The Company does not provide any assurance that the assumptions underlying such forward-looking statements are free from errors, nor does the Company accept any responsibility for the future accuracy of the opinions expressed in the presentation or the actual occurrence of the forecasted developments. No obligations are assumed to update any forward-looking statements or to conform these forward-looking statements to actual results.

The Board of Directors
Northern Drilling Ltd.
Hamilton, Bermuda
November 30, 2020

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

NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2019 Jul-Sept	2020 Jul-Sept	CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS <i>(in thousands of \$)</i>	2020 Jan-Sept	2019 Jan-Sept	2019 Jan-Dec
—	—	Total operating revenues	—	—	—
—	—	Impairment of non-current assets	—	—	2,313
518	693	Administrative expenses	3,979	1,410	3,385
518	693	Total operating expenses	3,979	1,410	5,698
(518)	(693)	Net operating loss	(3,979)	(1,410)	(5,698)
(120)	2	Interest income	73	1,251	1,416
(51)	—	Other financial income (expense)	3	(40)	(145)
(689)	(691)	Net loss before taxes and non-controlling interest	(3,903)	(199)	(4,427)
—	—	Tax	—	—	—
(689)	(691)	Net loss from continuing operations	(3,903)	(199)	(4,427)
(538)	—	Net loss from discontinued operations	(7,403)	(2,079)	(8,990)
(1,227)	(691)	Net loss	(11,306)	(2,278)	(13,417)
—	—	Net loss attributable to non-controlling interest	2,195	—	2,420
(1,227)	(691)	Net loss attributable to the Company	(9,111)	(2,278)	(10,997)
(0.01)	(0.04)	Basic and diluted loss per share attributable to the Company from continuing operations (\$)	(0.11)	0.00	(0.04)
0.00	0.00	Basic and diluted loss per share attributable to the Company from discontinued operations (\$)	(0.15)	(0.02)	(0.06)
(0.01)	(0.04)	Basic and diluted loss per share attributable to the Company (\$)	(0.26)	(0.02)	(0.10)

2019 Jul-Sept	2020 Jul-Sept	CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS <i>(in thousands of \$)</i>	2020 Jan-Sept	2019 Jan-Sept	2019 Jan-Dec
(1,227)	(691)	Net loss	(11,306)	(2,278)	(13,417)
—	—	Foreign currency translation income	3	—	13
—	—	Other comprehensive income	3	—	13
(1,227)	(691)	Comprehensive loss	(11,303)	(2,278)	(13,404)
—	—	Comprehensive loss attributable to non-controlling interest	(2,195)	—	(2,420)
(1,227)	(691)	Comprehensive loss attributable to the Company	(9,108)	(2,278)	(10,984)
(1,227)	(691)	Comprehensive loss	(11,303)	(2,278)	(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>	Sept 2020	Dec 2019
ASSETS		
Short term		
Cash and cash equivalents	20,302	23,639
Other current assets	469	1,908
Current assets held for distribution	—	95,702
Long term		
Newbuildings	197,043	193,013
Fixtures and fittings	1	1
Claim receivable	49,200	49,200
Other long term assets	57	—
Long term assets held for distribution	—	1,005,411
Total assets	267,072	1,368,874
LIABILITIES AND EQUITY		
Short term liabilities		
Other current liabilities	509	937
Related party payables	15,127	11,492
Current liabilities held for distribution	—	127,420
Long term liabilities		
Long term liabilities held for distribution	—	430,686
Commitments and contingencies (Note 10)		
Total equity	251,436	798,339
Total liabilities and equity	267,072	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 Jul-Sept	2020 Jul-Sept	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (in thousands of \$)	2020 Jan-Sept	2019 Jan-Sept	2019 Jan-Dec
(1,227)	(691)	Net loss	(11,306)	(2,278)	(13,417)
(538)	—	Net loss from discontinued operations	(7,403)	(2,079)	(8,990)
(689)	(691)	Net loss from continuing operations	(3,903)	(199)	(4,427)
—	—	Adjustment to reconcile net loss from continuing operations to net cash provided by (used in) operating activities:			
—	—	Impairment of non-current assets	—	—	2,313
27	13	Stock option expense	38	80	103
—	—	Unrealized foreign exchange loss	17	—	—
		Change in operating assets and liabilities:			
(1,298)	660	Other current assets	1,487	(1,633)	(41,258)
1,771	(633)	Other current liabilities	(1,202)	1,082	82
(36,605)	410	Related party balances	520	(87,041)	(1,191)
44,585	—	Cash provided by (used in) operating activities of discontinued operations	14,569	84,945	32,048
7,791	(241)	Net cash provided by (used in) operating activities	11,526	(2,766)	(12,330)
		INVESTING ACTIVITIES			
(24,858)	(295)	Additions to newbuilding	(295)	(39,651)	(39,754)
—	—	Purchase of fixtures and fittings	—	—	(1)
(43,869)	—	Cash used in investing activities of discontinued operations	(1,801)	(291,267)	(348,435)
(68,727)	(295)	Net cash used in investing activities	(2,096)	(330,918)	(388,190)
		FINANCING ACTIVITIES			
—	—	Net proceeds from share issuances	—	—	—
—	—	Proceeds from long term debt	—	—	—
—	—	Repayment of bank debt	—	—	—
70,000	—	Proceeds from related party long term debt	—	70,000	70,000
—	—	Repayment of bank debt	—	—	—
(5,000)	—	Cash (used in) provided by financing activities of discontinued operations	(66,790)	192,050	285,350
65,000	—	Net cash (used in) provided by financing activities	(66,790)	262,050	355,350
4,064	(536)	Net change	(57,360)	(71,634)	(45,170)
4,284	—	Net change in cash balances included in held for distribution	54,023	14,272	(39,007)
42,106	20,838	Cash, cash equivalents and restricted cash at start of the period	23,639	107,816	107,816
50,454	20,302	Cash, cash equivalents and restricted cash at end of the period	20,302	50,454	23,639

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-Sept	2019 Jan-Sept	2019 Jan-Dec
Number of shares outstanding			
Balance at beginning of period	107,555,983	107,555,983	107,555,983
Shares cancelled	(91,422,966)	—	—
Balance at end of period	16,133,017	107,555,983	107,555,983
Share capital			
Balance at beginning of period	107,556	107,556	107,556
Impact of exchange offer	(91,423)	—	—
Balance at end of period	16,133	107,556	107,556
Additional paid in capital			
Balance at beginning of period	611,048	610,945	610,945
Impact of exchange offer	(350,530)	—	—
Stock option expense	38	80	103
Balance at end of period	260,556	611,025	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)	(5,161)
Net loss	(9,111)	(2,278)	(10,997)
Balance at end of period	(25,269)	(7,439)	(16,158)
Total equity attributable to the Company	251,436	711,142	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	251,436	711,142	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 drilling for the oil and gas industry in benign 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 condensed consolidated financial statements are stated in accordance with accounting principles generally accepted in the United States. The condensed consolidated financial statements do not include all of the disclosures required in the 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, 2019.

Discontinued operations

As the spin-off of NOL on February 26, 2020 represented a significant strategic shift the Company's business, we have recorded the results of NOL's operations as discontinued operations in the nine months ended September 30, 2020 and comparative periods. The balance sheet at December 31, 2019 and the statement of cash flows for the nine months ended September 30, 2020 and comparative periods have also been presented on a discontinued operations basis.

Going concern assumption

These condensed consolidated financial statements are prepared under the going concern assumption. The Company is dependent on loans and/or equity issuances to finance the remaining obligations under its newbuilding contracts. 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. 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 components of the numerator and the denominator in the calculation of basic and diluted earnings per share are as follows:

2019 Jul-Sept	2020 Jul-Sept		2020 Jan-Sept	2019 Jan-Sept	2019 Jan-Dec
(689)	(691)	Basic and diluted loss per share from continuing operations (\$)	(3,903)	(199)	(4,427)
—	—	Basic and diluted loss per share from discontinued operations after non-controlling interest (\$)	(5,208)	(2,079)	(6,570)
(689)	(691)	Basic and diluted loss per share attributable to the Company (\$)	(9,111)	(2,278)	(10,997)
107,556	16,133	Weighted average number of ordinary shares (in thousands)	35,152	107,556	107,556

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

5. NEWBUILDINGS

Movements in the carrying value of Newbuildings in the nine months ended September 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	4,030
Balance at September 30, 2020	197,043

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, a wholly owned subsidiary, has claimed 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 Ltd owns 39.4% of the Company.

8. FAIR VALUES

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

<i>(in thousands of \$)</i>	Carrying Value	Fair Value
Assets:		
Cash and cash equivalents	20,302	20,302

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	20,302	20,302	—	—

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 September 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 carried out the newbuilding supervision of the two drillships in the six months ended June 30, 2020, and the Company was charged and capitalized newbuilding supervision fees of \$3.2 million in this period. 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 \$0.3 million in the nine months ended September 30, 2020.

Northern Ocean transactions

Northern Ocean provides management services to the Company and charged \$0.4 million in the nine months ended September 30, 2020.

Related party balances

A summary of balances claimed by related parties to be due to them at September 30, 2020 is as follows:

<i>(in thousands of \$)</i>	
Seadrill Global Services Ltd	14,601
Northern Ocean Ltd	420
Seatankers Management Co. Ltd	72
Frontline Management (Bermuda) Ltd	34
	<u>15,127</u>

10. COMMITMENTS AND CONTINGENCIES

As of September 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.