



**NORTHERN DRILLING LTD.
RESULTS FOR THE FOURTH QUARTER AND YEAR
ENDED DECEMBER 31, 2020**

Results - Fourth 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 fourth quarter of 2020 primarily consisted of administrative expenses of \$0.9 million.

Results - Year ended December 31, 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 year ended December 31, 2020 and comparative periods. The balance sheet at December 31, 2019 and the statement of cash flows for the year ended December 31, 2020 and comparative periods have also been presented on a discontinued operations basis.

At the year end, cash was \$19.0 million and long-term newbuilding assets were \$197.9 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 have been no significant balance sheet changes after the end of the first quarter.

Business Update

In the fourth quarter of 2020, the Company continued safely executing preservation and maintenance activities for the *West Aquila* and *West Libra*. The Company remains actively engaged with the shipyard regarding outstanding issues and the upcoming contractual delivery dates in Q1 and Q2 2021.

The contractual delivery date for the *West Aquila* was January 31, 2021 and the drillship was not delivered to the Company as there were some remaining items to be completed by the shipyard. The shipyard and the Company are discussing certain matters that prevented delivery and are working towards a resolution.

Outlook

The Company continues to believe in the long-term fundamental of the deep-water offshore market.

The offshore industry continues to remain muted as it adjusts to the reduced demand levels of oil and gas resources as the world continues through this pandemic. Several drilling contractors are beginning to remerge in the industry with renewed balance sheets lowering the marketable rig count and having active consolidation interests. The deep-

water offshore industry continues to take on a new shape and is working to find its balance as a supply of energy resources for the future.

The quality of the preservation and maintenance of drilling rigs is a real threat for Owners, as reactivation budgets could become significant and not all rigs stacked will return to service. The rigs at the shipyards are at risk as well, if a drilling contractor manager is not overseeing the daily maintenance activities. The *West Aquila* and *West Libra* are some of the highest specification deep-water drilling units, and quality has only improved as the Company has taken over their management, which is positioning these rigs well for entry into the market.

Forward Looking Statements

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

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

The Board of Directors
Northern Drilling Ltd.
Hamilton, Bermuda
February 26, 2021

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

| 2019 Oct-Dec | 2020 Oct-Dec | CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS <i>(in thousands of \$)</i> | 2020 | 2019 |
|-----------------|-----------------|---|-----------------|-----------------|
| — | — | Total operating revenues | — | — |
| 2,313 | — | Impairment of non-current assets | — | 2,313 |
| 1,975 | 884 | Administrative expenses | 4,863 | 3,385 |
| 4,288 | 884 | Total operating expenses | 4,863 | 5,698 |
| (4,288) | (884) | Net operating loss | (4,863) | (5,698) |
| 165 | 2 | Interest income | 75 | 1,416 |
| (105) | 14 | Other financial income (expense) | 17 | (145) |
| (4,228) | (868) | Net loss before taxes and non-controlling interest | (4,771) | (4,427) |
| — | — | Tax | — | — |
| (4,228) | (868) | Net loss from continuing operations | (4,771) | (4,427) |
| (6,911) | — | Net loss from discontinued operations | (7,403) | (8,990) |
| (11,139) | (868) | Net loss | (12,174) | (13,417) |
| 2,420 | — | Net loss attributable to non-controlling interest | 2,195 | 2,420 |
| (8,719) | (868) | Net loss attributable to the Company | (9,979) | (10,997) |
| | | | | |
| (0.04) | (0.05) | Basic and diluted loss per share attributable to the Company from continuing operations (\$) | (0.16) | (0.04) |
| (0.04) | 0.00 | Basic and diluted loss per share attributable to the Company from discontinued operations (\$) | (0.17) | (0.06) |
| (0.08) | (0.05) | Basic and diluted loss per share attributable to the Company (\$) | (0.33) | (0.10) |

| 2019 Oct-Dec | 2020 Oct-Dec | CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS <i>(in thousands of \$)</i> | 2020 | 2019 |
|-----------------|-----------------|--|-----------------|-----------------|
| (11,139) | (868) | Net loss | (12,174) | (13,417) |
| 13 | — | Foreign currency translation income | 3 | 13 |
| 13 | — | Other comprehensive income | 3 | 13 |
| (11,126) | (868) | Comprehensive loss | (12,171) | (13,404) |
| | | | | |
| (2,420) | — | Comprehensive loss attributable to non-controlling interest | (2,195) | (2,420) |
| (8,706) | (868) | Comprehensive loss attributable to the Company | (9,976) | (10,984) |
| (11,126) | (868) | Comprehensive loss | (12,171) | (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> | Dec 2020 | Dec 2019 |
|--|-----------------|------------------|
| ASSETS | | |
| Short term | | |
| Cash and cash equivalents | 18,959 | 23,639 |
| Other current assets | 363 | 1,908 |
| Current assets held for distribution | — | 95,702 |
| Long term | | |
| Newbuildings | 197,943 | 193,013 |
| Fixtures and fittings | 1 | 1 |
| Claim receivable | 49,200 | 49,200 |
| Other long term assets | — | — |
| Long term assets held for distribution | — | 1,005,411 |
| Total assets | 266,466 | 1,368,874 |
| LIABILITIES AND EQUITY | | |
| Short term liabilities | | |
| Other current liabilities | 470 | 937 |
| Related party payables | 15,418 | 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 | 250,578 | 798,339 |
| Total liabilities and equity | 266,466 | 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 Oct-Dec | 2020 Oct-Dec | CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (in thousands of \$) | 2020 | 2019 |
|-------------------------|-------------------------|---|-----------------|------------------|
| (11,139) | (868) | Net loss | (12,174) | (13,417) |
| (6,911) | — | Net loss from discontinued operations | (7,403) | (8,990) |
| (4,228) | (868) | Net loss from continuing operations | (4,771) | (4,427) |
| | | Adjustment to reconcile net loss from continuing operations to net cash provided by (used in) operating activities: | | |
| 2,313 | — | Impairment of non-current assets | — | 2,313 |
| 23 | 10 | Stock option expense | 48 | 103 |
| — | — | Unrealized foreign exchange loss | 17 | — |
| | | Change in operating assets and liabilities: | | |
| (39,625) | (12) | Other current assets | 1,475 | (41,258) |
| (1,000) | 502 | Other current liabilities | (700) | 82 |
| 85,850 | 292 | Related party balances | 812 | (1,191) |
| (52,897) | — | Cash provided by (used in) operating activities of discontinued operations | 14,569 | 32,048 |
| (9,564) | (76) | Net cash provided by (used in) operating activities | 11,450 | (12,330) |
| | | INVESTING ACTIVITIES | | |
| (103) | (1,267) | Additions to newbuildings | (1,562) | (39,754) |
| (1) | — | Purchase of fixtures and fittings | — | (1) |
| (57,168) | — | Cash used in investing activities of discontinued operations | (1,801) | (348,435) |
| (57,272) | (1,267) | Net cash used in investing activities | (3,363) | (388,190) |
| | | FINANCING ACTIVITIES | | |
| — | — | Net proceeds from share issuances | — | — |
| — | — | Proceeds from long term debt | — | — |
| — | — | Repayment of bank debt | — | — |
| — | — | Proceeds from related party long term debt | — | 70,000 |
| — | — | Repayment of bank debt | — | — |
| 93,300 | — | Cash (used in) provided by financing activities of discontinued operations | (66,790) | 285,350 |
| 93,300 | — | Net cash (used in) provided by financing activities | (66,790) | 355,350 |
| 26,464 | (1,343) | Net change | (58,703) | (45,170) |
| (53,279) | — | Net change in cash balances included in held for distribution | 54,023 | (39,007) |
| 50,454 | 20,302 | Cash and cash equivalents at start of the period | 23,639 | 107,816 |
| 23,639 | 18,959 | Cash and cash equivalents at end of the period | 18,959 | 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 | 2019 |
|---|-------------------|--------------------|
| 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 | 48 | 103 |
| Balance at end of period | 260,566 | 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 | (9,979) | (10,997) |
| Balance at end of period | (26,137) | (16,158) |
| Total equity attributable to the Company | 250,578 | 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 | 250,578 | 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 contractual delivery date for the *West Aquila* was January 31, 2021 and the drillship was not delivered to the Company as there were some remaining items to be completed by the shipyard. The shipyard and the Company are discussing certain matters that prevented delivery and are working towards a resolution.

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, 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 year ended December 31, 2020 and comparative periods. The balance sheet at December 31, 2019 and the statement of cash flows for the year ended December 31, 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 | Oct-2020 | Oct-2020 | | 2020 | 2019 |
|---------|----------|----------|---|---------|----------|
| | Dec | Dec | | | |
| (4,228) | | (868) | Basic and diluted loss per share from continuing operations (\$) | (4,771) | (4,427) |
| (4,491) | | — | Basic and diluted loss per share from discontinued operations after non-controlling interest (\$) | (5,208) | (6,570) |
| (8,719) | | (868) | Basic and diluted loss per share attributable to the Company (\$) | (9,979) | (10,997) |
| 107,556 | | 16,133 | Weighted average number of ordinary shares (in thousands) | 30,371 | 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 year ended December 31, 2020 may be summarized as follows:

| <i>(in thousands of \$)</i> | |
|--|---------|
| Balance at December 31, 2019 | 193,013 |
| Newbuilding supervision fees and costs | 4,930 |
| Balance at December 31, 2020 | 197,943 |

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 December 31, 2020 are as follows:

| <i>(in thousands of \$)</i> | Carrying Value | Fair Value |
|-----------------------------|----------------|------------|
| Assets: | | |
| Cash and cash equivalents | 18,959 | 18,959 |

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 | 18,959 | 18,959 | — | — |

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 December 31, 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 \$0.5 million in the year ended December 31, 2020.

Northern Ocean transactions

Northern Ocean provides management services to the Company and charged \$0.6 million in the year ended December 31, 2020.

Related party balances

A summary of balances claimed by related parties to be due to them at December 31, 2020 is as follows:

(in thousands of \$)

| | |
|------------------------------------|--------|
| Seadrill Global Services Ltd | 14,600 |
| Northern Ocean Ltd | 646 |
| Seatankers Management Co. Ltd | 145 |
| Frontline Management (Bermuda) Ltd | 27 |
| | 15,418 |

10. COMMITMENTS AND CONTINGENCIES

As of December 31, 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. The contractual delivery date for the *West Aquila* was January 31, 2021 and the drillship was not delivered to the Company as there were some remaining items to be completed by the shipyard. The shipyard and the Company are discussing certain matters that prevented delivery and are working towards a resolution.

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.

12. SUBSEQUENT EVENTS

The contractual delivery date for the *West Aquila* was January 31, 2021 and the drillship was not delivered to the Company as there were some remaining items to be completed by the shipyard. The shipyard and the Company are discussing certain matters that prevented delivery and are working towards a resolution.