CONSOLIDATED FINANCIAL STATEMENTS

NORTHERN DRILLING LTD.

YEAR ENDED DECEMBER 31, 2020

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Northern Drilling Ltd.
Board of Directors Report

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 offshore 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 ultra-deep water environments. In October 2017, the Company's shares were listed on Oslo Axess under the trading symbol "NODL". In July 2018, the Company's shares were transferred from this listing to the Oslo Stock Exchange and continued to trade under the same symbol.

In May 2018, the Company entered into agreements to purchase two newbuilding 7th generation DP3 and ultra-deepwater capable drillships from Daewoo Shipbuilding & Marine Engineering Co., Ltd ("DSME" or "the Yard") known as the *West Aquila* and the *West Libr*a, for $296 million each with $90 million paid at contract signing and the remainder at delivery. The Company received an option to acquire the *Cobalt Explorer* for a purchase price of $350 million, which was fully exercised on April 30, 2019. In connection with the acquisition of the first two drillships from DSME, the Company successfully completed a private placement of 29,805,883 new shares, at a subscription price of NOK 68.00 per share, generating gross proceeds of NOK 2,026,800,000 (approximately $250 million).

The Company also grew its high specification harsh environment ("HE") business in the same periods, which was later spun off in February 2020. The Company took delivery and secured financing of the HE semi-submersible rig, *West Mira*, in December 2018 and commenced operations under a contract with Wintershall Norge AS. The Company took delivery and secured financing for the HE semi-submersible rig, *West Bollsta* in June 2019.

On October 7, 2019, West Cobalt Inc., ("WCI"), a wholly-owned subsidiary of the Company, sent notice to DSME informing the yard it was rescinding the resale contract for the *Cobalt Explorer* for misrepresentation and, in the alternative, terminating the resale contract at common law for repudiatory/renunciatory breach. WCI will claim the return of all sums paid to DSME plus interest and damages. The yard is challenging WCI's notice and on December 18, 2019 it purported to terminate the resale contract owing to WCI's alleged failure to pay the third and/or fourth instalment and/or in the alternative WCI's repudiatory/ renunciatory breach of the resale contract in wrongfully purporting to rescind/terminate the resale contract. The yard has stated that it will pursue its legal and contractual rights in full, including its right to recover substantial damages. It is accordingly both parties' positions that the resale contract has been brought to an end although there is a dispute as to which party's termination/ rescission was lawful. The dispute is not expected to be resolved in the near future. WCI had paid instalments of $49.2 million at the time of rescission and further instalments of $300.8 million would have become payable to DSME under the resale contract.

On December 3, 2019, a reorganization of certain of the Company's subsidiaries was completed (the "Reorganization"). Northern Rig Holding Ltd (later renamed Northern Ocean Ltd ("NOL")) then a wholly-owned subsidiary of the Company, purchased all of the common shares in Northern Drilling Operations Ltd ("NDOL") and Northern Drilling Management AS ("NDMN") from the Company. As part of the Reorganization, a net inter-company balance due from NOL to the Company of $453,436,508 was settled by NOL issuing 45,000,000 new shares to the Company at a subscription price of approximately $10.08.

As part of the Reorganization, NOL also amended its existing $400.0 million secured loan facility with various banks. The amendments included releasing the Company from its obligations as parent guarantor under the original loan agreement and replacing NOL as the new parent guarantor. NOL's two wholly-owned subsidiaries, West Mira Inc and HHI Deepwater Semi 2 Inc, continue to provide security for the liabilities under the amended facility ("Revised Bank Facility"). As part of the Revised Bank Facility a new, revolving credit facility of up to $50.0 million was made available to NOL. In all other material respects, the Revised Bank Facility (including the additional revolving credit facility) has similar terms as the initial facility, including financial covenants and interest rates. Subsequent to the Reorganization, however, financial covenants are now measured at the NOL consolidated level instead of the consolidated level of the Company

Also as part of the Reorganization, the $100.0 million revolving credit facility that was provided by Sterna Finance Ltd. to the Company ("Sterna Facility") was novated to NOL and the Company was released from its obligations. NOL was compensated for this by a $70.0 million reduction of the balance owed to the Company, which was included in the $453,436,508 intercompany balance settlement described above. As part of this novation, the companies West Aquila Inc, West Libra Inc and West Cobalt Inc (all subsidiaries of the Company) were released from their obligations as guarantors.

Also on December 3, 2019, NOL entered into (i) a services agreement with Seatankers Management whereby Seatankers Management agreed to provide NOL with certain consultancy, administrative and other management services, (ii) a services agreement with Golden Ocean Group Management (Bermuda) Limited ("GOMA") whereby GOMA agreed to provide NOL with certain advisory and support services, and (iii) a services agreement with Frontline Management (Bermuda) Limited ("FMBL") whereby FMBL agreed to provide NOL with certain accounting support services.

On December 4, 2019, the name of Northern Rig Holding Ltd was changed to Northern Ocean Ltd.

In December 2019, NOL completed a private placement (the "Private Placement"), which raised gross proceeds of $100 million, corresponding to approximately NOK 918 million (based on an exchange rate of USD/NOK 9.18), through the placing of 18,726,592 new shares (the "Offer Shares") at a subscription price of $5.34 per Offer Share, corresponding to approximately NOK 49 (based on an exchange rate of USD/NOK 9.18). The Private Placement reduced the Company's ownership in NOL from 100% to 70.6% and a non-controlling interest of 29.4% was recognized. Hemen Holding Ltd, the largest shareholder in the Company, was allocated 7,490,636 Offer Shares in the Private Placement, and owned 11.8% of NOL following the Private Placement. The objective of the Private Placement was - together with the financing made available from the Revised Bank Facility and the undrawn $30.0 million Sterna Facility - to fund the remaining capital expenses for the two rigs, *West Mira* and *West Bollsta*. NOL received net proceeds of $98.3 million from the Private Placement.

Following the Private Placement, NOL's shares were registered for trading on the Norwegian OTC list (ticker "NOL") and commenced trading on December 9, 2019.

As at December 31, 2019, the Company owned two semi-submersible rigs, *West Mira* and *West Bollsta*, through its majority-owned subsidiary NOL that were delivered to the Company in December 2018 and June 2019, respectively. The *West Mira* commenced its drilling contract with Wintershall Norge AS ("Wintershall") on November 7, 2019. This contract is between Wintershall and a subsidiary of Seadrill Ltd, a variable interest entity, which NOL consolidates as it is deemed to be its primary beneficiary. The *West Bollsta* was being mobilised for commencement of its drilling contract with Lundin Norway AS. The Company also had two drillships under construction, *West Aquila* and *West Libra*.

On February 6, 2020, the Company announced an exchange offer in connection with NOL's application for listing on the Oslo Stock Exchange and a subsequent share offering by NOL. The Company offered its shareholders the opportunity to exchange up to 85% of the shares in the Company at an exchange ratio of 2.0316 shares in the Company for one share in NOL. The exchanged shares in NODL were cancelled upon settlement. In connection with the listing prospectus, NOL carried out a subsequent offering of 75,686 shares at a subscription price of NOK 49 per share, generating gross proceeds of NOK 3.7 million.

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. As the spin off of NOL on February 26, 2020 represented a significant strategic shift of the Company's business, the Company has 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.

As of the date of this report, the Company has two drillships under construction, *West Aquila* and *West Libra*, which were due to be delivered in January and March 2021, respectively. The drillships were 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 Working Environment
At the end of 2020, the Company had one employee, The Company's CEO, who was appointed in December 2018, is employed by a subsidiary of NOL following the Reorganization and the Company receives a charge for his services. There have not been any serious injuries or accidents in the current year and total absence due to sickness has been minimal. The Company's Board of Directors currently consists of three men.

Gender Equality
The Company 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. The Company is dependent on loans and/or equity issuances to finance the remaining obligations under its newbuilding contracts and working capital, which raises substantial doubt about the Company's ability to continue as a going concern. The Company continues to evaluate all alternatives available, including execution of its existing strategy where acceptable drilling contracts are secured to support long-term debt for funding needs. There is no assurance that the Company will be able to execute its strategy.

Assessment of Results and Cash Flow Items
The Company's activities since incorporation in March 2017 up to the fourth quarter of 2019 have consisted principally of acquiring drilling units currently under construction, raising capital and operational preparations for initial drilling contracts. The Company commenced its initial drilling activities in the fourth quarter of 2019. The Company did not have any drilling units in operation previously and the operating results consisted of interest income, administrative expenses and non-capitalized costs related to contract preparations. Following completion of the exchange offer in February 2020, the Company does not hold any shares in NOL and no longer consolidates that group. As the spin off of NOL in February 2020 represented a significant strategic shift the Company's business, the Company has 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.

The net loss from continuing operations in the year ended December 31, 2020 of $4.8 million was attributable to administrative expenses of $4.9 million, which were partially offset by interest income.

Cash provided by operating activities in the year ended December 31, 2020 of $11.5 million comprised cash used by continuing operations of $3.1 million offset by cash provided by operating activities of discontinued operations of $14.6 million.

Cash used in investing activities in the year ended December 31, 2020 of $3.4 million was approximately split between continuing operations and discontinued operations.

Cash used in financing activities in the year ended December 31, 2020 of $66.8 million is all related to discontinued operations.

At December 31, 2020, the Company had cash, cash equivalents and restricted cash of $19.0 million.

Risk Assessment
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 negotiate the postponement of the delivery of the two newbuildings, failure to take delivery of the newbuildings, failure to secure acceptable drilling contracts, decreasing market value of the rigs, failure to acquire future assets, developing into an operating business, securing additional funding and achieving a satisfactory outcome in the dispute with DSME. In addition, public health threats, such as the Coronavirus, influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate could adversely impact our operations as well as the operations of our customers. Further, the success and growth of the Company's business is depending on the level of activity in the offshore oil and gas industry generally and the drilling industry specifically. Both such industries are highly competitive and are significantly impacted by the price of oil, which can be very volatile.

Prospects for the Future
The Company continues to believe in the long-term fundamentals of the offshore deepwater 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 emerge from restructuring proceedings in the industry with renewed balance sheets lowering the marketable rig count and having active consolidation interests. The offshore deepwater 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 warm stacking, 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 and quality has only improved as the Company has taken over their management, which is positioning these rigs well for entry into the market eventually.

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 the Oslo Stock Exchange, 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 of Association and Bye-Laws, Bermuda and Norwegian law.

Section 2 "Business": The Company is an international offshore drilling contractor to the oil and gas industry, with the ambition of acquiring and operating modern drilling assets. The Company has now targeted the benign ultra-deep water sector and will continue to dedicate resources for further growth within these segments. The Company has an opportunistic growth strategy and will carefully review opportunities for assets that can operate in various water depths.

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. 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 without further shareholder approval. These authorities are neither limited to specific purposes nor to a specific period as recommended in section 3 of the Code of Practice. 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. Any increase of the authorized capital is, however, subject to approval by the shareholders by simple majority of the votes cast. 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.

Section 4 "Equal treatment of shareholders and transaction with close associates": Neither the Company's Bye-Laws nor Bermuda company laws include regulation of pre-emptive 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.

Section 5 "*Freely negotiable shares*": 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 the Oslo Stock Exchange. 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 entire Board of Directors is responsible for any decisions otherwise subject to review and preparation by an audit committee.

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 newbuildings under construction 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 disputes with DSME, risks associated with the capacity of the Group to obtain future financing 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 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 remuneration of the Chief Executive Officer is determined by the Board of Directors. The process aims to link the performance related element of the remuneration (options and bonus) to value creation for shareholders. The current option program has been approved by the Board. 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": The Company has not yet established guiding principles for how it will act in the event of a take-over bid. Although a deviation from the Code of Practice, the Board has thus far not deemed it appropriate to adopt specific guidelines for takeover situations.

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. 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.

Annually, the auditor will present to the Board of Directors a review of the Company's internal control procedures, and the Board of Directors holds a meeting with the auditor at least once a year at which no member of the executive management is present. At present, the Company believes this is sufficient given its size and enables the auditor to communicate with members of the Board.

The Board of Directors have established guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit. The Board of Directors shall report the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

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 year ended December 31, 2020 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 Company 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 Company and the Group, together with a description of the principal risks and uncertainties facing the Company and the Group.

Board of Directors and Chief Executive Officer of Northern Drilling Ltd.
April 27, 2021

/s/ Gary Casswell
Gary Casswell (Director and Chairman)

/s/ Keesjan Cordia	/s/ Jon Olav Østhus	/s/ Scott McReaken
Keesjan Cordia (Director)	Jon Olav Østhus (Director)	Scott McReaken (Chief Executive Officer)

To the Board of Directors and Shareholders of Northern Drilling Ltd.

Independent Auditor's Report

Report on the Audit of the Financial Statements

Our 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, 2020 and the consolidated statement of operations, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group as required by as required by laws and regulations, 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.

Substantial doubt related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Group is dependent on loans and/or equity issuances to finance the remaining obligations under its newbuilding contracts and working capital. Management's plans in regard to these matters are also described in Note 2. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, raise substantial doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Substantial Doubt related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment Assessment for Newbuildings We refer to Note 2 – Basis of Accounting, where management explains their impairment process. The Group has newbuildings, which are represented by two drillships under construction. At the balance sheet date, the carrying value of the newbuildings was USD 198.0 million, which in total represent 74.5% of the balance sheet. Managements accounting policy is required to perform an assessment for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount may no longer be appropriate. Following management's assessment, no impairment indicators were identified for the drillships. Based on this, no impairment test was performed, and no impairment charge was recognized. No impairment was recognised during 2020. We focused on this area due to the significant carrying value of the rigs and the judgement inherent in the impairment review. Due to the relative size of the items on the balance sheet, the potential impact of any fall in value of the drillships could be of significant consequence.	We evaluated and challenged management's assessment of indicators of impairment and the process by which this was performed. Our procedures included, among others, the following: • We assessed management's accounting policy against US GAAP and obtained explanations from management as to how the specific requirements of the standards, in particular ASC 360, were met. We also assessed the consistency year on year, of the application of the accounting policy. • Management considers each Newbuilding to be cash generating unit («CGU) in their assessment of impairment indicators, consequently we assessed for impairment indicators on the same basis. • We assessed the significant assumptions management used in their forecast. This included tracing input data to contracts and considering whether key assumptions, such as estimated utilisation rates and day rates, were consistent with expected market rates and our knowledge of the industry. We also performed a sensitivity analysis on the assumptions made by management, using various scenarios. • The valuation of the Newbuildings are inherently uncertain due to the judgmental nature of the underlying estimates. This risk has increased due to the current market conditions. From the evidence obtained we found the assumptions and methodology used to be appropriate. We read Note 7 – Newbuildings, and assessed this to be in line with the requirements. No matters of consequence arose from the audit procedures described above.

Other information

Management is responsible for the other information. The other information comprises information in the annual 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 identified above 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 and those charged with governance for the consolidated 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. The consolidated financial statements of the Group use 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- 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 those charged with governance 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.

Stavanger, 27 April 2021
PricewaterhouseCoopers AS

Arne Birkeland
State Authorised Public Accountant

Northern Drilling Ltd.
Consolidated Statements of Operations for the years ended December 31, 2020 and 2019
(in thousands of $, except loss per share)

	2020	2019
Total operating revenues	**—**	—
Operating expenses		
Impairment of non-current assets	**—**	2,313
Administrative expenses	**4,863**	3,385
Total operating expenses	**4,863**	5,698
Net operating loss	**(4,863)**	(5,698)
Other income (expenses)		
Bank interest income	**75**	1,416
Other financial income (expenses)	**17**	(145)
Total other income (expenses)	**92**	1,271
Net loss before taxes and non-controlling interest	**(4,771)**	(4,427)
Tax	**—**	—
Net loss from continuing operations	**(4,771)**	(4,427)
Net loss from discontinued operations	**(7,403)**	(8,990)
Net loss	**(12,174)**	(13,417)
Net loss attributable to non-controlling interest	**2,195**	2,420
Net loss attributable to the Company	**(9,979)**	(10,997)
Basic and diluted loss per share attributable to the Company from continuing operations ($)	**(0.16)**	(0.04)
Basic and diluted loss per share attributable to the Company from discontinued operations ($)	**(0.17)**	(0.06)
Basic and diluted loss per share attributable to the Company ($)	**(0.33)**	(0.10)

See accompanying Notes to the Consolidated Financial Statements.

Northern Drilling Ltd.
Consolidated Statements of Comprehensive Income for the years ended December 31, 2020 and 2019
(in thousands of $)

	2020	2019
Net loss	**(12,174)**	(13,417)
Foreign currency translation income	**3**	13
Other comprehensive income	**3**	13
Comprehensive loss	**(12,171)**	(13,404)
Comprehensive loss attributable to non-controlling interest	**(2,195)**	(2,420)
Comprehensive loss attributable to the Company	**(9,976)**	(10,984)
Comprehensive loss	**(12,171)**	(13,404)

See accompanying Notes to the Consolidated Financial Statements.

Northern Drilling Ltd.
Consolidated Balance Sheets at December 31, 2020 and 2019
(in thousands of $)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	**18,959**	23,639
Other current assets	**363**	1,908
Current assets held for distribution	**—**	95,702
Total current assets	**19,322**	121,249
Non-current assets		
Newbuildings	**197,943**	193,013
Fixtures and fittings	**1**	1
Other long term assets	**49,200**	49,200
Long term assets held for distribution	**—**	1,005,411
Total assets	**266,466**	1,368,874
LIABILITIES AND EQUITY		
Current liabilities		
Other current liabilities	**470**	937
Related party payables	**15,418**	11,492
Current liabilities held for distribution	—	127,420
Total current liabilities	**15,888**	139,849
Long term liabilities		
Long term liabilities held for distribution	—	430,686
Total liabilities	**15,888**	570,535
Commitments and contingencies (Note 13)		
Equity		
Share capital (16,133,017 shares issued and outstanding, par value $1.00 each (2019: 107,555,983))	**16,133**	107,556
Additional paid in capital	**260,566**	611,048
Accumulated other comprehensive income	**16**	13
Retained deficit	**(26,137)**	(16,158)
Total equity attributable to the Company	**250,578**	702,459
Non-controlling interest	—	95,880
Total equity	**250,578**	798,339
Total liabilities and equity	**266,466**	1,368,874

See accompanying Notes to the Consolidated Financial Statements.

Northern Drilling Ltd.
Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019
(in thousands of $)

	2020	2019
Net loss	**(12,174)**	(13,417)
Net loss for discontinued operations	**(7,403)**	(8,990)
Net loss from continuing operations	**(4,771)**	(4,427)
Adjustment to reconcile net loss from continuing to net cash used in operating activities;		
Impairment of non-current assets	**—**	2,313
Stock option expense	**48**	103
Unrealized foreign exchange loss	**17**	—
Change in operating assets and liabilities;		
Other current assets	**1,475**	(41,258)
Other current liabilities	**(700)**	82
Related party balances	**812**	(1,191)
Cash provided by operating activities of discontinued operations	**14,569**	32,048
Net cash provided by (used in) operating activities	**11,450**	(12,330)
Investing activities		
Additions to newbuildings	**(1,562)**	(39,754)
Purchase of fixtures and fittings	**—**	(1)
Cash used in investing activities of discontinued operations	**(1,801)**	(348,435)
Net cash used in investing activities	**(3,363)**	(388,190)
Financing activities		
Proceeds from long term debt	**—**	70,000
Cash (used in) provided by financing activities of discontinued operations	**(66,790)**	285,350
Net (used in) cash provided by financing activities	**(66,790)**	355,350
Net change	**(58,703)**	(45,170)
Net change in cash balances included in held for distribution	**54,023**	(39,007)
Cash, cash equivalents and restricted cash at start of the year	**23,639**	107,816
Cash, cash equivalents and restricted cash at end of the year	**18,959**	23,639
Supplemental disclosure of cash information:		
Interest paid, net of interest capitalized	**748**	1,089
Income taxes paid	**—**	—

Details of non-cash investing and financing activities are given in Note 14.

See accompanying Notes to the Consolidated Financial Statements.

Northern Drilling Ltd.
Consolidated Statements of Changes in Equity for the years ended December 31, 2020 and 2019
(in thousands of $, except number of shares)

	2020	2019
Number of shares outstanding		
Balance at start of the year	**107,555,983**	107,555,983
Shares cancelled	**(91,422,966)**	—
Balance at end of the year	**16,133,017**	107,555,983
Share capital		
Balance at start of the year	**107,556**	107,556
Shares cancelled	**(91,423)**	—
Balance at end of the year	**16,133**	107,556
Additional paid in capital		
Balance at start of the year	**611,048**	610,945
Impact of exchange offer	**(350,530)**	—
Stock option expense	**48**	103
Balance at end of the year	**260,566**	611,048
Accumulated other comprehensive income		
Balance at start of the year	**13**	—
Other comprehensive income	**3**	13
Balance at end of the year	**16**	13
Retained deficit		
Balance at start of the year	**(16,158)**	(5,161)
Net loss	**(9,979)**	(10,997)
Balance at end of the year	**(26,137)**	(16,158)
Total equity attributable to the Company	**250,578**	702,459
Non-controlling interest		
Balance at start of the year	**95,880**	—
Net proceeds from share issuance	**—**	98,300
Impact of exchange offer	**(93,685)**	—
Net loss	**(2,195)**	(2,420)
Balance at end of the year	**—**	95,880
Total equity	**250,578**	798,339

See accompanying 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, with its principal executive offices located in Hamilton, Bermuda. The Company is an international offshore 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 ultra-deep water environments. In October 2017, the Company's shares were listed on Oslo Axess under the trading symbol "NODL". In July 2018, the Company's shares were transferred from this listing to the Oslo Stock Exchange and continued to trade under the same symbol.

In May 2018, the Company entered into agreements to purchase two newbuilding 7th generation DP3 and ultra-deepwater capable drillships from Daewoo Shipbuilding & Marine Engineering Co., Ltd ("DSME" or "the Yard") known as the *West Aquila* and the *West Libr*a, for $296 million each with $90 million paid at contract signing and the remainder at delivery. The Company received an option to acquire the *Cobalt Explorer* for a purchase price of $350 million, which was fully exercised on April 30, 2019. In connection with the acquisition of the first two drillships from DSME, the Company successfully completed a private placement of 29,805,883 new shares, at a subscription price of NOK 68.00 per share, generating gross proceeds of NOK 2,026,800,000 (approximately $250 million).

The Company also grew its high specification harsh environment ("HE") business in the same periods, which was later spun off in February 2020. The Company took delivery and secured financing of the HE semi-submersible rig, *West Mira*, in December 2018 and commenced operations under a contract with Wintershall Norge AS. The Company took delivery and secured financing for the HE semi-submersible rig, *West Bollsta* in June 2019.

On October 7, 2019, West Cobalt Inc., ("WCI"), a wholly-owned subsidiary of the Company, sent notice to DSME informing the yard it was rescinding the resale contract for the *Cobalt Explorer* for misrepresentation and, in the alternative, terminating the resale contract at common law for repudiatory/renunciatory breach. WCI will claim the return of all sums paid to DSME plus interest and damages. The yard is challenging WCI's notice and on December 18, 2019 it purported to terminate the resale contract owing to WCI's alleged failure to pay the third and/or fourth instalment and/or in the alternative WCI's repudiatory/ renunciatory breach of the resale contract in wrongfully purporting to rescind/terminate the resale contract. The yard has stated that it will pursue its legal and contractual rights in full, including its right to recover substantial damages. It is accordingly both parties' positions that the resale contract has been brought to an end although there is a dispute as to which party's termination/ rescission was lawful. The dispute is not expected to be resolved in the near future. WCI had paid instalments of $49.2 million at the time of rescission and further instalments of $300.8 million would have become payable to DSME under the resale contract.

On December 3, 2019, a reorganization of certain of the Company's subsidiaries was completed (the "Reorganization"). Northern Rig Holding (later renamed Northern Ocean Ltd ("NOL")), then a wholly-owned subsidiary of the Company, purchased all of the common shares in Northern Drilling Operations Ltd ("NDOL") from the Company for a consideration of $1.00. Furthermore, NOL purchased all of the common shares in Northern Drilling Management AS ("NDMN") from the Company for a negative consideration of $49,200 as NDMN had negative net assets that was settled through a credit granted by NOL to the Company.

As part of the Reorganization, a net inter-company balance due from NOL to the Company of $453,436,508 was settled by NOL issuing 45,000,000 new shares to the Company at a subscription price of approximately $10.08.

As part of the Reorganization, NOL also amended its existing $400.0 million secured loan facility with various banks. The amendments included releasing the Company from its obligations as parent guarantor under the original loan agreement and replacing NOL as the new parent guarantor. NOL's two wholly-owned subsidiaries, West Mira Inc and HHI Deepwater Semi 2 Inc, continue to provide security for the liabilities under the amended facility ("Revised Bank Facility"). As part of the Revised Bank Facility a new, revolving credit facility of up to $50.0 million was made available to NOL. In all other material respects, the Revised Bank Facility (including the additional revolving credit facility) has similar terms as the initial facility, including financial covenants and interest rates. Subsequent to the Reorganization, however, financial covenants are now measured at the NOL consolidated level instead of the consolidated level of the Company.

Also as part of the Reorganization, the $100.0 million revolving credit facility that was provided by Sterna Finance to the Company ("Sterna Facility") was novated to NOL and the Company was released from its obligations. NOL was compensated for this by a $70.0 million reduction of the balance owed to the Company, which was included in the $453,436,508 intercompany balance settlement described above. Amounts owed to Sterna Finance have been subordinated to amounts outstanding under the Revised Bank Facility. The Sterna Facility has no financial covenants and carries the same interest rate as prior to the Reorganization. As part of this novation, the companies West Aquila Inc, West Libra Inc and West Cobalt Inc (all subsidiaries of the Company) were released from their obligations as guarantors.

Also on December 3, 2019, NOL entered into (i) a services agreement with Seatankers Management whereby Seatankers Management agreed to provide NOL with certain consultancy, administrative and other management services, (ii) a services agreement with Golden Ocean Group Management (Bermuda) Limited ("GOMA") whereby GOMA agreed to provide NOL with certain advisory and support services, and (iii) a services agreement with Frontline Management (Bermuda) Limited ("FMBL") whereby FMBL agreed to provide NOL with certain accounting support services.

On December 4, 2019, the name of Northern Rig Holding Ltd was changed to Northern Ocean Ltd.

In December 2019, NOL completed a private placement (the "Private Placement"), which raised gross proceeds of $100 million, corresponding to approximately NOK 918 million (based on an exchange rate of USD/NOK 9.18), through the placing of 18,726,592 new shares (the "Offer Shares") at a subscription price of $5.34 per Offer Share, corresponding to approximately NOK 49 (based on an exchange rate of USD/NOK 9.18). The Private Placement reduced the Company's ownership in NOL from 100% to 70.6% and a non-controlling interest of 29.4% was recognized. Hemen Holding, the largest shareholder in the Company, was allocated 7,490,636 Offer Shares in the Private Placement, and owned 11.8% of NOL following the Private Placement. The objective of the Private Placement was - together with the financing made available from the Revised Bank Facility and the undrawn $30.0 million Sterna Facility - to fund the remaining capital expenses for the two rigs, *West Mira* and *West Bollsta*. NOL received net proceeds of $98.3 million from the Private Placement.

Following the Private Placement, NOL's shares were registered for trading on the Norwegian OTC list (ticker "NOL") and commenced trading on December 9, 2019.

As at December 31, 2019, the Company owned two semi-submersible rigs, *West Mira* and *West Bollsta*, through its majority-owned subsidiary NOL that were delivered to the Company in December 2018 and June 2019, respectively. The *West Mira* commenced its drilling contract with Wintershall Norge AS ("Wintershall") on November 7, 2019. This contract is between Wintershall and a subsidiary of Seadrill Ltd, a variable interest entity, which the Company consolidated as it is deemed to be its primary beneficiary. The *West Bollsta was* being mobilised for commencement of its drilling contract with Lundin Norway AS, which commenced in October 2020 (after the spin off of NOL). The Company also had two drillships under construction, *West Aquila* and *West Libra*.

On February 6, 2020, the Company announced an exchange offer in connection with NOL's application for listing on the Oslo Stock Exchange and a subsequent share offering by NOL. The Company offered its shareholders the opportunity to exchange up to 85% of the shares in the Company at an exchange ratio of 2.0316 shares in the Company for one share in NOL. The exchanged shares in NODL were cancelled upon settlement.

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. 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. Hemen Holding Ltd owns 39.4% of the Company.

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 negotiate the postponement of the delivery of the two newbuildings, failure to take delivery of the newbuildings, failure to secure acceptable drilling contracts, decreasing market value of the rigs, failure to acquire future assets, developing into an operating business, securing additional funding and achieving a satisfactory outcome in the dispute with DSME. In addition, public health threats, such as the Coronavirus, influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate could adversely impact our operations as well as the operations of our customers. Further, the success and growth of the Company's business is depending on the level of activity in the offshore oil and gas industry generally and the drilling industry specifically. Both such industries are highly competitive and are significantly impacted by the price of oil, which can be very volatile.

2. BASIS OF ACCOUNTING

Basis of accounting
The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. 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 April 27, 2021 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. The Company is dependent on loans and/or equity issuances to finance the remaining obligations under its newbuilding contracts and working capital, which raises substantial doubt about the Company's ability to continue as a going concern. The Company continues to evaluate all alternatives available, including execution of its existing strategy where acceptable drilling contracts are secured to support long-term debt for funding needs. There is no assurance that the Company will be able to execute its strategy.

Principles of consolidation
The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries and a variable interest entity, ("VIE") of which the Company is deemed to be the primary beneficiary. All intercompany balances and transactions have been eliminated on consolidation.

A VIE is defined as a legal entity where either (a) the total equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated support; (b) equity interest holders as a group lack either (i) the power to direct the activities of the entity that most significantly impact on its economic success, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the voting rights of some investors in the entity are not proportional to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. U.S. GAAP requires a VIE to be consolidated by its primary beneficiary, being the interest holder, if any, which has both (1) the power to direct the activities of the entity which most significantly impact on the entity's economic performance, and (2) the right to receive benefits or the obligation to absorb losses from the entity which could potentially be significant to the entity. We evaluate our subsidiaries, and any other entities in which we hold a variable interest, in order to determine whether we are the primary beneficiary of the entity, and where it is determined that we are the primary beneficiary we consolidate the entity.

Mobilization and demobilization expenses
We incur costs to prepare a drilling unit for a new customer contract and to move the rig to a new contract location. We capitalize the mobilization and preparation costs for a rig's first contract as a part of the rig value and recognize them as depreciation expense over the expected useful life of the rig (i.e. 30 years). For subsequent contracts, we defer these costs over the expected contract term (see deferred contract costs above), unless we don't expect the costs to be recoverable, in which case we expense them as incurred.

We incur costs to transfer a drilling unit to a safe harbor or different geographic area at the end of a contract. We expense such demobilization costs as incurred. We also expense any costs incurred to relocate drilling units that are not under contract.

Repairs, maintenance and periodic surveys
Costs related to periodic overhauls of drilling units are capitalized and amortized over the anticipated period between overhauls, which is generally five years. Related costs are primarily yard costs and the cost of employees directly involved in the work. We include amortization costs for periodic overhauls in depreciation expense. Costs for other repair and maintenance activities are included in vessel and rig operating expenses and are expensed as incurred.

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.

Restricted cash
Restricted cash consists of bank deposits which are subject to restrictions due to legislation, regulation or contractual arrangements

Newbuildings
The carrying value of the drilling units under construction, or newbuildings, represents the accumulated costs at the balance sheet date. Cost components include payments of yard installments and variation orders, construction supervision costs, equipment, spare parts, capitalized interest, guarantee fees and costs related to first time mobilization and commissioning costs. No charge for depreciation is made until commissioning of the newbuilding has been completed and it is ready for its intended use.

Capitalized interest
Interest expense is capitalized during construction of newbuildings based on accumulated expenditures for the applicable project at our current rate of borrowing. The amount of interest expense capitalized in an accounting period shall be determined by applying an interest rate ("the capitalization rate") to the average amount of accumulated expenditures for the asset during the period. The capitalization rate used in an accounting period shall be based on the rates applicable to borrowings outstanding during the period. The Company does not capitalize amounts beyond the actual interest expense incurred in the period.

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.

Cancelled newbuilding contract
The cancelled newbuilding contract has been removed from Newbuildings and recorded in the balance sheet as a long term other asset at the amount of installments paid to the yard at the time of cancellation. We will establish a loss reserve if and when it is unlikely that amounts paid will be recovered. In establishing this reserve, we will consider the financial condition of the yard and the refund guarantee bank as well as specific circumstances such as disputes. Amounts determined as being unrecoverable are written off. Interest income is recognized as earned.

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.

Share-based compensation
The Company accounts for share-based payments in accordance with ASC Topic 718 "Compensation – Stock Compensation", under which the fair value of issued stock options is expensed over the period in which the options vest.

Earnings per share
Basic earnings per share is computed based on the income available to ordinary shareholders and the weighted average number of shares outstanding. Diluted earnings per share includes the effect of the assumed conversion of potentially dilutive instruments.

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.

Fair values

We have determined the estimated fair value amounts presented in these consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in these consolidated financial statements are not necessarily indicative of the amounts that we could realize in a current market exchange.

Recently Adopted Accounting Standards

ASU 2016-13 (ASC 326 Financial Instruments - Credit losses)

The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The Company has adopted this update effective January 1, 2020. The Company assesses allowances for its estimate of expected credit losses based on historical experience, other currently available evidence, and reasonable and supportable forecasts about the future, including the use of credit default ratings from third party providers of credit rating data. The Company makes significant judgements and assumptions to estimate its expected losses. Based on the Company's evaluation, the adoption of this standard has not had a material impact on its Consolidated Financial Statements as of December 31, 2020 and for the year then ended.

ASU 2018-13 (ASC 820 Fair Value Measurement)

The Company has adopted this update effective January 1, 2020, which removes, modifies and adds specific disclosure requirements in relation to fair value measurement with the aim of improving the effectiveness of disclosures to the financial statements. The standard update did not materially impact the Consolidated Financial Statements on adoption or as of December 31, 2020 and the year then ended.

3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

There have been no accounting pronouncements issued and not yet effective that are expected to have significance to our consolidated financial statements.

4. DISCONTINUED OPERATIONS

On February 6, 2020, the Company announced an exchange offer in connection with NOL's application for listing on the Oslo Stock Exchange and a subsequent share offering by NOL. The Company offered its shareholders the opportunity to exchange up to 85% of the shares in the Company at an exchange ratio of 2.0316 shares in the Company for one share in NOL. The exchanged shares in NODL were cancelled upon settlement. In connection with the listing prospectus, NOL carried out a subsequent offering of 75,686 shares at a subscription price of NOK 49 per share, generating gross proceeds of NOK 3.7 million.

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. 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. NOL will be a related party after the spin off as Hemen Holding Ltd, or Hemen Holding, has a significant interest in NOL and in the Company.

Amounts recorded in respect of discontinued operations in the years ended December 31, 2020 and 2019 are as follows:

(in thousands of $)	**2020**	2019
Operating revenues		
Contract revenue	**11,949**	11,184
Reimbursable revenue	**1,513**	2,108
Total operating revenues	**13,462**	13,292
Operating expenses		
Rig operating expenses	**12,045**	13,999
Reimbursable expenses	**1,422**	2,025
Depreciation	**3,311**	2,984
Administrative expenses	**696**	1,411
Total operating expenses	**17,474**	20,419
Net operating loss	**(4,012)**	(7,127)
Other income (expenses)		
Interest income	**102**	255
Other financial income (expense)	**(3,671)**	(3,049)
Total other income (expenses)	**(3,569)**	(2,794)
Net loss before taxes and non-controlling interest	**(7,581)**	(9,921)
Tax	**178**	931
Net loss from discontinued operations	**(7,403)**	(8,990)
Net loss attributable to non-controlling interest	**(2,195)**	(2,420)
Net loss from discontinued operations after non-controlling interest	**(5,208)**	(6,570)

Amounts recorded in respect of assets and liabilities held for distribution at December 31, 2019 are as follows:

(in thousands of $)	
Cash and cash equivalents	53,895
Restricted cash	128
Receivables	7,214
Unbilled receivable	15,671
Related party receivables	6,899
Other current assets	11,895
Current assets held for distribution	**95,702**
Drilling units	524,466
Newbuildings	480,012
Fixtures and fittings	2
Deferred tax	931
Long term assets held for distribution	**1,005,411**
Current portion of long term debt	40,000
Other current liabilities	5,548
Deferred revenue	11,277
Related party payable	70,595
Current liabilities held for distribution	**127,420**
Long term debt	345,495
Deferred revenue	15,191
Related party long term debt	70,000
Long term liabilities held for distribution	**430,686**

Revenue from contracts with customers
The activities that primarily drive the revenue earned from our drilling contracts include (i) providing a drilling rig and the crew and supplies necessary to operate the rig, (ii) mobilizing and demobilizing the rig to and from the drill site and (iii) performing rig preparation activities and/or modifications required for the contract. Consideration received for performing these activities may consist of dayrate drilling revenue, mobilization and demobilization revenue, contract preparation revenue and reimbursement revenue. We account for these integrated services as a single performance obligation that is (i) satisfied over time and (ii) comprised of a series of distinct time increments.

We recognize consideration for activities that correspond to a distinct time increment within the contract term in the period when the services are performed. We recognize consideration for activities that are (i) not distinct within the context of our contracts and (ii) do not correspond to a distinct time increment, ratably over the estimated contract term.

We determine the total transaction price for each individual contract by estimating both fixed and variable consideration expected to be earned over the term of the contract. The amount estimated for variable consideration may be constrained and is only included in the transaction price to the extent that it is probable that a significant reversal of previously recognized revenue will not occur throughout the term of the contract. When determining if variable consideration should be constrained, we consider whether there are factors outside of our control that could result in a significant reversal of revenue as well as the likelihood and magnitude of a potential reversal of revenue. We re-assess these estimates each reporting period as required. Refer to Note 3 - Revenue from Contracts with Customers.

Dayrate Drilling Revenue - Our drilling contracts generally provide for payment on a dayrate basis, with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The dayrate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis. Such dayrate consideration is allocated to the distinct hourly increment it relates to within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given hour.

Mobilization Revenue - We may receive fees (on either a fixed lump-sum or variable dayrate basis) for the mobilization of our rigs. These activities are not considered to be distinct within the context of the contract and therefore, the associated revenue is allocated to the overall performance obligation and recognized ratably over the expected term of the related drilling contract. We record a contract liability for mobilization fees received, which is amortized ratably to contract drilling revenue as services are rendered over the initial term of the related drilling contract.

Revenues Related to Reimbursable Expenses - We generally receive reimbursements from our customers for the purchase of supplies, equipment, personnel services and other services provided at their request in accordance with a drilling contract or other agreement. Such reimbursable revenue is variable and subject to uncertainty, as the amounts received and timing thereof are highly dependent on factors outside of our influence. Accordingly, reimbursable revenue is fully constrained and not included in the total transaction price until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of a customer. We are generally considered a principal in such transactions and record the associated revenue at the gross amount billed to the customer, at a point in time, as “Reimbursable revenues” in our Consolidated Statements of Operations.

Contract Balances - Accounts receivable is recognized when the right to consideration becomes unconditional based upon contractual billing schedules. Contract asset balances consist primarily of demobilization revenues which have been recognized during the period but are contingent on future demobilization activities. Contract liabilities include payments received for mobilization as well as rig preparation and upgrade activities which are allocated to the overall performance obligation and recognized ratably over the initial term of the contract.

Local Taxes - In some countries, the local government or taxing authority may assess taxes on our revenues. Such taxes may include sales taxes, use taxes, value-added taxes, gross receipts taxes and excise taxes. We generally record tax-assessed revenue transactions on a net basis.

Deferred Contract Costs - Certain direct and incremental costs incurred for upfront preparation, initial mobilization and modifications of contracted rigs represent costs of fulfilling a contract as they relate directly to a contract, enhance resources that will be used in satisfying our performance obligations in the future and are expected to be recovered. Such costs are deferred and amortized ratably to contract drilling expense as services are rendered over the initial term of the related drilling contract.

Rig operating expenses
Rig operating expenses are costs associated with operating a drilling unit that is either in operation or stacked and include the remuneration of offshore crews and related costs, rig supplies, insurance costs, expenses for repairs and maintenance and costs for onshore support personnel. We expense such costs as incurred.

Restricted cash
Restricted cash consists of bank deposits which are subject to restrictions due to legislation, regulation or contractual arrangements.

Deferred charges
Loan costs, including debt arrangement fees, are capitalized and amortized on a straight-line basis over the term of the relevant loan. The straight line basis of amortization approximates the effective interest method. Amortization of loan costs is included in other financial expenses. The Company has recorded debt issuance costs (i.e. deferred charges) as a direct deduction from the carrying amount of the related debt.

Receivables
Receivables, including accounts receivable, are recorded in the balance sheet at their nominal amount less an allowance for doubtful accounts. We establish reserves for doubtful accounts on a case-by-case basis when it is unlikely that required payments of specific amounts will occur. In establishing these reserves, we consider the financial condition of the customer as well as specific circumstances related to the receivable such as customer disputes. Receivable amounts determined as being unrecoverable are written off. Interest income on receivables is recognized as earned.

Drilling units
Rigs, vessels and related equipment are recorded at historical cost less accumulated depreciation. The cost of these assets, less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated residual value is taken to be offset by any decommissioning costs that may be incurred. The estimated economic useful life of our rigs, when new, is 30 years. Significant investments are capitalized and depreciated in accordance with the nature of the investment. Significant investments that are deemed to increase an asset's value for its remaining useful life are capitalized and depreciated over the remaining life of the asset.

Revenue from contracts with customers
The following table provides information about receivables and contract liabilities from NOL's contract with Wintershall:

(in thousands of $)	
Accounts receivable, net	7,214
Unbilled receivables	15,671
Current contract liabilities (deferred revenue)	11,277
Non-current contract liabilities (deferred revenue)	15,191

The deferred revenue included above consists primarily of mobilization and upgrade revenue for both wholly and partially unsatisfied performance obligations as well as expected variable mobilization and upgrade revenue for partially unsatisfied performance obligations, which has been estimated for purposes of allocating across the entire corresponding performance obligations.

(in thousands of $)	
Total contract liabilities at December 31, 2018	—
Deferred revenue accruing in the year	27,939
Amortization of deferred revenue	(1,471)
Total contract liabilities at December 31, 2019	26,468
Current contract liabilities	11,277
Long term contract liabilities	15,191

Other current assets

(in thousands of $)	
Reimbursable amounts due from customer	9,691
VAT receivable	1,888
Other	316
	11,895

Drilling Units
This value of Drilling Units at December 31, 2019 represents the carrying value of *West Mira*.

Newbuildings
This value of Newbuildings at December 31, 2019 represents the carrying value of *West Bollsta*.

Debt

(in thousands of $)	
U.S. dollar denominated floating rate debt:	
$200.0 million term loan facility - *West Mira*	190,000
$200.0 million term loan facility - *West Bollsta*	200,000
Total debt	390,000
Short term debt	40,000
Deferred charges	4,505
Long term debt	345,495

$200.0 million senior secured term loan facility - *West Mira*
In November 2018, NOL entered into a $200.0 million senior secured term loan facility with a number of banks and the full loan amount was drawn in December 2018 upon the delivery of *West Mira* from the yard. The loan has a nine month amortization grace period followed by nine quarterly installments of $5.0 million and a balloon payment of $155.0 million in December 2021. The interest rate is Libor plus 3.5%. The loan is secured by a mortgage in *West Mira*.

$200.0 million senior secured term loan facility - *West Bollsta*
In May 2019, NOL entered into an agreement with a group of banks to upsize the *West Mira* term loan facility from $200.0 million to $400.0 million by adding a separate tranche for the *West Bollsta*. The full amount of this loan was drawn in June 2019 upon the delivery of the *West Bollsta.* The additional tranche has a three year tenor and has a nine month amortization grace followed by quarterly instalments of $5.0 million. The terms and conditions and financial covenants are the same as the *West Mira* loan, including the interest rate of Libor plus 350 bps.

The West Mira and West Bollsta loans are secured by mortgages in the respective rigs and contain certain financial covenants, which require a certain equity ratio, positive working capital and a minimum liquidity amount. Subsequent to the Reorganization, the financial covenants are now measured at NOL's consolidated level instead of the consolidated level of the Company.

NOL was in compliance with all financial covenants as of December 31, 2019.

Assets pledged

(in thousands of $)	
Drilling unit	524,466
Newbuildings	480,012
	1,004,478

Deferred charges

(in thousands of $)	
Debt arrangement fees	3,575
Accumulated amortization	(1,405)
	2,170

Fair Values

(in thousands of $)	Carrying Value	Fair Value
Assets:		
Cash and cash equivalents	53,895	53,895
Restricted cash	128	128
Liabilities:		
Floating rate debt	385,495	385,495
Related party long term debt	70,000	66,603

The estimated fair value of financial assets and liabilities are as follows:

(in thousands of $)	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	53,895	53,895	—	—
Restricted cash	128	128	—	—
Liabilities				
Floating rate debt	385,495	—	385,495	—
Related party long term debt	66,603	—	—	66,603

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

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

Restricted cash – the carrying values in the balance sheet approximate fair value.

Floating rate debt (being total debt less the carrying value of deferred charges) - the fair value of floating rate debt has been determined using level 2 inputs and is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis.

Related party long term debt - the fair value has been determined using level 3 inputs being the discounted expected cash flows of the outstanding debt.

Related Party Transactions

Sterna Finance transactions

In June 2019, a wholly-owned subsidiary of the Company entered into a $100.0 million revolving credit facility, or RCF, with Sterna Finance. The RCF is repayable in June 2022 and bears interest at 6.75% per annum. The Company drew down $70.0 million from this facility in the three months ended September 30, 2019. This RCF was novated to NOL as part of the Reorganization and the Company was released from its obligations.

Seadrill transactions

Wholly-owned subsidiaries of Seadrill carried out the operations supervision of the mobilization and operational preparations of the *West Mira* and *West Bollsta*. In 2019, NOL was charged and capitalized newbuilding supervision fees of $5.1 million.

A summary of balances due from related parties is as follows:

(in thousands of $)	
Seadrill Global Services Ltd	6,899

A summary of balances due to related parties is as follows:

(in thousands of $)	
Seadrill Global Services Ltd	70,595

Commitments and contingencies
As of December 31, 2019, NOL was committed to completing the mobilization of *West Bollsta* for commencement of the drilling contract with Lundin.

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 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.

Deferred tax
Deferred tax assets and liabilities are based on temporary differences that arise between carrying values used for financial reporting purposes and amounts used for taxation purposes of assets and liabilities and the future tax benefits of tax loss carry forwards.

Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reflected on the balance sheet. Valuation allowances are determined to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. To determine the amount of deferred tax assets and liabilities, as well as at the valuation allowances, we must make estimates and certain assumptions regarding future taxable income, including where our drilling units are expected to be deployed, as well as other assumptions related to our future tax position. A change in such estimates and assumptions, along with any changes in tax laws, could require us to adjust the deferred tax assets, liabilities, or valuation allowances. The amount of deferred tax provided is based upon the expected manner of settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. The impact of tax law changes is recognized in periods when the change is enacted.

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

6. 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;

(in thousands of $)	**2020**	2019
Net loss from continuing operations ($)	**(4,771)**	(4,427)
Net loss from discontinued operations after non-controlling interest ($)	**(5,208)**	(6,570)
Net loss attributable to the Company ($)	**(9,979)**	(10,997)
Weighted average number of ordinary shares *(in thousands)*	**30,371**	107,556

7. NEWBUILDINGS

Movements in the carrying value of Newbuildings in the years ended December 31, 2020 and 2019 may be summarized as follows:

(in thousands of $)	**2020**	2019
Balance at beginning of the year	**193,013**	779,761
Transfer from Newbuilding prepayment	**—**	13,015
Installments paid	**—**	246,073
Newbuilding supervision fees and costs	**4,930**	16,315
Mobilization costs	**—**	164,572
Interest capitalized	**—**	18,269
Transfer to other long term assets	**—**	(49,200)
Impairment loss	**—**	(2,313)
Transfer to Drilling Units	**—**	(513,467)
Transfer to Long term assets held for distribution	**—**	(480,012)
Balance at end of the year	**197,943**	193,013

In each of May and July 2019, the Company paid $18.6 million for the second and third installments due in respect of *Cobalt Explorer*.

In June 2019, NOL took delivery of the *West Bollsta* and paid the final installment due of $208.9 million.

On October 7, 2019, West Cobalt Inc., a wholly-owned subsidiary of the Company, sent notice to DSME informing the yard it was rescinding the resale contract for the *Cobalt Explorer* for misrepresentation and, in the alternative, terminating the resale contract at common law for repudiatory/renunciatory breach. 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 on December 18, 2019 it purported to terminate the resale contract owing to West Cobalt Inc's alleged failure to pay the third and/or fourth instalment and/or in the alternative West Cobalt Inc's repudiatory/renunciatory breach of the resale contract in wrongfully purporting to rescind/ terminate the resale contract. The yard has stated that it will pursue its legal and contractual rights in full, including its right to recover substantial damages. It is accordingly both parties' positions that the resale contract has been brought to an end, although there is a dispute as to which party's termination/rescission was lawful. The dispute is not expected to be resolved in the near future. West Cobalt Inc. had paid instalments of $49.2 million and further instalments of $300.8 million would have become payable to DSME under the resale contract. An impairment loss of $2.3 million has been recorded in the year ended December 31, 2019 being the excess of the carrying amount of the *Cobalt Explorer* over the instalments paid of $49.2 million.

The *West Mira* was transferred from Newbuildings to Drilling Units upon the commencement of its drilling contract with Wintershall in November 2019.

The value of Newbuildings at December 31, 2020 represents the carrying value of the *West Aquila* and the *West Libra*.

8. OTHER LONG TERM ASSETS

Other long term assets 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.

9. 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 Stock Exchange 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, Hemen Holding Ltd owns 39.4% of the Company.

As at December 31, 2020, the Company had 16,133,017 common shares outstanding.

10. SHARE OPTIONS

In November 2018, the Board of Directors awarded 100,000 share options to the new Chief Executive Officer in accordance with the terms of the Company's Share Option Scheme. The share options will vest in equal tranches in the three years to November 2021 and will expire in November 2023. The exercise price of NOK 63.80 will be reduced by any dividends paid before the options are exercised.

The fair value of the option award is estimated on the date of grant using a Black-Scholes option valuation model with the following assumptions:

	November 2018
Risk free interest rate	2.84 %
Expected life (years)	3.5
Expected volatility	29.38 %
Expected dividend yield	0.00 %

The risk-free interest rate was estimated using the interest rate on three-year U.S. treasury zero coupon issues. The volatility was estimated using historical share price data. The dividend yield has been estimated at 0% as the exercise price is reduced by all dividends declared by the Company from the date of grant to the exercise date. It was assumed that all of the options granted will vest.

The exercise price on the date of grant was NOK 63.80 per option and is reduced by the amount of dividends paid after the date of grant. As at December 31, 2020, the exercise price of the options was NOK 63.80 (2019: NOK 63.80) and the Company's share price was NOK 6.17 (2019: NOK 20.65). As at December 31, 2020, 66,666 options had vested and no options had expired or been forfeited (2019: 33,333 options had vested and no options had expired or been forfeited). In 2020, there was $0.02 million in unrecognized stock compensation expense (2019: $0.07 million). Stock compensation expense of $0.05 million was recognized in 2020 (2019: $0.1 million).

11. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of December 31, 2020 and 2019 are as follows:

	2020		2019	
(in thousands of $)	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Cash and cash equivalents	18,959	18,959	23,639	23,639
Other long term assets	49,200	49,200	49,200	49,200

The estimated fair value of financial assets are as follows:

	2020			
(in thousands of $)	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	18,959	18,959	—	—
Other long term assets	49,200	49,200	—	—

	2019			
(in thousands of $)	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	23,639	23,639	—	—
Other long term assets	49,200	49,200	—	—

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

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

Other long term assets – the carrying value in the balance sheet approximates fair value in view of the refund guarantee held by the Company.

12. 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 due to related parties at December 31, 2020 and 2019 is as follows:

(in thousands of $)	**2020**	2019
Seadrill Global Services Ltd	**14,600**	11,438
Northern Ocean Ltd.	**646**	—
Seatankers Management Co. Ltd	**145**	—
Frontline Management (Bermuda) Ltd	**27**	54
	15,418	11,492

13. 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 delivery of the two drillships. See Note 15.

14. 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.

15. SUBSEQUENT EVENTS

The contractual delivery dates for the *West Aquila* and the *West Libra* were January 31, 2021 and March 31, 2021, respectively, and the drillships were 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.