



NORTHERN DRILLING LTD. RESULTS FOR THE FIRST QUARTER 2021

Results

The Company does not currently have any drilling units in operation and the operating results in the first quarter of 2021 primarily consisted of administrative expenses of \$1.0 million.

At March 31, 2021, cash was \$16.8 million and long-term newbuilding assets were \$198.8 million, which includes the initial installments and preservation of the *West Aquila* and *West Libra*.

Business Update

In the first quarter of 2021, the Company continued executing preservation and maintenance activities for the *West Aquila* and *West Libra*. The Company remains actively engaged with stakeholders, including potential strategic partners to consider and assess all possible alternatives available for these drillships.

The contractual delivery date for the *West Aquila* and *West Libra* was in January and March 2021, respectively. The drillships have not been delivered to the Company and there are still some remaining items to be completed by the shipyard.

Outlook

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

As we enter in the summer months, global demand for natural resources is showing resilience and continuing its year-over-year increases despite lingering pandemic impacts. The offshore market is becoming more active with over 35 contracted rig years awarded year-to-date in 2021. Multiple drilling contractors have now re-emerged from bankruptcy with new balance sheets, executing new strategic consolidations and a new willingness to balance rig supply. The deep-water market should continue to improve as rigs stacked for prolonged period are confirmed as scrapping candidates. The *West Aquila* and *West Libra* will be some of the highest specification deep-water drilling units available.

Forward Looking Statements

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

This Report contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates, sometimes identified by the words "believes", "expects",

“intends”, “plans”, “estimates” and similar expressions. The forward-looking statements contained in this Report, including assumptions, opinions and views of the Company or cited from third-party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. The Company does not provide any assurance that the assumptions underlying such forward-looking statements are free from errors, nor does the Company accept any responsibility for the future accuracy of the opinions expressed in the presentation or the actual occurrence of the forecasted developments. No obligations are assumed to update any forward-looking statements or to conform these forward-looking statements to actual results.

The Board of Directors
Northern Drilling Ltd.
Hamilton, Bermuda
May 28, 2021

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

NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS <i>(in thousands of \$)</i>	Jan 1 to Mar 31, 2021	Oct 1 to Dec 31, 2020	2020
Total operating revenues	—	—	—
Administrative expenses	979	884	4,863
Total operating expenses	979	884	4,863
Net operating loss	(979)	(884)	(4,863)
Interest income	1	2	75
Other financial (expense) income	(4)	14	17
Net loss before taxes and non-controlling interest	(982)	(868)	(4,771)
Tax	—	—	—
Net loss from continuing operations	(982)	(868)	(4,771)
Net loss from discontinued operations	—	—	(7,403)
Net loss	(982)	(868)	(12,174)
Net loss attributable to non-controlling interest	—	—	2,195
Net loss attributable to the Company	(982)	(868)	(9,979)
Basic and diluted loss per share attributable to the Company from continuing operations (\$)	(0.06)	(0.05)	(0.16)
Basic and diluted loss per share attributable to the Company from discontinued operations (\$)	0.00	0.00	(0.17)
Basic and diluted loss per share attributable to the Company (\$)	(0.06)	(0.05)	(0.33)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS <i>(in thousands of \$)</i>	Jan 1 to Mar 31, 2021	Oct 1 to Dec 31, 2020	2020
Net loss	(982)	(868)	(12,174)
Foreign currency translation income	—	—	3
Other comprehensive income	—	—	3
Comprehensive loss	(982)	(868)	(12,171)
Comprehensive loss attributable to non-controlling interest	—	—	(2,195)
Comprehensive loss attributable to the Company	(982)	(868)	(9,976)
Comprehensive loss	(982)	(868)	(12,171)

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

NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET <i>(in thousands of \$)</i>	Mar 2021	Dec 2020
ASSETS		
Short term		
Cash and cash equivalents	16,843	18,959
Other current assets	998	363
Long term		
Newbuildings	198,804	197,943
Fixtures and fittings	1	1
Claim receivable	49,200	49,200
Total assets	265,846	266,466
LIABILITIES AND EQUITY		
Short term liabilities		
Other current liabilities	650	470
Related party payables	15,594	15,418
Commitments and contingencies (Note 9)		
Total equity	249,602	250,578
Total liabilities and equity	265,846	266,466

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

NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW <i>(in thousands of \$)</i>	Jan 1 to Mar 31, 2021	Oct 1 to Dec 31, 2020	2020
Net loss	(982)	(868)	(12,174)
Net loss from discontinued operations	—	—	(7,403)
Net loss from continuing operations	(982)	(868)	(4,771)
Adjustment to reconcile net loss from continuing operations to net cash (used in) provided by operating activities;			
Stock option expense	6	10	48
Unrealized foreign exchange loss	—	—	17
Change in operating assets and liabilities;			
Other current assets	(672)	(12)	1,475
Other current liabilities	178	502	(700)
Related party balances	176	292	812
Cash provided by operating activities of discontinued operations	—	—	14,569
Net cash (used in) provided by operating activities	(1,294)	(76)	11,450
INVESTING ACTIVITIES			
Additions to newbuildings	(822)	(1,267)	(1,562)
Cash used in investing activities of discontinued operations	—	—	(1,801)
Net cash used in investing activities	(822)	(1,267)	(3,363)
FINANCING ACTIVITIES			
Cash used in financing activities of discontinued operations	—	—	(66,790)
Net cash used in financing activities	—	—	(66,790)
Net change	(2,116)	(1,343)	(58,703)
Net change in cash balances included in held for distribution	—	—	54,023
Cash and cash equivalents at start of the period	18,959	20,302	23,639
Cash and cash equivalents at end of the period	16,843	18,959	18,959

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

NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <i>(in thousands of \$ except number of shares)</i>	Jan 1 to Mar 31, 2021	2020
Number of shares outstanding		
Balance at beginning of period	16,133,017	107,555,983
Shares cancelled	—	(91,422,966)
Balance at end of period	16,133,017	16,133,017
Share capital		
Balance at beginning of period	16,133	107,556
Impact of exchange offer	—	(91,423)
Balance at end of period	16,133	16,133
Additional paid in capital		
Balance at beginning of period	260,566	611,048
Impact of exchange offer	—	(350,530)
Stock option expense	6	48
Balance at end of period	260,572	260,566
Accumulated other comprehensive income		
Balance at beginning of period	16	13
Other comprehensive income	—	3
Balance at end of period	16	16
Retained deficit		
Balance at beginning of period	(26,137)	(16,158)
Net loss	(982)	(9,979)
Balance at end of period	(27,119)	(26,137)
Total equity attributable to the Company	249,602	250,578
Non-controlling interest		
Balance at beginning of period	—	95,880
Net loss	—	(2,195)
Impact of exchange offer	—	(93,685)
Balance at end of period	—	—
Total equity	249,602	250,578

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

NORTHERN DRILLING LTD.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Northern Drilling Ltd, or the Company, was incorporated under the laws of Bermuda on March 2, 2017, with its principal executive office located in Hamilton, Bermuda, for the purpose of ownership of offshore drilling rigs. The Company is primarily engaged in offshore drilling for the oil and gas industry in benign environments worldwide.

As of the date of this report, the Company has two drill-ships under construction. The contractual delivery date for the *West Aquila* and *West Libra* was in January and March 2021, respectively. The drill-ships have not been delivered to the Company and there are still some remaining items to be completed by the shipyard.

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

The condensed consolidated financial statements are stated in accordance with accounting principles generally accepted in the United States. The condensed consolidated financial statements do not include all of the disclosures required in the annual and interim consolidated financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020.

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.

3. INCOME TAXES

Bermuda

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until March 31, 2035.

Other Jurisdictions

The Company has subsidiaries, which were incorporated in the Marshall Islands and they are not subject to income tax.

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

4. EARNINGS PER SHARE

The components of the numerator and the denominator in the calculation of basic and diluted earnings per share are as follows:

	Jan 1 to Mar 31, 2021	Oct 1 to Dec 31, 2020	2020
Basic and diluted loss per share from continuing operations (\$)	(982)	(868)	(4,771)
Basic and diluted loss per share from discontinued operations after non-controlling interest (\$)	—	—	(5,208)
Basic and diluted loss per share attributable to the Company (\$)	(982)	(868)	(9,979)
Weighted average number of ordinary shares (in thousands)	16,133	16,133	(30,371)

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

5. NEWBUILDINGS

Movements in the carrying value of Newbuildings in the year ended March 31, 2021 may be summarized as follows:

<i>(in thousands of \$)</i>	
Balance at December 31, 2020	197,943
Newbuilding supervision fees and costs	861
Balance at March 31, 2021	198,804

6. CLAIM RECEIVABLE

Claim receivable represents the value of instalments paid for the *Cobalt Explorer* at the time the Company sent notice to DSME informing the yard it was rescinding the resale contract. West Cobalt Inc, a wholly-owned subsidiary, has claimed the return of all sums paid to DSME plus interest and damages. The yard is challenging West Cobalt Inc.'s notice and the dispute is not expected to be resolved in the near future.

7. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of March 31, 2021 are as follows:

<i>(in thousands of \$)</i>	Carrying Value	Fair Value
Assets:		
Cash and cash equivalents	16,843	16,843
Other long-term assets	49,200	49,200

The estimated fair value of financial assets are as follows:

<i>(in thousands of \$)</i>	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	16,843	16,843	—	—
Other long-term assets	49,200	49,200	—	—

The Company believes that the carrying value of cash and cash equivalents 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.

8. 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 March 31, 2021. 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 drill-ships 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 \$0.1 million in the three months ended March 31, 2021.

Northern Ocean transactions

Northern Ocean provides management services to the Company and charged \$0.2 million in the three months ended March 31, 2021.

Related party balances

A summary of balances claimed by related parties to be due to them at March 31, 2021 is as follows:

<i>(in thousands of \$)</i>	
Seadrill Global Services Ltd	14,600
Northern Ocean Ltd	894
Seatankers Management Co. Ltd	73
Frontline Management (Bermuda) Ltd	27
	<u>15,594</u>

9. COMMITMENTS AND CONTINGENCIES

As of March 31, 2021, the Company was committed to paying \$412.0 million, net of commissions, for the second and final instalments upon the contractual delivery of the two drill-ships. The contractual delivery date for the *West Aquila* and *West Libra* was in January and March 2021, respectively. The drill-ships have not been delivered to the Company and there are still some remaining items to be completed by the shipyard.