



**NORTHERN DRILLING LTD.  
RESULTS FOR THE SECOND QUARTER AND SIX MONTHS  
ENDED JUNE 30, 2021**

**Results**

The Company does not currently have any drilling units in operation and the operating results in the three and six months ended June 30, 2021 primarily consisted of administrative expenses of \$1.1 million and \$2.1 million, respectively.

At June 30, 2021, cash was \$14.2 million and long-term newbuilding assets were \$199.7 million, which includes the initial installments and preservation of the *West Aquila* and *West Libra*.

**Business Update**

On August 17, 2021, the 7<sup>th</sup> generation drillship *West Aquila* resale contract with Daewoo Shipbuilding & Marine Engineering Co. Ltd (“DSME”) was cancelled by the Company due to delay of delivery as well as repudiatory breach of contract. The Company has made advance payments totaling approximately \$90 million under the contract, and will claim a refund of the instalments paid plus interest and damages. If this claim is disputed, the Company will seek an award via London arbitration in accordance with the resale contract, industry standard procedures and timescales.

The contractual delivery date for the 7<sup>th</sup> generation drillship *West Libra* was in March 2021 and the Company continues preservation and maintenance of the drillship until remaining items are completed by the shipyard.

**Outlook**

The Company continues to have confidence in the long-term fundamentals of the deepwater offshore market and is evaluating various alternatives as the Company’s newbuild status develops.

Activity in deepwater is beginning to show increases with new or previously delayed projects being discussed again. Dayrates are beginning to break through the \$300,000 per day level but still seeing shorter well based contracts with multiple options versus long term firm contract commitments that can support take out financing of a newbuild. With discipline in contracting and scrapping coupled with a more stable oil price and lowered offshore project costs, the deepwater market is showing signs of strength and there could be potential for demand in multi-year programs in the future.

## **Forward Looking Statements**

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

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

The Board of Directors  
Northern Drilling Ltd.  
Hamilton, Bermuda  
August 27, 2021

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

NORTHERN DRILLING LTD.  
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| 2020<br>Apr-Jun | 2021<br>Apr-Jun | CONDENSED CONSOLIDATED STATEMENT OF<br>OPERATIONS<br><i>(in thousands of \$)</i>                      | 2021<br>Jan-Jun | 2020<br>Jan-Jun | 2020            |
|-----------------|-----------------|---|-----------------|-----------------|-----------------|
| —               | —               | <b>Total operating revenues</b>   | —               | —               | —               |
| 1,270           | 1,122           | Administrative expenses   | 2,101           | 3,286           | 4,863           |
| <b>1,270</b>    | <b>1,122</b>    | <b>Total operating expenses</b>   | <b>2,101</b>    | <b>3,286</b>    | <b>4,863</b>    |
| <b>(1,270)</b>  | <b>(1,122)</b>  | <b>Net operating loss</b>   | <b>(2,101)</b>  | <b>(3,286)</b>  | <b>(4,863)</b>  |
| 1               | 1               | Interest income   | 2               | 71              | 75              |
| 1               | 2               | Other financial (expense) income  | (2)             | 3               | 17              |
| <b>(1,268)</b>  | <b>(1,119)</b>  | <b>Net loss before taxes and non-controlling interest</b>   | <b>(2,101)</b>  | <b>(3,212)</b>  | <b>(4,771)</b>  |
| —               | —               | Tax   | —               | —               | —               |
| <b>(1,268)</b>  | <b>(1,119)</b>  | <b>Net loss from continuing operations</b>  | <b>(2,101)</b>  | <b>(3,212)</b>  | <b>(4,771)</b>  |
| —               | —               | <b>Net loss from discontinued operations</b>  | —               | <b>(7,403)</b>  | <b>(7,403)</b>  |
| <b>(1,268)</b>  | <b>(1,119)</b>  | <b>Net loss</b>   | <b>(2,101)</b>  | <b>(10,615)</b> | <b>(12,174)</b> |
| —               | —               | Net loss attributable to non-controlling interest   | —               | 2,195           | 2,195           |
| <b>(1,268)</b>  | <b>(1,119)</b>  | <b>Net loss attributable to the Company</b>   | <b>(2,101)</b>  | <b>(8,420)</b>  | <b>(9,979)</b>  |
|                 |                 |   |                 |                 |                 |
| <b>(0.08)</b>   | <b>(0.07)</b>   | <b>Basic and diluted loss per share attributable to the Company from continuing operations (\$)</b>   | <b>(0.13)</b>   | <b>(0.07)</b>   | <b>(0.16)</b>   |
| <b>0.00</b>     | <b>0.00</b>     | <b>Basic and diluted loss per share attributable to the Company from discontinued operations (\$)</b> | <b>0.00</b>     | <b>(0.12)</b>   | <b>(0.17)</b>   |
| <b>(0.08)</b>   | <b>(0.07)</b>   | <b>Basic and diluted loss per share attributable to the Company (\$)</b>                              | <b>(0.13)</b>   | <b>(0.19)</b>   | <b>(0.33)</b>   |

| 2020<br>Apr-Jun | 2021<br>Apr-Jun | CONDENSED CONSOLIDATED STATEMENT OF<br>COMPREHENSIVE LOSS<br><i>(in thousands of \$)</i> | 2021<br>Jan-Jun | 2020<br>Jan-Jun | 2020            |
|-----------------|-----------------|--|-----------------|-----------------|-----------------|
| <b>(1,268)</b>  | <b>(1,119)</b>  | <b>Net loss</b>  | <b>(2,101)</b>  | <b>(10,615)</b> | <b>(12,174)</b> |
| —               | —               | Foreign currency translation income  | —               | 3               | 3               |
| —               | —               | <b>Other comprehensive income</b>  | —               | <b>3</b>        | <b>3</b>        |
| <b>(1,268)</b>  | <b>(1,119)</b>  | <b>Comprehensive loss</b>  | <b>(2,101)</b>  | <b>(10,612)</b> | <b>(12,171)</b> |
| —               | —               | Comprehensive loss attributable to non-controlling interest                              | —               | (2,195)         | (2,195)         |
| <b>(1,268)</b>  | <b>(1,119)</b>  | <b>Comprehensive loss attributable to the Company</b>                                    | <b>(2,101)</b>  | <b>(8,417)</b>  | <b>(9,976)</b>  |
| <b>(1,268)</b>  | <b>(1,119)</b>  | <b>Comprehensive loss</b>  | <b>(2,101)</b>  | <b>(10,612)</b> | <b>(12,171)</b> |

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

**NORTHERN DRILLING LTD.**  
**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

| <b>CONDENSED CONSOLIDATED BALANCE SHEET</b><br><i>(in thousands of \$)</i> | <b>Jun 2021</b> | <b>Dec 2020</b> |
|--|-----------------|-----------------|
| <b>ASSETS</b>  |                 |                 |
| <b>Short term</b>  |                 |                 |
| Cash and cash equivalents  | 14,168          | 18,959          |
| Other current assets   | 731             | 363             |
| <b>Long term</b>   |                 |                 |
| Newbuildings   | 199,671         | 197,943         |
| Fixtures and fittings  | 1               | 1               |
| Claim receivable   | 49,200          | 49,200          |
| <b>Total assets</b>  | <b>263,771</b>  | <b>266,466</b>  |
| <b>LIABILITIES AND EQUITY</b>  |                 |                 |
| <b>Short term liabilities</b>  |                 |                 |
| Other current liabilities  | 478             | 470             |
| Related party payables   | 14,805          | 15,418          |
| <b>Commitments and contingencies (Note 9)</b>                              |                 |                 |
| Total equity   | 248,488         | 250,578         |
| <b>Total liabilities and equity</b>  | <b>263,771</b>  | <b>266,466</b>  |

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

**NORTHERN DRILLING LTD.**  
**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

| <b>2020<br/>Apr-Jun</b> | <b>2021<br/>Apr-Jun</b> | <b>CONDENSED CONSOLIDATED STATEMENT OF<br/>CASH FLOW<br/>(in thousands of \$)</b>                                   | <b>2021<br/>Jan-Jun</b> | <b>2020<br/>Jan-Jun</b> | <b>2020</b>     |
|-------------------------|-------------------------|---|-------------------------|-------------------------|-----------------|
| <b>(1,268)</b>          | <b>(1,119)</b>          | <b>Net loss</b>   | <b>(2,101)</b>          | <b>(10,615)</b>         | <b>(12,174)</b> |
| —                       | —                       | <b>Net loss from discontinued operations</b>  | —                       | <b>(7,403)</b>          | <b>(7,403)</b>  |
| <b>(1,268)</b>          | <b>(1,119)</b>          | <b>Net loss from continuing operations</b>  | <b>(2,101)</b>          | <b>(3,212)</b>          | <b>(4,771)</b>  |
|                         |                         | Adjustment to reconcile net loss from continuing operations to net cash (used in) provided by operating activities; |                         |                         |                 |
| 13                      | 5                       | Stock option expense  | 11                      | 25                      | 48              |
| —                       | —                       | Unrealized foreign exchange loss  | —                       | 17                      | 17              |
|                         |                         | Change in operating assets and liabilities;   |                         |                         |                 |
| 913                     | 232                     | Other current assets  | (440)                   | 827                     | 1,475           |
| (478)                   | (143)                   | Other current liabilities   | 35                      | (569)                   | (700)           |
| (22)                    | (789)                   | Related party balances  | (613)                   | 110                     | 812             |
| —                       | —                       | Cash provided by operating activities of discontinued operations  | —                       | 14,569                  | 14,569          |
| <b>(842)</b>            | <b>(1,814)</b>          | <b>Net cash (used in) provided by operating activities</b>  | <b>(3,108)</b>          | <b>11,767</b>           | <b>11,450</b>   |
|                         |                         | <b>INVESTING ACTIVITIES</b>   |                         |                         |                 |
| —                       | (861)                   | Additions to newbuildings   | (1,683)                 | —                       | (1,562)         |
| —                       | —                       | Cash used in investing activities of discontinued operations  | —                       | (1,801)                 | (1,801)         |
| —                       | <b>(861)</b>            | <b>Net cash used in investing activities</b>  | <b>(1,683)</b>          | <b>(1,801)</b>          | <b>(3,363)</b>  |
|                         |                         | <b>FINANCING ACTIVITIES</b>   |                         |                         |                 |
| —                       | —                       | Cash used in financing activities of discontinued operations  | —                       | (66,790)                | (66,790)        |
| —                       | —                       | <b>Net cash used in financing activities</b>  | —                       | <b>(66,790)</b>         | <b>(66,790)</b> |
| <b>(842)</b>            | <b>(2,675)</b>          | <b>Net change</b>   | <b>(4,791)</b>          | <b>(56,824)</b>         | <b>(58,703)</b> |
| —                       | —                       | <b>Net change in cash balances included in held for distribution</b>  | —                       | <b>54,023</b>           | <b>54,023</b>   |
| <b>21,680</b>           | <b>16,843</b>           | <b>Cash and cash equivalents at start of the period</b>   | <b>18,959</b>           | <b>23,639</b>           | <b>23,639</b>   |
| <b>20,838</b>           | <b>14,168</b>           | <b>Cash and cash equivalents at end of the period</b>   | <b>14,168</b>           | <b>20,838</b>           | <b>18,959</b>   |

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

**NORTHERN DRILLING LTD.**  
**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

| <b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b><br><i>(in thousands of \$ except number of shares)</i> | <b>2021</b><br><b>Jan-Jun</b> | <b>2020</b>       |
|---|-------------------------------|-------------------|
| <b>Number of shares outstanding</b>   |                               |                   |
| Balance at beginning of period  | 16,133,017                    | 107,555,983       |
| Shares cancelled  | —                             | (91,422,966)      |
| Balance at end of period  | <b>16,133,017</b>             | <b>16,133,017</b> |
| <b>Share capital</b>  |                               |                   |
| Balance at beginning of period  | 16,133                        | 107,556           |
| Impact of exchange offer  | —                             | (91,423)          |
| Balance at end of period  | <b>16,133</b>                 | <b>16,133</b>     |
| <b>Additional paid in capital</b>   |                               |                   |
| Balance at beginning of period  | 260,566                       | 611,048           |
| Impact of exchange offer  | —                             | (350,530)         |
| Stock option expense  | 11                            | 48                |
| Balance at end of period  | <b>260,577</b>                | <b>260,566</b>    |
| <b>Accumulated other comprehensive income</b>   |                               |                   |
| Balance at beginning of period  | 16                            | 13                |
| Other comprehensive income  | —                             | 3                 |
| Balance at end of period  | <b>16</b>                     | <b>16</b>         |
| <b>Retained deficit</b>   |                               |                   |
| Balance at beginning of period  | (26,137)                      | (16,158)          |
| Net loss  | (2,101)                       | (9,979)           |
| Balance at end of period  | <b>(28,238)</b>               | <b>(26,137)</b>   |
| <b>Total equity attributable to the Company</b>   | <b>248,488</b>                | <b>250,578</b>    |
| <b>Non-controlling interest</b>   |                               |                   |
| Balance at beginning of period  | —                             | 95,880            |
| Net loss  | —                             | (2,195)           |
| Impact of exchange offer  | —                             | (93,685)          |
| Balance at end of period  | —                             | —                 |
| <b>Total equity</b>   | <b>248,488</b>                | <b>250,578</b>    |

*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 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.

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 unaudited condensed consolidated financial statements are stated in accordance with accounting principles generally accepted in the United States. The unaudited condensed consolidated financial statements do not include all of the disclosures required in 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 unaudited condensed consolidated financial statements are prepared under the going concern assumption. The Company is dependent on loans and/or equity issuances to finance the remaining obligations under its newbuilding contracts 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:

| 2020<br>Apr-Jun | 2021<br>Apr-Jun |   | 2021<br>Jan-Jun | 2020<br>Jan-Jun | 2020    |
|-----------------|-----------------|---|-----------------|-----------------|---------|
| (1,268)         | (1,119)         | Basic and diluted loss per share from continuing operations (\$)                                  | (2,101)         | (3,212)         | (4,771) |
| —               | —               | Basic and diluted loss per share from discontinued operations after non-controlling interest (\$) | —               | (5,208)         | (5,208) |
| (1,268)         | (1,119)         | Basic and diluted loss per share attributable to the Company (\$)                                 | (2,101)         | (8,420)         | (9,979) |
| 16,133          | 16,133          | Weighted average number of ordinary shares (in thousands)   | 16,133          | 44,765          | 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 six months ended June 30, 2021 may be summarized as follows:

| <i>(in thousands of \$)</i>            |         |
|--|---------|
| Balance at December 31, 2020           | 197,943 |
| Newbuilding supervision fees and costs | 1,728   |
| Balance at June 30, 2021               | 199,671 |

#### 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 June 30, 2021 are as follows:

| <i>(in thousands of \$)</i> | Carrying Value | Fair Value |
|-----------------------------|----------------|------------|
| Assets:                     |                |            |
| Cash and cash equivalents   | 14,168         | 14,168     |
| 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   | 14,168     | 14,168  | —       | —       |
| 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 June 30, 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. From July 1, 2020, the newbuilding supervision has been carried out by the Company itself.

### *Golden Ocean, Frontline and Seatankers Management transactions*

The Company and its subsidiaries receive treasury, accounting, corporate secretarial and advisory services from these entities and was charged \$0.2 million in the six months ended June 30, 2021.

### *Northern Ocean transactions*

Northern Ocean provides management services to the Company and charged \$0.8 million in the six months ended June 30, 2021.

### **Related party balances**

A summary of balances claimed by related parties to be due to them at June 30, 2021 is as follows:

| <i>(in thousands of \$)</i>        |        |
|------------------------------------|--------|
| Seadrill Global Services Ltd       | 14,601 |
| Northern Ocean Ltd                 | 128    |
| Seatankers Management Co. Ltd      | 51     |
| Frontline Management (Bermuda) Ltd | 25     |
|                                    | 14,805 |

## 9. COMMITMENTS AND CONTINGENCIES

As of June 30, 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 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. See Note 10 re *West Aquila*. The shipyard and the Company are discussing certain matters that prevented delivery of *West Libra* and are working towards a resolution.

## 10. SUBSEQUENT EVENT

On August 17, 2021, the 7<sup>th</sup> generation drillship *West Aquila* resale contract with Daewoo Shipbuilding & Marine Engineering Co. Ltd ("DSME") was cancelled by the Company due to delay of delivery as well as repudiatory breach of contract. The Company has made advance payments totaling approximately \$90 million under the contract, and will claim a refund of the instalments paid plus interest and damages. If this claim is disputed, the Company will seek an award via London arbitration in accordance with the resale contract, industry standard procedures and timescales.

The contractual delivery date for the 7<sup>th</sup> generation drillship *West Libra* was in March 2021 and the Company continues preservation and maintenance of the drillship until remaining items are completed by the shipyard.

**NORTHERN DRILLING LIMITED**  
**INTERIM REPORT JANUARY - JUNE 2021**

**Responsibility Statement**

We confirm, to the best of our knowledge, that the condensed consolidated financial statements for the period January 1 to June 30, 2021 have been prepared in accordance with U.S generally accepted accounting principles, and give a true and fair view of the Company's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

The Board of Directors  
Northern Drilling Ltd.  
Hamilton, Bermuda  
August 27, 2021