



**NORTHERN DRILLING LTD.
RESULTS FOR THE THIRD QUARTER AND NINE MONTHS
ENDED SEPTEMBER 30, 2021**

Results

The Company does not have any drilling units in operation or under construction and the operating results for the three and nine months ended September 30, 2021 consisted of administrative expenses of \$1.1 million and \$3.2 million, respectively. In addition, the Company recorded an impairment loss of \$20.3 million in the three months ended September 30, 2021 following the cancellation of the contracts for the *West Aquila* and the *West Libra* in August 2021 and October 2021, respectively.

Business Update

On August 17, 2021, the 7th generation drillship *West Aquila* resale contract with DSME was cancelled by West Aquila Inc., a wholly owned subsidiary of the Company, due to delay of delivery as well as repudiatory breach of contract. West Aquila Inc. has made advance payments of \$90.0 million under the contract, and has claimed a refund of the instalments paid plus interest and damages. DSME has disputed this claim and on September 9, 2021 commenced arbitration proceedings in London pursuant to the resale contract, claiming that DSME is entitled to retain the \$90.0 million and to apply it against its losses as a result of the termination, which have yet to fully crystalize. West Aquila Inc. will defend DSME's claim in full and will seek an award for its claim in accordance with the resale contract and industry standard procedures.

On October 16, 2021, West Libra Inc., a wholly owned subsidiary of the Company notified DSME that it has cancelled the resale contract for the 7th generation ultra-deepwater drillship *West Libra* due to delay of delivery as well as repudiatory breach of contract. West Libra Inc. has made advance payments of \$90.0 million under the resale contract with DSME, and has claimed a refund of the instalment paid, plus interest and damages. DSME has disputed this claim and on October 29, 2021 commenced arbitration in London pursuant to the resale contract, claiming that DSME is entitled to retain the \$90.0 million and to apply it against losses as a result of the termination, which have yet to fully crystalize. West Libra Inc. will defend DSME's claim in full and will seek an award for its claim in accordance with the resale contract and industry standard procedures.

Forward Looking Statements

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

This Report contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates, sometimes identified by the words "believes", "expects", "intends", "plans", "estimates" and similar expressions. The forward-looking statements contained in this Report, including assumptions, opinions and views of the Company or cited from third-party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. The Company does not provide any assurance that the assumptions underlying such forward-looking statements are free from errors, nor does the Company accept any responsibility for the future accuracy of the opinions expressed in the presentation or the actual occurrence of the forecasted

developments. No obligations are assumed to update any forward-looking statements or to conform these forward-looking statements to actual results.

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

Questions should be directed to:
Scott McReaken: Chief Executive Officer
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NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2020 Jul-Sep	2021 Jul-Sep	CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS <i>(in thousands of \$)</i>	2021 Jan-Sep	2020 Jan-Sep	2020
—	—	Total operating revenues	—	—	—
—	20,337	Impairment loss	20,337	—	—
693	1,088	Administrative expenses	3,189	3,979	4,863
693	21,425	Total operating expenses	23,526	3,979	4,863
(693)	(21,425)	Net operating loss	(23,526)	(3,979)	(4,863)
2	1	Interest income	3	73	75
—	1	Other financial (expense) income	(1)	3	17
(691)	(21,423)	Net loss before taxes and non-controlling interest	(23,524)	(3,903)	(4,771)
—	—	Tax	—	—	—
(691)	(21,423)	Net loss from continuing operations	(23,524)	(3,903)	(4,771)
—	—	Net loss from discontinued operations	—	(7,403)	(7,403)
(691)	(21,423)	Net loss	(23,524)	(11,306)	(12,174)
—	—	Net loss attributable to non-controlling interest	—	2,195	2,195
(691)	(21,423)	Net loss attributable to the Company	(23,524)	(9,111)	(9,979)
(0.04)	(1.33)	Basic and diluted loss per share attributable to the Company from continuing operations (\$)	(1.46)	(0.11)	(0.16)
0.00	0.00	Basic and diluted loss per share attributable to the Company from discontinued operations (\$)	0.00	(0.15)	(0.17)
(0.04)	(1.33)	Basic and diluted loss per share attributable to the Company (\$)	(1.46)	(0.26)	(0.33)

2020 Jul-Sep	2021 Jul-Sep	CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS <i>(in thousands of \$)</i>	2021 Jan-Sep	2020 Jan-Sep	2020
(691)	(21,423)	Net loss	(23,524)	(11,306)	(12,174)
—	—	Foreign currency translation income	—	3	3
—	—	Other comprehensive income	—	3	3
(691)	(21,423)	Comprehensive loss	(23,524)	(11,303)	(12,171)
—	—	Comprehensive loss attributable to non-controlling interest	—	(2,195)	(2,195)
(691)	(21,423)	Comprehensive loss attributable to the Company	(23,524)	(9,108)	(9,976)
(691)	(21,423)	Comprehensive loss	(23,524)	(11,303)	(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>	Sept 2021	Dec 2020
ASSETS		
Short term		
Cash and cash equivalents	12,886	18,959
Other current assets	491	363
Long term		
Newbuildings	90,000	197,943
Fixtures and fittings	1	1
Claim receivable	139,200	49,200
Total assets	242,578	266,466
LIABILITIES AND EQUITY		
Short term liabilities		
Other current liabilities	572	470
Related party payables	14,935	15,418
Commitments and contingencies (Note 9)		
Total equity	227,071	250,578
Total liabilities and equity	242,578	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

2020 Jul-Sep	2021 Jul-Sep	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (in thousands of \$)	2021 Jan-Sep	2020 Jan-Sep	2020
(691)	(21,423)	Net loss	(23,524)	(11,306)	(12,174)
—	—	Net loss from discontinued operations	—	(7,403)	(7,403)
(691)	(21,423)	Net loss from continuing operations	(23,524)	(3,903)	(4,771)
		Adjustment to reconcile net loss from continuing operations to net cash (used in) provided by operating activities;			
13	5	Stock option expense	16	38	48
—	—	Unrealized foreign exchange loss	—	17	17
—	20,337	Impairment loss	20,337	—	—
		Change in operating assets and liabilities;			
660	241	Other current assets	(199)	1,487	1,475
(633)	134	Other current liabilities	169	(1,202)	(700)
410	129	Related party balances	(484)	520	812
—	—	Cash provided by operating activities of discontinued operations	—	14,569	14,569
(241)	(577)	Net cash (used in) provided by operating activities	(3,685)	11,526	11,450
		INVESTING ACTIVITIES			
(295)	(705)	Additions to newbuildings	(2,388)	(295)	(1,562)
—	—	Cash used in investing activities of discontinued operations	—	(1,801)	(1,801)
(295)	(705)	Net cash used in investing activities	(2,388)	(2,096)	(3,363)
		FINANCING ACTIVITIES			
—	—	Cash used in financing activities of discontinued operations	—	(66,790)	(66,790)
—	—	Net cash used in financing activities	—	(66,790)	(66,790)
(536)	(1,282)	Net change	(6,073)	(57,360)	(58,703)
—	—	Net change in cash balances included in held for distribution	—	54,023	54,023
20,838	14,168	Cash and cash equivalents at start of the period	18,959	23,639	23,639
20,302	12,886	Cash and cash equivalents at end of the period	12,886	20,302	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>	2021 Jan-Sep	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	17	48
Balance at end of period	260,583	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	(23,524)	(9,979)
Balance at end of period	(49,661)	(26,137)
Total equity attributable to the Company	227,071	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	227,071	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.

As of the date of this report, the Company has no 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's subsidiaries, West Aquila Inc. and West Libra Inc. as the shipyard had not completed the drillships in accordance with the terms of the resale contracts. The contracts for *West Aquila* and *West Libra* with DSME were cancelled by West Aquila Inc. and West Libra Inc. on August 17, 2021 and October 16, 2021, respectively. DSME has disputed these claims and commenced arbitration proceedings in London pursuant to the resale contracts, claiming that DSME is entitled to retain the \$180.0 million and to apply it against losses as a result of the termination, which have yet to fully crystalize. West Aquila Inc. and West Libra Inc. will defend DSME's claims in full and seek awards for their claims in accordance with the resale contracts and industry standard procedures.

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 achieve a satisfactory outcome in the disputes 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 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 and/or successful outcomes in its disputes with DSME to finance its ongoing operations, which raises substantial doubt about the Company's ability to continue as a going concern. The Company continues to evaluate all alternatives available. There is no assurance that the Company will be able to execute its strategy.

3. INCOME TAXES

Bermuda

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

Other Jurisdictions

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

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 Jul-Sep	2021 Jul-Sep		2021 Jan-Sep	2020 Jan-Sep	2020
(691)	(21,423)	Basic and diluted loss per share from continuing operations (\$)	(23,524)	(3,903)	(4,771)
—	—	Basic and diluted loss per share from discontinued operations after non-controlling interest (\$)	—	(5,208)	(5,208)
(691)	(21,423)	Basic and diluted loss per share attributable to the Company (\$)	(23,524)	(9,111)	(9,979)
16,133	16,133	Weighted average number of ordinary shares (in thousands)	16,133	35,152	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 nine months ended September 30, 2021 may be summarized as follows:

<i>(in thousands of \$)</i>	
Balance at December 31, 2020	197,943
Transfer to Claim receivable	(90,000)
Impairment loss	(20,337)
Newbuilding supervision fees and costs	2,394
Balance at September 30, 2021	90,000

On August 17, 2021, the 7th generation drillship *West Aquila* resale contract with DSME was cancelled by West Aquila Inc., a wholly owned subsidiary of the Company, due to delay of delivery as well as repudiatory breach of contract. West Aquila Inc. has made advance payments of \$90.0 million under the contract and has claimed a refund of the instalments paid plus interest and damages. This amount is included in Claims Receivable at September 30, 2021.

On October 16, 2021, West Libra Inc., a wholly owned subsidiary of the Company, notified DSME that it has cancelled the resale contract for the 7th generation ultra-deepwater drillship *West Libra* due to delay of delivery as well as repudiatory breach of contract. West Libra Inc. has made advance payments of \$90.0 million under the resale contract with DSME and has claimed a refund of the instalment paid, plus interest and damages.

The Company has recorded an impairment loss of \$20.3 million in the three and nine months ended September 30, 2021 as a consequence of the cancellation of the *West Aquila* and *West Libra* contracts. The carrying value of Newbuildings at September 30, 2021 represents the *West Libra*.

6. CLAIM RECEIVABLE

Claim receivable includes the value of instalments paid for the *Cobalt Explorer* (\$49.2 million) at the time West Cobalt Inc., a wholly owned subsidiary of the Company, sent notice to DSME informing the yard it was rescinding the resale contract and 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.

Claim receivable also includes the value of instalments paid for the *West Aquila* (\$90.0 million). The Company's wholly owned subsidiary, West Aquila Inc. has made advance payments of \$90.0 million under the *West Aquila* contract, and has claimed a refund of the instalment paid plus interest and damages. DSME has disputed this claim and on September 9, 2021 commenced arbitration proceedings in London pursuant to the resale contract, claiming that DSME is entitled to retain the \$90.0 million and to apply it against losses as a result of the termination, which have yet to fully crystalize. West Aquila Inc. will defend this claim in full and will seek an award for its claim in accordance with the resale contract and industry standard procedures.

7. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of September 30, 2021 are as follows:

<i>(in thousands of \$)</i>	Carrying Value	Fair Value
Assets:		
Cash and cash equivalents	12,886	12,886
Other long-term assets	139,200	139,200

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	12,886	12,886	—	—
Other long-term assets	139,200	139,200	—	—

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 September 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, 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 transactions

The Company and its subsidiaries receive treasury, accounting, corporate secretarial and advisory services from these entities and was charged \$0.3 million in the nine months ended September 30, 2021.

Northern Ocean transactions

Northern Ocean provides management services to the Company and charged \$0.9 million in the nine months ended September 30, 2021.

Related party balances

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

<i>(in thousands of \$)</i>	
Seadrill Global Services Ltd	14,602
Northern Ocean Ltd	255
Seatankers Management Co. Ltd	51
Frontline Management (Bermuda) Ltd	27
	14,935

9. COMMITMENTS AND CONTINGENCIES

As of September 30, 2021, West Libra Inc., a wholly owned subsidiary of the Company was committed to paying \$206 million, net of commissions, for the second and final instalments upon the contractual delivery of the *West Libra*. The contractual delivery date for the *West Libra* was March 31, 2021 and the drillship was not delivered to the Company as there were some remaining items to be completed by the shipyard. West Libra Inc. cancelled the contract for the *West Libra* on October 16, 2021. See Note 10.

10. SUBSEQUENT EVENT

On October 16, 2021, West Libra Inc., a wholly owned subsidiary of the Company notified DSME that it has cancelled the resale contract for the 7th generation ultra-deepwater drillship *West Libra* due to delay of delivery as well as repudiatory breach of contract. West Libra Inc. has made advance payments of \$90.0 million under the resale contract with DSME, and has claimed a refund of the instalment paid, plus interest and damages. DSME has disputed this claim and on October 29, 2021 commenced arbitration in London pursuant to the resale contract, claiming that DSME is entitled to retain the \$90.0 million and to apply it against losses as a result of the termination, which have yet to fully crystalize. West Libra Inc. will defend DSME's claim in full and will seek an award for its claim in accordance with the resale contract and industry standard procedures.