CONSOLIDATED FINANCIAL STATEMENTS

NORTHERN DRILLING LTD.

YEAR ENDED DECEMBER 31, 2021

Index to the Consolidated Financial Statements of Northern Drilling Ltd.

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 $300 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 Company commenced arbitration proceedings in April 2022. 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.

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.

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.

On August 17, 2021 the resale contract for *West Aquila* was cancelled by West Aquila Inc., followed by the cancellation of the resale contract for *West Libra* on October 16, 2021 by West Libra Inc.. The contractual delivery dates for the *West Aquila* and the *West Libra* were January 31, 2021 and March 31, 2021, respectively, and DSME failed to deliver the drillships to the Company's subsidiaries, West Aquila Inc. and West Libra Inc.. 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 its 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, including but not limited to the $180.0 million instalments previously paid, in accordance with the resale contracts and industry standard procedures. Following the cancellation of the resale contracts, the Company has no drillships under construction.

The Working Environment
At the end of 2021, the Company had one employee, The Company's CEO and other management are employed by a subsidiary of NOL following the Reorganization and the Company pays a charge for these 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. The Company's recruitment policy is based on these values. The Company has in 2021 been, and remains, committed to base any decision with respect to any person on the Company's needs and the performance and potential of the person, and not on any other criterion.

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 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.

Assessment of Results and Cash Flow Items
The Company used cash in operating activities of $5.4 million due to a cash outflow of $5.2 million from operations and an unfavorable change in other operating assets and liabilities of $0.2 million. The Company's investing activities in the year of $2.4 million comprised newbuilding supervision fees and costs. The Company did not have any financing activities in 2021.

At December 31, 2021, the Company had cash and cash equivalents of $11.2 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 acquire future assets, developing into an operating business, securing additional funding and achieving a satisfactory outcome in the dispute with DSME. In addition, the war in Ukraine and 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. Following the cancellation of the newbuilding program, the near term primary focus of the Company will be to pursue a favourable outcome of the current disputes with DMSE. Once the disputes are resolved, the Company will revisit its strategic objectives.

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 Company'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 targeted the benign ultra-deep water sector. The Company 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": 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 and when 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 all 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 any drilling rigs 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, 2021 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 28, 2022

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

/s/ Keesjan Cordia
Keesjan Cordia (Director)

/s/ Jon Olav Østhus
Jon Olav Østhus (Director)

/s/ Marius Hermansen
Marius Hermansen (Director)

/s/ Scott McReaken
Scott McReaken (Chief Executive Officer)

Northern Drilling Ltd.
Consolidated Statements of Operations for the years ended December 31, 2021 and 2020
(in thousands of $, except (loss) gain per share)

	2021	2020
Total operating revenues	**—**	—
Operating expenses		
Impairment loss	**20,337**	—
Administrative expenses	**5,151**	4,863
Total operating expenses	**25,488**	4,863
Net operating loss	**(25,488)**	(4,863)
Other income (expenses)		
Bank interest income	**4**	75
Other financial (expenses) income	**(5)**	17
Total other (expenses) income	**(1)**	92
Net loss before taxes and non-controlling interest	**(25,489)**	(4,771)
Tax	**—**	—
Net loss from continuing operations	**(25,489)**	(4,771)
Related party settlement gain, net of taxes	**14,601**	—
Net loss from discontinued operations	**—**	(7,403)
Net loss	**(10,888)**	(12,174)
Net loss attributable to non-controlling interest	**—**	2,195
Net loss attributable to the Company	**(10,888)**	(9,979)
Basic and diluted loss per share from continuing operations ($)	**(1.58)**	(0.16)
Basic and diluted gain per share attributable to the related party settlement gain, net of taxes ($)	**0.91**	0.00
Basic and diluted loss per share from discontinued operations ($)	**0.00**	(0.17)
Basic and diluted loss per share ($)	**(0.67)**	(0.33)

See accompanying Notes to the Consolidated Financial Statements.

Northern Drilling Ltd.
Consolidated Statements of Comprehensive Income for the years ended December 31, 2021 and 2020
(in thousands of $)

	2021	2020
Net loss	**(10,888)**	(12,174)
Foreign currency translation income	—	3
Other comprehensive income	—	3
Comprehensive loss	**(10,888)**	(12,171)
Comprehensive loss attributable to non-controlling interest	—	(2,195)
Comprehensive loss attributable to the Company	**(10,888)**	(9,976)
Comprehensive loss	**(10,888)**	(12,171)

See accompanying Notes to the Consolidated Financial Statements.

Northern Drilling Ltd.
Consolidated Balance Sheets at December 31, 2021 and 2020
(in thousands of $)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	**11,214**	18,959
Other current assets	**256**	363
Total current assets	**11,470**	19,322
Non-current assets		
Newbuildings	**—**	197,943
Fixtures and fittings	**1**	1
Other long term assets	**229,200**	49,200
Total assets	**240,671**	266,466
LIABILITIES AND EQUITY		
Current liabilities		
Other current liabilities	**511**	470
Related party payables	**450**	15,418
Total current liabilities	**961**	15,888
Commitments and contingencies (Note 14)		
Equity		
Share capital (16,133,017 shares issued and outstanding, par value $1.00 each)	**16,133**	16,133
Additional paid in capital	**260,586**	260,566
Accumulated other comprehensive income	**16**	16
Retained deficit	**(37,025)**	(26,137)
Total equity	**239,710**	250,578
Total liabilities and equity	**240,671**	266,466

See accompanying Notes to the Consolidated Financial Statements.

Northern Drilling Ltd.
Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020
(in thousands of $)

	2021	2020
Net loss	**(10,887)**	(12,174)
Net loss for discontinued operations	**—**	(7,403)
Net loss from continuing operations	**(10,887)**	(4,771)
Adjustment to reconcile net loss from continuing to net cash (used in) provided by operating activities;		
Impairment loss	**20,337**	—
Stock option expense	**20**	48
Unrealized foreign exchange loss	**—**	17
Related party settlement gain, net of taxes	**(14,601)**	0
Change in operating assets and liabilities;		
Other current assets	**34**	1,475
Other current liabilities	**107**	(700)
Related party balances	**(367)**	812
Cash provided by operating activities of discontinued operations	**—**	14,569
Net cash (used in) provided by operating activities	**(5,357)**	11,450
Investing activities		
Additions to newbuildings	**(2,388)**	(1,562)
Cash used in investing activities of discontinued operations	**—**	(1,801)
Net cash used in investing activities	**(2,388)**	(3,363)
Financing activities		
Cash used in financing activities of discontinued operations	**—**	(66,790)
Net cash used in financing activities	**—**	(66,790)
Net change	**(7,745)**	(58,703)
Net change in cash balances included in held for distribution	**—**	54,023
Cash, cash equivalents and restricted cash at start of the year	**18,959**	23,639
Cash, cash equivalents and restricted cash at end of the year	**11,214**	18,959

Supplemental disclosure of cash information:		
Interest paid, net of interest capitalized	**—**	748
Income taxes paid	**—**	—

Details of non-cash investing and financing activities are given in Note 15.

See accompanying Notes to the Consolidated Financial Statements.

Northern Drilling Ltd.
Consolidated Statements of Changes in Equity for the years ended December 31, 2021 and 2020
(in thousands of $, except number of shares)

	2021	2020
Number of shares outstanding		
Balance at start of the year	**16,133,017**	107,555,983
Shares cancelled	**—**	(91,422,966)
Balance at end of the year	**16,133,017**	16,133,017
Share capital		
Balance at start of the year	**16,133**	107,556
Shares cancelled	**—**	(91,423)
Balance at end of the year	**16,133**	16,133
Additional paid in capital		
Balance at start of the year	**260,566**	611,048
Impact of exchange offer	**—**	(350,530)
Stock option expense	**20**	48
Balance at end of the year	**260,586**	260,566
Accumulated other comprehensive income		
Balance at start of the year	**16**	13
Other comprehensive income	**—**	3
Balance at end of the year	**16**	16
Retained deficit		
Balance at start of the year	**(26,137)**	(16,158)
Net loss	**(10,888)**	(9,979)
Balance at end of the year	**(37,025)**	(26,137)
Total equity attributable to the Company	**239,710**	250,578
Non-controlling interest		
Balance at start of the year	**—**	95,880
Impact of exchange offer	**—**	(93,685)
Net loss	**—**	(2,195)
Balance at end of the year	**—**	—
Total equity	**239,710**	250,578

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. Following the cancellation of the newbuilding program, the near term primary focus of the Company will be to pursue a favourable outcome of the current disputes with DMSE. Once the disputes are resolved, the Company will revisit its strategic objectives and opportunities within the deepwater drilling domain. 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 $300 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 Company commenced arbitration proceedings in April 2022. 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.

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.

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.

On August 17, 2021 the resale contract for *West Aquila* was cancelled by West Aquila Inc., followed by the cancellation of the resale contract for *West Libra* on October 16, 2021 by West Libra Inc.. The contractual delivery dates for the *West Aquila* and the *West Libra* were January 31, 2021 and March 31, 2021, respectively, and DSME failed to deliver the drillships to the Company's subsidiaries, West Aquila Inc. and West Libra Inc.. 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 its losses as a result of the termination, which have yet to fully crystalize. West Aquila Inc. and West Libra Inc. will defend their claims in full and seek awards for their claims, including but not limited to the $180.0 million instalments previously paid, in accordance with the resale contracts and industry standard procedures. Following the cancellation of the resale contracts, the Company has no drillships under construction.

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 acquire future assets, developing into an operating business, securing additional funding and achieving a satisfactory outcome in the dispute with DSME. In addition, the war in Ukraine and 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 28, 2022 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 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.

Principles of consolidation
The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries and, in the discontinued operations in 2020, 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.

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.

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.

Other long term assets
The three cancelled newbuilding contracts have been removed from Newbuildings and recorded in the balance sheet as Other long term assets, at which time the instalments paid become a financial instrument and are valued at fair value in accordance with ASC 825. The fair value of each financial asset is determined to be the nominal value of the claim (being the amount of instalments paid excluding claims for interest and damages).

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
In March 2020, the FASB issued ASU No. 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848). The ASU provides optional expedients and exceptions for applying GAAP to transactions affected by reference rate (e.g., LIBOR) reform if certain criteria are met, for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The ASU is effective as of March 12, 2020 through December 31, 2022. We continue to evaluate transactions or contract modifications occurring as a result of reference rate reform and determine whether to apply the optional guidance on an ongoing basis. The ASU has not and is currently not expected to have a material impact on our consolidated financial statements.

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. RELATED PARTY SETTLEMENT GAIN

On December 20, 2021, the Company announced that it had signed a settlement agreement with Seadrill Ltd and its subsidiaries ("Seadrill") relating to limited services for supervision, preservation and maintenance management services dating back to January 2018. The settlement closes all outstanding balances and claims between the companies and was subject to approval by the United States Bankruptcy Court for the Southern District of Texas in Seadrill's Chapter 11 bankruptcy case. This approval was given on January 11, 2022 after which the settlement agreement became effective upon satisfaction of the final condition precedent on February 10, 2022. The Company has determined that the settlement agreement is an adjusting subsequent event and has recorded a gain of $14.6 million in the three months and year ended December 31, 2021 being the amount payable to Seadrill at September 30, 2021.

5. 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 year ended December 31, 2020 are as follows:

(in thousands of $)	2020
Operating revenues	
Contract revenue	11,949
Reimbursable revenue	1,513
Total operating revenues	13,462
Operating expenses	
Rig operating expenses	12,045
Reimbursable expenses	1,422
Depreciation	3,311
Administrative expenses	696
Total operating expenses	17,474
Net operating loss	(4,012)
Other income (expenses)	
Interest income	102
Other financial income (expense)	(3,671)
Total other income (expenses)	(3,569)
Net loss before taxes and non-controlling interest	(7,581)
Tax	178
Net loss from discontinued operations	(7,403)
Net loss attributable to non-controlling interest	(2,195)
Net loss from discontinued operations after non-controlling interest	(5,208)

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.

Dayrate Drilling Revenue - 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.

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.

6. 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.

7. 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 $)	**2021**	2020
Net loss from continuing operations ($)	**(25,489)**	(4,771)
Related party settlement gain, net of taxes	**14,601**	—
Net loss from discontinued operations after non-controlling interest ($)	**—**	(5,208)
Net loss attributable to the Company ($)	**(10,888)**	(9,979)
Weighted average number of ordinary shares *(in thousands)*	**16,133**	30,371

8. NEWBUILDINGS

Movements in the carrying value of Newbuildings in the years ended December 31, 2021 and 2020 may be summarized as follows:

(in thousands of $)	**2021**	2020
Balance at beginning of the year	**197,943**	193,013
Newbuilding supervision fees and costs	**2,394**	4,930
Transfer to Other long term assets	**(180,000)**	—
Impairment loss	**(20,337)**	—
Balance at end of the year	**—**	197,943

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

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 Other long term assets at December 31, 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. This amount is included in Other long term assets at December 31, 2021.

The Company has recorded an impairment loss of $20.3 million in the year ended December 31, 2021 as a consequence of the cancellation of the *West Aquila* and *West Libra* contracts.

9. OTHER LONG TERM ASSETS

Other long term assets includes a claim receivable for 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. The Company commenced arbitration proceedings in April 2022.

Other long term assets also includes claims receivable for the value of instalments paid for the *West Aquila* ($90.0 million) and the *West Libra* ($90.0 million). 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 their claims in full and seek awards for their claims in accordance with the resale contracts and industry standard procedures. The disputes are likely to be determined at a hearing in Q2 2023.

10. 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 and 2021, the Company had 16,133,017 common shares outstanding.

11. 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, 2021, the exercise price of the options was NOK 63.80 (2020: NOK 63.80) and the Company's share price was NOK 14.28 (2020: NOK 6.17). As at December 31, 2021, all of the options had vested and no options had expired or been forfeited (2020: 66,666 options had vested and no options had expired or been forfeited). In 2021, there was $nil in unrecognized stock compensation expense (2020: $0.02 million). Stock compensation expense of $0.02 million was recognized in 2021 (2020: $0.05 million).

12. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of December 31, 2021 and 2020 are as follows:

	2021		2020	
(in thousands of $)	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Cash and cash equivalents	11,214	11,214	18,959	18,959
Other long term assets	229,200	229,200	49,200	49,200

The estimated fair value of financial assets are as follows:

	2021			
(in thousands of $)	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	11,214	11,214	—	—
Other long term assets	229,200	—	—	229,200

	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

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. The amounts represent the total of the instalments paid to DSME for the resale contracts for *West Cobalt*, *West Aquila* and *West Libra*, respectively. As at December 31, 2021, unrecorded interest income is estimated to be approximately $31 million.

13. 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, 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 Group Management (Bermuda) Ltd or Golden Ocean, Frontline Management (Bermuda) Ltd or Frontline Management and Northern Ocean Ltd or Northern Ocean.

On February 23, 2022, Seadrill announced that it has emerged from Chapter 11 after successfully completing its reorganization pursuant to its Chapter 11 plan of reorganization, which was confirmed by the U.S. Bankruptcy Court for the Southern District of Texas on October 26, 2021. Seadrill is no longer considered a related party as from February 23, 2022.

Seadrill transactions
Wholly-owned subsidiaries of Seadrill carried out the newbuilding supervision of the 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 was carried out by the Company itself.

Golden Ocean, Frontline Management and Seatankers Management 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 year ended December 31, 2021 (2020: $0.5 million). The management agreement with Golden Ocean ended in Q3 2021.

Northern Ocean transactions
Northern Ocean provides management services to the Company and charged $1.3 million in the year ended December 31, 2021 (2020: $0.6 million).

Related party balances
A summary of balances due to related parties at December 31, 2021 and 2020 is as follows:

(in thousands of $)	**2021**	2020
Seadrill Global Services Ltd	—	14,600
Northern Ocean Ltd.	**411**	646
Seatankers Management Co. Ltd	—	145
Frontline Management (Bermuda) Ltd	**39**	27
	450	15,418

14. COMMITMENTS AND CONTINGENCIES

As of December 31, 2021, the Company did not have any contractual commitments.

The Company is a party in three arbitration cases involving its cancelled newbuilding resale contracts and believes that the resolution of such claims will have a favourable impact on its financial condition. As at December 31, 2021, unrecorded interest income is estimated to be approximately $31 million.

15. 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.

16. SUBSEQUENT EVENTS

On March 2, 2022, Hemen launched an offer to buy all of the remaining shares in the Company at an offer price per share of NOK 17.00 (the "Mandatory Offer"). The period of the Mandatory Offer closed on March 30, 2022 and acceptances of 84,297 shares were received by Hemen corresponding to approximately 0.52% of the registered share capital and voting rights in the Company. Following settlement, Hemen own 6,555,151 shares in the Company, representing approximately 40.63% of the registered share capital and voting rights in the Company. Settlement of the mandatory offer took place in April 2022.

The Company commenced arbitration proceedings in respect of its claim for the *West Cobalt* in April 2022.

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

Independent Auditor's Report

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Northern Drilling Ltd. and its subsidiaries (the Group), which comprise the balance sheets as at 31 December 2021, the statements of operations, the statements of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Our disclaimer is consistent with our additional report to the Audit Committee.

Basis for Disclaimer of Opinion

The group has recognized a claim receivable at USD 229.200 thousand in the balance sheet. The claim, which represent more than 95% of the Group's total assets per 31 December 2021, is presented at fair value. The legal proceedings are in its early stages. Neither management nor legal counsel are at the date of the financial statements able to express any opinions about the expected outcome of the proceedings. As a consequence, we have not been able to establish whether the value of the claim receivable and corresponding line items in the statements of operations and statements of changes in equity require adjustment.

We further draw attention to Note 2 in the financial statements and the Board of Director's report which indicates that the Group is dependent on a successful outcome of the legal proceedings or on raising new loans and/or equity issuances to finance its ongoing operations. As stated in Note 2, these events, or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Qualified Opinion on the Board of Directors' report

The Board of Directors and the Managing Director (management) is responsible for the information in the Board of Directors' report. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and to express an opinion about the Board of Directors' report. As described in the *Basis for Disclaimer of Opinion* section of our report on the financial statements, we have not been able to obtain sufficient and appropriate audit evidence for the value of the Group's claim receivable and corresponding line items in the statements of operations and statements of changes in equity. Consequently, we have not been able to conclude whether there is a material misstatement in the Board of Directors' report pertaining to the discussion of valuation of the claim receivable.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report, except for the possible effects of the matter described above,

- is consistent with the financial statements and

- contains the information required by applicable legal requirements

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a fair presentation in accordance with the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with International Standards on Auditing, and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Group for 5 years from the election by the shareholders for the accounting year 2017.

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Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name NODL-2021-12-31-EN have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation and publication of the financial statements.

Auditor's Responsibilities
For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Stavanger, 28 April 2022
PricewaterhouseCoopers AS

Arne Birkeland
State Authorised Public Accountant

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