**CONSOLIDATED FINANCIAL STATEMENTS**

**NORTHERN DRILLING LTD.**

**YEAR ENDED DECEMBER 31, 2022**

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**Northern Drilling Ltd.**
**Board of Directors' Report**

## Key Information

Unless otherwise indicated, the terms "Northern Drilling", "we", "us", "our", the "Company" and the "Group" refer to Northern Drilling Ltd., and its consolidated subsidiaries.

Unless otherwise indicated, all references to "U.S. dollars", "USD", "dollars", "US$" and "$" in this Annual Report are to the lawful currency of the United States of America, references to "Norwegian Kroner", and "NOK" are to the lawful currency of Norway.

## Company Background

Northern Drilling Ltd. was incorporated under the laws of Bermuda on March 2, 2017. The Company was set up to be an international offshore drilling contractor to the oil and gas industry, with the ambition of acquiring and operating modern offshore drilling vessels.

As of the date of this report, the Company does not own any drilling vessels due to the termination of the Company's three construction resale contracts in 2019 and 2021. The yard constructing the vessels, Daewoo Shipbuilding & Marine Engineering Co. Ltd. ("DSME"), has disputed the terminations of all three resale contracts. Arbitration proceedings are ongoing to determine the disputed claims. The Company believes that the resolution of the claims put forward in the arbitration proceedings will have a favorable impact on its financial position and has therefore recorded claim receivables at the value of pre-delivery instalments paid on three terminated rig construction contracts.

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.

Our registered office is at Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton, Bermuda. Our website is www.northerndrillingltd.com.

## Operational Activity

i) *West Aquila*

On August 17, 2021, the resale contract for the rig known as the *West Aquila* was terminated by a subsidiary of Northern Drilling Ltd. (West Aquila Inc.) due to delay of delivery as well as repudiatory breach of contract. The contractual delivery date for the *West Aquila* was January 31, 2021, and DSME failed to deliver the rig on this date or at any time thereafter. DSME has disputed the Company's claims and commenced arbitration proceedings in London pursuant to the resale contract, claiming damages and that DSME is entitled to retain the pre-delivery instalment of $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. is defending DSME's claim in full and seeks awards for their claim of the $90.0 million instalment previously paid plus interest and damages, in accordance with the resale contract and industry standard procedures. The dispute is to be determined at a scheduled hearing in May 2023.

ii) *West Libra*

On October 16, 2021, the resale contract for the rig known as *West Libra* was terminated by a subsidiary of Northern Drilling Ltd. (West Libra Inc.). The contractual delivery date for the *West Libra* was March 31, 2021, and DSME failed to deliver the rig on this date or at any time thereafter. DSME has disputed this claim and commenced arbitration proceedings in London pursuant to the resale contract, claiming damages and that DSME is entitled to retain the pre-delivery instalment of $90.0 million and to apply it against its losses as a result of the termination, which have yet to fully crystalize. West Libra Inc. is defending DSME's claims in full and seeks awards for their claim of the $90.0 million instalment previously paid plus interest and damages, in accordance with the resale contract and industry standard procedures. The dispute is to be determined at a scheduled hearing in May 2023.

iii) *West Cobalt*

In 2019, a subsidiary of Northern Drilling (West Cobalt Inc.) rescinded the resale contract for the purchase of the rig known as the *West Cobalt.* On April 17, 2022, West Cobalt Inc. commenced arbitration proceedings against DSME for claims relating to DSME's misrepresentations and West Cobalt Inc.'s recission of the resale contract. Before West Cobalt Inc. could serve its claim submissions by the agreed deadline, DSME served its own claim submissions and thereby DSME became the claimant in the arbitration and claims its alleged shortfall upon resale of the rig. West Cobalt Inc. served its defense and counterclaim submissions in September 2022 and claimed $49.2 million in respect of the first and second instalments already paid to DSME plus interest and damages. The hearing date to determine the dispute has yet to be fixed.

Following the termination of the said resale contracts, the Company has no rigs under construction.

**Corporate Social Responsibility**
Ensuring high standards environmentally, ethically, and socially are key values of the Company for which the Group has established policies, procedures and guidelines. The sections below of 'The Working and Social Environment', 'Employment Equality', 'Impact on the External Environment' and 'Human Rights, Anti-corruption and Anti-bribery' more specifically detail how the Company operates in accordance with these values.

**The Working and Social Environment**
At the end of 2022, the Company had one employee. The Company's CEO and other management are employed by a subsidiary of a related party, Northern Ocean Ltd. ("NOL"). An allocation of the costs of these services is invoiced to Northern Drilling. 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 four men.

**Employment Equality**
Northern Drilling is an equal opportunities employer and does not discriminate against any employee or job applicant because of race, color, religion, national origin, sex, age or physical disability. The Company's recruitment policy is based on these values. The Company has in 2022 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's activities are currently limited to arbitrations proceedings regarding the termination of three resale contracts, which have minimal impact on the external environment.

**Human Rights, Anti-corruption and Anti-bribery**
The Company's activities are currently limited to arbitrations proceedings regarding the termination of three resale contracts, which the Company considers to be low risk regarding human rights, corruption and bribery. The Company however continues to have strict policies, procedures and guidelines to mitigate potential risks.

**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.

**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 disputes 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 dependent on the level of activity in the offshore oil and gas industry generally and the drilling industry specifically. The industry is highly competitive and is significantly impacted by the price of oil, which can be very volatile.

**Prospects for the Future**
The Company continues to have a positive outlook for the offshore deepwater market in 2023 and beyond. Following the termination of the newbuilding program, the near term primary focus of the Company will continue to be pursuing a favorable 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 and 3-3c of the Norwegian Accounting Act and certain aspects of Norwegian securities law and is also obligated to adhere to the Norwegian Code of Practice for Corporate Governance, or the Code of Practice, on a "comply or explain" basis. Further, the Company has in place a Memorandum of Association and Bye-Laws, which set forth certain governance provisions. The Norwegian Accounting Act is found on www.lovdata.no and the Code of Practice is found on www.nues.no.

The Company's corporate governance principles are based on the Code of Practice. However, since the Company is governed by Bermuda laws and regulations, and given the nature of the Group's activities, certain practices are applied which deviate from some of the recommendations of the Code of Practice.

In the following sections, the Company's corporate governance policies and procedures will be explained, with reference to the principles of corporate governance as set out in the sections identified in the Code of Practice. This summary does not purport to be complete and is qualified in its entirety by the Company's Memorandum of Association and Bye-Laws, Bermuda and Norwegian law.

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

In accordance with normal practice for Bermuda companies, the Company's Bye-Laws do not include a specific description of its business. According to the Memorandum of Association, the objects for which the Company was formed and incorporated are unrestricted. As a Bermuda incorporated company, the Company has chosen to establish the constitutional framework in compliance with the normal practice of Bermuda and accordingly deviate from section 2 of the Code of Practice.

*Section 3 "Equity and dividends":* The Company's equity capital is at a level appropriate for its objectives, strategy, and risk profile. In accordance with Bermuda law, the Board of Directors is authorized to permit its own shares to be held as treasury shares, and to issue any un-issued shares within the limits of the authorized share capital without further shareholder approval. These authorities are neither limited to specific purposes nor to a specific period as recommended in section 3 of the Code of Practice. The Board of Directors will propose to the shareholders that they consider and, if necessary, resolve to increase the authorized capital of the Company that will allow the Board of Directors some flexibility to increase the number of issued shares without further shareholder approval. Any increase of the authorized capital is, however, subject to approval by the shareholders by simple majority of the votes cast. While the Company aims at providing competitive long-term return on the investments of its shareholders, it does not currently have a formal dividend policy.

*Section 4 "Equal treatment of shareholders and transaction with close associates":* Neither the Company's Bye-Laws nor Bermuda company laws include regulation of pre-emptive rights for shareholders in connection with share capital increases. The Bye-Laws provide for the Board of Directors in its sole discretion to direct a share issue to existing shareholders at par value or at a premium price. The Company is subject to the general principle of equal treatment of shareholders under the Norwegian Securities Trading Act section 5-14. The Board of Directors will, in connection with any future share issues, on a case-by-case basis, evaluate whether deviation from the principle of equal treatment is justified. The Board of Directors will consider and determine on a case-by-case basis whether independent third party evaluations are required if entering into agreements with close associates in accordance with the Code of Practice section 5. The Board of Directors may decide, however, due to the specific agreement or transaction, to deviate from this recommendation if the interests of the shareholders in general are believed to be maintained in a satisfactory manner through other measures.

Section 5 "*Freely negotiable shares*": With limited exceptions, all shares in the Company are freely negotiable, and the Bye-Laws contain no form of restriction on the negotiability of the shares, or on voting rights.

*Section 6 "General meetings":* The Company's Bye-Laws require five days' notice for a meeting of the shareholders, rather than 21 days. Given the Company's current commercial position, this shorter period is considered to be sufficient for shareholders to consider the matters being voted on.

The Company strives to maintain an open and fair dialogue with its shareholders through the publishing of information, presentations and responding to questions from shareholders. The Company has not, however, taken specific measures for obtaining shareholders' proposals for matters to be proposed to the meeting of shareholders. In the view of the Company, the current shareholder structure, the shareholder representation, and the policy to communicate with shareholders is sufficient to ensure that shareholders may communicate their points of view to the executive management and the Board.

The Board of Directors has not made arrangements for an independent Chairman for each annual meeting of the shareholders as the Company believes that the Chairman of the Board can act independently and in the interests of shareholders. Further, the Company does not believe that it is necessary for all directors and the auditor to be physically present at the meeting of the shareholders.

As a Bermuda registered company, the general meetings of the Company can be conducted through proxy voting. The VPS registered shareholders are holders of interests in the shares and thus represented by the VPS Registrar in the general meetings and not through their own physical presence. This is in line with the general practice of other non-Norwegian companies listed on the Oslo Stock Exchange. The Company complies in all other respects with the recommendations for general meetings as set out in of the Code of Practice.

*Section 7 "Nomination committee":* As permitted under Bermuda law, the Company will not have a nomination committee as recommended by the Code of Practice section 7. In lieu of a nomination committee comprised of independent directors, the Board of Directors is responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees.

*Section 8 "Corporate assembly and board of directors":* The Company's Board of Directors 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 believes 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 controls and systems for risk management that are appropriate relative to the extent and nature of the Company's activities. Further, the Board in conjunction with executive management evaluates the risk inherent in the operations of the Company. Principal among these risks currently are the ability to finance the ongoing activities of the Company, 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 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, 2022, 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. 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, together with a description of the principal risks and uncertainties facing the Company.

Board of Directors and Chief Executive Officer of Northern Drilling Ltd.
April 28, 2023

/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, 2022 and 2021**
*(in thousands of $, except (loss) gain per share)*

| | 2022 | 2021 |
|---|---|---|
| **Total operating revenues** | **—** | — |
| **Operating expenses** | | |
| Impairment loss | — | 20,337 |
| Administrative expenses | 6,385 | 5,151 |
| **Total operating expenses** | **6,385** | **25,488** |
| **Net operating loss** | **(6,385)** | **(25,488)** |
| **Other income (expenses)** | | |
| Bank interest income | 76 | 4 |
| Other financial expenses | (43) | (5) |
| **Total other (expenses) income** | **33** | **(1)** |
| **Net loss before taxes** | **(6,352)** | **(25,489)** |
| Tax | — | — |
| **Net loss from continuing operations** | **(6,352)** | **(25,489)** |
| Related party settlement gain, net of taxes | — | 14,601 |
| **Net loss** | **(6,352)** | **(10,888)** |
| | | |
| **Basic and diluted earnings per share:** | | |
| Basic and diluted loss per share from continuing operations ($) | (0.39) | (1.58) |
| Basic and diluted gain per share attributable to the related party settlement gain, net of taxes ($) | — | 0.91 |
| Basic and diluted loss per share ($) | (0.39) | (0.67) |

*See accompanying Notes to the Consolidated Financial Statements*

**Northern Drilling Ltd.**
**Consolidated Statements of Comprehensive Income for the years ended December 31, 2022 and 2021**
*(in thousands of $)*

| | 2022 | 2021 |
|---|---|---|
| **Net loss** | **(6,352)** | **(10,888)** |
| Other comprehensive income | — | — |
| **Comprehensive loss** | **(6,352)** | **(10,888)** |

*See accompanying Notes to the Consolidated Financial Statements*

**Northern Drilling Ltd.**
**Consolidated Balance Sheets at December 31, 2022 and 2021**
*(in thousands of $)*

| | 2022 | 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 1,918 | 11,214 |
| Other current assets | 3,342 | 256 |
| **Total current assets** | **5,260** | **11,470** |
| **Non-current assets** | | |
| Fixtures and fittings | — | 1 |
| Other long-term assets | 229,200 | 229,200 |
| **Total non-current assets** | **229,200** | **229,201** |
| **Total assets** | **234,460** | **240,671** |
| | | |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Other current liabilities | 669 | 511 |
| Related party payables | 405 | 450 |
| **Total current liabilities** | **1,074** | **961** |
| **Commitments and contingencies (Note 13)** | | |
| **Equity** | | |
| Share capital (16,133,017 shares issued and outstanding, par value $1.00 each) | 16,133 | 16,133 |
| Additional paid in capital | 260,614 | 260,586 |
| Accumulated other comprehensive income | 16 | 16 |
| Retained deficit | (43,377) | (37,025) |
| **Total equity** | **233,386** | **239,710** |
| **Total liabilities and equity** | **234,460** | **240,671** |

*See accompanying Notes to the Consolidated Financial Statements*

**Northern Drilling Ltd.**
**Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021**
*(in thousands of $)*

| | 2022 | 2021 |
|---|---|---|
| **Net loss** | **(6,352)** | **(10,887)** |
| Adjustment to reconcile net loss from continuing to net cash (used in) provided by operating activities; | | |
| Impairment loss | — | 20,337 |
| Stock option expense | 28 | 20 |
| Related party settlement gain, net of taxes | — | (14,601) |
| Change in operating assets and liabilities; | | |
| Other current assets | (3,084) | 34 |
| Other current liabilities | 157 | 107 |
| Related party balances | (45) | (367) |
| **Net cash (used in) provided by operating activities** | **(9,296)** | **(5,357)** |
| | | |
| **Investing activities** | | |
| Additions to newbuildings | — | (2,388) |
| **Net cash used in investing activities** | **—** | **(2,388)** |
| | | |
| **Financing activities** | | |
| **Net cash used in financing activities** | **—** | **—** |
| | | |
| **Net change** | **(9,296)** | **(7,745)** |
| **Cash, cash equivalents and restricted cash at start of the year** | **11,214** | **18,959** |
| **Cash, cash equivalents and restricted cash at end of the year** | **1,918** | **11,214** |
| | | |
| **Supplemental disclosure of cash information:** | | |
| Interest paid, net of interest capitalized | — | — |
| 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, 2022 and 2021**
*(in thousands of $, except number of shares)*

| | 2022 | 2021 |
|---|---|---|
| **Number of shares outstanding** | | |
| Balance at start of the year | 16,133,017 | 16,133,017 |
| **Balance at end of the year** | **16,133,017** | **16,133,017** |
| | | |
| **Share capital** | | |
| Balance at start of the year | 16,133 | 16,133 |
| **Balance at end of the year** | **16,133** | **16,133** |
| | | |
| **Additional paid in capital** | | |
| Balance at start of the year | 260,586 | 260,566 |
| Stock option expense | 28 | 20 |
| **Balance at end of the year** | **260,614** | **260,586** |
| | | |
| **Accumulated other comprehensive income** | | |
| Balance at start of the year | 16 | 16 |
| **Balance at end of the year** | **16** | **16** |
| | | |
| **Retained deficit** | | |
| Balance at start of the year | (37,025) | (26,137) |
| Net loss | (6,352) | (10,888) |
| **Balance at end of the year** | **(43,377)** | **(37,025)** |
| | | |
| **Total equity** | **233,386** | **239,710** |

*See accompanying Notes to the Consolidated Financial Statements*

**Northern Drilling Ltd.**
**Notes to the Consolidated Financial Statements**

## 1. GENERAL

Northern Drilling was incorporated under the laws of Bermuda on March 2, 2017. The Company was set up to be an international offshore drilling contractor to the oil and gas industry, with the ambition of acquiring and operating modern drilling assets.

As of the date of this report, the Company does not own any drilling assets, instead holding claim receivable assets recorded at the value of the pre-delivery instalments paid on three terminated rig construction contracts with Daewoo Shipbuilding & Marine Engineering Co. Ltd. ("DSME").

## 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, 2023, 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. All intercompany balances and transactions have been eliminated on consolidation.

**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 terminated newbuilding contracts were removed from Newbuildings in 2021 and 2019 and recorded in the balance sheet as other long-term assets, at which time the pre-delivery instalments paid became 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**
The Company has not recently adopted any new accounting standards.

## 3. 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 closed out 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 settlement resulted in a gain of $14.6 million being recorded in the year ended December 31, 2021.

## 4. 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 are not subject to income tax.

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

## 5. EARNINGS PER SHARE

The computation of basic earnings per share is calculated by dividing the net income attributable to the Company by the weighted average number of shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net income attributable to the Company by the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. If in the period there is a loss then any potential ordinary shares have been excluded from the calculation of diluted loss per share as their effect would be anti-dilutive.

The components of the numerator and the denominator in the calculation are as follows;

| *(in thousands of $, except number of shares)* | **2022** | **2021** |
|---|---|---|
| **Net loss from continuing operations** | **(6,352)** | **(25,489)** |
| Related party settlement gain, net of taxes | — | 14,601 |
| **Net loss attributable to the Company** | **(6,352)** | **(10,888)** |
| | | |
| **Weighted average number of ordinary shares *(in thousands)*** | **16,133** | **16,133** |

## 6. NEWBUILDINGS

Movements in the carrying value of Newbuildings in the years ended December 31, 2022 and 2021 may be summarized as follows;

| *(in thousands of $)* | **2022** | **2021** |
|---|---|---|
| **Balance at beginning of the year** | — | **197,943** |
| Newbuilding supervision fees and costs | — | 2,394 |
| Transfer to Other long-term assets | — | (180,000) |
| Impairment loss | — | (20,337) |
| **Balance at end of the year** | — | — |

The Newbuildings balance at December 31, 2022 and 2021 was nil.

The movements in the carrying value of the Newbuildings in the year ended December 31, 2021 may be summarized as follows;

On August 17, 2021, the 7th generation drillship *West Aquila* resale contract with DSME was terminated 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 pre-delivery instalment paid plus interest and damages. This amount is included in other long-term assets at December 31, 2022 and 2021.

On October 16, 2021, West Libra Inc., a wholly owned subsidiary of the Company, notified DSME that it terminated 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 pre-delivery instalment paid plus interest and damages. This amount is included in other long-term assets at December 31, 2022 and 2021.

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

## 7. OTHER CURRENT ASSETS

A summary of the other current assets at December 31, 2022 and 2021 is as follows:

| *(in thousands of $)* | **2022** | **2021** |
|---|---|---|
| Pre-paid insurance | 178 | 219 |
| Arbitration guarantee | 3,150 | — |
| Other | 14 | 37 |
| | **3,342** | **256** |

In relation to the disputes relating to the rigs known as *West* Aquila and *West* Libra, during the year ended December 31, 2022, in accordance with normal arbitration proceedings the Company was instructed by the arbitration tribunal to provide a guarantee as security for DSME's costs of the arbitration up to December 31, 2022. The guarantee will be returned to the Company should the dispute and corresponding hearing be determined in favour of Northern Drilling.

## 8. OTHER LONG-TERM ASSETS

Other long-term assets include a claim receivable for the value of the first and second instalments paid for the *West Cobalt* ($49.2 million). The dispute arose in 2019, when West Cobalt Inc., a wholly owned subsidiary of the Company, sent notice to DSME informing the yard it was rescinding the resale contract for the purchase of the rig known as the *West Cobalt* and claimed the return of all sums paid to DSME plus interest and damages. On April 27, 2022, West Cobalt Inc. commenced arbitration proceedings against DSME for claims relating to DSME's misrepresentations and West Cobalt Inc.'s recission of the resale contract. Before West Cobalt Inc. could serve its claim submissions by the agreed deadline, DSME served its own claim submissions and thereby DSME became the claimant in the arbitration and claims its alleged shortfall upon resale of the rig. West Cobalt Inc. served its defense and counterclaim submissions in September 2022 claiming $49.2 million in respect of the first and second instalments already paid to DSME plus interest and damages. The hearing date to determine the dispute has yet to be fixed.

Other long-term assets also includes claim receivables for the value of pre-delivery instalments paid for the rigs known as *West Aquila* ($90.0 million) and the *West Libra* ($90.0 million). The resale contracts for *West Aquila* and *West Libra* with DSME were terminated by wholly owned subsidiaries of the Company, 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 damages and that DSME is entitled to retain the $180.0 million of instalments and apply it against losses as a result of the termination, which have yet to fully crystalize. West Aquila Inc. and West Libra Inc. are defending DSME's claims in full and seek awards for their claims in accordance with the resale contracts and industry standard procedures. The disputes are scheduled to be determined at a hearing in May 2023.

## 9. SHARE CAPITAL

The Company has an authorized share capital of $1,000,000,000 comprising 1,000,000,000 common shares, each with a par value of $1.00.

There were no changes in the share capital of the company in the years ended December 31, 2022, and 2021. As at December 31, 2022 and 2021, the Company had 16,133,017 common shares outstanding.

## 10. SHARE OPTIONS

In May 2022, the Board of Directors issued 276,000 share options to executive management with the terms of the Company's Share Option Scheme. The share options will vest in tranches in the period from May 2024 to May 2027. The exercise price 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:

| | **May-22** |
|---|---|
| Risk free interest rate | 3.13 % |
| Expected life | 3.5 years |
| Expected volatility | 77.97 % |
| Expected dividend yield | — % |

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.

As at December 31, 2022, the exercise price of the options was NOK 34.95 and the Company's share price was NOK 30.00. None of the options had vested and no options had expired or been forfeited. At year-end 2022, there was $0.05 million in unrecognized stock compensation expense, with $0.03 million of stock compensation expense being recognized during 2022.

## 11. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of December 31, 2022 and 2021 are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| *(in thousands of $)* | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Assets: | | | | |
| Cash and cash equivalents | 1,918 | 1,918 | 11,214 | 11,214 |
| Other long-term assets | 229,200 | 229,200 | 229,200 | 229,200 |

The estimated fair value of financial assets is as follows:

| | 2022 | | | |
|---|---|---|---|---|
| *(in thousands of $)* | Fair Value | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Cash and cash equivalents | 1,918 | 1,918 | — | — |
| Other long-term assets | 229,200 | — | — | 229,200 |

| (in thousands of $) | 2021 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 |

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 of the instalments paid to DSME for the resale contracts for *West Cobalt*, *West Aquila* and *West Libra*. As at December 31, 2022, unrecorded interest is estimated to be approximately $40 million, plus further interest in relation to the sums claimed relating to the West Cobalt, which have not yet been quantified.

## 12. RELATED PARTY TRANSACTIONS

Hemen Holding Ltd ("Hemen"), a Cyprus holding company, indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family, owned 40.6% of the Company's outstanding ordinary shares at December 31, 2022.

In the twenty four months ended December 31, 2022, the Company has transacted business with the following related parties, being companies in which Hemen or companies affiliated with Hemen, has a significant interest - Seadrill Ltd ("Seadrill"), Seatankers Management Co. Ltd ("Seatankers Management"), Front Ocean Management AS and Front Ocean Management Ltd (together "Front Ocean"), Frontline Management (Bermuda) Limited, or Frontline Management (together "Frontline") and Northern Ocean Ltd ("Northern Ocean").

*Seadrill transactions*
In December 2021, the Company signed a settlement agreement with Seadrill. The settlement closed all outstanding balances and claims between the companies. Seadrill is no longer considered a related party as of February 23, 2022.

*Frontline, Front Ocean and Seatankers Management transactions*
The Company and its subsidiaries receive treasury, accounting, corporate secretarial and advisory services from these entities and was charged $0.2 million in the year ended December 31, 2022 (2021: $0.3 million).

*Northern Ocean transactions*
Northern Ocean provides management services to the Company and charged $0.9 million in the year ended December 31, 2022 (2021: $1.3 million).

**Related party balances**
A summary of balances due to related parties at December 31, 2022 and 2021 is as follows:

| (in thousands of $) | **2022** | **2021** |
|---|---|---|
| Northern Ocean | 405 | 411 |
| Frontline | — | 39 |
| | **405** | **450** |

## 13. COMMITMENTS AND CONTINGENCIES

As of December 31, 2022, the Company did not have any contractual commitments.

The Company is a party in three arbitration cases involving its terminated newbuilding resale contracts and believes that the resolution of such claims will have a favorable impact on its financial condition. As at December 31, 2022, unrecorded interest is estimated to be approximately $40 million, plus further interest in relation to the sums claimed relating to the West Cobalt, which have not yet been quantified.

## 14. SUBSEQUENT EVENTS

On February 01, 2023, the Company carried out a private placement of new shares in the Company. New shares in the amount of 3,214,806 were issued at a subscription price of NOK 31.00, raising approximately $10 million in gross proceeds.

The net proceeds from the Private Placement will be used to cover litigation costs for the ongoing arbitration proceedings relating to claims arising from the termination of resale shipbuilding contracts for the rigs *West Aquila*, *West Libra*, and *West Cobalt* for other general corporate expenses of overheads and allocations.

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 2022, the statements of operations, 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 of the Group. As a result 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 Board of Directors.

### Basis for Disclaimer of Opinion

The Group has recognised a claim receivable at USD 229.200 thousand in the balance sheet. The claim, which represents more than 97% of the Group's total assets per 31 December 2022, is presented at fair value. The legal proceedings are in 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 to the financial statements and the Board of Director's report which indicate 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 substantial doubt on the Group's ability to continue as a going concern.

### Qualified Opinion on the Board of Directors' report

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. 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 changes in equity. Consequently, we have not been able to conclude whether there is a material misstatement in the Board of Director's 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 statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statement 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 and using the going concern basis of accounting unless liquidation of the Group becomes imminent.

### 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 6 years from the election by the shareholders for the accounting year 2017.

## Report on Other Legal and Regulatory Requirements

### Report on Compliance with Requirement on European Single Electronic Format (ESEF)

*Opinion*

As part of the audit of the financial statements of Northern Drilling Ltd, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name NODL-2022-12-31-EN, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

*Management's Responsibilities*

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

*Auditor's Responsibilities*

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Group's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Stavanger, 28 April 2023
**PricewaterhouseCoopers AS**

Arne Birkeland
State Authorised Public Accountant