



**NORTHERN DRILLING LTD.
RESULTS FOR THE SIX MONTHS
ENDED JUNE 30, 2023**

Key Information

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

Unless otherwise indicated, all references to "\$" in this annual report are to the lawful currency of the United States of America.

Business Update

As of the date of this report the Company does not own any drilling assets 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 a favorable resolution of the claims put forward in the arbitration proceedings will have a positive 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. A summary of the status of the arbitration proceedings for each of the three rigs is as follows:

i) *West Aquila*

On August 17, 2021, the resale contract for the rig known as the *West Aquila* was terminated by West Aquila Inc., a wholly owned subsidiary of Northern Drilling, 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 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. As at the date of this report the hearing to resolve the dispute has been completed and the Company is waiting for the tribunal to publish the award.

ii) *West Libra*

On October 16, 2021, the resale contract for the rig known as the *West Libra* was terminated by West Libra Inc., a wholly owned subsidiary of Northern Drilling. 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 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. As at the date of this report the hearing to resolve the dispute has been completed and the Company is waiting for the tribunal to publish the award.

iii) *West Cobalt*

In 2019, West Cobalt Inc., a wholly owned subsidiary of Northern Drilling, 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. 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.

On February 1, 2023, the Company concluded a private placement of new shares for gross proceeds of approximately \$10.0 million. The proceeds from the private placement were to cover arbitration costs for the ongoing arbitration proceedings and for general corporate purposes.

On August 28, 2023, in order to cater for further legal and tribunal costs in advance of the tribunal providing their ruling in the arbitration proceedings, the Company has obtained a \$1.7 million revolving credit facility with equity like terms. The facility is provided by a related party, Sterna Finance Ltd.

Results of Operations

In the six months ended June 30, 2023, the Company generated no operating revenue, the same as in the six months ended June 30, 2022.

Total operating expenses increased by \$3.9 million to \$6.5 million in the six months ended June 30, 2023, as compared to the six months ended June 30, 2022. The increase in operating expenses is attributable to an increase in legal costs relating to the aforementioned disputes.

Forward-Looking Statements

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

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

The Board of Directors
Northern Drilling Ltd.
Hamilton, Bermuda
August 28, 2023

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

NORTHERN DRILLING LTD.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS <i>(in thousands of \$)</i>	2023 Jan-Jun	2022 Jan-Jun	2022
Administrative expenses	6,450	2,561	6,385
Total operating expenses	6,450	2,561	6,385
Net operating loss	(6,450)	(2,561)	(6,385)
Interest income	257	19	76
Other financial expense	(35)	(24)	(43)
Net loss before taxes	(6,228)	(2,566)	(6,352)
Tax	—	—	—
Net loss attributable to the Company	(6,228)	(2,566)	(6,352)
Basic and diluted loss per share attributable to the Company (\$)	(0.33)	(0.16)	(0.39)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS <i>(in thousands of \$)</i>	2023 Jan-Jun	2022 Jan-Jun	2022
Net loss	(6,228)	(2,566)	(6,352)
Other comprehensive income	—	—	—
Comprehensive loss attributable to the Company	(6,228)	(2,566)	(6,352)

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

NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET <i>(in thousands of \$)</i>	Jun 2023	Dec 2022
ASSETS		
Short-term		
Cash and cash equivalents	996	1,918
Arbitration guarantee	7,876	3,150
Other current assets	421	192
Short-term claim receivable	180,000	—
Long-term		
Long-term claim receivables	49,200	229,200
Total assets	238,493	234,460
LIABILITIES AND EQUITY		
Short-term liabilities		
Other current liabilities	730	669
Related party payables	693	405
Commitments and contingencies (Note 8)		
Total equity	237,070	233,386
Total liabilities and equity	238,493	234,460

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

NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW <i>(in thousands of \$)</i>	2023 Jan-Jun	2022 Jan-Jun	2022
Net loss from continuing operations	(6,228)	(2,566)	(6,352)
Adjustment to reconcile net loss from continuing operations to net cash (used in) provided by operating activities;			
Stock option expense	28	—	28
Change in operating assets and liabilities;			
Arbitration guarantee	(4,726)	—	(3,150)
Other current assets	(229)	(235)	66
Other current liabilities	62	111	157
Related party balances	289	(185)	(45)
Net cash used in operating activities	(10,804)	(2,875)	(9,296)
INVESTING ACTIVITIES			
Net cash used in investing activities	—	—	—
FINANCING ACTIVITIES			
Share issuance	9,882	—	—
Net cash provided by financing activities	9,882	—	—
Net change	(922)	(2,875)	(9,296)
Cash and cash equivalents at start of the period	1,918	11,214	11,214
Cash and cash equivalents at end of the period	996	8,339	1,918

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

NORTHERN DRILLING LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <i>(in thousands of \$ except number of shares)</i>	2023 Jan-Jun	2022
Number of shares outstanding		
Balance at beginning of period	16,133,017	16,133,017
Share issuance	3,214,806	—
Balance at end of period	19,347,823	16,133,017
Share capital		
Balance at beginning of period	16,133	16,133
Share issuance	3,215	—
Balance at end of period	19,348	16,133
Additional paid in capital		
Balance at beginning of period	260,614	260,586
Stock option expense	28	28
Share issuance	6,667	—
Balance at end of period	267,309	260,614
Accumulated other comprehensive income		
Balance at beginning of period	16	16
Balance at end of period	16	16
Retained deficit		
Balance at beginning of period	(43,375)	(37,025)
Net loss	(6,228)	(6,352)
Balance at end of period	(49,603)	(43,377)
Total equity attributable to the Company	237,070	233,386

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

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

1. GENERAL

Northern Drilling 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”).

The Company’s activities are subject to significant risks and uncertainties that can have an adverse effect on the Company’s business, financial condition, results of operations and cash flow. Such risks and uncertainties include, among others, failure to achieve a satisfactory outcome in the disputes with DSME. In addition, public health threats, such as the Coronavirus, influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate, could adversely impact our operations as well as the potential operations of customers.

2. BASIS OF ACCOUNTING

The unaudited condensed consolidated financial statements are stated in accordance with accounting principles generally accepted in the United States. The unaudited condensed consolidated financial statements do not include all of the disclosures required in annual and interim consolidated financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2022.

Going Concern Assumption

These unaudited condensed consolidated financial statements are prepared under the going concern assumption. The Company is dependent on loans and/or equity issuances and/or successful outcomes in its disputes with DSME to finance its ongoing operations, which raises substantial doubt about the Company’s ability to continue as a going concern. The Company continues to evaluate all available options. There is no assurance that the Company will be able to execute its strategy.

3. INCOME TAXES

Bermuda

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

Other Jurisdictions

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

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

4. EARNINGS PER SHARE

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

	2023 Jan-Jun	2022 Jan-Jun	2022
Basic and diluted loss attributable to the Company (in thousands of \$)	(6,228)	(2,566)	(6,352)
Weighted average number of ordinary shares (in thousands)	18,779	16,133	16,133

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

5. CLAIM RECEIVABLE

Short-term claim receivable contains the balance of pre-delivery instalments paid for the rigs known as the *West Aquila* (\$90.0 million) and the *West Libra* (\$90.0 million). The resale contracts for the *West Aquila* and the *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 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. As at the date of this report the hearings to resolve the disputes have been completed and the Company is waiting for the tribunal to publish the award.

Long-term claim receivable contains the balance of instalments paid for the *West Cobalt* (\$49.2 million). In 2019, West Cobalt Inc., a wholly owned subsidiary of Northern Drilling 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. 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. Both parties have served reply submissions. The hearing date to determine the dispute has yet to be fixed.

6. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of June 30, 2023 are as follows:

(in thousands of \$)	Carrying Value	Fair Value
Assets:		
Cash and cash equivalents	996	996
Short-term claim receivable	180,000	180,000
Long-term claim receivable	49,200	49,200

The estimated fair value of financial assets are as follows:

(in thousands of \$)	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	996	996	—	—
Short-term claim receivable	180,000	—	—	180,000
Long-term claim receivable	49,200	—	—	49,200

The Company believes that the carrying value of cash and cash equivalents in the balance sheet approximates fair value.

Cash and cash equivalents – the carrying value in the balance sheet approximates fair value.

Short-term claim receivable – the carrying value in the balance sheet approximates fair value of the instalments paid to DSME for the resale contracts for the *West Aquila* and the *West Libra*. As at June 30, 2023, unrecorded interest is estimated to be approximately \$44.7 million.

Long-term claim receivable – the carrying value in the balance sheet approximates fair value of the instalments paid to DSME for the resale contract for the *West Cobalt*. The unrecorded interest relating to the *West Cobalt* has yet to be quantified.

7. 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 40.6% of the Company's outstanding ordinary shares at June 30, 2023.

The Company currently transacts, or previously has transacted, business with the following related parties, being companies in which Hemen, or companies affiliated with Hemen, has a significant interest:

- Front Ocean Management Ltd. and Front Ocean Management AS (together "Front Ocean");
- Frontline Management (Bermuda) Ltd. ("Frontline Management");
- Seatankers Management Co. Ltd. or STM Cyprus Ltd. (together "Seatankers");
- Northern Ocean Ltd ("Northern Ocean").

Frontline Management, Front Ocean and Seatankers transactions:

The Company and its subsidiaries receive treasury, accounting, corporate secretarial and advisory services from these entities and was charged \$0.1 million in the six months ended June 30, 2023.

Northern Ocean transactions:

Northern Ocean provide management services to the Company and charged \$0.7 million in the six months ended June 30, 2023.

Related party balances

A summary of balances due to related parties at June 30, 2023 is as follows:

<i>(in thousands of \$)</i>	Balance
Front Ocean	12
Northern Ocean	675
Frontline Management	6
	693

8. COMMITMENTS AND CONTINGENCIES

The Company did not have any capital commitments at June 30, 2023.

9. SUBSEQUENT EVENTS

On August 28, 2023, in order to cater for further legal and tribunal costs in advance of the tribunal providing their ruling in the arbitration proceedings, the Company has obtained a \$1.7 million revolving credit facility with equity like terms. The facility is provided by a related party, Sterna Finance Ltd.

Responsibility Statement

We confirm, to the best of our knowledge, that the condensed consolidated financial statements for the period January 1 to June 30, 2023, have been prepared in accordance with U.S. generally accepted accounting principles, and give a true and fair view of the Company's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related party transactions.

The Board of Directors and Chief Executive Officer
Northern Drilling Ltd.
Hamilton, Bermuda
August 28, 2023

Gary Casswell (Chairman)
Jon Olav Østhus (Director)
Keesjan Cordia (Director)
Marius Hermansen (Director)
Scott McReaken (Chief Executive Officer)