# UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## NORTHERN OCEAN LTD.

## NINE MONTHS ENDED SEPTEMBER 30, 2019

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**Northern Ocean Ltd.**

**Condensed Consolidated Statements of Operations for the nine months ended September 30, 2019 and September 30, 2018**

*(in thousands of $)*

| | **2019** | 2018 |
|---|---|---|
| **Total operating revenues** | **—** | — |
| **Operating expenses** | | |
| Operating expenses | **699** | — |
| Administrative expenses | **109** | 1 |
| **Total operating expenses** | **808** | 1 |
| **Net operating loss** | **(808)** | (1) |
| **Other income (expenses)** | | |
| Bank interest income | **160** | — |
| Other financial expenses | **(958)** | — |
| **Total other expenses** | **(798)** | — |
| **Net loss** | **(1,606)** | (1) |

*See accompanying Notes to these unaudited interim condensed consolidated financial statements.*

**Northern Ocean Ltd.**
**Condensed Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018**
*(in thousands of $)*

| | 2019 | 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | **599** | 14,851 |
| Related party receivables | **10,979** | 2,251 |
| Other current assets | **339** | 309 |
| **Total current assets** | **11,917** | 17,411 |
| **Long term assets** | | |
| Newbuildings | **918,785** | 594,938 |
| **Total assets** | **930,702** | 612,349 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Current portion of long term debt | **35,000** | 10,000 |
| Other current liabilities | **1,424** | 731 |
| Accrued revenue | **7,685** | — |
| Related party payables | **529,620** | 414,285 |
| **Total current liabilities** | **573,729** | 425,016 |
| **Long term liabilities** | | |
| Long term debt | **355,677** | 187,725 |
| Accrued revenue | **3,294** | — |
| **Total liabilities** | **932,700** | 612,741 |
| **Commitments and contingencies (Note 11)** | | |
| **Equity** | | |
| Share capital (2019 and 2018: 100 shares issued and outstanding, par value $1.00 per share) | **—** | — |
| Retained deficit | **(1,998)** | (392) |
| **Total equity** | **(1,998)** | (392) |
| **Total liabilities and equity** | **930,702** | 612,349 |

*See accompanying Notes to these unaudited interim condensed consolidated financial statements.*

**Northern Ocean Ltd.**
**Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2019 and September 30, 2018**
*(in thousands of $)*

| | 2019 | 2018 |
|---|---|---|
| **Net loss** | **(1,606)** | **(1)** |
| Adjustment to reconcile net loss to net cash (used in) provided by operating activities; | | |
| Amortization of deferred charges | **902** | **—** |
| Change in operating assets and liabilities; | | |
| Other current assets | **(30)** | **3** |
| Related party payables | **(10,978)** | **—** |
| Accrued revenue | **10,979** | **—** |
| **Net cash (used in) provided by operating activities** | **(733)** | **2** |
| **Investing activities** | | |
| Additions to newbuildings | **(205,569)** | **(2)** |
| **Net cash used in investing activities** | **(205,569)** | **(2)** |
| **Financing activities** | | |
| Proceeds from long term bank debt | **200,000** | **—** |
| Repayment of bank debt | **(5,000)** | **—** |
| Debt fees paid | **(2,950)** | **—** |
| **Net cash provided by financing activities** | **192,050** | **—** |
| **Net change in cash and cash equivalents** | **(14,252)** | **—** |
| **Cash and cash equivalents at start of the period** | **14,851** | **1** |
| **Cash and cash equivalents at end of the period** | **599** | **1** |
| | | |
| **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 12.

*See accompanying Notes to these unaudited interim condensed consolidated financial statements.*

**Northern Ocean Ltd.**
**Condensed Consolidated Statements of Changes in Equity for the nine months ended September 30, 2019 and September 30, 2018**
*(in thousands of $, except number of shares)*

| | 2019 | 2018 |
|---|---|---|
| **Number of shares outstanding** | | |
| Balance at start of the period | **100** | 100 |
| Shares issued | **—** | — |
| Balance at end of the period | **100** | 100 |
| | | |
| **Share capital** | | |
| Balance at start of the period | **—** | — |
| Shares issued | **—** | — |
| Balance at end of the period | **—** | — |
| | | |
| **Retained deficit** | | |
| Balance at start of the period | **(392)** | — |
| Loss in the period | **(1,606)** | (1) |
| Balance at end of the period | **(1,998)** | (1) |
| | | |
| **Total equity** | **(1,998)** | (1) |

*See accompanying Notes to these unaudited interim condensed consolidated financial statements.*

## 1. GENERAL

Northern Ocean Ltd. (formerly known as Northern Rig Holding Ltd.), or the Company, is a majority-owned subsidiary of Northern Drilling Ltd. and was incorporated under the laws of Bermuda on March 3, 2017, with its principal executive office located in Hamilton, Bermuda, for the purpose of ownership of offshore drilling rigs. The Company is expected to be primarily engaged in offshore contract drilling for the oil and gas industry in benign and harsh environments worldwide.

Northern Drilling Ltd, or Northern Drilling, was incorporated under the laws of Bermuda on March 2, 2017, with its principal executive office located in Hamilton, Bermuda, for the purpose of ownership of offshore drilling rigs. Northern Drilling's shares were listed on the Oslo Axess in October 2017 and this listing was transferred to the Oslo Stock Exchange in July 2018. Northern Drilling's shares trade under the symbol NODL.

The Company’s activities since incorporation have consisted principally of acquiring drilling units under construction and operational preparations for initial drilling contracts. Up to the time of the internal re-organization described in Note 13 Subsequent Events, the Company was a fully integrated group within Northern Drilling and did not have a separate management function. The Company operated under the management of Northern Drilling and no management fees were charged to the Company by Northern Drilling. Following the internal re-organization in December 2019, the Company will operate as a standalone group and will incur certain management charges.

As of the date of this report, the Company owns two semi-submersible rigs, *West Mira* and *West Bollsta*, that were delivered to the Company in December 2018 and June 2019, respectively. The *West Mira* commenced its contract with Wintershall Norge AS on November 7, 2019 and the *West Bollsta* is being mobilised for its commencement with Lundin Norway AS in the second quarter of 2020.

The Wintershall and Lundin contracts have been awarded to a Seadrill Ltd. subsidiary, which will operate the *West Mira* and *West Bollsta* on the Company's behalf. The Company entered into agreements with subsidiaries of Seadrill Ltd, for commercial and technical services of the *West Mira* and *West Bollsta* under their respective contracts.

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, decreasing market value of the rigs, failure to acquire future assets, developing into an operating business and securing additional funding for new rigs. The Company also needs to comply with certain financial covenants on a Northern Drilling consolidated basis under the terms of its existing term loan facility and failure to do so would require the outstanding loan to be repaid. 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, with intense price competition. Further, the Company has a limited number of rigs which makes it vulnerable in the event of a loss of revenue of any such rigs due to market developments, technical or regulatory matters, and should the Company not be able to obtain favorable contracts for its rigs.

## 2. INTERIM FINANCIAL DATA

The unaudited interim condensed consolidated financial statements ("Interim Financial Information") of the Company, in the opinion of management, include all material adjustments, consisting only of normal recurring adjustments considered necessary for a fair statement of the Company's financial statements, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The accounting principles applied by the Company as a basis for the preparation of the Interim Financial Information have been presented below as the Company has not previously issued annual consolidated financial statements. The Interim Financial Information does not include all the disclosures required by US GAAP for annual financial statements. The results of operations for the interim period ended September 30, 2019 are not necessarily indicative of the results for the year ending December 31, 2019.

Subsequent events have been reviewed from the period end to issuance of the Interim Financial Information on December 8, 2019.

## 3. ACCOUNTING POLICIES

**Basis of accounting**
The Interim Financial Information is prepared in accordance with accounting principles generally accepted in the United States

of America. The Interim Financial Information includes the assets and liabilities of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. The preparation of the Interim Financial Information requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities. Actual results could differ from those estimates.

**Going concern**
The Interim Financial Information has been prepared on the basis of going concern following the transactions as disclosed in Note 13 Subsequent Events.

**Fair values**
We have determined the estimated fair value amounts presented in the Interim Financial Information 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 the Interim Financial Information are not necessarily indicative of the amounts that we could realize in a current market exchange.

**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.

**Deferred Charges**
Loan costs, including debt arrangement fees, are capitalized and amortized on a straight-line basis over the term of the relevant loan. The straight line basis of amortization approximates the effective interest method. Amortization of loan costs is included in other financial expenses. The Company has recorded debt issuance costs (i.e. deferred charges) as a direct deduction from the carrying amount of the related debt.

**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.

**Capitalized interest**
Interest expense is capitalized during construction of newbuildings based on accumulated expenditures for the applicable project at our current rate of borrowing. The amount of interest expense capitalized in an accounting period shall be determined by applying an interest rate ("the capitalization rate") to the average amount of accumulated expenditures for the asset during the period. The capitalization rate used in an accounting period shall be based on the rates applicable to borrowings outstanding during the period. The Company does not capitalize amounts beyond the actual interest expense incurred in the period.

**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.

**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.

**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.

**Other comprehensive income**
The Company has no other comprehensive income.

**Recently Adopted Accounting Standards**
In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. This update establishes a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The Company adopted this update as of January 1, 2018 and, except for disclosure requirements relating to contract assets and liabilities, this did not have any impact on the Interim Financial Information as the Company does not yet have any revenues.

In August 2016, the FASB issued ASU No. 2016-15 "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments", to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. It addresses the following eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years with early adoption permitted. The adoption of these amendments did not have a material impact on the Interim Financial Information.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of cash flows (Topic 230): Restricted Cash". The new standard requires that the statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of these amendments did not have an impact on the Interim Financial Information.

In February 2016, the FASB issued ASU No. 2016-02 "Leases (Topic 842)" and has since modified the standard with several ASUs (collectively, the new lease standard). The standard is effective from January 1, 2019. The Company does not have any leases at present and the standard was adopted with no effect on its Interim Financial Information.

## 4. RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2018, the FASB issued ASU No. 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement". This update removes, modifies and adds specific disclosure requirements in relation to fair value measurement with the aim of improving the effectiveness of disclosures to the financial statements. The amendments in this Update are effective for the Company for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is in the process of evaluating the impact of this standard update on its Interim Financial Information and related disclosures.

## 5. 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 two subsidiaries, which were incorporated in the Marshall Islands and they are not subject to income tax.

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

## 6. NEWBUILDINGS

Movements in the nine months ended September 30, 2019 and the year ended December 31, 2018 may be summarized as follows:

| *(in thousands of $)* | **2019** | 2018 |
|---|---|---|
| Balance at beginning of period | **594,938** | 184,952 |
| Transfer from Payment on account of newbuilding acquisition | **—** | 200,000 |
| Installments paid | **208,873** | 182,500 |
| Newbuilding supervision fees and costs | **6,165** | 12,139 |
| Mobilization costs | **95,708** | 14,399 |
| Interest capitalized | **13,101** | 948 |
| Balance at end of period | **918,785** | 594,938 |

In June 2019, the Company took delivery of the *West Bollsta* and paid the final installment due of $200.0 million and additional upgrade costs of $8.9 million. The *West Bollsta* is currently being mobilized in preparation for the commencement of its operating contract with Lundin Norway AS, in the second quarter of 2020.

## 7. DEBT

| *(in thousands of $)* | **2019 Sept 30** | 2018 Dec 31 |
|---|---|---|
| U.S. dollar denominated floating rate debt: | | |
| $200.0 million term loan facility - *West Mira* | **195,000** | 200,000 |
| $200.0 million term loan facility - *West Bollsta* | **200,000** | — |
| Total debt | **395,000** | 200,000 |
| Short term debt | **35,000** | 10,000 |
| Deferred charges | **4,323** | 2,275 |
| Long term debt | **355,677** | 187,725 |

The outstanding debt as of September 30, 2019 is repayable as follows:

| *(in thousands of $)* | |
|---|---|
| Year 1 | 35,000 |
| Year 2 | 40,000 |
| Year 3 | 320,000 |
| Year 4 | — |
| Year 5 | — |
| Thereafter | — |
| | 395,000 |

In May 2019, the Company entered into an agreement with a group of banks to upsize the *West Mira* term loan facility from $200.0 million to $400.0 million by adding a separate tranche for the *West Bollsta*. The full amount of this loan was drawn in June 2019 upon the delivery of the *West Bollsta.* The additional tranche has a three year tenor and has a nine month amortization grace followed by quarterly instalments of $5.0 million. The terms and conditions and financial covenants are the same as the *West Mira* loan, including the interest rate of Libor plus 350 bps.

The West Mira and West Bollsta loans are secured by mortgages in the respective rigs and contain certain financial covenants on a consolidated basis for Northern Drilling, which require a certain equity ratio, positive working capital and a minimum liquidity amount. Northern Drilling has guaranteed the Company's obligations under both loans.

In September 2019, the Company paid the first quarterly installment due under the West Mira loan facility in the amount of $5.0 million.

The Company is in compliance with all financial covenants as of September 30, 2019.

**Assets pledged**

| (in thousands of $) | **2019 Sept 30** | 2018 Dec 31 |
|---|---|---|
| Newbuildings | **918,785** | 386,673 |

**Deferred charges**

| (in thousands of $) | **2019 Sept 30** | 2018 Dec 31 |
|---|---|---|
| Debt arrangement fees | **5,285** | 2,335 |
| Accumulated amortization | **(962)** | (60) |
| | **4,323** | 2,275 |

In June 2019, the Company paid $3.0 million with respect to debt arrangement fees.

In the nine months ended September 30, 2019, amortization expense of $0.9 million in respect of deferred charges was recorded in other financial expense in the condensed consolidated statement of operations.

## 8. SHARE CAPITAL

The Company was incorporated in March 2017 with 100 shares. As at September 30, 2019, the Company had an authorized and issued share capital of $100 comprising 100 common shares, each with a par value of $1.00.

## 9. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of September 30, 2019 and December 31, 2018 are as follows:

| | **Sept 30, 2019** | | Dec 31, 2018 | |
|---|---|---|---|---|
| *(in thousands of $)* | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| Assets: | | | | |
| Cash and cash equivalents | **599** | **599** | 14,851 | 14,851 |
| Liabilities: | | | | |
| Floating rate debt | **390,677** | **390,677** | 197,725 | 197,725 |

The estimated fair value of financial assets and liabilities are as follows:

| | Sept 30, 2019 | | | |
|---|---|---|---|---|
| *(in thousands of $)* | Fair Value | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Cash and cash equivalents | 599 | 599 | — | — |
| Liabilities: | | | | |
| Floating rate debt | 390,677 | — | 390,677 | — |

| | Dec 31, 2018 | | | |
|---|---|---|---|---|
| *(in thousands of $)* | Fair Value | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Cash and cash equivalents | 14,851 | 14,851 | — | — |
| Liabilities: | | | | |
| Floating rate debt | 197,725 | — | 197,725 | — |

The following methods and assumptions were used to estimate the fair value of each class of financial instrument;

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

Floating rate debt - the fair value of floating rate debt has been determined using level 2 inputs and is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis.

## 10. RELATED PARTY TRANSACTIONS

Hemen Holding Ltd, or Hemen, a Cyprus holding company, indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family, owns approximately 39% of Northern Drilling's outstanding ordinary shares at September 30, 2019. The Company transacts business with the following related parties, being companies in which Hemen, or companies affiliated with Hemen, has a significant interest - Seadrill Ltd, or Seadrill, and Seatankers Management Co. Ltd, or Seatankers Management.

*Seadrill transactions*
Wholly-owned subsidiaries of Seadrill carry out the mobilization and operational preparations of the *West Mira* and *West Bollsta*. The Company pays management fees for supervision of these activities and provides Seadrill funding for the mobilization and operational preparation. In the nine months ended September 30, 2019, the Company was charged newbuilding supervision fees of $3.8 million and has a payable to Seadrill of $29.7 million.

As at September 30, 2019, the Company had incurred $11.0 million in respect of upgrades to the *West Mira*, which are recoverable from Wintershall under the terms of the operating contract between Wintershall and Seadrill, and this amount has been recorded as receivable from Seadrill prior to the novation of the operating contract in November 2019. This amount is recorded as an accrued revenue contract liability at September 30, 2019. The contract liability will be amortised over the period of the operating contract.

*Northern Drilling transactions*
Prior to the West Mira loan facility of $200.0 million that was fully drawn in December 2018, the Company and its subsidiaries had no source of cash and Northern Drilling made all payments on the Company's behalf. Amounts owed to Northern Drilling at September 30, 2019 and December 31, 2018 are primarily due to instalments and costs paid by Northern Drilling in respect of *West Mira* and *West Bollsta*.

**Related party balances**
A summary of balances due from related parties at September 30, 2019 and December 31, 2018 is as follows:

| *(in thousands of $)* | **2019** | 2018 |
|---|---|---|
| Seadrill Global Services Ltd | **10,979** | 2,251 |

A summary of balances due to related parties at September 30, 2019 and December 31, 2018 is as follows:

| *(in thousands of $)* | **2019** | 2018 |
|---|---|---|
| Northern Drilling Ltd. | **499,860** | 414,285 |
| Seadrill Global Services Ltd | **29,721** | — |
| Northern Drilling Management Bermuda Ltd | **39** | — |
| | **529,620** | 414,285 |

## 11. COMMITMENTS AND CONTINGENCIES

As of December 31, 2018, the Company was committed to paying $200.0 million for the second and final instalment upon the delivery of *West Bollsta*.

As of September 30, 2019, the Company was committed to completing the mobilization of *West Bollsta* and *West Mira* for commencement of drilling contracts with Lundin and Wintershall.

## 12. SUPPLEMENTAL INFORMATION

In the nine months ended September 30, 2018, there were non-cash additions to newbuildings of $200.0 million in respect of this amount paid in December 2017 in connection with *West Bollsta*. There were also non-cash additions to newbuildings of $4.0 million being the amount paid by Northern Drilling.

In the nine months ended September 30, 2019, there were non-cash additions to newbuildings of $117.6 million being the amount paid by Northern Drilling and Seadrill.

## 13. SUBSEQUENT EVENTS

In November 2019, the operating contract with Wintershall was novated to Seadrill Northern Operations Ltd, a subsidiary of Seadrill, and the *West Mira* commenced its contract with Wintershall on November 7, 2019 at which time the carrying value was transferred from Newbuildings to Drilling Units. The cost of a Drilling Unit, less estimated residual value, is depreciated on a straight-line basis over its estimated remaining economic useful life. Following the novation of the operating contract and based on various contracts entered into between the Company and Seadrill, the Company has concluded that Northern Drilling Operations Ltd, a wholly owned subsidiary of the Company, is the primary beneficiary that should consolidate Seadrill Northern Operations Ltd.

As at September 30, 2019, the Company had incurred $11.0 million in respect of upgrades to the *West Mira*, which are recoverable from Wintershall under the terms of the operating contract between Wintershall and Seadrill, and this amount has been recorded as receivable from Seadrill prior to the novation of the operating contract in November 2019. This amount is recorded as an accrued revenue contract liability at September 30, 2019. The contract liability will be amortised over the period of the operating contract. The Company has subsequently incurred an estimated $18.5 million in respect of upgrades to the *West Mira* to date, which are recoverable from Wintershall under the terms of the operating contract and has recorded this amount as an additional accrued contract liability.

On December 3, 2019, the authorized share of the Company was increased from $100 to $1,000,000,000 divided into 1,000,000,000 common shares of par value $1 each by creating an addition 999,999,900 additional common shares of par value $1 each.

On December 3, 2019, a reorganization of certain of Northern Drilling's subsidiaries was completed (the "Reorganization"). The Company purchased all of the common shares in Northern Drilling Operations Ltd ("NDOL") from Northern Drilling for a consideration of $1.00. Furthermore, the Company purchased all of the common shares in Northern Drilling Management AS ("NDMN") from Northern Drilling for a negative consideration of $49,200 as NDMN had negative net assets that was settled through a credit granted by the Company to Northern Drilling. The reorganization of these Northern Drilling subsidiaries will be recorded by the Company at Northern Drilling's historical cost basis as common control transactions with no step up to fair value.

As part of the Reorganization, a net inter-company balance due from the Company and its subsidiaries to Northern Drilling of $453,436,508 was settled by the Company issuing 45,000,000 new shares to Northern Drilling at a subscription price of approximately $10.08 thereby increasing the issued share capital of the Company from 100 shares to 45,000,100 shares.

As part of the Reorganization, the Company also amended its existing $400.0 million secured loan facility with various banks. The amendments included releasing Northern Drilling from its obligations as Parent Guarantor under the original loan agreement and replacing the Company as the new Parent Guarantor. The Company's two wholly-owned subsidiaries, West Mira Inc and HHI Deepwater Semi 2 Inc, will 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 has been made available to the Company. 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 Northern Ocean consolidated level instead of the Northern Drilling consolidated level.

Also as part of the Reorganization, the $100.0 million revolving credit facility that was provided by Sterna Finance to Northern Drilling ("Sterna Facility") of which $70.0 million had been drawn as of September 30, 2019, was novated to the Company and Northern Drilling was released from its obligations. The Company was compensated for this by a $70.0 million reduction of the balance owed to Northern Drilling, which was included in the $453,436,508 intercompany balance settlement described above. Under the Sterna Facility, the lender (Sterna Finance) has security over the Company's two wholly-owned subsidiaries, West Mira Inc and HHI Deepwater Semi 2 Inc. 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 Northern Drilling) were released from their obligations as guarantors.

Also on December 3, 2019, the Company entered into (i) a services agreement with Seatankers Management whereby Seatankers Management agreed to provide the Company with certain consultancy, administrative and other management services, (ii) a services agreement with Golden Ocean Group Management (Bermuda) Limited ("GOMA") whereby GOMA agreed to provide the Company with certain advisory and support services, and (iii) a services agreement with Frontline Management (Bermuda) Limited ("FMBL") whereby FMBL agreed to provide the Company with certain accounting support services.

On December 4, 2019, the name of the Company was changed to Northern Ocean Ltd.

On December 6, 2019, the Company 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). Hemen, the largest shareholder in Northern Drilling, was allocated 7,490,636 Offer Shares in the Private Placement, and owns 11.8% of the Company following the Private Placement. Following issuance of the Offer Shares, the Company has an issued share capital of $63,726,692 divided into 63,726,692 shares, each with a nominal value of $1.00. 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*.

Subject to (i) the prevailing market price of the Company's shares being higher than the subscription price as decided by the board of directors, (ii) receipt of required consents from authorities in Bermuda, and (iii) approval by the Norwegian Financial Supervisory Authority of a prospectus to be issued by the Company (the "Prospectus"), the Company intends to carry out a subsequent offering (the "Subsequent Offering") of up to 1,872,659 new shares. A Subsequent Offering shall be, if made, and on the basis of the Prospectus, directed towards shareholders in Northern Drilling who (i) are shareholders in Northern Drilling as of expiry of the book building period for the Private Placement, as registered with the VPS as of December 5, 2019 (the "Record Date"), (ii) are not allocated Offer Shares in the Private Placement, and (iii) are not resident in a jurisdiction where such offering would be unlawful or, for jurisdictions other than Norway, would require any prospectus, filing, registration or similar action (the "Eligible Shareholders"). The Eligible Shareholders will be granted non-tradable subscription rights. The subscription period in the Subsequent Offering is expected to commence shortly after publication of the Prospectus, expected in the first quarter of 2020. The subscription price in the Subsequent Offering will be the NOK equivalent of the subscription price in the Private Placement, NOK 49 per share. Over-subscription is permitted, but subscription without subscription rights is not permitted. Further information about the Subsequent Offering will be provided in the Prospectus.