NORTHERN OCEAN LTD.
RESULTS FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2019

Highlights - Fourth Quarter

- *West Mira* commenced its initial contract for Wintershall Norge AS on November 7, 2019.
- In December 2019, the Company commenced a process to spin-off the two harsh environment rigs, *West Mira* and *West Bollsta*, from its parent company, Northern Drilling Ltd, through a restructuring of the capital structure and a private placement of shares raising $100 million and amended the debt facility. The Company's shares were listed on the N-OTC under the “NOL” ticker symbol.

Subsequent Events

- On February 6, Northern Drilling Ltd announced an exchange offer in connection with the Company's application for listing on the Oslo Børs and a subsequent share offering by the Company.
- On February 26, Northern Drilling Ltd completed the exchange offer reducing its ownership in the Company to zero. After the exchange offer, Hemen Holding owned 39.6% of the Company’s shares. The Company completed its subsequent offering for NOK 3.7 million of gross proceeds.
- On February 27, the Company's shares began trading on the Oslo Bors under the "NOL" ticker symbol.

Results

The Company’s activities since incorporation in March 2017 have consisted principally of acquiring drilling units currently under construction, raising capital and operational preparations for initial drilling contracts. The Company commenced its initial drilling activities in the fourth quarter of 2019. The Company did not have any drilling units in operation previously and the operating results consisted of interest income, administrative expenses and non-capitalized costs related to contract preparations.

For the three months ended and year ended December 31, 2019

Operating revenues of $13.3 million (2019: $13.3 million) resulted from the first drilling rig, *West Mira*, which commenced operations on November 7, 2019 and achieved a technical utilization of 97.8% from commencement to the end of the period. Contract revenue was $11.2 million, including the impact of 14 days waiting on weather reduced rate. Reimbursable revenue was $2.1 million and other revenue was $0.8 million from services provided under a management agreement for NODL.

Total operating expenses were $19.6 million (2019: $20.4 million). Rig operating expenses were $13.3 million (2019: $14.0 million) including $1.9 million (2019: $2.6 million) of pre-commencement costs not capitalized. Rig operating expenses include approximately $1.6 million of non-recurring repair and maintenance expenses for *West Mira*. Reimbursable expenses were $2.0 million, depreciation was $3.0 million and administrative expenses were $1.3 million in the quarter (2019: $1.4 million). Administrative expenses include professional services associated with the restructuring and listing of NOL.

Other financial income (expense) of $2.1 million (2019: $3.0 million) included loan interest expense of $2.0 million (2019: $2.0 million) and $0.4 million (2019: $1.3 million) for amortization of deferred charges. Interest income was $0.1 million for the fourth quarter (2019: $0.3 million).

Net loss for the fourth quarter 2019 was $6.6 million (2019: $8.2 million).

Business Update

The *West Mira* commenced its initial contract with Wintershall in Norway on November 7. While the weather in the North Sea was challenging, the rig performed well and the crew remained safe achieving an technical utilization of 97.8% from commencement to December 31, 2019.

The *West Bollsta* continued operational preparations for its initial contract in Norway with Lundin, which is expected to commence in the second quarter of this year. The rig arrived in Bergen, Norway in early February to complete the last stage of its planned voyage, equipment load out and acceptance testing with the client and PSA.

The Company's total revenue backlog at December 31, 2019 is estimated at $343 million, excluding options and performance bonuses, and adjusted for current estimates of well programs. The first quarter technical utilization for the *West Mira* as of February 27, 2020 is 89%. In January the *West Mira* experienced an unplanned release of a life boat due to severe weather, and resulted in 7 days out of service to replace the life boat and complete repairs before returning to its drilling activities.

In December 2019, Northern Drilling Ltd ("NODL") commenced a spin-off of its harsh environment drilling business under Northern Ocean Ltd ("NOL") to crystalize value for its premium assets and long term contracts while leaving NODL to manage and focus on its high specification ultra deepwater drillship business that operates in a separate market with unique characteristics, drivers and economics. By putting the different types of assets into separate companies, investors can invest in the asset classes that best match their preferences at any given time, which is ultimately expected to ensure more accurate and up to date valuation of underlying assets.

On December 3, 2019, NODL announced a private placement of 18,726,592 new shares in NOL at $5.34 per share (approximately NOK 49 per share based on an exchange rate of USD/NOK 9.18) generating gross proceeds of $100.0 million. In connection with the private placement the existing credit facility was increased by $50 million in the form of a revolving credit facility at the same interest of Libor plus 350 bps and maturity period. The NOL shares were listed on the N-OTC under the ticker symbol “NOL” on December 9, 2019.

On February 6, 2020, NODL announced an exchange offer in connection with the Company's application for listing on the Oslo Børs and a subsequent share offering by the Company. NODL offered its shareholders the opportunity to exchange up to 85% of their ownership in NODL at an exchange ratio of 2.0316 shares in NODL for one share in the Company. The exchanged shares in NODL will be cancelled upon settlement. In connection with the listing prospectus, the Company carried out a subsequent offering of 75,686 shares at a subscription price of NOK 49 per share, generating gross proceeds of NOK 3.7 million.

On February 26, 2020, NODL announced that 91,422,586 of its shares were accepted in the exchange offer and exchanged with 45,000,100 shares in the Company that were owned by NODL. Following completion of the exchange offer, NODL does not hold any shares in the Company and 91,422,586 of NODL's shares were cancelled, following which NODL now has 16,133,397 shares issued and outstanding. Upon completion of the exchange offer, Hemen Holding owns 39.4% of NODL and owns 39.6% of the Company.

On February 26, 2020, the Company issued 75,686 shares in the subsequent offering at a subscription price of NOK 49 per share, generating gross proceeds of NOK 3.7 million and has 63,802,378 shares issued and outstanding as at the date of this report.

On February 27, 2020, the Company's shares began trading on the Oslo Børs.

Outlook

The Company continues to have a constructive view on the market and supportive of long-term fundamentals.

The harsh environment market continues to tighten resulting in a trend of increasing dayrates and longer terms. Contracted utilization for the market is nearly 100% with a clear dayrate bifurcation between modern high spec rigs versus older less capable rigs. As a result, E&P’s are willing to secure high spec rigs continually above $350,000 per day with multi-year terms as they explore and develop fields in the Norwegian Sea and the Barents, while older rigs are more concentrated in mature fields on the Norwegian continental shelf, the United Kingdom and Canada. A preference continues to increase for rigs that can perform drilling activities with lower carbon footprints that advance the industry in more environmentally friendly technologies. The Company is the first drilling contractor with modern high spec rigs to fully participate in the energy transition as the *West Mira* is outfitted with an integrated hybrid battery solution and the *West Bollsta* has emission reductions technologies.

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 Ocean Ltd.
Hamilton, Bermuda
February 28, 2020

Questions should be directed to:
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NORTHERN OCEAN LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Oct 1 to Dec 31, 2018	**Oct 1 to Dec 31, 2019**	**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS** *(in thousands of $)*	**2019**	**2018**
—	11,184	Contract revenue	11,184	—
—	2,108	Reimbursable revenue	2,108	—
—	756	Other revenues	756	—
—	**14,048**	**Total operating revenues**	**14,048**	**—**
350	13,300	Rig operating expenses	13,999	350
—	2,025	Reimbursable expenses	2,025	—
—	2,984	Depreciation	2,984	—
—	1,302	Administrative expenses	1,411	1
350	**19,611**	**Total operating expenses**	**20,419**	**351**
(350)	**(5,563)**	**Net operating loss**	**(6,371)**	**(351)**
25	95	Interest income	255	25
(60)	(2,091)	Other financial income (expense)	(3,049)	(60)
(385)	**(7,559)**	**Net loss before tax**	**(9,165)**	**(386)**
—	931	Tax	931	—
(385)	**(6,628)**	**Net loss**	**(8,234)**	**(386)**

Oct 1 to Dec 31, 2018	**Oct 1 to Dec 31, 2019**	**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(in thousands of $)*	**2019**	**2018**
(385)	**(6,628)**	**Net loss**	**(8,234)**	**(386)**
—	13	Foreign currency translation income	13	—
—	**13**	**Other comprehensive income**	**13**	**—**
(385)	**(6,615)**	**Comprehensive loss**	**(8,221)**	**(386)**

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

NORTHERN OCEAN LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET *(in thousands of $)*	**2019** **Dec 31**	**2018** **Dec 31**
ASSETS		
Short term		
Cash and cash equivalents	53,895	14,851
Restricted cash	128	—
Receivables	7,214	—
Unbilled receivables	15,671	—
Related party receivables	6,944	2,251
Other current assets	11,895	309
Long term		
Drilling units	524,466	—
Newbuildings	480,011	594,938
Fixtures and fittings	2	—
Deferred tax	931	—
Total assets	**1,101,157**	**612,349**
LIABILITIES AND EQUITY		
Short term liabilities		
Current portion of long term debt	40,000	10,000
Other current liabilities	5,475	731
Deferred revenue	11,277	—
Related party payables	70,595	414,285
Long term liabilities		
Long term debt	345,495	187,725
Deferred revenue	15,191	—
Related party long term debt	70,000	—
Commitments and contingencies (Note 13)		
Total equity	543,124	(392)
Total liabilities and equity	**1,101,157**	**612,349**

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

NORTHERN OCEAN LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Oct 1 to Dec 31, 2018	Oct 1 to Dec 31, 2019	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW *(in thousands of $)*	2019	2018
(385)	**(6,628)**	**NET LOSS**	**(8,234)**	**(386)**
		Adjustment to reconcile net loss to net cash used in operating activities;		
60	443	Amortization of deferred charges	1,345	60
—	(1,471)	Amortization of deferred revenue	(1,471)	—
—	2,984	Depreciation	2,984	—
—	13	Unrealized foreign exchange loss	13	—
	(931)	Tax	(931)	—
		Change in operating assets and liabilities;		
—	(7,214)	Receivables	(7,214)	—
—	(15,671)	Unbilled receivables	(15,671)	—
(3)	(11,556)	Other current assets	(11,586)	—
—	4,119	Other current liabilities	4,119	—
—	4,265	Related party balances	(6,713)	—
—	16,960	Deferred revenue	27,939	—
(328)	**(14,687)**	**Net cash used in operating activities**	**(15,420)**	**(326)**
		INVESTING ACTIVITIES		
(182,487)	(25,187)	Additions to newbuilding	(230,756)	(182,489)
—	(2)	Purchase of fixtures and fittings	(2)	—
(182,487)	**(25,189)**	**Net cash used in investing activities**	**(230,758)**	**(182,489)**
		FINANCING ACTIVITIES		
—	98,300	Net proceeds from share issuances	98,300	—
200,000	—	Proceeds from long term bank debt	200,000	200,000
—	(5,000)	Repayment of bank debt	(10,000)	—
(2,335)	—	Debt fees paid	(2,950)	(2,335)
197,665	**93,300**	**Net cash provided by financing activities**	**285,350**	**197,665**
14,850	**53,424**	**Net change**	**39,172**	**14,850**
1	**599**	**Cash, cash equivalents and restricted cash at start of the year**	**14,851**	**1**
14,851	**54,023**	**Cash, cash equivalents and restricted cash at end of the year**	**54,023**	**14,851**

See note 14 for details of non-cash investing and financing activities.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(in thousands of $ except number of shares)*	**2019**	**2018**
Number of shares outstanding		
Balance at beginning of year	100	100
Shares issued	63,726,592	—
Balance at end of year	**63,726,692**	**100**
Share capital		
Balance at beginning of year	—	—
Shares issued	63,727	—
Balance at end of year	**63,727**	**—**
Additional paid in capital		
Balance at beginning of year	—	—
Shares issued	488,010	—
Balance at end of year	**488,010**	**—**
Accumulated other comprehensive income		
Balance at beginning of year	—	—
Other comprehensive income	13	—
Balance at end of year	**13**	**—**
Retained deficit		
Balance at beginning of year	(392)	(6)
Net loss	(8,234)	(386)
Balance at end of year	**(8,626)**	**(392)**
Total equity	**543,124**	**(392)**

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

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

1. GENERAL

Northern Ocean Ltd. (formerly known as Northern Rig Holding Ltd.), or the Company, was incorporated under the laws of Bermuda on March 3, 2017, as a wholly-owned subsidiary of Northern Drilling Ltd ("NODL") 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.

NODL 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. NODL's shares were listed on the Oslo Axess in October 2017 and this listing was transferred to the Oslo Stock Exchange in July 2018. NODL's shares trade under the symbol NODL.

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.

On December 3, 2019, a reorganization of certain of NODL's subsidiaries was completed (the "Reorganization"). The Company purchased all of the common shares in Northern Drilling Operations Ltd ("NDOL") from NODL for a consideration of $1.00. Furthermore, the Company purchased all of the common shares in Northern Drilling Management AS ("NDMN") from NODL for a negative consideration of $49,200 as NDMN had negative net assets that was settled through a credit granted by the Company to NODL. The reorganization of these NODL subsidiaries was recorded by the Company at NODL'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 NODL of $453,436,508 was settled by the Company issuing 45,000,000 new shares to NODL 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 NODL 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 Company's consolidated level instead of NODL's consolidated level.

Also as part of the Reorganization, the $100.0 million revolving credit facility that was provided by Sterna Finance to NODL ("Sterna Facility") of which $70.0 million had been drawn as of September 30, 2019, was novated to the Company and NODL was released from its obligations. The Company was compensated for this by a $70.0 million reduction of the balance owed to NODL, which was included in the $453,436,508 intercompany balance settlement described above. Amounts owed to Sterna Finance have been subordinated to amounts outstanding under the Revised Bank Facility. The Sterna Facility has no financial covenants and carries the same interest rate as prior to the Reorganization. As part of this novation, the companies West Aquila Inc, West Libra Inc and West Cobalt Inc (all subsidiaries of NODL) were released from their obligations as guarantors (and the facility is now unsecured).

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 Holding, the largest shareholder in NODL, 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*. Pursuant to the Private Placement, the Company will receive net proceeds of approximately $98.3 million.

On December 6, 2019, the Company's shares were registered for trading on the Norwegian OTC list (ticker "NOL") and commenced trading on December 9, 2019.

The Company's activities since incorporation in March 2017 have consisted principally of acquiring drilling units currently under construction, raising capital and operational preparations for initial drilling contracts. The Company commenced its initial drilling activities in fourth quarter 2019. The Company did not have any drilling units in operation previously and the operating results in nine months ended September 30, 2019 consisted of interest income, administrative expenses and non-capitalized costs related to contract preparations. Up to the time of the Re-organization, the Company was a fully integrated group within NODL and did not have a separate management function. The Company operated under the management of NODL and no management fees were charged to the Company by NODL. 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.

In November 2019, the operating contract with Wintershall Norge AS ("Wintershall") was novated to a subsidiary of Seadrill, which the Company consolidates as it is a variable interest entity and the Company is deemed to be its primary beneficiary, and the *West Mira* commenced its contract with Wintershall on November 7, 2019.

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 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. BASIS OF ACCOUNTING

The condensed consolidated financial statements are stated in accordance with accounting principles generally accepted in the United States as described in the Company's audited financial statements for the year ended December 31, 2018. Additional accounting polices following the commencement of drilling operations in November 2019 are described below.

The preparation of the condensed 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.

Principles of consolidation

The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries and a variable interest entity, ("VIE") of which the Company is deemed to be the primary beneficiary. All intercompany balances and transactions have been eliminated on consolidation.

A VIE is defined as a legal entity where either (a) the total equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated support; (b) equity interest holders as a group lack either (i) the power to direct the activities of the entity that most significantly impact on its economic success, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the voting rights of some investors in the entity are not proportional to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. U.S. GAAP requires a VIE to be consolidated by its primary beneficiary, being the interest holder, if any, which has both (1) the power to direct the activities of the entity which most significantly impact on the entity's economic performance, and (2) the right to receive benefits or the obligation to absorb losses from the entity which could potentially be significant to the entity. We evaluate our subsidiaries, and any other entities in which we hold a variable interest, in order to determine whether we are the primary beneficiary of the entity, and where it is determined that we are the primary beneficiary we consolidate the entity.

Revenue from contracts with customers

The activities that primarily drive the revenue earned from our drilling contracts include (i) providing a drilling rig and the crew and supplies necessary to operate the rig, (ii) mobilizing and demobilizing the rig to and from the drill site and (iii) performing rig preparation activities and/or modifications required for the contract. Consideration received for performing these activities may consist of dayrate drilling revenue, mobilization and demobilization revenue, contract preparation revenue and reimbursement revenue. We account for these integrated services as a single performance obligation that is (i) satisfied over time and (ii) comprised of a series of distinct time increments.

We recognize consideration for activities that correspond to a distinct time increment within the contract term in the period when the services are performed. We recognize consideration for activities that are (i) not distinct within the context of our contracts and (ii) do not correspond to a distinct time increment, ratably over the estimated contract term.

We determine the total transaction price for each individual contract by estimating both fixed and variable consideration expected to be earned over the term of the contract. The amount estimated for variable consideration may be constrained and is only included in the transaction price to the extent that it is probable that a significant reversal of previously recognized revenue will not occur throughout the term of the contract. When determining if variable consideration should be constrained, we consider whether there are factors outside of our control that could result in a significant reversal of revenue as well as the likelihood and magnitude of a potential reversal of revenue. We re-assess these estimates each reporting period as required. Refer to Note 3 - Revenue from Contracts with Customers.

Dayrate Drilling Revenue - Our drilling contracts generally provide for payment on a dayrate basis, with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The dayrate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis. Such dayrate consideration is allocated to the distinct hourly increment it relates to within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given hour.

Mobilization Revenue - We may receive fees (on either a fixed lump-sum or variable dayrate basis) for the mobilization of our rigs. These activities are not considered to be distinct within the context of the contract and therefore, the associated revenue is allocated to the overall performance obligation and recognized ratably over the expected term of the related drilling contract. We record a contract liability for mobilization fees received, which is amortized ratably to contract drilling revenue as services are rendered over the initial term of the related drilling contract.

Revenues Related to Reimbursable Expenses - We generally receive reimbursements from our customers for the purchase of supplies, equipment, personnel services and other services provided at their request in accordance with a drilling contract or other agreement. Such reimbursable revenue is variable and subject to uncertainty, as the amounts received and timing thereof are highly dependent on factors outside of our influence. Accordingly, reimbursable revenue is fully constrained and not included in the total transaction price until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of a customer. We are generally considered a principal in such transactions and record the associated revenue at the gross amount billed to the customer, at a point in time, as “Reimbursable revenues” in our Consolidated Statements of Operations.

Contract Balances - Accounts receivable is recognized when the right to consideration becomes unconditional based upon contractual billing schedules. Contract asset balances consist primarily of demobilization revenues which have been recognized during the period but are contingent on future demobilization activities. Contract liabilities include payments received for mobilization as well as rig preparation and upgrade activities which are allocated to the overall performance obligation and recognized ratably over the initial term of the contract.

Other revenues consist of related party revenues.

Local Taxes - In some countries, the local government or taxing authority may assess taxes on our revenues. Such taxes may include sales taxes, use taxes, value-added taxes, gross receipts taxes and excise taxes. We generally record tax-assessed revenue transactions on a net basis.

Deferred Contract Costs - Certain direct and incremental costs incurred for upfront preparation, initial mobilization and modifications of contracted rigs represent costs of fulfilling a contract as they relate directly to a contract, enhance resources that will be used in satisfying our performance obligations in the future and are expected to be recovered. Such costs are deferred and amortized ratably to contract drilling expense as services are rendered over the initial term of the related drilling contract.

Rig Operating Expenses
rig operating expenses are costs associated with operating a drilling unit that is either in operation or stacked and include the remuneration of offshore crews and related costs, rig supplies, insurance costs, expenses for repairs and maintenance and costs for onshore support personnel. We expense such costs as incurred.

Mobilization and demobilization expenses
We incur costs to prepare a drilling unit for a new customer contract and to move the rig to a new contract location. We capitalize the mobilization and preparation costs for a rig's first contract as a part of the rig value and recognize them as depreciation expense over the expected useful life of the rig (i.e. 30 years). For subsequent contracts, we defer these costs over the expected contract term (see deferred contract costs above), unless we don't expect the costs to be recoverable, in which case we expense them as incurred.

We incur costs to transfer a drilling unit to a safe harbor or different geographic area at the end of a contract. We expense such demobilization costs as incurred. We also expense any costs incurred to relocate drilling units that are not under contract.

Repairs, maintenance and periodic surveys

Costs related to periodic overhauls of drilling units are capitalized and amortized over the anticipated period between overhauls, which is generally five years. Related costs are primarily yard costs and the cost of employees directly involved in the work. We include amortization costs for periodic overhauls in depreciation expense. Costs for other repair and maintenance activities are included in vessel and rig operating expenses and are expensed as incurred.

Restricted cash

Restricted cash consists of bank deposits which are subject to restrictions due to legislation, regulation or contractual arrangements.

Receivables

Receivables, including accounts receivable, are recorded in the balance sheet at their nominal amount less an allowance for doubtful accounts. We establish reserves for doubtful accounts on a case-by-case basis when it is unlikely that required payments of specific amounts will occur. In establishing these reserves, we consider the financial condition of the customer as well as specific circumstances related to the receivable such as customer disputes. Receivable amounts determined as being unrecoverable are written off. Interest income on receivables is recognized as earned.

Drilling units

Rigs, vessels and related equipment are recorded at historical cost less accumulated depreciation. The cost of these assets, less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated residual value is taken to be offset by any decommissioning costs that may be incurred. The estimated economic useful life of our rigs, when new, is 30 years. Significant investments are capitalized and depreciated in accordance with the nature of the investment. Significant investments that are deemed to increase an asset's value for its remaining useful life are capitalized and depreciated over the remaining life of the asset.

3. REVENUE FROM CONTACTS WITH CUSTOMERS

The following table provides information about receivables and contract liabilities from our contracts with customers:

(in thousands of $)	**2019 Dec 31**	2018 Dec 31
Accounts receivable, net	**7,214**	—
Unbilled receivables	**15,671**	—
Current contract liabilities (deferred revenue)	**11,277**	—
Non-current contract liabilities (deferred revenue)	**15,191**	—

The deferred revenue included above consists primarily of mobilization and upgrade revenue for both wholly and partially unsatisfied performance obligations as well as expected variable mobilization and upgrade revenue for partially unsatisfied performance obligations, which has been estimated for purposes of allocating across the entire corresponding performance obligations.

(in thousands of $)	
Total contract liabilities at December 31, 2018	**—**
Deferred revenue accruing in the year	**27,939**
Amortization of deferred revenue	**(1,471)**
Total contract liabilities at December 31, 2019	**26,468**
Current contract liabilities	**11,277**
Long term contract liabilities	**15,191**

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 they are not subject to income tax. Certain of the Company's subsidiaries and branches in Norway and the USA are subject to income tax in their respective jurisdictions. The tax paid by subsidiaries and branches that are subject to income tax is not material.

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

5. EARNINGS PER SHARE

Earnings per share information is not presented as the Company operated as a wholly-owned subsidiary within NODL upto the Reorganization in December 2019.

6. RESTRICTED CASH

Restricted cash consists of cash held in a restricted account for payroll taxes.

7. DRILLING UNITS

Movements in the carrying value of Drilling units, which represents the carrying value of *West Mira*, in the year ended December 31, 2019 may be summarized as follows:

(in thousands of $)	**Cost**	**Accumulated depreciation**	**Net carrying value**
Balance at December 31, 2018	—	—	**—**
Transfer from Newbuildings	513,467	—	**513,467**
Additions	13,983	—	**13,983**
Depreciation	—	(2,984)	**(2,984)**
Balance at December 31, 2019	527,450	(2,984)	**524,466**

8. NEWBUILDINGS

Movements in the carrying value of Newbuildings, which includes drilling units and drill ships under construction and drilling units undergoing mobilization prior to commencement of first operating contract, in the years ended December 31, 2019 and 2018 may be summarized as follows:

(in thousands of $)	**2019**	2018
Balance at beginning of the year	**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	**7,981**	12,139
Mobilization costs	**164,581**	14,399
Interest capitalized	**17,105**	948
Transfer to Drilling Units	**(513,467)**	—
Balance at end of the year	**480,011**	594,938

In June 2019, the Company took delivery of the *West Bollsta* and paid the final installment due of $208.9 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.

9. DEBT

(in thousands of $)	**2019 Dec 31**	2018 Dec 31
U.S. dollar denominated floating rate debt:		
$200.0 million term loan facility - *West Mira*	**190,000**	200,000
$200.0 million term loan facility - *West Bollsta*	**200,000**	—
Total debt	**390,000**	200,000
Short term debt	**40,000**	10,000
Deferred charges	**4,505**	2,275
Long term debt	**345,495**	187,725

The outstanding debt as of December 31, 2019 is repayable as follows:

(in thousands of $)	
2020	40,000
2021	190,000
2022	160,000
2023	—
2024	—
Thereafter	—
	390,000

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 Company paid two quarterly installments due under the West Mira loan facility each in the amount of $5.0 million in September and December 2019.

As part of the Reorganization described in Note 1, the Company amended its existing $400.0 million secured loan facility with various banks. The amendments included releasing NODL 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, 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.

The West Mira and West Bollsta loans are secured by mortgages in the respective rigs and contain certain financial covenants, which require a certain equity ratio, positive working capital and a minimum liquidity amount. Subsequent to the Reorganization, the, financial covenants are now measured at the Company's consolidated level instead of the consolidated level of NODL.

The Company is in compliance with all financial covenants as of December 31, 2019.

Assets pledged

(in thousands of $)	**2019 Dec 31**	2018 Dec 31
Drilling unit	**524,466**	—
Newbuildings	**480,011**	386,673
	1,004,477	386,673

Deferred charges

(in thousands of $)	**2019 Dec 31**	2018 Dec 31
Debt arrangement fees	**5,910**	2,335
Accumulated amortization	**(1,405)**	(60)
	4,505	2,275

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

In the year ended December 31, 2019, amortization expense of $1.3 million in respect of deferred charges was recorded in other financial expense in the consolidated income statement.

10. SHARE CAPITAL

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.

On December 3, 2019, a reorganization of certain of NODL's subsidiaries was completed (the "Reorganization"). The Company purchased all of the common shares in Northern Drilling Operations Ltd ("NDOL") from NODL for a consideration of $1.00. Furthermore, the Company purchased all of the common shares in Northern Drilling Management AS ("NDMN") from NODL for a negative consideration of $49,200 as NDMN had negative net assets that was settled through a credit granted by the Company to NODL. The reorganization of these NODL subsidiaries was recorded by the Company at NODL'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 NODL of $453,436,508 was settled by the Company issuing 45,000,000 new shares to NODL 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.

On December 6, 2019, the Company completed a private placement (the "Private Placement"), which raised gross proceeds of $100.0 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 Holding, the largest shareholder in NODL, 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.

On December 6, 2019, the Company's shares were registered for trading on the Norwegian OTC list (ticker "NOL") and commenced trading on December 9, 2019.

11. FAIR VALUES

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

	Dec 31, 2019		Dec 31, 2018	
(in thousands of $)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Assets:				
Cash and cash equivalents	**53,895**	**53,895**	14,851	14,851
Restricted cash	**128**	**128**	—	—
Liabilities:				
Floating rate debt	**386,120**	**386,120**	197,725	197,725
Related party long term debt	**70,000**	**66,603**	—	—

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

	Dec 31, 2019			
(in thousands of $)	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	53,895	53,895	—	—
Restricted cash	128	128	—	—
Liabilities:				
Floating rate debt	386,120	—	386,120	—
Related party long term debt	66,603	—	—	66,603

	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.

Restricted cash – the carrying value in the balance sheet approximates 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.

Related party long term debt - the fair value has been determined using level 3 inputs being the discounted expected cash flows of the outstanding debt.

12. RELATED PARTY TRANSACTIONS

Hemen Holding Ltd, or Hemen Holding, a Cyprus holding company, indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family, owned 39.4% and 11.8% of NODL's and the Company's outstanding ordinary shares at December 31, 2019, respectively. The Company transacts business with the following related parties, being companies in which Hemen Holding, or companies affiliated with Hemen Holding, has a significant interest - Sterna Finance Ltd, or Sterna Finnace, Seadrill Ltd, or Seadrill, Seatankers Management Co. Ltd, or Seatankers Management, Golden Ocean Management AS, or Golden Ocean and Frontline Management (Bermuda) Limited, or Frontline Management.

Seadrill transactions

Wholly-owned subsidiaries of Seadrill carry out the newbuilding supervision of the two drillships, and operations supervision of 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 year ended December 31, 2019, the Company was charged and capitalized newbuilding supervision fees of $5.1 million.

Seatankers Management transactions

The Company and its subsidiaries receive management services from Seatankers Management. The fee was $0.6 million in the year ended December 31, 2019.

Sterna Finance

In June 2019, NODL entered into a $100.0 million revolving credit facility, or RCF, with Sterna Finance. The RCF is repayable in June 2022 and bears interest at 6.75% per annum. NODL drew down $70.0 million from this facility in the three months ended September 30, 2019. This RCF was novated to the Company as part of the Reorganization and NODL was released from its obligations.

Golden Ocean and Frontline transactions

The Company and its subsidiaries receive treasury and accounting/corporate secretarial services from Golden Ocean and Frontline, respectively, and was charged $0.1 million and $0.1 million, respectively, in the year ended December 31, 2019.

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 NODL made all payments on the Company's behalf. The amount owed to NODL at December 31, 2018 is primarily due to instalments and costs paid by NODL in respect of *West Mira* and *West Bollsta*.

Related party balances

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

(in thousands of $)	**2019 Dec 31**	2018 Dec 31
Seadrill Global Services Ltd	**6,899**	2,251
Frontline Management (Bermuda) Limited	**45**	—
	6,944	2,251

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

(in thousands of $)	**2019 Dec 31**	2018 Dec 31
Northern Drilling Ltd	—	414,285
Seadrill Global Services Ltd	**70,595**	—
	70,595	414,285

13. COMMITMENTS AND CONTINGENCIES

As of December 31, 2019, the Company was committed to completing the mobilization of *West Bollsta* for commencement of the drilling contract with Lundin.

14. SUPPLEMENTAL INFORMATION

In the year ended December 31, 2018, there were non-cash additions to newbuildings of $200.0 million in respect of a payment on account of newbuilding acquisition paid by NODL on behalf of the Company in December 2017 in connection with *West Bollsta*. There were also non-cash additions to newbuildings of $27.0 million being the amount paid by NODL.

In the year ended December 31, 2019, there were non-cash additions to newbuildings of $167.8 million being the amount paid by NODL and Seadrill.

On December 3, 2019, the Reorganization was completed and the Company purchased all of the common shares in NDOL from NODL for a consideration of $1.00. Furthermore, the Company purchased all of the common shares in NDMN from NODL for a negative consideration of $49,200 as NDMN had negative net assets that was settled through a credit granted by the Company to NODL.

As part of the Reorganization, a net inter-company balance due from the Company and its subsidiaries to NODL of $453,436,508 was settled by the Company issuing 45,000,000 new shares to NODL 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 $100.0 million revolving credit facility that was provided by Sterna Finance to NODL ("Sterna Facility") of which $70.0 million had been drawn as of September 30, 2019, was novated to the Company and NODL was released from its obligations. The Company was compensated for this by a $70.0 million reduction of the balance owed to NODL, which was included in the $453,436,508 intercompany balance settlement described above. Amounts owed to Sterna Finance have been subordinated to amounts outstanding under the Revised Bank Facility. The Sterna Facility has no financial covenants and carries the same interest rate as prior to the Reorganization. As part of this novation, the companies West Aquila Inc, West Libra Inc and West Cobalt Inc (all subsidiaries of NODL) were released from their obligations as guarantors (and the facility is now unsecured).

15. SUBSEQUENT EVENTS

On February 6, 2020, NODL announced an exchange offer in connection with the Company's application for listing on the Oslo Børs and a subsequent share offering by the Company. NODL offered its shareholders the opportunity to exchange up to 85% of their ownership in NODL at an exchange ratio of 2.0316 shares in NODL for one share in the Company. The exchanged shares in NODL will be cancelled upon settlement. In connection with the listing prospectus, the Company carried out a subsequent offering of 75,686 shares at a subscription price of NOK 49 per share, generating gross proceeds of NOK 3.7 million.

On February 26, 2020, NODL announced that 91,422,586 of its shares were accepted in the exchange offer and exchanged with 45,000,100 shares in the Company that were owned by NODL. Following completion of the exchange offer, NODL does not hold any shares in the Company and 91,422,586 of NODL's shares were cancelled, following which NODL now has 16,133,397 shares issued and outstanding. Upon completion of the exchange offer, Hemen Holding owns 39.4% of NODL and owns 39.6% of the Company.

On February 26, 2020, the Company issued 75,686 shares in the subsequent offering at a subscription price of NOK 49 per share, generating gross proceeds of NOK 3.7 million and has 63,802,378 shares issued and outstanding as at the date of this report.

On February 27, 2020, the Company's shares began trading on the Oslo Børs.