



**NORTHERN OCEAN LTD.
RESULTS FOR THE FOURTH QUARTER AND YEAR
ENDED DECEMBER 31, 2020**

Highlights - Fourth Quarter Events

- On October 6, the *West Bollsta* commenced its 10 well drilling contract in Norway with Lundin Energy Norway AS (“Lundin”).
- On December 30, the Company agreed with its lenders in its term loan facility to extend the amendment and waivers for certain covenants until February 26, 2021.

Subsequent Event

- On February 11, 2021, the Company reached agreement in principle with Seadrill Limited (“Seadrill”) for settlement of outstanding balances and initiated a plan to implement.

Results

In the fourth quarter, operating revenue was \$29.3 million compared to \$21.4 million in the previous quarter. The *West Mira* continued operations under contract and achieved technical utilization of 98% for the quarter and 88% for the full year. The *West Mira* was out of service for one day during the quarter. Contract revenue was \$26.9 million, reimbursable revenue was \$2.1 million and other revenue from the provision of management services was \$0.2 million in the fourth quarter.

Total operating expenses were \$34.0 million compared to \$28.1 million in the previous quarter. Rig operating expenses were \$19.9 million, which is \$0.4 million lower than the previous quarter. Reimbursable expenses were \$2.1 million and depreciation was \$10.8 million, which was \$5.3 million higher than the previous quarter due to the depreciation on the *West Bollsta* which was transferred from Newbuildings to Drilling Units on October 6, 2020. Administrative expenses were \$1.2 million in the quarter.

Other financial expenses were \$2.3 million compared with \$2.5 million in the previous quarter. Loan interest expense increased to \$5.0 million compared with \$3.4 million in the previous quarter due to the end of the capitalization of interest relating to the *West Bollsta*'s when the rig was transferred from Newbuildings to Drilling Units. Amortization of deferred charges was \$0.5 million. There was a foreign exchange gain of \$3.2 million due to appreciation of the Norwegian Kroner throughout the quarter compared with a foreign exchange gain of \$1.4 million in the third quarter.

The net loss in the fourth quarter was \$7.5 million resulting in a basic and diluted loss per share of \$0.12.

Business Update

In the fourth quarter 2020, the *West Mira* continued drilling under its contract with Wintershall Norge AS and the *West Bollsta* commenced its initial contract with Lundin on October 6. Both rigs earning dayrate marks another milestone for the Company by having its fleet fully deployed and operating. The firm contract periods provide employment for both rigs into Q1 2022 and each have options at market index rates that could extend their duration into Q4 2022.

The Company's revenue backlog at December 31, 2020 is estimated at \$243 million, excluding options and performance bonuses and adjusted for current estimates of well programs. The first quarter 2021 to-date technical utilization for the fleet is approximately 98%.

On February 11, 2021 the Company announced it reached an agreement in principle with Seadrill to settle outstanding balances. The settlement consists of quarterly instalments to be made through December 2021 and Seadrill will retain the *West Bollsta* net earnings under its contract through March 1, 2021. Total payments are expected to be \$45 million in 2021, including the instalments, management fees and other adjustments.

The settlement is subject to several conditions, including amendments to the Company's agreements with its secured lenders which are expected to include amortization relief and maturity extensions. The settlement is also conditional upon Seadrill obtaining approval by the bankruptcy court under their Chapter 11 protection in the US. In connection with the settlement the Company has committed to raising \$30 million of new equity.

In the second quarter 2020, the Company and its lenders agreed to amendments and waivers of certain covenants in the term loan facility. On February 25, it was agreed to further extended the waivers, to provide time to fully document agreements related to implementing the settlement with Seadrill.

In November 2020, João Saraiva E Silva resigned as a Director of the Company after serving since December 2019.

Outlook

The Company continues to see a strengthening harsh environment market, specifically tightening demand for high specification premium drilling rigs.

Demand for natural resources continues to remain low due to the economic slowdown as a result of the global pandemic. The harsh environment market remains resilient and shows increased activities in the years to come. While this year and next may remain somewhat muted, the Norwegian tax incentives available to E&P companies, high barrier to enter the North Sea and client preferences for rigs with efficient and low environment impact drilling rigs is resulting in more competition for top tier assets.

The Company's fleet has invested and deployed low emission technologies, battery hybrid solutions and advanced drilling automation into its rigs. The Company aims to remain a leader in delivering safe, efficient and environmentally conscience operations while maintaining strong relationships with its stakeholders to navigate these challenging and uncertain times. The Company continues to see a strengthening harsh environment market, specifically tightening demand for high specification premium drilling rigs..

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 26, 2021

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

| 2019 Oct-Dec | 2020 Oct-Dec | CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS <i>(in thousands of \$)</i> | 2020 | 2019 |
|-------------------------|-------------------------|--|-----------------|----------------|
| 11,184 | 26,862 | Contract revenue | 86,849 | 11,184 |
| 2,108 | 2,145 | Reimbursable revenue | 7,142 | 2,108 |
| 756 | 247 | Other income | 621 | 756 |
| 14,048 | 29,254 | Total operating revenues | 94,612 | 14,048 |
| 13,300 | 19,851 | Rig operating expenses | 77,224 | 13,999 |
| 2,025 | 2,145 | Reimbursable expenses | 6,996 | 2,025 |
| 2,984 | 10,803 | Depreciation | 29,584 | 2,984 |
| 1,302 | 1,180 | Administrative expenses | 4,495 | 1,411 |
| 19,611 | 33,979 | Total operating expenses | 118,299 | 20,419 |
| (5,563) | (4,725) | Net operating loss | (23,687) | (6,371) |
| 95 | 5 | Interest income | 171 | 255 |
| (2,091) | (2,339) | Other financial income (expense) | (14,845) | (3,049) |
| (7,559) | (7,059) | Net loss before taxes | (38,361) | (9,165) |
| 931 | (419) | Tax | 1,853 | 931 |
| (6,628) | (7,478) | Net loss | (36,508) | (8,234) |
| (0.35) | (0.12) | Basic loss per share (\$) | (0.57) | (1.74) |

| 2019 Oct-Dec | 2020 Oct-Dec | CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS <i>(in thousands of \$)</i> | 2020 | 2019 |
|-------------------------|-------------------------|--|-----------------|----------------|
| (6,628) | (7,478) | Net loss | (36,508) | (8,234) |
| 13 | 57 | Foreign currency translation income | 59 | 13 |
| 13 | 57 | Other comprehensive income | 59 | 13 |
| (6,615) | (7,421) | Comprehensive loss | (36,449) | (8,221) |

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 <i>(in thousands of \$)</i> | Dec 2020 | Dec 2019 |
|--|------------------|------------------|
| ASSETS | | |
| Short term | | |
| Cash and cash equivalents | 37,471 | 53,895 |
| Restricted cash | 157 | 128 |
| Accounts receivable, net | 7,296 | 7,214 |
| Unbilled receivables | 8,913 | 15,671 |
| Related party receivables | 696 | 6,944 |
| Other current assets | 6,373 | 11,895 |
| Long term | | |
| Drilling units | 1,070,745 | 524,466 |
| Newbuildings | — | 480,011 |
| Fixtures and fittings | 1 | 2 |
| Deferred tax | 2,973 | 931 |
| Total assets | 1,134,625 | 1,101,157 |
| LIABILITIES AND EQUITY | | |
| Short term liabilities | | |
| Current portion of long term debt | 190,000 | 40,000 |
| Other current liabilities | 14,188 | 5,475 |
| Deferred revenue | 17,909 | 11,277 |
| Related party payables | 122,670 | 70,595 |
| Long term liabilities | | |
| Long term debt | 207,552 | 345,495 |
| Deferred revenue | 5,231 | 15,191 |
| Related party long term debt | 70,000 | 70,000 |
| Commitments and contingencies (Note 15) | | |
| Total equity | 507,075 | 543,124 |
| Total liabilities and equity | 1,134,625 | 1,101,157 |

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

NORTHERN OCEAN LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| 2019 Oct-Dec | 2020 Oct-Dec | CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (in thousands of \$) | 2020 | 2019 |
|-------------------------|-------------------------|--|-----------------|------------------|
| (6,628) | (7,478) | NET LOSS | (36,508) | (8,234) |
| | | Adjustment to reconcile net loss to net cash provided by (used in) operating activities; | | |
| 443 | 517 | Amortization of deferred charges | 2,057 | 1,345 |
| (1,471) | (4,181) | Amortization of deferred revenue | (12,101) | (1,471) |
| 2,984 | 10,803 | Depreciation | 29,584 | 2,984 |
| 13 | 57 | Unrealized foreign exchange loss | 59 | 13 |
| (931) | 229 | Tax | (2,043) | (931) |
| | | Change in operating assets and liabilities; | | |
| (7,214) | 534 | Receivables | (82) | (7,214) |
| (15,671) | 1,368 | Unbilled receivables | 6,758 | (15,671) |
| (11,556) | (2,920) | Other current assets | 5,343 | (11,586) |
| 4,119 | (11,676) | Other current liabilities | 6,871 | 4,119 |
| 4,265 | 30,627 | Related party balances | 5,784 | (6,713) |
| 16,960 | 7,014 | Deferred revenue | 8,773 | 27,939 |
| (14,687) | 24,894 | Net cash provided by (used in) operating activities | 14,495 | (15,420) |
| | | INVESTING ACTIVITIES | | |
| (25,187) | (33,921) | Additions to newbuildings and drilling units | (41,290) | (230,756) |
| (2) | — | Purchase of fixtures and fittings | — | (2) |
| (25,189) | (33,921) | Net cash used in investing activities | (41,290) | (230,758) |
| | | FINANCING ACTIVITIES | | |
| 98,300 | — | Net proceeds from share issuances | 400 | 98,300 |
| — | — | Proceeds from long term debt | 50,000 | 200,000 |
| (5,000) | (10,000) | Repayment of bank debt | (40,000) | (10,000) |
| — | — | Debt fees paid | — | (2,950) |
| 93,300 | (10,000) | Net cash provided by (used in) financing activities | 10,400 | 285,350 |
| 53,424 | (19,027) | Net change | (16,395) | 39,172 |
| 599 | 56,655 | Cash, cash equivalents and restricted cash at start of the period | 54,023 | 14,851 |
| 54,023 | 37,628 | Cash, cash equivalents and restricted cash at end of the period | 37,628 | 54,023 |

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

NORTHERN OCEAN LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <i>(in thousands of \$ except number of shares)</i> | 2020 | 2019 |
|---|-------------------|-------------------|
| Number of shares outstanding | | |
| Balance at beginning of period | 63,726,692 | 100 |
| Shares issued | 75,686 | 63,726,592 |
| Balance at end of period | 63,802,378 | 63,726,692 |
| Share capital | | |
| Balance at beginning of period | 63,727 | — |
| Shares issued | 76 | 63,727 |
| Balance at end of period | 63,803 | 63,727 |
| Additional paid in capital | | |
| Balance at beginning of period | 488,010 | — |
| Shares issued | 324 | 488,010 |
| Balance at end of period | 488,334 | 488,010 |
| Accumulated other comprehensive income | | |
| Balance at beginning of period | 13 | — |
| Other comprehensive income | 59 | 13 |
| Balance at end of period | 72 | 13 |
| Retained deficit | | |
| Balance at beginning of period | (8,626) | (392) |
| Net loss | (36,508) | (8,234) |
| Balance at end of period | (45,134) | (8,626) |
| Total equity | 507,075 | 543,124 |

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., or the Company, 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.

As of the date of this report, the Company owns two semi-submersible rigs, *West Mira* and *West Bollsta*, which were delivered to the Company in December 2018 and June 2019, respectively. The *West Mira* commenced its contract with Wintershall Norge AS ("Wintershall") on November 7, 2019. This contract is between Wintershall and a variable interest entity ("VIE") subsidiary of Seadrill Ltd ("Seadrill"), which the Company consolidates as it is deemed to be its primary beneficiary. On October 6, 2020, the *West Bollsta* commenced a 10 well drilling contract in Norway with Lundin Energy Norway AS ("Lundin"). This contract is between a wholly-owned subsidiary of Seadrill and Lundin. As part of an agreement reached on February 11, 2021 (see Note 16), Seadrill will retain the net earnings generated under the West Bollsta contract from commencement October 6, 2020 and up until March 1, 2021, including payments for client rebills and modifications. As a consequence of this, the Unaudited Condensed Consolidated Statement of Operations for the fourth quarter does not include any of the operating results of the West Bollsta drilling contract with Lundin. As the settlement is subject to definitive documentation duly executed by the parties, the Company has been unable to conclude on its accounting treatment at the date of this report.

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, securing funding for new rigs and maintaining sufficient operating liquidity. 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 operations of our customers. 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 and are significantly impacted by the price of oil, which can be very volatile. 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. The condensed consolidated financial statements do not include all of the disclosures required in the 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, 2019.

Going concern assumption

These condensed consolidated financial statements are prepared under the going concern assumption. The Company is dependent on loans and/or equity issuances and/or restructuring its net current liabilities to finance its loan obligations and working capital. On February 11, 2021 the Company announced it had reached an agreement in principle with Seadrill to settle outstanding balances. The settlement consists of quarterly instalments to be made through December 2021 and Seadrill will retain the *West Bollsta* net earnings under its contract through March 1, 2021. Total payments are expected to be \$45 million in 2021, including the instalments, management fees and other adjustments.

The settlement is subject to several conditions, including amendments to the Company's agreements with its secured lenders which are expected to include amortization relief and maturity extensions. The settlement is also conditional upon Seadrill

obtaining approval by the bankruptcy court under their Chapter 11 protection in the US. In connection with the settlement the Company has committed to raising \$30 million of new equity.

3. REVENUE FROM CONTACTS WITH CUSTOMERS

The following table provides information about receivables and contract liabilities from our contracts with customers at December 31, 2020:

| <i>(in thousands of \$)</i> | |
|---|--------|
| Accounts receivable, net | 7,296 |
| Unbilled receivables | 8,913 |
| Current contract liabilities (deferred revenue) | 17,909 |
| Non-current contract liabilities (deferred revenue) | 5,231 |

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.

| <i>(in thousands of \$)</i> | |
|---|----------|
| Total contract liabilities at December 31, 2019 | 26,468 |
| Deferred revenue accruing in the period | 8,773 |
| Amortization of deferred revenue | (12,101) |
| Total contract liabilities at December 31, 2020 | 23,140 |
| Current contract liabilities | 17,909 |
| Long term contract liabilities | 5,231 |

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.

Deferred tax

Deferred tax assets and liabilities are based on temporary differences that arise between carrying values of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes and the future tax benefits of tax loss carry forwards.

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

5. EARNINGS PER SHARE

The computation of basic earnings per share is based on the weighted average number of shares outstanding and net income (loss). The Company does not have any dilutive instruments. The components of the numerator and the denominator in the calculation are as follows;

| 2019 Oct-Dec | 2020 Oct-Dec | | 2020 | 2019 |
|-----------------|-----------------|---|----------|---------|
| (6,628) | (7,478) | Net loss (in thousands of \$) | (36,508) | (8,234) |
| 18,785 | 63,802 | Weighted average number of ordinary shares (in thousands) | 63,791 | 4,735 |

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 in the year ended December 31, 2020 may be summarized as follows:

| <i>(in thousands of \$)</i> | Cost | Accumulated depreciation | Net carrying value |
|------------------------------|-----------|-----------------------------|-----------------------|
| Balance at December 31, 2019 | 527,450 | (2,984) | 524,466 |
| Transfer from Newbuildings | 565,376 | | 565,376 |
| Additions | 10,487 | — | 10,487 |
| Depreciation | — | (29,584) | (29,584) |
| Balance at December 31, 2020 | 1,103,313 | (32,568) | 1,070,745 |

The depreciation charge in the year ended December 31, 2020 includes \$2.6 million that was incurred in the first quarter being the value of a lifeboat that was lost in bad weather in February 2020.

The *West Bollsta* commenced drilling under the Lundin contract on October 6, 2020 at which time its accumulated costs were transferred from Newbuildings to Drilling Units.

8. NEWBUILDINGS

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

| <i>(in thousands of \$)</i> | |
|--|-----------|
| Balance at December 31, 2019 | 480,011 |
| Mobilization costs | 76,516 |
| Newbuilding supervision fees and costs | 2,097 |
| Interest capitalized | 6,752 |
| Transfer to Drilling Units | (565,376) |
| Balance at December 31, 2020 | — |

The *West Bollsta* commenced drilling under the Lundin contract on October 6, 2020 at which time its accumulated costs were transferred from Newbuildings to Drilling Units.

9. OTHER CURRENT ASSETS

Other current assets at December 31, 2020 may be summarized as follows:

(in thousands of \$)

| | |
|--|-------|
| Reimbursable amounts due from customer | 2,145 |
| VAT receivable | 3,539 |
| Other | 689 |
| | 6,373 |

10. OTHER CURRENT LIABILITIES

Other current liabilities at December 31, 2020 may be summarized as follows:

(in thousands of \$)

| | |
|---------------------------------|--------|
| Accounts payable | 4,950 |
| Accrued administrative expenses | 5,455 |
| Accrued newbuilding expenses | 1,283 |
| Other payables | 747 |
| Accrued interest expense | 1,753 |
| | 14,188 |

11. DEBT

Debt at December 31, 2020 may be summarized as follows:

(in thousands of \$)

| | |
|---|-----------|
| U.S. dollar denominated floating rate debt: | |
| \$200.0 million term loan facility - <i>West Mira</i> | 170,000 |
| \$200.0 million term loan facility - <i>West Bollsta</i> | 180,000 |
| \$50.0 million term loan facility - <i>West Mira and West Bollsta</i> | 50,000 |
| Total debt | 400,000 |
| Short term debt | (190,000) |
| Deferred charges | (2,448) |
| Long term debt | 207,552 |

The outstanding debt as of December 31, 2020 is repayable as follows:

(in thousands of \$)

| | |
|------------|---------|
| Year 1 | 190,000 |
| Year 2 | 210,000 |
| Year 3 | — |
| Year 4 | — |
| Year 5 | — |
| Thereafter | — |
| | 400,000 |

In March 2020, the Company drew down \$50.0 million from its \$450.0 million secured term loan and revolving credit facility. Half of this drawdown amount is to be repaid in December 2021 being the maturity date of the West Mira term loan facility and half is to be repaid in June 2022 being the maturity date of the West Bollsta term loan facility.

In March 2020, the Company paid a quarterly installment due under the West Mira loan facility and a quarterly installment due under the West Bollsta loan facility, each in the amount of \$5.0 million.

In June 2020, the Company paid a quarterly installment due under the West Mira loan facility and a quarterly installment due under the West Bollsta loan facility, each in the amount of \$5.0 million.

In June 2020, an amendment and waivers to certain covenants were agreed with the lenders under the term loan facility effective through December 2020.

In September 2020, the Company paid a quarterly installment due under the West Mira loan facility and a quarterly installment due under the West Bollsta loan facility, each in the amount of \$5.0 million.

In December 2020, the Company paid a quarterly installment due under the West Mira loan facility and a quarterly installment due under the West Bollsta loan facility, each in the amount of \$5.0 million.

On December 30, 2020, the Company announced agreement with the lenders in its term loan facility to extend the amendment and waivers for certain covenants until February 26, 2021. The amendment and waivers allowed the Company to stay in compliance with its loan requirements while discussions continued regarding a potential settlement of outstanding project balances with Seadrill.

The Company is in compliance with all financial covenants as of December 31, 2020.

Assets pledged

| <i>(in thousands of \$)</i> | |
|-----------------------------|-----------|
| Drilling unit | 1,070,745 |
| Newbuildings | — |
| | 1,070,745 |

Deferred charges

| <i>(in thousands of \$)</i> | |
|-----------------------------|---------|
| Debt arrangement fees | 5,910 |
| Accumulated amortization | (3,462) |
| | 2,448 |

In the year ended December 31, 2020, amortization expense of \$2.1 million in respect of deferred charges was recorded in other financial expense in the condensed consolidated statement of operations.

12. SHARE CAPITAL

On February 6, 2020, Northern Drilling Ltd. ("Northern Drilling") 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. Northern Drilling offered its shareholders the opportunity to exchange up to 85% of their ownership in Northern Drilling at an exchange ratio of 2.0316 shares in Northern Drilling for one share in the Company. The exchanged shares in Northern Drilling were cancelled upon settlement.

On February 26, 2020, Northern Drilling announced that 91,422,966 of its shares were accepted in the exchange offer and exchanged with 45,000,100 shares in the Company that were owned by Northern Drilling. Following completion of the exchange offer, Northern Drilling does not hold any shares in the Company and 91,422,966 of Northern Drilling's shares were cancelled. Upon completion of the exchange offer, Hemen Holding Ltd owns 39.5% 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 (or \$0.4 million based on an exchange rate of NOK 9.27 to USD 1.00) 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.

13. FAIR VALUES

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

| <i>(in thousands of \$)</i> | Carrying Value | Fair Value |
|------------------------------|----------------|------------|
| Assets: | | |
| Cash and cash equivalents | 37,471 | 37,471 |
| Restricted cash | 157 | 157 |
| Liabilities: | | |
| Floating rate debt | 397,552 | 397,552 |
| Related party long term debt | 70,000 | 62,154 |

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

| <i>(in thousands of \$)</i> | Fair Value | Level 1 | Level 2 | Level 3 |
|------------------------------|------------|---------|---------|---------|
| Assets: | | | | |
| Cash and cash equivalents | 37,471 | 37,471 | — | — |
| Restricted cash | 157 | 157 | — | — |
| Liabilities: | | | | |
| Floating rate debt | 397,552 | — | 397,552 | — |
| Related party long term debt | 62,154 | — | — | 62,154 |

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.

14. 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 39.5% of the Company's outstanding ordinary shares at December 31, 2020. The Company transacts business with the following related parties, being companies in which Hemen Holding, or companies affiliated with Hemen Holding, has a significant interest - Seadrill Ltd, or Seadrill, Seatankers Management Co. Ltd, or Seatankers Management, Golden Ocean Management AS, or Golden Ocean, Frontline Management (Bermuda) Limited, or Frontline Management, and Northern Drilling Ltd or Northern Drilling.

Seadrill transactions

A wholly-owned subsidiary of Seadrill carried out the newbuilding supervision of the *West Bollsta* and charged a management supervision fee that was capitalized until initial operations commence. The *West Mira* commenced its drilling contract with Wintershall on November 7, 2019, and is charged a fixed fee for management services included in Rig Operating Expenses. The

West Mira contract is between Wintershall and Seadrill Northern Operations Ltd, a subsidiary of Seadrill Ltd, and a variable interest entity which the Company consolidates as it is deemed to be its primary beneficiary. In the year ended December 31, 2020 the Company was charged management fees from Seadrill in the amount of \$8.3 million.

Golden Ocean, Frontline and Seatankers Management transactions

The Company and its subsidiaries receive treasury, accounting, corporate secretarial and advisory services from these entities and was charged \$0.5 million in the year ended December 31, 2020.

Northern Drilling transactions

The Company provides management services to Northern Drilling and charged \$0.6 million in the year ended December 31, 2020.

Related party balances

A summary of balances due from related parties at December 31, 2020 is as follows:

| | |
|-----------------------------|-----|
| <i>(in thousands of \$)</i> | |
| Northern Drilling Ltd | 696 |
| Seadrill companies | — |
| | 696 |

A summary of balances claimed by related parties to be due to them at December 31, 2020 is as follows:

| | |
|-------------------------------|---------|
| <i>(in thousands of \$)</i> | |
| Seadrill companies | 122,498 |
| Seatankers Management Co. Ltd | 144 |
| Frontline companies | 28 |
| | 122,670 |

15. COMMITMENTS AND CONTINGENCIES

As of December 31, 2020, the Company had no capital commitments.

16. SUBSEQUENT EVENTS

On February 11, 2021, the Company announced that it had reached an agreement in principle with Seadrill to settle outstanding balances. Upon concluding the settlement, the Company is expected to be well positioned to continue operations on its two high specification harsh environment drilling rigs in the North Sea.

The settlement payments will be completed in two parts. Firstly, the Company will make certain quarterly instalment payments with the final payment due December 31, 2021. Total payments by December 2021 are expected to be approximately \$45 million, including management fee and other adjustments. Secondly, Seadrill will retain the net earnings generated under the West Bollsta contract from commencement October 6, 2020 and up until March 1, 2021, including payments for client rebills and modifications. As a consequence of this, the Unaudited Condensed Consolidated Statement of Operations for the fourth quarter does not include any of the operating results of the West Bollsta drilling contract with Lundin.

After March 1, 2021, the Company is expected to retain the net earnings from the West Bollsta contract and an operating structure similar to the West Mira is expected to be implemented, which includes consolidation of the West Bollsta drilling operations in the Company's group reporting.

The settlement is subject to several conditions, including amendments to the Company's agreements with its secured lenders which is expected to include amortization relief and maturity extensions. The settlement is also conditional upon Seadrill

obtaining approval by the bankruptcy court under their Chapter 11 protection in the US. As the settlement is also subject to definitive documentation duly executed by the parties, the Company has been unable to conclude on its accounting treatment at the date of this report.

In connection with the settlement the Company has committed to raise \$30 million of new equity.

In the second quarter 2020, the Company and its lenders agreed to amendments and waivers of certain covenants in the term loan facility. On February 25, it was agreed to further extend the waivers to provide time to fully document agreements related to implementing the settlement with Seadrill.