



NORTHERN OCEAN LTD. RESULTS FOR THE FIRST QUARTER 2021

Highlights - First Quarter

- 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 with Seadrill and other stakeholders.

Subsequent Event

- On May 4, 2021, the Company received a notice of termination from Wintershall DEA Norge AS (“Wintershall”) for the *West Mira* drilling contract, which was being managed by a Seadrill subsidiary in Norway. The notice follows an extended downtime period after an operational incident on March 19, 2021.

Results

In the first quarter, operating revenue was \$26.7 million compared to \$29.3 million in the previous quarter. The *West Mira* continued operations under contract and achieved technical utilization of 85% for the quarter. The *West Mira* was out of service for thirteen days in the quarter, mainly related to the operational incident on March 19, when, during the process of lowering production equipment to the well location in the Nova field, the rig experienced equipment failure resulting in the production equipment descending to the seabed. Contract revenue was \$24.7 million, reimbursable revenue was \$1.7 million and other revenue from the provision of management services was \$0.3 million in the quarter.

Total operating expenses were \$32.8 million compared to \$34.0 million in the previous quarter. Rig operating expenses were \$19.0 million, which is \$0.9 million lower than the previous quarter. Reimbursable expenses were \$1.6 million and depreciation was \$10.5 million. Administrative expenses were \$1.7 million in the quarter.

Other financial expenses were \$5.0 million compared with \$2.3 million in the previous quarter. Loan interest expense were \$4.9 million compared with \$5.0 million in the previous quarter. Amortization of deferred charges was \$0.5 million. There was a foreign exchange gain of \$0.4 million compared with \$3.1 million in the previous quarter due to a minor appreciation of Norwegian Kroner throughout the quarter.

The net loss in the first quarter was \$11.3 million resulting in a basic and diluted loss per share of \$0.18.

Business Update

In the first quarter 2021, the *West Bollsta* continued to work for Lundin Energy Norway AS (“Lundin”) in the Rolvsnes field and has firm contract term estimated to May 2022. While the *West Mira* experienced a downtime incident in late March and then subsequently received a notice of termination from Wintershall in May.

The *West Mira* has arrived safely at a shipyard near Bergen, Norway. The rig is being prepared for an idle period and the Company expects it to remain in Norway until another contract can be secured. The Company continues to work constructively with its Manager and other stakeholders to navigate these events, specifically the impact on the previously agreed in principle settlement with Seadrill.

Outlook

Despite the recent contract changes on the *West Mira*, the Company continues to see a strengthening harsh environment market.

The market is becoming increasingly more competitive with a limited number of high specification premium drilling rigs available. Global demand for natural resources is showing resilience and continuing its year-over-year increases despite lingering pandemic impacts. Recently more employment opportunities have emerged in the harsh environment, including in the UK and Canada, and most tenders have commencement dates within the next 12 months. The Company is planning to keep the *West Mira* in a condition ready to be employed, and remains positive that the high technical capabilities of the rig will attract near-term demand.

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
May 28, 2021

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

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS <i>(in thousands of \$)</i>	Jan 1 to Mar 31, 2021	Oct 1 to Dec 31, 2020	2020
Contract revenue	24,739	26,862	86,849
Reimbursable revenue	1,666	2,145	7,142
Other income	272	247	621
Total operating revenues	26,677	29,254	94,612
Rig operating expenses	18,965	19,851	77,224
Reimbursable expenses	1,629	2,145	6,996
Depreciation	10,451	10,803	29,584
Administrative expenses	1,716	1,180	4,495
Total operating expenses	32,761	33,979	118,299
Net operating loss	(6,084)	(4,725)	(23,687)
Interest income	2	5	171
Other financial expense	(5,005)	(2,339)	(14,845)
Net loss before taxes	(11,087)	(7,059)	(38,361)
Tax (charge) credit	(260)	(419)	1,853
Net loss	(11,347)	(7,478)	(36,508)
Basic loss per share (\$)	(0.18)	(0.12)	(0.57)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS <i>(in thousands of \$)</i>	Jan 1 to Mar 31, 2021	Oct 1 to Dec 31, 2020	2020
Net loss	(11,347)	(7,478)	(36,508)
Foreign currency translation (loss) gain	(73)	57	59
Other comprehensive (loss) income	(73)	57	59
Comprehensive loss	(11,420)	(7,421)	(36,449)

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>	Mar 2021	Dec 2020
ASSETS		
Short term		
Cash and cash equivalents	31,802	37,471
Restricted cash	129	157
Accounts receivable, net	6,865	7,296
Unbilled receivables	7,601	8,913
Related party receivables	894	696
Other current assets	7,072	6,373
Long term		
Drilling units	1,060,885	1,070,745
Fixtures and fittings	4	1
Deferred tax	2,748	2,973
Total assets	1,118,000	1,134,625
LIABILITIES AND EQUITY		
Short term liabilities		
Current portion of long term debt	195,000	190,000
Other current liabilities	10,680	14,188
Deferred revenue	15,999	17,909
Related party payables	123,602	122,670
Long term liabilities		
Long term debt	203,058	207,552
Deferred revenue	4,006	5,231
Related party long term debt	70,000	70,000
Commitments and contingencies (Note 15)		
Total equity	495,655	507,075
Total liabilities and equity	1,118,000	1,134,625

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 STATEMENT OF CASH FLOW <i>(in thousands of \$)</i>	Jan 1 to Mar 31, 2021	Oct 1 to Dec 31, 2020	2020
NET LOSS	(11,347)	(7,478)	(36,508)
Adjustment to reconcile net loss to net cash (used in) provided by operating activities:			
Amortization of deferred charges	506	517	2,057
Amortization of deferred revenue	(4,310)	(4,181)	(12,101)
Depreciation	10,451	10,803	29,584
Unrealized foreign exchange loss	(107)	57	59
Tax	260	229	(2,043)
Change in operating assets and liabilities;			
Receivables	430	534	(82)
Unbilled receivables	1,311	1,368	6,758
Other current assets	(699)	(2,920)	5,343
Other current liabilities	(917)	(11,676)	6,871
Related party balances	(541)	30,627	5,784
Deferred revenue	1,176	7,014	8,773
Net cash (used in) provided by operating activities	(3,787)	24,894	14,495
INVESTING ACTIVITIES			
Additions to newbuildings and drilling units	(1,910)	(33,921)	(41,290)
Net cash used in investing activities	(1,910)	(33,921)	(41,290)
FINANCING ACTIVITIES			
Net proceeds from share issuances	—	—	400
Proceeds from long term debt	—	—	50,000
Repayment of bank debt	—	(10,000)	(40,000)
Net cash (used in) provided by financing activities	—	(10,000)	10,400
Net change	(5,697)	(19,027)	(16,395)
Cash, cash equivalents and restricted cash at start of the period	37,628	56,655	54,023
Cash, cash equivalents and restricted cash at end of the period	31,931	37,628	37,628

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>	Jan 1 to Mar 31, 2021	2020
Number of shares outstanding		
Balance at beginning of period	63,802,378	63,726,692
Shares issued	—	75,686
Balance at end of period	63,802,378	63,802,378
Share capital		
Balance at beginning of period	63,803	63,727
Shares issued	—	76
Balance at end of period	63,803	63,803
Additional paid in capital		
Balance at beginning of period	488,334	488,010
Shares issued	—	324
Balance at end of period	488,334	488,334
Accumulated other comprehensive income		
Balance at beginning of period	72	13
Other comprehensive (loss) income	(73)	59
Balance at end of period	(1)	72
Retained deficit		
Balance at beginning of period	(45,134)	(8,626)
Net loss	(11,347)	(36,508)
Balance at end of period	(56,481)	(45,134)
Total equity	495,655	507,075

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 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 a drilling 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 May 4, 2021, Wintershall provided a notice of termination and the rig has been moved safely to a shipyard near Bergen, Norway. The Company is evaluating the impact on the previously agreed settlement with Seadrill and continues to work constructively with its stakeholders.

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 and consideration of this contract is contemplated as a component in the settlement with Seadrill. As a consequence of this, the Unaudited Condensed Consolidated Statement of Operations for the first quarter does not include any of the operating results of the West Bollsta drilling contract with Lundin.

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, 2020.

Going concern assumption

These consolidated financial statements are prepared under the going concern assumption. The Company is dependent on loans and/or equity issuances and/or restructuring its net current liabilities to finance its loan obligations and working capital, which raises substantial doubt about the Company's ability to continue as a going concern. On February 11, 2021 the Company announced it had reached an agreement in principle with Seadrill to settle outstanding balances. 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. The settlement has not yet been completed at the date of this report.

3. REVENUE FROM CONTACTS WITH CUSTOMERS

The following table provides information about receivables and contract liabilities from our contracts with customers at March 31, 2021:

(in thousands of \$)

Accounts receivable, net	6,865
Unbilled receivables	7,601
Current contract liabilities (deferred revenue)	15,999
Non-current contract liabilities (deferred revenue)	4,006

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, 2020	23,140
Deferred revenue accruing in the period	1,175
Amortization of deferred revenue	(4,310)
Total contract liabilities at March 31, 2021	20,005
Current contract liabilities	15,999
Long term contract liabilities	4,006

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;

	Jan 1 to Mar 31, 2021	Oct 1 to Dec 31, 2020	2020
Net loss (in thousands of \$)	(11,347)	(7,478)	(36,508)
Weighted average number of ordinary shares (in thousands)	63,802	63,802	63,791

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 three months ended March 31, 2021 may be summarized as follows:

<i>(in thousands of \$)</i>	Cost	Accumulated depreciation	Net carrying value
Balance at December 31, 2020	1,103,313	(32,568)	1,070,745
Additions	591	—	591
Depreciation	—	(10,451)	(10,451)
Balance at March 31, 2021	1,103,904	(43,019)	1,060,885

8. OTHER CURRENT ASSETS

Other current assets at March 31, 2021 may be summarized as follows:

<i>(in thousands of \$)</i>	
Reimbursable amounts due from customer	3,243
VAT receivable	2,209
Other	1,620
	7,072

9. OTHER CURRENT LIABILITIES

Other current liabilities at March 31, 2021 may be summarized as follows:

<i>(in thousands of \$)</i>	
Accounts payable	2,956
Accrued administrative expenses	5,159
Accrued newbuilding expenses	300
Other payables	540
Accrued interest expense	1,725
	10,680

10. DEBT

Debt at March 31, 2021 may be summarized as follows:

<i>(in thousands of \$)</i>	
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	(195,000)
Deferred charges	(1,942)
Long term debt	203,058

The outstanding debt as of March 31, 2021 is repayable as follows:

<i>(in thousands of \$)</i>	
Year 1	195,000
Year 2	205,000
Year 3	—
Year 4	—
Year 5	—
Thereafter	—
	400,000

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

On February 26, 2021, it was agreed to extend the certain covenant waivers (the "Covenant Waivers") until April 3, 2021. It was simultaneously agreed to waive the amortization payments of \$5.0 million becoming due on March 3, 2021 for the West Mira facility and the \$5.0 million becoming due on March 13, 2021 for the Bollsta Facility, until March 30, 2021 (together the "Amortization Waiver"). The aggregate amount of \$10.0 million (the "Amortization Amount") was set aside in an account secured on behalf of the lenders.

On March 30, 2021, both the Covenant Waivers and the Amortization Waiver were extended to April 15, 2021. The Amortization Amount remains in an account secured on behalf of the lenders.

Assets pledged

<i>(in thousands of \$)</i>	
Drilling unit	1,060,885
Newbuildings	—
	1,060,885

Deferred charges

<i>(in thousands of \$)</i>	
Debt arrangement fees	5,910
Accumulated amortization	(3,968)
	1,942

11. FAIR VALUES

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

<i>(in thousands of \$)</i>	Carrying Value	Fair Value
Assets:		
Cash and cash equivalents	31,802	31,802
Restricted cash	129	129
Liabilities:		
Floating rate debt	398,058	398,058
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	31,802	31,802	—	—
Restricted cash	129	129	—	—
Liabilities:				
Floating rate debt	398,058	—	398,058	—
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 (being total debt less the carrying value of deferred charges) - 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 39.5% of the Company's outstanding ordinary shares at March 31, 2021. 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.

Related party balances

Seadrill transactions

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 three months ended March 31, 2021 the Company was charged management fees from Seadrill in the amount of \$1.6 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 \$0.1 million in the three months ended March 31, 2021.

NODL transactions

The Company provides management services to NODL and charged \$0.2 million in the three months ended March 31, 2021.

A summary of balances due from related parties at March 31, 2021 is as follows:

<i>(in thousands of \$)</i>	
Northern Drilling Ltd	894
Seadrill companies	—
	894

A summary of balances claimed by related parties to be due to them at March 31, 2021 is as follows:

<i>(in thousands of \$)</i>	
Seadrill companies	123,493
Seatankers Management Co. Ltd	76
Frontline companies	33
	123,602

13. COMMITMENTS AND CONTINGENCIES

As of March 31, 2021, the Company had no capital commitments.

14. SUBSEQUENT EVENTS

On April 15, 2021, both the Covenant Waivers and the Amortization Waiver were extended until May 15, 2021. The Amortization Amount remains in an account secured on behalf of the lenders.

On March 26 2021 and April 26, 2021, the Company provided an update on an operational incident involving the *West Mira* on March 19, 2021. During the process of lowering production equipment to the well location in the Nova field, the rig experienced equipment failure resulting in the production equipment descending to the seabed. No one was injured in the incident and the well was secured with three barriers in place. On May 4, 2021, the Company received a notice of termination from Wintershall for the *West Mira* drilling contract, which was being managed by a Seadrill subsidiary in Norway. The notice follows an extended downtime period after an operational incident on March 19, 2021.

On May 12, 2021, both the Covenant Waivers and the Amortization Waiver were extended until June 3, 2021. The Amortization Amount remains in an account secured on behalf of the lenders.