

NORTHERN OCEAN LTD.
RESULTS FOR THE THIRD QUARTER AND NINE MONTHS
ENDED SEPTEMBER 30, 2021

Highlights - Third Quarter

- On August 8, 2021, the Company announced, with reference to its February 11, 2021 announcement, that it had signed an amended settlement agreement with Seadrill Ltd and its subsidiaries.

Subsequent Events

- On October 29, 2021, the Company announced the amended settlement agreement with Seadrill Ltd and its subsidiaries had been approved by the bankruptcy court in Seadrill's Chapter 11 process in the US. Certain conditions for the settlement agreement to become effective remain outstanding.

Results

In the third quarter, operating revenue was \$10.4 million compared to \$12.5 million in the previous quarter. Contract revenue was \$3.3 million, of which \$0.9 million relates to prior periods and a loss provision has been recorded against the full amount in this quarter. Reimbursable revenue was \$6.9 million and other revenue, primarily from the provision of management services, was \$0.2 million in the quarter.

Total operating expenses were \$30.6 million compared to \$35.3 million in the previous quarter. Rig operating expenses fell to \$9.3 million compared to \$18.1 million in the previous quarter as a consequence of no drilling activities in the third quarter. Reimbursable expenses were \$2.8 million and depreciation was \$10.8 million. A loss provision for doubtful accounts of \$5.4 million was recorded in the quarter. This amount comprises the revenues recorded in the third quarter and a full provision against the carrying value of trade receivables at the quarter end. Administrative expenses were \$2.4 million, which is \$0.9 million lower than the previous quarter primarily due to reduced legal fees.

Other financial expenses were \$6.3 million compared with \$5.3 million in the previous quarter. Loan interest expense and amortization of deferred charges were both the same as in the previous quarter at \$4.9 million and \$0.5 million, respectively. There was a foreign exchange loss of \$0.9 million compared with a nil balance in the previous quarter.

The net loss in the third quarter was \$26.1 million resulting in a basic and diluted loss per share of \$0.41 for the quarter.

Business Update

On August 8, 2021, the Company announced, with reference to its February 11, 2021 announcement, that it had signed an amended settlement agreement with Seadrill Ltd and its subsidiaries. The settlement closes all outstanding balances and claims between the companies, provides transition services for the Company's rigs, and requires bareboat lease payments on the *West Bollsta* to become payable from Seadrill to the Company, starting August 10, 2021. The settlement is subject to several conditions including approval by the bankruptcy court under Seadrill's Chapter 11 protection in the US, before bareboat lease payments will be made.

On October 29, 2021, the Company announced the amended settlement agreement with Seadrill Ltd and its subsidiaries had been approved by the bankruptcy court in Seadrill's Chapter 11 process in the US. While certain conditions for the settlement agreement to become effective remain outstanding at the date of this report, Seadrill paid \$5.2 million to the Company on November 1, 2021, in respect of the *West Bollsta* bareboat payments due for the period from August 10, 2021 to September 30, 2021.

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
November 26, 2021

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

2020 Jul-Sep	2021 Jul-Sep	CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (in thousands of \$)	2021 Jan-Sep	2020 Jan-Sep	2020
20,166	3,329	Contract revenue	38,944	59,987	86,849
1,069	6,935	Reimbursable revenue	9,685	4,997	7,142
163	154	Other income	1,005	374	621
21,398	10,418	Total operating revenues	49,634	65,358	94,612
20,266	9,252	Rig operating expenses	46,340	57,373	77,224
1,061	2,754	Reimbursable expenses	7,565	4,851	6,996
5,488	10,774	Depreciation	31,883	18,781	29,584
—	5,403	Provision for doubtful debts	5,403	—	—
1,265	2,432	Administrative expenses	7,466	3,315	4,495
28,080	30,615	Total operating expenses	98,657	84,320	118,299
(6,682)	(20,197)	Net operating loss	(49,023)	(18,962)	(23,687)
7	6	Interest income	9	166	171
(2,506)	(6,328)	Other financial expense	(16,652)	(12,506)	(14,845)
(9,181)	(26,519)	Net loss before taxes	(65,666)	(31,302)	(38,361)
1,064	380	Tax credit	3,019	2,272	1,853
(8,117)	(26,139)	Net loss	(62,647)	(29,030)	(36,508)
(0.13)	(0.41)	Basic and diluted loss per share (\$)	(0.98)	(0.46)	(0.57)

2020 Jul-Sep	2021 Jul-Sep	CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS (in thousands of \$)	2021 Jan-Sep	2020 Jan-Sep	2020
(8,117)	(26,139)	Net loss	(62,647)	(29,030)	(36,508)
8	(101)	Foreign currency translation (loss) gain	(100)	2	59
8	(101)	Other comprehensive (loss) income	(100)	2	59
(8,109)	(26,240)	Comprehensive loss	(62,747)	(29,028)	(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>	Sep 2021	Dec 2020
ASSETS		
Short term		
Cash and cash equivalents	5,880	37,471
Restricted cash	10,141	157
Accounts receivable, net	—	7,296
Unbilled receivables	—	8,913
Related party receivables	255	696
Inventory	825	—
Other current assets	3,190	6,373
Long term		
Drilling units	1,039,455	1,070,745
Fixtures and fittings	5	1
Deferred tax	5,928	2,973
Total assets	1,065,679	1,134,625
LIABILITIES AND EQUITY		
Short term liabilities		
Current portion of long term debt	399,086	190,000
Other current liabilities	6,050	14,188
Deferred revenue	5,195	17,909
Related party payables	138,059	122,670
Related party short term debt	70,000	—
Long term liabilities		
Long term debt	—	207,552
Deferred revenue	2,961	5,231
Related party long term debt	—	70,000
Commitments and contingencies (Note 13)		
Total equity	444,328	507,075
Total liabilities and equity	1,065,679	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

2020 Jul-Sep	2021 Jul-Sep	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of \$)	2021 Jan-Sep	2020 Jan-Sep	2020
(8,117)	(26,139)	NET LOSS	(62,647)	(29,030)	(36,508)
		Adjustment to reconcile net loss to net cash (used in) provided by operating activities;			
517	517	Amortization of deferred charges	1,534	1,540	2,057
(2,050)	(2,097)	Amortization of deferred revenue	(16,160)	(7,920)	(12,101)
—	5,403	Provision for doubtful debts	5,403	—	—
5,488	10,774	Depreciation	31,883	18,781	29,584
8	(10)	Unrealized foreign exchange (gain) loss	(35)	2	59
(1,064)	(380)	Tax	(3,019)	(2,272)	(2,043)
		Change in operating assets and liabilities;			
(2,263)	(2,596)	Receivables	1,892	(616)	(82)
6,220	39	Unbilled receivables	8,913	5,390	6,758
2,828	2,536	Other current assets	2,357	8,263	5,343
(5,412)	(3,464)	Other current liabilities	(4,529)	18,547	6,871
(14,435)	3,759	Related party balances	11,830	(24,843)	5,784
(2,531)	—	Deferred revenue	1,177	1,759	8,773
(20,811)	(11,658)	Net cash (used in) provided by operating activities	(21,401)	(10,399)	14,495
		INVESTING ACTIVITIES			
(1,884)	(75)	Additions to newbuildings and drilling units	(206)	(7,369)	(41,290)
(1,884)	(75)	Net cash used in investing activities	(206)	(7,369)	(41,290)
		FINANCING ACTIVITIES			
—	—	Net proceeds from share issuances	—	400	400
(10,000)	—	Proceeds from long term debt	—	50,000	50,000
	—	Repayment of bank debt	—	(30,000)	(40,000)
(10,000)	—	Net cash provided by (used in) financing activities	—	20,400	10,400
(32,695)	(11,733)	Net change	(21,607)	2,632	(16,395)
89,350	27,754	Cash, cash equivalents and restricted cash at start of the period	37,628	54,023	54,023
56,655	16,021	Cash, cash equivalents and restricted cash at end of the period	16,021	56,655	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>	2021 Jan-Sep	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	(100)	59
Balance at end of period	(28)	72
Retained deficit		
Balance at beginning of period	(45,134)	(8,626)
Net loss	(62,647)	(36,508)
Balance at end of period	(107,781)	(45,134)
Total equity	444,328	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, 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 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, which the Company does not consolidate, and Lundin. As a consequence of this, the Unaudited Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2021 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 unaudited condensed consolidated financial statements are stated in accordance with accounting principles generally accepted in the United States. The unaudited condensed consolidated financial statements do not include all of the disclosures required in annual and interim consolidated financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020.

Going concern assumption

These unaudited condensed consolidated financial statements are prepared under the going concern assumption. The Company is dependent on loans and/or equity issuances and/or 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.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about receivables and contract liabilities from our contracts with customers at September 30, 2021:

(in thousands of \$)

Accounts receivable, net	—
Unbilled receivables	—
Current contract liabilities (deferred revenue)	5,195
Non-current contract liabilities (deferred revenue)	2,961

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	1,176
Amortization of deferred revenue	(16,160)
Total contract liabilities at September 30, 2021	8,156
Current contract liabilities	5,195
Long term contract liabilities	2,961

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 and diluted 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;

2020 Jul-Sep	2021 Jul-Sep		2021 Jan-Sep	2020 Jan-Sep	2020
(8,117)	(26,139)	Net loss (in thousands of \$)	(62,647)	(29,030)	(36,508)
63,802	63,802	Weighted average number of ordinary shares (in thousands)	63,802	63,787	63,791

6. RESTRICTED CASH

Restricted cash consists of cash held in a restricted account for payroll taxes and unpaid loan payments, as agreed with the banks, of \$5.0 million that was due on March 3, 2021 for the West Mira facility and \$5.0 million that was due on March 13, 2021 for the Bollsta Facility.

7. DRILLING UNITS

Movements in the carrying value of Drilling units in the nine months ended September 30, 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	593	—	593
Depreciation	—	(31,883)	(31,883)
Balance at September 30, 2021	1,103,906	(64,451)	1,039,455

8. OTHER CURRENT ASSETS

Other current assets at September 30, 2021 may be summarized as follows:

<i>(in thousands of \$)</i>	
Deposit held	1,073
VAT receivable	1,215
Other	902
	3,190

9. OTHER CURRENT LIABILITIES

Other current liabilities at September 30, 2021 may be summarized as follows:

<i>(in thousands of \$)</i>	
Accounts payable	1,812
Accrued administrative expenses	1,661
Other payables	921
Accrued interest expense	1,656
	6,050

10. DEBT

Debt at September 30, 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
Deferred charges	(914)
Short term debt	399,086
Long term debt	—

The outstanding debt as of September 30, 2021 is repayable as follows:

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

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.

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 May 13, 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.

On June 3, 2021, both the Covenant Waivers and the Amortization Waiver were extended until July 9, 2021. The Amortization Amount remains in an account secured on behalf of the lenders.

On July 8, 2021, both the Covenant Waivers and the Amortization Waiver were extended until August 16, 2021. The Amortization Amount remains in an account secured on behalf of the lenders.

On August 11, 2021, both the Covenant Waivers and the Amortization Waiver were extended until September 3, 2021. The Amortization Amount remains in an account secured on behalf of the lenders.

On September 1, 2021, both the Covenant Waivers and the Amortization Waiver were extended until October 15, 2021. The Amortization Amount remains in an account secured on behalf of the lenders.

Assets pledged

<i>(in thousands of \$)</i>	
Drilling units	1,039,455

Deferred charges

<i>(in thousands of \$)</i>	
Debt arrangement fees	5,910
Accumulated amortization	(4,996)
	914

11. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of September 30, 2021 are as follows:

<i>(in thousands of \$)</i>	Carrying Value	Fair Value
Assets:		
Cash and cash equivalents	5,880	5,880
Restricted cash	10,141	10,141
Liabilities:		
Floating rate debt	399,086	399,086
Related party short term debt	70,000	59,084

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	5,880	5,880	—	—
Restricted cash	10,141	10,141	—	—
Liabilities:				
Floating rate debt	399,086	—	399,086	—
Related party short term debt	59,084	—	—	59,084

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 short 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 September 30, 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, Sterna Finance Ltd, or Sterna, 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 was 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 nine months ended September 30, 2021 the Company was charged management fees from Seadrill in the amount of \$2.6 million.

Golden Ocean, Frontline and Seatankers transactions

The Company and its subsidiaries receive treasury, accounting, corporate secretarial and advisory services from these entities and was charged \$0.4 million in the nine months ended September 30, 2021.

Northern Drilling transactions

The Company provides management services to Northern Drilling and charged \$0.9 million in the nine months ended September 30, 2021.

A summary of balances due from related parties at September 30, 2021 is as follows:

<i>(in thousands of \$)</i>	
Northern Drilling Ltd	255

A summary of balances claimed by related parties to be due to them at September 30, 2021 is as follows:

<i>(in thousands of \$)</i>	
Sadrill companies	137,995
Seatankers Management Co. Ltd	50
Frontline companies	14
	138,059

The \$70.0 million loan from Sterna is repayable on June 19, 2022.

13. COMMITMENTS AND CONTINGENCIES

As of September 30, 2021, the Company had no capital commitments.

14. SUBSEQUENT EVENTS

On October 29, 2021, the Company announced the amended settlement agreement with Sadrill Ltd and its subsidiaries had been approved by the bankruptcy court in Sadrill's Chapter 11 process in the US. While certain conditions for the settlement agreement to become effective remain outstanding at the date of this report, Sadrill paid \$5.2 million to the Company on November 1, 2021, in respect of the West Bollsta bareboat payments due for the period from August 10, 2021 to September 30, 2021.

On October 13, 2021, both the Covenant Waivers and the Amortization Waiver were extended until November 21, 2021. The Amortization Amount remains in an account secured on behalf of the lenders.

On November 19, 2021, the lenders in the term loan facilities agreed certain changes as follow;

- a. the instalments under each of the West Mira and West Bollsta facilities with due dates in March 2021, June 2021 and September 2021 (in aggregate \$30.0 million),
 - b. the \$5.0 million instalment under the West Bollsta facility with due date in December 2021,
- are deferred until January 17, 2022 and that the maturity date of the West Moira facility is extended from December 3, 2021 until January 21, 2022. In addition, certain changes were made to the financial covenants.